

Understanding & Positioning Services

- **What are services?**

Goods = can perceive with 5 senses

Services = an experience (seen as a performance)

Marketing Myopia: Short sided (focused too much on core service)

-Lack of focus on services has lead to marketing myopia

-Supplementary services can be added to enhance/facilitate core service

E.g. coles: core = grocery shopping, supp = car insurance/late night trade

- **Distinguishing goods from services**

Heterogeneity (each experience is different for each customer)

- Difficult to standardise service/quality control (employee moods)

- Other customers are also involved (distraction affects experience)

Solutions:

1. Customisation (trade off = takes longer to produce/higher price)

2. Standardise (through intensive training to decrease variations)

3. Ideal approach = blend of human and technology elements

Inseparability (customers are involved in the service provision)

- Can't see it, difficult to evaluate (credentials for physical evidence)

E.g. law firm furniture represents 'high quality' and minimises risk

- Service providers becomes a tangible cue (e.g. dentist uniform)

- Services sold first, then produced & consumed simultaneously (airline)

- Shared experience: good/bad (happy crowd at concert = pleasurable)

- Issues with mass production (e.g. doctor appointments max capacity)

However, technology has revolutionised (e.g. online learning)

*Time is important (impact on demand – e.g seasonal fluctuations/trains)

Intangibility (primary difference between goods/services)

- All products fall on a continuum between tangible/intangible elements

- Intangible elements (e.g. smell) lead to different approach to buying

- Major challenge = pricing decisions (competition based pricing)

Solutions: Use tangible cues to help 'tangibilise' the service (staff uniform)

(Providing evidence gives re-assurance)

Perishability (unused capacity can't be stored so hard to manage S/D)

- Problem = higher demand than max available supply

Solutions: Customer side: Creative pricing (help smooth fluctuations and stimulate demand – early bird or 'Cheap Tuesdays' and Service: Part-time employees/reservation systems (evening rushes)

- **Perspectives on Services**

1. Service-Dominant Logic = Idea that everything is a means to an end (end being a service – e.g. salt: commodity leads to aroma/experience)

Commodity → Good → Service → Experience

E.g. Cafe: By adding service aspects to a product, transforms from a commodity into experience which increases revenue-producing opps

2. Service as a means of differentiation = goods are same amongst competitors (service distinguisher - Emirates strong emphasis on service)

*Positioning maps can be used to determine point of differentiation (good if introducing a new product – try to dominate an entire industry)

- **Extended Services Marketing Mix**

People (employees/customers – reflects inseparability dimension)

- Presence of other customers can either enhance or detract an experience
- Passive: customers who show up late. Active: crying babies at a café
- Service providers can proactively manage customer behaviour

Process (overall management, policies/procedures involved)

- Effective processes are important in addressing heterogeneity issues
- Delivery of services (managing expectations beyond functional expectations)

Physical Evidence (tangible elements of services)

- To minimise risk and help customers evaluate the services
- Ambience (room temp), furniture, signs, symbols (e.g. child care)

*The 3 P's addresses challenges from characteristics in services and helps create a loyal customer base, deliver customer satisfaction and desired levels of service quality

* Service aspects used to establish point of differential advantage

E.g. automotive: less focus on tangibles - fuel (more focus on warranties)

The Art & Science of Delivering Services

- **Objectives of products**
Goods: offer a price, competitive product to attract customers
Services: intangibility of services makes it harder to meet expectations
- **Different levels of Products** (services hard to explain using this model)
 1. Core benefit (communication with friends)
 2. Actual product (iphone)
 3. Augmented product (app store)

*Actual product hard to define/specify dimensions in services
(no quantifiable measures)
- **Augmented Service Model**
 - Core Service: E.g. bank accounts (financial institution)
 - User interface: Crucial aspect (communication/participation with cus)
 - Facilitating: Required to provide core service (e.g. ATM machines)
 - Supporting: Auxiliary (optional services that doesn't relate directly to core – value adding elements e.g. waiting rooms)
Used to differentiate service provider from competitors

* Customers have an impact on the level/quality of service received
* Core services easily copied (use supporting/facilitating to stand out)
OR use NO supporting services to stand out (no free meals on flights)
- **Mental Stimulus Processes**
 - People (tangible – directed at peoples bodies: health care/hairdressing)
 - Possession (tangible – directed at physical possessions: phone repairs)
 - Mental stimulus (intangible – directed at ppl minds: concerts/movies)
 - Information (intangible – directed at intangible asses: legal services)
- **Differentiating Services**
 1. Service Branding (same as goods)
 2. Customer service culture

3. Operational service efficiency
(How efficient is the steps involved in producing the service)
- **Stages of Operational Competitiveness**
 1. Available for Service: Operations 'necessary evil' (needed for service)
Primary mission = avoiding mistakes, may work if no competition
 2. Journeyman: Operations become outward looking (focus on customer)
Invest in technology for cost savings, employees still closely monitor
 3. Distinctive Competence Achieved: Company has mastered core service
Technology used to enhance customers experience (differentiator)
 4. World-class Service Delivery: Name synonymous - service excellence
Technology used that competitors can't duplicate (reservation systems)
Emirates First Class (constantly innovate to improve services)