

Services Marketing: Challenges and Strategies

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Abstract:- A service system is dynamic configuration of people technology organization and shared information that creates and delivers value between the provider and the customer through service. Service is any act or performance that one party offers to another that is essentially intangible and does not result in any ownership. Today almost every service organization is facing the marketing challenges in business environment due to the basic characteristics of services. This paper focuses on the concepts of services marketing in broad manner and identifies the major challenges of services marketing in today's global market place.

Keywords: Service Marketing, Services, Challenges, Technology.

I. Introduction

Nowadays the world economy has become synonymous to service economy. This is largely because of mounting importance and contribution of the service segment in the economies of the most developed and developing nations. In reality the expansion of the service sector has long been measured as symptomatic of a nation's economic progress. The service sector seems to be taking over the world economy because of its growing significance and immense share of the economic landscape of most nations. To some extent, the service sector has been regarded as a gauge of a country's economic advancement. Economic history illustrates that developing nations have habitually moved from agriculture to industry and finally to the service sector as their core sector of the economy.

Services marketing first came to the fore in the 1980's when the debate started on whether marketing of services was significantly different from that of products so as to be classified as a separate discipline. Prior to this, services were considered just an aid to the production and marketing of goods and hence were not deemed as having separate relevance of their own.

The 1980's however saw a shift in this thinking. As the service sector started to grow in importance and emerged as a significant employer and contributor to the GDP, academics and marketing practitioners began to look at the marketing of services in a new light. Empirical research was conducted which brought to light the specific distinguishing characteristics of services.

By the mid 1990's, Services Marketing was firmly entrenched as a significant sub discipline of marketing with its own empirical research and data and growing significance in the increasingly service sector dominated economies of the new millennium. New areas of study opened up in the field and were the subject of extensive empirical research giving rise to concepts such as - the

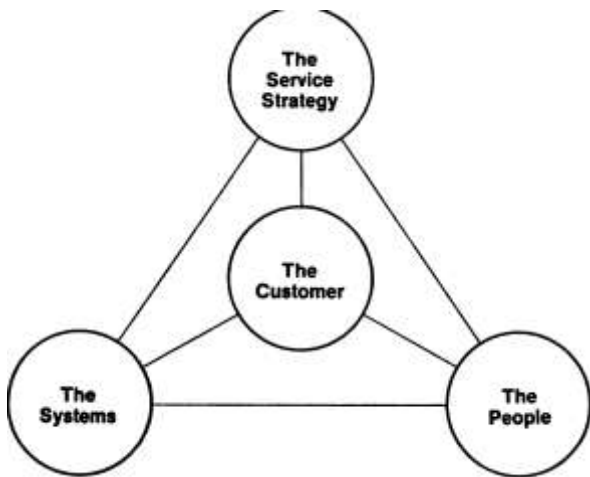
product-service spectrum, relationship marketing, franchising of services, customer retention etc

II. Literature Review

The American Marketing Association defines services as - "Activities, benefits and satisfactions which are offered for sale or are provided in connection with the sale of goods."

Early definitions of services were based on technical criteria derived from classical economists. Three main definitions were adopted by those favoring a technical characterization. The first definition, advanced by Smith (1776) and Say (1803), views a service as a product that is consumed in the instant of production. The second definition, pioneered by Singelmann (1974) and Fuchs (1968), takes the notion of co-production, in other words, the interaction between consumer and producer in producing services. The third approach describes services as non-storable and non-transportable, which distinguishes services from goods (Stanback, 1980).

Hill (1977) introduced the most widely cited definition of services: "a change in the condition of a person, or a good belonging to some economic unit, which is brought about as a result of the activity of some other economic unit, with the prior agreement of the former person or economic unit". With this definition, Hill sought "to set forth a characterization of 'service situations' and of their outcomes that is both socio-technical and more synthetic" (Gadrey, 2000). Gadrey (2000) expanded Hill's definition by putting forward what is known as the "service triangle".



Service Triangle

In this view, “a service activity is an operation intended to bring about a change of state in a reality C that is owned or used by consumer B, the change being effected by service provider A at the request of B, and in many cases in collaboration with him / her, but without leading to the production of a good that can circulate in the economy independently of medium C”. In other words, Gadrey introduced services as a process or a set of processing operations that are implemented through interactions (i.e., the intervention of B on C, the intervention of A on C, and service relations or interactions) between three main elements: service provider, client, and a reality to be transformed. Lancaster (1966) and Saviotti and Metcalfe (1984), Gallouj and Weinstein (1997) developed a conceptual framework for the provision of products (i.e., goods and services) that describe service output in terms of a set of characteristics and competences, which reflects both the internal structure of products and external properties. The delivery of services in this framework depends on the simultaneous mobilization of competences (from service provider and clients) and (tangible or intangible) technical characteristics. In similar work, Grönroos (2006) makes a comparison between services and goods. He found that service best fits the context of most goods-producing businesses today. Goods are one of several types of resources functioning in a service-like process, and it is this process that is the service that customers consume.

The in-depth literature review by (Fisk, Brown and Bitner, 1993), concluded that — [four] features- intangibility, inseparability, heterogeneity, and perish ability-, provided the underpinnings for the case that services marketing is field separate from goods marketing.

Differences between physical goods and services

Physical Goods	Services
A thing	An activity or process
Tangible	Intangible
Homogeneous	Heterogeneous
Production and distribution are separated from consumption.	Production, distribution and consumption are simultaneous process.

Core value produced in factory	Core value produced in buyer-seller interactions.
Customers do not participate in the production process	Customer may participate in the production
Can be kept in stock.	Cannot be kept in stock.
Transfer of ownership.	No transfer of ownership.

Source: Christian Gronross, Service management and Marketing, Massachusetts : Lexington Books,

Shostack's (1977) work gives impetus to the discussion that services marketing is unique. Gronroos, (1978); Gummesson, (1979) Berry (1980) and Lovelock (1981) explained that a special management approach is essential for services marketing efforts. Intangibility is not only the most common difference between goods and services but also has been described as the serious distinction from which all other differences come out (Bateson, 1979). Bateson tracked the difference between *physical intangibility*, that which is unreal or cannot be touched and *mental intangibility*, that which cannot be grasped mentally. Intangibility of services holds the challenge of storing service and protecting new services through patents. Also because of the characteristics of intangibility, services cannot be willingly displayed or easily communicated and pricing decisions also become hard.

Services are parallel produced and consumed (Inseparability) and the client is present in the production process that makes mass production very difficult. The excellence of service and customer fulfillment depends on what happens in "real time" including action of employees and interactions between employees and customers (Bitner, 1996)". Because the customer must be present during the production of many services, inseparability —forces the buyer into close contact with the production process (Carmen and Langeard, 1980; Norman and Ramirez, 1993). Inseparability moreover means that the producer and the seller are the same entity, making only direct distribution possible in most cases (Upah, 1980) and causing marketing and production to be highly interactive (Grönroos, 1978).

Heterogeneity reveals that no two services are exactly alike. The quality and strength of service can differ from customer to customer and from producer to producer and from day to day. Heterogeneity holds a challenge of maintaining steady quality as behavior and performance vary not only among service workers but even between the same employee's interactions from one customer to another. Service recital from the same individual may also differ. Services are perishable and therefore cannot be stored (Bessom & Jackson, 1975; Thomas 1978). Service marketers assert that services cannot be stored for reprocess at a later date, sold or returned (Edgett & Parkinson 1993; Zeithaml, Bitner & Gremler 2005; Lovelock & Wirtz, 2006; Kotler & Keller, 2006). Service organizations frequently find it hard to coordinate supply and demand. Perish ability leads to the

confront of inventorying the service and calls for strong convalescence techniques for service failures.

Objectives of the Study

- i) To study the concepts of services marketing in broad manner.
- ii) Identify the major challenges of services marketing in today's global market place.

Research Methodology

The study is purely based on secondary data collected from different sources such as Books, Journals, Research Papers and other print media.

Service Marketing

Services marketing relates to the marketing of services, as opposed to tangible products. Proper marketing of services contributes substantially to the process of socio-economic development.

In today's increasingly service driven markets and with the proliferation of multiple providers for every type of product or service, moments of truth have become an important fact of customer interaction that marketers need to keep in mind. They are critical as they determine a customer's perception of, and reaction to, a brand. Moments of truth can make or break an organization's relationship with its customers.

The Moments of truth can be favourable moments that have been termed as 'moments of magic'. These are instances where the customer has been served in a manner that exceeds his expectations. Eg: An airline passenger being upgraded to from an economy to a business class ticket or the 100th (or 1000th) customer of a new department store being given a special discount on his purchase. Such gestures can go a long way in creating a regular and loyal customer base. However, a moment of magic need not necessarily involve such grand gestures. Even the efficient and timely service consistently provided by the coffee shop assistant can create a moment of magic for the customers. This is more so in the case of service providers since they are selling intangibles by creating customer expectations. Services are often differentiated in the minds of the customer by promises of what is to come. Managing these expectations constitutes a critical component of creating favourable moments of truth which in turn are critical for business success.

Importance of Service Marketing

The intangibility of services makes the marketing of services difficult and challenging task. The importance or significance of services is highlighted under the following headings

Generation of employment opportunities

The components of the service sector are wide and varied. For example, the service sector includes personal care, education, medicare, communication, tourism, hospitality, banking, insurance, transportation, consultancy services, etc.

The organized and systematic development of the service sector would create enormous employment opportunities

Optimum utilization of resources

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

Capital formation

There are indications that services will grow more rapidly in the near future. Economic, social and political factors signal an expansion of the service sector. Investments and job generations are far greater in the service sector compared to manufacturing.

Increased standard of living

The standard of living of the people in any country would be decided on the basis of quality and standard of products consumed or services availed in the day-to-day living.

Use of environment-friendly technology

Nowadays, almost all services are found to be technology-driven. Developed countries are making full use of latest technology while rendering services. Technologies used by service generating organizations such as banks, insurance companies, tourism, hotels, communication and education services are not detrimental in any way to the environment.

Types of Services Marketing

Services may take different forms depending on how the service is provided, to whom it is provided, who provides the services and whether the presence of the buyer is required during the service period.

People based and equipment based services

Services may be people based or equipment based. People based services use different levels of personnel skills in providing the service. Service of a doctor, lawyer, plumber, mason and a porter are people based. Equipment based services are provided with automated machines, such as vending machines, automatic car was etc.

Personal and business services

Personal services are provided to individual customers and households. Personal care, health, travels, entertainment, amusement, repairs, maintenance, life insurance etc. are examples of personal services. Business services are provided to organization. Advertising, market research, consultancy, insurance etc. are examples of business services.

Presence and absence of the buyer

A service may be provided in the presence of the buyer or without his presence. Car repairs and tailoring services do not require the presence of the buyer during the servicing period. Beauty and health care services cannot be provided to buyers without their presence.

For profit and nonprofit services

In terms of service provider, service may come from profit organization as well as nonprofit organization. Profit organizations provide service for economic gain. Banking, insurance, entertainment, travels etc are services provided for profit. Nonprofit organizations provide services for social causes, such as education, hospital, family planning services etc.

Strategies of Services Marketing

The two main strategies of services marketing are:

A. Use of the Extended Marketing Mix

The 4Ps marketing mix which represents **P**roduct, **P**lace, **P**ricing and **P**romotion, have been most widely employed as a model for product marketing. It shows the company preparing an offer mix of the product and price, with an integrated promotion mix to reach the target consumers through the selected distribution channels. The 4Ps of marketing have been the key areas where marketing managers allocate scarce corporate resources to achieve the business objectives. Services have unique characteristics: intangibility, heterogeneity, inseparability and perishability. To discuss the differences between services and physical products, Booms and Bitner (1981) suggested the extension of the 4Ps framework to include three additional factors: **P**eople, **P**hysical evidence and **P**rocesses as marketing mix variables for services marketing:

i. People means to all people directly or indirectly involved in the consumption of a service, example employees or other consumers. Due to the inseparability of production and consumption for services which involves the simultaneous production and consumption of services, service firms depend heavily on the ability of contract employees to deliver the service.

Service providers (such as hair stylists, personal trainers, nurses, counselors and call centre personnel) are involved in real time production of the service. They are the "service". Service firms must find ways in which they can effectively manage the contact employees to ensure that their attitudes and behaviors are conducive to the delivery of service quality. This is especially important in services because employees tend to be variable in their performance, which can lead to variable quality i.e. heterogeneity in the performance of services. This lack of homogeneity in services creates difficulties for the service firms. As delivery of services occurs during interaction between contact employees and customers, attitudes and behaviors of the service providers can significantly affect customers' perceptions of the service. This is important, because customers' perceptions of service quality and its value can

influence customer satisfaction, and in turn, purchase intentions.

ii. Physical evidence refers to the environment in which the service is assembled and in which the seller and customer interact, combined with tangible commodities that facilitate performance or communication of the service. The physical evidence of service includes all the tangible representations of service such as brochures, letterhead, business cards, reports, signage, internet presence and equipment. For example, in the hotel industry, the design, furnishing, lighting, layout and decoration of the hotel as well as the appearance and attitudes of its employees will influence customer perceptions of the service quality and experiences. Because of the simultaneous production and consumption of most services, the physical facility i.e. its servicescape can play an important role in the service experience. As services are intangible, customers are searching for any tangible cues to help them understand the nature of the service experience. The more intangible-dominant a service is, the greater the need to make the service tangible.

iii. Process is referred to the procedures, mechanisms and flow of activities by which the service is delivered i.e. the service delivery and operating systems. Because services are performances or actions done for or with the customers, they typically involve a sequence of steps and activities. The combination of these steps constitutes a service process which is evaluated by the customers.

Furthermore, in a service situation customers are likely to have to queue before they can be served and the service delivery itself is likely to take a certain length of waiting time. It helps if marketers ensure that customers understand the process of acquiring a service and the acceptable delivery times. Creating and managing effective service processes are essential tasks for service firms. This is more so due to the perishability of services which means that services cannot be inventoried, stored for reuse or returned. Hotel rooms not occupied and airline seats not purchased cannot be reclaimed. As services are performances that cannot be stored, it is a challenge for service businesses to manage situations of over or under demand. Another distinctive characteristic of the service process that provides evidence to the customer is the standardized or customized approach based on customer's needs and expectations. Since services are created as they are consumed, and because the customer is often involved in the process, there are more opportunities for customizing the service to meet the needs of the customers. The first concerns the extent to which the characteristics of the service and its delivery system lend themselves to the scope of customization; the second relates to the extent of flexibility the contact employees are able to exercise in meeting the needs of the customers.

B. Differentiating Your Service

Service marketers sometimes complain about the difficulty in differentiating their services. For example, a dentist office might wonder how it can differentiate itself from other dentists. It might be tempting to compete on price, but this often ends up hurting business more than helping because

competitors will cut prices to match. An alternative to competing on price, is to develop a differentiated offer, delivery, image and/or quality.

Offer: An offer can include innovative features. What customers expect is called the primary service package, and to this, you can add a secondary service feature. A coffee shop might offer free internet access and comfortable couches as secondary services.

Delivery: A service company can hire and train better people to deliver its service, a more attractive physical environment or design a quicker delivery process.

Image: Service companies can also differentiate their image through symbols and branding. If your company is reputable and provides a valued service, use a good logo and symbols to help customer's associate high quality to your services.

Service Quality: You can win over the competition by delivering consistently higher-quality services and exceeding customer expectations. These expectations are formed by their past experiences, word of mouth, and the messages you deliver through advertising. If you don't meet or exceed customer expectations, your customers will lose interest in your services.

III. Challenges of Service Marketing

It is a challenging task to manage a service or product industry. These challenges however are different and unique for each industry. Some of the challenges that are faced while managing, growing and making profit from a service industry are discussed below, these factors do not readily apply to the product industry.

i) Services are intangible and so customers cannot see or hold them before they buy it. Buyers are therefore uncertain about the quality of service and feel they are taking a risk. The buyer is unable to conceptualize and evaluate a service from beforehand. From the seller's perspective he finds it challenging to promote, control quality and set the price of the service he is provide. Unlike products the intangible nature of service causes difficulties to both client and the firm.

ii) Defining and improving quality in the service industry is a major challenge. Unlike products very often services are produced and consumed simultaneously. As a result service quality management faces challenges that the product industry never ever comes across. In the product industry the manufacturer gets ample opportunity to test his products before they reach the market. In case of a quality issue the problem is taken care of during the quality check and customer satisfaction is taken care of. However during service production the customer is right in front. To guarantee customer satisfaction in this scenario is a major challenge.

iii) In case of the service industry the customer first needs to develop trust in the service organization before he buys their services. The client often gives more importance to the

amount of faith he has on the service organization than the services being offered and their value proposition.

iv) Service industry faces competition not only from fellow service industry but also from their clients who often question themselves whether or not they should engage a service at all!

v) Most of the product companies have dedicated sales staff while in the service industry the service deliverers often do the selling. Coordinating marketing, operations and human resource efforts is a tedious task.

vi) Passion works for the service industry. More the passion, spirit and desire among the service staff more is the revenue generation and success generated every day. There is a direct correlation between staff passion and financial success and similarly lack of passion leads to failure in the service industry. Staffs need to be constantly motivated and efforts have to make to sustain employee commitment.

IV. Conclusion:

The services have become a very important part of world economy. To be successful at services marketing, today's marketer must understand how the very nature of services can control marketing strategy. Services marketing deliver processes and experiences that are intangible to customers at profitable gains to the firm. To enhance the sustenance and survival of services marketing there should be a clear understanding of the strategies so as to overcome the challenges of the internal and the external business environment.

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