

SERVICES MARKETING

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Marketing: The process of creating, distributing, promoting, and pricing goods, services, and ideas to facilitate satisfying exchange relationships with customers in a dynamic environment.

Marketing involves developing and managing a product that will satisfy customer needs, making the product available in the right place and at a price that will be acceptable to buyers, and communicating information that will help customers determine if the product will satisfy their needs. These activities- **product, distribution, promotion, and pricing-** are known as the **MARKETING MIX** because marketing managers decide what type of each element to use and in what amounts. Marketing managers strive to develop a marketing mix that matches the needs of the customers in the target market. Before marketers can develop a marketing mix, they must collect in-depth, up-to-date information about customer needs.

The **product** variable of the marketing mix deals with researching customers' needs and wants and designing a product that satisfies them. The product can be a **good, service,** or an **idea.**

When dealing with the **distribution** variable, a marketing manager tries to make products available in the quantities desired to as many customers as possible. With the emergence of internet marketing and sales, this variable is many times eliminated or made much easier on both the customer and seller.

The **promotion** variable relates to activities used to inform individuals or groups about an organisation and its products. The promotion variable includes a "mix" of its own called the **promotion mix**, which includes: **public relations, advertising, sales promotion,** and **personal selling.** Again, the internet has opened up a variety of new promotion ideas as well. These promotion tactics are introduced in more detail later in this course.

The **price** variable involves decisions and actions associated with establishing pricing policies and determining product prices. These marketing mix variables are often viewed as controllable because they can be changed, but there are limits to how much they can be altered. Again, when it comes to marketing and sales on the internet, price has become a different issue altogether since competitive shopping is now international.

Individuals and organisations engage in marketing to facilitate **exchanges.** Four conditions must exist for an exchange to occur:

- 1) Two or more individuals, groups, or organisations must participate, and each must possess something of value that the other party desires.
- 2) The exchange should provide a benefit or satisfaction to both parties involved in the transaction.
- 3) Each party must have confidence in the promise of the "something of value" held by the other party.
- 4) To build trust, the parties in the exchange must meet each other's expectations.

According to the **marketing concept** an organisation should try to provide products that satisfy customers, needs through a coordinated set of activities that also allows that organisation to achieve its goals. Customer satisfaction is the marketing concept's major objective. The philosophy of the marketing concept emerged in the United States in the 1950s after the production and sales eras. To implement the marketing concept, a marketing organisation adopts a marketing orientation approach that provides value to the customer. Marketing orientation essentially means “an organisation is committed to researching and responding to customer needs.”

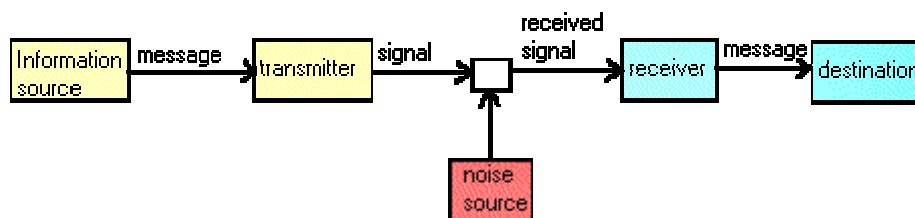
Services marketing is based around serving the customer with the best services possible. CRM and solid customer services and employee training are vital to services marketing.

Relationship marketing involves establishing long-term, mutually satisfying buyer-seller relationships. **Customer Relationship Management**, also known as CRM, focuses on using information about customers to create marketing strategies that develop and sustain desirable customer relationships. Managing customer relationships requires identifying patterns of buying behaviour and using that information to focus on the most promising and profitable customers.

COMMUNICATION THEORY – As it relates to Marketing

The Shannon-Weaver model is typical of what are often referred to as transmission models of communication. This model was created to examine and explain examples of typical everyday forms of communication. (e.g. using the radio, newspapers, face-2-face conversation, audience/speaker situations or the telephone.)

Claude Shannon and Warren Weaver produced a general model of communication:



This is now known as (and named after) the Shannon-Weaver Model. Although they were principally concerned with communication technology, their model has become one that is frequently introduced to students of human communication early in their study.

Marketing also utilises the Shannon and Weaver communication model. This model has 7 essential components: Sender, Receiver, Channel, Message, Situation, Feedback, and Noise

To be effective, all messages relating to marketing communication should aim to include these components.

Example:

Sender = Seller of a product

Receiver = Consumer/Buyer/Target Audience

Channel = The medium used to advertise

Message = The marketing campaign message sent to the consumer (Purchase Subway sandwiches if you want to stay on your diet and be slim)

Feedback – Whether the customer purchases the product or not (Determined through marketing evaluation)

Situation – Where the entire process takes place (USA, UK, globally, online only, etc.)

Noise – Anything that interrupts or has an impact on the message and/or feedback (environment, economy, etc..)



The elements of the promotions mix are integrated to form a coherent campaign. (As with all forms of communication). The message from the marketer follows the 'communications process' as illustrated above. For example, a radio advert is made for a car manufacturer. The car manufacturer (sender) pays for a specific advert with contains a message specific to a target audience (encoding). It is transmitted during a set of commercials from a radio station (Message / media). The message is decoded by a car radio (decoding) and the target consumer interprets the message (receiver). He or she might visit a dealership or seek further information from a web site (Response). The consumer might buy a car or express an interest or dislike (feedback). This information will inform future elements of an integrated promotional campaign. Perhaps a direct mail campaign would push the consumer to the point of purchase. Noise represent the thousand of marketing communications that a consumer is exposed to everyday, all

competing for attention. (Diagram and the above paragraph taken from: http://www.marketingteacher.com/Lessons/lesson_promotion.htm)

The **product life cycle** describes how product items in an industry move through four stages: **introduction stage**, **growth stage**, **maturity stage**, and **decline stage**. The life cycle concept is used to make sure that the introduction, alteration, and termination of a product are timed and executed properly. The life expectancy of a product is based on buyers' wants, the availability of competing products, and other environmental conditions. It is important to manage existing products and develop new ones to maintain a firm's sales performance at an acceptable level.

Target Markets: Segmentation and Evaluation

A market is a combined group of people who, as individuals or as organisations, have needs for products in a product class and who have the ability, willingness, and authority to purchase such products. The main type of market most marketers are concerned with is called a **consumer market**. In this type of market purchasers and/or household members who intend to consume or benefit from the purchased products and do not buy products for the main purpose of making profits. The people within this group purchase **Consumer products**, which are products purchased for the ultimate satisfaction of personal and family needs.

The type of market affects the development and implementation of a firm's marketing strategy.

Before moving on we need to clearly define what a **target market** is: A specific group of customers on whose needs and wants a company focuses its marketing efforts.

<<Read Proctor and Gamble Case Study, Pride & Ferrell, Page 112-113>>

In general, marketers employ a five-step process when selecting a target market.

Step 1 - Is to identify the appropriate targeting strategy. The choices are as follows:

Undifferentiated targeting strategy - A targeting strategy in which an organisation defines an entire market for a particular product as its target market and designs a single marketing mix directed at that market.

Concentrated targeting strategy - A market segmentation strategy in which an organisation directs its marketing efforts toward a single market segment through one marketing mix.

Differentiated targeting strategy - A targeting strategy in which an organisation directs its marketing efforts at two or more segments by developing a marketing mix for each segment.

Question:

- 1) If I was going to be marketing sales training course to only people in the IT industry within companies which strategy am I using? _ **Concentrated targeting strategy** _____

- 2) If I was going to market my hairdressing services to people with hair extensions (or needing them) and then to people who have (or want coloured hair) which strategy am I using? **Differentiated targeting strategy**

- 3) If I was going to be marketing a Microsoft word and excel training course to everyone who may use these programmes which strategy am I using? **Undifferentiated targeting strategy**

Markets can be further classified in two major ways:

Heterogeneous market - A market made up of individuals with diverse needs for products in a specific product class.

Homogeneous market - A type of market in which a large proportion of customers have similar needs for a product.

A homogeneous market requires an undifferentiated targeting strategy, whereas a heterogeneous market requires **market segmentation**, which is used to develop a concentrated targeting strategy and a differentiated targeting strategy. Market segmentation divides the total market into groups of people and organisations, called **market segments**. The reason we must divide a larger group into smaller ones is so that those within market segments have relatively similar product needs. These segments help marketers design a marketing mix that matches those needs and avoid unnecessarily spending money to market to the wrong people.

Step 2 - Is determining which **segmentation variables** to use. Segmentation variables for consumer markets can be grouped into four categories:

1. **Demographic** (age, gender, income, ethnicity, family life cycle)
2. **Geographic** (population distribution, market density, climate)
3. **Psychographic** (personality traits, motives, lifestyles)
4. **Behavioristic** (volume usage, end use, expected benefits, brand loyalty, price sensitivity).

Variables for segmenting organisational markets include geographic location, type of organisation, customer size, and product use.

Step 3- Is the target market selection process you must develop market segment profiles. Profiles describe the similarities among potential customers within a segment

and explain the differences among people and organisations in different market segments.

Step 4 - Is evaluating relevant market segments for sales, competition, and estimated costs associated with each segment. During this process, market potential and company sales potential are evaluated. A SWOT analysis may also be particularly helpful in this situation.

Step 5 - Involves the final selection of specific target markets. In this final step, companies consider whether enough differences in customers' needs exist to warrant the use of segmentation and which segments to focus on.

When dealing with targeting and segmentation we take into consideration that purchases are made between the following:

B2C – Business to consumer

B2B – Business to business

B2P – Business to public sector (government or public sector organisations)

Consumers are individuals, groups, families, households or others who make exchanges on their own behalf or for others, but not for businesses or other enterprises on a regular basis.

Creating the Research Material –

Marketing research is often needed to ensure that we produce what customers really want and not what we think they want.

There are two main approaches to marketing. **Primary Research** is information collected through ways such as interviews, focus groups or questionnaires designed for a specific need. **Secondary research** involves using information that others have already put together.

Research will often help reduce risks associated with a new product, but it cannot take the risk away entirely. It is also important to ascertain whether the research has been complete. For example, Coca Cola did a great deal of research prior to releasing the New Coke, and consumers seemed to prefer the taste. However, consumers were not prepared to have this drink replace traditional Coke.

The main idea of marketing research is to take a random sample from a population and then to use the information from the sample to make inferences about particular population characteristics.

When the sampling units are human beings, the main methods of collecting information are:

- **face-to-face interviewing**
- **postal surveys**
- **telephone surveys**
- **direct observation.**
- **Internet**

The question of how large a sample to take arises early in the planning of any survey. This is an important question that should be treated lightly. To take a larger sample than is needed to achieve the desired results is wasteful of resources whereas very small samples often lead to that are no practical use of making good decision. The main objective is to obtain both a desirable accuracy and a desirable confidence level with minimum cost.

Surveys are useful for getting a great deal of specific information. Surveys can contain **open-ended** questions (e.g., “In which city and state were you born?”) or **closed-ended**, where the respondent is asked to select answers from a brief list (e.g., “ __Male __ Female.” Or Do you like the taste of this? __Yes __ No”)

Open ended questions have the advantage that the respondent is not limited to the options listed, and that the respondent is not being influenced by seeing a list of responses. However, open-ended questions are often skipped by respondents, and coding them can be quite a challenge. In general, for surveys to yield meaningful responses, sample sizes of over 100 are usually required because precision is essential.

Surveys come in several different forms. Mail surveys are relatively inexpensive, but response rates are typically quite low—typically from 5-20%. Phone-surveys get somewhat higher response rates, but not many questions can be asked because many answer options have to be repeated and few people are willing to stay on the phone for more than five minutes. Mall intercepts are a convenient way to reach consumers, but respondents may be reluctant to discuss anything sensitive face-to-face with an interviewer.

Surveys, as any kind of research, are also vulnerable to bias. The wording of a question can influence the outcome a great deal. For example, more people answered no to the question “Should speeches against democracy be allowed?” than answered yes to “Should speeches against democracy be forbidden?”

For face-to-face interviews, interviewer bias is a danger, too. Interviewer bias occurs when the interviewer influences the way the respondent answers. For example, unconsciously an interviewer that works for the firm manufacturing the product in question may smile a little when something good is being said about the product and frown a little when something negative is being said. The respondent may catch on and say something more positive than his or her real opinion. Finally, a response bias may occur—if only part of the sample responds to a survey, the respondents’ answers may not be representative of the population.

Focus groups are useful when the marketer wants to launch a new product or modify an existing one. A focus group usually involves having some 8-12 people come together in a room to discuss their consumption preferences and experiences. The group is usually led by a moderator, who will start out talking broadly about topics related broadly to the product without mentioning the product itself. For example, a focus group aimed at sugar-free cookies might first address consumers' snacking preferences, only gradually moving toward the specific product of sugar-free cookies. By not mentioning the product up front, you avoid biasing the participants into thinking only in terms of the specific product brought out. Thus, instead of having consumers think primarily in terms of what might be good or bad about the product, one can ask them to discuss more broadly the ultimate benefits they really seek. For example, instead of having consumers merely discuss what they think about some sugar-free cookies that a company is considering releasing to the market, they can have consumers speak about their motivations for using snacks and what general kinds of benefits they seek. Such a discussion might reveal a concern about healthfulness and a desire for wholesome foods. Probing on the meaning of wholesomeness, consumers might indicate a desire to avoid artificial ingredients. This would be an important concern in the marketing of sugar-free cookies, but might not have come up if consumers were asked to comment directly on the product where the use of artificial ingredients is, by virtue of the nature of the product, necessary.

Focus groups are well suited for some purposes, but poorly suited for others. In general, focus groups are very good for getting breadth—i.e., finding out what kinds of issues are important for consumers in a given product category. It is helpful that focus groups are completely “open-ended:” The consumer mentions his or her preferences and opinions, and the focus group moderator can ask the consumer to elaborate. In a questionnaire, if one did not think to ask about something, chances are that few consumers would take the time to write out an elaborate answer.

Focus groups also have some drawbacks, for example: • They represent small sample sizes. Because of the cost of running focus groups, only a few groups can be run. Also, research has shown that the groups are inherently social. This means that consumers will often say things that may make them look good (i.e., they watch public television rather than soap operas, cook fresh meals for their families daily and brush their teeth 2 times a day) even if that is not true. Consumers in focus groups may also be reluctant to speak about embarrassing issues (e.g., weight control, sex, birth control).

Personal interviews involve in-depth questioning of an individual about his or her interest in or experiences with a product. The benefit here is that we can get really into depth (when the respondent says something interesting, we can ask him or her to elaborate), but this method of research is costly and can be extremely vulnerable to interviewer bias. A good mixture of open and closed questions is very important in this type of research technique as well.

Projective techniques are used when a consumer may feel embarrassed to admit to certain opinions, feelings, or preferences. For example, many older executives may not be comfortable admitting to being intimidated by computers. It has been found that in such cases, people will tend to respond more openly about “someone else.” Thus, one may ask them to explain reasons why a friend has not yet bought a computer, or to tell a

story about a person in a picture who is or is not using a product. The main problem with this method is that it is difficult to analyse responses.

Observation of consumers is often a powerful tool. Looking at how consumers select products may yield insights into how they make decisions and what they look for. For example, some American manufacturers were concerned about low sales of their products in Japan. Observing Japanese consumers, it was found that many of these Japanese consumers scrutinized packages looking for a name of a major manufacturer—the product specific-brands that are common in the U.S. (e.g., Tide) were not impressive to the Japanese, who wanted a name of a major firm like Mitsubishi or Proctor & Gamble. Observation may help us determine how much time consumers spend comparing prices, or whether nutritional labels are being consulted.

Physiological measures are also occasionally used to examine consumer response. For example, advertisers may want to measure a consumer's level of arousal during various parts of an advertisement.

Some cautions should be heeded in marketing research. First, in general, research should only be commissioned when it is worth the cost. Thus, research should normally be useful in making specific decisions (what size should the product be? Should the product be launched? Should we charge \$1.75 or \$2.25?)

Secondly, marketing research can be, and often is, abused. Managers frequently have their own “agendas” (e.g., they either would like a product to be launched or would prefer that it not be launched so that the firm will have more resources left over to tackle their favourite products). Often, a way to get your way is to demonstrate through “objective” research that your opinions make economic sense. One example of misleading research, which was reported nationwide in the media, involved the case of “The Pentagon Declares War on Rush Limbaugh.” The Pentagon, within a year of the election of Democrat Bill Clinton, reported that only 4.2% of soldiers listening to the Armed Forces Network wanted to hear Rush Limbaugh. However, although this finding was reported without question in the media, it was later found that the conclusion was based on the question “What single thing can we do to improve programming?” If you did not write in something like “Carry Rush Limbaugh,” you were counted as not wanting to hear him.

The overall state of the economy fluctuates in a general pattern known as the **business cycle**. The stages of the business cycle include **prosperity**, **recession**, **depression**, and **recovery**.

The economic factors that can strongly influence both marketers' and customers' decisions and activities are **general economic conditions**, **buying power**, and **willingness to spend**. Financial sources of buying power are **income**, credit, and **wealth**. Marketers are especially concerned about levels of disposable income and discretionary income.

Discretionary income – Possible income available for spending and saving after an individual has purchased the basic necessities of food, clothing, and shelter.

Disposable Income – The amount of money left after payment of taxes.

Differentiation is the process of designing and creating products so that customers perceive them as being different from competing products. Product **quality**, product design and features, and product support services are three aspects of product differentiation that companies consider when creating and marketing products. Differentiation is equally as important in the marketing of services as in the marketing of products/goods.

Differentiation also can be achieved through product design that focuses on styling and product features. Companies often differentiate their products by providing support services, usually called **customer services**.

Organisations use **product positioning** to compete in various ways. Organisations can position a product to compete head-to-head with another brand if a product's performance is at least equal to that of the competitive brand and if the product is priced lower. When a brand possesses unique characteristics that are important to some buyers, positioning a brand to avoid competition is appropriate. It is important for a company to avoid positioning a product so that it competes with the company's already existing products. Repositioning can be accomplished by making physical changes in the product, by changing its price or distribution, or by changing its image.

Product Concepts

A **product** is anything tangible or intangible you receive in an exchange. It can include functional, social, and psychological utilities and benefits. A product can be **an idea, a service or a good**, or any combination of these three. When consumers purchase a product, they are buying the benefits and satisfaction they think the product will provide.

Products can be classified on the basis of the buyers' intentions as **consumer products** or **business products**.

A product is a bundle of benefits that creates value for buyers. Two key criteria in understanding product are buyer and use. Key questions are *who is the buyer?* and *how will the product be used?* Products are differentiated by their state/type.
Goods, Services, Digitals, and Mixed

Goods include: Durables (long life span and used over and over), non-durables (used up quickly), disposables (used once), and perishables (non-durable and with a short life span).

Search engines are an example of an online product that has no direct offline equivalent. They are service products that many Internet users depend on to guide their trips on the Internet.

Types of products –

Standardised Products – Mass produce uniform products with no direct buyer input about product variations.

Mass Customised Products – Give buyers options, within limits set by the manufacturer.

Customised Products – Unique products created through communication between the buyer and manufacturer.

STRATEGIC PLANNING AND MARKETING -

The **marketing environment**, which includes competitive, economic, political, legal/regulatory, technological, and sociocultural forces, surrounds the customers and the marketing mix. These forces can create threats to marketers, but they also generate opportunities for new products and new methods of reaching customers.

Through the process of **strategic planning**, a firm establishes an organisational mission and goals, corporate strategy, marketing objectives, marketing strategy, and, finally, a **marketing plan**.

The strategic planning process begins with an analysis of the marketing environment, which includes economic, competitive, political, legal and regulatory, technological, and sociocultural forces that affect the resources a firm can acquire and create favourable opportunities for the firm. Resources include core competencies, which sometimes give the company a competitive advantage, preferably a sustainable competitive advantage. When a strategic window permits an organisation to take action to reach a particular target market, a **market opportunity** exists.

While corporate, business-unit, and marketing strategies all overlap to some extent, the marketing strategy is the most detailed and specific of the three. Marketing strategy is typically composed of two elements: the selection of a target market and the creation of a marketing mix that will satisfy the needs of the chosen target market.

Market planning is the systematic process of assessing marketing opportunities and resources, determining marketing objectives, defining marketing strategies, and establishing guidelines for implementation and control of the marketing program. The outcome of market planning is the development of a marketing plan. A firm should have a plan for each marketing strategy it develops.

Most marketing plans include several common components: an executive summary; an environmental analysis; a **SWOT Analysis** assessing an organisation's **strengths, weaknesses, opportunities, and threats**; marketing objectives; marketing strategies; and an implementation section. Most marketing plans also detail how the results of the plan will be measured and evaluated. (Public Relations, Crisis PR, Advertising, Sales Promotion, and Personal Selling all greatly benefit from conducting a SWOT analysis.

SWOT analysis is a tool for auditing an organisation and its environment. It is the first stage of planning and helps marketers to focus on key issues. A SWOT is also a great place to start the process of product re-branding, re-development, and new product lines from.

Once key issues have been identified, they feed into marketing objectives. It can be used in conjunction with other tools for audit and analysis.

A strength could be:

- your company's specialist marketing expertise.
- a new, innovative product or service
- location of your business
- quality processes and procedures
- any other aspect of your business that adds value to your product or service.

A weakness could be:

- lack of marketing expertise
- undifferentiated products and service (i.e. in relation to your competitors)
- location of your business
- poor quality goods or services
- damaged reputation

Opportunities and threats are external factors that can have an impact on your company. For example, an opportunity could be:

- a developing market such as the Internet.
- mergers, joint ventures or strategic alliances
- moving into new market segments that offer improved profits
- a new international market
- a market vacated by an ineffective competitor

A threat could be:

- a new competitor in your home market
- price wars with competitors
- a competitor has a new, innovative product or service
- competitors have superior access to channels of distribution
- taxation is introduced on your product or service

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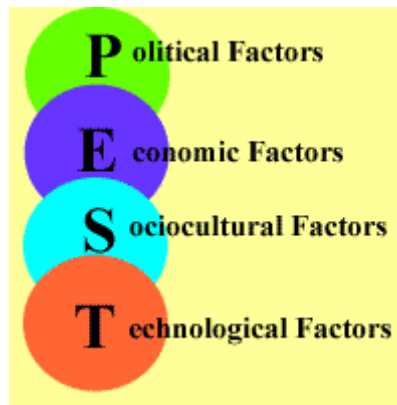
PEST Analysis

PEST analysis is very important since an organization needs to consider its environment before beginning the marketing process. In fact, environmental analysis should be

continuous and feed all aspects of planning. This model states that an organisation's marketing environment is made up from:

1. **The internal environment** e.g. staff (or internal customers), office technology, wages and finance, etc.
2. **The micro-environment** e.g. our external customers, agents and distributors, suppliers, our competitors, etc.
3. **The macro-environment** e.g. Political (and legal) forces, Economic forces, Sociocultural forces, and Technological forces.

There are four components known as PEST factors.



Political Factors

The political arena has a huge influence upon the regulation of businesses, and the spending power of consumers and other businesses. You must consider issues such as:

1. How stable is the political environment?
2. Will government policy influence laws that regulate or tax your business?
3. What is the government's position on marketing ethics?
4. What is the government's policy on the economy?
5. Does the government have a view on culture and religion?
6. Is the government involved in trading agreements such as EU, NAFTA, or others?

Economic Factors

Marketers need to consider the state of a trading economy in the short and long-terms. This is especially true when planning for international marketing. You need to look at:

1. Interest rates
2. The level of inflation Employment level per capita
3. Long-term prospects for the economy, etc.

Sociocultural Factors

The social and cultural influences on business vary from country to country. It is very important that such factors are considered. Factors include:

- 1.What is the dominant religion?
- 2.What are attitudes to foreign products and services?
- 3.Does language impact upon the diffusion of products onto markets?
- 4.How much time do consumers have for leisure?
- 5.What are the roles of men and women within society?
- 6.How long are the population living? Are the older generations wealthy?
- 7.Do the population have a strong/weak opinion on green issues?

Technological Factors

Technology is vital for competitive advantage, and is a major driver of globalisation. Consider the following points:

1. Does technology allow for products and services to be made more cheaply and to a better standard of quality?
- 2.Do the technologies offer consumers and businesses more innovative products and services such as Internet banking, new generation mobile telephones, etc?
- 3.How is distribution changed by new technologies e.g. books via the Internet, flight tickets, auctions, etc?
- 4.Does technology offer companies a new way to communicate with consumers e.g. banners, Customer Relationship Management (CRM), etc?

Customer Decision Making Process

Generally speaking, the buying process consists of five steps. Those products/services that are new to the market, are new to your customer, or are very expensive will require a longer period of consideration in each phase. Products/services that are familiar, that have market longevity, or that cost very little will require a shorter (even instantaneous) process. As personal selling is such an important component of services marketing

knowledge of these steps is particularly important.

Step One - **Need/Want Recognition**

During this step, buyers realize they want or need something. They recognize that they have a problem or a desire, and they choose to find a solution. If this need or want is something along the lines of lunch, the buying decision can be made relatively quickly, without much thought of the actual buying process. Hunger is a quick problem to solve, most options are familiar to buyers, and the cost is usually low.

If the need or want is a new car, however, the actual buying decision can take weeks or months. There is a greater risk, new models and features come out all the time, the cost is high, and the possibility of making a "mistake" when buying is great.

Step Two - **Information Search**

Once the choice has been made to fill a need or want, your customer begins to search for information in order to make a quality decision that is in his/her best interest. Web sites may be visited (in which case you should offer some way for the customer to remember you, such as printable versions of information, downloadable brochures and catalogs, a way to bookmark your site, etc.). Brochures may be gathered (be sure to offer your contact information). Phone calls might be placed (check to ensure you or your call staff has the information they need to answer questions). Free samples, test drives, and other means of "trial" work wonderfully to guide your customer through the information search stage and onto the evaluation and purchase stages.

Step Three - **Evaluation**

After your customers have collected all the information they feel is necessary, they begin to evaluate their options and narrow their choices until they finally pick the one thing that they are comfortable with, and that they can afford. This is the time to follow-up with your customers. Is there additional information they need in order to choose? Did they have problems with the free sample that can be corrected? Your "presence" during the evaluation stage is important, so do your best to retain customer contact information in order to "gently" offer any additional details the buyer might need. (Nobody likes a hard sell, or to be pushed into buying.)

Step Four - **Purchase**

Once all the information has been evaluated, a purchase is made, and your customer walks away happy. Right? Well. Not always.

Step Five - **Cognitive Dissonance** (Post Purchase Anxiety)

While customers may have thought they chose the best solution when they purchased, many times customers later experience cognitive dissonance, a.k.a. buyers' regret. They second guess their decision and begin to feel uncomfortable about their decision. This is

where trial periods, guarantees, and/or warranties come into play.

Customers will have more confidence in their decision, even after it is made, if they know they aren't "stuck" with their purchase. Having a guarantee to fall back on gives them the comfort to know that - should something go wrong - they won't be left stranded. Generally speaking, a guarantee is a psychological support rather than a literal one. Most customers never take advantage of guarantees. They don't think they need to. However, if a guarantee wasn't offered, the anxiety of feeling "all alone" would overcome many buyers and persuade them into asking for a refund.

Understanding each step in the buying process can help you structure your selling process and your marketing materials to cater to the customer. Take the time to consider what your customer goes through when making the choice to buy, and alter your business accordingly. In doing so, you'll increase your chances of making more sales, and landing more satisfied customers.

Pricing Concepts

Price is a key element in the marketing mix because it relates directly to the generation of total revenue. Price is not always money paid; **barter** is the oldest form of exchange. Usually price is viewed as a flexible marketing mix variable in that it can be adjusted quickly and easily to respond to changes in the external environment.

A product offering can compete through:

Price competition - A policy whereby a marketer emphasizes price as an issue and matches or beats the prices of competitors.

Or

Nonprice competition - A policy in which a seller elects not to focus on price and instead emphasizes distinctive product features, service, product quality, promotion, packaging, or other factors to distinguish its product from competing brands.

Establishing brand loyalty by using nonprice competition works best when the product can be differentiated from competing brands and customers can recognize and care about these differences.

Many factors affect pricing decisions, including business and marketing objectives, pricing objectives, costs, other marketing mix variables, customer interpretation and response, competition, and legal and regulatory issues. Because of the interrelation of the marketing mix variables, price can affect product, promotion, and distribution decisions.

Buyers' perceptions of price vary. Some consumer segments are sensitive to price, but others may not be. Thus, before determining price, a marketer needs to be aware of its importance to the target market. Knowledge of the prices charged for competing brands is essential so that the firm can adjust its prices relative to those of competitors.

Setting Prices

The six stages in the process used for establishing prices are:

- 1) **selecting pricing objectives** (what do you want to get out of this product?)

Pricing objectives are overall goals that describe the role of prices in a firm's long-range plans. You may choose from the following pricing objectives:

- 1) **Survival**
- 2) **Profit**
- 3) **Return on Investment**
- 4) **Cash flow (recovering the cash as quickly as possible)**
- 5) **Product Quality**

Developing pricing objectives is critical because pricing objectives form a foundation on which the decisions associated with subsequent stages are based. Businesses may use numerous pricing objectives, both short-term and long-term ones, and different ones for different products and market segments.

The most fundamental pricing objective is the business' survival. Price can often be adjusted to increase sales volume or to combat competition so that the organization can stay alive.

- 2) **Assessing the target market's evaluation of price**

Assessing the target market's evaluation of price tells a marketer how much more emphasis to place on price and may help determine how far above or below the competition the firm can set its prices.

- 3) **Evaluating competitors' prices**

Understanding how important a product is to customers in comparison with other products, as well as customers' expectations of quality, helps marketers assess the target market's evaluation of price. A marketer needs to be aware of the prices charged for competing brands. Even when nonprice competition is used, a marketer needs to be aware of the prices charged by competitors. If a company uses price as a competitive tool, it can price its brand below competing brands.

- 4) **Choosing a basis for pricing**

The three major bases for pricing are **cost-based pricing**, **demand-based pricing**, and **competition-based pricing**

- 5) **Selecting a pricing strategy**

Prices, as with any ingredient in the marketing mix, is often coordinated with promotion.

- 6) **Determining a specific price**

<<<WATCH JET_BLUE VIDEO>>>

The promotion mix for a product may include four major promotional methods: **advertising**, **personal selling**, **public relations**, and **sales promotion**.

Advertising is a paid non-personal communication about an organisation and its products transmitted to a target audience through a mass medium.

Personal selling is paid personal communication that attempts to inform customers and to persuade them to purchase products using tools such as kinesic communication, proxemic communication, and tactile communication.

Public relations is a broad set of communication efforts used to create and maintain favorable relationships between an organisation and its public. Public Relations can be used to promote people, places, ideas, activities, and countries and to create and maintain a positive company image. Public relations tools include written materials, such as brochures, newsletters, and annual reports; corporate identity materials, such as business cards and signs; speeches; event sponsorships; and special events. There are no media charges for **publicity**. Publicity-based public relations tools include **news releases/press releases**, **feature articles**, **captioned photographs**, and **press conferences**.

Sales promotion is an activity or material that acts as a direct inducement, offering added value or incentive for the product, to resellers, salespersons, and consumers.

Sales promotion is used by marketers to identify and attract new customers, to introduce new products, and to increase reseller inventories. Sales promotion techniques fall into two general categories: **consumer** and **trade**. Consumer sales promotion methods include coupons, demonstrations, frequent-user incentives, free samples, money refunds, rebates, money off offers, consumer contests and games.

Trade sales promotion methods stimulate wholesalers and retailers to carry a producers products and market these products more aggressively. (methods include buy-back allowances, buying allowances, scan-back allowances, count-and-recount, free merchandise, merchandise allowances, cooperative advertising, dealer listings, premium or push money, sales contests, and dealer loaders.)

Major determinants of which promotional methods to include in a product's promotion mix are an organisation's promotional resources, objectives, and policies; characteristics of the target market; characteristics of the product; cost and availability of promotional methods; and whether a push policy or a pull policy is used.

Pull policy – is promotion of a product directly to consumers with the intention of developing strong consumer demand

Push policy - is the promotion of a product only to the next institution down the marketing channel.

Let us look at the individual components of the promotions mix in more detail. Remember all of the elements are 'integrated' to form a specific communications campaign.

1. Personal Selling

Personal Selling is an effective way to manage personal customer relationships. The sales person acts on behalf of the organisation. They tend to be well trained in the approaches and techniques of personal selling. However sales people are very expensive and should only be used where there is a genuine return on investment. For example salesmen are often used to sell cars or home improvements where the margin is high.

2. Sales Promotion

Sales promotion tends to be thought of as being all promotions apart from advertising, personal selling, and public relations. For example the BOGOF promotion, or Buy One Get One Free. Others include couponing, money-off promotions, competitions, free accessories (such as free blades with a new razor), introductory offers (such as buy digital TV and get free installation), and so on. Each sales promotion should be carefully costed and compared with the next best alternative.

3. Public Relations (PR)

Public Relations is defined as 'the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organisation and its publics' (Institute of Public Relations). It is relatively cheap, but certainly not cheap. Successful strategies tend to be long-term and plan for all eventualities. All airlines exploit PR; just watch what happens when there is a disaster. The pre-planned PR machine clicks in very quickly with a very effective rehearsed plan.

4. Direct Mail

Direct mail is very highly focussed upon targeting consumers based upon a database. As with all marketing, the potential consumer is 'defined' based upon a series of attributes and similarities. Creative agencies work with marketers to design a highly focussed communication in the form of a mailing. The mail is sent out to the potential consumers and responses are carefully monitored. For example, if you are marketing medical text books, you would use a database of doctors' surgeries as the basis of your mail shot.

5. Trade Fairs and Exhibitions

Such approaches are very good for making new contacts and renewing old ones. Companies will seldom sell much at such events. The purpose is to increase awareness and to encourage trial. They offer the opportunity for companies to meet with both the trade and the consumer. Expo has recently finish in Germany with the next one planned for Japan in 2005, despite a recent decline in interest in such events.

6. Advertising

Advertising is a 'paid for' communication. It is used to develop attitudes, create awareness, and transmit information in order to gain a response from the target market. There are many advertising 'media' such as newspapers (local, national, free, trade), magazines and journals, television (local, national, terrestrial, satellite) cinema, outdoor advertising (such as posters, bus sides).

7. Sponsorship

Sponsorship is where an organisation pays to be associated with a particular event, cause or image. Companies will sponsor sports events such as the Olympics or Formula One. The attributes of the event are then associated with the sponsoring organisation.

The elements of the promotional mix are then integrated to form a unique, but coherent campaign. Promotional activities can help consumers make informed purchasing decisions, but they have also evoked many criticisms.

Watch Web Movie - <http://www.va-interactive.com/bankofamerica/resourcecenter/workshops/promoting/>

Promotional objectives will vary greatly from one organisation to another and within organisations over time. Large firms with multiple promotional programmes operating simultaneously may have quite varied promotional objectives.

Generally, there are eight promotional objectives.

- 1) **Create Awareness**
- 2) **Stimulate Demand**
- 3) **Encourage Product Trial**
- 4) **Identify Prospects**
- 5) **Retain Loyal Customers**
- 6) **Facilitate Reseller Support**
- 7) **Combat Competitive Promotional Efforts**
- 8) **Reduce Sales Fluctuations**

Marketers will vary the composition of promotion mixes for many reasons. Although a promotional mix can handle all four elements, frequently a marketer will select less than that. Also, as mentioned previously, many firms may be marketing several product lines and thus use several promotional mixes simultaneously.

When making decisions about the composition of promotion mixes, marketers should recognise that commercial messages, whether from advertising, personal selling, sales promotion or public relations, are limited in the extent to which they can inform and persuade customers and move them closer to making purchases.

Attitude and Motives are also important factors in developing a product mix. They are key elements in developing persuasive messages.

Attitude - an individual's enduring evaluation, feelings, and behavioural tendencies toward an object or idea.

Motive – an internal energizing force that directs a person's behaviour toward satisfying needs or achieving goals.

Buyer's actions are affected by a set of motives rather than by just one motive. At a single point in time, some of a person's motives are stronger than others. For example, a person's motives for wanting a cup of coffee would be higher in the morning than just before bed.

Abraham Maslow, an American psychologist, conceived a theory of motivation based on a hierarchy of needs. According to Maslow, human beings are motivated by unsatisfied needs, and that certain lower needs need to be satisfied before higher needs can be satisfied. The five needs are:

1. Physiological Needs

Physiological needs are the very basic needs such as air, water, food, sleep, sex, etc. When these are not satisfied we may feel sickness, irritation, pain, discomfort, etc. These feelings motivate us to alleviate them as soon as possible to establish homeostasis. Once they are alleviated, we may think about other things.

2. Safety Needs

Safety needs have to do with establishing stability and consistency in a chaotic world. These needs are mostly psychological in nature. We need the security of a home and family. However, if a family is dysfunctional, i.e., an abusive husband, the wife cannot move to the next level because she is constantly concerned for her safety. Love and belongingness have to wait until she is no longer cringing in fear. Many in our society cry out for law and order because they do not feel safe enough to go for a walk in their neighbourhood. Many people, particularly those in the inner cities, unfortunately, are stuck at this level. In addition, safety needs sometimes motivate people to be religious. Religions comfort us with the promise of a safe secure place after we die and leave the insecurity of this world.

3. Love Needs

Love and belongingness are next on the ladder. Humans have a desire to belong to groups: clubs, work groups, religious groups, family, gangs, etc. We need to feel loved (non-sexual) by others, to be accepted by others. Performers appreciate applause. We need to be needed. Beer commercials, in addition to playing on sex, also often show how beer makes for camaraderie. When was the last time you saw a beer commercial with someone drinking beer alone?

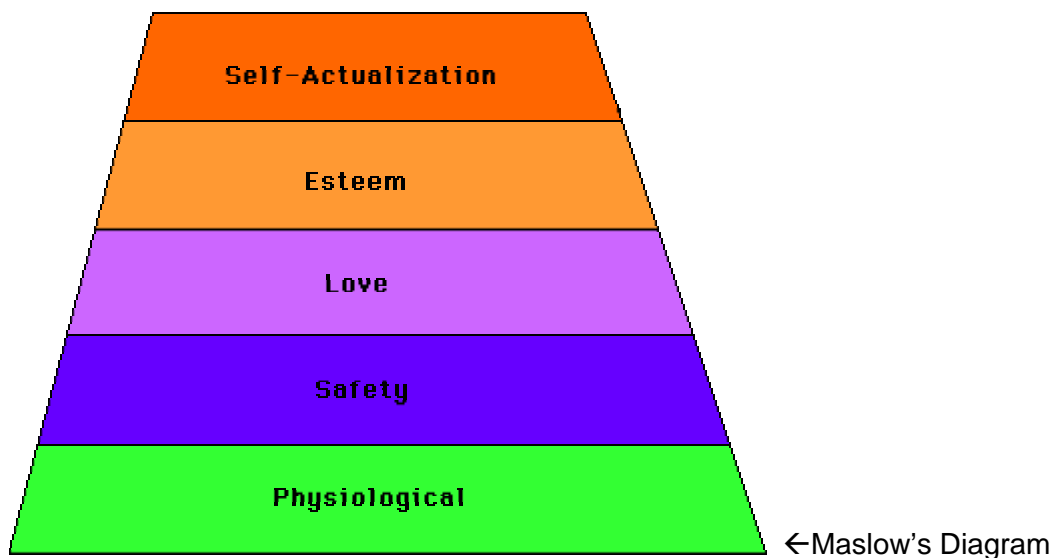
4. Esteem Needs

There are two types of esteem needs. First is self-esteem, which results from competence or mastery of a task. Second, there's the attention and recognition that comes from others. This is similar to the belongingness level; however, wanting

admiration has to do with the need for power. People who have all of their lower needs satisfied may drive very expensive cars or spend enormous amounts of money of frivolous and luxurious items because doing so raises their level of esteem. (As if to say..."Hey, look what I can afford-you peasants!")

5. Self-Actualisation

The need for self-actualisation is "the desire to become more and more what one is, to become everything that one is capable of becoming." People who have everything can maximize their potential. They can seek knowledge, peace, aesthetic (creative) experiences, self-fulfilment, and oneness with God, etc. It is usually middle-class to upper-class students who take up environmental causes, join the Peace Corps, go off to a monastery, etc.



The last motive which effects marketing and consumer buying behaviour are called **Patronage motives**. These are motives that influence where a person purchases products on a regular basis.

Obviously, it is the goal of the marketer to keep influences and factors in mind when aiming to persuade with their promotional messages.

Other Motives –

Depending on the type of customers and the products involved, buyers to some extent rely on word of mouth communication from personal sources such as family members and friends. More than 40% of Americans seek information from these sources when making decisions about buying medical, legal, and auto services. (*Pride and Ferrel*)

Word of mouth communication is also important when people are selecting restaurants, entertainment, banking, holidays, and personal services like health and beauty. Effective marketers should know and understand the importance of this and attempt to identify advice givers and encourage them to try their products in the hope they will

spread favourable word about them. This is precisely why we see product trials at the supermarket, train station, etc..

Can you name examples of such campaigns?

Buzz marketing is another type of promotional method in which word of mouth communication is encouraged. For this type of promotion, celebrities or models are used to promote products and services.

Can you name examples of this type of campaign?

Buzz marketing is also when a product is pushed out into public with the attempt of creating a "Buzz." When the PT Cruiser (looks like a London taxi) was introduced by Chrysler they planted samples among a variety of rental car fleets. The result simulated demand in the unusual car almost immediately.

Viral marketing is a marketing phenomenon that facilitates and encourages people to pass along advertisements and promotions to others through the internet.

The size of an organisation's promotional budget affects the number and relative intensity of promotional methods that can be included in the promotional mix. If the budget is limited, the company may rely more on personal selling and public relations. **Personal selling** is easier to measure since you can easily measure a salesperson's contribution to sales rather than to measure advertising's contribution to sales. Public relations can, if done properly, cost nothing. However, the man hours or costs involved in using clipping agencies to keep track of column inches or media exposure obtained can sometimes be an issue.

An organisation's promotional objectives and policies also influence the types of promotion selected. If a company's objective is to create mass awareness of a new convenience good, such as a breakfast cereal, its promotional mix will most likely lean heavily toward advertising, sales promotion, and possibly public relations.

If a company hopes to educate consumers about the features of a durable good, such as a home appliance, its promotion mix may combine a moderate amount of advertising, possibly some sales promotion designed to attract customers to retail stores, and a great deal of personal selling because this method is an excellent way to inform customers about such products.

If the objective is to produce immediate sales of consumer non-durables, the promotion mix will probably stress advertising and sales promotion. For example, dry cleaners or auto retail firms are more likely to use advertising and sales promotion with a coupon or discount rather than personal selling.

SERVICES MARKETING

Marketing was originally built on a goods-centered, manufacturing-based model of economic exchange developed during the Industrial Revolution. Since its beginning, marketing has been broadening its perspective to include the exchange of more than manufactured goods. The subdiscipline of service marketing has emerged to address

much of this broadened perspective, but it is built on the same goods and manufacturing-based model.

Services represent one of the most dynamic areas in the field of Marketing. Services marketing is marketing based on relationship and value. It may be used to market a **service** or a **product**. Marketing a service-based business is different from marketing a product-based business.

It is doubtful there is a person alive who is not a consumer of services in some shape or form, for they are pervasive in western society. It is typical of fully-developed nations to export many of their manufacturing jobs to less-developed countries, and replace those jobs with service-based industries. In other words, as a nation evolves, it focuses less energy on "making," and more on "doing." Alvin Toffler observed this in his book *The Third Wave*, which is the third in a series of books he has written on the socio-cultural-industrial evolution of countries. With the USA now firmly established in its "third wave," it is not surprising to see such an influx of service providers.

What Is A Service? Simply stated, a service is any task performed by a second party that satisfies the needs and wants of consumers or businesses. Services may or may not include physical products along with delivery or completion of the service; as such, services range along a continuum:

Pure Service---Service with Product---Product with Service---Pure Product

- **A Pure Service** refers to any activity done by a second party for another which does not depend on a physical product, such as: a nanny, housecleaning, a haircut, accounting services, etc.
- **A Service with Product** occurs whenever the service is inseparable from a physical product; in other words, without the physical product, the service would not occur. Still, the service is greater than the product, because the value of the service may go beyond the actual dollar cost. For example, renting a car or U-Haul truck is a service that could not occur without the vehicle, but the value of the service is still far greater, because the renter is relieved of having to purchase the car or truck. Another example would be a restaurant, where the luxury of having someone prepare the meal (and then clean up the mess) is likely worth far more than the cost of being served. The food, of course, is a prerequisite, but is secondary to the purpose of patronizing a restaurant in the first place.
- **A Product with Service** occurs when the focal point is the physical product purchased, but it comes with intangible amenities such as delivery, warranty, return privileges, gift wrapping, etc.
- **A Pure Product** is just that--a physical item with no intangible characteristics or augmentation whatsoever, like off-the-rack clothing, groceries, CDs, etc.

Which are more common? The middle two--the combined service/product offerings. These allow the Marketer a lot of flexibility, such that two dimensions can be altered for the sake of strategy. A retailer of physical products can enhance its offerings by providing all sorts of post-purchase service, while a service provider can enhance its offerings by combining the attributes of physical products with the service. For example, a hair stylist that features a certain brand of shampoos, conditioners, etc., could be perceived as offering a better "service" than another stylist, all because of the

augmentation. The same would hold true for a car dealer that allowed patrons to stop by for free oil changes and car washes.

There are several major differences in marketing services in comparison to a tangible product, including:

1. The buyer purchases an intangible
2. The service may be based on the reputation of a single person
3. It's more difficult to compare the quality of similar services
4. The buyer cannot return the service

When one markets a service business, one must keep in mind that reputation, value, delivery of service and follow-through are keys to a successful venture.

Managing the evidence is a valuable term to know and practice since it refers to the act of informing customers that the service encounter has been preformed successfully. It is best done in subtle ways like providing examples or descriptions of good and poor service that can be used as a basis of comparison. The underlying rationale is that a customer might not appreciate the full worth of the service if they do not have a good benchmark for comparisons.

The industrialization of services business model is a business model used in strategic management and services marketing that treats service provision as an industrial process, subject to industrial optimization procedures. It originated in the early 1970s at a time when various quality control techniques were being successfully implemented on production assembly lines.

Theodore Levitt (1972) argued that the reason that the **service sector** suffered from inefficiency and wide variations in quality were that it was based on the craft model. Each service encounter was performed as if it was an isolated event. He felt that this erratic approach could be systematized through the use of planning, optimal processes, consistency, and capital intensive investments. This model was the foundation of the success of McDonalds and many other mass service providers in the 1970s, 80s, and 90s.

Unfortunately, the application of assembly line techniques to service provision had several undesirable consequences. Employees found working under these conditions disempowering, resulting in low morale, high staff turnover, and reduced service quality. One of the most difficult aspects of this model for employees to deal with was the "smile incentives". Employees were instructed to put a smile on their face during the service encounter. This manufacturing and commercialization of apparent happiness has been criticised by many commentators, particularly Mundie (1987). Also many customers prefer the "personal touch".

By the early 1990s most service providers turned their attention back to the human element and personalized their services. Employees were empowered to customize the service encounter to the individual characteristics of customers.

The tertiary sector of industry, also called the **service sector** or the **service industry**, is one of the three main industrial categories of a developed economy, the others being

manufacturing and **primary goods production** such as agriculture, or extraction such as mining and fishing.

The service sector of industry involves the provision of services to other businesses as well as final consumers. Services may involve the **transport, distribution** and **sale** of goods from producer to a consumer as may happen in **wholesaling** and **retailing**, or may involve the provision of a service, such as in tourism or entertainment. The goods may be transformed in the process of providing the service, as happens in the restaurant industry. There may not even be any goods involved, as in the sex industry. However, the focus is on people interacting with people and serving the customer rather than transforming physical goods. For the last 20 years there has been a substantial shift from the other two industry sectors to the Services Sector in industrialised countries.

Economies tend to follow a developmental progression that takes them from a heavy reliance on agriculture, toward the development of industry (e.g. automobiles, textiles, shipbuilding, steel, mining) and finally toward a more service based structure.

The first economy to follow this path in the modern world was the United Kingdom. However, the speed at which other economies have later made the transition to service-based, sometimes called post-industrial business, has accelerated over time.

The term **service economy**, in contrast, refers to a model wherein as much economic activity as possible is treated as a service. For example IBM treats its business as a service business. Although it still manufactures high-end computers, it sees the physical goods as a small part of the "business solutions" industry. They have found that the price elasticity of demand for "business solutions" is much less elastic than for hardware. There has been a corresponding shift to a **subscription pricing model**. Rather than receiving a single payment for a piece of manufactured equipment, many manufacturers are now receiving a steady stream of revenue for ongoing contracts.

Manufacturing tends to be more open to **international trade** and competition than services. As a result, there has been a tendency for the first economies that industrialised to come under competitive attack by those seeking to industrialize later, e.g. because production, especially **labour**, costs are lower in those industrializing later. The resultant shrinkage of manufacturing in the leading economies might explain their growing reliance on the service sector. This can also explain why so many call centers are being set up in India.

Issues for service providers

Service providers face obstacles selling services that goods-sellers rarely face. Services are not tangible, making it difficult for potential customers to understand what they will receive and what value it will hold for them. Indeed some, such as **consulting** and **investment** services, offer no guarantees of the value for price paid.

Since the quality of most services depends largely on the quality of the individuals providing the services, it is true that "people costs" are a high component of service costs. Whereas a manufacturer may use technology, simplification, and other techniques to lower the cost of goods sold, the service provider often faces an unrelenting pattern of increasing costs.

Differentiation is often difficult. How does one choose one investment advisor over another, since they (and hotel providers, leisure companies, consultants, and others) often seem to provide identical services? Charging a premium for services is usually an option only for the most established firms, who charge extra based upon brand recognition.

To certain extent managing services are more complicated than managing products, products can be standardised, to standardise a service is far more difficult as there are more input factors i.e. people, physical evidence, process to manage than with a product.

Information Technology also plays a dramatic role in service delivery. Planning software for appointment management, CRM software, and Sales Force Automation software are just a few of the options companies should examine and employ.

More and more service organisations are using technology as a tool to supplement their core services. IT is seeping into almost every product in some manner. Service organisations are now heavy users of telecommunications and computer technology. Home-based service organisations now serve the needs of clients around the world with a combination of computers, cell phones, email and websites.

<<WATCH VIP DESK AND SALESDESK.COM VIDEOS>>

ACTIVITY –

Identify a service experience you had that ineffective service technology made more difficult. Describe the service encounter in detail to highlight the role of technology. What could the service organization do to improve the service technology?

CASE STUDY –

FEEDING THE HUNGRY FLIERS

In the attempt to come to grips with spiraling costs, many airlines in recent years have essentially stopped providing in-flight food service. Yes, the occasional snack or bag of peanuts is still provided to passengers, but the full-fledged meal is a thing of the past. Food represented a mere 2.3 percent of the major U.S. airlines operating budgets during the second quarter of 2002. A year earlier that figure was 9 percent. In the wake of this dramatic change, several entrepreneurial service organizations have developed solutions to help fill the hungry flyer's stomach.

For example, Plane Delicious (<http://www.brighthouse.com/services/planedel.php>), a concessionaire at Atlanta's Hartsfield airport, was founded in 2001 to provide fliers with a variety of gourmet sandwiches with specialty spreads packed to take on board airplanes. Their cold sandwiches are specially designed to be consumed in the cramped confines of an airplane, i.e., they are not messy, nor smelly.

Carry-on Cuisine (<http://www.carryoncuisine.com>) offers a similar service to travelers at Washington, D.C.'s Reagan Airport. Fliers go online to preorder a meal from Carryon Cuisine and can have it delivered to their departure gate or available at an airport location at a specified time.

SkyMeals LLC (<http://www.skymeals.com>), which operates in the Los Angeles/Orange County area of California, targets the more upscale flier with menu items such as flash-seared ahi tuna and a quail egg salad. Prices run from about \$8 US to \$30 US a meal. Customers phone in their orders and have them delivered in lightweight refrigerated containers to either their office or home prior to a flight.

Currently, such solutions are limited to specific locations, yet with the airlines unlikely to resume full food service in the near future it is reasonable to expect greater coverage across more airports in the months ahead.

Source: Tagami, Kirsten (2003), "Hungry Fliers Chow Down," *The Atlanta Journal-Constitution*, (March 15), Sec. F, P. 1, 3

Questions

1. From your perspective, is this service concept a good or a poor idea? Why?

When answering this question, students may begin by defining the air travel experience and determining whether meals represent a core or facilitating service. Next, students should choose one of the frameworks introduced in chapters 2 to examine how the meal service can be effectively managed to create a favorable passenger flying experience.

2. Describe these businesses in terms of:
- How they reflect the characteristics of a service.
 - Which category they fit in the Fisk & Tansuhaj and the Lovelock classifications.
 - The Servuction System framework for services.

First, students are to explain how the service characteristics outlined in chapter one are represented in the meal service businesses. Second, students should review the service classification systems outlined in chapter 1 and explain their assignments using these frameworks. Third, students are recommended to outline the steps in the meal service process and then assign them to the various aspects of the servuction system framework outlined in chapter 2.

3. What types of technology are currently needed for the customer and service organization interface with each of these services? Can you think of how any of these services could be improved through the use of other technological advancements?

Students should refer to chapter 3 to answer this question. For example, students should be challenged to outline the meal service process and then think about the technologies that could be effectively used to empower employees and customers to create a favorable service experience during each step in the process. Students should also think about the negative consequences of the technology and offer recommendations for coping with these potential problems. Finally, students may be asked to consider whether it is important to capture passenger information related to the meal service.

Understanding Services and Service Marketing Strategy

What exactly are the characteristics of a service? How are services different from a product? In fact many organisations do have service elements to the product they sell, for example McDonald's sell physical products i.e. burgers but consumers are also concerned about the quality and speed of service, are staff cheerful and welcoming and do they serve with a smile on their face?

There are five characteristics to a service, which will be discussed below.

Service products (as opposed to goods) exhibit certain fundamental characteristics:

1. Lack of ownership.

You cannot own and store a service like you can a product. Services are used or hired for a period of time. For example when buying a ticket to the USA the service lasts maybe 9 hours each way, but consumers want and expect excellent service for that time. Because you can measure the duration of the service consumers become more demanding of it.

2. Intangibility

You cannot hold or touch a service unlike a product. In saying that although services are intangible the experience consumers obtain from the service has an impact on how they will perceive it. What do consumers perceive from customer service? the location, and the inner presentation of where they are purchasing the service?.

3. Inseparability (or Simultaneity)

Services cannot be separated from the service providers. A product when produced can be taken away from the producer. However a service is produced at or near the point of purchase. Take visiting a restaurant, you order your meal, the waiting and delivery of the meal, the service provided by the waiter/ress is all apart of the service production process and is inseparable, the staff in a restaurant are as apart of the process as well as the quality of food provided.

4. Perishability

Services last a specific time and cannot be stored like a product for later use. If travelling by train, coach or air the service will only last the duration of the journey. The service is developed and used almost simultaneously. Again because of this time constraint consumers demand more.

5. Heterogeneity (or Variability)

It is very difficult to make each service experience identical. If travelling by plane the service quality may differ from the first time you travelled by that airline to the second, because the airhostess is more or less experienced.

A concert performed by a group on two nights may differ in slight ways because it is very difficult to standardise every dance move. Generally systems and procedures are put into place to make sure the service provided is consistent all the time, training in service organisations is essential for this, however in saying this there will always be subtle differences.

These fundamental characteristics manifest themselves differently for different types of services and service-enhanced products. Consequently, services can be classified into different groups based on their **category characteristics**, with services in each group sharing its category characteristics with others in the category.

SERVICE CLASSIFICATIONS

The challenge of classifying services resembles the task of categorising the multitude of life forms on the planet. In both cases, the almost infinite variety of forms makes classification quite difficult. In particular, few classifications of services meet the scientific test of “mutually exclusive” categories. In looking at a full range of specific service activities, Fisk and Tansuhaj classified services organisations into ten broad categories.

- Health Care Services
- Financial Services
- Professional Services
- Educational and Research Services
- Hospitality, travel and tourism Services
- Sports, Arts, and Entertainment Services
- Telecommunications Services
- Channel, Physical Distribution, Rental and Leasing Services
- Personal and Repair and Maintenance Services
- Governmental, Quasi-Governmental and Non-Profit Services

Services can also be classified by the types of customers they serve. **Customer Services** are provided to customers who are purchasing for their own personal needs. **Business to business** services are provided to customers who are purchasing on behalf of their organisations.

ACTIVITY –

Make a list of three service businesses that you have patronized today and answer the following:

a. To what service industry classification do these service businesses belong? Use BOTH of the classification schemes from the reading.

Students are to think about the service businesses that they visited today, and classify them into one of the service industry classification systems described in the chapter.

An example for each of classification system is shown below.

1) Classification based on Services Fields.

a) School – Educational and Research Services

b) Bank – Financial Services

c) Restaurant – Channel, Physical Distribution, Rental, and Leasing Services

d) Auto Repair – Personal and Repair and Maintenance Services

2) Classification based on Services Customers.

The following three examples are based on the assumption that student purchased from the services for their own use. If the student was acting as a representative of an organization, such as an officer in a fraternity/sorority, the services may be classified as Business-to-Business service organizations.

a) School – Consumer Service Organization

b) Bank – Consumer Service Organization

c) Restaurant – Consumer Service Organization

d) Auto repair – Consumer Service Organization

The success of many services will also depend on creating and maintaining **Client-Based Relationships**. This is the interactions with customers that result in satisfied customers whose a service repeatedly over time, keeping satisfied customers who use only your service when there is a need and building customers/prospects who refer your service to others.

Many service will also require a great deal of **customer contact**. This refers to the level of interaction between the service provider and the customer that is necessary to deliver the service. High contact services include: health care, real estate, some IT, legal and beauty. High context services generally involve actions direct toward people, who must present during production. Just as a hair stylist must present their work to the client. This type of context will also normally require the customer to go to the production facility to prepare for or receive the service. Customer service and evaluation of a service is also an important factor in high context services.

The classification of the service sector consists of the "soft" parts of the economy such as insurance, tourism, banking, retail and education. Others include:

- Franchising
- Rental/Leasing
- Restaurants
- Retailing

- Entertainment, including the Record industry, Music industry, Radio, Television and Movies.
- News media
- Leisure/Hospitality industry
- Religions
- Charities, Museums, and some Membership Clubs
- Transportation
- Healthcare
- Consulting , Investment and Legal advice and services.

Public utilities are also often considered part of the service sector as they provide services to people.

Both fundamental and category characteristics present opportunities and challenges for the service marketer. Thus, although your task of satisfying customers is the same as that for the marketer of physical goods, your approach to the task is significantly different because of very different situations that present themselves in marketing a service. Within services, category differences dictate different marketing strategies while category similarities suggest similar marketing strategies.

Firms compete successfully, when they adopt a service-orientated approach. You should create the best service encounter possible.

A **service encounter** is the period of time during which the customer directly interacts with some aspect of the service organisation, often in a marketer-controlled environment.

The services marketing mix adds three new Ps – Participants, Physical Evidence, and Process of Service Assembly to the four Ps of the traditional marketing mix.

People

This is the customers and the workers who contribute to the development, marketing and sale of a service. An essential ingredient to any service provision is the use of appropriate staff and people. Recruiting the right staff and training them appropriately in the delivery of their service is essential if the organisation wants to obtain a form of competitive advantage. Consumers make judgements and deliver perceptions of the service based on the employees they interact with. Staff should have the appropriate interpersonal skills, aptitude, and service knowledge to provide the service that consumers are paying for. Many British organisations aim to apply for the Investors In People accreditation, which tells consumers that staff are taken care off by the company and they are trained to certain standards.

Process (of Service Assembly)

Refers to the systems used to assist the organisation in delivering the service. Imagine you walk into Burger King and you order a Whopper Meal and you get it delivered within 2 minutes. What was the process that allowed you to obtain an efficient service delivery? Banks that send out Credit Cards automatically when their customers old one has expired again require an efficient process to identify expiry dates and renewal. An

efficient service that replaces old credit cards will foster consumer loyalty and confidence in the company.

Physical Evidence

Where is the service being delivered? Physical Evidence is the element of the service mix which allows the consumer again to make judgements on the organisation. If you walk into a restaurant your expectations are of a clean, friendly environment. On an aircraft if you travel first class you expect enough room to be able to lay down! Physical evidence is an essential ingredient of the service mix, consumers will make perceptions based on their sight of the service provision which will have an impact on the organisations perceptual plan of the service.

Consider the example of www.ritzcarlton.com or www.marriott.com and how they try to emphasize physical evidence to create an ambiance that distinguishes its service from other hotels.

Adopting a customer services orientate philosophy is also a key component to services marketing. When dealing with services marketing, all products are seen as a mix of tangibles and intangibles. Therefore, such firms must realise that sustainable competitive advantage comes from service enhancements to the product as well as physical evidence. Successful business leaders recognise that the competitiveness of their firm's strategies comes from viewing their primary business purpose as – to serve the customer.

Discussion Questions:

1. Consider service product examples and establish how the fundamental characteristics of (all) services and the category characteristics of any particular service product present opportunities and challenges for the service marketer. Based on your analysis, examine the behaviour of a customer of the service and compare it with that of a customer of physical goods and with that of the customer of other types of services.
2. Focusing on the interactive nature of services, examine how Information Technology has changed the way services are marketed. What service marketing strategies are evident in new business models?

Planning the Service Performance – Process, People and Physical Evidence

Service delivery systems are often marked by a high degree of interaction between service personnel and customer. This is particularly true in people processing services. One means of capturing the interactive nature of service is the **Services and Theatre** metaphor (Grove and Fisk 1983). The service theatre framework depicts contact personnel as on-stage performers that are responsible for creating and managing the customer experience. The ability to improvise when needed can be a critical factor in service delivery.

On stage actors generally follow a well-rehearsed script that rarely changes from one performance to the next. Despite this, actors are trained to improvise and devise, and use these skills all through rehearsal, until the flow of the performance has been agreed. In contrast, front of house service personnel may need to improvise regularly as their work situations demand. Service personnel face hundreds of moments of truth on a daily basis. Many moments of truth are unique and require immediate, real time response from the personnel involved. The type of improvisation training that actors undergo can assist service personnel in responding to unusual situations.

Others have also recognized the need for improvisation in businesses. Improvisation is depicted as a way to make businesses more spontaneous and more creative. Across service organizations, as in all organizations, the need for improvisation is likely to vary. The types of service organizations and situations (ie: adverse critical incidents) require ability and skill in improvisation to allow service personnel better control over the service delivery.

The services theatre framework points the way to several important observations. For example, in addition to their skill level, service actors (hotel clerks, hairstylists, ticket agents, consultants, etc..) may influence an audience's perception of the service performance through their appearance and behaviour. Their dress, grooming, demeanour, and ability to perform necessary tasks will effect the customer's evaluation of the service they receive, much as actor's costumes and roles influence an audience's appreciation of a theatrical performance. Similarly, the setting's scenery, props and various atmospheric aspects (lighting, décor, etc..) define the character and facilitate the experience for the audience in terms of service expectations and quality. Just consider what a dirty office with poor quality equipment and very casually dressed employees says to a potential customer looking for IT training.

Services deliver the bundle of benefits through the experience that is created for the consumer. The **servuction model** provides a framework for understanding the consumer's experience. The term servuction was coined to designate the service production system. According to the servuction framework, the elements of the service experience include:

- The service's invisible organisation and system – Aspects contributing to the service production beyond the customer's view.
- The visible elements / The inanimate environment (the physical setting in which the services is performed).

- The Contact personnel – The employees who directly interact with the customer to provide the service.

- Both customer A (the customer receiving the service) and customer B (others who may be present in the visible area)

The bundle of service benefits a customer receives grows out of the interaction with the contact personnel (ie: courtesy, customer service, and competence) and the inanimate service environment (ie: décor and comfort). However, that interaction is significantly influenced by what happens in the invisible organisation and by other customers present at the service experience.

For example, actions that take place out of sight such as handling a reservation, cleaning a hotel or conference room, and the heating and air conditioning critically affect the quality of the ultimate service a hotel guest receives. Similarly, the number and character of other guests staying at the establishment may also effect hotel experiences.

This model clearly shows the elements of service such as the physical environment and the service provider as elements in the bundled product, with customer service undoubtedly being the core of the service consumption. A benefit of the Servuction framework is that it is so visual in nature. In a sense, it provides a snapshot of the elements that make up a service experience.

In service firms, we know the product is a process, an experience, or a performance. It can be a tangible or an intangible action to a person (body or mind) or to a person's possessions (things or information). Services are created and delivered in real time, and, cannot be "inventoried." Consequently, two major managerial implications evident here require – demand management and capacity management. The service marketer is forced to manage demand and capacity so as to maximize profitability while satisfying consumer needs. The challenge is often the timing of the fluctuating demand and the need to fill valleys and smooth peaks of demand patterns, and not just (indiscriminately) increasing or building demand. Therefore, service marketers need to understand demand and the factors that affect the fluctuations in demand. They also need to understand their operations to determine their capacity and find ways in which demand can be matched to that capacity.

The most significant force in the marketing and selling of services is technology. There is a massive array of technology at our fingertips. To appreciate the tremendous impact of technology on the service sector, it may be helpful to consider what are commonly described as the **three stages of economic activity**.

1. **Farming** (Agrarian)
2. **Manufacturing** (Industrial)
3. **Services** (Information)

Each of these economic stages is linked to the impact of technology. The transition from one stage to the next is a direct result of technology. As an example, the development of technologies like the cotton gin and tractors enhanced agricultural activity. The adoption of the assembly line and robots brought about improvements in

industrial/manufacturing productivity. Lastly, the telephone, computer, video recorder, internet and fax machine completely reshaped the productivity of service organisations.

It is this technology, which has empowered the customer and offered great self-service technologies such as cash machines, vending machines, and online purchasing.

The inseparability of production and consumption of services demands that the customer participate in the production of the service in some way. In many cases, the customer's presence is necessary during the production of the service. Often, the customer's participation is limited to specifying service requirements for his/her specific needs. In each and every case, though, the service marketer must manage the role of the customer, the (frontline) service provider and the setting in which the customer and the service provider interact. Having technology available makes this a much easier process indeed.

Technology also makes the capturing and storing of customer data (including information on their purchasing habits) an easier task for the marketer to handle. For instance, Dell Computers (www.dell.com) sells its computers via the internet to customers worldwide. When a customer connects to Dell.com via their Dell account, they can review, configure, and price computer systems and products, order online, track orders, and ask questions. The online customer accounts allow Dell to be more responsive to customer needs.

SERVICE SCRIPTS

A **service script** is a chronologically ordered representation of the steps that make up the service performance from the customer's point of view. Scripts can be quite simple or elaborate, depending upon the service. For instance, the script for a visit to the cash point/ATM involves significantly fewer events than the script for a journey on an airplane.

Regardless of a script's complexity, it is easy to underestimate the number of frontstage events in a service unless you carefully study its enactment from the customer's perspective. When carefully developed, a script can provide a detailed account of the processes of frontstage service delivery. As noted before, a service script captures the many discreet acts involving customers during a service encounter.

A service may also be a normative tool that provides an account of what should occur during a service's enactment from the customer's point of view. By describing the events that occur in the typical enactment of any specific service from the customer's perspective an organization can learn how to ensure that customers perceive the performance as successful. It can be also used in employee training to help guide employees toward their expected job performance.

ACTIVITY –

Write a service script

SERVICE BLUEPRINTS

A **service blueprint** is a graphic representation of the essential components of the service performance, both frontstage and backstage. It identifies the customers, the service personnel, the points of interaction between customers and the workers, the contact point between workers and other workers and the frontstage evidence and backstage processes or activities. Most important the blueprint shows how these combine to create the service performance. Much of what occurs on the frontstage is the result of a service organization's backstage activities. In other words, the blueprint provides a tool that defines both the frontstage enactment or a service performance and its backstage support.

The blueprint looks like a technical drawing and when finished will fully demonstrate the step, people, processes, and equipment that goes into delivering a service. It will also clearly demonstrate the time necessary to provide the service properly.

ACTIVITY –

Write a service blueprint

THE INTERNET

The internet has revolutionized the service industry with the introduction of new services, online versions of existing services, and internet-based services to organizations whose core product is not a service. A whole host of new services has emerged with the advent of the internet.

Ranging from retailing to information services and even search engines, entirely new services have cropped up. Consider www.ebay.com , www.ancestry.com and www.itunes.com.

Some services use technology to add to their business. www.landsend.com use their site to sell the same clothing you can find in their retail outlets online. www.fedex.com use their site for customers to schedule pick ups or track orders they have shipped. Lastly, sites such as www.trackitdown.net would not have a service business selling mp3s online without the internet reaching out to a worldwide audience of dance music consumers.

Service Employees and their Behavior

What makes the personnel aspect of services so noteworthy is that the behaviors and appearance of service workers are open to customer scrutiny. This isn't as true for manufactured goods. Customers have no reason to care about the appearance or behavior of the people making the dvd players.

Reliable customer service encounters are a crucial business strategy that is increasingly being recognised in all industries (starting from marketing and pre-sale straight through the delivery and follow-up of a service).

There are varied definitions relating to customer service. Payne and Ballantyne (1994) attempts to compile definitions of customer service that exist. Amongst these are:

- All the activities required to accept, process, deliver and build orders and to follow up on any activity that failed.
- A complex set of activities involving all areas of the business which combine to deliver and invoice the company's products in a fashion that is perceived as satisfactory by the customer and which advances the company's objectives.
- Timely and accurate delivery of products to customers.

The importance of reliable customer service is becoming increasingly significant in all aspects of business. Researchers have concluded that quality customer service has become the key to competitive success and survival. Consider the following facts:

- Ninety-six percent of all dissatisfied customers won't complain about poor service
- Ninety percent of customers will not return if not satisfied with service
- Each of the ninety percent will tell at least nine other people of their experience
- Thirteen percent will tell twenty or more people how poorly they were treated

Nordstroms, is a department store in the USA who embodies the fundamental concept of customer service. They have even coined the term "The Norstrom Way" and have had countless books and articles written about the way they consistently go above and beyond the call of duty. They sell products and services in such a phenomenal way that they set an example for the world.

The following is an article discussing the company.

Connecting with the Customer
By Katherine Pannill Center

When so many other e-tailers are falling off the dot-com wagon, brick-and-mortar retailer Nordstrom has entered cyberspace with astonishing success. What's their secret? Customer service and a unique way of creating connections between its customers and its sales forces.

On the night of the presidential inauguration this year, Nordstrom in Pentagon City, Virginia, arranged a special favor for folks headed into DC for the festivities: a roadside bow-tie tying stand.

Nordstrom employees made themselves available as tie-tying professionals, ready to lend a hand to any tuxedo-clad fellow who needed one. Curbside shoe-shines were also available, and 'runners' stayed at the ready for any last-minute items women might need from inside the store.

It was, without a doubt, a typical Nordstrom event. The venerable retailer has long represented a kind of customer service gold standard in the retail industry. Founded in 1901 as a shoe store, four generations of the Nordstrom family have brought Nordstrom to its present spot as one of the premier upscale fashion retailers in the industry.

The Nordstrom Online Way

The two key ingredients in Nordstrom's recipe for success have been a respect for its employees and a reverence for its customers. Robert Spector's best-selling book, *The Nordstrom Way*, made a case study of the company's unique way of creating connections between salespeople and customers.

Orientation for new employees, for example, includes a card with the company rules that reads: "Rule # 1: Use your good judgment in all situations. There will be no additional rules." Rather than bogging its salespeople down in regulations, Nordstrom believes that employees must have the autonomy to make their own decisions and respond to their customers' needs as necessary.

Stories about Nordstrom's legendary customer service abound. One saleswoman found that a customer had left a plane ticket in the store. She called the airline to ask them to re-issue the ticket and, when the airline refused, hailed a cab to go to the airport and get that customer on the plane.

Another employee was contacted by an international customer asking how he might try to salvage the \$2,000 wardrobe he had just bought and then accidentally ruined in the wash. The Nordstrom salesman immediately sent him duplicates of the clothes he had ruined, compliments of Nordstrom.

Nordstrom, which has stores in 23 states around the country and puts out a nationwide direct-mail catalog, is by all accounts a major retailer. But sales practices like these make Nordstrom seem more like a friendlier, smaller mom-and-pop operation rather than an impersonal corporate giant.

The autonomy of the salespeople enables human interaction to become the most important aspect of the sales process. Spector notes that, "what makes Nordstrom unique is that customer service is not just a strategy, it is a way of life."

The Nordstrom Way spent 17 weeks on the BusinessWeek bestseller list and alerted the business community to what Nordstrom's loyal, word-of-mouth, growing customer base already knew: at Nordstrom, the customer is king. That philosophy has become a paradigm for successful customer relations all over the business community.

Anticipate the Customer's Needs

Nordstrom's website, Nordstrom.com, went live in November 1999, following a partnership with Benchmark Capital. Late last year, the site was ranked number one among online retailers by high-tech market research firm Forrester Research. And last February, Nordstrom was named in Resource Marketing's Resource E-Commerce Watch study as one of the 10 most customer-friendly sites out there.

It seems that Nordstrom.com has been able to endow its website with some of its brick-and-mortar charm. And, at a time when online customer service and the all-important customer relationship management are of pressing concern to e-tailers and B2B sites all over the Web, the important question is: How does Nordstrom do it?

A Web page, of course, eliminates salespeople. So how does a company that has built its prestige on the reputations of its salespeople make Web retail a success?

The answer for Nordstrom has been to use technology to communicate the essential messages of good salesmanship - respect for and attention to the customer - through a thoughtful selection of website features and Web research tools.

As Nordstrom.com spokesperson, Shasha Richardson puts it: "The notion of service is about anticipating a customer's needs on the Net."

Attractive, easy to navigate, and well-laid out, the Nordstrom site seems to anticipate the needs of its shoppers on even the subtlest level. Nordstrom makes significant efforts to humanize the website experience, with site maps available at all times, many easy connections for e-mailing questions (they receive about 8,000 e-mails per month from customers) and the ability to ship to different addresses within the same order. The top Forrester ranking, based on customer surveys and Forrester's own shopping tests, praised Nordstrom's "topnotch" search engine, excellent customer service and links to Return, Privacy and Security Policies from every page during the checkout process.

Some of Nordstrom's more creative features actually go beyond customer expectations, and in this way the website is able to communicate more than just respect. One feature Forrester noted was a set of easy return policies. Nordstrom has maintained from the beginning that allowing customers to return Web-purchased merchandise to local stores was crucial to customer relations.

But the company takes it a step further, including easy returns by mail: Customers can pop a return item in the box it came in, affix a preprinted return label, set it by their mailbox, and let Nordstrom deal with the postal service. Though the company does take a shipping charge out of the return credit, this easy return system certainly provides a helpful option for busy people - and it feels like a thoughtful gesture.

Easy to Use, Easy to Shop

A Live Help section on the site also seems to go beyond the inherent limits of technology. With Live Help, shoppers can type questions about the site or products in real time and interact with a real person.

Nordstrom's Richardson says that live help is all about "giving customers the option to shop how they like. A personal shopper is just a click or a 1-800 number away." These personal shoppers will describe a color in more detail or answer questions about the exact fit of an item in a way that's markedly more interactive than a typical Web shopping experience.

Richardson also points out that Nordstrom.com uses one of the most advanced "search" systems on the Web, powered by Alta Vista, which enables customers to search for items in a wide variety of ways. Search phrases such as "little black dress," "summer casual shirts," and "A-line skirts" bring up a myriad of products in each category.

Nordstrom recently announced its utilization of the analytics services of DigiMine, Inc., a service that gathers, stores and analyzes patterns of Web shopping behavior. Richardson points out that the use of DigiMine is just one of several tools Nordstrom relies on to learn more about its customers needs, including customer feedback on the site and at the stores, focus groups, and DigiMine's analysis of aggregate shopping patterns on the Web.

It's their goal to enhance the site's navigability, improve product placement and refine the placement of its ads. For a company like Nordstrom, so long dependent on an intimate knowledge of its customers' personalities, habits, likes and dislikes, attention to customer patterns is crucial. The best salespeople, after all, know their customers like old friends.

In the debate over the advantages of brand versus direct marketing on the Web, Nordstrom seems to have incorporated elements of both. The quality of its brand, of course, is already established, but the website reinforces its highbrow appeal. In an essay comparing brand and direct marketing approaches, self-styled marketing guru Linda Cox points out that "ads designed for branding are cool." Well, Nordstrom's site is definitely cool.

In contrast, Cox describes direct marketing this way: "By their directives shall ye know them: Call Now! Order Now! Click Now!" And yet, in its new incarnation on the Web, direct marketing has taken on a much broader range of strategies.

Though in-your-face direct marketing tactics would seem out of place in the context of Nordstrom's gracious approach, in the hands of companies like Nordstrom, the nature of direct marketing itself on the Web is changing.

Soliciting, Not Selling

Students of online marketing now talk about the power of soliciting, not necessarily a sale, but a response from the online shopper. That interactive relationship, especially with an e-tailer that already has a "brand" in the real world, constitutes direct marketing success in cyberspace.

Nordstrom's e-mail updates about upcoming sales and promotions, for example, encourage shoppers to respond and connect, as does Live Help. The clicks and decisions that online shoppers make in response to websites, especially when mined and analyzed, give the sites a feedback on those shoppers that a billboard, for example, could never get.

In this way, the Internet presents possibilities for a new kind of intimacy between seller and buyer. The Pentagon City Nordstrom that set up the bow-tying stand had witnessed a pattern, over the years, of groups of men showing up at the store on inauguration night, searching for help with their ties. The tie-tying stand was an effort to address that need.

The Nordstrom website is obviously trying to do the same thing: that is, know the customer and anticipate his or her needs.

Lucky for Nordstrom, it is perfectly positioned to forge a new relationship between direct and brand marketing on the Web. In a very real sense, its brand marketing is its direct marketing -- because soliciting responses from customers is customer service. And customer service is what Nordstrom has always done best.

DESIGNING AND MAINTAINING THE SERVICE SETTING

A **service setting**, sometimes also referred to as a servicescape, includes all aspects of the physical environment in which the service provider and customer interact. The service setting has a direct impact on the process of service delivery and customer's perceptions of the service. In many ways, this is like the packaging for a physical good. Things that contribute to this service setting are: Location, furniture, equipment, dress of staff, lighting, heat/cool, smell, comfort, cleanliness, arrangement of tables/chairs, etc..

There are also several other types of service settings.

- **Postalspace** – Mail order services, etc.
- **Telespace** – Phone services, ordering, telemarketing/sales
- **Cyberspace** – Online sales/marketing services

No matter what the setting, they should always be designed with the customer in mind because it is a great marketing tool. Service settings can accomplish a variety of marketing goals such as communicating a new concept, repositioning an organisation in the eyes of its target market, or attracting new market segments. For example, Westin Hotels (www.westin.com) introduced its "Heavenly Bed" as a way of appealing to today's more sophisticated travellers.

A services' physical environment can be its most important **tangible aspect**. They must carefully analyse everything and ensure the right message is coming across to the customer. In a quest to manage the tangible evidence, the service organisation should:

- 1) Determine the image they want to convey
- 2) Select the appropriate equipment, furnishings, and staff that reflect this image

Rock in Bowl is a growing phenomenon and is a good example of managing the service environment with tangible aspects. By carefully managing the tangible evidence a bowling alley can be transformed into a cosmic environment through the addition of dimmed lighting, glow-in-the-dark balls and pins, rock or dance music, fog machines, and a disco ball.

ACTIVITY –

- 1) Read the TGI FRIDAY'S Case Study and answer questions

- 2.) Pick an example of the most impressive service setting that you have experienced.
- Describe the features that most impressed you.
 - Do you think other service organizations could develop similar features for their settings? Why or why not?

One approach to answer this question is to first establish a frame of reference. Students should be encouraged to think about the service that impressed them and to describe the service setting (e.g., outline or list the service setting features). You should remind students to use the chapter as a guide to help them identify key considerations when designing the service setting. After constructing the list of service setting features, students would be asked to review the list and identify those features that made the greatest positive impression on them. Then the students should be asked to explain why these service setting features impressed them. Finally, the students should be asked to provide a critical assessment about whether the service setting could be effectively reproduced by other service providers.

- 3 Think of a restaurant that you like to patronize.
- What are your favorite aspects of its service setting?
 - How could the service setting be improved? (Be specific and realistic in your suggestions, but also creative.)

A reasonable starting point is to have students identify their favorite restaurant and then to describe its service setting by using the chapter discussion of key considerations in designing the service setting as a guide. Next, students should be encouraged to identify and describe their favorite features of the service setting. Then the students should be asked to explain why these service setting features impressed them. Finally, the students should be asked to determine how the service setting can be effectively improved and to explain their recommendations.

- 4 Describe the setting in a service experience where you think the frontstage was poorly designed, maintained, or managed. What were your specific impressions? What improvements would you recommend?

Students may find it helpful to first identify a service where they had a poor service experience. Next, students should describe the service setting that is visible to them and to identify poor service features. Students should then categorize these features as being poorly designed, poorly maintained, or poorly managed. Finally, students should examine each category, explain how each category of features influenced their perceptions of the service experience and offer suggestions for improving the design, maintenance, or management of these features. Suggestions for improvement should be specific.

5 Contemplate the atmospherics in a service setting targeted to a specific segment. Determine the approach elements and the avoidance elements and discuss which segments the setting attracts and which segments it discourages?

As a first step, students should be asked to choose a service and to describe the market segment that it is trying to attract. Next, students should be asked to describe the service setting and explain its role in attracting the target market. Finally, students should be asked to classify each service feature as either an approach element (those features that attract the customer) or an avoidance element (those features that repel the customer) and to explain their reasons for each assignment.

Service Quality and Guarantees; Customer Service and Service Recovery

The **service-profit chain** establishes relationships between profitability, customer loyalty, and employee satisfaction, loyalty, and productivity. The links in the chain are as follows:

- 1) Profit and growth are stimulated primarily by customer loyalty.
- 2) Loyalty is a direct result of customer satisfaction.
- 3) Satisfaction is largely influenced by the value of services provided the customer.
- 4) Value is created by satisfied, loyal, and productive employees.
- 5) Employee satisfaction, in turn, results primarily from high-quality support services and policies that enable employees to deliver results to customers.

It is estimated that a 5% increase in customer loyalty can produce profit increases from 25% to 85%.

Service providers guarantee service quality to relieve the anxiety from the perceived risk that any service customer feels in the purchase of an intangible product. The gap between customer expectations and perceptions of service provider performance determines service quality. Customers of services, in general, evaluate any service based on five dimensions –RATER -- reliability, assurance, tangibles, empathy, and responsiveness of the service provider.

- **Reliability** - Reflects the seller's ability to identify creative and practical business solutions that will help the buyer achieve their goals and objectives.
- **Assurance** - Increases the buyer's trust and confidence in the seller's ability to deliver successful results.
- **Tangibles** - Enhances and differentiates the communication of the seller's message and invites readership by its content, structure, and overall appearance.
- **Empathy** - Reflects the seller's thorough understanding of the buyer's unique business environment, internal processes, and goals and objectives.
- **Responsiveness** - Demonstrates the seller's willingness to work closely with the buyer to understand their unique situation and expeditiously present viable business solutions.

To ensure a high level of service quality, the services manager has to close several gaps: between the customer's expectations; the management's perceptions of these expectations; the translation of expectations into product specifications; the actual delivery of the product; and the promise made by marketing communications.

Customer service relieves operations and marketing personnel from handling complaints and routine questions, so that these personnel can perform their respective primary tasks. When used proactively, customer service can become a strategic function. Customer service is an important facet of service recovery which is required out of

necessity in a product that is being produced, delivered and consumed in real time. Proactive customer service services as a marketing tool to ensure customer loyalty and builds customer relationships.

Obviously, good employees, training, customer service policies, etc.. are key to effectively marketing and selling services. However, there are a growing number of issues now relating to managing customer incidents such as **customer rage**.

- Checkout Rage/Cash Register Rage - A woman has half her nose bitten off by a fellow shopper when she insisted on remaining in the express lane at the supermarket with more than 10 items.
- Air Rage - A disruptive passenger on a Southwest Airlines flight to Salt Lake City attempted to yell at a flight attendant and then break into the cockpit and was beaten and eventually killed by other passengers.
- A angry customer repeatedly made threatening calls and sent death threat letters to a salesperson who they were unhappy with.
- Parking Rage
- Helpdesk Rage
- E-Rage

It is the service industry that is most frequently afflicted by incidents of customer rage at all levels of severity. Service organizations require interaction between customers, employees, often in the presence of multiple consumers who share a common service setting. In addition, the “real-time” character of service delivery and the many uncontrollable elements that combine to create a service experience make service quality notoriously variable. In addition, service organizations often are capacity constrained, that is, they regularly experience insufficiencies of workers, space or equipment to handle customers effectively. In short, most cases of customer rage are intimately linked to the service employees, service setting and the service process.

Take the example of a busy airport or a crowded restaurant at 7pm on a Friday night. In short, most cases of customer rage are intimately linked to the service employees, service setting and service process. Therefore service managers must:

- 1) Address the need to reduce common targets of customer rage (ie: Natwest making their employees take lunch after 2pm so they are not understaffed when most customers would come to the bank during the typical lunch hour)
- 2) Take extra steps to avoid triggering rage
- 3) Actively pursue treatments for preventing or managing customer rage (ie: customer comment cards or a service guarantee)

To increase the likelihood that employees will be excellent performers and representatives of the organization, service organizations should consider four key directives.

1. Hire Intelligently

Use multiple interviews and screening devices to determine if an applicant has what it takes to be successful in the service organization.

2. Train Intensively

Service organizations should take time to prepare their workers for the roles they perform. Training should focus on double-barreled training, i.e., developing employees' technical and social skills, and cross-training personnel so that they can perform multiple tasks within the organization.

3. Monitor Incessantly

Service employee performance should be continually measured, using formal and informal methods, to identify employees whose abilities need to be sharpened or whose performance deserves special attention.

4. Reward Inspirationally

Rewarding desirable service employee behaviors increases the likelihood that they will occur again in the future.

Service employees exhibiting poor performance should be given the opportunity, through training or development, to 're-invent' themselves in those areas in which they fall short. Empowerment is the management practice of sharing information, rewards, knowledge, and power with frontline employees so that they can better respond to customer needs and expectations. Empowerment can offer several key benefits to the service organization. Empowered service employees do not have to ask management for permission to help customers. Also, when mistakes are made, empowered employees can take quick action to remedy a service failure and reduce customer feelings of frustration and anger.

Empowering service employees tends to improve their job satisfaction and enhances self-esteem. They will act more warmly and enthusiastically with customers and satisfied and empowered service employees provide more attentive customer care. They are also a good source of ideas for improving service performance. Empowered employees also enable superior service experiences, which may result in very strong customer word-of-mouth communication and increase the likelihood of developing customer loyalty to the organization.

Empowering service employees does have several potential drawbacks. First, It is more expensive to locate and develop empowered employees as they must be capable of performing a wider range of behaviors. Due to the higher cost of training empowered employees, it may not be feasible for an organization to use part-time or short-term workers.

Next, when service employees exercise their empowerment, the efficiency of the service delivery may be compromised and even responses to customer problems may arise.

Third, customers who observe empowered employees providing special treatment to other customers may perceive such treatment as unfair when they are not afforded the same treatment.

Lastly, empowered employees may make ill-advised decisions or go beyond reasonable standards to satisfy customers.

Service organizations can differentiate themselves from competitors through their personnel. To employ the people factor effectively, service organizations must understand the benefits and costs associated with hiring, training, and motivating service employees to provide maximum discretionary effort.

Costuming Service Employees

Costumes, or uniforms, are the service equivalent of packaging for a manufactured good. Costumes perform important communication functions, including adding tangibility to the service and positioning the service.

Keeping It Friendly

The old adage, “The customer is always right,” is not always true. Customer behaviors may impede the delivery of excellent service performances. Therefore, to ensure a satisfying experience for all of their patrons, service organizations must address several issues related to customers.

The presence and behaviors of other customers during a service encounter can have a significant impact on the service quality, which can positively or negatively affect customer evaluations of the service. Customer interactions with employees can positively or negatively affect customer evaluations of the service.

The following interactions are possible:

A. Friendly Interactions

Friendly interactions, defined as the positive interplay between the service patron and provider, result in the optimal situation for service organizations.

B. Unfriendly Interactions

Any incidence of unfriendly interactions between customers and employees can jeopardize the effectiveness and the future business of a service organization.

C. Too Friendly Interactions

Customer-to-employee interactions that are excessively friendly may damage service delivery and spoil the service experience.

ACTIVITY CASE STUDY –

ATLANTIS SUBMARINES INTERNATIONAL

Atlantis Submarines International, Inc. was founded by Dennis Hurd in 1983 as the first passenger submarine company. They now have a submarine fleet larger than those of many national navies. Atlantis operates in Grand Cayman, Barbados, St. Thomas, Aruba, Guam, Cozumel, and on the Hawaii Islands of Kona, Maui and Waikiki. Atlantis puts considerable effort into planning and producing its services. It took Dennis Hurd two years to finish the design and construction of his first submarine – Atlantis I. It featured battery-power (quiet and nonpolluting), air-conditioning, and the pressurecontrolled cabins. Subsequent submarines have followed this same design philosophy. The Atlantis XIV operates from Waikiki Beach, Hawaii, holds 64 passengers and is the world's largest passenger submarine.

Atlantis knows that choosing and managing the dive sites is just as important as designing the submarines. It starts by picking popular tourist destinations that give them access to large pools of potential customers, but Atlantis knows that passengers want to see fish. Natural coral reefs are the best, but if Atlantis doesn't have access to a natural reef, they build one. This has led them to sink old ships and airplanes for artificial fish habitats. Fish seem to love wrecks. As the submarine glides through the seascape, passengers peek through the portholes to see brightly colored tropical fish swim through the coral reefs or artificial habitats. Custom dives for groups can be arranged and the company can even float a "congratulations" banner or create other underwater effects. Dennis Hurd understands the importance of people to his success. He credits his success to a dedication "to supply consistent high quality to the customers. You really have to try hard to give them product that's worth more than what you charge them." Dennis believes hiring the right employees is critical. "If you don't have really good people, then nothing works." Atlantis carefully hires and trains local workers in each of the several countries they work. With a staff of approximately 450 people, Atlantis took over 750,000 people on undersea tours last year.

Atlantis uses an online reservation system to book passengers for its trips. From a staging point at each harbor, passengers are taken in a shuttle-boat to their submarine. This process allows Atlantis to give passengers a quick, but good view of the area above ground and then take them below for a leisurely cruise. The submarines can descend up to 100 feet. To assist foreign travelers multi-lingual tape decks are available on all tours and some tours provide narration in Japanese and Mandarin Chinese.

Sources: *http://www.atlantisadventures.net*, April 20, 2003, and Pratt, Laura (2000), "Shake, rattle and roll: Atlantis Adventures Inc.," *Profit*, April 1, 19 (2), 28.

Questions

1. Atlantis could be described as part of the "pleasure cruise" industry. Investigate this industry. Who are the other major competitors in providing pleasure cruises on the water or beneath the water?

When answering this question, students should first identify define the "pleasure cruise" industry and explain the characteristics of this industry. Next, students should identify likely competitors of Atlantis Adventures, Inc. and explain the basis for their competition. Finally, students should use explain how Atlantis Adventures, Inc. is attempting to differentiate itself from competitors. For

example, students might blueprint the service and examine how Atlantis differentiates its basic service from competitors (chapter 4). Similarly, students might also consider how Atlantis differentiates its service from competitors through supplementing its basic service (chapter 4), service design (chapter 5), the behavior and costuming of Atlantis employees (chapter 6), and the effective management of the customer mix (chapter 7).

2. Investigate the use of natural habitats for commercial purposes. What are the regulatory issues that Atlantis must face in visiting natural coral reefs? Also, what regulations might influence their ability to create artificial fish habitats?

When answering this question, students are challenged to think about key considerations associated with designing the service setting.

3. What kind of background would be necessary in the people that Atlantis might seek to hire? How many staff do they need to have on the shipside and how many on the landside?

When deciding on the hiring requirements, students should first blueprint the Atlantis service experience and determine the various activities that are performed frontstage and backstage (chapters 4 & 5). Next, students should think about the employee skills necessary to successfully perform these tasks. Finally, students should use these skills as a basis for determining the necessary backgrounds that should characterize an Atlantis employee. Students should also be reminded that the necessary employee background may depend on the tasks for which they are hired. To answer the second part of the question, students should refer back to their blueprint of the Atlantis service and think about the employee requirements to successfully complete shipside and landside activities. In addition, students should be challenged to think about the importance of managing the customer mix and how Atlantis employees might be used in this process (chapter 7).

4. If you were the marketing manager at Atlantis, how would you go about finding prospective customers for your submarine cruises?

Students should first be challenged to describe the types of customers that they desire for Atlantis Adventures. When deciding on the appropriate customer mix, students should think about customer training issues and customer compatibility management issues (chapter 7). Once the customer types are identified, students should be asked to think about approaches that are likely to be effective in contacting these types of people, e.g., word-of-mouth, Internet, mass media.

5. What could Atlantis do to improve its process of service delivery?

To answer this question, students should refer to their blueprint of the Atlantis service (chapter 4) and then examine each step in the process for ways in which the steps can be improved. In particular, students should be reminded that improvements in the service delivery process may occur in the planning of the service (chapter 4), designing the service setting (chapter 5), leveraging employees (chapter 6), and managing the customer mix (chapter 7).

Assignment and Discussion:

1. Select a service provider that offers a formal service guarantee. Write an analysis of this guarantee. Describe the specifics and evaluate its effectiveness. What benefits, problems do you foresee and what improvements would you suggest? Attach a copy of the service guarantee to the paper.

2. Find an example of a customer feedback mechanism for a service firm and write an analysis evaluating its effectiveness. Include the customer survey as an example of how the firm assesses customer satisfaction. What kinds of information are being solicited in the survey? What are the managerial uses you see from the feedback? What changes to the survey would you recommend? Be prepared to discuss both examples in class.

3. Analyze the training you or a friend received in a current service job.
 - a. What were its strengths?
 - b. What were its weaknesses?

Students should first describe the service organization where they were trained and their responsibilities at the organization. Next, students should provide a detailed explanation of the company's training program. Finally, the training program should be evaluated in terms of its strengths and weakness concerning the fostering of empowerment among its employees.

4. During the next week, count the number of service workers you encounter who are wearing a costume or uniform. List the organizations they represent and briefly describe the uniform.
 - a. Did managers in these organizations wear observable uniforms as well?
 - b. Do you think it is a good idea for managers to wear uniforms? Why or why not?

To complete this assignment, students may find it helpful to create a journal that they will carry with them during the seven day period. The journal would consist of several columns, with each column being used to record specific facts. For example, one column would contain the name of the service provider; a second column would record the number of employees that were encountered who wore uniforms; a third column would record the number of employees that were encountered who did not wear uniforms; a fourth column would be used to describe the employee uniforms; the fifth, sixth, and seventh columns would be used to record whether a manager of the service organization wore a uniform, did not wear a uniform, and a detailed description of what type of uniform was worn (if any). After a week's time, the student should have a rich data set that can be used to analyze a number of issues such as the percent of service employees who wore uniforms, the percent of managers who wore uniforms, and the general types of uniforms being used. The results of the data analysis may be summarized in

tabular or graphical form. Students can then use the use the summary statistics to answer part “a.” When answering part “b,” students should be reminded to provide a well thought out explanation for their recommendations.

5. During the next few days, monitor the number of occasions when the behavior of other customers influences your mood in service settings:

- a. Which behaviors improved your mood and service experience?
- b. Which behaviors detracted from your mood and service experience?

To complete the assignment, students should be instructed to keep a journal for a predetermined period of time, e.g., 1 day. The journal should be used to record each service encounter (e.g., time, day, service category), the student’s mood at the time the service encounter began, the behaviors of other service customers during the service encounter, the student’s mood at the end of the service encounter, and an assessment of the extent to which the student’s mood was influenced by the behaviors of other customers. After the data collection period, students should have a rich data based, which can be used to answer the question. When preparing their answers, students may find it helpful to summarize their journal in the form of tables and/or graphs.

6. Visit a local restaurant and observe customers’ behavior.
- a. How much do other customers seem to affect one another?
 - b. Describe any examples of customers helping each other?
 - c. Describe any examples of customers annoying each other?

Students should be asked to observe restaurant patrons for at least 15 to 20 minutes. In addition, it will be helpful if students had a plan of the types of customer behaviors that they would be seeking to observe at the restaurant. When observing customer behavior, students should try to observe individual customers, rather than customers in general. For example, students may be instructed to choose and scientifically observe four specific customers during a twenty-minute time period. Students should also be reminded that a customer’s behaviors may be verbal or nonverbal. Finally, students should be encouraged to keep detailed records of a customer’s behaviors and its effect on the behaviors of another customer. Once the data set is created, it provides the basis for answering the question.

Problematic Issues For Service Providers

- **Managing the Service Offering.** As long as there are humans performing services for their employers, there will be managerial problems. For example, in a restaurant, it may be impossible to achieve equal service levels across all waiters and waitresses, because they are driven by the prospect of customer gratuities. Some wait-staff may be outgoing and particularly friendly, while others may be more withdrawn, yet still do a perfectly good job. Not all persons possess the same skills, no matter how hard the manager tries to screen employees. Gaining consistency across and between persons is the service manager's biggest challenge.
- **Determining the Price.** How much can be charged for a price? What is legal advice worth? How much is an oil change worth? A hotel room near the airport? Service providers use a combination of market-driven pricing and follow-the-leader pricing, always trying to know what their competitors are charging, but also trying to get a feel for what the market will bear. Soft demand and surplus capacity can cause a downward spiral, while scarcity accompanied by high demand can cause prices to escalate.
- **Determining the "Product" Offering.** This is a tougher decision than many people realize. The Marketer must use caution in determining his service mix. Just because the VCR repairman also knows how fix toasters doesn't mean he should add that to his repertoire. Service providers must use the same caution here as do product retailers. Stick to your area(s) of expertise, and make sure everything is consistent with the company mission and positioning strategy.
- **Determining the Distribution of the Service.** This asks the important question of where the service shall be available. Will it be done strictly in an office or store-front environment, or will the service provider make house calls? For that matter, over what geographical territory will customers be solicited? With the advent of overnight deliveries, as well as the Internet, services can now be delivered over a large geographic area virtually seamlessly.
- **Determining the Promotion Plan.** Whereas virtually all product retailers and manufacturers are free to advertise their wares, service providers are in many regards governed by professional and social customs. For example, doctors and lawyers who advertise are looked down upon by their peers (and possibly even potential clients). While all of the same options available to product marketers are open to service providers, they must first consider if there are any other limitations or expectations.
- **Seasonality.** Some services are only sought seasonally, such as skiing (only Mt. Hood in Oregon offers year-round skiing in the USA), tanning, and lawn mowing. These service providers must either develop the most efficient operations possible (to make profit while they can), or develop other services that can be performed during the slack times. For example, many ski resorts allow mountain biking, hiking, and other activities during the summer, and lawn care specialists prune trees and perform other yard maintenance during the off-season.
- **Peak and Off-Peak Demand.** This problem occurs not seasonally, but on a more regular basis, such as weekly or even daily. For example, business hotels are generally filled during the week, but virtually empty on the weekend. Long-distance telephone calls are primarily placed during the daytime. And movie theaters are usually filled on Friday and Saturday evenings. Service providers should offer lower prices during the slack times in order to try to smooth out demand.

Uncontrollable Factors Faced By Service Providers

Service providers are no different from product Marketers in that their controllable and uncontrollable factors are the same. Each has a great deal of control over their 4Ps, as well as choice of target market. Furthermore, each is faced with many of the same uncontrollable variables, such as:

- **The Economic** Environment. The service provider is not immune to swings in the economy, and in many regards, is more vulnerable than the product Marketer. This is true because, in many cases, services are really optional (although we may delude ourselves otherwise); we really can do things for ourselves if faced with economic hard times and uncertainty.
- **The Technological** Environment. Changes in technology may render some services obsolete, while at the same time create many new opportunities. If electric cars ever reach popularity, the auto repair specialist will have to adapt, and oil change firms will have to find a new line of work.
- **The Competitive** Environment. Service providers cannot keep the competition from entering the market. This can be especially important in the service sector, because competition will commonly begin to focus on price, and who is willing to do the same job for less money. Travel agencies are learning this lesson the hard way, as witnessed by recent announcements from the major airlines to cut the agents' commissions from 10-percent to 8-percent. The airlines are selling too many tickets themselves through their web sites, so travel agents are left to compete with their own supplier.
- **The Legal/Political** Environment. Many communities regulate home-based businesses, many of which are service-based. Thus, these businesses may be forced to locate in offices and other places outside of residential areas. In other instances, prices are regulated by the government (e.g., insurance, cable TV, telephones, etc.).
- **The Socio-Cultural** Environment. We cannot stop the natural progression of society and culture, of values and norms. Many of today's services are a result of changes in our society and values. In other words, while this element should certainly not be ignored, it should likely be looked to as a source of opportunities.

ACTIVITY –

Read the EURODISNEY case study and answer the questions

Why Have Services Grown So Much?

No can argue that the service industry has grown at a rapid rate. What we need to do is understand why it has grown, and be able to pinpoint new opportunities for future services.

Let's list some of the reasons why services have been emerging.

1. **Poverty of Time**
2. **Prosperity and Higher Discretionary Income.**
3. **Complexity of Many Products.** (Many of today's products are highly-advanced and sophisticated, and often require a certain level of knowledge to be able to operate them correctly. Therefore, many times we will need help with setting up, running or maintaining them)
4. **The Aging Population**
5. **Dual-Career Families.** (With both Mom and Dad likely to be employed outside of the home, there is a greater need for a variety of services, ranging from child care to car detailing.)
6. **Greater Desire for Recreation and Leisure Time.**
7. **The Information Age.**
8. **Undesirable Tasks.** (As we have climbed the ladder of prosperity, and become time-poor, many jobs are not only too demanding of us in terms of time, we simply do not want to do them anymore. There are services for "yard duty" (picking up after pets), car detailing (a fancy way of saying a clean car), oil changes, and many other once-common tasks that we either cannot or will not do.)

Examples of Services

- Long Distance Telephone Service
- Opera Companies (Entertainment)
- Professional Sports Teams
- Hotel/Motel Accommodations
- Car Rental
- Funeral Homes
- Mail Boxes
- Carpet Cleaning
- Pests and Insect Services
- Movies
- Cruises
- TV Stations
- Airlines
- Internet Service Providers

Prognosis For the Future

The future for the services industry seems very positive. Unless there are negative trends encountered in the external environments, there is no reason to think that services will not continue to grow, or at least maintain their current level of acceptance. As time

becomes more precious, and as our population continues to age, the need for services will continue to grow.

The task of the Marketer is to catch a view of emerging opportunities before others see them, for that is where the profits lay.

PRICING SERVICES

Pricing intangibles is much different from the pricing of packaged goods where apportioning the costs of labour and raw materials are relatively straightforward. In a typical service firm, variable costs are relatively much smaller in proportion to total costs. Pricing is also a powerful tool to shift demand from high demand periods to low demand periods. It is often used as a promotion to draw different customer segments at specific times and to increase the level of usage of the service during each purchase or experience.

Prices for services can be established on several different basis. When demand for a service is high, the price is also high; when demand for a service is low, so is the price. The perishability of services means that when demand is low, the unused capacity cannot be stored and is therefore lost forever. Every empty seat on an airline flight or in a movie theater represents lost revenue.

The pricing objectives of for-profit service organizations may be classified as either **profit-oriented** or **volume-oriented**. These pricing objectives may be realized using either a cost-based, customer-based, or competition-based pricing approach.

Some services are very time sensitive because a significant number of customers desire the service at a particular time. This point in time is called **peak demand**. A provider of time-sensitive services brings in most of its revenue during peak demand. For an airline, peak demand is usually early and late in the day.

Providers of time-sensitive services often use **demand-based pricing** to manage the problem of balancing supply and demand. They charge top prices during peak demand and lower prices during off-peak demand to encourage more customers to use the service. This is why the price of a matinee movie is often half the price of the same movie shown at night.

When services are offered to customers in a bundle, marketers must decide whether to offer the services at one price, price them separately, or use a combination of the two methods. For example, some hotels offer a package of services at one price, while others charge separately for the room, phone service, and breakfast. Some service providers offer a one-price option for a specific bundle of services and make add-on bundles available at additional Charges. For example, telephone services, such as call waiting and caller ID, are frequently bundled and sold as a package for one price.

Because of the intangible nature of services, customers rely heavily at times on **price** as an indicator of quality. If customers perceive the available services in a service category

as being similar in quality, and if the quality of such services is difficult to judge even after these services are purchased, customers may seek out the lowest-priced provider.

For example, many customers seek auto insurance providers with the lowest rates. If the quality of different service providers is likely to vary, customers may rely heavily on the price-quality association.

Another example to consider is, if you have to have an appendectomy, will you choose the surgeon who charges an "average price of \$1,500 or the surgeon who will take your appendix out for \$399?

Calculating Service Costs

The cost of producing a service is determined by the costs of labor, physical facilities and equipment, raw materials, and supplies. These costs may be fixed or variable and direct or indirect. Many service organizations have high indirect costs, or shared costs, as their offerings share the same resources. In addition to their role in determining price, service costs are used to determine a service offerings contribution margin and for estimating a service's break even point.

Customised Services also address the specific needs of individual customers. Health care is an example of an extremely customised service since the services provided differ from one patient to the next. Such customized services can be expensive for both provider and customer, and some service marketers therefore face a dilemma: how to provide service at an acceptable level of quality in an efficient and economic manner and still satisfy individual customer needs. To cope with this problem, some service marketers offer standardized packages.

For organizations with multiple service offerings, price bundling is an effective way to cross-sell multiple service products or to present their patrons with a customized package at a price that is much lower than if each service offering was separately purchased.

For example, a lawyer may offer a divorce package at a specified price for an uncontested divorce. When service bundles are standardized, the specific actions and activities of the service provider usually are highly specified. Automobile quick-lube providers frequently offer a service bundle for a single price; the specific actions to be taken are quite detailed about what will be done to a customer's car. Various other equipment-based services are also often standardized into packages. For instance, cable television providers frequently offer several packages, such as "Basic," "Standard," "Premier," and "Hollywood." The characteristic of intangibility makes it difficult for customers to evaluate a service prior to purchase. Intangibility requires service marketers, like hairstylists, to market promises to customers. The customer is forced to place some degree of trust in the service provider to perform the service in a manner that meets or exceeds these promises. Service marketers must guard against making promises that raise customer expectations beyond what they can provide. To cope with the problem of intangibility, marketers employ tangible cues, such as well-groomed, professional-appearing contact personnel and clean, attractive physical facilities, to help assure customers about the quality of the service.

While achieving long-term profitability and revenue should be the driving force behind services' pricing decisions, services provide a wide range of opportunities for creative pricing. To determine the right pricing strategy for a particular service organization, several additional factors should be considered including, the effects of pricing on positioning the service for the target market, the kind of customer demand (e.g., timing and use) for the core service, and the extent of service customization desired by the customer.

Price-promotions is a powerful demand management tool. Communicating about an intangible is difficult where the customer has difficulty in visualizing the product. In general, marketing communications is typically used to persuade the customer to buy the product. Marketing communications in services must often also be used as a tool to manage customer behaviour since the customer is a co-producer and sometimes share the product with other customers. Marketing communications are extended when; smart services marketers recognize the power of word-of-mouth communications and proactively invite current customers to bring in new customers.

Services also need to determine whether the peaks and valleys of their customer demand follow a predictable cycle or are a result of random fluctuations. Random fluctuation occurs without warning and is hard to accommodate. For example, bad weather may keep fans away from a ball game or create a catastrophe that overcrowds an emergency room in the hospital. Considering the importance of placing certain strategy plans is very important. You must have some sort of idea on how to cope with a dramatic slump in interest/sales and also a massive increase in demand. Remember, as a service marketer or seller we must ensure to always maintain the **optimum capacity**. This refers to the number of customers who can be effectively handled under ideal conditions.

In extreme cases, if maximum capacity is exceeded, the customer must wait to enter the service delivery system. In general, waiting is unpleasant experience and a general waste of precious time for most customers. So, organisations must recognise that demand cycles make waiting a common occurrence and find ways to make the customer's waiting experience more tolerable.

Sending out pre-delivery/pre-project assessment forms to complete or regular phone calls to provide an update is one useful way to alleviate the waiting pain. Another excellent example happened at Washington D.C. Airport where passengers were serenaded by bands and fed snacks and coffee as they waited in long lines to check in. It's efforts such as these can make a wait seem shorter and help keep customer morale on a good level.

Service organizations should recognize that price represents more than the cost customers must pay for the service offering. Price is a vehicle for building relationships, conveying quality, and contributing to the long-term profitability of the service organization.

ACTIVITY

Find an example of an organization that uses price bundling and construct the various combinations of service features by which prices vary. What are the price advantages in the bundle? What market segments are attracted to the bundle rather than to the individual service features? How are the total sales in the organization affected by the price bundling?

Students may be challenged to think of a service that uses price bundling (e.g., fast food restaurants). Once a suitable service organization is found, students should visit the service and record the pricing information for the bundled service offerings and for each offering if sold separately (e.g., students may visit a fast food restaurant and to record the price and composition of a combination value meal). After collecting the pricing data, students can now compute the total price of bundled services if purchased separately and compare this price to the price bundled offering (e.g., the price of each value meal item if purchased separately would be added together and the sum total would be compared to the advertised combination value meal price). To complete the answer, students should be challenged to explain how the price bundled service offering (e.g., the combination value meal) impacts the total sales of the service organization (e.g., the fast food restaurant) and to describe the type of customer who may be interested in purchasing the price bundled service offering (e.g., the combination value meal rather than one or more of the individual menu items).

PROMOTING SERVICES

Finally, a key ingredient to marketing and selling a service is promotion. Good PR can also help further promote a service. If the airline that kept its customer waiting for over 2 hours provided music, food and even compensation this could be promoted in the press and read by prospective customers who would in turn select that particular airline for their future travel needs.

Integrated marketing communication (IMC), which refers to the pursuit of a single positioning concept for an organization or its products through planning, coordinating and unifying all of an organization's communication devices, is a necessary response to the intangibility of services.

Service organizations use their marketing communication programs to tangibilize the service offering. When developing their marketing communication programs, service organizations may use all seven elements of the services marketing mix to make their service offerings more concrete and help their customers to better understand the service.

The functions of the promotion element of the services marketing mix are to inform, persuade, remind, and add value to the service offering. A service organization's promotional effort may consist of various combinations of the promotions mix, which consists of the following tools.

A. Advertising

Advertising can reach large audiences quickly and provide them with valuable information, persuasive arguments, forceful reminders, and an enhanced service image.

B. Sales Promotion

Sales promotions create excitement and generate business for a service organization in the short run.

C. Personal Selling

Personal selling is an attractive tool for informing or persuading customers about complex or expensive services.

D. Publicity and Public Relations

Publicity and public relations can encourage an excellent image for a service and express a new or risky service in a positive light.

The vividness of services advertising can be enhanced by carefully attending to advertising objectives, guidelines, and methods. The acronym, AIDA, is sometimes used to summarize the advertising goals and goals of promotions in general. The advertising goals are hierarchically sequenced as follows: attracting customer attention, increasing interest, gaining desire, and ultimately inducing action.

George and Berry offer services marketers with several guidelines for advertising services to their customers, including providing tangible cues, capitalizing on word-of-mouth communication, making the service understood, establishing advertising continuity, advertising to employees and promising what is possible. Not all of these guidelines apply to every service advertisement.

Legg and Baker provide several suggestions for helping customers process service information more effectively, including developing a vividness strategy (i.e., using concrete language, tangible objects, and dramatization techniques), utilizing interactive imagery, and creating messages that teach customers about the backstage operations of a service and what to expect during the service delivery.

Even though they come in many shapes and forms, all sales promotions are based on some type of special attention that extends beyond the service. Sales promotions may be used to attract customers, accommodate cyclical demand, enhance customers' perception of the service and add tangibility to the service.

George and Marshall offer several recommendations for the selling of services, including orchestrating the service purchase, facilitating the quality assessment, tangibilizing the service, emphasizing the organizational image, using references external to the organization, recognizing the importance of all public contact personnel, and recognizing customer involvement during the service design process.

To attract customers, service organizations often strive to link their service name with something positive such as delighted customers or being newsworthy in a positive way. Service organizations must also have plans to battle negative publicity when it occurs.

Promoting a service organization and its services is a challenge that requires careful planning and implementation. To be successful, a service organization's promotional effort should attract and win customer support.

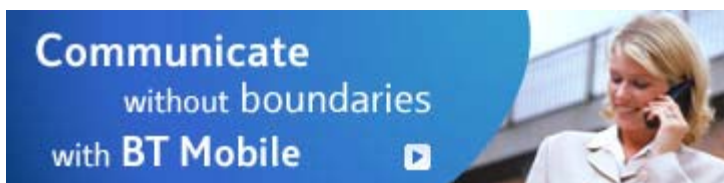
The **intangibility** of services results in several promotion-related challenges to service marketers. Since it may not be possible to depict the actual performance of a service in an advertisement or to display it in a store, explaining a service to customers can be a difficult task. Promotion of services typically includes tangible cues that symbolize the service. For example, the company TransAmerica uses its pyramid-shaped building to symbolize strength, security, and reliability, important features associated with insurance and other financial services. They use the pyramid as the corporate logo as well.



Similarly, the hands Allstate Insurance uses in its ads symbolise personalized service and trustworthy caring representatives. Although these symbols have nothing to do with the actual services, they make it much easier for customers to understand the intangible attributes associated with insurance services.



To make a service more tangible, advertisements for services often show pictures of facilities, equipment, and service personnel. Consider the following examples.





Compared with goods marketers, service providers are more likely to promote price, guarantees, performance documentation, availability, and training and certification of contact personnel. When preparing advertisements, service marketers should also be careful to use concrete, specific language to help make services more tangible in the minds of customers. They should also be careful not to promise too much regarding their services so that customer expectations do not rise to unattainable levels. **Personal selling** is often important because personal influence can help the customer visualize the benefits of a given service.

Measuring the Service Performance for the Future

The service product is hard to measure for all the reasons underlying the fundamental characteristics of services. Yet, no systematic service improvement can be expected unless some form of measurement is undertaken. You cannot manage what you do not measure. As with any product, from the screening of new service concepts to the introduction and through the entire life of the service, continual measurement is necessary regarding all aspects of the marketing mix. Just as the marketing strategies and tactics are approached differently as a consequence of the fundamental characteristics, similarly, management measurement approaches are different, too.

Discussion Questions:

1. Review the website of a service marketer, and evaluate how the internet is being used to manage the challenges and opportunities inherent in the nature of the services. How are the aspects of the nature of the service product managed/handled? Be prepared to discuss.

2. Locate and make a copy of an advertisement for a service in a magazine, newspaper, or direct mail communication. Identify the various ways in which it reflects George and Berry's guidelines for services advertising. Do you consider the advertisement good or bad? Why?

Students may find it helpful to list George and Berry's (1981) guidelines for advertising services and then examine their chosen service advertisement to determine whether each guideline was effectively utilized. Next students should use these assessments to determine whether the ad was good or bad. When evaluating the goodness/badness of a service advertisement, students should be asked to think about whether all service advertisements should exhibit all of the guidelines proposed by George and Berry. Students should be prepared to support their opinions.

Let's consider the tips offered in the following article about how to effectively market and sell products and services.

Do Your Marketing Materials Sell?

By Laura Schneider

As marketing professionals we create collateral that emphasizes our brand and who we are, but do we use that material to sell our products and services? We often make the mistake of writing our material to be all about the brand rather than the benefits that we offer to our consumers. We then turn around and give these materials to our sales team in hopes that this will help them to land the next big client.

Do you see a problem with this picture? While for years we have treated marketing separate than sales, the exact opposite is true. The marketing that we do and the collateral that we create need to equip our sales team in selling the benefits of our services and products. They need to emphasize the need that our prospect has for what we have to offer. It's time to stop thinking it's all about "us" and remember that our prospective consumers want to buy.

Our materials should persuade our prospects and inform them that we have something valuable to offer them. It should then motivate them to purchase that product or service. You can do this by putting your materials through the following five point test:

- **Question 1:** Are you defining the nature of your product and/or service and enumerate all the features that would be of interest to the prospective consumer?
- **Question 2:** Have you positioned your product and/or service to define clearly why you are different from your competitor? Have you touched on the pain-points that your product and/or service eases? Why do they need you?
- **Question 3:** Did you write your market material with your target audience in mind? Do not write your collateral without doing a demographic study of your prospects.
- **Question 4:** Is your collateral easy to understand? Does it flow smoothly and rapidly without causing confusion? Does it contain a friendly and extroverted tone? Is it uncluttered, persuasive and involving?
- **Question 5:** Can your sales team distribute the material and know that it will peak the interest of your prospect or will it lose them in the egotistical paragraphs regarding your companies status and brand rather than the benefits that you have to offer them?

Keep these questions in mind when you are writing newsletters, advertising copy, websites, collateral and sales letters. Always remember people want to buy - they don't want to be sold.

Distribution of Services.

Marketers deliver services in various ways. In some instances, customers go to a service provider's facility. For example, most health-care, dry cleaning, hair-care, and tanning services are delivered at service providers' facilities. Some services are provided at the customer's home or business such as lawn care, air conditioning, heating repair and carpet cleaning are examples. Some services are delivered primarily at arms length, meaning no face-to-face contact occurs between the customer and the service provider. Several equipment-based services are delivered in this manner including, electric, online, cable tv, IT, and telephone services.

Providing high-quality customer service can also be costly when dealing with arms length services but is mandatory in keeping satisfied customers and maintaining a strong market share. AT&T, a major telecommunications company in the USA, is paying the consulting firm Accenture \$2.6 billion to develop technology and training for the personnel who serve the firm's 60 million customers. The goal is to improve efficiency while providing faster service.

Marketing channels for services are usually short and direct, meaning that the producer delivers the service directly to the end user. Some services, however, use intermediaries. For example, travel agents facilitate the delivery of airline services, independent insurance agents participate in the marketing of various insurance policies, and financial planners market investment services.

Service marketers are less concerned with warehousing and transportation than are goods marketers. They are very concerned, however, about inventory management, especially balancing supply and demand for services. The service characteristics of inseparability and level of customer contact contribute to the challenges of demand

management. In some instances, service marketers use appointments and reservations as approaches for scheduling the delivery of services. Health-care providers, attorneys, accountants, auto mechanics, and restaurants often use reservations or appointments to plan and pace the delivery of their services. To increase the supply of a service, marketers use multiple service sites and also increase the number of contact service providers at each site. National and regional eye-care and hair-care services are examples.

To make delivery more accessible to customers, and to increase the supply of a service, as well as reduce labor costs, some service providers have decreased the use of contact personnel and replaced them with equipment. In other words, they have changed a high-contact service into a low-contact one. The banking industry is an example. By installing ATMs/CashPoints, banks have increased production capacity and reduced customer contact. In addition, numerous automated banking services are now available by telephone 24 hours a day such services have helped lower costs by reducing the need for customer service representatives. Changing the delivery of services from human to equipment has created some problems, however.

Questions to Consider When Analyzing Services Marketing Case Studies

By Leon Winer

As we all know, marketing services is different from marketing products. Here are some questions that I have found useful in analysing services marketing case studies and real situations.

1. Does the company try to make its services appear tangible (to help make its promotional messages memorable)? Examples include: "Good hands with Allstate," "The (Prudential) rock," "The Merrill Lynch bull."
2. Does the company promote these three additional P's? (Claims must be supported with proofs and testimonials of satisfied customers.):
 - a. Personnel, for example: "Our employees are capable, courteous, and eager to serve you."
 - b. Physical facilities, for example: "Our facilities are modern, attractive, and comfortable."
 - c. Process, for example: "Our service processes are developed and maintained especially for our customers' benefit."
3. Does the company plan ahead for demand peaks and valleys?
4. Do managers watch for the following signs of poor performance among service providers:
 - a. Do service providers make themselves inaccessible to customers?
 - b. Do service providers exhibit rudeness or boredom?
 - c. Do service providers complain to customers about bosses?
5. To solve these problems, do managers offer the following supports:
 - a. Treat the service providers with respect?
 - b. Set clear objectives?
 - c. Provide training and guidance?
 - d. Measure performance against goals?
 - e. Provide feedback?
 - f. Reward according to achievement?
6. Does the company seek repeat business and favourable referrals by achieving customer satisfaction, as follows:
 - a. Do they monitor customers' satisfaction and dissatisfaction? Does the company repeat this monitoring because, over time, a high-quality service becomes the minimum acceptable service, and also because customers' objectives change?
 - b. Does the company promise less than it expects to deliver?
 - c. Does it make customers feel valued, treat them with respect?
 - d. Does it talk to customers about their objectives, ask them "Why is that objective important to you?" to discover higher level needs?
7. Does the company try to involve customers in the process of satisfying their needs?
8. Does the company include customer satisfaction as part of service providers' performance criteria?
9. Does it company constantly search out and remove all sources of customer dissatisfaction?
10. Has the company added these additional P's to the traditional 4 when it does its marketing planning: Personnel, Physical facilities and Process?

ACTIVITY - CASE STUDY

BOSTON MUSEUM OF SCIENCE

The Boston Museum of Science is constantly endeavoring to provide activities, exhibits and programs “to stimulate interest in and further understanding of science and technology and their importance for individuals and for society.”¹ The Museum practices many effective services marketing strategies and tactics confirming that the managers know who their visitors and members are. There are product, price and promotion strategies. Its employees are knowledgeable and helpful. The museum is well designed and its floor plans are well laid out for smooth flow of visitor traffic. It is a continuous struggle to ensure that there are healthy levels of attendance at all times of the year. Founded and established by the Boston Society of Natural History in 1830, the Museum of Science is located in the Charles River Basin about a five-minute cab ride from downtown Boston. Museum exhibits range from natural history to all fields of science and technology. Many of the exhibits are science and history projects from nearby MIT and Harvard. Over 400 of the exhibits are interactive, creating viewer participation and involvement. There is also the Planetarium and the Omni Theater, which have shows all day long. The Omni Theater is a five-story tall domed screen with state-of-the art digital sound.

1 Extracted from the mission statement as viewed at <http://www.mos.org/info/mission.html> where you can find yourself tracking elusive rainforest animals in the Amazon, climbing Mt. Everest or exploring the Great Barrier Reef. The experience is very sensual and memorable. Similarly, the Planetarium is a multimedia, interactive facility providing daily departures to outer space to view cosmic objects and phenomena. The laser shows are especially popular too. The Gilliland Observatory is open for stargazing on weekends. Every so often, the museum is graced by special (usually) traveling exhibits such as those on Egyptian History and Culture including such events as Ramses, King Tut's Treasures or other Egyptian tomb discoveries. Of course, these are occasions when the museum sees a significant increase in attendance.

The museum has a number of supplementary services. It has a parking garage, which has space for about a thousand cars. It has a deli, a grill, a pizza parlor, and a coffee and snack bar at the Galaxy Café, right across from the Museum Store where you can buy some very curious science and technology gifts and novelty items as well as Boston memorabilia.

You could enjoy a Sunday brunch at the Skyline or dinner at the Science Street Café. On some weekends in the summer, the place is so crowded that you would have to wait in line for a while to get a comfortable seat and when you do get one, you may feel you have to rush through your meal to make room for those waiting for a table.

The museum is open year round and closed only on Thanksgiving day and Christmas day. Its exhibits are open to the public 9am -5pm on weekdays and weekends with Friday hours extended to 9pm. Extended summer hours in July through August are from 9am to 7pm. The April school vacation week also has the same extended summer hours. The Museum Store opens an hour after the exhibits open and closes a half hour after the exhibits' hours.

The museum boasts about 2 million visitors annually and claims it is one of the most

popular indoor attractions in New England. Families are the largest visitor segment. The museum has almost 40,000 household memberships and a few thousand individual members.

Household members' median income was \$82,000. A cumulative visitor survey completed in 1999-2000 revealed that males account for less than half (about 41%) of the visitors. The age distribution of the visitors surveyed was: 18-24 at 14%, 25-34 at 29%, 35-44 at 31%, 45-54 at 15% and 55+ at 11%. Visitors within Route 128 – a major beltway around the city at a radius of approximately 12-15 miles from downtown Boston – accounted for about 40%. Being a popular travel destination in the Northeastern U.S., it is not surprising that international visitors accounted for almost 10% and the 49 other states accounted for 25%.

Admission prices to the exhibits for non-members are \$12, \$9 and \$10 for adults, children (ages 3-11) and seniors (60 and over), respectively. The Omni, Planetarium and Laser cost \$8, \$6, and \$7, each. There are package prices that bundle exhibits with the Omni and/or the Planetarium. Parking at the museum garage can cost \$3.25 per hour up to \$15.25 for over 6 hours.

Museum members receive free admission to the exhibit halls with additional benefits such as discounts on the Museum Store, the Galaxy Café, Parking, Courses and Travel programs. They also receive free subscription to the museum's publications and have borrowing privileges in the Museum Library. Member benefits also include discounts at a number of Greater Boston area dining and entertainment locations. Annual Individual, Dual and Family memberships cost \$55, \$65 and \$89, respectively with 2 free guest, Omni and Planetarium passes. A Family PLUS membership is available for \$150, which would provide for 4 guest, Omni and Planetarium passes. If you give special support, meaning a large contribution in dollars, you receive the title of "Discoverer" and get special privileges such as opening day and preview invitations. Discoverer levels range from Bronze for a gift in the \$2000 to \$5000 range to Titanium for a gift of \$100K or more. Silver Level Discoverers get to attend a private July 4th celebration and prime fireworks viewing from the d'Arbeloff Suite that any diehard Bostonian would envy! Corporate sponsorships and memberships offered numerous publicity opportunities to companies including presence in museum publications, ticket promotions, promotional signage, and special use privileges such as hospitality nights for the sponsor at the Museum.

Companies among the museum's 300-plus corporate members and sponsors include EMC, Fidelity, Gillette, Hewlett Packard, IBM, Raytheon, Sodexo Marriott, Sun, and other highly recognizable corporate names. These companies receive a variety of admission privileges to its exhibits and shows as well. Some of these companies actually give up their free passes to a number of non-profit agencies in the Boston area. The museum faces a classic problem of such services – seasonal cycles in visitor attendance. Peak period is in the summer from June through August and off-peak period is during the mid-winter months, January through March. The other months comprise the fall and spring shoulder periods. Weekends and holidays naturally see a spike in attendance. Weekdays in the shoulder and off-peak periods are especially problematic.

Source: All the information for this case was drawn from the museum's website - <http://www.mos.org/>.

Questions

1. What price-bundling strategies would you consider for building demand during the weekdays and during the shoulder and off-peak periods?

As a first step to answering this question, students should identify the various service offerings, including their prices, which are provided by the Boston Museum of Science. Next, students should determine the demand cycle for each service offering. Finally, students should be challenged to think about the likely effectiveness of the different price bundling strategies identified in chapter 8 (e.g., pure price bundling or mixed price bundling) and explain how each strategy could be implemented by the Boston Museum of Science.

Student answers are likely to vary depending on the target market. For example, the question may be answered by considering the museum patron, in general. In contrast, students can be challenged further by asking them to identify different segments of museum patrons and to think about how the pricing bundling strategies may be influenced by these different segments.

2. What segments do you see as potential targets for price-promotions?

Students should first identify and describe the various segments of museum patrons. Second, the degree of preference for the various service offerings of each museum patron segment should be considered. Next, students should think about how the degree of preference, combined with the price of the service offering might shape the demand elasticity for each service offering (chapter 8). With this information, recommendations about which segments to target for price-promotions can be offered.

Once the segments are identified, students can begin to think about how price can be used to communicate with each museum patron segment (chapter 9). Finally, students may be challenged to think about what should be communicated to each museum patron segment and how price might be used to help communicate the desired message.

3. Are there additional marketing communications tactics you can think of to both build demand and to shift demand?

To answer this question, students should think about how to promote the Boston Museum of Science to shape demand for its service offerings (chapter 9). In addition, to considering how the 7Cs can be used to tangibilize the Boston Museum experience, students may also focus attention on the promotional element. When addressing the promotional mix, students should be challenged to utilize an integrated marketing communication (chapter 9) plan.

Regaining Customer Confidence through Customer Service and Service Recovery

We will now explore the issue of customer service and how service organizations can design service recovery procedures to accommodate inevitable service breakdowns. **Customer service** refers to all customer-provided interactions, other than proactive selling and the core service delivery, that facilitate the organization's relationship with its customers. It includes the way in which the core and supplementary products are delivered, but not core product itself.

Service organizations should think about customer service from a strategic perspective. When service marketers elevate the importance of customer service within their organization and manage it from a proactive basis, the following three benefits may be realized. All customer service interactions are a valuable source of information about customer needs that can be used in planning and marketing decision making. Since new ideas might emerge from customer comments heard by customer service workers, customer service workers can be included in the decision-making process with regard to service improvements and new service introductions. Customer service should also be used as an opportunity to enhance customer relationships. Service organizations who fail to track and pay attention to customer complaints or suggestions run the risk losing their customers.

It is important to develop a customer service culture. By elevating the customer service function to a strategic level, the service organization signals the function's importance to all of its employees. Moreover, service organizations are recognizing that customer service enables them to recover from service failures and thus consider customer service as a major corporate asset.

Service failure is inevitable, and service organizations must develop contingency plans to manage service failure when it occurs. Through its service recovery efforts, the service organization is expending effort to win back customers' goodwill once it is lost due to service failure.

The cost of replacing a lost customer is estimated to be three to five times more expensive than retaining a loyal customer. Other research suggests that a five percent reduction in customer defections may double a firm's profits (Reichheld 1996).

When Is Service Recovery Needed?

A **moment of truth** is any specific contact point with a service organization that the customer uses to evaluate service delivery. When a service organisation fails during a moment of truth it may need to engage in some type of service recovery effort. The challenge for service organizations is to identify critical incidents, i.e., moments of truth that enhance or detract from the customer's perception of excellence, as they are the moments for which service recovery plans are needed.

Service organizations should facilitate complaining behavior rather than letting customers "walk, talk, and squawk," sharing their disdain with others rather than

the organization. Besides traditional feedback approaches, service organizations can identify occasions where service recovery efforts are needed by empowering frontstage employees and by encouraging managers to utilize a management by walking around the front stage (the MBWA approach).

A failed effort at service recovery may be as bad or worse than no effort at all. To avoid a double deviation from customer service expectations, Zemke and Schaaf (1989) recommend the following five-step service recovery approach.

1. **Apology**

The process begins with an apology, which is characterized as an admission of failure and a request for forgiveness.

2. **Urgent Reinstatement**

The second step is to quickly take action that corrects the service failure. Such action demonstrates to the customer that the service organization takes the complaint seriously.

3. **Empathy**

The third step is for the service worker to identify with the customer so as to comprehend the disappointment being felt by the customer and to successfully convey that understanding to the customer.

4. **Symbolic Atonement**

The fourth step is to make amends in some tangible way for the organization's failure. Instead of being a replacement service, symbolic atonement is intended to communicate to the customer that the organization takes responsibility for the service failure and is willing to pay a price for the failure.

5. **Follow-Up**

The final step in the service recovery process is to check whether its effort to win back the customer's goodwill was successful. A follow-up procedure also provides the service organization with a chance to evaluate and improve its service recovery efforts.

Systematic service recovery programs benefit service organizations by enabling improvements in overall quality of service delivery to be made as the service occurs and may produce a rich database of information on service quality. Service recovery should be an important component of any service organization's plan for success. When a service recovery plan is in place, it sends a strong message to customers (i.e., the organization values their satisfaction) and to employees (i.e., the organization is serious about service quality.)

ACTIVITY –

1. Think of a business that you patronize regularly. Calculate your lifetime value to that business. Why is this an important figure for the business to consider?

The purpose of this question is to help students understand the importance of customer retention, the difficulty in estimating customer lifetime value, and the potential advantages and problems associated with relying on customer lifetime value for targeting customers.

To answer this question, students should establish a frame of reference. This is accomplished by choosing a service organization that they typically patronize and a service offering that they typically purchase. Next, students will need to determine the price of the service offering and estimate their frequency of usage for a fixed period of time (e.g., day, week, month, year) and the number of years that they expect to be patronizing that particular service provider. With these facts, students are able to estimate their lifetime value to a service provider. During the exercise, students should be challenged to think about the assumptions associated with estimating customer life time value (e.g., a constant purchasing pattern) and the difficulties in arriving at accurate customer lifetime values for a customer. Finally, when using customer lifetime value to target customers, students should be asked to think about the benefits and disadvantages associated with basing a target marketing decision solely on customer lifetime value estimates.

To provide a further challenge, students may be asked how they would modify the customer lifetime value estimate to take into account the cost that a service organization incurs to acquire and retain a customer. Similarly, students might explore how the customer lifetime value for an individual might be used to estimate the customer lifetime value for a target market.

2. Find a customer comment card from a local business. Examine it closely. Does it provide sufficient detail about the business to determine why a customer was pleased or unhappy with its service? How could it be improved?

The intent of this question is to help students understand that the detail needed to determine why a customer was pleased or unhappy with a service can be influenced by the type of questions being asked and the format used to record customer answers. For example, customer comment cards may use questions that focus on the complete customer experience (i.e., global assessment of the service) or questions that focus on specific dimensions of the service (i.e., a multi-attribute based approach). When responding to these questions, customers may be expected to answer the questions in their own words (i.e., an open-ended response) or by choosing from a predetermined set of possible evaluation options, e.g., excellent, good, poor, very poor, or very poor (i.e., a closed-ended response). Recognizing that different combinations of question type and response format exist, students should examine their customer comment cards to identify the different combinations of question types and response formats that were used and to determine how these combinations influence the amount of detail that a

business might gain about why a customer is pleased or unhappy with the service. Next, students should gain an appreciation for the difficulty of developing effective comment cards when they are challenged to improve the customer comment card. In addition, students should be prepared to support their choice of question type, the dimensions addressed by the questions, and response format.

Researching Service Success and Failure

Researching service success and failure is a necessary task for any organization. Determining what an organization is doing right or wrong from the customers' and employees' perspectives is a key focus of service performance measurement. Such information is needed to reward excellent performance, prioritize process improvement options, and preempt customer switching behavior.

Since services occur in real time it is difficult to predict and control all the variables that are likely to affect the quality of the service performance. These variables make investigating services using traditional research methodologies difficult. Fortunately, there are alternative methods for evaluating service performance.

Organizations have several research methodologies at their disposal for examining service related issues, including the following:

A. Observational Techniques

When choosing from the various observational research methods, Grove and Fisk (1992) suggest that it is important to examine three key dimensions: determine the mode (human or mechanical) of observation; determine when (during or after the service performance) to collect the data; and, determine the visibility (concealed or revealed) of the observations.

B. Mystery Shopping

Mystery shopping is an unobtrusive and systematic data collection method that uses people posing as shoppers to observe and collect information about an organization's service performance.

C. Employee Reports

Employee reports are used when a service organization desires comprehensive feedback on the organization's service delivery system and interactions with customers from either its frontstage and/or backstage employees.

D. Survey Methods

Surveys and interviews are traditional research methods for assessing service performance. Surveys are typically used when a large number of respondents are needed for statistical testing of the data.

E. Focus Groups

Focus group interviews, consisting of a small number of customers and a moderator, are used to probe for specific aspects of service in depth.

F. Experimental Field Testing

Experimental field testing allows service organizations to evaluate and modify new service concepts on a small scale before committing extensive financial resources for a full scale introduction.

G. The Critical Incident Technique

The critical incident technique involves asking subjects, i.e., customers or employees, to report in detail those events during a service encounter that led to a satisfactory or unsatisfactory service experience. The rich and emotion-filled responses are reviewed to identify patterns that denote superior or inferior service delivery that are not available through more traditional survey methods.

H. Moment of Truth Impact Analysis

Moment of truth impact analysis (Zemke and Schaaf 1989) utilizes three distinct measurements to map the key aspects of a service experience from a customer's perspective and to provide an indication of what an organization may do to create a memorable and positive service experience.

Organizations that systematically measure their service performance must first decide on the specific aspects of the service delivery system to study and then decide on the types of questions to ask or behaviors to observe. A service blueprint can serve as a guide to structure questions.

Research is a means to an end. Research is used to acquire knowledge that enables organizations to maintain or improve their service performance and helps organizations make better marketing decisions, e.g., segmenting, positioning, and the service marketing mix.

Accurate measurement of customers' responses to service delivery and the organization's efforts to produce a satisfying service offering provide an abundant amount of information that can be used to improve overall service performance.

ACTIVITY

1. Design an observation report form for a mystery shopper's visit to a service organization such as a restaurant or a retail store. Explain what can be done with the information obtained from the visit.

The purpose of the exercise is to help students recognize that mystery shopping is a form of scientific observation, therefore it must be carefully planned, and that its usefulness is based on how well the obtained data helps the service provider accurately evaluate and, if necessary, improve the frontstage service performance. When creating the mystery shopping report form, students will find it helpful to first identify those front stage service activities that are of utmost importance for creating a satisfying customer service experience. Next, students should first be challenged to think of creative ways to accurately record whether these frontstage activities were performed and the quality of performance without questioning the front stage service workers. Finally, students should be able to explain how managers can use the collected data to evaluate the quality of the frontstage performance and, when needed, isolate areas where the front stage performances may be improved.

Overview of Marketing Strategy in Service Organizations

Marketing strategy refers to the process of adjusting controllable marketing factors to cope with or exploit uncontrollable environmental forces. Controllable factors for service organizations are the seven Ps of the services marketing mix (i.e., product, price, promotion, place, participants, physical evidence, and process of service assembly).

Planning the Services Marketing Strategy

Planning a service marketing strategy, like marketing strategies in general, involves a sequence of steps that include determining strategy objectives, designing the strategy, implementing the strategy, and controlling the strategy to achieve desired goals.

A. Planning the Strategy

In this step, the organization must determine its objectives and figure out how these will be executed. Environmental scanning, monitoring of the external environment, employee and customer feedback, competitive analyses, complaint audits, and other information gathering tools are vital in this stage.

B. Designing the Strategy

This step is closely linked to the planning step. In this step the organization must specify what it hopes to accomplish and how it will go about resolving the central marketing problem or opportunity it faces.

C. Implementing the Strategy

In this step, a scheme is formulated for putting the recommended program into action. A logical sequence must be followed and an itemized budget for short term and long term costs of implementation must be adhered to. A contingency plan should also be developed in this stage.

D. Controlling the Strategy

In this stage, the program's success or failure must be closely monitored. Additional tactics may need to be executed to ensure success.

V. Positioning and Service Segmentation

Positioning is how marketers attempt to create customer perceptions of their products in relation to all other products. The challenge for services marketers is to gain a significant share of mind (Ries and Trout 1982) within the target market for an intangible product.

VI. Marketing Mix Strategy

The services marketing mix must be adapted to positioning a service to reach a target market and create a strategic advantage. Each of the marketing mix decisions for a service offering presents services marketers with a unique set of challenges and opportunities that are linked to the fundamental differences between goods and services.

Service Strategies for Competitive Advantage

The following five strategies for gaining and maintaining competitive advantage are highly recommended for service organizations.

A. Surpass Your Competition

Sur-petition (de Bono 1992), the surpassing of competitors, may be accomplished by creating innovative value monopolies that serve customers more effectively.

B. Dramatize Your Performance

Service organizations should learn to stage their performances by managing their frontstage and backstage areas, their employees (the actors), and their customers (the audience).

C. Build Relationships

Customer relationship management (CRM) is a currently popular concept that seeks to develop strong customer relationships, which may lead to customer loyalty.

D. Harness Technology

Technology, which allows service organizations to maintain close contact with employees and customers, should be harnessed to become the customer's and employee's servant. In addition, the services technology ideally should seem invisible to the customer.

E. Jazz Your Delivery

Great service organizations are great improvisers. Teaching service employees improvisation techniques can strengthen their ability to serve customers, enliven the customer experience, and delight the customers.

Successful service organizations employ creative marketing strategies to overcome many of the challenges they face. Innovative services marketing strategies that are carefully planned, designed and implemented are a powerful means for achieving a sustainable competitive advantage.

ACTIVITY

1.) Identify a successful service business in your community. What creative strategy accounts for its continued success?

The lesson reinforced in this question is the importance of creating a marketing strategy that takes into account the dynamic environment. When answering this question, it may be helpful for students to investigate how the successful service organization deals with each of the six strategic challenges outlined in the chapter, especially in a dynamic market.

2. Scan the environment in your city and use your observations to predict some changes in the environment. Select a service industry that is affected by these changes and make specific recommendations regarding how an organization in that industry might adapt or redesign its strategy.

The purpose of this exercise is to help students recognize that environmental scanning produces quite a bit of data and that the data need to be adequately managed. Students should understand that effective environmental scanning requires that the service organization develop a procedure to help it recognize relevant environmental factors, i.e., factors that are likely to impact the service organization and to determine whether these factors represent opportunities or threats to the firm. A second benefit of the exercise is that students will begin to understand that the usefulness of the data acquired from environmental scanning will depend on the service organization's ability to provide a meaningful interpretation of the collected data.

Thinking Globally - Services and Culture

Services marketers who are involved in international markets must be prepared to adapt and accommodate a whole host of cultural differences ranging from language and customs to the values and behaviors used by frontline service personnel when executing and delivering services. Understanding service delivery in different cultures may be enhanced by categorizing cultures in terms of their orientation on the following four dimensions (John 1994, 1996).

A. Cultural Orientation Toward Nature

Cultures differ in the extent to which individuals expect uncertainties to be controlled during the service encounter and in their attribution of a lack of control to the service provider or nature. Broadly speaking, Western cultures are less accepting of service encounter failures and more likely to expect the service provider to be responsible for service failures.

B. Cultural Orientation Toward Activities

Cultures can differ based on whether individuals are focused on the process or the outcome of service delivery. Eastern cultures are more likely to pay greater attention to the experience itself rather than to the outcome of the service delivery process.

C. Cultural Orientation Toward Time

Cultures differ in how individuals view flexibility in the duration and the immediacy of the service encounter. Western cultures are less flexible with time compared to Eastern cultures.

D. Cultural Orientation Toward Others

Cultures that are group-oriented place more importance in social hierarchy and primary reference groups rather than self. Many Western cultures take a very egalitarian approach when waiting in line and would reject any attempt to “cut in line” by individuals that are perceived to be higher in the social hierarchy.

Global Trade in Services

In the industrialized world, services now represent more than half of Gross National Product. However, several complicating factors make measuring global significance of the service sector very difficult. First, many organizations overstate their manufacturing outputs and understate their service activity outputs. Second, the proportion of foreign trade revenue derived from services is difficult to capture. Third, the economic role of women varies tremendously by country and makes international service comparison difficult. Fourth, organizations often combine their services data with non-services data, making it difficult to accurately estimate each area’s relative contribution to the overall economy.

Export Patterns of Services

Exporting services is more complex than exporting physical goods. While there is essentially one way to export physical goods, there are three primary ways to export services.

A. **Outbound Service Export**: Send the Service Provider to the Foreign Market
An outbound service export strategy involves sending the service provider to other countries, e.g., fast-food restaurants.

B. **Inbound Service Export**: Bring the Foreign Customer to the Service Provider
An inbound service export strategy involves bringing foreign customers to the service provider’s country, e.g., educational services.

C. **Teleservice Export**: Deliver the Service to Foreign Markets Electronically
A teleservice export strategy involves the exporting of services by delivering them electronically, e.g., financial. The real-time nature of the services requires interaction between customer and provider and often makes teleservices exporting a desirable strategy.

Entry Strategies for Global Service Markets

There are three popular strategies that service organizations might use when entering global markets. These entry strategies seek to maximize market opportunities to the service organization while minimizing their risks.

A. Foreign Direct Investment

Foreign direct investment means that the service organization chooses to invest its resources directly in another country.

B. Franchising

Franchising is an increasingly popular strategy for retail industries.

C. Joint Ventures

Joint ventures allow service organizations to contract with a local organizations and thereby share the risks and rewards of the venture. Joint ventures are popular in retail industries where knowledge of the local market is essential.

Standardization Versus Adaptation of Global Services

Service organizations that conduct business globally may choose between strategies of standardization or adaptation. When choosing a strategy for a global market, a service organization needs to consider standardization and adaptation possibilities for every aspect of the service offering, including the design of the frontstage and backstage elements.

Standardization

A standardization strategy means that the same service is delivered in the same way around the world. The standardization of the frontstage of services is difficult due to their interactive nature. However, the backstage of services is more conducive to standardization and may lead to economies of scale. Although standardization may be beneficial, an organization should ensure that the needs of its local customers are not being sacrificed for the sake of efficiency.

Adaptation

Global service organizations may need to adjust their frontstage interactions with customers to reflect local market circumstances. Adaptation of a service refers to tailoring service offerings to accommodate the many major and minor conditions found in local markets. The major issues include obvious differences in language, customer preferences, and business practices. Minor issues include subtle differences such as different math notation symbols and different business hours. In addition, training service employees to be adaptable is a major concern to service organizations.

Multilingual Service Systems

Multilingual service systems are increasingly needed to simultaneously serve customers who speak different native languages. To meet the needs of its customer base, a global service organization may use a language audit to identify potential trouble spots that might arise when dealing with a culturally diverse customer mix.

Technology and Global Services

Technology is the single most influential force behind the globalization of services. In particular, communications and transportation technology allow a service organization to operate in multiple countries, while maintaining close contact with employees and customers.

Few trends are as significant as the globalization of the service economy. To successfully expand into global markets, service organizations must take into account the many cultural differences that may affect their global operations. Technological innovations also greatly influence the rate of globalization of services. Yet, even with current technological advances, measuring global services continues to be difficult.

<<WATCH SUBWAY VIDEO>>

ACTIVITY

1. Take an inventory of the services you've bought in the last week.
 - a. How many of those services were provided by local service organizations?
 - b. How many of those services were provided by global service organizations?

The purpose of this question is to help students recognize that services are an important contributor to the world economy, regardless of where the service organizations are located. For example, students, like consumers in general, are expected to have difficulty in two areas. One difficulty that students will experience is recalling all of the services that they purchased during the past week. This difficulty should be helpful in discussions related to the pervasiveness of services in their lives.

The second difficulty is determining whether the services that they purchased are provided by local or global service organizations. This difficulty should be helpful in discussions addressing the ease with which services may be globalized and the approaches that service organizations may use to globalize their service offerings.

ACTIVITY – CASE STUDY NEW ORLEANS JAZZ AND HERITAGE FESTIVAL

In 1970, city leaders in New Orleans asked George Wein to create a music festival like his very successful Newport Folk Festival. Wein declined this request, instead proposing a different strategy. He chose to create a festival that celebrated Louisiana's role as the birthplace of zydeco, Cajun, and above all, jazz music. Wein proposed a jazz and heritage festival, which has since become known as JazzFest.

Despite this inspired premise, the first JazzFest was a failure. It lost \$50,000 and only drew about 200 people, but persistence paid off seven years later when the festival finally broke even. JazzFest has been a success ever since. Subsequent strategic efforts have focused on expanding the number and variety of musical offerings across more stages and more days. By 2003 JazzFest had reached 10 stages and 8 days of musical programming. JazzFest is now one of the largest music festivals in the world.

Managing service demand and capacity became a major problem for JazzFest in 2002. On the last day of the festival, JazzFest attendance reached 160,000 people. The crowds were so large that the Fairground where they are held was nearly gridlocked with people trying to move around each other. Later reports noted how lucky it was that no major disturbances or health crises happened that day. The criticism of this overcrowding led to several changes in 2003. An 8th day was added to the festival and better monitoring of attendance was instituted.

Because jazz has become the world's music, JazzFest draws attendees from all over the world. Only Mardi Gras draws more foreign tourists to New Orleans. Many foreign tourists come on a virtual pilgrimage to the birthplace of jazz. To globalize the festival, a different country is selected as an international theme each year. Most of these countries have been in Africa or the Caribbean where the roots of jazz and blues music can be found. For 2003 the focus was on the small Caribbean island of Martinique. World beat supergroup, Kassav, introduced New Orleans to "zouk." Zouk is a fast-paced dance music they created by mixing folk, funk and rock beats. The JazzFest will surely continue to be a success in the years to come.

Sources: <http://nojazzfest.com/>, April 21, 2003, "JazzFest Preview 2003," Supplement to New Orleans CityBusiness.

Questions

1. If you were hired as a new marketing manager at JazzFest, what would you suggest as a marketing strategy?

Students will need to plan the services marketing strategy JazzFest. Students should outline each of the four steps in planning a services marketing strategy and then apply these steps to the JazzFest. In addition to developing a marketing strategy for JazzFest, students may be challenged to reposition JazzFest. In this instance, students should refer to the positioning and service segmentation discussion. When repositioning JazzFest, students may be asked to decide on the appropriate target market, determine the image of JazzFest that they desire, and then communicate the desired image using the services marketing mix.

2. How should JazzFest manage its service capacity and service demand?

To answer this question, students will need to examine the demand problem that JazzFest is experiencing. A review of chapter 14 will be helpful here. Students are encouraged to first determine the nature of services demand (i.e., the predictable demand patterns for JazzFest). Next, students should define and examine the service capacity of New Orleans. Finally, students should examine the different approaches for balancing the service capacity of New Orleans with the demand for JazzFest.

3. What could JazzFest do to improve its ability to draw international music fans?

This question addresses the globalization of JazzFest. To answer this question, students should address several issues discussed in chapter 15. For example, students should recognize that international music fans are also members of distinct cultures and that the differences in cultures might need to be addressed. Similarly, students should also recognize that appealing to international music fans requires that JazzFest be exported. Consequently, students should recommend an approach for exporting JazzFest. A third issue deals with the recognition that international music fans may have different music requirements or tastes. As a result students should consider is the extent to which JazzFest should be standardized or adapted. A fourth issue that might be addressed is the need for multilingual service systems. Finally, students might be challenged to consider the role of technology for enabling JazzFest to reach a global market (e.g., the use of the Internet to spread the word about JazzFest).

Service Encounter Journal

Objective

To become more aware of critical aspects of the service encounter from a customer's perspective.

Directions

We all have a number of service encounters each week, including (but not limited to) restaurants, banks, airlines, dry cleaners, doctors, dentists, libraries, photographers, tutors, travel agencies, theaters, pest control agencies, phone companies, automotive mechanics, insurance companies, attorneys, accountants, and copy centers. You are to keep a "journal" of your service encounter experiences. The purpose of the journal is to identify sources of customer satisfaction and dissatisfaction with services.

Requirements

Journal entries. You are asked to complete 5 journal entry forms. Each entry will correspond to one service encounter that you have during the semester. A form is provided included below. Be sure to completely answer the questions on the journal entry form. You will need to make copies of the. Your inclusion of the important details of the service encounter will help you in writing your service encounter journal paper.

Try to record an assortment of types of encounters from a variety of service industries (i.e., don't do all restaurants) as well as some that you find satisfying and some that are very dissatisfying. The best way to complete your journal is to fill a form out immediately following a particular incident. If you try to do your entries from memory, or do too many at one time, the quality of the entries will suffer.

Service Encounter Journal Form

Journal Entry: _____

Your Name: _____

Name of Firm: _____

Type of Service

(industry): _____

Date of Encounter: _____

Time Encounter

Occurred: _____

What specific circumstances led up to this encounter?

Exactly what did the firm/employee say or do?

Service Encounter Journal Paper

Objective

To evaluate critical aspects of two distinct service encounters from your own perspective as a customer and as a services marketer.

Directions

The purpose of the service encounter paper is to analyze the service encounters from a customer's point-of-view. This paper (4-6 pages) will consist of two parts: First, you will write about the organization (from your journal) that provided you with the worst service of any organization you encountered; and, second, you will write about an organization (from your journal) that is doing an excellent overall job of services marketing.

Requirements

Worst service.

In the first part of the paper, write about the organization from your journal that provided you with the worst service of any organization you encountered and wrote about in your journal. Based on your reading of the lecture book and issues we have discussed in class, diagnose what went wrong in the encounter. That is, what is the real cause of the problem? Then, recommend the most important actions management should take to improve service. Be specific in your recommendations (e.g., suggesting that employees "need more training" is not a particularly enlightening or useful recommendation). Use concepts from the class to support your discussion and suggestions. Be selective and focus on the most important issues. A good paper will describe the problem(s) based on the journal input and present a specific, logical plan for improvement.

Best service.

In the second part of the paper, write about an organization from your journal that is doing an excellent overall job of services marketing. Again, base your analysis on the lecture book and class discussions. Demonstrate your knowledge of services marketing concepts by discussing what this organization does that makes it successful.

The grading criteria used for evaluating your paper include your ability to relate material from readings and lectures to your paper, your ability to diagnose probable causes of problems and match them with appropriate solutions, depth and substance of your observations, persuasiveness of your observations, and the quality of writing.

Due Date

Your service encounter paper is due on _____.
You should turn in both the paper and your 5 journal entries at this time. (Your journal entries should be included as an appendix to your paper.)