

**Service Marketing: A practical approach**  
**Prof. Dr. Biplab Datta**  
**Vinod Gupta School of Management**  
**Indian Institute of Technology-Kharagpur**

**Lecture-08**  
**Understanding the Macro-Environment-II**

Hello there. Welcome to the session on services marketing a practical approach my name is Dr. Biplab Datta and here are my contact details. So once you go through this video, if you have some feedbacks please write in to my e-mail and I will definitely answer you as much as possible.

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[Lesson 8 Understanding the Micro Environment - II](#)

[Understanding our Customers](#)

[Understanding our Competitors](#)

[Understanding our Collaborators](#)

In the last class we saw understanding the micro environment part-I. In this lesson, lesson no8. we are trying to understand the other parts of micro environment namely understanding our customers, understanding our competitors, and understanding our collaborators, so understanding our customers, while understanding our customers we have to understand customer needs so what functional needs does the service fulfil?

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# Understanding our Customers

## Understanding Customer Needs

- What functional needs does the service fulfil?
- What jobs does it do to make consumers' life easier or better?
- What meaning does the service bring to the consumer' lives?
- In what rituals or traditions does the service play an important role?
- How does it help build the identities of consumers?
- How does the service connect consumers to others in the social world?
- How does it help consumers fulfil their important social roles?
- How does the service make consumers feel?
- What emotions are associated with the purchase and consumption of the service?

What jobs does it do to make consumers life easier or better? What meaning does the service bring to the consumer lives? what meaning does the service bring to the service play an important role? In what rituals or traditions does the service play an important role, how does it help build the identities of consumers, how does the service connect consumers to others in the social world, how does it help consumers fulfil their important social roles.

How does the service make consumer feel, what emotions are associated with the purchase and consumption of the services these are some of the questions whose answers would let us know the needs of the customers. Now types of services provided to satisfy fundamental human being.

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Types of Services Provided to Satisfy Fundamental Human Needs	
Need	Types of Services
Subsistence	Food Services and Drinking Places Retail services Marketing services like Advertising, Trade Shows, Public Relations, etc. Employment Services
Protection	Warehousing and storage services Finance, Accounting, Tax preparation, Book-keeping, Payroll and Insurance Investigation and Security Services Repair and Maintenance services Personal Care and Personal services including Death care services Real Estate and Accommodation services Rental and Leasing services Parking Lots and Garage services Services to Buildings and Dwellings including Waste Management and Remediation Services Health Care, including Dental and support services Social and Domestic Assistance Dry-cleaning and Laundry Services Pet Care and Veterinary Services Management of Companies and Enterprises Administrative, Business and Facilities Support Services Civic services




So we have talked about fundamental human needs in an earlier lesson. Now we will see the different types of services that can satisfy fundamental human needs. So, first need is subsistence and the types of services are food services and drinking places, retail services, marketing services like advertising, Trade shows, Public relations, etc., and employment services. So, these are some of the services which can satisfy the need for subsistence, when we need for protection. So, warehousing and storage services, Finance, accounting, tax preparation, book keeping, payroll and insurance, investigation and security services.

Repair and maintenance services , personal care and personal services including death care services, real estate and accommodation services, Rental and leasing services, parking lots and garage services , services to buildings and dwellings including waste management and remediation services, health care, including dental and support services social and domestic assistance dry-cleaning and laundry services Pet Care and Veterinary Services.

Management of companies and enterprises administrative, business and facilities Support Services and Civil Services. So, all the Services provide some kind of production and helps satisfied these fundamental needs of human being.

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Needs	Types of Services
Affection	Photographic and Photo-finishing services Dating, Marriage and Gifting services
Understanding	Management, Environmental, Scientific and Technical Consulting services Translation and Interpretation services Education Services
Participation	Passenger and goods transportation by various modes including scenic and sightseeing transportation and support activities like travel arrangement, reservation, etc. Telecommunication services
Leisure	Motion Picture and Video Exhibitions, Record production and Distribution Museums, Historical Sites, Amusement Parks and Arcades and Performing Arts, Spectator Sports, Gambling and other Recreation facilities
Creation	Publishing in print and electronic mediums including broadcasting services Architecture, Engineering, Interior Design, Industrial design, Landscape design, Surveying, Building Inspection, Drafting and associated services Graphic design services Scientific Research and Development Services
Identity	Religious services Association services
Freedom	Legal services Grant-making services



Next is the need of affection, so the services like photographic and photo-finishing services, dating, marriage and gifting services. These satisfy the peoples need for affection. Management, environmental, scientific and technical consulting services, Translational and interpretation services and education services. These helping understanding the need for

human beings to understand services. And the fundamental need for participation so passenger and goods transportation by various modes including scenic and sightseeing transportation and support activities like travel arrangement and reservation, etc.,

And telecommunication services, this help human beings in their need for participation. Then the need for leisure, so motion pictures and video exhibitions, record production and distribution museums, historical sites, amusement parks and arcades and performing arts, spectator sports, gambling and other recreation facilities. This will satisfy the peoples fundamental need for leisure.

Then publishing in print and electronic mediums including broadcasting services, architecture, engineering, interior design, Landscape design, surveying, building Inspection, Drafting and associated services and scientific research and development services are some of the services which can help to satisfy the human need for creation. The religious services and association services satisfy the human need for identity. Legal services and grant making services and help the human need for freedom.

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#### Analysing Customers' Decision Making Process

- **Problem Recognition:** When, where and how consumer's needs arise, i.e. the situational, social or marketing stimulus that makes a consumer realise that he/she has a problem or need that has to be fulfilled
- **Information Search:** Understanding the sources of information that consumer use to find alternatives to fulfilling their needs. These sources include media (television, newspapers, billboards, celebrities, salesperson), friends, Internet, family, retailers and opinion leaders. Which social groups are the reference for a consumer for a particular purchase?
- **Evaluation of Alternatives:** Understanding the rational and irrational attributes and their respective importance that consumers use to evaluate alternative options to satisfy their need. While some consumers may give more importance to service quality, others may give more importance to price.
- **Purchase Decision:** Understanding where does the consumer go to make the purchase. What situations inside or outside the servicescape (long queues, no seating) can encourage or dissuade the consumer to make the purchase elsewhere.
- **Post Purchase Evaluation:** Understanding how the consumer assesses the service after consuming it. How satisfied/dissatisfied are they after consuming the service? What regrets or doubts does the consumer have regarding the consumption experience and outcome? Does the consumer use the service or wish to transfer it in another person's favour.

Now we type analyse customer's decision making process while purchasing a services. So first decision making process is problem recognition followed by information search, Evaluation of alternatives, purchase decision and post purchase evaluation. So, now we look at detail about these five steps in customer's decision making process. So, problem recognition, when, where and how consumer's needs arise, that is the situational, social and

marketing stimulus that makes a consumer realise that he or she has a problem or need that has to be fulfilled.

For example a person feels warm in his home and then he decides to purchase ceiling fan or an air-cooler or air-condition. So, he recognises a problem and he goes for buying a product. Similarly he might recognise the problem with his health and he like and he would like to go and he visit a doctor for getting health services. Then, comes the information search, so, understanding the sources of information that consumers use to find the alternatives to fulfil their consumer needs.

These sources include media like television, news paper, billboards, celebrities, sales person, friends, internet, family, retailers and opinion leaders. Which social groups are the references for a consumer for a particular purchase? So, let us see that the consumer having understood his problem like give the example human being might feel that he is not healthy and something wrong with his health then he would search out the hospitals or health centres or doctors nearby and he would visit one of the doctors and receive medical attention. So, he searches for information.

And that is one point where marketers can provide information or details of information to customers. So that they can access their particular service, and get the benefit of that. Then evaluation of alternatives, understanding the rational and irrational attributes and their respective importance that consumers use to evaluate alternative options to satisfy their need. While some consumers may give more importance to service quality.

Others may give more importance to price. So, customers would like to evaluate the alternatives which arouse out of the information search, and while doing that evaluation of alternatives. They would have several they might use some juristic rule of thumb to visit to buy a particular service or not buy a particular service. Then comes to purchase decision, so understanding where does consumer go to make the purchase.

What situations inside or outside the servicescape long queues, no seating can encourage or dissuade the customer to make the purchase elsewhere. So, when a customer goes to a post office and finds that there is no air-conditioning in the post office. He would like to instruct

get the service from the courier company which has a air-conditioned office. So, he would like to, his purchase decision is influenced by whether there is a good environment.

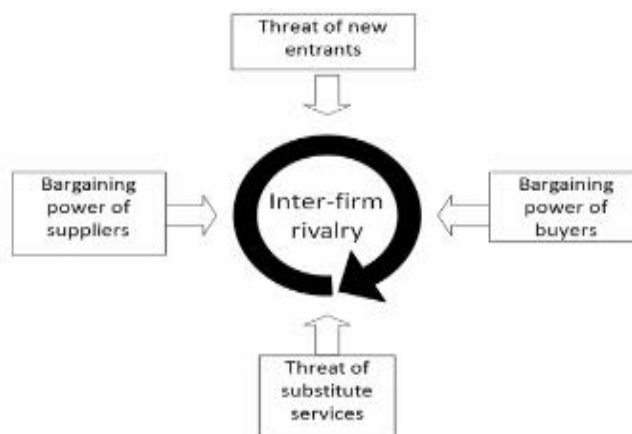
In the shameless proof for restaurant people would like to visit and pay more for a restaurant service which is in a very wonderful environment with air-conditioning and with light music then to such restaurant where these are absent .So that is how the customers makes the purchase decisions.

Post purchase evaluation understanding how the customer assesses the service of the consuming it. How satisfied or dissatisfied are they after consuming this service?.What regrets or doubts does the consumer have regarding the consumption experience and outcome?. Does the consumer use the service or wish to transfer it in another person's favour. So after purchase the consumer would have post purchase dissonance.

He would start filling that his not made as a smart purchase and he would like to compare similar purchase by other people and accordingly he would conclude a decision, whether he has done the right thing the particular service or whether he would purchase this service from somewhere else or someone else.

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## Understanding our Competitors



The 5 Forces that shape Competition

Then we come to the issue of understanding our competitors. Now while we try to understand our complete Michael porter role about the 5 forces which affect the company. These 5 forces are inter-farm rivalry, Now firstly there is a companies say a company called NIRULAS which is used to provide fast four in Delhi. Now this NIRULAS was the premium service provider in the fast food business.

But then McDonald's entered and McDonald purchase or bought shops exactly very close to the NIRULAS and the people from NIRULAS then move to McDonalds and the NIRULAS had to be ultimately shutdown. So this is the Inter-farm rivalry within the industry and service providing company has to deal with this inter-farm rivals in the industry. Then there are threat of new entrants, threat of substitute services.

Bargaining power of suppliers. Firstly bargaining power of buyers, they would bargain from the company that they want the production services at a cheaper price. They would say that search services are available elsewhere cheaper and therefore this company should provide them the services at a lower price. Then there is the bargaining power of suppliers, now suppliers supply the raw materials to the service part.

And they would tell this service part that since they are the premium suppliers to the part. They would like to have more additional prices for the services. And they would pressurise the firm like that. Then there is a threat of new entrants and the threat of substitute services. So if the entry barriers are low then the new entrants in the business would quickly setup shop and would make the incomer service provider uncomfortable with low sales.

Then there is the threat of substitute services. For example if postal service in the country is the company we focus on, then we see that it has threat from substitute services like e-mail. So e-mail is a substitute to the postal services of a post office or a courier company. So, these are the five different threats that a company finds from five different types of competitors.

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## The 5 Forces that shape Competition

We may think that our company will have direct competition that we have to adjust to. For instance, if our company is in fast food business, we may think that our competitors are McDonald's or Pizza Hut or KFC.

However, Michael Porter wrote in 2008 that any company faces five competitive forces as illustrated in the previous slide.

Direct competition comes from established rivals.

Customers can be a source of competitive force as they search and shop for the best deals available and drive down prices.

We cannot provide services without the raw materials provided by our suppliers. Suppliers might wield enough power to raise the prices of equipment and materials. Our labour force, the supplier of manual labour, which is very important in a service industry, may be unionised and negotiate for higher wages from time to time.

It might be easy to start a new business in the fast-food industry, so, we can receive competition from new entrants.

Lastly, we get competition from substitute services, for instance, a formidable competition to a fast-food business is home food itself!



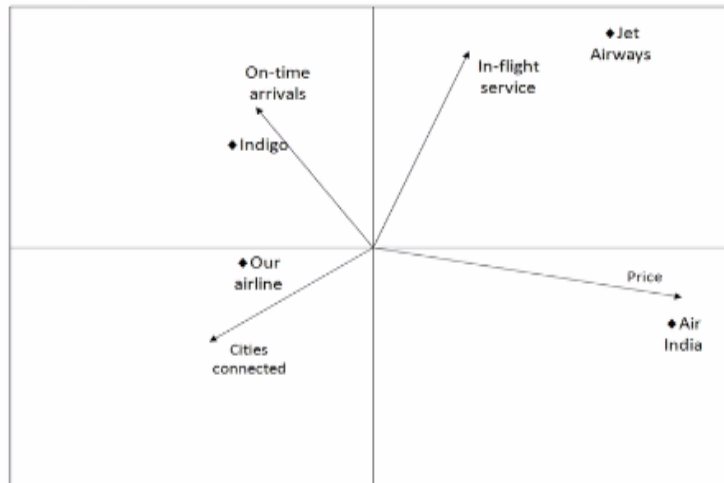
The five forces that shape competition, again we see some more examples. So, we may think that our company will have direct competition that we have to adjust to. For instance, if our company is in fast food business, we may think that our competitors are McDonald's or Pizza Hut or KFC. However, Michael Porter wrote in 2008 that any company faces five competitive forces as illustrated in the previous slide.

Direct competition comes from established rivals. Customers can be a source of competitive force as they search and shop for the best deals available and drive down prices. We cannot provide services without the raw materials provided by our suppliers. Suppliers might wield enough power to raise the prices of equipment and materials. Our labour force, the supplier of manual labour, which is very important in a service industry.

May be unionised and negotiate for higher wages from time to time. It might be easy to start a new business in the fast-food industry, so, we can receive competition from new entrants easily. Lastly, we get competition from substitute services, for instance, a formidable competition to a fast-food business is home food itself.

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Perceptual Map showing the Positioning of Airlines

So, this is the perception map that shows the positioning of airline services in the world. Now here what is happening is that we statistically draw a perceptual map from the attributes of a particular airline services and we find here that there are four important coordinates that is on-time arrivals, in-flight service, price and cities connected. Here indigo is famous for on-time arrivals.

Jet airways is somewhere hired in in-flight service, Air India is low price carrier or high price carrier or high price carrier in some sectors and our airlines could be very much place on cities connected. So, that our airlines instead of following a hub and spoke model can follow a destination to destination kind of service. So, this is the way the airlines can be positioned on perceptual map.

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## Understanding our Collaborators

Our business collaborators include our suppliers, franchisees, distributors, promoters, advertisers, key influencers, media, financial partners, and others who complement our business.

If we provide training services, a firm providing placement services can be our complements.

Both the firms can learn from each other in order to develop participants for placement in companies that need their skill sets.

We must understand how each collaborator benefits from the relationship that they have with us and what we can expect from them in return.

Then we come to understanding our collaborators. So, our business collaborators include our suppliers, franchises, distributors, promoters, advertisers, key influencers, media, financial partners, and others who complement our business. If we provide training services, affirm providing placement services can be our complements. Both the firms learn from each other in order to develop participants for placements in companies that need their skill sets.

We must understand how each collaborator benefits from the relationship that they have with us and what we can expect from them in return.

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So, here are the references for the previous 2 lessons you can read them and you can also follow them in the internet. Thank you watching this video. Have a Good Day.