



## **SERVICE MARKETING: A REVIEW ON THE CONCEPT, CHALLENGES AND STRATEGIES**

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### **Abstract**

*Service marketing is marketing based on relationship and value. It may be used to market a service or a product. With the increasing prominence of services in the global economy, service marketing has become a subject that needs to be studied separately. Marketing services is different from marketing goods because of the unique characteristics of services namely, intangibility, heterogeneity, perishability and inseparability. Service is any act or performance that one party offers to another that is essentially intangible and does not result in any ownership. Today almost every service organization is facing the marketing challenges in business environment due to the basic characteristics. Services-marketing-challenges and issues require services-marketing-solutions and strategies developed for goods marketing are often insufficient. This paper depicts conceptual frame work summarizing the unique characteristics of services, the challenges emerging from these characteristics and strategies suggested as appropriate to overcome the issues.*

**Keywords:** *Service Marketing, Services, Challenges, Strategies, Intangible.*

### **Introduction**

The world economy nowadays is increasingly characterized as a service economy. This is primarily due to the increasing importance and share of the service sector in the economies of most developed and developing countries. In fact, the growth of the service sector has long been considered as indicative of a country's economic progress. Economic history tells that all developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy. This shift has also brought about a change in the definition of goods and services themselves. No longer are goods considered separate from services. Rather, services now increasingly represent an integral part of the product and this interconnectedness of goods and services is represented on a goods-services continuum.

Services marketing is a specialized branch of marketing. Services marketing emerged as a separate field of study in the early 1980s, following the recognition that the unique characteristics of services required different strategies compared with the marketing of physical goods. Services marketing typically refers to both business to consumer (B2C) and business-to-business (B2B) services, and includes marketing of services such as telecommunications services, financial services, all types of hospitality, tourism leisure and entertainment services, car rental services, health care services and professional services and trade services. In most countries, services add more economic value than agriculture, raw materials and manufacturing combined. In developed economies, employment is dominated by service jobs and most new job growth comes from services.

Services marketing is most commonly used by companies that sell to individuals. They research consumer behavior to create advertisements that appeal to certain demographics, allowing companies to narrow the marketing focus to a concentrated effort. Service marketing is marketing based on relationship and value. It may be used to market a service or a product. With the increasing prominence of services in the global economy, service marketing has become a subject that needs to be studied separately. Marketing services is different from marketing goods because of the unique characteristics of services namely, intangibility, heterogeneity, perishability and inseparability.

### **Concept of Service Marketing**

The American Marketing Association defines services marketing as an organizational function and a set of processes for identifying or creating, communicating, and delivering value to customers and for managing customer relationship in a way that benefit the organization and stake-holders. Services are (usually) intangible economic activities offered by one party to another. Often time-based, services performed bring about desired results to recipients, objects, or other assets for which purchasers have responsibility. In exchange for money, time, and effort, service customers expect value from access to goods, labor, professional skills, facilities, networks, and systems; but they do not normally take ownership of any of the physical elements involved.

### **Unique Characteristics of Services**

Throughout the 1980s and 1990s, the so-called unique characteristics of services dominated much of the literature. The four most commonly cited characteristics of services are



1. **Heterogeneity/Variability:** Given the very nature of services, each service offering is unique and cannot be exactly repeated even by the same service provider. While products can be mass produced and be homogenous the same is not true of services. eg: All burgers of a particular flavor at McDonalds are almost identical. However, the same is not true of the service rendered by the same counter staff consecutively to two customers.
2. **Perishability:** Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer. Example: A customer dissatisfied with the services of a barber cannot return the service of the haircut that was rendered to him. At the most he may decide not to visit that particular barber in the future.
3. **Inseparability/Simultaneity of production and consumption:** This refers to the fact that services are generated and consumed within the same time frame. Example: a haircut is delivered to and consumed by a customer simultaneously unlike, say, a takeaway burger which the customer may consume even after a few hours of purchase. Moreover, it is very difficult to separate a service from the service provider. Example: the barber is necessarily a part of the service of a haircut that he is delivering to his customer.
4. **Intangibility:** Services are intangible and do not have a physical existence. Hence services cannot be touched, held, tasted or smelt. This is most defining feature of a service and that which primarily differentiates it from a product. Also, it poses a unique challenge to those engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.
5. **Changing demand:** The demand for services has wide fluctuations and may be seasonal. Demand for tourism is seasonal, other services such as demand for public transport, cricket field and golf courses have fluctuations in demand.
6. **Pricing of services:** Quality of services cannot be standardized. The pricing of services are usually determined on the basis of demand and competition. For example, room rents in tourist spots fluctuate as per demand and season and many of the service providers give off-season discounts.
7. **Direct channel:** Usually, services are directly provided to the customer. The customer goes directly to the service provider to get services such as bank, hotel, doctor, and so on. A wider market is reached through franchising such as McDonald's and Mongini.

The unique characteristics of services give rise to problems and challenges that are rarely paralleled in product marketing. Services are complex, multi-dimensional and multi-layered. Not only are there multiple benefits, but there are also a multiplicity of interactions between customers and organizations as well as between customers and other customers.

### Challenges For Service Marketing

There are some inherent challenges in marketing a service business, but they can be overcome. When marketing services, you apply the same marketing mix principles used for products: place, price, promotion and product -- which is your service. Added to this mix are emphases on people, process and physical evidence. Develop a plan that carefully considers these essentials so you can identify the challenges and devise strategies to overcome them. Challenges faced in marketing of services are as follows

### Value

A service firm must demonstrate value to customers and prospects. Services such as accountancy, computer maintenance and insurance are essential to the efficient day-to-day operations of a business. However, services such as marketing, training or consultancy are more peripheral. Service firms have to demonstrate that those services can add value to the customer's business. Training, for example, can improve the productivity and performance of the workforce. A firm may also need to show that marketing services can improve a company's competitive advantage. Or that consultancy can help a company improve its operations and profitability.

### Service Development

Development costs for service firms are high compared to those of a product company. Service firms cannot keep standard services in stock or take advantage of economies of scale. They must create a new version of a service for each assignment, customized to the needs of individual customers. To create a service, a representative discusses the customer's requirements, prepares a service specification for the customer's approval and brings together the elements needed to deliver the service.

### Competition

Competition for service firms is both direct and indirect. Direct competitors include other service businesses offering similar services and manufacturers who provide services that support their products. A firm offering computer maintenance services, for example, faces competition from other maintenance firms as well as the service divisions of computer manufacturers. Service firms also face a form of indirect competition from customers who provide services from their own internal



resources. To persuade customers to outsource their operations, service firms must demonstrate that their offering is both superior and cost effective.

### **Differentiation**

Customers can only judge the quality of a service when they have used it. They cannot inspect the service in the same way they can examine a product on a shelf. Service firms must therefore find ways to differentiate themselves from competitors. Accreditation with a recognized body is one way of demonstrating professionalism. Firms aim to build their reputation by publishing authoritative articles or speaking at industry seminars. Specialization can also create a point of difference. Firms offering training services, for example, can differentiate itself by focusing on tailored training for a specific sector, such as financial services.

### **Intangible**

One of the most obvious challenges in marketing services is intangibility. People can touch and see a product and are exchanging money for something they need and can take home to use. Conversely, people only see the results of a service, which may not always be immediate. It requires faith on the customers' part that they will get the desired results for their money.

### **Quality Control**

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

### **Morale and skills**

The morale and skill of service performance is critical. They perform during moments of truth in real time at the customer's location. They must be willing and able to bend the rules where appropriate, are creative in varying customer situations and the accountable for profitability.

### **Strategies of Service Marketing**

The two main strategies of services marketing are:

#### **Use of the Extended Marketing Mix**

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

1. People means to all people directly or indirectly involved in the consumption of a service, example employees or other consumers. Due to the inseparability of production and consumption for services which involves the simultaneous production and consumption of services, service firms depend heavily on the ability of contract employees to deliver the service.
2. Service providers (such as hair stylists, personal trainers, nurses, counselors and call centre personnel) are involved in real time production of the service. They are the "service". Service firms must find ways in which they can effectively manage the contact employees to ensure that their attitudes and behaviors are conducive to the delivery of service quality. This is especially important in services because employees tend to be variable in their performance, which can lead to variable quality i.e. heterogeneity in the performance of services. This lack of homogeneity in services creates difficulties for the service firms. As delivery of services occurs during interaction between contact employees and customers, attitudes and behaviors of the service providers can significantly affect customers' perceptions of the service. This is important, because customers' perceptions of service quality and its value can influence customer satisfaction, and in turn, purchase intentions.



3. Physical evidence refers to the environment in which the service is assembled and in which the seller and customer interact, combined with tangible commodities that facilitate performance or communication of the service. The physical evidence of service includes all the tangible representations of service such as brochures, letterhead, business cards, reports, signage, internet presence and equipment. For example, in the hotel industry, the design, furnishing, lighting, layout and decoration of the hotel as well as the appearance and attitudes of its employees will influence customer perceptions of the service quality and experiences. Because of the simultaneous production and consumption of most services, the physical facility i.e. its servicescape can play an important role in the service experience. As services are intangible, customers are searching for any tangible cues to help them understand the nature of the service experience. The more intangible-dominant a service is, the greater the need to make the service tangible.
4. Process is referred to the procedures, mechanisms and flow of activities by which the service is delivered i.e. the service delivery and operating systems. Because services are performances or actions done for or with the customers, they typically involve a sequence of steps and activities. The combination of these steps constitutes a service process which is evaluated by the customers.

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

### **Differentiating Your Service**

Service marketers sometimes complain about the difficulty in differentiating their services. For example, a dentist office might wonder how it can differentiate itself from other dentists. It might be tempting to compete on price, but this often ends up hurting business more than helping because competitors will cut prices to match. An alternative to competing on price, is to develop a differentiated offer, delivery, image and/or quality.

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

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

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

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

### **Objectives of The Study**

1. To understand the concept of Service Marketing and characteristics of services in a broad manner.
2. Focus is on challenges for and strategies of Service Marketing.

### **Research Methodology**

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



### **Conclusion**

Service marketing is playing a vital role in the growth of world's economy. To be effective at services marketing, today's marketer must understand how the very nature of services can influence marketing strategy. Services marketing deliver processes and experiences that are intangible to customers at profitable gains to the firm. To this end, the survival and sustenance of service marketing businesses in a globalized market place can be greatly enhanced by a clear understanding of the need to evolve strategies to overcome the challenges posed by the internal and external business environments.

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