CONCEPTUAL FRAMEWORK
To understand the meaning of concepts used in the study —meaning of service-product, characteristics of services, difference between goods and services, meaning of financial services, meaning of marketing and finally application of marketing on financial services has been discussed in detail in this chapter.

WHAT THE SERVICES ARE?

Certain concepts and phrases still exist in conventional marketing though without their meaning being challenged, even though conditions surrounding their origin have changed. The classification of consumer goods into convenience, shopping, and specially categories is one example; channel of distribution is another. The ubiquitous phrase ‘goods and services’ is a special example. Most marketers have some idea of meaning of the term ‘goods’; these are tangible economic products that are capable of being seen and touched and may or may not be tasted, heard, or smelled.

“As the marketing discipline has been concerned primarily with ‘GOODS’, yet ‘SERVICES’ are claiming an increasing share of the consumer’s dollar. Now, the marketing people should direct more of their attention to service sector”.* What are the marketing characteristics of services? Are goods solely goods - services solely services? These are some of the questions considered here.

So, let us make clear first - what the services are? it is often not possible to taste, feel, see, hear or smell services before they are purchased.

Repeated purchase may rely on experience. So, the customer may be
given something tangible to represent the service but, ultimately the
purchase of service is the purchase of something intangible. Further,
services are usually inseparable from the service provider. Goods are
produced .... sold ..... and consumed. The inseparability of creation and
performance of services applies particularly to some personal services (e.g.
dentalor medical treatment, professional services of C.A., financial services,
etc.). Further, it is difficult to achieve standardization of output in services.
In other words, services are usually designed around specific requirement
of the individual customer. Now, services are perishable and cannot be
stored. Spare seats on a package tour or an empty hotel room represent
capacity lost for ever, if they are not consumed when they are available at
any point in time. Finally lack of ownership is the basic difference between
a service and a good. Customer has access to but not ownership of activity
or facility (e.g. a hotel room, a credit card). The payment made is for the
use of, access to or hire of items and not of ownership.

DEFINITION OF SERVICES

- Berry defines "Services are deeds, acts or performances"*

- Kotler defines a service as "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."**

* Berry, L.L (1980): "Service marketing is different", Business, May -
June, pp 24-30.

** Kotler, P.(1990): "Marketing Management: Analysis, Planning,
Implimentation and control", Prentice Hall, New Delhi, p.447.
CHARACTERISTICS OF SERVICES

Although service industries are themselves quite heterogeneous (ranging from beauty Salons to electric utilities), there are some characteristics of services about which it is useful to generalize. Some important characteristics of services are discussed below:

1. More Intangible than Tangible/Intangibility

A good is an object, a device, a thing; a service is a deed, a performance, an effort. When a good is purchased, something tangible is acquired; something that can be seen, touched, perhaps smelled or worn or placed on a mental. When a service is purchased, there is generally nothing tangible to show for it. Money has been spent, but there are no additional clothes to hang in the closet and nothing to place on the mantel.

Services are consumed but not possessed. Although the performance of most services is supported by tangibles — for instance, the automobile in the case of a taxi service — the essence of what is being brought is a performance rendered by one party for another.

The concept of intangibility has two meanings, both of which presents challenges for marketing:
- That which cannot be touched, impalpable.
- That which cannot be easily defined, formulated, or grasped mentally

Addressing the marketing problems that intangibility presents is generally a matter of far more concern to the service marketer than to the goods marketers.
2. **Simultaneous Production and Consumption/Inseparable**

Services are generally produced and consumed in the same time frame. The college professor produces an educational service while the students consume it. The telephone company provides telephone service while the telephone user consumes it. The babysitter produces a baby-sitting service while the children and parents consume it.

Generally, goods are produced, then sold, then consumed. Services on the other hand, are usually sold first, then produced and consumed simultaneously. Simultaneous production and consumption means that the service provider is often physically present when consumption takes place. Whereas a washing machine might be manufactured in a Michigan and consumed in Virginia, the dentist is present when examining a patient; the singer is present when forming a concert; the airline stewardess is present when serving an in-flight meal.

What is important to recognise about the presence of the service provider is that the ‘how’ of service distribution becomes important. In the marketing discipline, great stress is placed on distributing goods where and when customer-prospects desire them to be distributed — that is, to the ‘right place’ and at the ‘right time’. With services, it often is important to distribute them in the ‘right way’ as well. How automobile mechanics, physicians, lawyers, teachers and bank tellers conduct themselves in the presence of the customer, influences future patronage decisions. Working machine can’t be rude or careless or thoughtless, but people providing services can be and sometimes are. And when they are, the result may be a search for a new service supplier.

3. **Less Standardised and Uniform/Heterogeneous**

Service industries tend to differ on the extent to which they are ‘people-based” or “equipment-based”. That is, there is a larger human component involved in performing some services (for example, plumbing) than others
(for example telephone communications). One of the implications of this distribution is that the "outcomes" of people-based service operations tend to be less standardized and uniform than the customer of equipment based service or goods-producing operations. Stated differently, the extensive involvement of people in the production of a service introduces a degree of variability in the outcome that is not present when machine dominate. This is an important consideration, given the vast number of service industries that are labour-intensive.

The ever-present potential for variability in a labour-intensive service situation is well known in the market place. This is why consumer - look at their hair in a mirror before the hair-cutting service is concluded. The customer is uncertain and more service production may be needed, even when the barber or beautician has had long experience with the consumer.

4. Cannot be stored/perishable

Now, services are perishable and cannot be stored. Spare seats on a package tour or an empty hotel room represent capacity lost for ever, if they are not consumed when they are available at any point in time.

MARKETING CHARACTERISTICS OF SERVICES

John M. Rathmell, in his article 'What is Meant by Services?', has said "The basic question is - what are the marketing characteristics of services? Here are 13 answers".* These are

1. Unlike a good, where monetary values are stated in terms of a price, services are more likely to be expressed as rates, fees, admissions, charges, tuition, contributions, interest, and the like.

2. In many types of service transactions, the buyer is a client rather than a customer of the seller; the client, when buying a service, figuratively or literally places himself “in the hands” of the seller of the service. Consider, for example, the relationship between the student and the college, the patient and the hospital or physician, the passenger and the carrier. The buyer is not free to use the service as he wishes, as would be the case in the purchase of a good; he must abide by certain prescripts laid down by the seller in order for the service to any contribution.

3. The various marketing systems in the services category have been taken on highly differentiated characteristics. Although contrasts do exist in those marketing systems that have been evolved for different types of physical goods, they are primarily differences of degree. In the case of services, the marketing of recreation bears little resemblance to the marketing of medical service.

4. Since services are acts or performances and are produced as they are consumed, they cannot be inventoried, and there can be no merchant middle-man since only ‘direct’ sales are possible. In a number of instances, agent intermediances are utilised in the marketing of services, insurance and travel agents, for example.

5. The question may be raised as to the economic nature of certain products in the services category, for example, payments to charitable and religious bodies and non-profit educational institutions. Are the church on the corner, the college on the hill, and the united fund agency downtown economic entities on the supply side? Certainly they compete for the consumer’s dollar.

6. There appears to be a more formal or professional approach to the marketing of many services (not all, by all means) — for example financial, medical, legal and educational services.
7. Because services cannot be mass-produced, standards cannot be precise. Although service producers may be standardised, their actual implementation will vary from buyer to buyer. Perhaps there will be a standardisation of service through the increasing use of service technology at the expense of personalized service, especially in medicine and education; and this would mean that services will follow goods, from custom to mass production and standardisation.

8. "Price-making" practices vary greatly within the services category. Utility and transportation rates are rigidly controlled by public agencies; interest rates display characteristics of price leadership; and some service charges are established on the basis of what the traffic will bear.

9. Economic concepts of supply and demand and costs are difficult to apply to a service because of its intangible nature. Moreover, values of some services are difficult to fix. What is the value of the service of a lawyer or a physician in a losing cause as compared to a successful one?

10. Most fringe benefits take the form of services: Pensions, insurance, unemployment benefits, eye and dental care, psychiatric service; seldom benefits in the form of goods (such as turkeys at Christmas). If benefits are created by the employer, in a marketing sense he is selling a product (in lieu of higher wages) to a market segment, his own employees. If the service is created by an outside specialist such as a life insurance company, the employer is an agent (in a marketing sense) between the seller-creator of the service and the buyer consumer.

11. There appears to be limited concentration in the services sector of the economy. There are few service chains; carriers and utilities are regulated.

12. Until recently, service firms failed to differentiate between the production and marketing of services, performance was equivalent to marketing the service.

13. In the case of services, symbolism derives from performance rather than from possession.
A useful distinction can be made between (1) rented-goods services, (2) owned-goods services; and (3) non-goods services. Also we might think of marketed services as market transactions by an enterprise or entrepreneur where the object is other than the transfer of ownership of a tangible commodity.

One implicit distinction is to consider a 'good' to be a noun and a 'service' a verb - a good is a thing and service is an act. The former is an object, an article, a device, or a material — whereas, the latter is a deed, a performance or an effort. When a good is purchased, the buyer acquires an asset; when a service is purchased, the buyer incurs an expense.

Another test to distinguish a good from a service is the nature of the product's utility. Does the utility for the consumer lie in the physical characteristics of the product, or in the nature of the action or performance?

Applying this test, there are very few pure products and pure services. The satisfaction, or utility, deriving from a work of art, such as a painting or sculpture, lies solely in the good itself. The benefit or utility arising from legal counsel proceeds exclusively from the service rendered. In the former, no act is performed; in the latter, no good is involved.

Apart from these extremes, most goods, whether consumer or industrial require supporting services in order to be useful; most services require supporting goods in order to be useful.
GENERIC DIFFERENCES BETWEEN GOODS AND SERVICES

Five generic differences can be identified that separate goods from services. Marketing those involve the nature of product itself, how that product is created, the marketer's ability to stockpile the product, the nature of the distribution channels for the product, and the relative ease of determining costs for pricing purposes.

1. **Nature of the Product**

A 'good' writes Berry (1980), "is an object, a device, a thing; a service is a deed, a performance, an effort".* Admittedly, goods are sometimes an integral part of a particular service, especially where rentals are concerned. But even in such an explicitly goods-oriented service as the car-rental business, the relevant product attributes extend beyond those normally associated attributes with owning one's own car, including such elements as pick-up and drop-off locations (often in different cities), inclusive of insurance, maintenance, free connecting airport shuttle buses, long distance reservation, and speedy, courteous customer contact personnel.

From the customer's perspective, three distinctive characteristics of most service products are: ephemeral, experimental nature, the emphasis on time as a unit of consumption, and the fact that people — both service employees and other customers — are often part and parcel of the service product. As we shall see, the relative importance of these characteristic varies according to whether the target of the service is the customer in person or the customer's possessions.

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2. Different Production Methods

Producing a service typically involves assembling and delivering the output of a mix of physical facilities and mental or physical labour. Sometimes the customers' role is relatively passive, more often they are actually involved in helping create the service product. These factors make it hard for quality and to offer customers a consistent product.

3. No Inventories for Services

Because a service is a deed or performance rather than a tangible item, it cannot be inventoried. Of course, the necessary equipment facilities, and labour can be held in readiness to create the service, but these simply represent productive capacity, not the product itself. Unused capacity in a service organisation is rather like a running tap in a sink with no plug: The flow is wasted unless customers (or possessions requiring services) are present to receive it. As a result, service marketers must work to smooth demand levels to match capacity.

4(a). Lack of Physical Distribution Channels for Most Services

The marketer's task in manufacturing firms includes developing distribution strategies for physically moving the product from the factory to the customer. Typically, this involves the use of one or more intermediaries. Because services delivered to the person of the customer are consumed as they are produced, the service factory, retail outlet and consumption point are often one and the same. Hence, distribution strategies in service organisations emphasise the scheduling of service organisations, emphasise the scheduling of service delivery as much as the locations. And unlike manufacturers, most service organisations have direct control over the service delivery outlet, either through outright ownership or tightly written franchise agreements.
However, physical distribution channels do exist for certain services performed on customers goods. Examples included film processing, off-site equipment repair and maintenance etc. But these instances — involving drop off at a convenient retail location, and shipment to a plant where the necessary servicing is done — are the exception rather than the rule in the service sector.

4b. Availability of Electronic Distribution Channels for Some Services

A rapidly growing approach to service distribution is through electronic distribution channel. Physical goods and people cannot yet be "teleported", as service fiction writers predict that some day they will. But services directed at the customer's mind — such as advice, education, entertainment, and information — can be telecommunicated through such channels as radio, television, the telephone, telecopying, or microwave relays. Moreover, the use of remote printers, video recorders and telecopiers even make it possible for such services to produce a hard copy at the receiving end — the closet we have yet come to "teleportation". Services directed at the customer's intangible assets — such as banking, insurance, and stockbroking — can also be distributed faster than a speeding bullet through telephone-based authorizations or automated electronic transmission systems.

5. Determining Costs for Pricing Purposes

Relative to manufacturing firms, it is much more difficult for service business to determine which fixed and operating costs are associated with which products - especially when several services are being produced concurrently by the same organisation. If a marketer does not know the average cost of producing a unit of service, it is heard to determine what the selling price should be.
The variable cost of selling one additional unit of service is often minimal. Since demand may fluctuate widely by time of day or weak or season, this gives services marketers much greater flexibility than goods marketers to offer similar products at different prices to different market segments. The challenge is to ensure that the weighted average of all prices charged exceeds the average costs, thus looking the problem back to the tasks of cost determination and allocation.

WHAT IS MEANT BY FINANCIAL SERVICES?

As the role of the financial services sectors — banking, insurance, building societies, hire purchase, franchising, consumer credit, general household financial services and so on — continues to grow in the economies of most of the far Eastern, Pacific Rim and western nations, pressures are mounting for more effective marketing management of the financial services on offer. Despite the recession, which is affecting various industries in different countries with varying intensity, the financial services sector is continuing to grow in terms of turn over and profits and thus has a paramount impact on the other spheres of the economy. For these reasons, there is currently growing interest in applying marketing techniques and tools in financial services.

The interest has generated a relatively large number of publications, from the International Journal of Bank Marketing in the U.K., to the Journal of Retail Banking in the U.S.A. as well as many other journals and publications on services marketing. Before giving further discussion, let us make clear what the financial services are?

DEFINITION OF FINANCIAL SERVICES

"Financial services can be defined as 'activities, benefits and satisfactions, connected with the sale of money, that offer to users and customers, financial related value".*


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Suppliers of financial services include the following types of institutions: banks, insurance companies, building societies, credit card issuers, investment trusts, stock exchanges, franchising and leasing companies, national savings/zero banks, unit trusts, finance companies as so on.

The Main Characteristics of Financial Services

The financial services have the following characteristics:

1. Intangibility

Banking and insurance services, except in particular instances, meet a general rather than specific need. Indeed a service such as bank credit that cannot appeal to a buyer’s sense of touch, taste, smell, sight or hearing places a burden on the bank’s marketing organisations. Bank credit is represented by demand and time deposits, and loans. Since a bank is often selling an ‘intangible’ and not necessarily a physical product, it must tell the buyer what the service will do (that is, its ‘special’ benefits). It is not always able to illustrate, demonstrate or display the services on offer, and therefore, storage, transportation and inventory control are not relevant for bank marketer. This is partly attributable to the relative absence of middle persons. As a result it severely limits the alternatives available to the financial services marketer and often necessitates the use of direct channels of distribution.

2. Inseparability

Because of simultaneous production and distribution of financial services, the main concern of the marketer is usually the creation of time and place utility, that is, that the services are available at the right place
and at the right time. This implies that direct sale is almost the only feasible channel of distribution. But as will be seen later, one way of overcoming the inseparability factor is the use of credit cards, whereby the service is transferable. This particular factor affects pricing because of the relatively high costs of offering this service to the customer.

3. Highly Individualised Marketing System

When selecting channels of distribution, the goods marketer will usually have a marketing system that contains several established middle persons. More often than not, such systems are the most efficient. Unfortunately, this is not always the case for the financial institutions with few traditional distribution channels. Hence, the financial services are induced to locate branches of their outlets as conveniently as possible. In many bank transactions, a client relationship exists between the buyer and the seller, as distinct from a customer relationship where such a close personal and professional client relationship must exist, direct channels may be the only feasible choice.

4. Lack of Special Identity

To the public, often one financial service is very much like another. The reason why a particular financial institution or branch is used is often related to convenience. Each organisation must find a way of establishing its identity and implanting this in the mind of the public. As the competing products are similar, the emphasis is on the ‘package’ rather than the product. The package consists of branch location, staff, services, reputation, advertising and from time to time, new services. As major competitors offer similar services, the emphasis will be on the promotional aspects rather than on the inherent uniqueness of a particular financial institution’s service.
5. Heterogeneity or a Wide Range of Products/Services

Financial services organisations have to offer a very wide range of products and services to meet a variety of financial and related needs from different customers in different areas. On the one hand, they provide a special one-off management service for industrial customer and on the other hand, a retail service covering life insurance, money receipt, storage, supply and transmission. The implication is that only very seldom can a financial service be standardised.

6. Geographical Dispersion

There has to be branch network in any financial institution of size and scope in order to provide benefits of convenience and to meet international, national and local needs. Therefore, all services or promotions must have both appeal and wide application.

7. Growth must be Balanced with Risk

When selling banking or insurance products, the financial institution is ‘buying’ risk. There has to be a well-controlled balance between expansion, selling and prudence.

8. Fluctuation in Demand

The demand for certain categories of financial services - for example life insurance do fluctuate significantly according to the level of general economic activity. This factor puts extra pressures on the roles and functions of marketing in insurance organisations.

9. Fiduciary Responsibility

The responsibility of any financial services organisation is to guard the interests of its customers. This aspect is important not just in banking and insurance but also in other sectors of the financial services.
10. Labour Intensiveness

The financial services sector (especially in developing countries like India) is still highly labour intensive, which increases the costs of production and affects the price of financial products. Indeed personalised service versus automation is an important issue in financial services. Because of their relatively high personnel costs as well as to enhance customers' convenience, financial services are increasing their use of technology.

WHAT IS MEANT BY MARKETING?

Marketing means selling to a salesman, advertising to an advertising manager and so on. But marketing consists of three components, namely people, their desire to buy and their ability to buy. Various marketing minds have defined 'Marketing' in beautiful words. Some of them are:

- This definition is developed by Prof. Malcolm McNair as "it is the creation and delivery of a standard of living."*

- Philip Kotler defines "Marketing is the set of human activities directed at facilitating and communicating executives." **

- British Institute of Marketing defines: "Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitability."

- Peter Drucker says: "It is in marketing that we satisfy individual and social values, needs and wants be it through producing goods, supplying services, posterizing innovations, or creating satisfaction."***


Dimension of Marketing

From the definitions given above, we can summarise the gamuts of marketing as:

(a) Marketing is a socio-economic activity.

(b) Marketing is a consumer-oriented starts with identifying and determining of consumer wants and ends with consumer needs satisfaction.

(c) Marketing is profit-oriented both to the company and the consumer.

(d) Marketing involves the process of planning, action, control and follow-up. In short it is an integrated management function.

MARKETING OF FINANCIAL SERVICES

OR

HOW MARKETING IS APPLICABLE TO FINANCIAL SERVICES SECTOR

The special characteristics of services present a number of implications concerning their marketing. Although many marketing concepts and tools are applicable to both goods and services, the reliable importance of these concepts and tools, and how they are used, are often different. This section suggests a number of strategic marketing opportunities of particular importance to service industries. This section will make clear - how marketing is applicable to services sector and how marketing of services differs from marketing of goods. Now there are two types of marketings: one is internal and second is external.

How Internal Marketing is Applicable to Financial Services

When quality of the service is inseparable from the quality of the service provider, then human performance materially shapes the service outcome and hence becomes part of the 'product'. To what Richard Chase
calls "'high-contract' services businesses, the quality of the service is inseparable from the quality of service provider."*

Thus, 'high-contract; businesses are one in which there is a considerable contract between the service provider and the customer, e.g., health care, financial services, and restaurants.

Just as goods marketers need to be concerned with product quality, so do services marketers need to be concerned with service quality, which means - in labour intensive situations - special attention to employee quality and performance. It follows that in high contract service industries, marketers need to be concerned internal not just external marketing.

Internal marketing means applying the philosophy and practices of marketing to the people that serve the external customer so that (1) the best possible can be employed and retained and (2) they will do the best possible work. More specifically, internal marketing is viewing employees as internal customers, viewing jobs as internal products and (just as with external marketing) endeavouring to design these products to better meet the needs of these customers.

Although most executives are not accustomed to thinking of marketing in their way, the fact is that people do buy jobs from employers, and employers can and do use marketing to sell these jobs on an initial and ongoing basis. To the extent that high contract service firms use the concept and tools of marketing to offer better, more satisfying jobs, they upgrade their capability for being more effective service marketers. The relevance

of marketing thinking to personnel management is very real. The banks and insurance companies adopting flexible working hours are redesigning jobs to better accommodate individual differences, which is market segmentation.

Importantly, the crucial matter is not that the phrase “Internal Marketing” come into widespread use, but that the implication of the phrase be understood, i.e., by satisfying the needs of its internal customers, an organisation upgrades its capability for satisfying the needs of its external customers. This is true for most organisations and is certainly true for high-contract service organisations.

**Applying Marketing (External) to Services**

Special consideration in applying marketing to services are discussed below:

1. Services cannot be stockpiled.
2. The entire service mix is usually not visible to the consumer.
3. The intangibility of services makes pricing and promotion difficult.
4. The existence of a direct service organisation-consumer relationship makes, employee-public relations skills important.
5. Services often have high cost and low reliability.
6. Peripheral services are frequently needed to supplement the basic service offering.
7. Production and consumption are simultaneous so they cannot be stored and direct sales are possible.
8. Tangible products are assets, while service products are expenses.
9. Services are expressed in terms of rates, fees, etc.

A discussion of these considerations is placed below.
1. Services cannot be stored for later sales, therefore, demand must be carefully matched with the supply

Services cannot be stored, e.g., if a movie theatre has 500 seats, it cannot admit more than 500 customers to a Sunday night showing even though a Wednesday matinee might had 400 empty seats. It is clear that the empty seats during the Wednesday movie cannot be used to increase theatre capacity during the Saturday peak demand period. Therefore, in order to match demand and supply, a service firm must alter the timings of demand and/or exert better control over the supply of service offering. It should avoid excess demand that goes unsatisfied as well as excess capacity that results in an unproductive use of the resources.

Methods of Balancing the Timing of Demand*

1. Adding attractive services in off-peak periods, such as hotel providing convention meeting room at reduced prices.

2. Utilizing a reservation system to spread out demand.

3. Employing price discrimination, with lower prices for off-peak periods.

4. Providing customer with peripheral services while they are waiting, such as a cocktail lounge in a restaurant.

Methods for Balancing Supply*

1. Using part time employees at peak periods.

2. Training employees in different skills so they can be shifted to whatever task that has the greatest demand at any point of time, thus avoiding bottleneck.

3. Increasing consumer participation in the completion of services, such as direct dialing for long distance calls.

4. Sharing capacity with other service provider, such as hospitals sharing expensive but seldom used, diagnostic equipment.

2. Customers see only a small portion of the service mix for the same services

For some services, only a small portion of the service mix is visible to the consumer, e.g., repairs are normally not seen by the consumers. Although for repairs a person may spend 3 hours on a TV set and invest two parts priced only at Rs.6/- the consumer gets a bill for Rs.40/- and does not realise the amount of service involved. Therefore, service and function must be explained to the customers.

3. The intangibility of service makes pricing and promotion decisions more difficult

The intangibility of service makes pricing difficult. How should the price be broken down into problem analysis and service compartments? Should the prices vary among repairs performed by the head mechanic and the regular mechanic? Services that are equipment based and routine in nature may be suited to cost-oriented pricing. Other services should rely on the competitive pricing.

The intangibility of services also makes promotion difficult. Unlike product promotion, which may stress tangible attributes and consumer analysis prior to a purchase of service attributes can only be measured after a purchase is made. Therefore, the seller must appeal to the consumer imagination in describing its benefits. A seller of service must appeal to the prospect's ability to visualize a better state of being or a better future because of the service, being purchased. In marketing life insurance, for
example, the seller may try to create an image in the prospect's mind of the happiness security provides or the financial difficulties that family may encounter or should the consumer die with inadequate coverage. All these appeals are designed to help the consumer see not what is, but what can be, if the services are purchased. World of mouth is more important means of promotion in case of services.

4. **Inter-personal skills are often important because of the close relationship between the consumer and the service provider**

Inseparability in case of services makes inter-personal skills important. The work force be trained to interact well with consumers and employee appearance and mannerism have a greatest impact on services firms. All employee-customer contact should be performed properly, including sales, credit, delivery and repair.

5. **Services often have high costs and low reliability**

As competition increases and cost rises, professional service firms are to increase their productivity. There are five approaches to this (a) to have service providers work harder and skillfully, (b) by increasing the quantity of service by surrendering some quality, (c) to add equipment to increase services capabilities as Levitt recommended "manufacturing attitude" towards producing services, (d) to make obsolete the need for a service by investing a product solution, and (e) to design a more effective services (Kotler and Bloom, 1984).*

Many services have high costs and low reliability. One solution to this problem is the industrialization of services using hard, soft and hybrid technologies (Levitt, 1976).*

**Hard Technologies**

Substitute machinery for people such as implementation of electronic teller system instead of manual teller, ‘hard technologies’ cannot be applied to service requiring extensive personnel skill and contact such as medical, legal and accounting services.

**Soft Technologies**

Substitute preplanned system for individual services, e.g., many travel agents sell pre-packaged vacation tours. This standardizes the transportation, accommodation, food and sight seeing.

**Hybrid Technology**

Combine hard and soft technologies, e.g., in case of automobile repair, computer, x-rays of total automobiles combined with low-priced repair facilities of mechanics. The industrialization of service cuts high costs and increase reliability. Service reliability can also be improved through higher service level standards by setting of higher employee standard of performance levels.

6. **Peripheral services are complementary and supplement the basic service**

Peripheral services are complementary services that are needed to supplement the basic services offering, for example, when a tourist hotel

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markets rooms for travellers, it will also need an adequate reservation system clearing personnel packing facilities, etc. Peripheral service increase a service firm investment, require additional employee and management skills and may be time-consuming. But they enable the company to create and sustain a competitive advantage.

7. Production and consumption are simultaneous

In case of service, production and consumption takes place at the same time. We consume a lot of services at the same time, like a football game, a telephone call or a college education services. Therefore, skills of services provided are very important.

8. Tangible products are assets, while services are expenses

Consumer products have re-sale value long after the initial purchase is made. Services usually depreciate fully upon purchase. Moreover, there is no market for used services. One cannot obviously re-sell a movie seen yesterday. In accounting language tangible products are listed as assets, while services are considered expenses.

9. Services are expressed in terms of rates, fees, etc.

Unlike a good, where monetary values are stated in terms of a price, services are more likely to be expressed as rates, fees, admission charges, contributions, interests and the like.

In many types of service transactions, the buyer is a client rather than a customer of the seller, the client where buying a service literally places himself in the hands of the seller. The typical marketing process for services has been shown in Fig. 2.1 and for goods has been shown in Fig. 2.2.
FIG. 2.1 SERVICES — THE TYPICAL MARKETING PROCESS*

Markets → Market Research → Service System or Individual Professional Development → Service site(s) selection → Pricing and Promotion → Service delivery to client

FIG. 2.2 CONSUMER GOODS - THE TYPICAL MARKETING PROCESS*


Markets → → Marketing Programme Development → Pricing → Promotion → Personal selling → Sales Promotion → Advertising

Service marketers whose previous job was in the manufacturing sector and particularly those who come from consumer packaged goods — often note sharp differences between their current and previous working environments. These differences presently include a narrow definition of marketing by other managers, limited appreciation for marketing skills, a different organisational structure, and a relative lack of competitive data. In addition, many service industries are experiencing a loosening of both government regulations and professional restrictions on management practices, with important strategic implications for marketing. Finally, there are special constraints and opportunities facing marketers in public and non-profit organisations.

1. Narrow Definition of Marketing

Professional Marketing Management is still relatively new to the service sector. Many service industry executives, who tend to be operations oriented, still define marketing as simply advertising and public relations; other extend this definition only as for as sales and market research. Decisions in such areas as new product development, retail site location, pricing and product line policy have traditionally been excluded from marketing's do-main in the service sector. This situation is changing, but mainly service organisations still have a long way to go before they can be said to have adopted the marketing concept and implemented it across a broad range of management activities.

2. Lack of Appreciation for Marketing Skills

The comedian, Rodney Dangerfield, whose perennial complaint is that "I don't get no respect," would probably feel very much at home as a marketing manager in most service firms. Rnisely records an interview
with Levee Bros: executives who had spent sometime as a senior marketing manager in a large service organisation, the latter observed: "you feel less loved and less needed... In a service company which has perhaps been built on skills and disciplines that have not included large doses of marketing, you’re selling ...... you’re saying 'listen to me' as opposed to 'tell me', 'tell me'. *

Limited appreciation for marketing skills among other managers makes the service marketer’s job just that much more difficult. Lack of clout limits his/her ability to win acceptance of new strategies — particularly if they require deviation from current practice; it may also constrain the amount of resources allocated to marketing.

3. Different Organisational Schemes

As noted by Lovelock et al. *, service organisations frequently include a general management - type position at both corporate and field levels. Example of the latter would be a branch bank manager, a Station Manager for an airline or trucking company, or the General Manager of a hotel.

These “Field General Managers”, who usually report to operations, are engaged in marketing management tasks whether they recognize them as such or not. In particular, they are usually responsible for managing service personnel in regular contact with customers.

As noted earlier, service organisations generally control service outlets, the service equivalent of a retail store. But much of this benefit is lost if the ‘store’ is not run in a way that balances marketing considerations against

* Lovelock, C.H. : "Why marketing management needs to be different for services". PP. 479-488.

irrational ones. This means that Marketing Managers at the corporate level must either develop an organisational structure, such as a matrix, that provides them with access to customer contact personal, or they must ensure that “Field General Managers” possess marketing skills and are rewarded for good marketing practice.

4. Lack of Data on Competitive Performance

One of the differences felt must keenly be consumer goods marketers who have moved to the service sector is the lack of market data on their ‘brands’. Many service business — from Colleges to Hotels — store sales information with similar institutions, but there is always the problem that some organisations may decline to participate or else supply deliberately biased information. And although some regulated industries are obliged to supply customer usage data to state or federal agencies, such data is usually highly aggregated for publication purposes.

In essence, the context within which many service marketers must work is often sharply different from that facing their counterparts in the manufacturing sector (especially in consumer packaged goods) firms where marketing expertise has achieved a high level of sophistication.

But as service businesses become more familiar with the contributions that marketing management can make, there will be greater acceptance of this function. This, in turn, will facilitate development of new organisational structure that give marketing a more equal status with operations in managing the business. Greater competitions in service markets will spur efforts to develop more detailed, reliable market data. Finally, public and non-profit service organisations, faced with greater financial stringency in the years ahead, are likely to develop more market-oriented operating strategies than they have historically, and to change prices which cover a higher proportion of total costs.

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