

Strategic Services Marketing
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Lecture - 04

Service Marketing Mix and Value Creation

Welcome everyone. In this session, let us understand what is service marketing mix and how it contributes to value creation. Services marketing mix and value creation plays an important role in today's competitive world in the success and sustainability of any service-based organization. Specifically, it helps to adapt to changing market conditions, it helps firms to enhance their customer experience and also it helps them to go for customization and differentiation of their services. Adapting to changing market conditions, the business environment is constantly evolving. Services marketing mix allows organizations to adapt to changing customer preferences, market trends and competitive pressures.

It provides a framework for making timely adjustments. With respect to enhancement of customer experience, the modern consumer values the experience they have with a brand as much as the core service itself. A well-crafted service marketing mix can help in creating memorable and positive customer experiences, fostering loyalty and word-of-mouth recommendations. With respect to customization and differentiation, services are intangible and highly variable, making it essential to carefully design each element of the marketing mix to tailor services to specific customer needs.

By doing so, businesses can differentiate themselves from their competitors. Now, let's understand what is services marketing mix is. The services marketing mix consists of a set of tactics that a company can use to either promote and encourage potential customers to buy their services. The services marketing mix is also known as the 7 P's of marketing. Jerome McCarthy in 1960 provided a concept called as product marketing mix, which is also known as 4 P's of marketing, which constitutes product, price, place and promotion.

Whereas, later in 1981, Booms and Bittner provided services marketing mix. They added three additional elements to the product marketing mix. The three additional elements are processes, physical environment and people. Let's understand this services marketing mix, which comprises of all the 7 Ps listed here in detail. First is a product.

Product refers to the services a company wishes to sell. This could be flights in the case of airlines or rooms in case of a hotel. When you book a hotel room for a night, you use the hotel rooms for an evening as an asset. But you also undergo a series of processes such as checking in, checking out and having your luggage brought up to the room etc. So, the core product of the hotel is its rooms which customers stay in for a period of time.

Of course, there is a more to luxury hotel than just its rooms. There are also its restaurants, free Wi-Fi and the spa. Services products are intangible in nature and cannot be measured like physical products. They are also heterogeneous, perishable and cannot be owned. For example, the services provided by the tourism and education industries are intangible and cannot be physically held or measured.

To create an effective service product, it is essential to understand the specific needs of the target audience and design the service offering to meet those needs. Because services are intangible, it's helpful to think of the benefit of the services as the product and the processes around that benefit. This is why services blueprinting is commonly used to define the services product. For example, a restaurant blueprint will be prepared before opening a restaurant specifying how the service will be provided. Product has different levels or layers.

In this diagram, let us understand different types of services product layers. At the core, we have a core service. For example, in case of hospitals, doctors provide treatment and patients when they are sick. Then comes basic services. In this scenario or example, doctors are using basic equipment for checkups.

So, this is something called as a basic service. Then the next layer is constituting of

expected service. Here patients need a waiting area when they visit the doctor's cleaning. Next comes augmented service. Patients here are assisted by the hospital staff from start to end.

Cleanliness is another augmented service type and then televisions at the waiting area of the hospital. Finally, the outermost layer consists of potential services. For example, super specialty hospitals with updated medical instruments and doctors treat their patient using latest technologies in this particular area. The next important services marketing mix element is price. This refers to the price a customer pays for the services.

It is the value of the services offered. Pricing for services can be little more complex than for the normal products. For example, we can have different pricing available to sell tickets on a flight. Services firm like airlines will try to understand answer to the different questions before deciding a particular price. For example, will we charge a fixed price for a seat? Will we charge more as the flight gets increasingly booked based on demand? Will we charging more for a peak times like festivals, vacation and so on or will be offering discounts for group bookings? So, a firm like airlines will try to understand these scenarios and situations before deciding a particular price for a particular type of seat in a particular flight.

Second example, in the case of our luxury hotel the price will vary according to room size. This is because the value pursued by the same customer is much greater according to the different room sizes available. In this image we can see that a same hotel is offering different rooms with different types of services included priced at different levels. For example, a standard room with one king bed and smoking area having again two options. For example, one with just a free breakfast and another one with breakfast plus lunch or dinner.

Similarly, the second type of options also offers different prices for different services attached to that particular room. When compared to physical products pricing services is a more challenging endeavor. It hinges on the customers perception of quality and the associated value. Service marketers need to perform an assessment of similar offerings

provided by their competitors. Afterward they should formulate a diverse range of services with varied pricing taking into account competitive pricing as a reference point.

There are certain major services pricing decisions to be taken. This is with respect to pricing levels, with respect to discounts to be offered, terms and conditions for the service provider, credit and then new product pricing. Let's discuss these in detail. With respect to pricing levels various price points at which a service is offered to customers are nothing, but the pricing levels. Companies often provide multiple pricing tiers to cater to different customer segments and their willingness to pay.

Higher pricing levels may offer either more features or enhanced service quality. For example, Spotify. Spotify a music streaming service offers pricing levels ranging from a free ad sponsor tier to premium tiers that offers features like offline listening as well, higher audio quality and sometimes they also offer ad free experience. The varying pricing levels cater to both cost conscious users a different segment and also to those seeking premium features a different kind of segment. Coming to next major decision related to pricing is regarding with the discounts to be allowed.

Discounts allowed suggest the reduction in the standard service price that a company may offer to customers. These discounts can be in the form of promotional discounts, seasonal offers or loyalty awards. They are used to incentivize purchases and maintain customer loyalty. For example, Delta Airlines. Airlines like Delta frequently provide discounts during holiday seasons or for special events reducing ticket prices to attract travelers.

Frequent flyer programs also offer discounts and rewards to loyal customers. Coming to next pricing decision this is regards with the terms and conditions of services. This involves the rules, limitations and expectations attached to a service. This may include subscription durations, usage restrictions or even the conditions under which a service can be availed.

For example, Netflix. Netflix imposes terms and conditions on its pricing by offering subscription plans that allow simultaneous streaming on multiple devices. For instance, their basic plan permits streaming on one device while the premium plan allows users to stream on more than up to four devices. Next pricing decision is respect to offering credit

services. Credit decisions pertain to whether a company allows customers to pay for services over an extended period often with interest. It influences the affordability and accessibility of services especially for expensive or long term commitments.

For example, Apple card. Apple offers credit options such as the Apple card in partnership with Goldman Sachs. Customers can use this credit card to purchase Apple products and services with the flexibility to pay over time and earn cash back rewards. Final decision pertaining to price is with respect to new product pricing. New product pricing refers to the pricing strategy employed when introducing a new service to the market. Companies need to decide whether to set initial prices high in order to capture early adoption or offer lower introductory prices to gain a larger market share quickly.

For example, what does Disney Plus did? So when Disney Plus launched a new streaming service, it used an aggressive new product pricing strategy offering competitive prices and bundle deals to quickly acquire a substantial user base. Over time, as the service gained popularity, they adjusted pricing levels and introduced new tiers as well. Next important element in the services marketing mix is place or distribution. In services marketing, place refers to the location where the service will be provided. The location of a service is crucial to its success as it can greatly impact the accessibility and convenience for customers.

For services, place refers to the ease of access that customer have to a service. For example, a petrol pump is likely to be more successful if it is located either on a highway or in a city where there is a higher volume of traffic. On the other hand, a software company would benefit from being located in a business hub with many other companies nearby rather than a rural or suburban areas. Similar to pricing, there are few major decisions which are important in terms of place or distribution strategy as well. These are location of the service, distribution channel of the service, services accessibility and service provider.

Let us understand each one of these in detail. First decision is with respect to location of the service. The location of the service refers to where the service is physically delivered to customers. Choosing the right location is crucial in services marketing as it can significantly impact customer convenience and the overall customer experience.

For example, Starbucks. Starbucks strategically selects the locations for its coffee shops to ensure they are easily accessible to its customers. Whether it is near residential areas, office buildings or high traffic urban centers, the choice of location plays a pivotal role in the success of each Starbucks store. Next decision with respect to place is distribution channel of the service. The distribution channel in services marketing involves how the service is delivered to customers. It can encompass various channels including in person delivery, online platforms, mobile apps or third party agents.

For example, Uber. Uber uses a mobile app as its primary distribution channel for ride sharing services. Customers can request a ride through the app and drivers are dispatched to the customer's location. This digital platform simplifies the distribution process and enhances accessibility for users. Next important decision is with respect to service accessibility. Service accessibility involves ensuring that customers can easily reach and use the service.

It encompasses factors like opening hours, availability of the services, the ease of scheduling and even obtaining the service. For example, Walmart. Walmart is a retail service provider which emphasizes accessibility by operating many of its stores 24 by 7. This accessibility allows customers to shop at their convenience catering to a wide range of schedules and lifestyles. Finally, the most important decision is with respect to who is going to provide the service or service provider.

The service provider decision it revolves around who delivers the service to consumers or customers. It includes considerations about the skills, training and customer service quality of services personal or employees. For example, the luxury hotel chain Taj Hotels which is renowned for its exceptional service provider decisions. Taj Hotel staff are well trained in hospitality and service excellence. Their commitment to customer satisfaction is a key factor in the brand's reputation for delivering top tier service experiences.

Next element in services marketing mix is promotion. Promotion plays a pivotal role in services marketing serving as the conduit for conveying services offering to the intended audience. Utilizing promotional tools, customers gain access to pertinent information about the services which in turn nurtures trust and fosters a distinctive identity in a crowded marketplace. Promotion plays an indispensable role chiefly because services are inherently

replicable and it is often the brand that distinguishes a services from its rivals or competitors. As a result, you will observe extensive promotional efforts by entities such as banks, IT companies and even online businesses.

As it is imperative for them to do so to maintain a visibility in a fiercely competitive landscape. Promotion serves as the means to convey, elucidate and even promote services given their intangible nature. Promoting services can be more challenging than products as there is no physical item that prospective customers can inspect. Conventional methods for promoting services encompasses the use of celebrity endorsement to cultivate trust or extending guarantees to mitigate risk and leveraging testimonials from contented clients. Conventional methods for promoting services encompasses the use of celebrity endorsement to cultivate trust, extending guarantees to mitigate risk and leveraging testimonials from contented clients.

For example, Uber relies on mobile apps, social media and partnerships to promote its ride sharing services as shown in this picture. Their app is central to the service experiences, offering transparency through driver ratings, estimated arrival time and fare estimates. In a competitive market, Uber's brand and unique features set it apart. They use celebrity endorsements, safety guarantees and testimonials to build trust. Promotion is essential because Uber provides an intangible service.

You can't access the ride experience beforehand. Some additional examples, for example, educational institutions promoting their programs through open houses, webinars and even online advertisements. Similarly, spa resorts are using influencer partnerships to promote wellness packages. After promotion, the next important element in services marketing mix is processes. Process refers to the procedures, mechanism and flow of activities that occur when the customer and the business interact with each other. For example, a customer books a hotel room, a process is triggered.

When the customer then checks into hotel, another process is triggered and when they check out, yet another process is triggered. All processes need to be tightly controlled to ensure a consistent customer experience. They are usually defined in written standard operating procedures which are also known as SOP documents. For example, FedEx

which tightly controls all the processes through which the shipping or logistics operation takes place. Let's have a look at this incredible symphony of operations at the world's busiest hub in Memphis that showcases how FedEx manages its operations and controls all the procedures and processes.

The Memphis World Hub is huge. It's over 940 acres. It's like a small city. From the hours of 10 o'clock at night till about 4 in the morning, this is the busiest airport in the world. We have thousands of employees that are working throughout the wee hours of the morning. Whenever people come out on a tour and they see actually what we do on a nightly basis, they're in awe.

It's amazing to watch. It's almost like symphony. Every employee here is working in concert. It's absolutely one of the most impressive operations I think anywhere on the planet. Basically we have two different sorts here at the Memphis World Hub. The day sword handles about a million packages a day.

Then of course we've got our huge night sword. On the night sword there's about a million and a half packages that'll go through our sword system. We bring in about 250 aircraft in and out of the hub in a 24 hour period. We have over 190 aircraft gates. We have the capacity to land an aircraft about every 40 seconds. Once a plane lands at the hub, we immediately begin to offload it.

The size of these aircraft, they're enormous. With thousands and thousands of packages on each one and within half an hour we have it into the belt system. Once it gets on that conveyor belt system, we've got a team there that makes sure the label is facing up where it can be read by one of our light scans. So when it goes through the laser, it will read the destination, it will read the dimensions, it will read the service type so we know when we have to deliver that package. Once that package leaves that light curtain, there are arms that automatically push your package to the correct destination where we've got team members ready to reload it and put it back into a container.

Year after year the hub is growing, our volume is increasing. There's a tremendous

amount of technology that goes into getting packages from one point to the other point each and every night. We've got a lot of automated systems now, we've got robotic systems, we've got packages that are traveling at much greater speed. We have about 80 miles of conveyor belts and everything is in effort to make it a faster process. Once a package comes off a truck or plane and is inducted into the sort system, it could be through the entire sort system in as little as 15 minutes. These days we do these one click orders online and we expect that it's just going to show up at our house the next day, but it's not magic.

It takes this army of people working in concert to get that package to your house the next day and make the transaction seem seamless to the customer. I think the things that give us the greatest amount of pride are the impact that these packages that we see every day have on people's lives, like critical medical packages that someone needs for a treatment the next day. Those are the things that really hit home with me. I mean I know there's customers that need us. At the end of the day there's a feeling of pride, there's a feeling of accomplishment realizing that hey, I've done something wonderful.

Next element in services marketing mix is physical environment or evidence. Due to the intangible nature of services, enhancing the customer experience often involves the inclusion of tangible components. Physical evidence encompasses not only the services environment and location, but also any tangible element that support the service or convey information about it. Let's say you have to make one choice. There's one restaurant that offers a very good food, whereas in a similar locality you have another restaurant that not only just offers good food, but it has a very good ambience as well.

Which one you are going to choose considering that the prices are same. So let's look at how Hilton manages these kind of physical ambience element. Sir, your golden keys. Excuse me, sir. These cards need a bit of polishing.

How about our golden cappuccino? Foot massage maybe? Just the card. A pony ride? When you want to start your holiday straight away, it matters where you stay. Hilton for this day. So in this video Hilton showcase that the exterior and interior of the hotel including the grand entrance, lobby, room decor can also communicate something about the ambience of the hotel. The check-in process where tangible items like room keys and welcome materials are provided.

Also guest rooms are highlighting amenities, comfort and even cleanliness. Even the interaction with the hotel staff showcasing their appearance, professionalism and helpfulness all targeted to offer a wordless day experience for its visitors. Physical evidence is defined as both that is the environment or place where the service is delivered and any tangible elements that facilitate the service or provide information about the service. Based on this definition physical evidence includes things such as the company's website, their annual accounts if they are publicly available, any logos or brochures or even the buildings that the services are provided from. The last element in services marketing mix is people. The people aspect of services often referred to as frontline employees or service personnel.

This plays a vital role in delivering excellent customer experiences and differentiating services forms. People plays crucial role in terms of offering good customer experience with respect to services firms. These are number one allowing for customer interaction. Services personnel are the face of the company and directly interact with the customers. They influence the first impression, address customer queries and provide assistance contributing significantly to customer satisfaction.

Second role played by employees or personnel or people is in terms of building trust. Competent and friendly employees build trust and credibility. Customers are more likely to trust recommendations, advice and information provided by knowledgeable service providers. People also plays a crucial role in maintaining service quality and even improvising service quality. The expertise, attitude and skills of service employees directly impact service quality.

A positive, well-trained staff ensure service consistency and meets or even exceeds customer expectations. Employees or people also help firms to go for problem resolutions. Services personnel are often responsible for addressing customer complaints and resolving issues. Effective problem solving and conflict resolution skills are essential in this place.

One more role played by employees is in terms of upselling and cross selling. Knowledgeable and helpful staff can identify opportunities for upselling and cross selling leading to increase revenue for the firm. Let us have few examples. For example, an IT

services firm Infosys. Infosys is a global IT services company and its success is attributed to its skilled workforce. Employees are encouraged to continuously upgrade their skills and deliver high quality IT solutions.

Infosys invests in employee training and development and their well-trained IT professionals contribute to delivering cutting edge technology services, enhancing client satisfaction and loyalty. From banking sector, we can have an example of Axis bank. Axis bank like any other bank relies on its employees for customer service, branch operations and even financial advisory services. A knowledgeable and customer focused staff is crucial. Axis bank staff members through their professional conduct and customer assistance create a trustworthy and customer centric banking experience.

They play a crucial role in promoting various banking products and services. So, just to summarize we started our discussion with a product marketing mix comprising of 4 P's of marketing that is product price place promotion and then we also covered additional 3 P's in the context of services that is process, physical evidence or physical environment and people. Together these all 7 P's are known as services marketing mix. Now, let's understand all the 7 P's with a single example. Amazon with respect to product and service, Amazon offers wide range of product and services including Amazon Prime, Amazon Web Services which is known as AWS and even Amazon Fresh. With respect to price, Amazon follows competitive pricing, discounts for Prime members and dynamic pricing algorithms that adjust prices in the real time based on the demand and competitor pricing.

With respect to place element, Amazon has a global reach with centers worldwide ensuring quick and efficient product delivery. With respect to promotion, Amazon uses data driven recommendations, personalized emails and even advertising to promote products and engage its customers. With respect to people element, Amazon invests in customer service representatives ensuring that customers have access to assistance when needed. With respect to processes, Amazon has optimized its order processing, warehousing and even shipping processes.

This includes an innovative processes like Amazon Go. Coming to physical evidence or environment, Amazon offers user friendly website and mobile application which is recognizable through its smile logo. Let us now understand value creation in services marketing. Value creation in the context of services refers to the process of providing customers with benefits that exceed their expectations and justify the price that they are

paying for that. It involves delivering a service experience that not only meets customers needs, but also enhances their overall satisfaction and pursued value. Value creation is crucial in services industries as it builds customer loyalty, drives profitability and sustain long term success.

Let us look at how the 7 P's that we already covered contributes to value creation for example product and services. Product or services are the core offering and it is essential that services meet or exceed customer expectations. For example, a high end restaurant offers not only delicious food, but also a memorable dining experience. With respect to price, how price leads to value creation? An optimal price ensures that customers feel they are getting a fair deal. Luxury hotels for example, justify their premium prices with superior amenities and personalized services.

How place contributes to value creation? Place is actually related to how the services are distributed and how they are accessible to the target audience. A well placed hotel near tourist attractions maximizes its appeal that is a great example that how place contributes to value creation. Coming to how promotion leads to value creation? Promotions are crucial for informing potential customers about the services benefits and differentiate it from competitors. For example, airlines use promotional campaigns to highlight their punctuality and comfort that they offer.

With respect to people, the employees who deliver the services are vital. Skilled and customer oriented staff contributes significantly to value creation in services. For example, in a spa friendly and knowledgeable therapist enhance the overall experience of a customer. With respect to processes, the way services are designed, delivered and manage impacts value creation. Streamline processes such as fast check in at a hotel reduce customer effort and enhance satisfaction. And finally, with respect to physical evidence or physical environment, this is something which is tangible elements or physical evidence is also provide credibility and support services quality.

For example, a clean and well maintained hospital building can reassure patients about the quality of care that they are going to receive. Let us now discuss how Walt Disney World Resort creates value for its customers through the 7 P's of marketing. At product and service, these theme parks from Walt Disney and they are also having some resort

experiences as well. With respect to pricing, Walt Disney have the tiered pricing for various packages and experiences. With respect to place or location, these Walt Disney World Resorts are located at iconic destinations.

With respect to promotion, Walt Disney runs magical marketing campaigns and character appearances as well. With respect to people, Walt Disney offers friendly and well trained staff creating a magical atmosphere for the visitors. Coming to processes, Walt Disney implements efficient ride operations and crowd management services as well. Finally, with respect to physical evidence, these resorts are themed one and also has immersive attractions within it.

Let us take another example. Let us see how Netflix creates enhanced value for its customers using these 7 P's of services marketing mix. With respect to product and price, what Netflix offers is streaming of movies, TV shows and original content. With respect to prices, Netflix implement competitive monthly subscription rates. With respect to place element, the Netflix services are accessible globally through the internet. With respect to promotion, Netflix run tailored recommendations and original content promotion through its app and other advertisement mechanisms.

With respect to people or employees, Netflix has responsive customer support and personal recommendation group at its place. With respect to processes, Netflix offers seamless streaming experience and content creation. And finally, with respect to physical evidence, it offers these services through user friendly interface of its applications and high quality streaming of the content. So, in this session, we try to understand what is services marketing mix and how it adds to value creation for a service firm. Thank you.