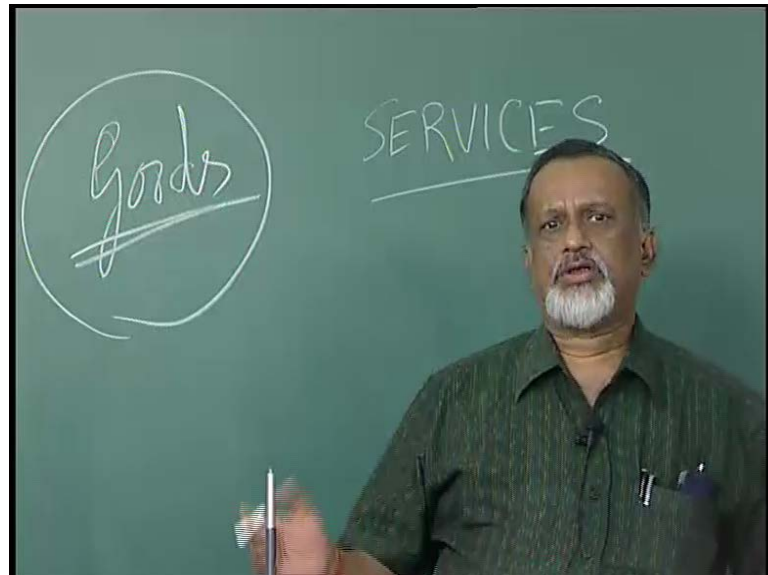


Strategic Marketing - Contemporary Issues
Prof. Jayanta Chatterjee
Department of Industrial and Management Engineering
Indian Institute of Technology, Kanpur

Lecture - 17

We have looked at this segmentation, targeting and positioning issues for both product market in the B to C domain and we have also looked at the same segmentation target positioning issues in the industrial market or business to business B to B market place. Today, to conclude our discussions on this issues relating to segmentation, targeting and positioning, we will take up another domain which is services.

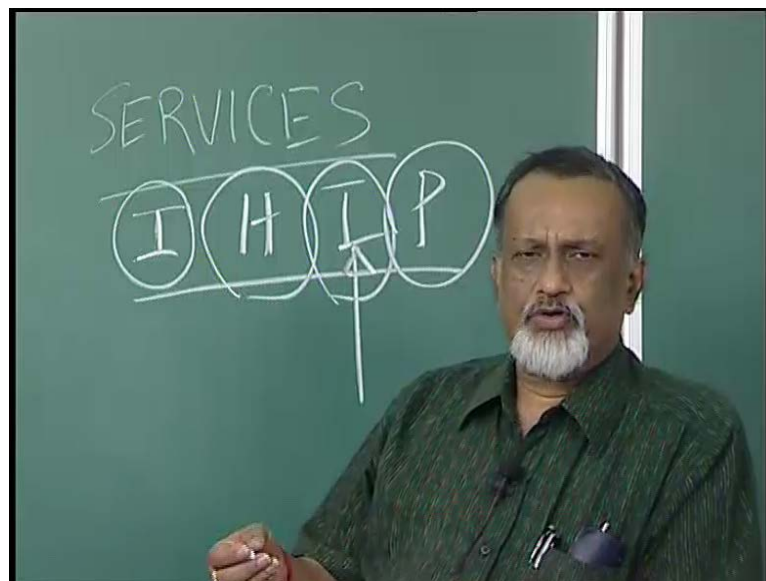
(Refer Slide Time: 01:36)



At one time maybe when 7, 8 years back the general wisdom was that services are different from goods and in fact the original concepts of marketing most of the discussion standard text books research all kind of focused on goods. In a way that was natural because in the post Second World War 1950's onwards in the huge growth period of the world economy particularly the western economy was synchronous with the development of the management subjects with the growth of MBA offerings across the world. So, marketing as a subject in the initial period looked mainly as a way of producing goods, newer goods and more goods for the expanding consumption across the world that was the so called boom period for the market place across the world particularly again in the developed world.

We did have in the 70's late 70's the oil shock the first oil price crisis which created a little kink in the growth pattern, but the markets continue to expand more and more newer and newer products continued to be introduced to the both consumer market as well as to the industrial market. So, the concepts of segmentation, concepts of targeting, positioning they kind of were all developed looking at goods and services received a kind of a one chapter in many of the marketing text books or it was just considered as that it is different from products because of this so called four criteria.

(Refer Slide Time: 05:03)



And these IHIP often called IHIP this I stood for intangibility that the products are intangible when they become service. So, intangibility defined such offerings like a musical program or a consultation with the doctor and said that these are all intangible and therefore, this is a service and it is different from goods. H stood for heterogeneity; it basically meant that the same service can create different levels of satisfaction in the minds of different customers because customers are all different and services are generally provided from a person to another person and therefore, this heterogeneity occurs both on the service provider side as well as service consumer side and this heterogeneity lead to certain marketing situations which were then put into this put under this label.

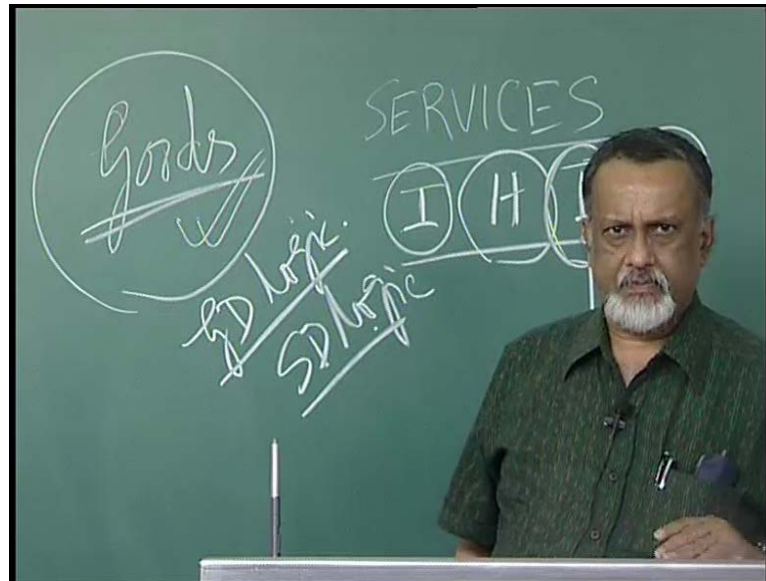
This one was about this I was about inseparability. The concept was that the point of service at the moment when service is delivered the provider and the consumer are

present in the same time and space. So, if I am actually teaching to a class and if I am the service provider in that context, then the service consumers the students and the teacher they are present in the same place at the same time, but just as you know today that is not always the case for example this very discussion that we are having, I am at a different place you are all at different places and even in time you might be accessing this discussion this presentation long after or at a completely different location, may even be in a different context you are accessing this presentation.

So, these issues even this issue of P which kind of always were associated with service perishability that if a particular service was provided; once it was provided to us that moment once it went away, there was no more opportunity for offering that. So, if an aircraft left the airport and if some seats were vacant then that market opportunity disappeared. So, just like a fruit when it rots after a certain time on the shelf market shelf then it is no longer offerable, it is no longer exchangeable, it no longer can participate in the marketing process. So, it is it is perished from the value creating option, opportunity.

In that sense therefore it was considered that all services are perishable because they have to be consumed at the same time and space when it is offered, but again we know today because of technology, we have many options of store and forward many options of a service created today being available again and again for reuse. In the past it was already seen that for example a musical program could be recorded and therefore it could be accessed, but then people immediately said well, then it was no longer a service, it had already been productized. So, a musical program has already been a cassette or a CD or a DVD and so on. So, they said that has become a product; I am not getting into the huge discussion that has now emerged and it is in fact one of the most popular areas for marketing research today.

(Refer Slide Time: 11:21)



It has attracted attention for all academicians and practitioners across the world in the field of marketing and that is called the shift of the marketing philosophy from GD logic which is goods dominant logic to SD logic that is service dominant logic and in fact if you just search through the internet service dominant logic or if you just even search SD logic, you will find some very interesting research papers as well as quite attractive and easily understood presentations explaining that how in today's world; it is service which drives the entire marketing process, the goods are just vehicles for delivering. So, service is now being considered; now this concept is not entirely new. We always knew that when marketers or marketing teachers have pointed it out long before that a customer is not actually looking for a drill machine.

The drill machine is nothing but a way to achieve the whole that the customer wants to create in a metal part or in a wooden part for a further use. So, the solution aspect; that means goods is nothing but vehicles for or steps towards achieving a solution. In that context therefore it is becoming now more and more clear that is services and therefore, this service dominant logic is driving the whole exchange process. Even the concept of exchange; that means there is a product and if I am the marketer then I offer this product and I exchange this product with you and I take some money back from you and this is the exchange. But in today's world we are finding more and more this exchange which means transfer of ownership; I am at this moment as a marketer owning this product and

I am transferring the ownership to you and in exchange I am getting another bundle of value some packet of money.

This concept is now giving way to creating a solution together and in many cases we are realizing that we need not always focus on transfer of ownership rather these concepts which have been there like leasing, renting and even temporarily participating in a process. It is easy to understand when you take an example like a movie show. So, you temporarily participate in that entertainment and enjoyment solution process; you do not actually there is no transfer of ownership of even the seat that now your occupying because that same seat will be offered to somebody else in the next show. But that you are not becoming part owner of the movie theatre or of your seat or you are not actually taking that movie home. In no way it diminishes your enjoyment and technology is making it possible that earlier if you really liked a movie you waited for buying the DVD of that movie to keep it in your library to see it again and again whenever you wanted. Even that is now becoming unnecessary because now there is a worldwide huge storage available on demand where you can see the movie whenever you want.

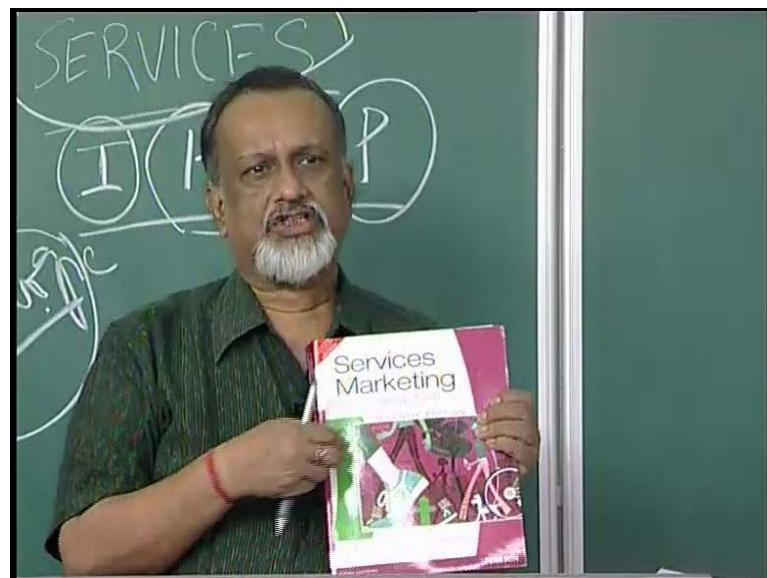
Even the process of downloading has now become irrelevant because even downloading was in a way of transfer of at least a copy was transferred to your machine and you needed to install it in your machine; even that is now becoming unnecessary as we are developing better and better technology for video streaming, audio streaming. So, you can actually have the movie whenever wherever and you do not have any need any more of transfer of a product ownership. This is a little digression of our key topic today which is how do we segment the service market, how do we target different segments in the service market, how do we position our service. But it is an important issue because later on we will see that this service dominant logic, this focus on eliminating the necessarily of transferring ownership is actually a very good development for the world because the growth of the goods dominant logic created a scenario where we took natural resources more and more and more because we wanted the companies revenues to grow and grow and grow and we made products in all varieties.

Marketing encourage consumers to buy different products, if you had one lipstick you were persuaded to buy six more different variants. You were even actually often persuaded to buy three when you actually needed just one by enticing you because people wanted to increase the goods production volume and soon it created this huge

challenge that we faced today that worldwide we are building up a humongous heap of waste and we just do not know how to get rid of those rubbish heaps clogging our rivers, affecting our oceans even, spoiling our land and so on and creating worldwide this challenge for the environment, creating problems which are not only problems for human beings but also for the whole system of living beings of on this planet. So, this take make waste approach fuelled by goods dominant logic focused on the product.

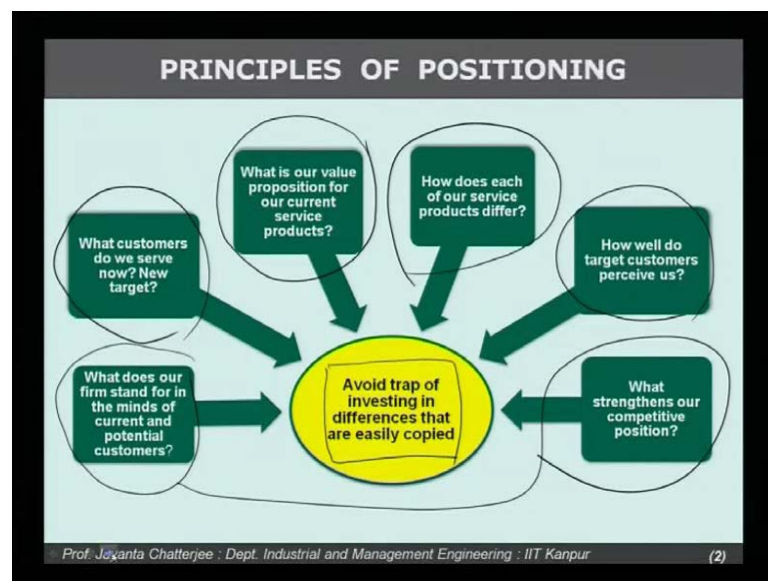
Many researchers many experts are saying is better replaced by a service dominant logic where we focus on solutions and to get solutions we can actually rent, lease, use and if we follow this philosophy and we develop technologies and solutions using this philosophy, then possibly we will be able to move entirely in future to the concept of borrow resources from nature, use for various solutions and create products as vehicles for creating the solutions in such a way that then later on we can return the natural resources back to nature. So this reuse, reassignment of products are very interesting issues creating new paradigms in marketing strategy which we will discuss in later section; this whole new area of green marketing, but our today's topic is however coming back to go to the original STP in services. So, the marketing strategy for services has the same approach; you are already familiar with these questions, the basic principles are positioning.

(Refer Slide Time: 23:12)



Incidentally many of these slides and presentations are from this book; I am one of the authors of this book called Services Marketing. My co-authors are late professor Christopher Lovelock, a legendary figure in the field of in developing this independent field of services marketing and huge contributed to this concept of service dominant logic and the other co-author is Professor Jochen Wirtz from National University of Singapore. Professor Lovelock is no more but his legacy continues and we are working on this book. This is already in the seventh edition and today's presentation for further reading I would request you to look at chapter three and which is titled as positioning services in competitive markets and chapter eight which relates to designing and managing the service process for marketing. These are the two chapters I am using. This again is available at low cost in South Asian addition and I would request you to get access to this book at least through your library because at a later point we will discuss some cases from this book as well.

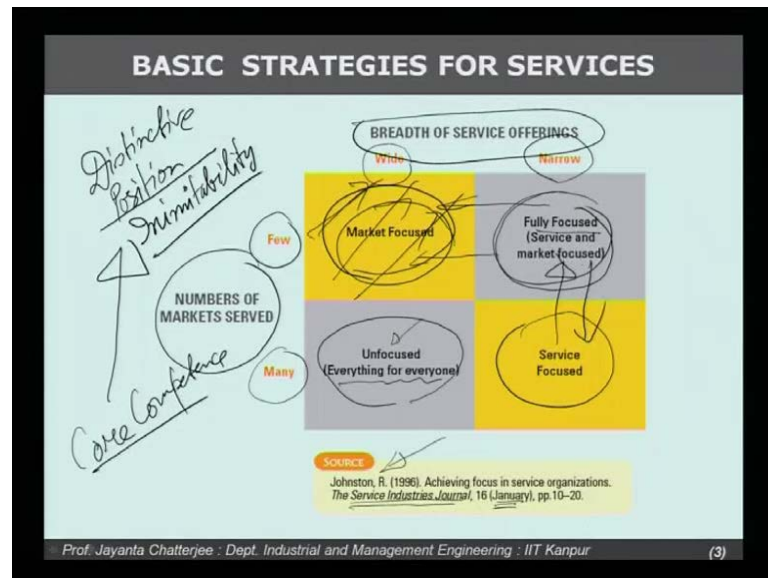
(Refer Slide Time: 24:59)



So, coming back to this principle of positioning, now as you see here that even though it is put in the context of services the same questions apply universally to any positioning situation that what is our value proposition for our current offering, what customers do we serve now and do we need new targets, what does our firm stand for in the minds of current and potential what is the perception in the customer's mind about us this and what strengthens our marketing position. We will discuss these two issues in more detail when we are looking into brands; how well do target customers perceive us and what are the

differences that we offer and in all positioning this central point remains they do not invest in creating differences which are easily copied.

(Refer Slide Time: 26:20)



In this context it is not part exactly of this course, but I am sure you are familiar with the concept of core competence. Just in that concept here also we are saying that if you are creating a distinctive position based on your core competence, one key test of your distinctiveness is that inimitability. If it is very easy to imitate your offering then that is not really bedrock for positioning; that is not a defensible position. Again this chart that you are seeing which is inspired by one of the famous papers of Johnston in 1996 in the services industries journal January 1996 issue available I am sure through anyone of the digital libraries in your institution, it talked about breadth of service offerings and numbers of market served. So, if you are serving few markets this fewness can be in terms of geography, fewness can be in terms of usage and in that market if you are offering many solutions then your market focused.

We discussed about Woodland 75 percent of the revenue comes from the domestic market where their position is maybe 60 percent of the market; they offer many different products to the adventure outdoor life loving community. So, they offer shoes, they offer various kinds of skin care products they offer, may be tents they offer, rucksacks and so on; not all of them they offer right now but we discussed about their plan of expanding that range. So, they are planning to therefore, get to that in that market of adventure

loving customers hiking tricking market place they are offering too many products, but you could also actually be very focused and offer few products. In a way Woodland today offering just shoes and few other products to this community is moving from this fully focused to the market focused. If you are offering just movies and you have this PVR or big or wave or there are these various brands that are now being developed for movie exhibition and you are doing it across the country. So, you are in the movie distribution business movie exhibition business and you are doing it in many markets across the nation.

So, you are service focused and if you are actually your service offering is white and you are offering many things to many people trying to be as it is written here everything for everyone, we say it is an unfocused. It is arguable that whether today such businesses really when there are services like, say, a neighborhood store, a grocery store which also offers many other things like if you come to or IIT Kanpur campus, we have a shopping centre where we have shops which offer all kinds of stuff; you can buy grocery items, you can buy packets, you can even buy a bed, you can buy certain clothing items, all things under one roof but even here you see we cannot actually call it unfocused because it is somehow focused on serving the needs of this campus community. So, it is argued that way that truly we have unfocused service. So, the segmentation vice therefore what is important for us are transitions as we saw from here to here from fully focused to market focused or from service focused; in this two directions these are the ways the market strategies evolved for certain companies.

(Refer Slide Time: 32:35)



So, which is the right service concept for a specific segment; as usually we will look into here some of the issues like timing of use or who makes the buying decision whether the service is used alone or with the a group. So, the service offered by coffee cafe day or Barista is something that you usually would like to enjoy in a group. So, coffee houses across the world or Café's are synonymous with group activity, but of course there are occasions where you will be just going there alone and so there are cafes which provide you free internet facility, so that even when you are alone in a way you are actually with the world.

However, these are questions that we need to answer to understand and incidentally this timing of use because of the issues we discussed about this perishability or inseparability it may appear that these are particular questions that only apply to service segmentation but in reality it is not so. In reality even for your pure products you will see today therefore I mean even soaps are being marketed with special occasions time issues interwoven in the market proposition. A soap which was a very personal item now may even be marketed just like toothpaste with respect to freshness where it becomes your focusing on attribute which are related to group presents, so that you smell good to others, your breadth fresh breath for others and so on.

(Refer Slide Time: 35:31)

IMPORTANT VS. DETERMINANT ATTRIBUTES

- Consumers usually choose between alternative service offerings based on perceived differences between them
- Attributes that distinguish competing services from one another are not necessarily the most important ones
- Determinant attributes determine buyers' choices between competing alternatives
 - service characteristics that are important to purchasers
 - customers see significant differences between competing alternatives on these attributes

Prof. Jaganta Chatterjee - Dept. Industrial and Management Engineering - IIT Kanpur (5)

Anyway ultimately at this point the key things are that to develop right services for the right people with these are the questions that we need to answer and from this we can develop that what are important and what are the determinant attributes. So, important versus determinant there are some attributes may be important but they may not be the ones which we will actually determine that buyers choice. So, important attributes are important but determinant attributes are more important. So, determinant attributes are those service characteristics that are important for the purchaser and this is where the differentiation gets created. Now because of this heterogeneity aspect; that means the same service, the same flight might have been very pleasant for a particular person but might have been quite harrowing experience for another person depending on various issues like time.

Somebody who is very pressed for time and if the flight is late then obviously for that person it creates a huge tension even though the flight itself in terms of delivering the service of transportation from point A to point B, it might have been excellent, very safe, very good food, excellent ambience. Everything might have worked out very well but because of the time issue for a particular customer it might have been quite a harrowing experience, but for some others it might not have mattered that much because they are may be on a leisurely trip. Now that is why to understand that what are the determinant attributes you must be clear about where you are with respect to this segmentation and it is being developed for which particular segment who are your target customers. So, the

determinant attribute determination of determinant attribute is something that has to be done through careful analysis.

The other important issue is. So, this kind of the issue about is determinant attribute versus important attribute; it will give you some key aspects that you must deliver. So, if it is an airline service or it is any kind of transportation service, then ambience, timeliness, reliability and some such issues will be important. And if you are in a business airline your main target is business airline business customers then among these attributes some attributes will become the determinant like timely service on-time service or cost or offerings that you make available for regular or frequent customers and so on. So, the determinants will change if it is a holiday or a tourism oriented airline service. Their other issues will then become. So, the important issues and out of those important issues some become determinant for a certain segment and other important issues may be the determinant for another segment.

(Refer Slide Time: 40:30)

ESTABLISHING SERVICE LEVELS

- **Make decisions on service levels – level of performance firm plans to offer on each attribute**
 - Easily quantified attributes are easier to understand – e.g., vehicle speed, physical dimensions
 - Qualitative attributes subject to individual interpretation – e.g., physical comfort, noise levels
- **Can often segment customers according to willingness to trade off price versus service level:**
 - Price-insensitive customers willing to pay relatively high price for high levels of service
 - Price-sensitive customers look for inexpensive service with relatively low performance

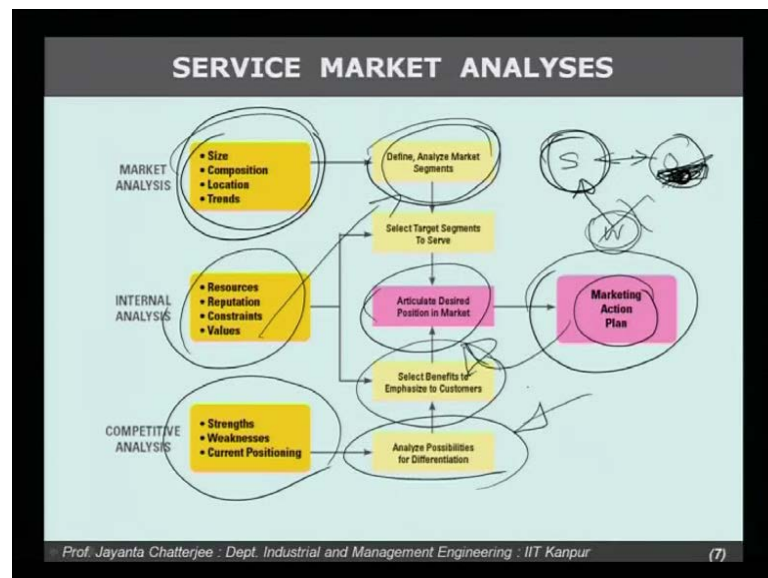
Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (6)

However, while that will tell us that for a particular segment what should be the key constituents of our service offering, within that we also have to look at what we call service level. These are in some cases this service level some of those items are through quantifiable. So, in a business airline service the size of the seat or the leg space that is provided or the number of courses or whether a meal is offered at all or not or number of courses in the meal. All these are sort of quantifiable, but the comfort, the temperature

setting during the flight, noise level, these are qualitative and are again very subjective and again therefore we have to be careful about calibrating the service level because these are also elements that will need resources and therefore will absorb costs. So, service level determination is important from the customer perspective and also important from the service providers cost perspective and one will have to strike the right balance once you have determined the segment that you primarily want to serve.

So, in a very quiet flight; lot of expense that goes into creating a noise free ambience within the craft or individual control possibility of the temperature around your seat may all be important constituents of service level for a business class, but may not be that important for the tourist class or frequent flyers versus people who are flying just as a way to get to a holiday destination. So, depending on who is buying your service who is your service customer and the purpose of using the service, your service level issues as well as segregating this important and determinant issues can be mapped and service level issues as I just mentioned they are related to costs and therefore price and again you have to calibrate the exact rate of depending on the segment that you want to serve.

(Refer Slide Time: 44:26)



So, this internal and external outside-in and inside-out process of determining your market that we have discussed before equally applies to service market. So, the market segment is determined in terms of size, composition, location, trend etc. Once you have as we have always said that there are opportunities and there are strengths which need to

be matched. If there are weaknesses they need to be managed so that they become strengths or at least in terms of the opportunity you might actually take a slice of the opportunity where these weaknesses will no longer matter.

So, if you have a low cost airline then your ability to serve tasty meals on the flight, hot meals on the flight, may not be a determinant attribute anymore and so if you have a weakness in that area then that will not matter anymore because you have already positioned yourself in that slice of the opportunity where your other strengths like your timely service you are on time service, your good clean service, those will become dominant issues. So, you define, analyze the market segment and the size, composition, trend etc and then you match through your internal study your competencies, your resources, your reputation and then you match them. Then that will tell you that which is the exact segment that you are in the best position to serve and then you should articulate that I am a low cost airline or I am a luxury airline focusing mainly on business customers.

And accordingly we develop your marketing proposition, the kind of benefits that you will be highlighting in your marketing communication and of course we have to understand that this has to be an inimitable differentiation. If you decides to be a high service full service airline, therefore you are no longer focused on one time travelers, seasonal travelers just for the holiday season, you are focused on getting repeat business from frequent flyers and accordingly you develop your whole market position, your marketing communication and all the elements of marketing mix; that means your pricing, your packaging of the service, all of those issues will have to be determined according to this segmentation analysis.

Again I emphasize that we are looking particularly at service market in today's discussion but as you see the general principles apply equally well to B to C market for goods or B to B market. So, certain principles therefore are universal tools for developing your marketing strategy; also as I said in the beginning of the discussion that the earlier perceived differences between so called goods and services are blurring. There are very few pure products like salt which is not associated with much of service or pure service like a music recital. Most offerings in the market place are blends of products and services and therefore when we look at these principles of segmentation we have to kind of mix and match.

(Refer Slide Time: 49:56)

USING POSITIONING MAPS TO PLOT COMPETITIVE STRATEGY

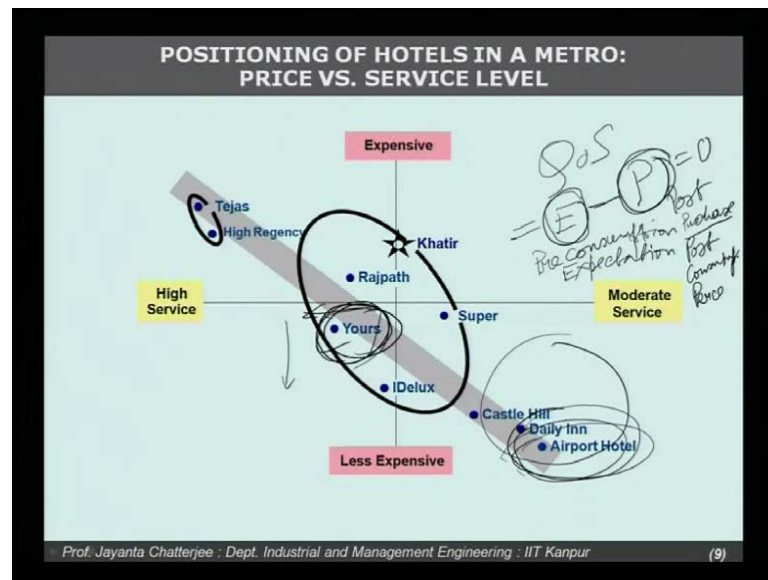
- Great tool to visualize competitive positioning and map developments of time
- Useful way to represent consumer perceptions of alternative products graphically
- Typically confined to two attributes, but 3-D models can be used to portray positions on three attributes simultaneously
- Information about a product can be obtained from market data, derived from ratings by representative consumers, or both

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (8)

Some of the particular issues that we have discussed in earlier presentations; one of the concept that I have earlier emphasized is this whole approach in strategy with respect to visualization. In strategy literature we often talk about vision-mission strategy and tactics as a sort of a flow. Now vision obviously is something related to visualization. So, good strategies are well explained and as I have emphasized again and again earlier that strategic success depends more on implementation rather than on planning; even somewhat rough plans can bring great success if they are executed with flexibility, adaptation, capability which necessarily means that you need to carry your whole organization, your partner's, your alliances and you need to be in sync with the customer and keep them involved in if your making minor changes as you are going along.

A process which we will discuss in greater depth when we look at this whole issue about co-creation of service or the importance of co-creation in marketing strategy and we will see there that these visual tools are great help in explaining your own position to your own colleagues, your intended market position to people inside your organization and as well as to customers. So, they know what they can expect from you and quality satisfaction in the market place is all about calibrating that expectation.

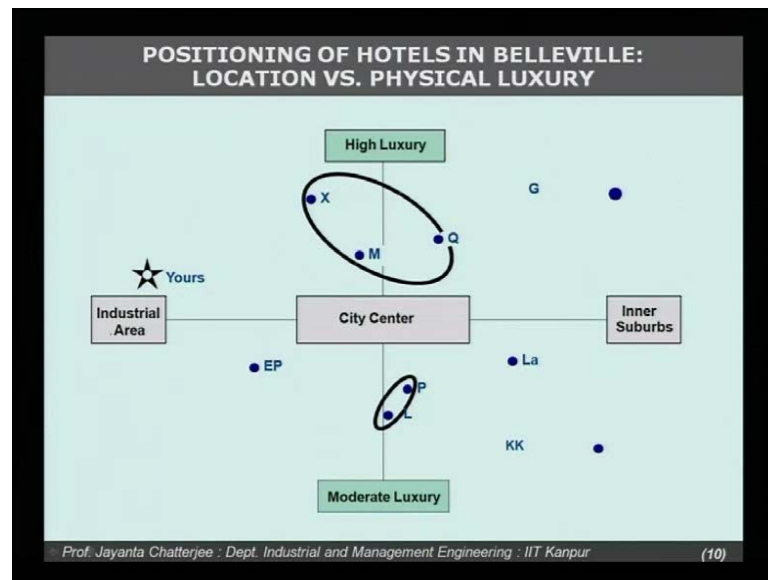
(Refer Slide Time: 53:11)



Because as we will discuss later fundamentally quality of service is nothing but calibrating the difference between the pre consumption expectation, pre consumption, pre purchase, pre-acquisition, expectation and post purchase, post consumption, perception. So, this expectation minus perception if this is equal to zero then that means your quality of services is just neutral. But if this is a perception exceeds post; that means this leads to a negative figure then your quality of service will be considered as great. So, here this is this visual tool what we call the positioning maps. I have applied it to hotels in a metro city and as you can see here you can use this high service, moderate service, expensive, less expensive the y-axis is going from less expensive to expensive and the x-axis is going from moderate service to high service.

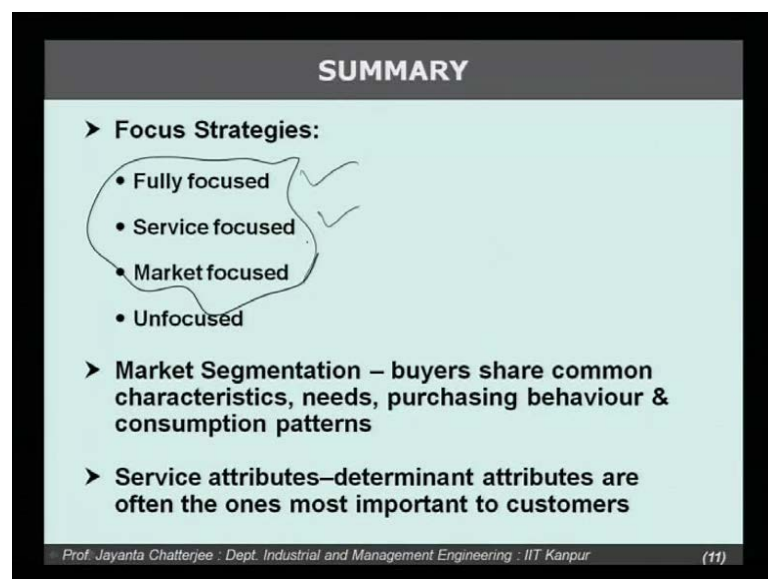
These are the various hotels that exists some imaginary names Rajpath, Super and suppose this is your hotel and looking at the competition on this map, you can therefore create a position where you will be somewhat less expensive because you are in this quadrant and somewhat higher quality of service. On the other hand if you want to create an airport hotel where people will just come and stay for a night or just for few hours, then your emphasis is on creating in less expensive hotel in this moderate service segment. So, there is no need of creating a high service here because the customer just walks in and walks out a short stay customer. So, you can see here therefore this will be a good position for a less expensive moderate service packaging marketing proposition and this will be a good positioning for a budget hotel for regular business travelers.

(Refer Slide Time: 56:38)



And therefore, this visual tool can be excellent for we can use similarly it for high luxury, moderate luxury, industrial area. So, this is another way of doing it using geographical positioning.

(Refer Slide Time: 56:51)



So, to summarize we have four types of positioning with fully focused, service focused, market focused and unfocused. These are the three main that we are interested in and then you can use maps like this in terms of service level and price level and maps like this which gives geographical position and certain qualitative attributes like luxury,

perception and you can combine these to create your segmentation, target and positioning and servicing in service market. And I will reemphasize that the basic approach that we discussed today is no different from what we have discussed fundamentally what we have discussed. There are differences but ultimately choosing your customer and determining what is most important for them and delivering that determinant attributes at a superior performance level form the core of strategic marketing.

Thank you.