**Services Marketing**

**Unit I**

**Services**: “ Service(s) refer to an action(s) of organization(s) that maintains and improves the well-being and functioning of people”

“Services can be defined as a human effort which provides succor to the needy”

“Services are activities, benefits or satisfaction which are offered for sale and provided in connection with the sale of goods.”

“Services are economic activities which create value and provide benefits for customers.”

**Services Marketing**: “ Services marketing is a function by which a marketer plans, promotes and delivers services to customers. The application of marketing principles in the service sector is influence and transform the prospective customers in to actual customers.”

“ Service marketing focuses on scientific and planned management of services and selling the services to the satisfaction of the customers.”

**Why marketing of services?**

1. Upward trend in the disposable income
2. Increasing specialization
3. Growing fashion
4. Professionalism in education
5. Information explosion
6. Sophistication in market
7. Increasing governmental activities.

**Reasons for the growth of the service sector:**

Only in the last decade, service sector has gained importance. Deregulation of services, growing competition, fluctuations in demand and application of new technology have stimulated the growth of service sector. The reasons for the growth of services sector may be discussed under the headings.

1. **Demographic changes:**
2. Increase in the population
3. Increased Life expectancy
4. Migration of the people from rural to urban in search of employment opportunities
5. Changing attitude and westernization
6. **Economic changes:**
7. Introduction of LPG policy and the resultant competitive competition
8. Revolution of information Technology
9. Per capita income and national income
10. Expansion of Global trade
11. **Social Changes**:
12. Changing attitude and culture
13. Role of education
14. Role of women in the workforce
15. Social pressures and complexity of life
16. **Political and legal changes:**
17. Policies and programmes of the ruling government
18. Legal protections - Acts and Amendments
19. **Technological changes:**
20. Development in science and technology and mechanisation
21. Innovation and invention
22. Level of education
23. Developments in IT sector, communication and networks
24. Growing product complexities

All these changes in various environment necessitate the growth of service industries in a scientific way to provide the various segments of the consumers effectively. As a consequence, new specialized service industries have emerged in addition to the traditional service industries with quality service and world class excellence.

**Classification of services by Adrian Payne**

1. Communication and information service
2. Public utilities, government and defence
3. Health care
4. Business, Professional and Personal service
5. Recreational and hospitality services
6. Education and
7. Other non-profit organizations.

**Classification of services by Philip Kotler**

1. Pure tangible goods with no accompanying services
2. Tangible goods with accompanying services
3. Hybrid with equal parts of goods and services
4. Major service with accompanying minor goods and services

**Types /Classification of services**

**Traditional services Modern Services New**

Generation services

Medical services Advertising Recruitment services

Transport services Real estate IT & ITES

Banking & Insurance services Tours and travel Consultancy services

Hotel services Market research E- Commerce

Entertainment services Courier services Advanced medical services

Hospitality services Physical fitness Management Training

Legal services Vehicle rental Computer training

Educational services

Communication services

Utilities like water supply, electricity, etc.

**Salient features/Characteristics of Service marketing:**

1. **Intangibility:** The customer cannot touch, smell, see, hear or taste the service before it is actually sold by the seller. E.g., banking services. Supplementing the physical product may make the service more tangible. For example, while delivering banking service, the bankers are offering some physical products like pass book, cheque book, credit/ATM card, etc.
2. **Perishability:** Services cannot be stored or carried forward. Unused and underused services if any in any service industry are lost forever. Unfilled/partially filled cinema theatres, under used railway services and transport services.
3. I**nseparability**: Services are produced and consumed simultaneously. As a result direct sale of service is followed. For example, the entertainment services like dance, drama, music are consumed by the user while produced by the service provider, ie. Dancer, actor and musician.
4. **Heterogeneity/Individuality/Variability**: The quality of the service cannot be standardized. Different consumers rate the services in different way based on the satisfaction they derived from the service they enjoy. The perception of the individuals and the level of the service providers determine the success of service marketing.
5. **Ownership**: The users can have access to consume the service and cannot resell the service. For example, while haircutting in the beauty parlour, the user can avail the hair cutting service but the owner belongs to the service provider, i.e., beautician or those in charge of hair cutting in the parlour.
6. **Quality measurement**: It is very difficult to quantify the level of service. Services can be determined based on the level of satisfaction at which the users are found satisfied.
7. **Nature of demand**: Services are found in fluctuating nature. They are almost seasonal. During the peak season, there is high demand for the particular service, and in the lean period, there is very lesser demand for the same service. The tourist services are at their peak during vacation and festival seasons whereas they are idle during the rainy seasons.

**Significance/Advantages of Service marketing:**

1. **Creation of employment opportunities:**

Services like education, medical, communication, tourism, hospitality, Banking, insurance, transport, Consultancy service, etc. have created a wide variety of job opportunities at varied levels. Specialized services are in need of experts relevant to the service they are offering, whereas the middle level and low management requires semi-skilled and low level employees. India offers around 60% of the job opportunities through the service sector only and if properly developed, it will solve the unemployment problem of our country to a larger extent.

1. **Optimum utilization of available resources:**

Although all the resources are available in our country, the human resources are the strength of our nation and many of our various resources are underutilized and unutilized. As service sector offers excellent opportunities, India can maximize its service export. Service firms such as personal care service, the entertainment service, tourism services, hotel services can contribute much to the growth of the economy without disturbing any natural resources.

1. **Paving way for the formation of capital:**

Investment encourages capital formation. For the development of a nation, the flow of capital should be directed towards the most productive uses. If investments are made in the service sector, it will contribute to the nation-building processes. With increased developmental activities, the per capital income increases which facilitates capital formation.

1. **Increasing the standard of living:**

The standard of living of any country is decided by the quality of the life of the people and the standard of products/services the people are consuming. Standard of living is determined by the availability of the goods/services for the common people of the country and their spending capacity to consume the products/services. The services industry is one of the important reasons to promote the standard of living of the people.

1. **Environment-friendly technology:**

Technologies used in the manufacturing industries are detrimental to the environment whereas the technologies used by service organizations such as banks, insurance, hotels, communication, transport and education services are not detrimental to the ecology of the country.

**Constraints/Problems of Service marketing:**

1. Service cannot be demonstrated.
2. Sales, production and consumption of services takes place simultaneously.
3. Services cannot be stored, preserved and cannot be produced in future or in anticipation.
4. Services cannot be protected by patents.
5. Services cannot be separated from the service providers.
6. Services are not standardized.
7. Service provider appointing franchisees may face problem of quality of services.
8. Customer’s perception of service quality is more directly linked to the morale, motivation and skill of the frontline staff of the service provider.
9. At the national level, there is inadequate infra-structure facilities like power, transport, communication etc.
10. Public dealing etiquettes, hospitality are comparatively lesser in Indian service sector especially in the tourism industry exclusively for the foreigners.
11. Barriers in export marketing- regulations and taxation policies.
12. Service sector also depends on other primary and secondary sectors which should be harnessed.
13. Stiff competition for IT and ITES globally.
14. Contributes more than 59% of the GDP but offers less than 27% employment opportunities during the year 2013 -14.
15. No organized Trade information System.

**Difference between Goods and Services in:**

1. Tangibility
2. Transportability
3. Separability
4. Homogeneity
5. Existence
6. Resale
7. Storage
8. Larger size firm
9. Less quality control
10. Lesser Labour intensity
11. Legal and Ethical barriers
12. Fluctuating Demand
13. Sampling
14. Quantitative measurement