

UNIVERSITY OF CAPE TOWN

# Services Marketing

© 2004 Justin Beneke

BUS210S Marketing I Slide - 1



Why Services Marketing ?

- ◆ **Developed countries** (e.g. United States & United Kingdom) have typically transformed themselves into **service economies**, whilst **developing countries** (e.g. China & India) have focused their attention on **manufacturing**.
- ◆ Services marketing is a branch of marketing that focuses on marketing intangible offerings which are often a harder sell than their tangible counterparts.


BUS210S Marketing I Slide - 2



Services Marketing defined

- ◆ "A **service** is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product" (Kotler, 2004)
- ◆ "A **service** business is one in which the perceived value of the offering to the buyer is determined more by the service rendered than the product offered" (Goncalves, 1995)

BUS210S Marketing I Slide - 3



Examples of Services

- ◆ Telephone (Voice) & Data Services (e.g. Telkom, MTN, etc.)
- ◆ Movies (e.g. Ster Kinekor)
- ◆ Sports Entertainment (e.g. Manchester United)
- ◆ Hotel Accommodation (e.g. Southern Sun)
- ◆ Car Rental (e.g. Avis, Budget, etc.)
- ◆ Airlines (e.g. South African Airways)
- ◆ Financial Services Companies (e.g. ABSA, Allan Gray, etc.)
- ◆ Internet Service Providers (e.g. M-Web)

BUS210S Marketing I Slide - 4




Four special service characteristics - Intangibility

- ◆ **Intangibility** indicates that the offering cannot be seen, tasted, felt, heard or smelled before being bought.

*For example, how could you sample a haircut or a flight to Mauritius?*

"Services are something which can be bought or sold, but which you cannot drop on your foot" (Gummesson, 1987)

BUS210S Marketing I Slide - 5




Four special service characteristics - Intangibility

Few offerings lie at the extremes of the **tangibility continuum** – most offerings lie towards the middle.

**Intangible** **Tangible**

Tax consulting services      Hotel Accommodation      Restaurant meal      Electronic goods

BUS210S Marketing I Slide - 6



### Four special service characteristics - Inseparability

◆ **Inseparability** refers to the fact that the provision of the service, and the experience of it, occur simultaneously. Furthermore, the consumer and service provider are both involved in the process of delivery.

*For example:*

A vehicle (product) is manufactured, sold and driven.  
BUT: An airline seat is dependent on the co-operation of the airport ground staff, cabin crew, pilot, etc. to make the journey a satisfying experience.

BUS210S Marketing I

Slide - 7



### Four special service characteristics - Variability

◆ **Variability** indicates that a service performance is unique to the customer, or group of customers, being serviced. A level of inconsistency is inherent in service provision.

BUS210S Marketing I

Slide - 8



### Four special service characteristics - Variability

*For Example:*

It is unlikely that the workmanship of your car repair will be identical each visit to the garage – you are likely to have good and bad experiences.

On the other hand, a chocolate bar (e.g. Nestlé Aero) will almost always taste the same – irrespective of when or where it is bought.

This is due to the fact that quality control is easier to implement in a factory (manufacturing) environment where procedures are well established, and tasks are often automated.

BUS210S Marketing I

Slide - 9



### Four special service characteristics - Perishability

◆ **Perishability** describes offerings that cannot be saved, stored, resold, or returned. It is not possible to delay the consumption of services.

*For example,* it is not possible to store (keep on the shelf) tax consulting services.

BUS210S Marketing I

Slide - 10



### The Traditional Marketing Mix

#### Product

- ◆ Design
- ◆ Features
- ◆ Quality
- ◆ Variety & Assortment
- ◆ Brand name
- ◆ Packaging

#### Place

- ◆ Distribution channels
- ◆ Methods of distribution
- ◆ Coverage
- ◆ Location

#### Price

- ◆ List price
- ◆ Discounts
- ◆ Slotting Allowances
- ◆ Extras

#### Promotion

- ◆ Advertising
- ◆ Personal Selling
- ◆ Sales promotion
- ◆ Public Relations

BUS210S Marketing I

Slide - 11



### The Extended Marketing Mix

The Extended Marketing Mix consists of the traditional four P's, as well as three additional P's

- ◆ **People**
- ◆ **Physical Evidence**
- ◆ **Processes**

BUS210S Marketing I

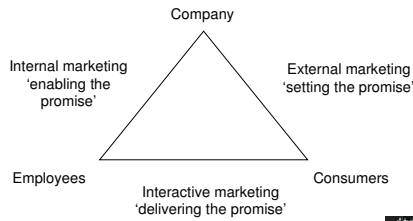
Slide - 12



## The Extended Marketing Mix - People

**People** includes employees, consumers, staff training, etc. This is often referred to as the 'fifth P' and is the most important of the additional 3 P's.

The **services marketing triangle** illustrates the relationships between the company and its people



BUS210S Marketing I

Slide - 13



## The Extended Marketing Mix - People

### ◆ Employees

The employees (service providers) have the power to make or break the service experience.

It is therefore essential that they are knowledgeable, helpful, friendly, efficient, adequately dressed and well trained.

BUS210S Marketing I

Slide - 14



## The Extended Marketing Mix - People

**Employees** may be subdivided into the following four types:

	Involvement with Marketing Mix	Not Involved with Marketing Mix
Frequent or periodic consumer contact	Contractors	Modifiers
Infrequent or no consumer contact	Influencers	Isolateds

BUS210S Marketing I

Slide - 15



## The Extended Marketing Mix - People

**Employees** may be subdivided into the following four types:

	Involvement with Marketing Mix	Not Involved with Marketing Mix
Frequent or periodic consumer contact	<b>Contractors</b>	Modifiers
Infrequent or no consumer contact	Influencers	Isolateds

BUS210S Marketing I

Slide - 16



## The Extended Marketing Mix - People

### ◆ Contactors (Employees)

These people have frequent contact with consumers and are typically heavily involved with a company's marketing activities.

*Examples include tour guides, waitresses, etc.*

BUS210S Marketing I

Slide - 17



## The Extended Marketing Mix - People

**Employees** may be subdivided into the following four types:

	Involvement with Marketing Mix	Not Involved with Marketing Mix
Frequent or periodic consumer contact	Contractors	<b>Modifiers</b>
Infrequent or no consumer contact	Influencers	Isolateds

BUS210S Marketing I

Slide - 18



## The Extended Marketing Mix - People

### ◆ Modifiers (Employees)

These people are not directly involved with the company's traditional marketing activities, yet gave frequent customer contact.

*Examples* include receptionists, security, cleaning staff, etc.

BUS210S Marketing I

Slide - 19



## The Extended Marketing Mix - People

**Employees** may be subdivided into the following four types:

	Involved with Marketing Mix	Not Involved with Marketing Mix
Frequent or periodic consumer contact	Contractors	Modifiers
Infrequent or no consumer contact	Influencers	Isolateds

BUS210S Marketing I

Slide - 20



## The Extended Marketing Mix - People

### ◆ Influencers (Employees)

These people have infrequent or no contact with consumers. However, they are very much a part of the company's marketing strategy.

*Examples* include members of the management team, such as those responsible for product development, market research, etc.

BUS210S Marketing I

Slide - 21



## The Extended Marketing Mix - People

**Employees** may be subdivided into the following four types:

	Involved with Marketing Mix	Not Involved with Marketing Mix
Frequent or periodic consumer contact	Contractors	Modifiers
Infrequent or no consumer contact	Influencers	Isolateds

BUS210S Marketing I

Slide - 22



## The Extended Marketing Mix - People

### ◆ Isolateds (Employees)

These people perform various support functions and have neither frequent contact with consumers nor a great deal to do with a company's marketing activities.

*Examples* include data capturers, IT support staff, etc.

BUS210S Marketing I

Slide - 23



## The Extended Marketing Mix - People

### ◆ Customers

The customers themselves may influence the service provision. Two examples follow:

At a party, the guests themselves are largely responsible for its success or failure. If all the guests are miserable and not interacting with each other, the party is effectively dead.

On the other hand, a stay at a hotel might become a nightmare if the guests next door are noisy and prevent you from getting sleep!

BUS210S Marketing I

Slide - 24



## Extended Marketing Mix – Physical Evidence

Due to the intangible nature of services delivery, marketers need to provide consumers with tangible cues.

These tangible cues, termed **physical evidence**, are used by consumers to partially assess the expected standard of the service, as well as their contentment post consumption.

The physical environment in which the service is performed is known as the **servicescape**.

BUS210S Marketing I

Slide - 25



## Extended Marketing Mix – Physical Evidence

Examples of **physical evidence** components:

Physical facility ("Servicescape")	Other tangibles
<b>Exterior</b> Building design Architecture Signage Parking Surrounding environment Landscape	Staff Uniforms Brochures Stationery Company logo Tickets Business cards
<b>Interior (cont. from above)</b> Design Equipment and facilities (toilets, payphones, etc.) Décor Layout Atmosphere (lighting, music, air temperature, etc.)	

BUS210S Marketing I

Slide - 26



## Extended Marketing Mix – Physical Evidence

McDonalds - the golden arches



The University of Cape Town – Jameson Hall

BUS210S Marketing I

Slide - 27



## Extended Marketing Mix – Processes

**Processes** consist of all the procedures, mechanisms, and routines by which a service is created and delivered to a consumer.

Marketers need to pay close attention to processes and the manner in which consumer-contact (front-line) employees interact with customers during this process.

Remember Levitt's 'moments of truth'? Processes should be designed in such a way that they enhance customer satisfaction during every customer/employee interaction.

BUS210S Marketing I

Slide - 28



## Extended Marketing Mix – Processes

'Blueprinting' – tabling all the steps in a service process – is considered to be one method of assisting marketers design complex processes.

### ◆ Examples of processes:

The sign-in procedure when a visitor meets a manager at a blue-chip company (e.g. visiting Old Mutual).

The procedure when you place an order at a fast food outlet (e.g. ordering a burger at Steers).

The procedure required to escalate a complaint to a senior member of staff (e.g. complaining to Telkom when you have been waiting three months for a new line)

BUS210S Marketing I

Slide - 29



## Challenges in branding services

The difference between most producer and service brands is the sheer **multiplicity** of service brand attributes. For e.g.:

### Bar One

*Few ingredients:* Sugar, cocoa solids, etc.

*Two key eating characteristics:* taste and texture

*Clear positioning:* "For a 25 hour day"

Product managed by Nestlé, the world's leading food producer

### Standard Bank

700 branches within South Africa & the African continent

35 000 employees within the Standard Bank group

Hundreds of different financial offerings available

BUS210S Marketing I

Slide - 30



## Challenges in branding services

**So, how can service business really manage their brands?**

- ◆ **Discipline:** instilled through customer service policies, incentivising staff (e.g. Pick 'n Pay offering Disney Land trips to their best customer facing employees) and remunerating them fairly.
- ◆ **Operational controls:** necessary to enhance and enforce the discipline.
- ◆ **Feedback loops:** problems should immediately be relayed to management, who should in turn find solutions and implement them as quickly as possible.

BUS210S Marketing I

Slide - 31



## Services Marketing sample MCQ 1

Farai operates a landscaping service for the residents in the exclusive Constantia area. Each night before his employees go home, they wash each of the company's trucks. A clean truck implies that since the company respects and cares for its property, it will do the same with yours. This is one way to deal with the characteristic \_\_\_\_\_ of service.

- ◆ a. intangibility
- ◆ b. inseparability
- ◆ c. inconsistency
- ◆ d. variability
- ◆ e. perishability

BUS210S Marketing I

Slide - 32



## Services Marketing sample MCQ 1

Farai operates a landscaping service for the residents in the exclusive Constantia area. Each night before his employees go home, they wash each of the company's trucks. A clean truck implies that since the company respects and cares for its property, it will do the same with yours. This is one way to deal with the characteristic \_\_\_\_\_ of service.

- ◆ a. **intangibility**
- ◆ b. inseparability
- ◆ c. inconsistency
- ◆ d. variability
- ◆ e. perishability

BUS210S Marketing I

Slide - 33



## Services Marketing sample MCQ 2

Perishability is a problem for service providers. One way to deal with this is to:

- ◆ a. use a constant pricing strategy
- ◆ b. provide a tangible cue through physical setting, communications, or choice of symbols
- ◆ c. standardize the service process
- ◆ d. eliminate any complementary services so that all workers can be focused on delivering the primary service
- ◆ e. offer incentives to customers to use the service at non-peak use times

BUS210S Marketing I

Slide - 34



## Services Marketing sample MCQ 2

Perishability is a problem for service providers. One way to deal with this is to:

- ◆ a. use a constant pricing strategy
- ◆ b. provide a tangible cue through physical setting, communications, or choice of symbols
- ◆ c. standardize the service process
- ◆ d. eliminate any complementary services so that all workers can be focused on delivering the primary service
- ◆ e. **offer incentives to customers to use the service at non-peak use times**

BUS210S Marketing I

Slide - 35



## Services Marketing sample MCQ 3

When Michelle goes to her local Spur, she sometimes gets her food fast and hot. Other times her order is slow, and her food arrives at her table cold. If Michelle wants a special order, like her burger with a baked potato instead of fries, she never knows how long she'll have to wait for her food. Michelle is experiencing the service characteristic of:

- ◆ a. intangibility
- ◆ b. inseparability
- ◆ c. variability
- ◆ d. autonomy
- ◆ e. perishability

BUS210S Marketing I

Slide - 36



### Services Marketing sample MCQ 3

When Michelle goes to her local Spur, she sometimes gets his food fast and hot. Other times her order is slow, and her food arrives at her table cold. If Michelle wants a special order, like her burger with a baked potato instead of fries, she never knows how long she'll have to wait for her food. Michelle is experiencing the service characteristic of:

- ◆ a. intangibility
- ◆ b. inseparability
- ◆ **c. variability**
- ◆ d. autonomy
- ◆ e. perishability

BUS210S Marketing I

Slide - 37



UNIVERSITY OF CAPE TOWN

Thank You  
Enjoy your  
weekend!

BUS210S Marketing I

Slide - 38

