

MKTG1000 Discovering Marketing Exam Notes

Chapter 12 – Services and Non-profit Organization Marketing

The importance of services

- 70% of the Australian GDP is comprised of services
- 4 out of 5 Australian's are employed in this sector
- In 2015-16, Australia's five largest services exports were:
 - o Travel related services
 - o Professional services
 - o Financial services
- Services involve:
 - o Deeds
 - o Performances
 - o Efforts

How services differ from goods

- **Intangibility:** Services cannot be touched, seen, tasted, heard, or felt in the same way as goods. Tangible cues are often used to communicate a service's quality and nature. Facilities are a critical tangible part of a service experience. E.g. getting your teeth cleaned at the dentist and you don't get anything
- H - **Inseparable:** Services are often sold, produced, and consumed at the same time. Consumers are involved in the production of the services that they buy. The quality of services depends on the quality of employees. E.g. at the dentist you have to be there
- I - **Heterogeneity:** Services are less standardized and uniform than goods. Because services tend to be labour-intensive, consistency and quality control can be hard to achieve. Standardization and training help increase consistency and reliability. E.g. at the dentist you can have a really good experience and a bad the next time
- P - **Perishability:** Services cannot be stored, warehoused, or inventoried. One of the most important challenges in many service industries is finding ways to synchronize supply and demand. E.g. cannot store dentist appointment

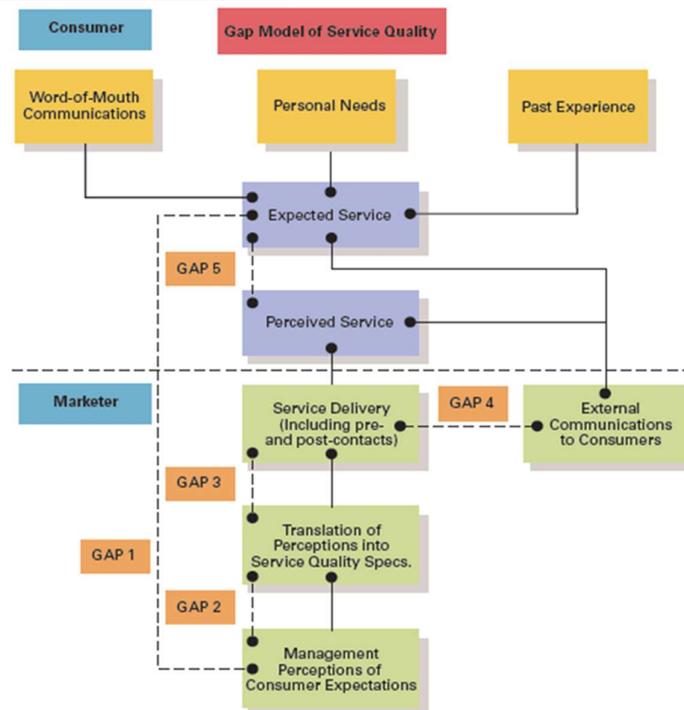
When services are assessed

- **Search quality:** More often applied to goods, assessed before purchase
 - o characteristic that can be easily assessed before purchase. Compared to goods, services tend to exhibit fewer search qualities
 - S o e.g. researching reviews on a hairdresser
- E - **Experience quality:** Assessed after purchase
 - o Services tend to exhibit more experience and credence qualities. An experience quality is a characteristic that can be assessed only after use.
 - C o E.g. a restaurant
- **Credence quality:** Assessed only with appropriate knowledge.
 - o characteristic that consumers may have difficulty assessing even after purchase because they do not have the necessary knowledge or experience.
 - o E.g. getting your car serviced

Measuring service quality

- R - **Reliability:** the ability to perform the service right the first time e.g. getting your meal right the first time at a restaurant
- R - **Responsiveness:** the ability to provide prompt service e.g. getting seated straight away, given a menu, etc
- A - **Assurance:** The knowledge and courtesy of employees e.g. a dietary requirement or waiter being able to answer a question about the menu
- T - **Empathy:** Caring, individualized attention to customers e.g. a surprise if you have a special occasion
- E - **Tangibles:** The physical evidence of the service e.g. clean, waiters dressed nicely

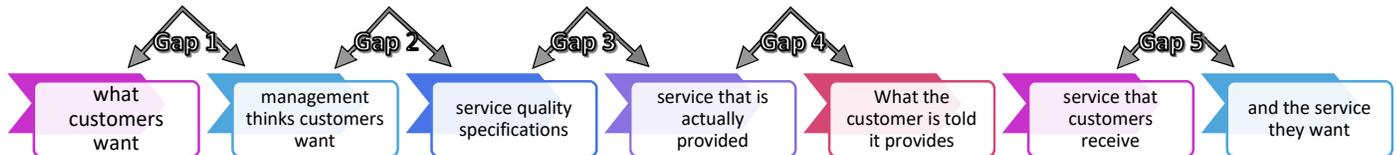
Gap Model of Service Quality



- A model of service quality called the gap model identifies five gaps that can cause problems in service delivery and influence customer evaluations of service quality. These gaps are shown in Exhibit 12.1.
- Gap 1: The gap between what customers want and what management thinks customers want. This gap results from a lack of understanding or a misinterpretation of customers' needs or wants. To close gap 1, keep in touch with what customers want by doing research on customer needs and customer satisfaction.
- Gap 2: The gap between what management thinks customers want and the quality specifications that management develops to provide the service.
- Gap 3: The gap between the service quality specifications and the service that is actually provided. If gaps 1 and 2 are closed, gap 3 is due to the inability of management and employees to do what should be done. To close gap 3, employees need the skills, training, and tools to perform their jobs.
- Gap 4: The gap between what the company provides and what the customer is told it provides. This is a communication gap, caused by such things as misleading or deceptive

advertising campaigns. To close gap 4, companies need to create realistic customer expectations through honest, accurate, realistic communication.

- Gap 5: The gap between the service that customers receive and the service they want. This gap can be positive or negative. As the gaps shrink, service quality improves. It is about managing consumers expectations
- E.g. McDonalds introduced their new gourmet range which was “un-McDonalds” but they provided what customers desired



Product strategies for services

- Services as a process
 - o **People processing:** takes place when the service is directed at a customer. Examples include health care and hairstyling
 - o **Possession processing:** occurs when the service is directed at customers’ physical possessions. Examples include lawn care, car repair, and dry cleaning.
 - o **Mental stimulus:** processing refers to services directed at people’s minds. Examples include spectator sports events, theatre performances, and education.
 - o **Information processing:** describes services that use technology or brainpower directed at a customer’s assets. Examples include insurance, consulting, and banking.
- Core and supplementary
 - o **Core service:** the most basic benefit the consumer is buying e.g. getting from point A to B when flying
 - o **Supplementary service:** a group of services that support or enhance the core service e.g. food or inflight entertainment when flying
 - o In many service industries, the core service becomes a commodity product as competition increases. As a result, supplementary services are used to create competitive advantage
- Customization/standardization
 - o **Mass Customization:** a strategy that uses technology to deliver customized services on a mass basis e.g. Nutella letting you print your own label and design your own M&Ms
 - o Services flexible to customer needs
 - o Respond to individual
 - o Command a higher price
- Service mix
 - o Determine which new services to introduce
 - o Determine the target market
 - o Decide which existing services to maintain and which to eliminate

Place (distribution) strategy

- Convenience
- D - Number of outlets
 - o Starbucks have a high usage
- S - Direct or indirect distribution
- C - Can buy from suppliers due to the internet e.g. customised subscription box from select brands
- L - Location
- N - Location
 - o E.g. Starbucks have a high usage
- Scheduling
 - o E.g. doctors to organise appointments

Promotion Strategy

- Stress tangible cues
- C - E.g. the environment
- U - Use personal information sources
 - o E.g. celebrities as people who endorse services
- E - Create a strong organizational image
- S - E.g. The Ritz-Carlton, you already know what type of service to expect
- Engage in post purchase communication
 - o Can't return services so need feedback to improve

Price Strategy

- Challenges
 - o Define the unit of service consumption
 - o Determine if multiple elements are "bundled" or priced separately
- Pricing objectives for services
 - o Revenue oriented: maximizing the surplus of income (cover expenses)
 - o Operation oriented: matching supply and demand at various prices (most ideal e.g. for hotel room prices)
 - o Patronage oriented: maximizing number of customers using service (e.g. cheap Tuesdays at movies)

Non-profit Organization

- **Non-profit organization:** An organization that exists to achieve some goal other than the usual business goals of profit, market share, or return on investment.
 - o Governments
 - o Museums
 - o Theatres
 - o Schools
 - o Churches

Non-profit Organization Marketing Activities

- C - Identify desired customers
- S - Specify objectives
- S - Develop, manage, eliminate programs and services
- S - Decide on prices
- I - Schedule events or programs
- I - Communicate their availability
- D - E.g. His Majesty's Theatre
- D

Unique Aspects of Non-profit Organization Marketing Strategies

- Setting of marketing objectives
- Selection of target markets
- Development of marketing mixes

Objectives

- Non-profit organizations focus on generating enough funds to cover expenses.
- Non-profit organizations do not seek to make a profit for redistribution to owners or shareholders. The focus is often on generating enough funds to cover expenses.
- Most non-profit organizations are expected to provide equitable, effective, and efficient services that respond to the wants and needs of multiple constituencies.
- Non-profits provide services that respond to the wants of:
 - o Users
 - o Payers
 - o Donors
 - o Politicians
 - o Appointed officials
 - o Media
 - o General Public

Non-profit Organization Marketing

- Shared characteristics with service organisations
 - o Market intangible products
 - o Production requires customer's presence
 - o Services vary greatly
 - o Services cannot be stored

Product Decisions

- Distinctions between Business and Non-profit Organizations
 - B o Benefit complexity
 - W o Weak or indirect benefit strength
 - L o Low involvement

Promotion decisions

- Professional volunteers
- Sales promotion activities
- Public service advertising

Place decisions

- A non-profit organization's ability to distribute its service offerings where and when customer groups want them is a key variable in determining success.
- The extent to which a service depends on fixed facilities has important implications for distribution decisions.

Pricing decisions

- Characteristics distinguishing pricing decisions of non-profit organizations
 - o Pricing objectives
 - o Nonfinancial prices
 - o Indirect payment
 - o Separation between payers and users
 - o Below-cost pricing

Uniqueness of Non-profit Organization

- No profit, but generate funds to cover expenses
- No financial bottom line
- Target markets are unique
 - o Apathetic or strongly opposed targets
 - o Pressure to adopt undifferentiated segmentation strategies
 - o Complementary positioning

Non-profit Organizations

- They must perform:
 - o Identify customers they wish to serve
 - o Explicitly and implicitly specify objectives
 - o Develop, manage, eliminate programmes and services
 - o Decide on prices to charge
 - o Schedule events or programmes
 - o Communicate availability
- E