Chapter 4: **External Value**

Having examined internal processes which have an impact on external performance, it is necessary to focus on the relation service companies and their customers.

First, a strategic service marketing perspective will be presented which is considered to be useful tool for marketing services to customers. Therefore the service delivery process will be analyzed by distinguishing core service products, peripheral and delighting services, and the service encounter which is defined as a interaction between a customer and service provider will be analyzed.

### 4.1 Strategic Service Marketing:

Traditionally the function of marketing has been divided into three main components.

1. **First**, is the marketing mix which includes elements that determine the service company's marketing program,
2. **Second**, the market forces which constitute the environmental conditions, which as such, have an impact on the marketing program,
3. **And finally**, the matching process which is the strategic and managerial process to ensure that market forces is taken into account when developing a marketing strategy.

The marketing mix has its origin in the marketing of goods (tangible) consists of 4P's which are Product, Price, Promotion, and Place. The marketing mix proposes more three 3Ps by adding, Physical Evidence, People and Process to the original 4P's which is related to the service marketing mix.

However, the approach of filling a marketing mix only with a single letter P is too restrictive. Instead he prefers relationship marketing as a more useful tool to fulfilling marketing tasks.
4.1.1 Service Marketing Mix

In service marketing mix the service itself is a product. The service marketing mix consists of Product, Pricing, Promotions and Placement, People, Process & Physical evidence. But people, process, physical evidence factors are necessary for service delivery.
4.1.1.1 **Product**

A product can be a good or a service. Products (tangible or intangible) are the means to satisfaction of customer needs or wants.

- Need: basic requirement to live a life
- Want: requirement for goods or services to match a need
- Demand: desire and ability to pay for the exchange.

1. **Core Benefit**
The fundamental want that satisfies the consumer by consuming the goods or service.

2. **Generic Product**
A version of service or goods containing only attributes which are absolutely necessary for it to functioning it.

3. **Expected Product**
The buyers normally expect from the service provider and agree to purchase it.

4. **Augmented Product**
Additional features, benefits services that serve to differentiate the service from its competitors.

5. **Potential Product**
The augmentation and transformation a product might undergo in future.
4.1.1.2 The Service Life Cycle (SLC)

The service introduced in the market, it gains customers grows but eventually the market stable and the service becomes mature, then after a period of time it goes into decline and is eventually withdrawn. However, most service provider fail in introduction (start up) stage.

**Introduction level:** This is the first stage where service provider introduces new service in the competitive market.

**Growth level:** Second stage growth means that service accepted in the market and attracts the buyers too creating value and name in market and at this stage the advertising spends is high level to capture the market as much can cover up and build a brand.

**Maturity level:** The services which survive in the earlier stages tend to spend longest in this stage. The market reaches saturation stage. Service providers begin to leave the market due to poor margins and uncontrollable competition. Sales grow at a decreasing rate and then stable.

**Decline level:** At this stage there is a downturn in market for the service provider. Service firm take a chance to come up more innovative products in the market. There is price cutting and slowly service is withdrawn from the market.
4.1.2 Price

Pricing is reflected to supply and demand relationship in market. Providing a service at a high or low price could show negative figure to the firm. The pricing of service based on certain factors are

- Competitor market
- Objectives of the company
- Target customer
- Brand strategies

To make value in the market by service provider the company follows different pricing strategies depend upon market condition.

- **Premium Pricing**: Service provider charge high price (premium pricing) because of quality and different from competitor which is the advantage to create utility in the market.

- **Penetration Pricing**: The service provider charged the price low in order to gain or make a position in the competitive market. Once it does create a value the price have its own position in the market.

- **Economy Pricing**: The provider keep low price of such basic commodities or service which are daily usage for customer that is economy product.

- **Price Skimming**: The service provider charged high price because having a growth or sustain in competitive market. The high price (skimming price) attracts competitors in market.

- **Psychological Pricing**: Provider use such kind of pricing on the basis of emotional customer market and customer respond too.

- **Product Line Pricing**: Different types of range of services the provider reflect such kind of product line pricing.
• **Captive Product Pricing:** The providers charge a premium price in the market when services have additional complements eg: tours & travels.

• **Value Pricing:** Provider use such king of pricing on the basis of recession, inflation or excess competition in the market, so the value pricing applicable.

4.1.1.3 **Place**

The very important “p” that’s called place, because it’s a mechanism through which services are moved from service provider to the user. The place is an important factor in service industry because to deliver the service on time the place should be convenient for the provider so it can reach to the customer on time and gives the result turn into time quality service.

4.1.1.4 **Promotion**

Promotion is a very important tool for the organization because to convert need into demand of the customer promotions play an important role. The appropriate promotion led to the profit for the organization.

Promotion deals with the “how to promote” the service or product in that particular market, so different types of promotion which includes direct and indirect communication to deal in the market.

So, direct communication is face to face meeting to the customer on behalf of the company and indirect communication deals with others factor are advertising through television, radio, internet, social networking sites, etc which will promote the service as a product in the market.
The elements of the promotions mix are:

- **Advertising**: it’s a wide concept in marketing field to promote service which includes audio and video marketing e.g. Newspaper, television, cinema, journals, banners, etc.

- **Public Relations**: Public Relations is a technique that how to maintain relation with customer by knowing all their needs and wants. By mutual understanding between customer and firm which led to maintain long term relation, so to maintain public relation the successful strategies is applicable.

- **Personal Selling**: Personal Selling is a common way to promote the service in the market to attract customer as the sales person is the one who attend customer on company behalf which led to maintain relationship with customer. For this valuable techniques company give training to the employee.

- **Sales Promotion**: Sales promotion is one of the wide techniques in promotion which is a part from visual or audio advertisement tends which is related to coupons, offers and discount. This type of promotion is quiet easy to promote service at introduction stage for the service provider.
• **Direct Mail**: Direct mail is concerted on “whom to target costumer” based upon a data collected by the firm. As research define before going for direct mail because to target specific customer the message is form to attract them.

• **Internet Marketing**: Now-a-days the life become technological, most of the people are connected to internet or some other source of internet. Because of this company find it easy to give information and promotion about the service directly to the customer individual .e.g. email, social networking and many more.

• **Trade Fairs and Exhibitions**: this type of approaches create good level of contact with new and renew old customers and create a name in the competitive. The main purpose to go for such kind of marketing is to enter in the market with valuable service and maintain relation with traders and customer.

• **Sponsorship**: Sponsorship is one of ongoing promotion by the company its easy way to promote but should select the appropriate event to sponsor which reflect the image of the company. To create image in the market or society this type of marketing is essential and effective too.

4.1.1.5 **People**

The most important “P” is people in service industry. People are one of the elements where it serves the service to the customer. On time quality service sentence stated on the basis of people (employee). In this service industry the people is the goodwill of the company.

To maintain the goodwill in the market the company gives training and development to employee. There are some points where people are add on to the value of experience e.g. personal selling and providing quality service. The two important in people are training of employee and executive to provide quality service to customer.
• **Training:** To maintain quality service and value in the market from present to future. The training plays an important role for employee. Training is a part of employee which is given to him at time of joining in organization.

• The training and development will involve employee into the objective of the firm and will know how to deliver the service in the market. The training in hotel or bank or some other service company are different depend upon the services provide to the customer.

• The level of practice is either on level of on the job or off the job. On the job training includes at the time of job in service industry. Off the job includes training given in the training center. Trained employee will give value to the company in terms of goodwill.

• **Customer Service:** The services provided to the customer depend upon their needs and wants. Customer service means how to serve the service to the customer effectively. The service is serving with the help of technical support, expertise, coordinate and technology.

• It helped in providing service on time and handles the complaining of customer and rectifies it too. Customer always praise for quality service for the particular company. The effective customer service will sustain and lead in the market.

4.1.1.6 **Process**

The service provided in step by step to the customer so it’s said to be a process (step by step procedure). Process is an element that how to deliver the service to the customer which satisfy the needs and wants of it. To explain in better way here are example:

Planning for international tour through Internet - the process begins when customer visiting an tour company website. Enter the details of flights, hotels and book them. Booking references arrive by e-mail.

The process start from flight inland till destination and return back which include refreshment sightseeing, etc now this said to be service process which is be on time. To follow the process explains below in diagram:
Customer evaluate the service from start to end process, they way it delivery too, which gives a conclusion about perception about service. So the judgment of customer about service or service provider which evaluate the service. If it does not match to the expectation of service provider so its influence the provider to control the service and delivery it again.
4.1.1.7 Physical Evidence

The element which is notice, tangible underline to service is said to be Physical evidence. Physical evidence includes important points which underline the service effectively are:

- Packaging of the goods
- Website of the company
- Paperwork (such as invoices, tickets and dispatch notes)
- Brochures of the serve provider
- Ambience of the company
- Uniforms of the employee

4.1.1.7.1 The Service Encounters (“The Moment Of Truth”)

Customer’s view, the impression of service occurs in “Moment Of Truth,” where customers communicate with the service provider. This is a foundation of “Customer Satisfaction on time Quality Service” – it is depend upon where the customer service kept to the mark or dissatisfied to customer.

- **Remote Encounter:** - The contact without by human (employee) and by technology is said to be Remote Encounters. The ATM or booking ticket through machine which is used by customer for his usage. The remote encounter it’s a tangible which provide intangible is called service.
**Phone Encounters:** - One more to communicate with customer is over the phone where employee explains about the service or giving information about it to the customer which said to be phone encounter. The customer judge the information or service through phone on the basis of knowledge of the employee, tone, mannerism, behavior and giving accurate information with positive attitude on these basis customer judge the phone encounter.

**Face-to –Face Encounters:** - Where the employees interact directly with the customer and explain about the service and give information directly to the customer which is said to be face to face encounters. The employee can be peon, clerk, waiter, seller boy, etc. it allows both verbal and non-verbal behaviors of employee to understand the quality of service. Effective management led to quality service which involves training and development.

### 4.2 Sub conclusion

In Chapter four the external value of service companies has been analyzed from a strategic point of view. It stated in service marketing elements product, price, place, promotion. It is necessary, when a service firm, the three elements people, process and physical evidence will be add on to the marketing mix and then turned into service marketing mix.

In order to identify potential strengths and weaknesses for service companies, it would be valuable to divide the various processes into sub processes. Managers of service companies must never forget the fact that the customer should always be in focus.

Every process within the company should in some way or the other - directly or indirectly - provide value to the customer. Service companies should concern with building up the value with customers to ensure relation.

Moreover, the service provider - customer interface has been examined. Companies should put a lot of emphasis on the service encounter, as it is the moment when the service company has to
perform well to satisfy the customer needs. Here it is important that the service delivery system is coordinated with the service standards. Service standards define what quality service is for customer.

Effective management of service encounters requires an understanding of the complex behaviors of employee and customers which determine the level of customer satisfaction or dissatisfaction.

The following proclamations are to be seen as Success Factors which are considered as critical in the context of external value provided to customers.

**Success Factor 1:**
The service delivery is divided into a technical part and a functional part. A service company has to consider both aspects when satisfying their customers.

**Success Factor 2:**
Service can be distinguished into three levels: Core, secondary, and delighting service. The competitive position is determined by the service company's ability to provider secondary and delighting service attributes which are in accordance with customer needs.