

## Lecture 1: Introduction to Services Marketing

- The service sector accounts for 75% of Australia's economic activity.

### New Trends in Services Marketing

- **“Hollowing out” Effect:** outsourcing of service tasks to low-wage economies
- **Deregulation & Privatisation:** some industries now have minimal constraint on competitive activity
- **Emergence & Growth of a Global Middle Class:** effect on the demand for services such as entertainment, hospitality, travel, fitness etc.
- **Automation & Self-service:** methods of service delivery that are used to decrease labour costs
- **Internet of Things:** “the interconnection via the Internet of computing devices embedded in everyday objects, enabling them to send and receive data.”
- **Social Media & Digital Revolution:** they affect promotional strategies as well as the way consumers search for services/goods and... give feedback!

### Important Concepts in Services Marketing

Marketing is all about delivering value to customers in the form of products. But products can be classified either goods or services.

- Goods are objects, devices, or things – in other words, you can touch, feel, smell, and taste goods.
- Services are deeds, efforts, or performances – in other words, you cannot tangibly touch, feel, smell, and taste services.

### The Service-Dominant Logic

- Are goods merely **service-delivery mechanisms**, or merely means to an end to provide value to customers that is predominantly based on services?

### Service as a Means of Differentiation

- The underlying good is often the same among competitors. What distinguishes one firm from another is the service it provides.

### Important Concepts in Services Marketing

There are Four Characteristics that distinguish Services from Goods:

- Intangibility
- Inseparability
- Heterogeneity
- Perishability

## Intangibility

Have you ever felt a service?

They are performances rather than objects, so they can't be touched or sensed.

### Problems:

- Lack of service inventories
- Lack of patent protection
- Difficulties involved in displaying and communicating the attributes of the service to its intended target market
- Pricing of services

**The scale of market entities:** it presents products along a dimension from tangible dominant to intangible dominant.

## Inseparability

Is the service provider providing a service? Or is he/she the service?

It reflects the interconnection among the service provider, the customer involved in receiving the service and other consumers sharing the same experience.

### Problems:

- Execution of the service that requires the physical presence of the service provider
- Customer involvement in the delivery process
- Service experience shared among a number of customers
- Issues resulting from the mass production of services

## Heterogeneity

- Each service experience is different each time, for each customer.
- It reflects the variation in consistency from one service transaction or encounter to the next
- **Problems:**
  - Consistency in performance/quality

## Perishability

- You can't store services, so it's hard to manage supply and demand.
- It refers to the idea that services can't be saved, their unused capacity can't be reserved and they can't be inventoried.
- **Problems:**
  - Matching supply and demand
  - Pricing strategies to match supply and demand

How can we solve the problems of inseparability, heterogeneity, perishability and intangibility?

| Inseparability  | Heterogeneity   | Perishability  | Intangibility  |
|---|---|--|--|
| <ul style="list-style-type: none"> <li>Emphasis on the selection and training of customer contact personnel</li> <li>Implementation of customer management strategies that facilitate a positive service encounter for all the customers sharing the same service experience</li> <li>Use of multisite location to offset mass-production challenges</li> </ul> | <ul style="list-style-type: none"> <li><b>Customisation</b> = meeting each customer's individual needs</li> <li><b>Standardisation</b> = producing a consistent service product from one transaction to the next</li> </ul> | <ul style="list-style-type: none"> <li>Creative pricing</li> <li>Reservation systems to smooth demand fluctuations</li> <li>Development on non-peak demand</li> <li>Development of complementary services</li> <li>Part-time employee utilisation</li> <li>Capacity sharing: service cooperative with other service providers</li> </ul> | <ul style="list-style-type: none"> <li>Use of tangible cues</li> <li>Use of personal sources of information to spread word</li> <li>Creation of strong organisational images to diminish perceived risk</li> </ul> |

### Classification of Services (based on the Type of Process)

A process is a particular method of operation or a series of actions, typically involving multiple steps that often need to take place in a defined sequence.

| Nature of the Service Act | Who or What Is the Direct Recipient of the Service?  |   |
|---------------------------|--|---|
|                           | People   | Possessions   |
| Tangible Actions          | <b>People processing</b><br>(services directed at people's bodies): <ul style="list-style-type: none"> <li>Hairstylist</li> <li>Passenger Transportation</li> <li>Health Care</li> </ul> | <b>Possession processing</b><br>(services directed at physical possessions): <ul style="list-style-type: none"> <li>Freight Transportation</li> <li>Laundry and Dry Cleaning</li> <li>Repair and Maintenance</li> </ul> |
| Intangible Actions        | <b>Mental stimulus processing</b><br>(services directed at people's mind): <ul style="list-style-type: none"> <li>Education</li> <li>Advertising PR</li> <li>Psychotherapy</li> </ul>    | <b>Information processing</b><br>(services directed at intangible assets): <ul style="list-style-type: none"> <li>Accounting</li> <li>Banking</li> <li>Legal Services</li> </ul>  |

### The 7Ps Model

There are the 4 Ps for goods: product, place, promotion, and placement. The same 4 Ps also apply to services, but there are an additional 3 Ps, forming the extended services marketing mix.

- Process** refers to the entire organization and systems, including overall management, policies, and procedures involved in providing services.
- People** refer to both the employees and customers that come together to provide services.
- Physical evidence** refers to the tangible elements of services

## Lecture 2: Consumer Decision Making Process and Employees

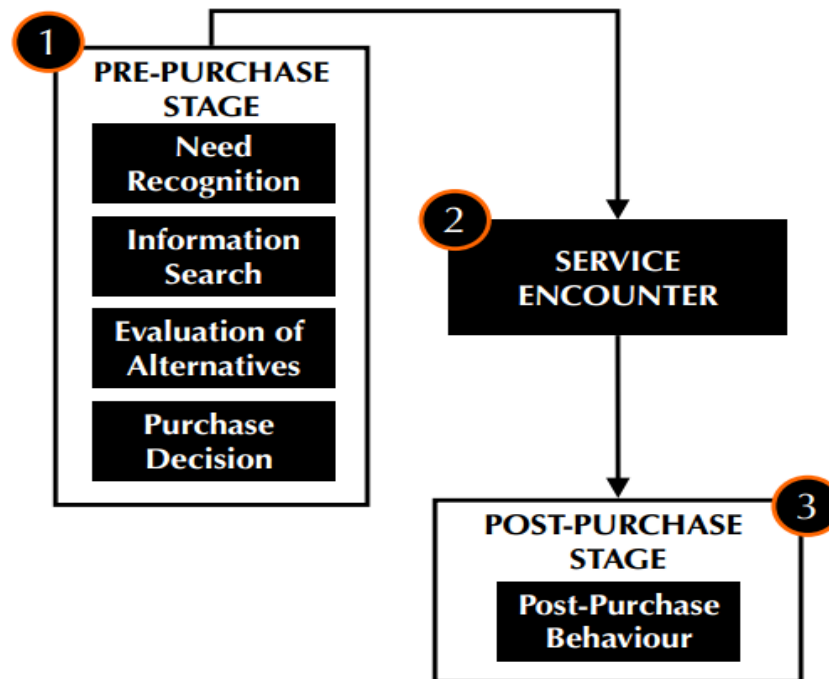
### What is Customer Behaviour?

We know that customers play an important role in the delivery of services. But, how do we define their role and participation?

- The dynamic interaction of affect and cognition, behaviour, and the environment in which human beings conduct the exchange aspects of their lives.
- The overt actions of customers.
- The behaviour of the customer or decision maker in the marketplace of goods and services.

Need Recognition → Information Search → Evaluation of Alternatives → Purchase Decision → Post Purchase Behaviour

### The Three Stage Model for Services



### The Pre-Purchase Stage

- Customers seek solutions to aroused needs.
- Evaluating a service may be difficult.
- Uncertainty about outcomes increases perceived risk.
- What risk reduction strategies can service providers develop?
- Understanding customers' service expectations.
- Components of customers' service expectations.
- Making a service purchase decision.

## Problem Awareness

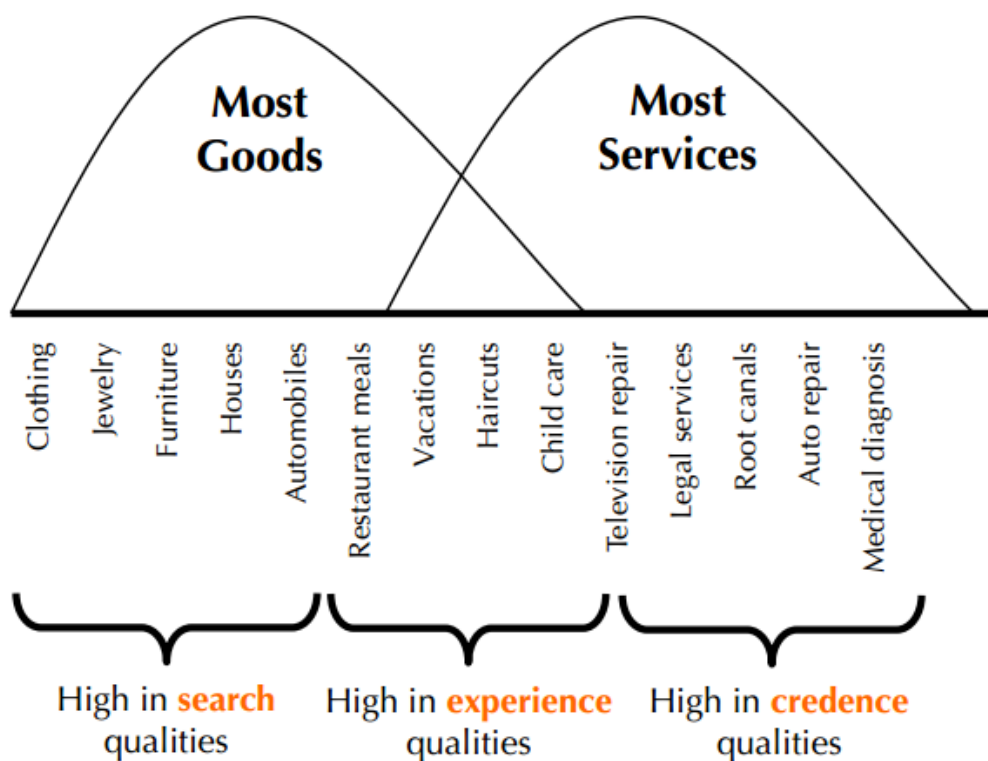
- A service purchase is triggered by an underlying needs or wants.
- **Needs (shortages)** arise from a deficit in the current state. **Wants (unfulfilled desires)** arise from an ideal state not yet achieved.
- Can arise from **physical cues, social cues, or commercial cues**.

## Information Search

- When a need is recognised, people will search for solutions – either internally from memory or externally.
- Internal memories of previous experiences are often **credible**.
- Several alternatives may come to mind and these form the evoked set.
- When there is an **evoked set**, the different alternatives need to be evaluated before a final choice is made.

## Evaluation of Alternatives

- **Search attributes** help customers evaluate a product before purchase. Includes style, colour, texture, taste, and sound.
- **Experience attributes** cannot be evaluated before purchase. Must “experience” product to know it. Includes vacations, sporting events, and medical procedures (some).
- **Credence attributes** are product characteristics that customers find impossible to evaluate confidently *even after* purchase and consumption. Includes quality of repair and maintenance work.



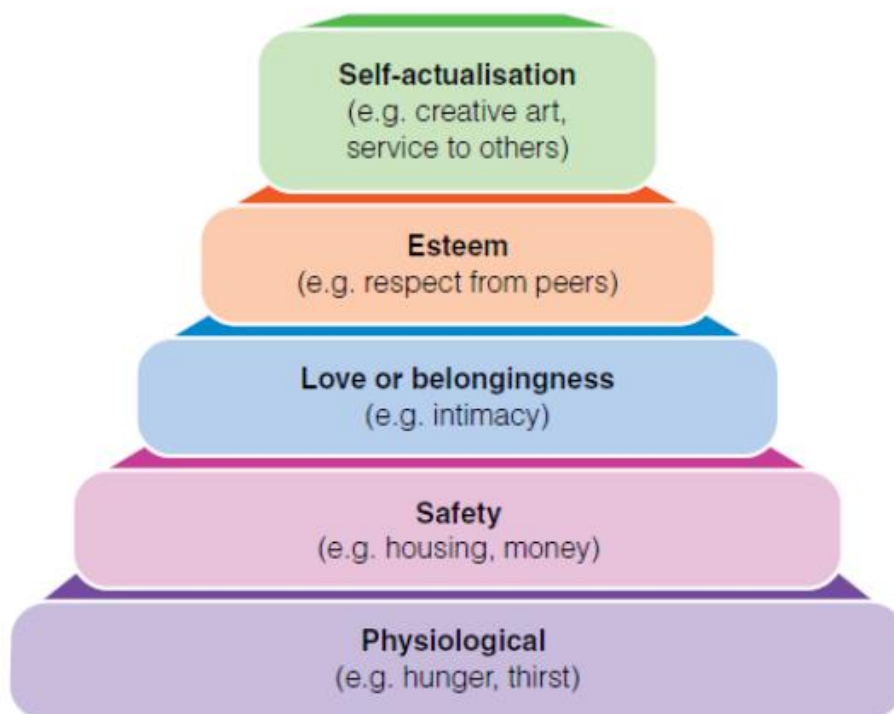
- Image above is indicative of most goods and services during the pre-purchase stage

## Perceived Risks

What are they?

- **Financial** risks refer to expected monetary loss, unexpected extra costs.
- **Performance** risks refer to products not meeting functional expectations.
- **Physical** risks refer to personal injury and possessions.
- **Social** risks refer to how others may think and react.
- **Psychological** risks refer to reduction in customers' self-esteem.

## Maslow's Hierarchy of Needs



Then, how do customers manage these risks and minimise them for themselves?

- Seek information from respected personal sources.
- Use the Internet to compare service offerings and search for independent reviews and ratings.
- Rely on a firm that has a good reputation.
- Look for service guarantees and warranties.
- Visit service facilities or try aspects of service before purchasing.
- Ask knowledgeable employees about competing services.

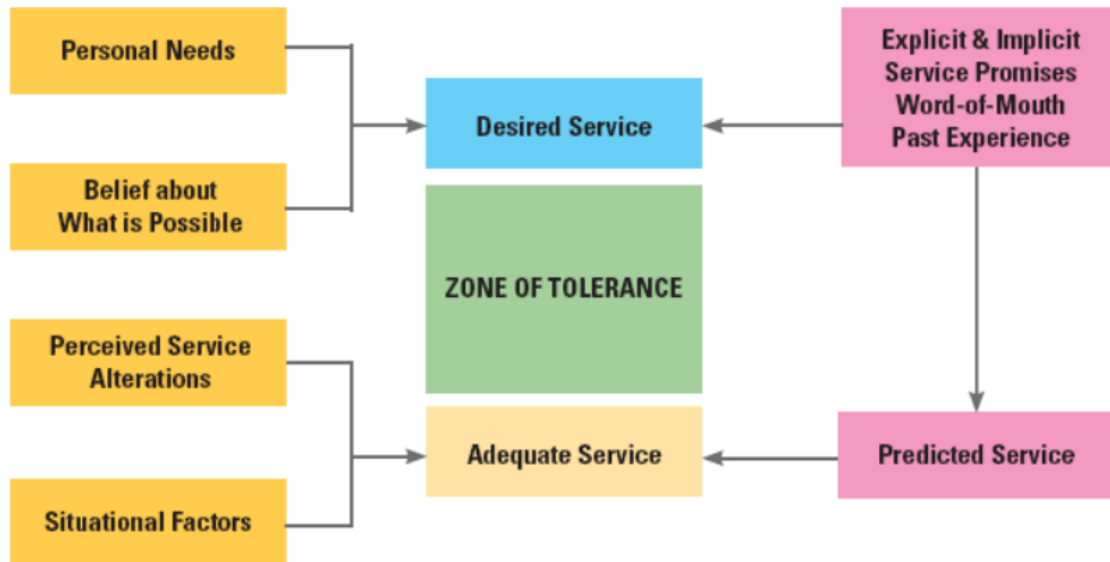
### How about service providers?

- Free trial for services with primarily experience attributes.
- Advertising helps to visualise service experience.
- Display credentials.
- Use physical evidence.

- Offer service guarantees and warranties.
- Encourage visit to service facilities.
- Give customers online access to information.

### The Service Encounter

### The Zone of Tolerance



### The Service Encounter

### The Zone of Tolerance

- Different expectations of desired and adequate service depending on your needs and motivation for service consumption.
- Impacted by availability of alternative service providers.
- Desired service relatively fixed; adequate service can vary.
- Thus, marketing communications are important in shaping needs and expectation of customers in service encounters.