

# MMK251 → SERVICES MARKETING

## CHAPTER 1 – MARKETING IN THE SERVICE ECONOMY

### SERVICES DEFINED

*‘Something that may be bought and sold but cannot be dropped on your foot’*

*‘Economic activities between two parties – where value is created for both buyer and seller’*

1. An intangible act, performance or experience that one can offer to another which doesn't result in the ownership of anything, but can create value for recipient. Its production may or may not be tied to a physical product.
2. Processes (economic activities) that provide ... to the receiver:
  - a. Time Value – *catching an uber, employing a cleaner*
  - b. Place Value – *internet banking, using a mobile phone*
  - c. Form Value – *visiting a hairdresser or a doctor*
  - d. Problem Solving – *getting knee surgery* (performance to solve a problem)
  - e. Experiential Value – *purchasing a holiday*

### VALUE CREATION

- People buy services because they are looking for desired results – functional and experiential – they expect to obtain value from their purchase in exchange for their time, money and effort
- Services are *solutions to prospective customers needs*

#### ***The Value Creation And Delivery Process***

##### *Choose the Value*

Segments, positioning, market focus, unique value proposition



##### *Create the Value*

Service quality, price, customer service, website, channel strategy



##### *Communicate the Value*

Advertising, PR, selling, web service encounters

### SERVICE DOMINANT LOGIC (S-D LOGIC)

- S-D Logic suggest that value created from a physical good is not the good itself but created by value in use – customer for services and goods are co-creators of value
- *EXAMPLE* – someone being lazy in a fitness class and not pushing themselves will gain little value compared to someone who participates at 100%

## POWERFUL FORCES HAVE TRANSFORMED THE SERVICE ECONOMY

1. **The Hollowing Out Effect** – the shift in employment patterns in industrialised economies
2. **Deregulation and Privatisation** – industries such as banking and airlines; the result is increased competition therefore marketing needs to be used to create advantage
3. **Social Changes** – increased demand for more and better services with an aging population and increased dual income families who tend to be time poor
4. **Professional Services and Franchises** – relaxing bans on advertising and promotional activities creating more advertising freedom

## GENERIC DIFFERENCES BETWEEN GOODS AND SERVICES

Five commonly cited generic differences between goods and services:

1. **Intangibility** – difficult for consumers to evaluate quality because they cannot touch, taste or smell, or even see and hear a service; intangibility introduces an element of perceived risk
2. **Inseparability** – the service provider and the consumer co-produce the service
3. **Variability** – difficult to maintain a uniform standard of service quality
4. **Perishability** – services are performances or experiences, which means that they cannot be stored after production to be used later to satisfy customer demand
5. **Ownership** – service personnel and their performance cannot be owned by the customer

## HOW DO SERVICES DIFFER FROM ONE ANOTHER?

- The degree of tangibility/intangibility of service processes
- Who or what is the direct recipient of service processes
- The place of service delivery
- Customisation versus standardisation
- Relationships with customers
- Discrete versus continuous services
- High contact versus low contact