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Lecture: W1.I.4
Introduction To Marketing

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Prof. Jayanta Chatterjee: Welcome, in this session we are going to discuss about tactical part of marketing as applied to services. In the last session as you know professor Mishra discussed about how the marketing mix gets deployed with two specific examples, he illustrated the finer points of the tactical part of marketing mix deployment taking the example of Tata Nano and Honda Activa.

Dr. Shashi Shekhar Mishra: Yeah.

Prof. Jayanta Chatterjee: In his session as you would have noticed he started with the concept of customer need, because that is core to marketing that everything starts with the need of the customer, and the value proposition from the marketer in response to that need which exceeds the customer's perception of cost that he or she is going to bear to acquire that value proposition.

So in services also it starts with that need sensing, but there are some interesting differences that we are now going to illustrate with this example of Disneyland, many of you have visited Disneyland, or you have seen Disneyland in movies, or in TV programs, and I think most of you might have also gone to various theme parks which worldwide are very heavily influenced by the process concepts of Disneyland.

So when we sense the need, in case of product we try to respond to those needs by various product features and attributes, some of them are functional and utilitarian, and some of them are

emotional. But in case of service that focus is actually on process. So if you see this example that is in front of you on the screen that Walt Disney when he created Disneyland, he from the very beginning focused on the values, morals, the creativity, the psycho graphic need fulfillment, awareness of customers needs and fulfillment.

So the excellence in fulfilling the customers need was put at the primary place, everything else was supposed to follow out of that. So what is the price of the product versus what is the cost of the product that was not the emphasis when Walt Disney designed that entire Disneyland, but the focus was on experience excellence. So this shift from attributes to experience is a very important shift, that shift is very clear in product versus service.

But in a way today even product market is moving towards experience economy, when we discuss various changes that are happening to the concept of marketing maybe towards the end of this session this is one topic that we will take up. And in, at any of the Disney establishments the commitment to customer is always very clear. For example many customer may want some special facility, may – would say that you know they have a flight to catch so can they jump the queue or can there be some kind of a discount for some of the special shows et cetera.

Now very interesting concept that Disney introduced, and now practiced in various kinds of service functions is that even when you want to refuse the customer that denial is put in a very positive way. So I have seen it myself, that if a customer is not able to, there is a long queue in front of one of the special shows and a customer says that he or she has some need, some time pressure, they will not short jump the queue, they will not give the customer some kind of a bypass.

In this respect they are really very strictly democratic, but I have seen that they will say you know, this show is over booked and sorry we cannot actually allow you to go forward. But why do you not come to this other show where seats are available and it is going to start in five minutes, and we will put you and they will actually call an internal vehicle and put the customer and his family on that vehicle, I have seen it myself.

This is the concept of positive denial which is one of the great concepts that they have, what we call positive alternative to saying no. And so many shows at Disneyland are based on Imagineering, that means engineering which actually actualizes imagination, and you can go to You Tube and see many of these Disneyland, Disney world shows and you will understand what I mean that their engineering response to customers imagination.

They have come up with concepts like Guestology, so it is, you know like theology, like biology so this is actually almost like a like a religion, like a mantra of their whole operational concept. And so this -- the way they focus on staff training, the way the staff are not called employees or that they are actually called associates, they are often given different types of leadership training and crowd handling training, so their lot of investment goes into the people and this brings to you two very, very important points in deploying marketing, the tactical part of marketing and services.

One is this much higher level of emphasis on people, that is the staff, the training, the human resource development, and so on and the other is creating wow movements, moments of delight which are embodied in such a way in through evidences that you will be able to recall it for a long time, so there are some special shows which are available at Disney World or Disney Land and these places and you go to that show and at the end of the show you will have this sense of wonder, sense of wow, and you will also get a some small token.

So when you go back home and you look at that small token you know a small doll or something, a toy, you remember all that you experienced. Often they are also associated with famous Disney Land movies, Walt Disney movies and that way you know your picture with the Mickey Mouse or you are shaking your hands with one of the Disney characters, all these are physical evidences that are reminders of the process excellence and wondrous movements that one goes to this places, gets to feel at these places.

So in service therefore as opposed to those four P's that we have in marketing mix in case of products, that is product, place, promotion, and price, here we have three.

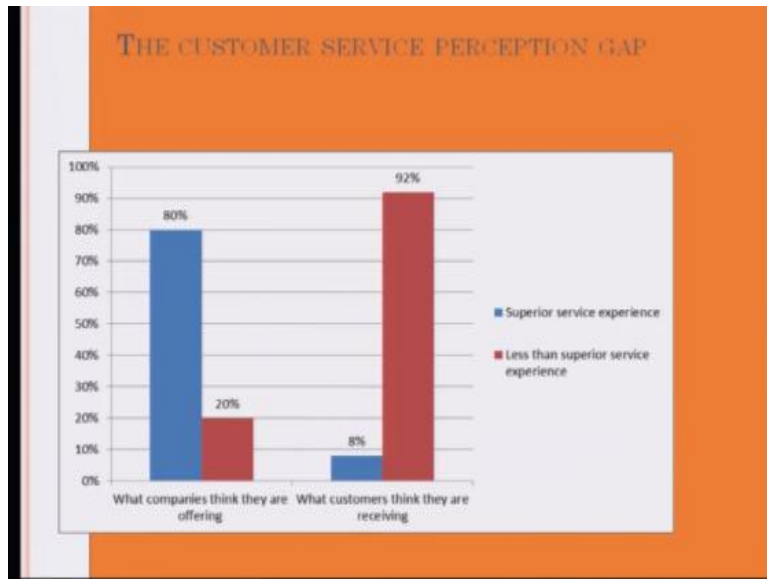
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Prof. Jayanta Chatterjee: Additional points, these three additional points that is why often we say that there are seven P's in service, one relates to this physical evidence, that means the whole, the environment, the air conditioning, the availability of you know all conveniences like toilets or drinking water, all that looked at as a system creates what we call physical evidence as a marketing mix. Huge investment in people development, in creating superior and happy employees creates customer happiness.

So this is a mantra in many top service organization that happy employees or employee satisfaction comes first before the customer satisfaction, if you do not if you have unhappy employees, if you have employees of less caliber your staff are not well trained then your value will never be delivered, so this is the second or rather the next part of this three extra P's which is people, and then of course the entire process is very, very important for marketing of services. A very interesting point is now on your screen.

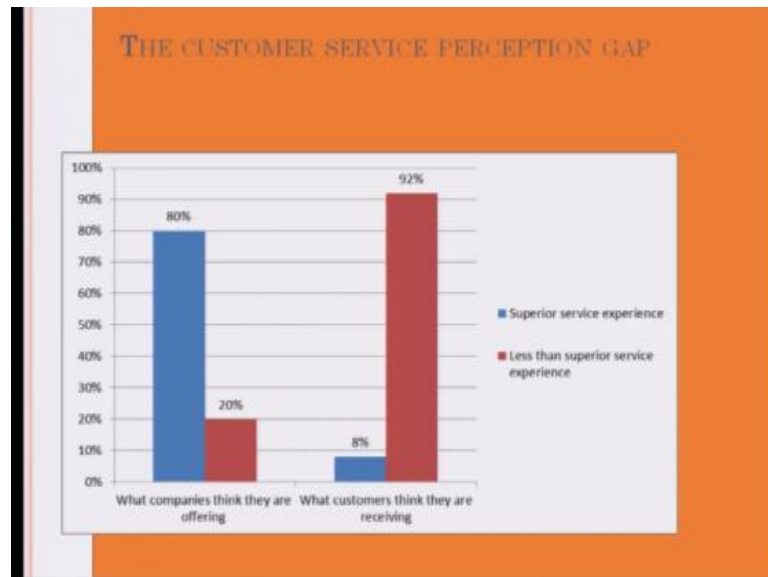
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Prof. Jayanta Chatterjee: And this is from a famous study that was done in Europe and it shows that the companies on the left hand side the two blocks that are shown, you see the blue shows the superior service experience and the orange shows less than superior service experience. On the left hand side the two blocks shows what the company's feel, so the company's felt the same episodes were taken, at the same time company people were surveyed and the customers were surveyed in various service domains and various service establishments and at various points of time.

So these surveys were done at restaurants, at hotels, at health care establishment, at entertainment establishments, all different aspects of service.

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Prof. Jayanta Chatterjee: And you can see it is between these two that while the company's felt that 80% time they delivered superior service, superior experience but as opposed to that 92 % of the people felt that they got less than superior or less than satisfactory service. So see the gap, big gap right, now almost the reversal and that comes from some important, we will discuss these five aspects in great detail at later session, but today as an introductory stage why these three extra P's come in marketing mix of services, these three extra P's of people, physical evidence, and process is because primarily we will discuss.

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UNIQUE CHARACTERISTICS OF SERVICES	
Characteristic	Description
1) Intangibility	Service products cannot be tasted, felt, seen, heard, or smelled. Prior to boarding a plane, airline passengers have nothing but an airline ticket and a promise of safe delivery to their destination. To reduce uncertainty caused by service intangibility, buyers look for tangible evidence that will provide information and confidence about the service.
2) Inseparability	For many services, the product cannot be created or delivered without the customer's presence. The food in a restaurant may be outstanding, but if the server has a poor attitude or provides inattentive service, customers will not enjoy the overall restaurant experience. In the same way, other customers can affect the experience in service settings.
3) Heterogeneity	Service delivery quality depends on who provides the services. The same person can deliver differing levels of service, displaying a marked difference in tolerance and friendliness as the day wears on. Lack of consistency is a major factor in customer dissatisfaction.
4) Perishability	Services cannot be stored. Empty airline seats, hotel rooms, daily ski passes, restaurant covers—all these services cannot be sold the next day. If services are to maximize revenue, they must manage capacity and demand since they cannot carry forward unsold inventory.

Prof. Jayanta Chatterjee: There are four aspects here as you see, they are often call IHIP or IHIP characteristics, that is intangibility, inseparability, heterogeneity, and perishability. I think we will discuss these in detail later on but I would like highlight today the reason these three extra P's are necessary in the marketing mix of services is because of this intangibility and to some extent because of the heterogeneity.

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Prof. Jayanta Chatterjee: Heterogeneity says that service is delivered by people and service is consumed by people, and inseparability says that it happens almost at the same point of time and place, and therefore human beings have different preconditions, so the service provider is not the same everyday every moment. The person may have some physical unease, may have some mental worry and therefore his or her response will, will be different at different points of time. Similarly the customer, the consumer also comes with some preconditions or may have certain mental dispositions as a result of which a particular music concert to one person will be fantastic.

And to another person will be quite ordinary, the same restaurant meal which is enjoyed by one person with family, with good friends in a merry making mode will be termed as an excellent experience in the, that same restaurant, same point of time another set of customers who might have been fighting with each other will remember that as a, as a bad episode. So this turgidity and this thing the high emphasis of feelings, perceptions.

Which because of that, which occurs due to the intangibility of service create this extra need for investment in physical evidence, that means all the environment and all the facilities and all the known core areas of service delivery, and of the investment in people and their training and so on

and the whole process. So that what you remember is the best part and all the faults or all the, the deficiencies are made over. So that is why marketing in service is often represented by this famous triangle.

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Prof. Jayanta Chatterjee: And it calls, it is called external, internal, and interactive marketing, three different ways. In the external marketing is between the company and the customer, this is the traditional marketing that we have been talking about but these two other new terms that we are introducing, the internal marketing is between the company and the company's service frontline, the service providers.

This is where the internal marketing explains the company's rationale, explains new products, trains them for new features and new strategies so that all the service providers are at the, on the same page as the top management. So they work and play together a lot more in service businesses than in product businesses.

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Prof. Jayanta Chatterjee: And lastly between the service provider and customer we will see it in much greater detail when we discuss services marketing as a topic by itself that the because it is heterogeneous, because it is perishable, because it is intangible, service demands much more involvement from the customer, it therefore is far more interactive and there are different dimensions to this interactivity.

There are different process strategies by which this interactivity leads to superior excellence, all that we will discuss later.

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Prof. Jayanta Chatterjee: A great example will be this TAJ MAHAL hotel in Mumbai for customer service, and TAJ MAHAL hotel you will very seldom see their advertisement, TAJ MAHAL hotel you will very seldom see discussion about their prices, the reason is that TAJ MAHAL hotel their service excellence is such, and their investment in their people are such that their operational excellence is their marketing.

They do not have to do marketing as a separate strategy in ensuring their process excellence, in ensuring their people excellence, in ensuring the excellence of their physical evidence that famous heritage building and all the different things that are inside, the superiority of the taste of their food, the fantastic restaurants they have, the excellent air conditioning, the beds, the decoration, the paintings, the art work inside the hotel.

All that physical evidence, all put together becomes the embodiment of their marketing and when crisis occurs that is when the test of how good their marketing is happens, you all know that on 26 November few years back there was a terrorist attack on TAJ MAHAL hotel and on that day there were various functions happening at various places in that huge hotel, and there are excellent case studies that have been published.

You can go to the internet and find if you just search for TAJ MAHAL Hotel on 26 / 11 you will find these very impressive stories, facts, for example a floor manager, a banquet manager who was only about 24 years old was managing a particular dinner for high-level executives of a famous FMCG company, there were about 45 guests and there were about eight or nine people who were managing that banquet.

When the guns, gunshots were, first they thought that these were some fireworks but once they realized that this was a very dangerous terrorist attack happening these ordinary servers, these young floor managers across that hotel, this is one example this particular banquet where this young girl managed in such a way putting her own life at risk, she ensured that all these guests who many of them had come from abroad were safely out of the hotel.

And all these other people who worked with her, the servers, they ensured that the guests were safe. So they really put their life where their mouth is, that means the declared principles were on display, it happened throughout that hotel, there were I think about more than 50 people who were awarded after that episode, all these people some of them were like security people.

Some of them were like room service people, some of them were like housekeeping people, ordinary employees at various levels of their hierarchy, they were all superior in responding to the crisis, putting their customer first. And these episodes they do not have to be advertised, people talk about them and that is what we call in services marketing most important.

Customer advocacy, that means customer becomes part of your marketing process. Customer does more marketing for you and that is obviously far more valuable than your advertisement or your TV clips. So here is an example, in fact I rather discussed with you two examples, the Disney world at the Disneyland and Taj Mahal Hotel, both show that by ensuring process excellence, people excellence, and excellence of physical evidence they ensure that they are more preferred, highly preferred by customers.

So their marketing succeeds because of their operational excellence and this is the difference in services marketing as opposed to product marketing. I think we will take next couple of minutes to conclude on this introductory part and we can discuss about that how marketing is changing.

Dr. Shashi Shekhar Mishra: Yeah.

Prof. Jayanta Chatterjee: Or perhaps I think we will take it up in the next session, next session let us devote it to this whole issue about how marketing is evolving. What is new in marketing, marketing as a subject perhaps came into prominence after the Second World War. So it means almost 50, about 60 years of history or 70 years of history is there for marketing. And in the 60, 70 years how marketing has changed, is today's marketing different from the marketing of early 20th century or late 20th century that is what we will discuss in the next session.

Dr. Shashi Shekhar Mishra: So I will just conclude what we have understood from this session and what Prof. Chatterjee has discussed today, instead of four P's we have seven P's in the case of services marketing. Besides, this four P of product, product price, place and promotion in product you have three additional Ps' in the case of services marketing. That is people process and physical evidences, and from where they are coming from? They are coming because of the e-net differences between the product and the services.

So those four differences that is intangibility, inseparability, heterogeneity, and perishability actually brings out some of the glaring differences between the product and the services, that services are more in intangible in nature, their production and consumption happens at the same point of time, and that is why the role of the customer as well as the employees who probably manage those customers and their experiences have a very important role in the services and that is where the people come into the picture.

And because of this heterogeneity, there is a probably in the customer experiences varies, so it is very important to probably specify the service level and try to standardize the service experience. So that customers experience the same level of service time and again and last difference was

perishability, which was about if services are not consumed at a particular point of time and they produce, then in many of the cases or most of the cases that capacity goes into the waste.

So these are the three important differences, are the additional piece in the case of services, we would like to give you an assignment on till now what we have discussed, so maybe you can take one product or the service which is successful or a as well as failure and just give five, in five bullet points explain what are the basically the causes ro the reason of their success or failure and try to understand those points in the context of what we have discussed till now.

Prof. Jayanta Chatterjee: And I think you can post in the forum these, your examples, so as Professor Mishra explained you choose either a product or a service, and in each case it can be a failed product or a successful product, failed service or a successful service and in five, six bullet points you explain the cause of failure or cause of success, and in the context of the points that we have discussed, so in the next session.

Dr. Shashi Shekhar Mishra: Yeah.

Prof. Jayanta Chatterjee: We are going to discuss about this history of.

Dr. Shashi Shekhar Mishra: Evolution of modern marketing concept, and then we will also discuss about what are the different products that are marketed, so we have talked about physical goods, services, and what are the other forms of the product that had marketed and then we will also talk about in the next session and the next two session how basically marketing is changing and what are the basically forces that are shaping the modern day marking practices okay. Thank you very much.

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