

Strategic Services Marketing
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Week – 01
Lecture – 01
Services and their Unique Characteristics

Welcome to week 1 of Strategic Services Marketing. In this week we are going to introduce ourselves to services marketing. We are going to learn so much about services marketing so that we should be able to understand what are services and what are their unique characteristics, comprehend the role of services in the modern economy, we will identify different trends and challenges in services marketing, we'll try to understand services marketing, mix and value creation as well as we will try to evaluate services ecosystem and stakeholder analysis. Let's start with the first objective that is to understand services and their unique characteristics. Lot of you have come across these brands right Airbnb, PayPal, McKinsey, Khan Academy, Disney theme parks and even our own Facebook. Airbnb actually disrupted the traditional hotel industry by offering a platform connecting homeowners with the travellers.

Highlights of this role of customer reviews, personalization and the customer experience in industry is the backbone for the success of brands like Airbnb. When come to PayPal, a financial services company market its online payment and gateway or money transfer services. It solely relies on the factors like trust, security and the importance of seamless user experience. While coming to management consulting firms like McKinsey, market their services emphasize expertise through leadership and the importance of relationship in consulting domain.

With our own Indian Khan Academy is an example of how online education services are marketed with some unique features like premium models, personalization of learning and the global reach of online education platforms. Disney with its theme parks markets its theme parks as an experience focusing on creating magical moments and storytelling. With our own social media platform like Facebook which provides services to both users and advertisers. It relies solely on user engagement, data driven advertisements and trust in social media services. And finally, the brand most of you must be loving is Starbucks, an American multinational chain of coffee houses.

Once you visit Starbucks you will experience different kind of services offered to you. First and foremost, of course, the coffee and the beverage products. However, Starbucks also offers you to go for customization of your beverages and food. However, if you visit any store of Starbucks in any country including India, you will find the store ambience as a unique and very standardized. So, whenever store you goes you will find the same kind of ambience and arrangements etc.

Now, with that background let us introduce ourselves to services and services marketing. As defined by Philip Kotler, the father of modern marketing service is an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. It's production may or may not be tied to physical product whereas, the prominent association in the field of marketing that is American marketing association services are activities, benefits and satisfaction which are offered for sale or are provided in connection with the sale of goods. Now, why it is important to understand services and their marketing? There are different reasons for this. First, services helps to enhance customer satisfaction.

Second, they help in getting competitive advantage over your competitors. Third, they drives economic growth. Fourth, they also generate lot of employment and they are an essential element of reputation management for any services or firms. Services marketing is a specialized branch of marketing that focuses on promoting and delivering intangible services to customers rather than physical products. It involves the development of strategies and tactics to effectively market and sell services to meet the needs and expectations of target customers.

Services marketing encompasses a range of activities designed to enhance the pursued value of services, build customer relationships and ultimately drive customer satisfaction and loyalty. So, coming back to why we should study or why we should understand services marketing. First reason is enhanced customer satisfaction. Service is often a direct interaction between a service provider and a customer. Understanding how to deliver high quality services can lead to greater customer satisfaction.

Satisfies customers are more likely to return, provide positive reviews for your firm and recommend the product or service to others, which can contribute to business success. Secondly, services helps in gaining competitive advantage. It is a competitive marketplace. Excellent services can set a business apart from the rivals. Companies that prioritize understanding and delivering exceptional services can gain a competitive edge, attract more customers and achieve sustainable growth.

Coming to the third reason, services drives economic growth. Service industries make up a significant portion of a country's economy by providing jobs, generating revenue and contributing to gross domestic product or GDP for that matter. The services sector play a very crucial and pivotal role in driving economic growth and stability for that country. Fourth reason, services helps in employment or job creation. Many service jobs are labour intensive creating a large number of employment opportunities.

This helps reduce unemployment rates and provide individuals with a source of income thereby supporting households and communities. Finally, services helps to create loyalty and reputation for an organization. Excellent service builds customer loyalty and a positive reputation for a business. Happy customers are more likely to remain loyal, provide positive reviews and recommend the services to others which in turn attracts more customers. Now let us look at the classification of services.

Services can be categorized into four broad categories based on two dimensions. Number 1, differences in nature of services act that is whether the services are tangible or intangible and who or what is the direct recipient of service whether people or possessions. Let us discuss this four broad categories of services in detail. Number 1, people processing services. Here the nature of service act is tangible whereas, the direct recipient of the service are people.

In this category, the service provider involves a tangible action on the part of service providers for the benefit of individuals. These services often require physical contact or interaction with people. For example, this includes healthcare services for example, medical exams, surgeries and so on, passenger transportation and even haircuts. The focus is on delivering a physical service to individuals. Next type of services are called as possession processing services wherein the nature of service act is tangible.

However, in this case the direct recipients are possessions. In this category, services involve tangible actions that are directed toward the possessions or physical assets of the customers. These services typically transform or modify a customer's physical possession's, for example, dry cleaning, car repair and home renovation services. This also includes freight transportation as well. The primary focus here is on improving or maintaining the conditions of physical items.

Third category of services are mental stimulus services wherein the nature of services are intangible. However, the direct recipient of services are people. Mental stimulus services are intangible services that are designed to stimulate or influence the mental and intellectual

faculties of individuals. They do not involve tangible physical actions, but rather the provision of knowledge, information or guidance. Examples of mental stimulus services includes consulting, education, psychotherapy and even advertising and public relationship services.

The direct recipient of these services is typically the customer's mind or intellect. Now coming to the last and the fourth category of services that is information and communication services. Here the nature of services are mostly intangible. However, the direct recipient of services are possessions. These services involve intangible actions directed toward the customer's possessions in the form of information or communication.

They do not require physical interaction with individuals, but instead focus on conveying information or messages. Examples include accounting, banking, legal services, telecom services and so on. The service providers transmit data or information to the customer's possessions such as phones, computers or even other devices. Now, throughout this classification we are referring to one term that is tangible or intangible and that is the unique characteristic of services. So, going ahead let's understand what are the unique characteristics of services.

These are intangibility, inseparability, perishability, variability, non-ownership and active customer involvement. Let us understand each of these characteristics in detail. First characteristic of services is of course, intangibility. Services are intangible in nature as they lack physical form. It means that services cannot be seen, tasted, felt, heard, or smelled before they are bought.

For example, an insurance policy. Insurance services are the best example of having an intangible product or service. Policy itself is very intangible. Customers rely on trust and the promise of coverage offered by the particular insurance industry or company. Second characteristic is inseparability.

Services are often produced and consumed simultaneously involving customer participation. It means that services are generated and consumed simultaneously and cannot be separated from the provider whether they are people or machines. As the customer remains present as the service is produced, provider customer interaction is important in services marketing. For example, a hair salon where the stylist provides the service while the customer is actively involved in the process. Next characteristic is about perishability.

Services are perishable in nature which means that services cannot be stored for later sale or use and unsold services are lost. For example, a ticket for the evening show of a movie cannot be used for watching the night show. So, the perishability of services has important implication for service providers. In the case of steady demand for that particular service, perishability is not a problem, but where demand fluctuates service providers face adjustment problems as well. For example, restaurant meals are perishable due to the limited availability of dining tables and perishable food items.

So, a restaurant needs to adjust its supply or services according to the demand that they are expecting. Next characteristic is variability. Services can vary in quality and consistency due to human involvement and environmental factors. Variability is another important characteristic of services which means that their quality may vary depending on who provides them and when, where and how they are provided. For example, in the healthcare sector services like medical consultations and treatment plans can vary because of provider expertise as well as treatment outcomes that are expected.

Next characteristic is non-ownership. The non-ownership characteristic of services states the fact that when customers purchase a service they do not acquire ownership or physical possession of a tangible product. They purchase the right to use it or experience it. This characteristic sets services apart from goods which can be owned and physically processed. For example, lot of us have the Netflix and other OTT subscriptions. Across this platform that offers streaming services where subscribers pay for access, but don't own the content.

Similarly, fitness gym memberships are second example wherein you do not own the gym or the fitness equipment you are simply paying for the right to use them. Last characteristic for services is customer involvement. Customer involvement in service marketing refers to the active participation of customers in the creation, delivery and even customization of a service. Customer involvement impacts two things, first the quality of the services provided as well as the customers experience as well. For example, self-checkout at a grocery store where customers scan and bag their own items.

So, after looking at all the unique characteristics of services, some of them also set them apart when we come to distinguish between services and goods. Services and goods are different from each other in terms of nature, production and consumption, perishability, ownership and even customization. Let's understand each of it. Nature goods are tangible, physical products that can be seen, touched, and held. They have a physical presence and can be stored or transported.

Examples like clothing, electronic items, cars and even food as well. Whereas, services are

different in nature, they are intangible actions or activities performed by individuals, businesses, or organizations for the benefit of others. Services lack a physical form, and their value is often experienced during the service delivery. Example of services includes haircuts, education, consulting and even healthcare. Coming to the second differentiating factor with related to production and consumption.

Goods are typically produced and manufactured before being sold to customers. They can be stored and transported in inventory. Consumption of goods occurs after the purchase. Whereas, services are often produced or consumed simultaneously. The production and consumption of services frequently happen in real time or with minimum time lag.

For example, when you receive a haircut, the service is produced as the hair is being cut and you consume it simultaneously. Coming to the next differentiating point that is perishability. Most goods are nonperishable or have a longer shelf life. They can be stored for extended periods without significant quality deterioration. Whereas, with respect to services many services are perishable.

They cannot be stored for later use and their value may diminish over a period of time. For instance, the availability of a theatre performance or restaurant meal is very time bound. Coming to the another factor of differentiation between services and goods is ownership. When you purchase a good you own a physical product that you can keep, use or dispose of as you can go ahead. Whereas, with respect to services when you pay for a service you do not own a physical product instead you gain access to the expertise or actions of the particular service provider for a specific purpose or duration.

And the final differentiating factor between services and goods is related to customization. Customization of goods is typically limited to variations in product features, colours or sizes. Mass production is common for many goods. However, services can often be highly customized to meet the specific needs and preferences of individual customers. Personalization is a key feature of many services industries.

So, with this we try to understand what is service and what are their unique characteristics. Thank you.