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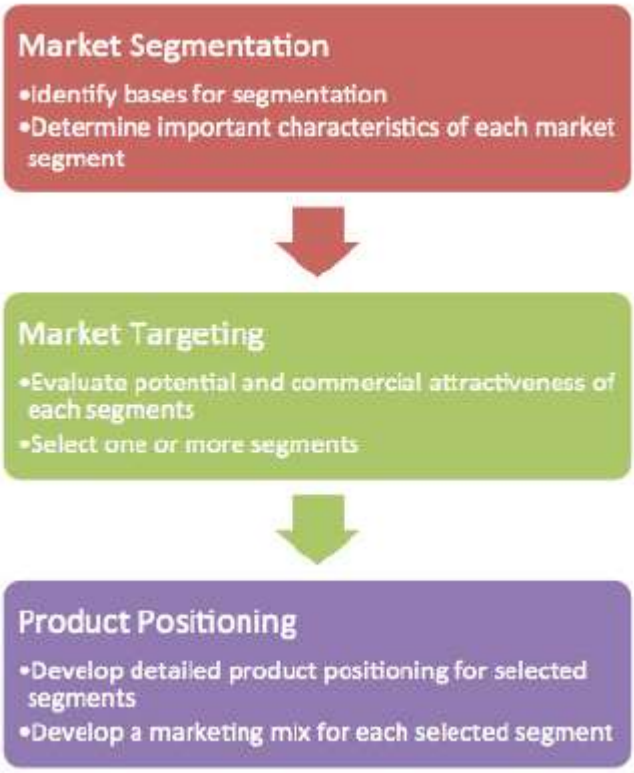
Unit 2: APPROACHES TO SEGMENTING SERVICE MARKET

Unit's Structure
1.1 *Market Segmentation in Service Business*
1.2 *Marketing Mix in Service Marketing*
1.3 *Branding of Services*

Segmentation is the act of dividing a broad market into smaller groups that share similar needs or behaviours. **Marketing segmentation has seven types: demographic, geographic, psychographic, behavioral, firmographic (B2B), technographic (B2B), and needs-based. For services, behavioural and psychographic bases** are usually the most powerful because what a customer *does* with a service often matters more than who they are on paper.

For examples

- Airlines segment their fliers. Business travellers want punctuality, lounge access, and quick boarding. Leisure travellers chase low fares and good baggage allowance. Frequent flyers want miles, upgrades, and recognition. The same aircraft serves all three groups, but the marketing message changes for each.
- Banks segment similarly. **HDFC Bank runs Imperia for high-net-worth customers, Preferred Banking for mid-tier salaried professionals, and basic savings accounts for first-time earners**. Each segment receives a different relationship manager, different fees, and different communication.



Importance of segmentation of services

- Focus of the Company
- Increase in competitiveness
- Market expansion
- Customer retention
- Have better communication
- Increases profitability

Types of Marketing Segmentation

Type	Groups By	Best For/Suitability	Data Sources
Demographic	Age, income, education, gender, marital status, nature of family (nuclear or joint), no. of dependents	B2C baseline layer, media buying	Census, first-party CRM
Geographic	Country, region, city	Retail, regulated industries, language markets	CRM, IP data
Psychographic	Beliefs & Values, lifestyle, attitudes, personality	Messaging, creative strategy, premium brands	Surveys, social listening
Behavioral	Purchase frequency, usage, loyalty	Retention, upsell, loyalty programs	CRM, CDP, analytics
Firmographic	Nature of industry, company size, revenue i.e., sales turnover	B2B ICP definition, ABM tiering	Enrichment tools (Clay, Apollo)
Technographic	Tech stack in use	B2B displacement, integration fit	G2, Clearbit, technographic data
Needs-Based	Shared problems or unmet needs	Product positioning, messaging	User research, job interviews

1.2 MARKETING MIX IN SERVICE MARKETING

The Service marketing mix is a marketing technique that comprises a set of strategic components that service-based businesses utilize to create and deliver value to their customers. This marketing mix emphasizes the unique characteristics of intangible services. It is a comprehensive framework that caters to the needs of service-oriented businesses.

In service industries, customer experience and satisfaction are paramount. The elements in this **marketing mix** collectively shape the customer journey and influence their perceptions. This technique integrates the marketing components effectively to create a compelling and differentiated service offering in the marketplace.

- The service marketing mix is a collection of critical factors that service-oriented firms use to generate and offer value to their customers.
- The components of this marketing mix operate collaboratively to impact the consumer experiences and affect their opinions.
- It enables companies to adjust to changing consumer demands and market conditions. Businesses can remain receptive to shifting consumer tastes and market developments by reviewing and modifying the marketing mix elements on an ongoing basis.
- This strategy effectively blends the marketing mix elements to generate an appealing and unique solution in the market.

Elements of Service Marketing

The service marketing mix elements are:

- **Product:** It involves defining and communicating the features, benefits, and value of the service to meet customer needs.
- **Price:** Pricing involves determining the perceived value of the service and overall **pricing strategy** to ensure competitiveness and **profitability**.
- **Place:** Place includes the channels through which customers access the service. It comprises physical stores, online platforms, and any other **distribution channels** that make the service accessible to the target market.
- **Promotion:** It involves the communication strategies used to create awareness and initiate demand for the service. This includes **advertising**, public relations, personal selling, and other promotional activities applicable to the service industry.

- **People:** The people element recognizes the importance of personnel in service delivery. It involves hiring, training, and managing employees to ensure they have the skills, attitude, and expertise to provide excellent customer service.
- **Process:** This includes the procedures and systems involved in delivering the service. It starts from the initial customer contact to the final service delivery and post-service interactions.
- **Physical Evidence:** This element helps enhance the credibility of the service. This can include the physical environment where the businesses deliver their service and any tangible elements that ensure quality service to the customer.

Importance of Service Marketing Mix

The importance of the service marketing mix elements can be summarised as follows:

- Services are intangible and customer experience-driven. This technique aids in ensuring a customer-centric approach that focuses on **delivering a positive and memorable experience**.
- In service industries, where competition is intense, the framework helps businesses differentiate themselves. Through this strategy, a business can create a **unique and appealing service offering.**
- The structure encourages businesses to consider all aspects of their service offering, from the initial concept to the final delivery. This comprehensive approach ensures that every crucial element is noticeable. It leads to an **effective marketing strategy**.
- Effective promotion focuses on communication strategies. Promoting services through advertising, public relations, and other promotional activities helps **create awareness, educate customers, and build a strong brand image**.
- It allows businesses to adapt to evolving customer needs and **market dynamics**. Businesses can stay responsive to changing **consumer preferences** and market trends by regularly reassessing and adjusting the elements of the marketing mix.

Difference Between Service Marketing Mix and Product Marketing Mix

Service Marketing Mix	Product Marketing Mix
• Services are intangible; therefore, service marketing strategy recognizes the quality of services by incorporating elements like people, processes, and physical evidence that help enhance the perceived value of the service. • Services are often produced and consumed simultaneously. They can vary in quality due to human factors and potential delivery fluctuations. • The firms cannot store the services for future use. Effective pricing strategies, including discounts during off-peak hours and optimizing process management, can help manage this issue. • The service marketing mix emphasizes the importance of people, including service providers and customers, in shaping the overall service experience.	• Products are tangible and physical entities. The product marketing mix focuses on attributes like design, features, and quality to create a tangible and appealing product offering. • The products are usually produced and consumed separately. The separation allows for the production of goods in advance of demand. The product marketing mix emphasizes the production and distribution channels to ensure widespread product availability. • Products can be manufactured with a high degree of consistency and can be stored for future use. • The products require less direct customer involvement in the production or delivery process. The product marketing technique focuses on creating a product that meets customer needs and preferences without requiring significant customer participation during the production process.

1.3 BRANDING OF SERVICES

Service branding is the process of creating a unique identity for a service-based business that differentiates it from competitors in the market. It focuses on establishing an emotional connection with customers through intangible experiences and value propositions. Service branding involves defining the key elements of the service experience, such as quality, customer service, reliability, and the overall perception of the brand. These elements are communicated through various touchpoints, such as customer interactions, advertising, and digital presence.

Key Elements of Service Branding

Service branding is focused on creating a distinct identity for a service-based business that resonates with customers. Service branding revolves around experiences, trust, and reputation. Here are the key elements that define strong service branding:

- **Customer Experience**

The overall experience customers have when interacting with your service is critical. It includes every touchpoint, from first contact to post-service follow-up. A positive, seamless experience builds trust and loyalty, which strengthens the brand.

- **Brand Promise**

A brand promise is the commitment a service brand makes to its customers about the quality and consistency of the service provided. This promise sets expectations and assures customers they will receive what they are promised.

- **Brand Personality**

Just like a person, a service brand has personality traits like friendly, professional, innovative, or approachable. The brand personality shapes how customers perceive the brand and influences their interactions with it.

- **Consistency**

For service brands to be successful, the service must be delivered consistently at every touchpoint. This includes uniform quality, service delivery, and customer experience, no matter when or where the service is provided. Consistency builds trust and reinforces the brand's reputation.

- **Trust and Reputation**

Since services are intangible and customers cannot physically inspect them beforehand, trust plays a significant role in service branding. Delivering reliable, high-quality services consistently helps to build a strong reputation and foster customer confidence.

- **Employee Engagement and Training**

Employees are the face of service brands, so their training and engagement are crucial. Well-trained, motivated employees embody the brand's values, providing a higher level of customer service, which enhances the brand experience.

Importance of Branding Services in Service Marketing

Branding helps service businesses stand out in a competitive market by shaping how customers perceive the quality, reliability, and value of the service.

1. Intangibility and Customer Perception

Services are intangible, which means customers cannot physically inspect them before purchasing. Branding helps in the establishment of trust and confidence, offering potential customers a reason to choose one service over another. A well-established brand communicates quality, reliability, and emotional value, even before the customer experiences the service.

2. Creating Emotional Connections

Branding in service marketing often focuses on building emotional connections. Through personalized experiences, customer service excellence, and consistently positive interactions, a brand can evoke feelings of trust, loyalty, and satisfaction. Services that connect emotionally tend to retain customers and foster strong word-of-mouth recommendations.

3. Brand Promise

It refers to the commitment a service provider makes to deliver a specific experience. This promise needs to be clear, consistent, and believable. The brand promise often reflects the company's core values and what customers can expect from every interaction with the service.

4. Consistency Across Touchpoints

Since services are experienced across multiple touchpoints, maintaining brand consistency at every point of interaction is essential. Whether it's the website, customer support,

physical locations, or even mobile apps, the brand experience must be seamless and consistent. Service businesses must align their internal culture, employee training, and customer interactions to deliver the same brand experience.

5. Differentiation in a Competitive Market

Service marketing often involves many similar providers in the marketplace, so branding helps businesses differentiate their services. This differentiation could be through unique service offerings, exceptional customer service, or additional benefits that competitors do not provide. A strong brand identity ensures that customers view the service as distinct and memorable, even in a crowded market.

6. Building Trust and Credibility

Since services are often intangible and customers rely on their experiences and feedback from others, a strong brand builds trust and credibility. Brand reputation is key in service marketing, and consistent, high-quality service delivery contributes to positive customer experiences and fosters a reliable reputation.

7. Customer Loyalty and Retention

Strong branding in service marketing leads to customer loyalty and retention. When customers feel connected to a service brand, they are more likely to return, recommend the service to others, and become long-term patrons. Building a recognizable and relatable brand helps nurture lasting relationships with customers.

8. Service Experience and Brand Identity

A service brand is much more than its logo or tagline—it is the overall customer experience. From how staff members interact with customers to how the service is delivered, everything contributes to the brand identity. A positive, memorable experience reinforces the brand in customers' minds, making it more likely they will return.

9. Leveraging Social Proof

In service marketing, social proof—such as testimonials, online reviews, and influencer partnerships—can play a crucial role in building a brand's reputation. Word-of-mouth recommendations and positive online reviews serve as proof of the service's quality, helping potential customers make more informed decisions.

The Future of Branding in the Service Industry

The future of branding in the service industry is set to undergo significant transformations by 2025, driven by technological advancements, changing consumer expectations, and the need for businesses to adapt to new market dynamics. As services become increasingly intangible and more competition enters the marketplace, effective branding will play a pivotal role in differentiating service providers. Here are some key trends that will shape branding in the service industry in 2025:

1. Personalization and Customer-Centric Branding

In 2025, branding in the service industry will be heavily focused on personalized experiences. With advancements in AI and data analytics, brands will be able to tailor their services and marketing messages to individual preferences. Personalized recommendations, targeted ads, and individualized service offerings will become the norm, allowing brands to create deeper emotional connections with customers and drive loyalty.

2. Integration of AI and Automation

Artificial Intelligence (AI) and automation will play an integral role in service branding. AI tools will help brands deliver more customized and efficient services by analyzing customer data and predicting needs. Brands will also use AI-driven chatbots and virtual assistants to enhance customer service, making interactions faster, more personalized, and 24/7. This will help create seamless, consistent brand experiences, improving customer satisfaction and engagement.

3. Emphasis on Sustainability and Social Responsibility

As consumers become more socially conscious, brands in the service industry will need to align their identity with sustainability and corporate social responsibility (CSR). In 2025, it will no longer be enough for brands to simply market their services; they will need to actively demonstrate their commitment to environmental sustainability, ethical practices, and social causes. This shift will influence consumer purchasing decisions, as customers will increasingly gravitate toward brands that share their values.

4. Experiential and Immersive Branding

As technology continues to evolve, branded experiences will move beyond traditional marketing tactics. Virtual reality (VR), augmented reality (AR), and immersive experiences will allow customers to interact with services in innovative ways. For example, service brands in travel, real estate, and hospitality may use VR to offer virtual tours, or healthcare providers could use AR to showcase treatments. These immersive experiences will allow customers to feel more connected to the service, making branding more engaging and memorable.

5. Influencer and Community-Driven Branding

By 2025, influencer marketing will continue to thrive, but there will be a shift towards micro and nano influencers individuals with smaller, highly engaged audiences. Service brands will increasingly rely on these influencers to build trust and credibility, especially in industries like health and wellness, finance, and education. Additionally, community-driven branding will gain traction, with brands leveraging user-generated content and online communities to build a sense of belonging and foster authentic relationships with customers.

6. Voice and Conversational Branding

With the rise of voice assistants like Amazon's Alexa, Google Assistant, and Apple's Siri, service brands will have to adapt their branding strategies to engage with customers via voice. Voice search and voice-activated customer service will become more prominent, requiring brands to ensure their voice interactions align with their overall brand identity. This shift toward conversational branding will offer a more direct, human-like interaction, helping to strengthen customer loyalty and trust.

7. Omnichannel Branding and Consistency

In 2025, delivering a consistent brand experience across multiple channels—whether in person, on a website, through social media, or via mobile apps will be crucial. Omnichannel branding ensures that customers experience the same brand identity, values, and messaging, no matter how they engage with the service. The service industry will continue to integrate various platforms and technologies to provide seamless, consistent experiences across all customer touchpoints.

8. Data-Driven Insights for Brand Evolution

As brands collect more data through customer interactions, they will have access to deeper insights that will shape the evolution of their services. This data will not only inform product improvements but also enable brands to refine their marketing and branding strategies. By 2025, service brands will rely on big data and advanced analytics to understand consumer behavior, anticipate trends, and drive personalized, impactful brand strategies.

Examples of well-implemented service branding

Several companies have successfully implemented service branding strategies that have set them apart in their respective industries:

1. **Ritz-Carlton:** Perhaps one of the best-known organizations when it comes to service delivery, Ritz-Carlton has established its brand on luxury hotel experiences. The company places much focus on PPA and tangible intimacy; humanizing guests is a key strategy that creates affection for the firm.
2. **Southwest Airlines:** Southwest Airlines provides services in accordance with its brand personality and is different from other Airlines by delivering cheaper airfares and an enjoyable experience in flying.
3. **Starbucks:** Apart from a coffee house, Starbucks has made a luxury brand by creating a comfortable environment for people to just chill or drill down on something while enjoying their excellent tea or coffee. Customer experience as a major area of investment in the organization makes its brand image even more attractive.
4. **Airbnb:** Airbnb has gone beyond being an online marketplace connecting customers to places to stay by offering a community feel that brings out the cultural and neighbourhood appeal of local areas globally.