Paper	Service Marketing (4 Credits)
Code	MC 204
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Unit 1: Concepts and Nature of Services and Service Marketing

Unit's Structure
1.1 *Concept, Nature, and Importance of Service Marketing*
1.2 *Challenges in Service Business*
1.3 *Marketing Framework for Service Business*
1.4 Understanding Service Market, Services, and Consumer Behavior

1.1 Concepts and Nature of Services and Service Marketing

In an era marked by rapid technological advancements and evolving consumer expectations, the field of service marketing and management is experiencing profound transformations. Organizations face the dual challenge of balancing efficiency with personalization while maintaining a competitive edge and meeting sustainability expectations. Concurrently, customers are increasingly demanding, seeking resources to create a meaningful and balanced everyday life.

Service is a process-based business, where **promises are made** of processes taking place in the future, and promises are kept through how well such processes function to a greater or lesser extent in interactions with customers.

Definitions of Services

According to the American Marketing Association, Committee of Definitions, 1960

"Activities, benefits and satisfactions, which are offered for sale or are provided in connection with the sale of goods".

According to Quinn, Baruch and Paquette, 1987

"Services include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser.

A service tends to be an experience that is consumed at the point where it is purchased, and cannot be owned since it quickly perishes.

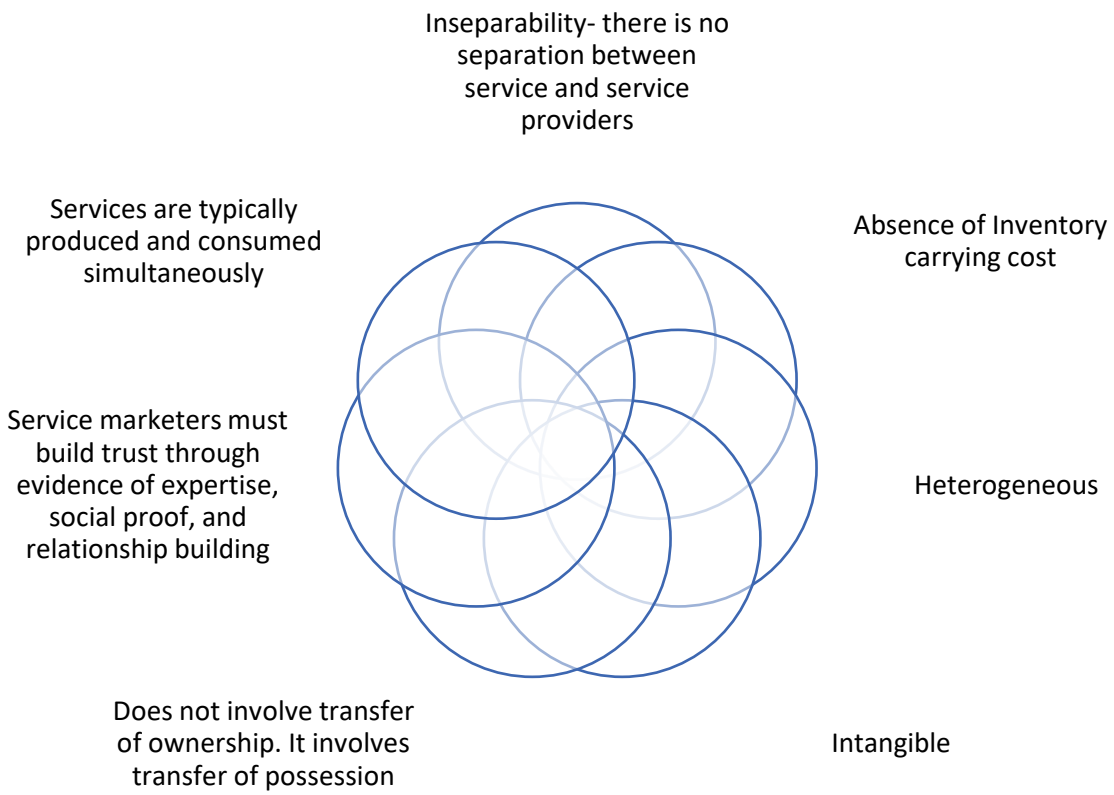
Meaning and definition of Service Marketing

- Services marketing is marketing based on relationships and value. It may be used to market a service or a product.
- Services marketing is a sub-field of marketing, which can be split into two main areas: goods marketing (which includes the marketing of fast-moving consumer goods (FMCG) and durables) and services marketing.
- Services marketing typically refers to both business-to-consumer (B2C) and business-to-business (B2B) services, and includes marketing of services such as telecommunications services, financial services, all types of hospitality services, car rental services, air travel, health care services, and professional services.
- It is a systematic and coordinated effort of a service organisation to expand its market by delivering the best possible services.
- The objectives of services marketing are the achievement of organisational goals like making profits, establishing leadership, long-term survival and growth, and the satisfaction of consumers by rendering excellent services.
- The concept of services marketing covers the following aspects: selling services profitably to target consumers and prospects, delivering maximum satisfaction to consumers of services, and positioning the service firm in the market.
- Thus, **Service marketing** is about **selling outcomes, relationships, and experiences**, not physical products.

Objectives of Service Marketing



Nature of service/ service marketing



Service Marketing vs Product Marketing (Quick Comparison)

Service Marketing	Product Marketing
Intangible offering	Tangible product
Trust-driven decisions	Feature-driven decisions
Produced & consumed simultaneously	Produced before consumption
High variability	Standardized output
No ownership transfer	Ownership transferred
Focus on relationships	Focus on transactions

Why Service Marketing Matters More Than Ever

The global service economy continues its rapid expansion. Services now account for over 65% of global GDP, with that percentage climbing higher in developed economies.

NEEDS OF SERVICE MARKETING:

1. **Increase in Disposable Income** - The disposable income of the people is increasing in recent years. This trend is also visible in developing countries like India. The increase in income in turn leads to demand for several services, and thereby, new opportunities are created in the service sector.

2. **Changing Lifestyles:** With the development of corporate culture and the emergence of a well-established services sector, there would be a basic change in lifestyles. The busy working environment and increased personal stress and strain would pave the way for the development of innovative personal services like healthcare, fashion design, recreational centres, beauty parlours, etc. The change in lifestyles creates new waves in the demand for specialised services, and marketing can play a vital role in meeting the new aspirations of the consumers.
3. **Rising customers' expectations** (Modern customers expect seamless, personalized experiences across all touchpoints. They compare your service delivery not just against direct competitors but against best-in-class experiences from any industry. For example, Amazon's convenience sets expectations for all e-commerce. Apple's design philosophy influences user interface standards

across sectors. Netflix's personalization algorithms shape how customers expect content recommendations.

4. **Intensified competition (**Customers now have more choices than ever. Effective marketing becomes essential for differentiation and customer acquisition)
5. **The trust Imperative** (Services require customers to trust your ability to deliver value before they experience it. This trust deficit grows more pronounced as scams, data breaches, and poor service experiences become commonplace.

Significance of services marketing

The significance of the service economy may be discussed under the following headings:

1. Generation of employment opportunities - the service sector includes personal care services, education services, medicare services, communication services, tourism services, hospitality services, banking services, insurance services, transportation services, consultancy services, etc. The organised and systematic development of the service sector would create enormous employment opportunities.

2. Optimum utilisation of resources - Service firms such as personal care services, entertainment services, tourism services, and hotel services contribute to the growth of the economy without consuming any natural resources. In a sense, the growth of service firms of this kind conserves natural resources. Thus, services marketing helps conserve valuable resources for future generations.

3. Capital formation - Investment encourages capital formation. If investments are made in the service sector, it will contribute to the nation-building process. With increased developmental activities, the per capita income increases, which, in turn, facilitates capital formation.

4. Increased standard of living - The standard of living of the people in any country would be decided based on the quality and standard of products consumed or services availed in the day-to-day living. The standard of living is determined by the availability of goods and services for citizens and wise spending on them. The development of the services industry is sure to promote the standard of living of the people.

5. Use of environment-friendly technology.

1.2 Challenges in Service Business/Marketing

Strategic service marketing builds trust through consistent brand experiences, transparent communication, social proof, and demonstrated expertise. Companies that master trust-building enjoy significant competitive advantages)

1. *Lack of Professionalism*
2. *Fear due to changes in technology, fashion, and market trends*
3. *Changes in government regulations*
4. *Limited reach, i.e., unreached rural and underprivileged areas*
5. *Fear of losing trust and loyalty*
6. *Lack of customer retention*

7. *Service marketing addresses a fundamental challenge: how do you convince potential customers to invest in something they cannot see, touch, or fully evaluate before purchase?*

The scope of service marketing includes:

1. Strategic positioning of service offerings in competitive markets
2. Pricing models that reflect value while remaining competitive
3. Distribution channels that make services accessible to target audiences
4. Promotional activities that communicate benefits and build trust
5. Quality management systems that ensure consistent delivery
6. Customer relationship strategies that drive retention and loyalty

Service businesses operate across virtually every industry. Software companies sell subscriptions to cloud-based platforms. Consulting firms offer strategic expertise. Healthcare providers deliver medical care. Educational institutions provide learning experiences. Financial advisors manage wealth. The list goes on across dozens of industries.

1.3 MARKETING FRAMEWORK FOR SERVICE BUSINESSES

Bernard Booms and Mary Bitner extended this framework to the seven P's specifically for service marketing.

1. **Product: Defining Your Service Offering**

In service marketing, the product refers to the complete service experience, including core service, supplementary services, and the service delivery process. For example, airlines augment transportation with loyalty programs, in-flight entertainment, and lounge access. Software companies add training, implementation support, and customer success management.

2. **Price: Capturing and Communicating Value**

Service pricing presents unique challenges due to intangibility, variable costs, and difficulty quantifying value before purchase.

- **Value-based pricing**: Setting prices based on customer-perceived value rather than costs. Professional service firms often price based on project value or results delivered rather than hourly rates.
- **Tiered pricing**: Offering multiple service levels at different price points. SaaS companies typically offer basic, professional, and enterprise tiers with escalating features and support levels.
- **Dynamic pricing**: Adjusting prices based on demand, capacity, timing, or customer characteristics. Hotels, airlines, and ride-sharing services extensively use algorithms to optimize revenue through dynamic pricing.
- **Subscription models**: Recurring pricing that provides predictable revenue and ongoing customer relationships. Subscription pricing has expanded from traditional services like gym memberships to dominate software, media, and many other sectors.
- **Performance-based pricing**: Tying payment to results achieved. Some marketing agencies price based on lead generation, conversion improvements, or revenue impact rather than hours or retainer fees.

3. Place: Making Services Accessible

Place strategies determine how customers access your services. Digital transformation has dramatically expanded distribution options for many services.

- **Physical location**: For location-dependent services, site selection is based on customer convenience, visibility, and competitive positioning. For example, in the medical sector, urgent care clinics select locations based on demographic analysis and accessibility; similarly, co-operative banks open their branches in rural areas.
- **Digital platforms**: Websites, mobile applications, and cloud infrastructure that deliver services remotely. Modern service businesses typically require a strong digital presence, even if core delivery involves physical interaction.
- **Omnichannel presence**: Seamless integration across physical locations, websites, mobile apps, phone support, and other channels. Banks exemplify omnichannel strategies by enabling customers to initiate transactions on mobile devices and complete them in branches.
- **Partnership distribution**: Delivering services through partners, affiliates, or marketplaces. For example, many software services are distributed through app marketplaces like Salesforce AppExchange or Shopify App Store.
- **Franchise models**: Expanding geographic reach through franchising while maintaining quality standards through systems and training. Service franchises span industries from fast food to education to business services. For example, Kidzee in the education sector.

Teladoc Health, Inc. (an American telemedicine and virtual healthcare company provided services such as telehealth, employer-sponsored health plans, 24/7 care, mental health, diabetes and hypertension management, primary care, prescriptions, medical opinions, AI and analytics, telehealth devices and licensable platform services) demonstrates place

strategy innovation by making healthcare accessible via smartphone apps, eliminating geographic barriers to medical consultation.

4. Promotion: Building Awareness and Preference

Promotional strategies communicate service benefits, build brand awareness, and persuade potential customers to choose the service offering.

- **Integrated marketing communication**: Coordinating messages across advertising, public relations, content marketing, social media, and direct marketing to create consistent brand experiences.
- **Educational marketing**: Addressing information gaps through content that educates prospects about problems, solutions, and selection criteria. This builds authority while moving prospects through buying journeys.
- **Social proof and testimonials**: Leveraging customer success stories, reviews, case studies, and ratings to reduce uncertainty. Service businesses benefit particularly from detailed case studies that demonstrate results.
- **Thought leadership**: Publishing research, speaking at conferences, contributing to industry publications, and otherwise establishing expertise. This proves especially valuable for high-consideration services where expertise is a primary selection criterion.
- **Community building**: Creating communities where customers interact with each other about the company's brand. Salesforce's Trailblazer Community and HubSpot's user groups exemplify this approach.
- **Influencer and referral marketing**: Leveraging existing customer networks and industry influencers to expand reach with credibility.

Drift demonstrates promotional excellence through extensive content marketing, podcast production, thought leadership on conversational marketing, and community events that build brand affinity beyond product features.

5. People: Your Most Important Asset

In service businesses, people are simultaneously part of the product, the production system, and the brand. Employee selection, training, motivation, and retention directly impact service quality and customer satisfaction.

- **Recruitment and selection**: Hiring people with aptitudes, attitudes, and values aligned with service excellence. Zappos offers new employees money to quit after initial training, ensuring only committed team members remain.
- **Training and development**: Building both technical capabilities and soft skills required for service delivery excellence. The Ritz-Carlton invests over 250 hours in training each employee during their first year.
- **Empowerment**: Providing authority, resources, and support for employees to solve customer problems without bureaucratic barriers. Many high-performing service companies minimize rules in favor of principles and judgment.

- **Internal culture**: Creating organizational cultures that reinforce service values through recognition, leadership modeling, and daily practices. Southwest Airlines maintains a strong culture through extensive socialization and unique hiring approaches.
- **Service leadership**: Leaders who model service excellence and prioritize customer experience in decision-making. Servant leadership philosophies prove particularly effective in service organizations.

Chick-fil-A demonstrates people excellence through selective hiring, extensive training, above-industry compensation, and strong cultural values that produce notably superior customer service in the fast-food industry.

6. Process: Designing Service Delivery

Service processes shape customer experiences, operational efficiency, and quality consistency. Well-designed processes enable scale while maintaining quality.

- **Customer journey mapping**: Documenting every touchpoint, interaction, and decision point in the customer experience to identify improvement opportunities.
- **Service blueprinting**: Detailed process diagrams showing frontstage (customer-visible) and backstage (internal) activities, along with supporting systems and policies.
- **Standardization**: Developing procedures that ensure consistent service delivery across locations, time periods, and personnel. Process standardization enables quality control and efficiency.
- **Automation**: Leveraging technology to handle routine tasks, enabling humans to focus on high-value interactions requiring judgment, creativity, or empathy.
- **Self-service options**: Providing tools for customers to complete tasks independently when preferred. Self-service typically reduces costs while increasing customer convenience.
- **Quality checkpoints**: Building verification, review, and approval steps at critical points to catch errors before they reach customers.

Amazon Web Services demonstrates process excellence through extensive automation, self-service tools, comprehensive documentation, and infrastructure-as-code approaches that enable customers to deploy complex solutions with minimal human interaction.

7. Physical Evidence: Making Services Tangible

Physical evidence encompasses all tangible elements that customers use to evaluate service quality. While services are intangible, the environment and artifacts surrounding them influence perception.

- **Service environment**: Physical spaces where services are delivered. This includes layout, cleanliness, comfort, aesthetics, and functionality. Apple Stores exemplify environmental design that reinforces brand positioning.

- **Digital interfaces**: Website design, application user experience, email templates, and other digital touchpoints. For digital services, interface quality directly impacts service perception.
- **Collateral materials**: Proposals, contracts, reports, business cards, and other physical items. Professional, polished materials signal quality and attention to detail.
- **Branding consistency**: Coherent visual identity across all touchpoints, from signage to digital presence to employee uniforms. Brand consistency builds recognition and reinforces positioning.
- **Social proof**: Visible indicators of popularity and satisfaction, including awards, certifications, media mentions, and customer counts.
- **Technology infrastructure**: The reliability, speed, and sophistication of supporting technology. Frequent website crashes or slow application performance undermine confidence even in otherwise excellent services.

Airbnb demonstrates a physical evidence strategy through professional photography standards, detailed property descriptions, verified review systems, and digital experiences that build trust in peer-to-peer accommodation.

1.4 UNDERSTANDING SERVICE BUSINESSES, SERVICES, AND CONSUMER BEHAVIOR

Creating and marketing value in today's increasingly service and knowledge-intensive economy requires an understanding of the powerful design and packaging of "intangible" benefits and products, high-quality service operations and enabling technologies, motivated and competent frontline employees, a loyal and profitable customer base, and the development and implementation of a coherent service strategy to transform these assets into improved business performance.

We need to understand three things, which are discussed below-

1. ***Creating Value in the Service Economy***

2. ***Understanding Service Consumers –***

(a) "Consumer behavior is the study of how people buy, what they buy, when they buy, and why they buy." Consumer behavior is vibrant and complex. Hence, it is challenging for

marketers to understand consumers' behaviors, which keep changing due to the diverse landscape of the service sector and variations in service quality. How customers choose their goods and services can be tremendously important for service providers to gain a competitive advantage over their rivals in the existing markets of the diverse service industry.

(b) Consumers always prefer quality services, which further play an important role in determining the success or failure of a service industry. The service providers' survival and performance in the service industry depend on meeting consumers' service expectations related to the service providers' performance, compared to other rivals in the service industry.

(c) Service providers' perceived performance significantly influences customers' overall attitudes and word-of-mouth intentions. Therefore, consumers' responses about service providers' products and brand performance are considered in refining the existing marketing strategies of the key players of the service industry.

(d) Service providers ought to understand consumers' buying behaviors to offer better services and enrich consumer experiences, so that they can survive and sustain themselves in their respective service industries in the long run.

3. ***Positioning Services in Competitive Markets***