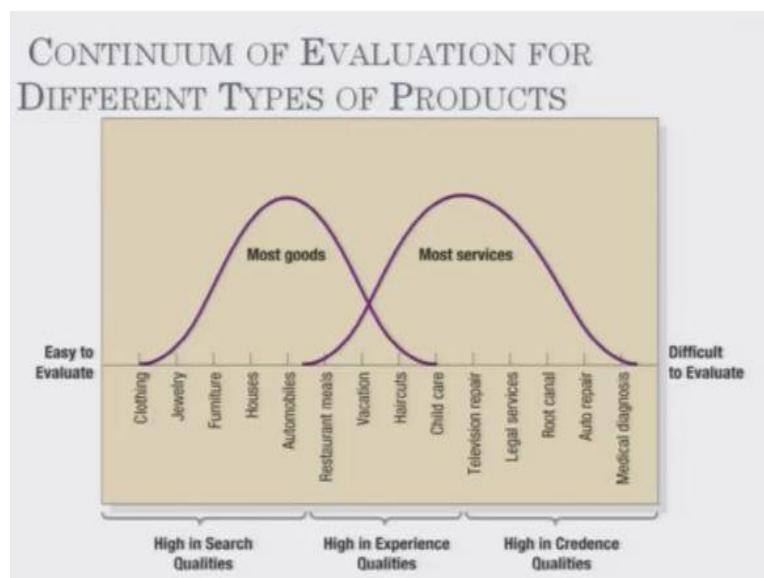


Marketing Management - II
Prof. Jayantha Chatterjee
Dr. Shashi Shekar Mishra and
Department of Industrial and Management Engineering
Indian Institute of Technology – Kanpur

Lecture No. W8-L2
Characteristics of Services

Hello welcome to the second session of the eighth week of our course marketing management two as you know this week we are discussing some special topics on marketing and right now this session and few following sessions will be dedicated to services marketing in the last session.

(Refer Slide Time: 00:49)



We concluded with this slide where we said that we can look at this whole range of goods and services starting at one end we have easy to evaluate and the extreme end. We have difficult to evaluate on that other extreme end and anyway you will see that the easy to evaluate stuff like clothing jewelry furniture or house or automobile. These are tangible so you can actually look at a picture you can even touch it check it out try it like clothing or jewelry before you purchase.

This aspect we are actually a physical presence can be checked can be evaluated. Before purchase is what we call tangibility so anyway this side is for tangibility and as we are approaching intangibility. For example, childcare or illegal service or a dental treatment or an musical concert you cannot actually you can mix um you can form some expectation you can have some ideas.

But you can't touch it or hear it before the purchase and the consumption has taken place that is why we said that this is the area of experience and this is the domain where even experience. During consumption cannot tell us fully about the effectiveness of the services it takes some time to understand.

Whether the service has been successful like for example in case of a medical operation in case of education or in case of education so that is why we call them high in credence qualities credent qualities also mean that sort of service is also high in intangibility so these four aspects for a long-time services were distinguished from products by these four characteristics.

(Refer Slide Time: 03:47)



Which we are going to discuss often called ihipi using the first letters of the four concepts for words now. because of this intangibility heterogeneity etcetera which we are going to discuss just now earlier services these were in a way considered a little inferior bunch of goods class of goods which were inferior just because of these four characteristics. but today as we know that we are this is the time when service is a dominant logic of business the concept.

that there is no need of transfer of ownership is a green concept is a more environmentally sustainable concept which we discussed in the last session also the involvement of the customer in co creating the final value is another dimension which sort of stresses that all business must be looked upon ultimately as a service. Because customer is not really looking for any product customer is always looking for a resolution of his or her problems customer is looking for a solution.

Therefore because of its solution focus because of its focus on customer involvement co creation because of its concept of non-transfer of ownership is a more useful way of looking at business. but still we must look at these four characteristics to understand some nuance about the service business incidentally about the today's session. And the next few session I will be referring to that particular book this book is called services marketing people technology and strategy.

This book is co authored by me and originally written by a professor Christopher Lovelock so professor Yoken Widhiarta from the National University of Singapore and I have worked on this book for use in South Asia particularly with reference examples so those of you who are interested to know more about services marketing can refer to this book besides the chapter 14 Kotler and Keller and of course you can also refer to the full course on services management that is available on nptel.

Which I have delivered earlier now intangibility therefore fundamentally that the properties which make service before consumption not visible not here able not you can't taste it you can't feel it you can try it out it can only happen like for example a musical concept you cannot try it out you only experience it when there are you I am not talking about the CD or DVD of the music but I am talking about a recording of a live session.

but I am talking about the live concept so intangibility actually poses a lot of challenges for promoting the service for communicating the features of that service of that service for future it happen and the how the challenge that meet will be discussing shortly. But let me talk about inseparability I think briefly I discussed in the last session that means that if you are going to have a hair cut or if you are going to have a dental treatment.

Then the caregiver or the salon person and you must be present at the same place and the same time for the service to happen this is what is inseparability of the service provider and the service consumer is a particular feature of many services with of course with technology now we have different possibilities like for example this particular session that you are enjoying was recorded was edited was prepared for the format of availability for the internet it is now being presented to you.

And you can record it and you can see it again and again this in a way sort of address some of the using technology here we are addressing some of the particular challenges of services which is this thing about inseparability and the last one perish ability in the past we would have said that if you would have don't come to class then that particular class whatever is being discussed in that class is more than the lecture.

Which is can perhaps see and read in the book or noted but all the interactions that take place in the class are lost if you are not there in the class but today of course this inseparability we are addressed with technology. because i am recording it today you will be seeing it may be a few days later and the interactions can happen on the forum of this course which will be available to read and comment upon for quite some time but at least during the whole eight week of the course.

So otherwise perish ability and inseparability can happen for example this other earlier diagram so whether it is a hair cut or vacation or if a vacation are not taken this summer then that opportunity is lost forever this summer is not going to come back time flows along with that opportunity to have created that service flows right inseparability and perish ability therefore kind of go and in hand.

and this the fourth point variability also called hererogenabibity means that like my today's session and my tomorrow session may not be same if give the same lecture this year and the next semester it may not be the same because that particular day I may have some new ideas that particular day I must be may be feeling better or remember not feeling good and you may have different mental frame.

So you in today's class you may be very attentive and in tomorrow class you may not be very attentive as a result because of this time to time variability of human beings and the actual service can vary it can very never be exactly repeated so there is always some variation so this is what we called variability or heterogeneity also the same class of the same music concert or the same doctors treatment may be considered excellent by some people and may not be considered as very good by some other people.

Because ultimately as we discussed in the previous session the weather the service is good or bad to the large extent depend on the perception because of the intangibility and the

perception varies from person to person and that creates the variability or the heterogeneity right so these four factors of course create many challenges in marketing of them the very big challenge comes from the intangibility in promotion of the service in calibrating the expectation in customers mind about the service

If it is intangible the customers can have any level of expectation and as we have discussed ultimately quality is meeting customers' expectations and exceeding it for customers delight so calibrating the initial expectation through promotion and through initial communication is very important for ultimately to create satisfaction and to create delight and because of this intangibility reason you cannot actually accurately described it customer cannot feel it or describe it cannot feel freely to taste it.

So, we need to tangible eyes the intangible to be effective in a promoting a service normally we do it through the place and its ambiance the place means where the service takes place so movie halls and doctors chambers legal councilors chambers hospitals. They all try to create an ambience that create a manageable good level of expectation in the customers mind like usually you will see a management consultant office will be plush.

Will have lots of books will have may be certificates of the consultants may be will have events or a description of the successful projects executed by the consulting company. All these are using the place and some physical evidence to create then the equips expectation the customers mind there will be also some good equipment or technology visible to the customer for example in a dentists chamber the dental chair and the other associated sophisticated equipment.

Also in a way calibrating the expectation in the customers mind or create a favorable impression before the service happens and of course symbols logos color schemes even scent even the even the smell favorable smell all these can be used as processes methods for tangiblizing the intangible. And for at efficiently handling this challenge of promoting something that cannot be seen that cannot be heard cannot be tasted cannot be tried and so on.

(Refer Slide Time: 16:55)

MATCHING DEMAND AND SUPPLY

Demand side	Supply side
○ Differential pricing	○ Part-time employees
○ Nonpeak demand	○ Peak-time efficiency
○ Complementary services	○ Increased consumer participation
○ Reservation systems	



So, on physical evidence and presentation through place through people for example in a five-star hotel all the frontline employees right from the bell captain to the bell men to the front desk people to the customer relation to the people they all will be in good uniform they all will be good operating in an environment. which is plush that there are lot of flowers and there may be lot of heritage furniture.

If it is heritage hotel there will be very modern and plush furniture if it is a modern day urban hotel so place people and equipment sort of together form the communication package now this is an indirect communication material for an intangible service and this is the way you tangible eyes and coincidentally price is also a signal in a way symbolize a certain expectation of the service level.

So, all these together the physical evidence and presentation address those four challenges of service which that I discussed that now in fact in the earlier discussion we had said we have discussed about the four pieces of marketing for what we call for marketing mix the four pieces were the product itself the place meaning the distribution price and the promotion in service. We talked about two extra pieces so sometimes it is said that a service marketing mixture six pieces.

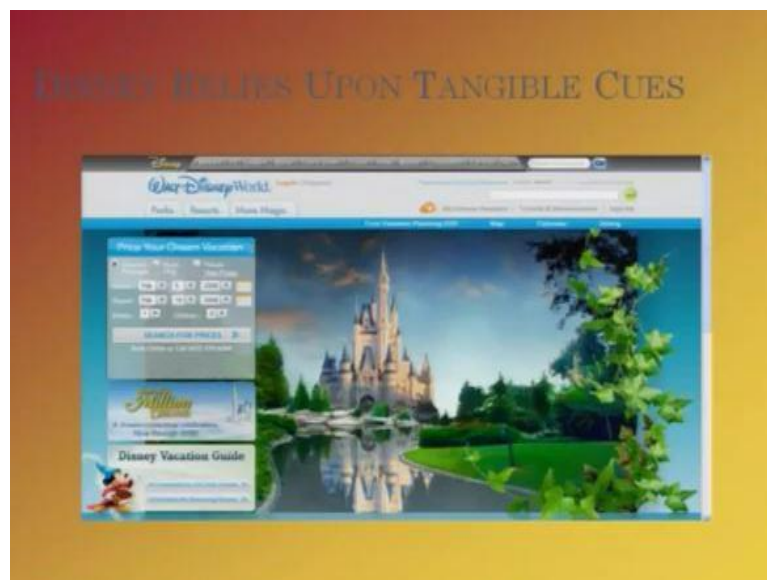
So, to the original four pieces we often add the there for people and physical evidence the physical evidence are tangible things the intangible is needed for managing those which characteristics and the people in many cases in many services whether it is the doctors treatment or it is the education it is a person to person transaction so it is service personal

their quality their capability their behavior and they are transaction all have a lot of bearing on the ultimate opinion.

The customer forms about that particular service so people particularly in this sense the service providers and physical evidence are two additional piece that we cat to marketing mix when we talk about services I will highly recommend to you this is a snap chat of the world Disney website and this is the Disney world and this means have done excellent work in this tangiblizing in the intangible.

So basically, this is a theme park you go there and enjoy various rides and interesting constructions which depict some comic characters some stories and so on.

(Refer Slide Time: 20:32)



Like this is a castle which can be seen a replica of a castle which can be seen from a long distance away and you can have a stay in a Disney hotel and have a Disney vacation in all these you know whether the meeting with Mickey mouse or mini mouse roaming around in the theme park or these different rides which may look like a space ride or emulated a Hollywood film.

That all these are the you know so the sleeping beauty or snow white are famous stories turned into Disney films and then there are Disney characters and they will be depicted through various along the theme park and even their website I would recommend you go through them go through the website and you will see how in so many ways they make many

experience for which they are inviting you basically their service is offering a pleasant a fun filled experience.

But the way that the experience that really not be described before you experience it but you will see on the website how through opinion on the others how through pictures of other people enjoying and the different theme park areas they create so they use the physical evidence they use the people and the picture elements to tangible eyes from these characteristics and the marketing challenges.

I am moving to another area which is a big challenge in service and marketing must play a significant role in managing this challenge of the service business that is matching demand and supply now it invite easy to understand that take a restaurant for example the restaurant may be quite full during the lunch time it may be overfull customers may be waiting if it is a famous restaurant or a well liked restaurant customers may be waiting outside.

During the dinner time but if you go there in the morning at a eleven clock or if you go there in a late afternoon around four o clock it will be very sparsely attended the whole restaurant may be just empty so these days marketing input has created that for example many restaurants in the institutional areas like college areas up to say one o clock they will move away the tables and chairs and create a place for pool tables and people will be playing snookers billiards pool.

So, at that time it becomes a game parlous or there may be you know many video games available along with the pool tables that young people from the nearby colleges to enjoy but at one pm it all changes and it become a regular dining place or for example using a marketing technique in the early evening where you that the demand increases or evil of people picks up may be from eight pm onwards on the other hand from five pm to eight it may be very lightly attended.

And so, what you do is you create happy hours you offer drinks for you know buy one get one free or you offer some special snacks and discounts during this period so these are coming from what we had discussed earlier in under promotion or we discussed under pricing. so, you create marketing incentives to see that enough demand or alternate demand is created to match up with the capacity or supply.

That is available so matching demand and capacity matching demand and supply is a special area of in services business where to meet that challenge marketing has to say a must played very active role. For example, during for demand management lot of sophistication based on data analytics today employed is sky airlines business so airlines prices the price for a ticket from luck now to Mumbai or from Delhi to Mumbai more likely in k.

All these metro flights in between Delhi Mumbai or Chennai there will be lot of differential pricing depending on the demand so today you might be taking the flight at three thousand rupees. Tomorrow that the same flight must be cost you 9000 rupees it all depends on what is the level of demand or what is the level of advanced booking and somewhat few book may month in advance because they are actually filling up in capacity.

They will not sell the whole capacity there is a whole lot of logic which we call yield management based on this variable pricing and you create rate fence so certain part of the aircraft will be filled by these hardly bookers on the other hand a business class. They are not very normally business class will be used by five for business people executives and so they may often decide their flights at the very last moment you know as business requirements come up.

So, there are some variability they are set as very much higher level of price may be few seats in the business class will be available at a slightly lower price for this kind of advanced booking. So differential pricing for the same seat based on the demand and using the price or discounts to attract passengers during the low demand so there will be monsoon demaccas monsoon sale of airline tickets because of that time the holidaying spree sort of comes down after the peak of summer.

There is normally there is a reduction in demand during the monsoon because in many places are no longer that are enjoyable. So, the flight to go up the prices will come down in monsoon compared to the prices in summer and it is much lower when compared to the prices in winter when the price peaks. So, the peak demand and the non-peak demand the pricing will be managed using sophistication.

Sophisticated marketing techniques like eel management and to manage this demand supply mismatch which often happens in service business be it restaurant be it airlines be it a crews

or be it a movie hall. So movie hall tickets will be higher during the weekend compared to the prices during the mid week now a days of course this sophisticated technique is being employed by even the super markets.

So, you will have the sale for Wednesday because that is the middle of the week usually it attracts less people so the complimentary services during the non-peak period again to stimulate demand and of course because of this mismatch between the demand and supply and want to manage. The demand side and so one technique in services like whether it is a doctors chamber or the appointment with the lawyer or for hospital procedures.

There is and reservation system so that you reserve from before and so the service provider will look at how the capacity is being demanded. How the capacity is doing filled up then they will use the marketing techniques of peak and non-peak demand and a variable pricing on the supply side during this peak period many restaurants use part time employees.

Many hotels during the high peak period of vacation of summer winter will use part time employees part time renting of additional facilities are way you manage the supply side. Because of this variability of demand peak time may often employ different kinds of automation to manage the throughput requirement and in some cases. This is something new but it is increasing again and again that during the peak period customer participation.

Will be increased so for example earlier on flights you know just before the flight started newspapers magazines were distributed these days. Those are kept at the entry point and customers passengers are encouraged to pick up whatever they would like to read during the flight so in flight reading the whole distributing a part of the service is now transferred to the customers similarly earlier the drinking water was distributed now a day they are often kept and you know the bottles are kept at the entrance.

So, you pick up the one as you are walking. Towards the seat this is an example of a customer participation to manage the demand and then there are shared services you can use other service providers and share overflows or share create what we call those complimentary services and of course a continuous extra demand which you have to turn away like a restaurant every night.

If you are not able to serve you see twenty to thirty customers because your capacity is filled it means that you will have to create that sort of may be ten more seats these things like this facilities for future expansion can again be nicely estimated. If you collect the data of your customer of your arrival customer departure and occupancy rate of your services.

So, in hotels restaurants hospitals these are the ways we manage on the supply side the demand variability and on the demand side. We use more and more marketing techniques to manage that the variability. So that's where actually we will end the today's session and tomorrow we will take up some other interesting topics on services marketing. Thank you!