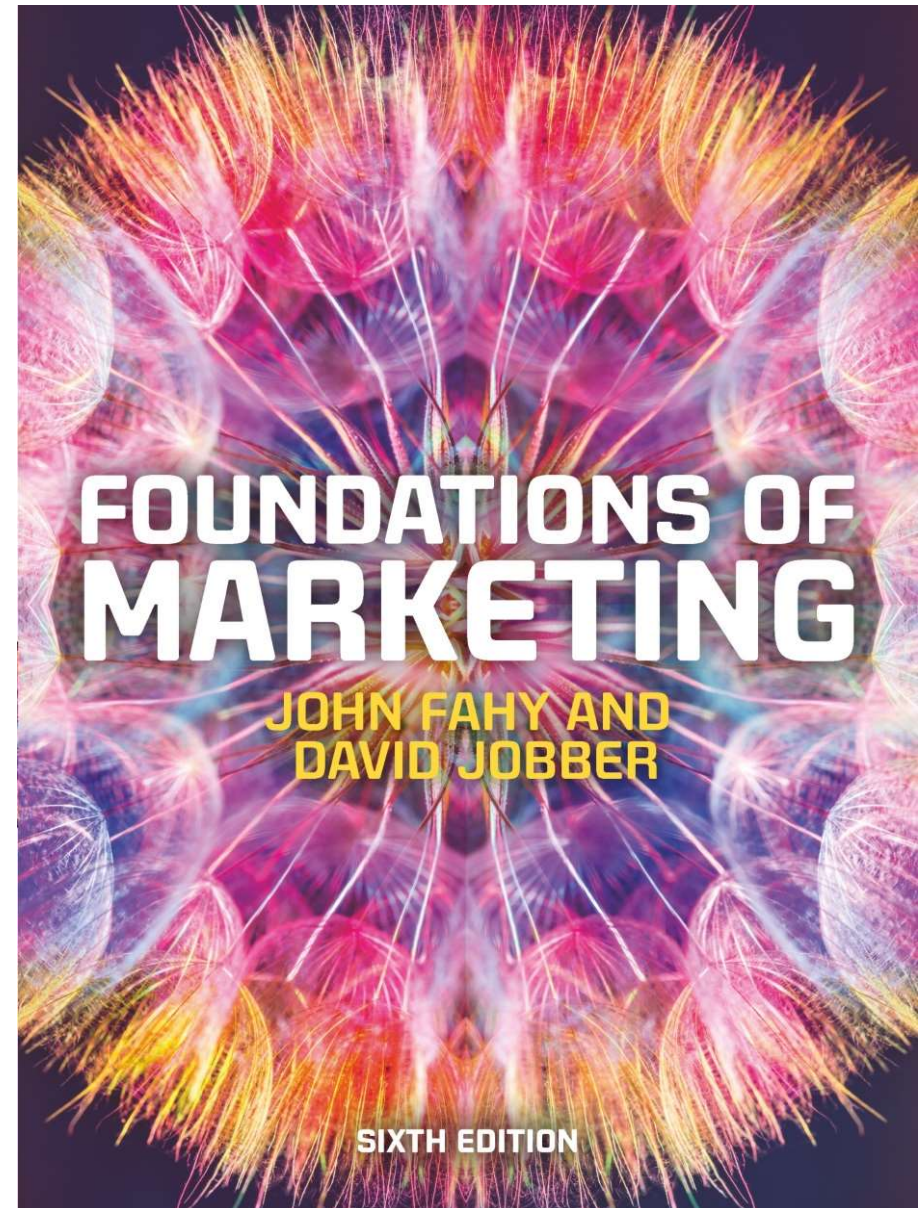


## Chapter 7

Value through Services,  
Relationships and  
Experiences

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Foundations of Marketing, Sixth  
Edition



# The unique characteristics of services

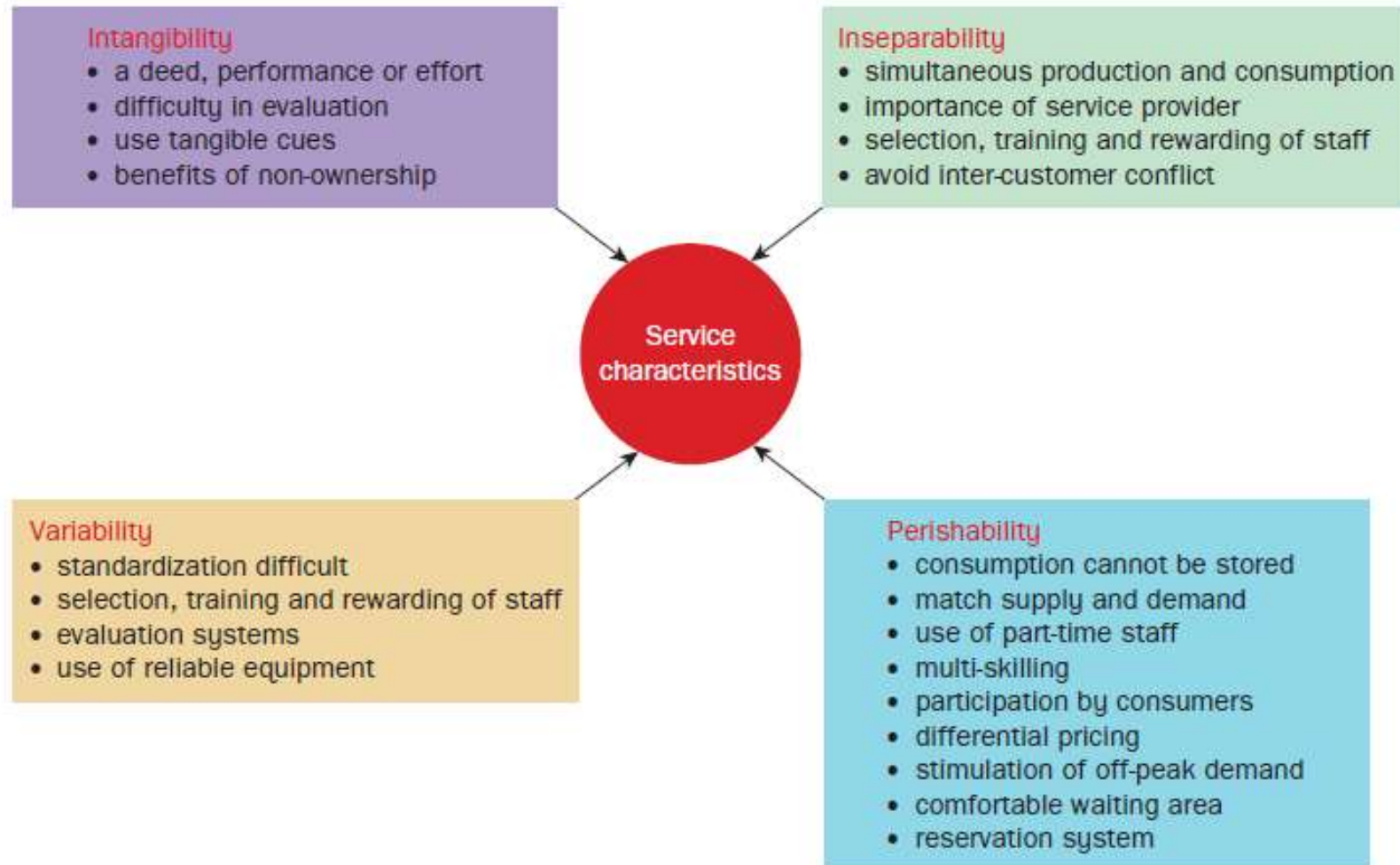
Table 7.1 The service-dominant (S-D) logic

Key premise	Explanation
1	Service is the fundamental basis of exchange
2	The service basis of exchange is not always apparent as it is masked by goods, money, institutions, etc.
3	Goods are a distribution mechanism for service provision
4	Resources such as knowledge and skills are the primary source of competitive advantage
5	All economies are service economies
6	The customer is always a co-creator of value
7	The enterprise cannot deliver value but only offer value propositions
8	A service-centred view is inherently customer-oriented and relational
9	All social and economic actors are resource integrators
10	Value is always uniquely determined by the beneficiary

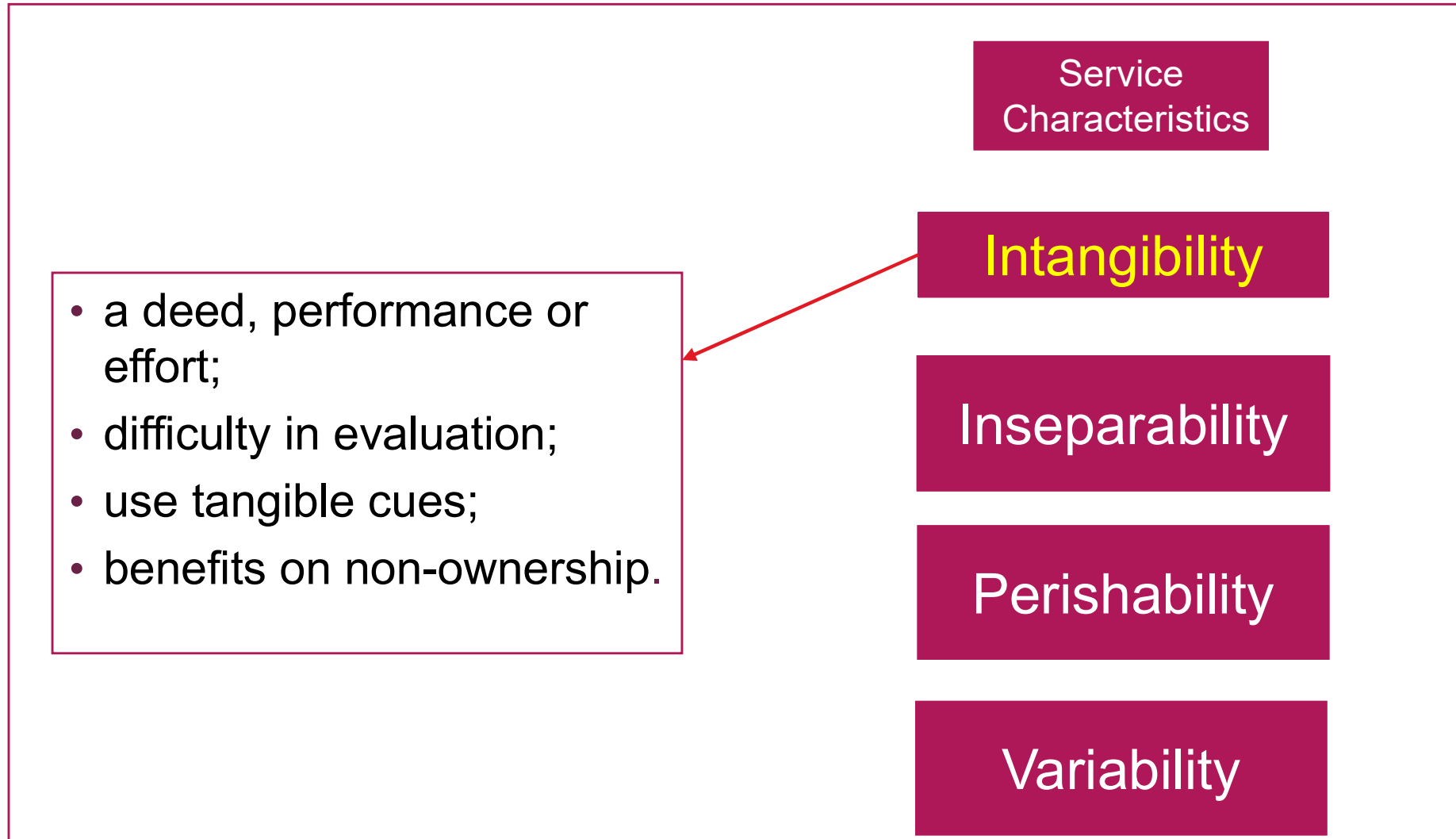
**Source:** Based on Vargo, S.L. and Lusch, R.F. (2008) Service-dominant logic: continuing the evolution, *Journal of the Academy of Marketing Science*, 36, 1-10.

# The Characteristics of Services

Figure 7.1 The unique characteristics of services

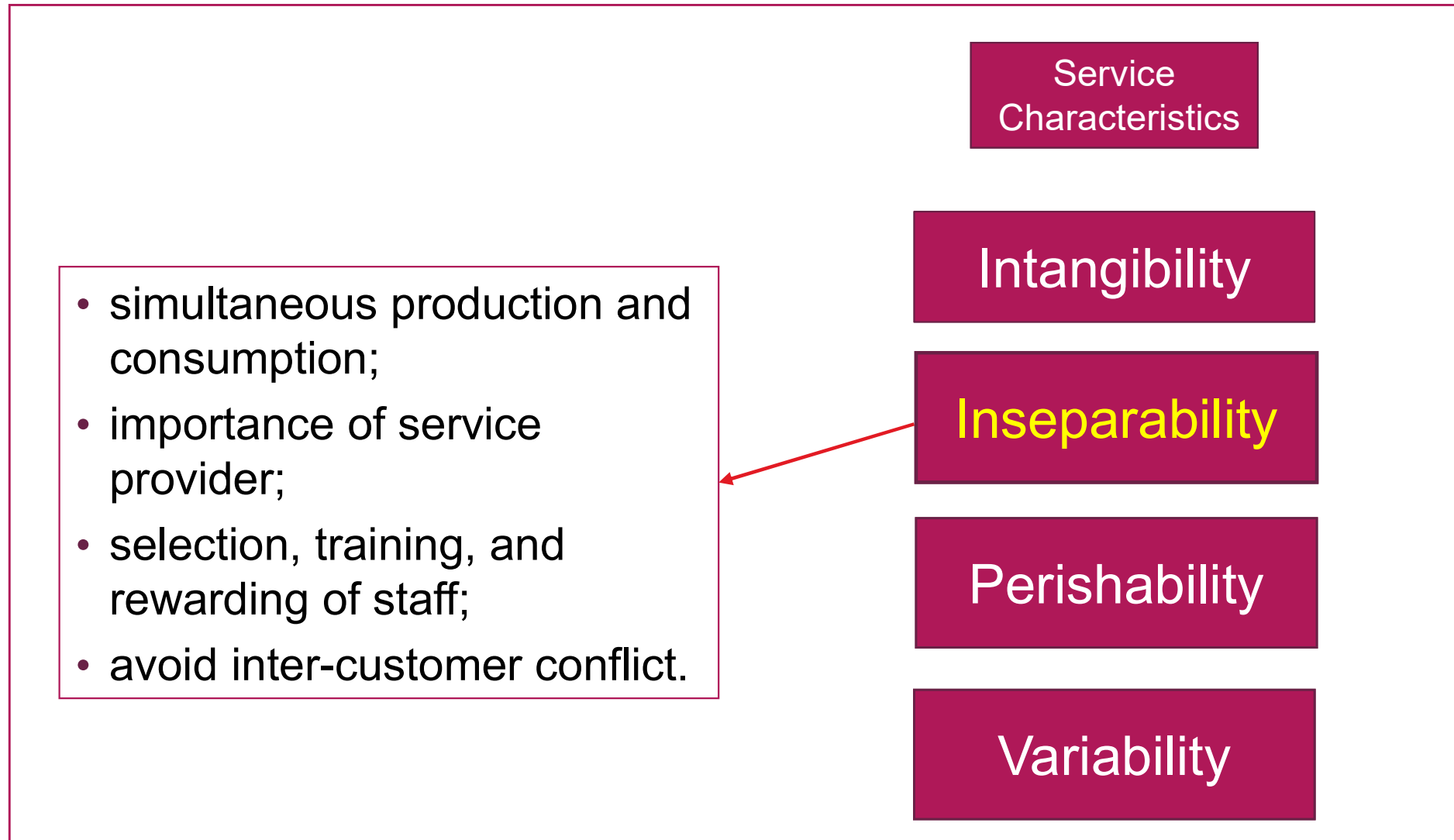


# Intangibility

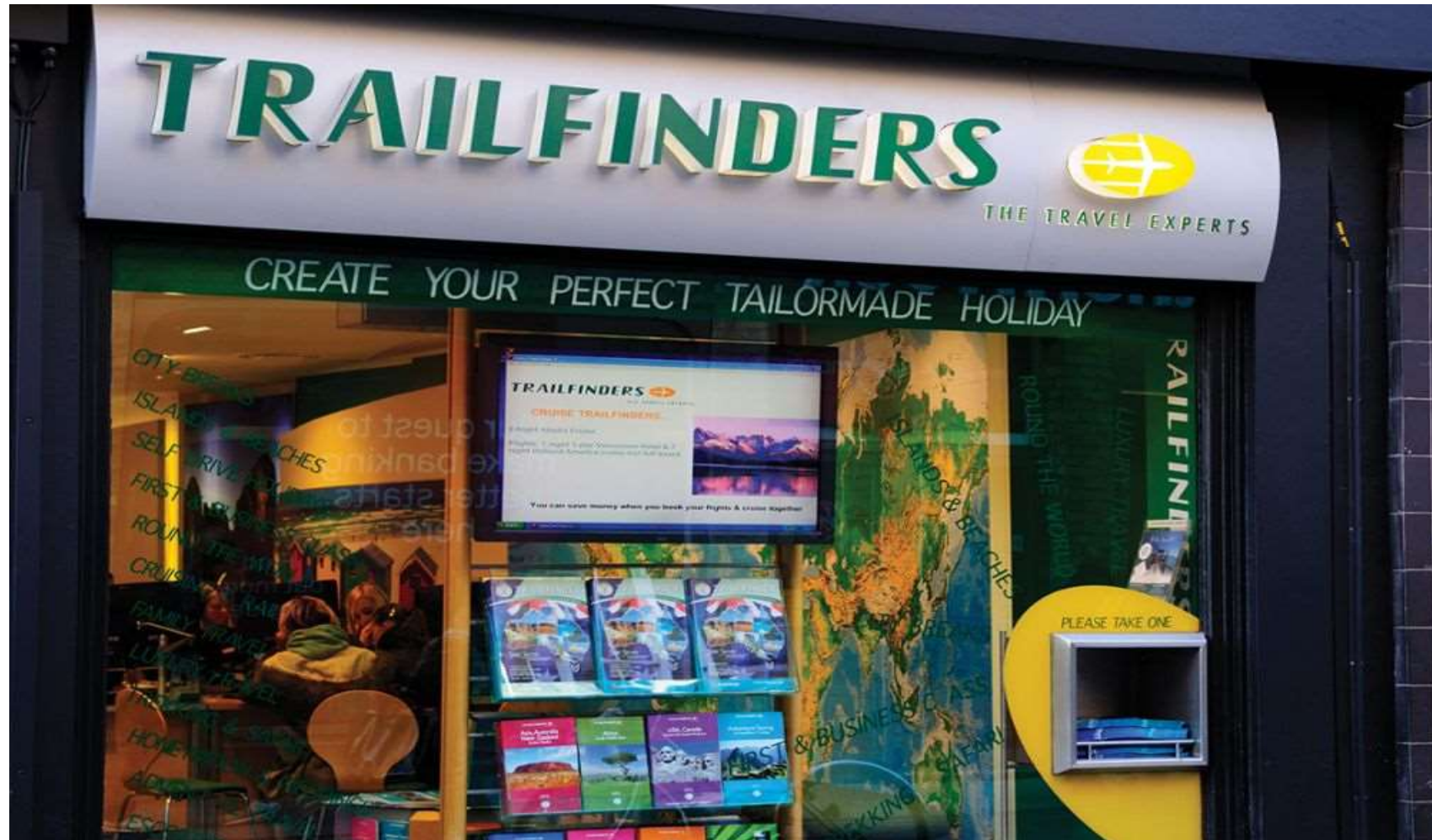




# Inseparability



# Inseparability



**Exhibit 7.2 Holidays are a service that illustrate the inseparability of the production and consumption.**

# Perishability

- consumption cannot be stored;
- match supply and demand;
- use of part-time staff;
- multi-skilling;
- participation by consumers;
- differential pricing;
- stimulation of off-peak demand;
- comfortable waiting area;
- reservation system.

Service  
Characteristics

Intangibility

Inseparability

Perishability

Variability

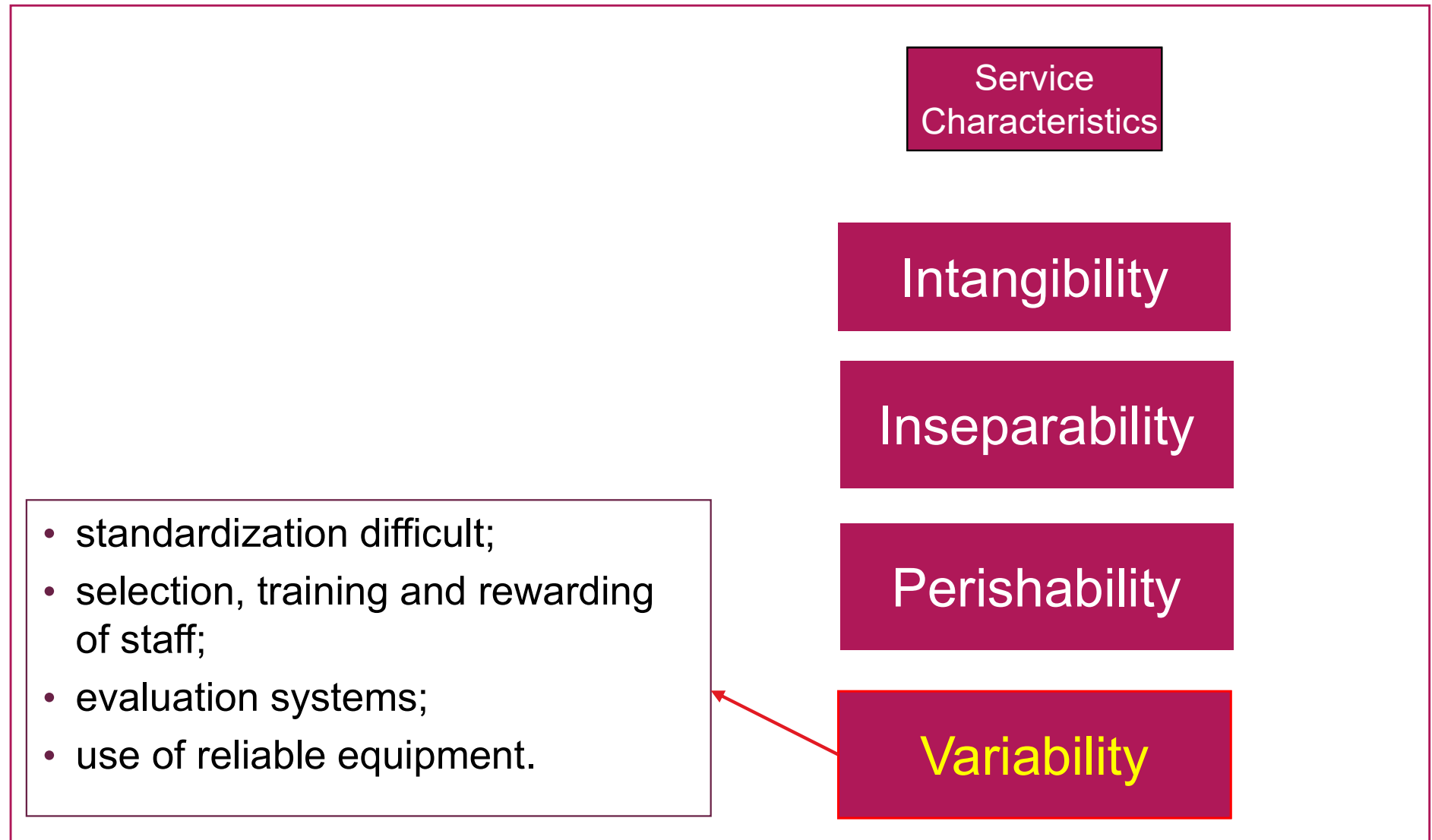
# Perishability

A cleverly designed social media advertisement for the Truck festival in Oxfordshire is designed to overcome the perishability problem of events like this. If tickets are not sold by the end of the event, the opportunity to do so passes.





# Variability



# The Services Marketing Mix

The services marketing mix is an extension of the 4P's:

- Product;
- Price;
- Promotion;
- Place.

The additional elements of the mix are:

- Physical evidence;
- People;
- Process;
- Service Branding.

# Physical Evidence

- Customers look for clues to examine the likely quality of a service by inspecting the tangible evidence or the *servicescape*.
- Includes the décor, furnishings and lighting.
- The ambience of a retail store is highly dependent on décor, and colour can play an important role in establishing mood because colour has meaning.
- Changes in the physical evidence are often part of a marketer's effort to reposition a brand.

# People

- The term *service encounter* is used to describe an interaction between a service provider and a customer.
- In order for service employees to be in the frame of mind to treat customers well, they need to feel that their company is treating them well.
- This has given rise to the idea of the *service profit chain* whereby having a happy workforce leads to having happy customers and, ultimately, superior profitability.
- *Internal marketing* – that is, selecting, training, and motivating staff members to provide customer satisfaction.



# People



**Exhibit 7.3 Service providers like Emirates frequently use images of their staff in their advertising.**

# Process

- The service process refers to the procedures, mechanisms, and flow of activities by which a service is acquired.
- The service process usually contains two elements, namely, that which is visible to the customer and where the **service encounter** takes place and that which is invisible to the customer but is still critical to service delivery.
- Service process decisions usually involve some trade-off between levels of service **quality** (effectiveness) and service **productivity** (efficiency).
- The service process will also be significantly influenced by the service provider's attitude towards investments in technology.

# Relationship Marketing

## Six Benefits of Strong Customer Relationships:

1. Increased purchases;
2. Lower costs;
3. Lifetime value;
4. Sustainable competitive advantage;
5. Word of mouth promotion;
6. Decreased staff turnover.

# Service Branding

Research on service organizations has identified four characteristics of successful brand names:

1. **Distinctiveness:** it immediately identifies the service provider and differentiates it from the competition;
2. **Relevance:** it communicates the nature of the service and the service benefit;
3. **Memorability:** it is easily understood and remembered;
4. **Flexibility:** it not only expresses the service organization's current business but also is broad enough to cover foreseeable new ventures.



# Service Branding



**Exhibit 7.4 Starbucks' brand imagery has become so strong that the actual brand name is no longer required to identify the company.**

# Meeting Customer Expectations

1. **Reliability:** is the service consistent and dependable?
2. **Assurance:** that customers can trust the service company and its staff.
3. **Responsiveness:** how quickly do service staff respond to customer problems, requests and questions?
4. **Empathy:** that service staff act in a friendly and polite manner and care for their customers.
5. **Tangibles:** how well-managed is the tangible evidence of the service (e.g. staff appearance, decor, layout)?

# The Gaps Model

Improving service quality delivery requires an understanding of both customer expectations and the barriers that cause a difference between expected and perceived service levels. One approach has emphasized the closing of four gaps that are the main cause of service quality problems.

## Gap 1

This is the gap between what customers expect from a service provider and what the senior management team in the service organization thinks that customers expect. The gap is caused by senior managers being too far removed from customers. Effective research into customers' expectations can be used to close this gap.

## Gap 2

This is the gap between senior management perceptions and the service-level criteria that they set for the organization. This gap can be closed by ensuring that customer service goals are an important part of the organization's targets.

# The Gaps Model

## Gap 3

This is the gap between the service-level targets set by the organization and the actual level of service that is delivered by front-line staff. This gap can arise due to there being inadequate resources committed to service delivery, or poor selection, training, and motivation of staff. Good internal marketing practices can assist in closing this gap.

## Gap 4

Finally, this is the gap between what firms tell their customers to expect in their external communications and what they actually deliver. Service promises need to be managed carefully. Over-promising causes customer expectations to rise and failure to deliver on these promises leads to dissatisfaction.

In summary, delivering service quality requires constant attention to the four potential gaps in the service delivery system.



# Service Recovery

Service recovery strategies should be designed to solve the problem and restore the customer's trust in the firm, as well as improve the service system so that the problem does not recur.

1. Set up a tracking system to identify system failures. Customers should be encouraged to report service problems, since it is those customers that do not complain that are least likely to purchase again.
2. Staff should be trained and empowered to respond to service complaints. This is important because research has shown that the successful resolution of a complaint can cause customers to feel more positive about the firm than before the service failure.
3. A service recovery strategy should encourage learning so that service recovery problems are identified and corrected.

# Relationship Marketing

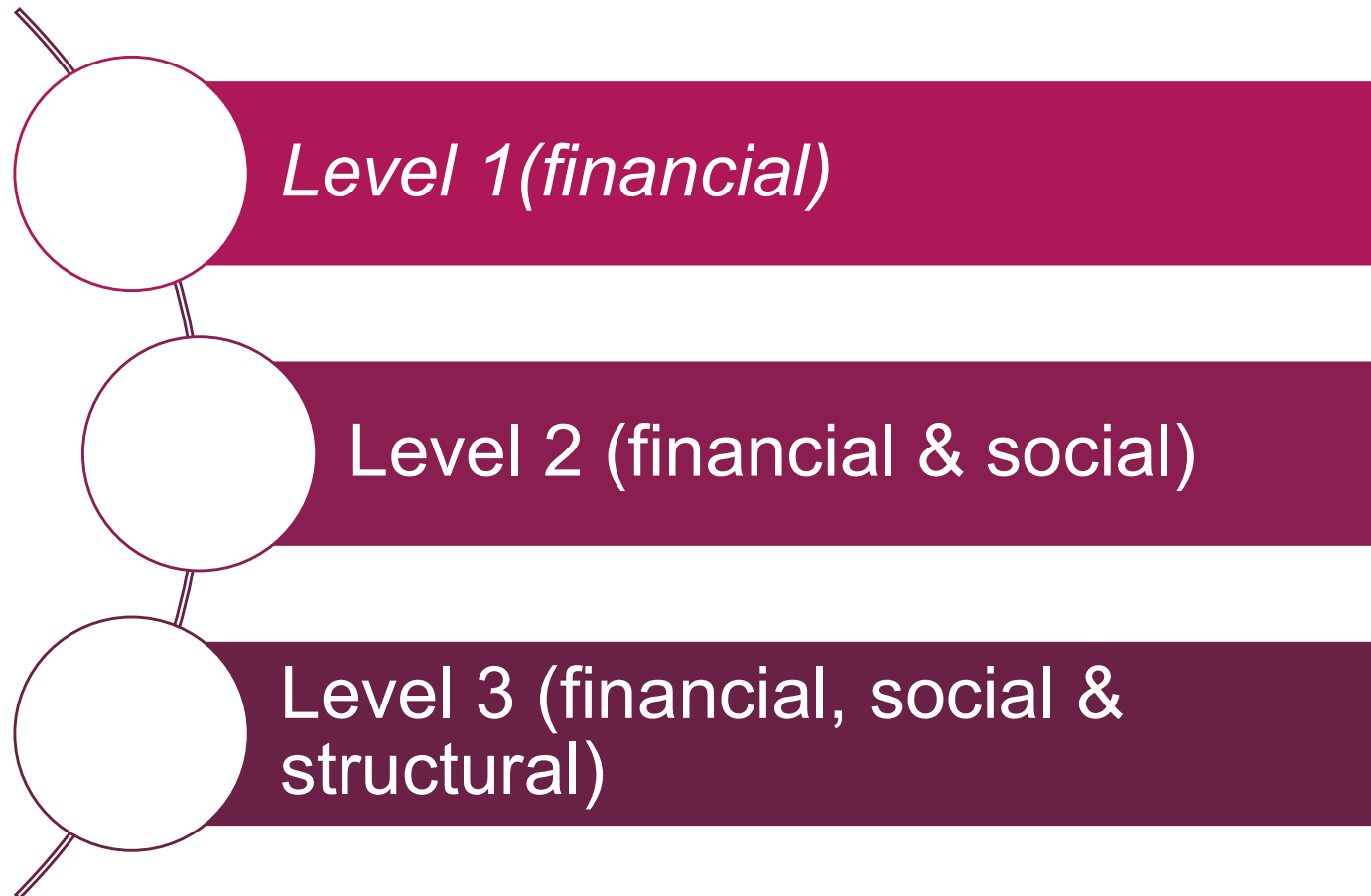
The intangible nature of services means that customers may also value having a close relationship with a service provider.

The idea of relationship marketing can be applied to many industries. It is particularly important in services since there is often direct contact between service provider and consumer.

The following conditions suggest the use of relationship marketing activities.

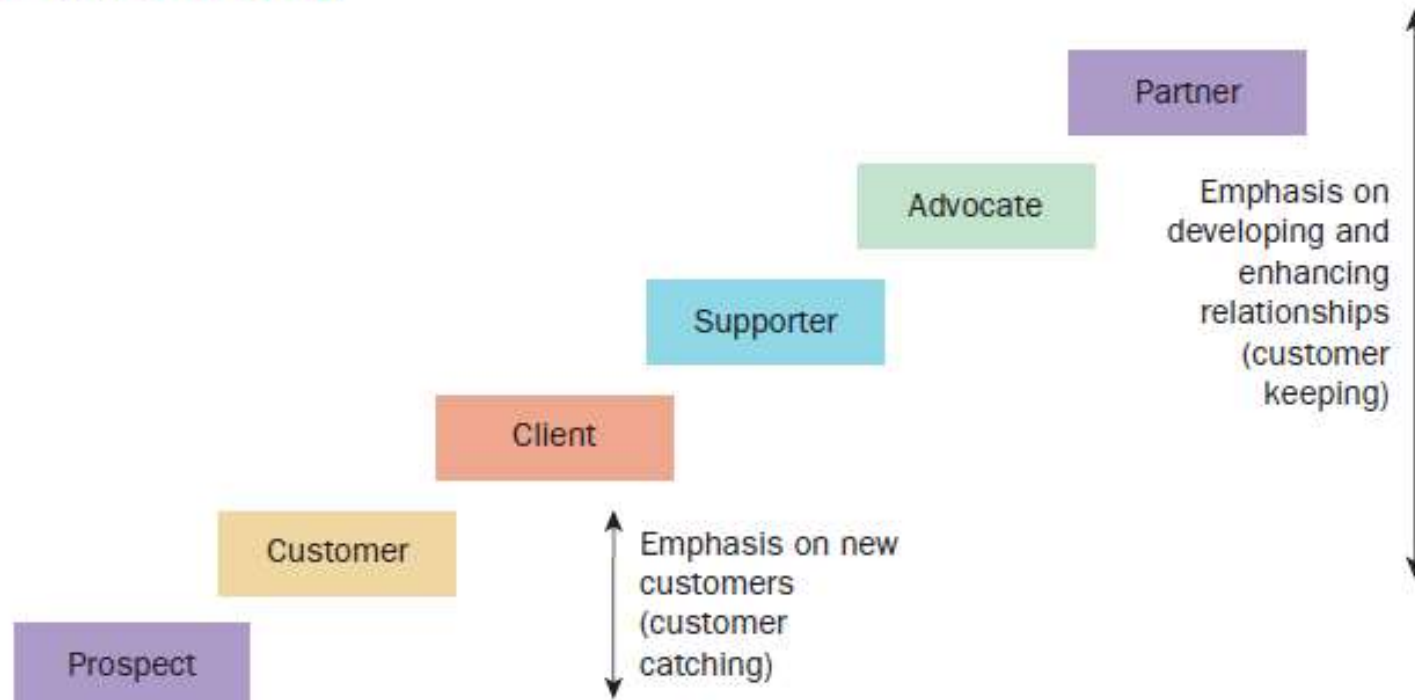
- There is an ongoing or periodic desire for the service by the customer, e.g. insurance or theatre service versus funeral service.
- The customer controls the selection of a service provider, e.g. selecting a hotel versus entering the first taxi in an airport waiting line.
- The customer has alternatives from which to choose, e.g. selecting a restaurant versus buying water from the only utility company service in a community.

# Customer & Provider Bonds



# Ladder of Loyalty

Figure 7.2 The ladder of loyalty

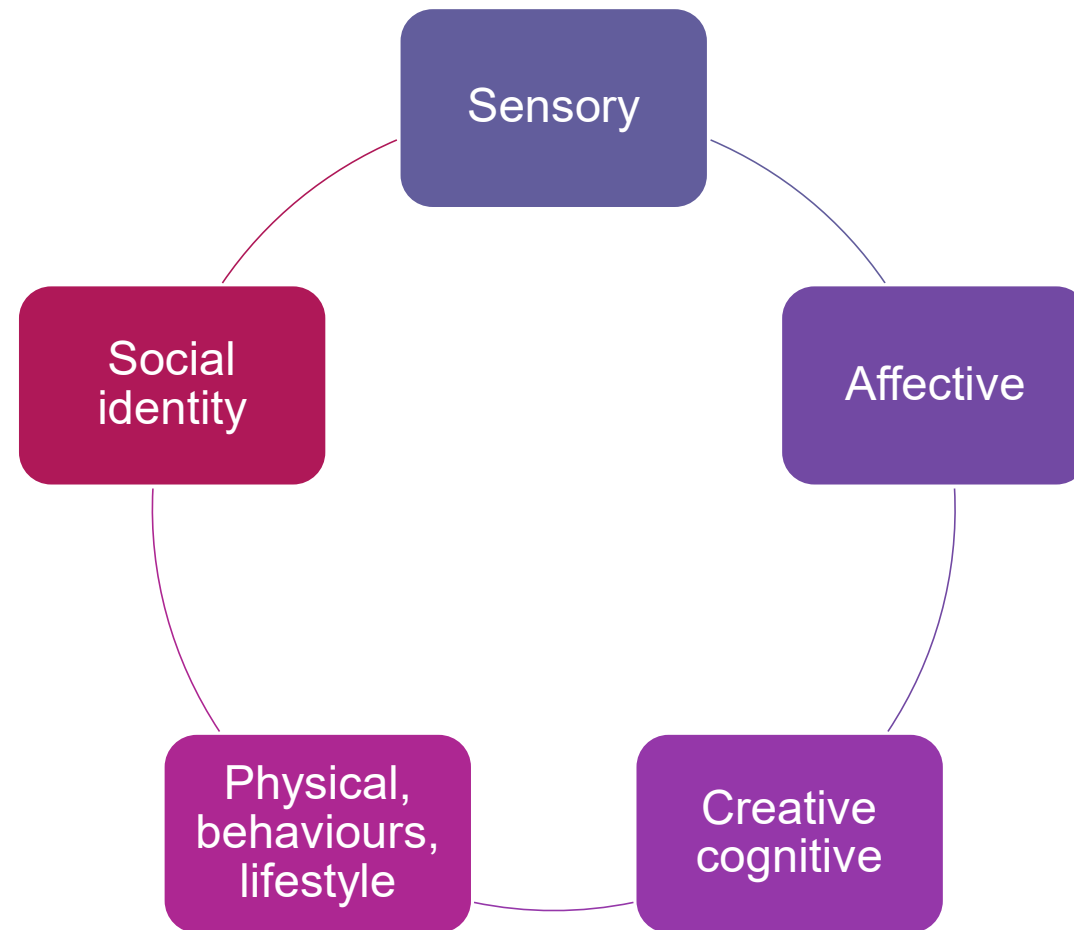


Source: Adapted from Christopher, M.C., Payne, A. and Ballantyne, D. (1991) *Relationship Marketing*. Oxford: Butterworth-Heinemann.



# Experiential Marketing

Through *experiential marketing*, organizations recognize the important role of emotions in consumer decision-making.



# Experiential Marketing



**Exhibit 7.7** The Ribena ‘Colouring Cafe’ was a one-day experiential event in London organized by the drinks brand and Brass Agency, aimed at people who ‘wanted to grab life by the felt tip’.

# Characteristics of Non-Profit Marketing

Primary goal is non-economic:

- to provide cultural enrichment (an orchestra);
- to protect birds and animals (e.g. Royal Society for the Protection of Birds);
- to alleviate hunger (e.g. Oxfam);
- to provide education (schools and universities);
- to foster community activities (community associations);
- to supply healthcare (hospitals);
- to supply public services (local authorities).

# Measurement of Success & Conflicting Objectives

HA1

In profit-orientated organizations: profitability is measured

In nonprofits, more complexity, also due to public scrutiny

Example of universities where success is measured in terms of:

- research output
- number of students taught
- the range of qualifications
- the quality of teaching

Combination of these factors can lead to conflict

## Diapositiva 28

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**HA1**

Content on this page seems incomplete and abrupt; please check.

Hasija, Apoorva; 29/05/2019

# Marketing Procedures for Non-Profit Organizations

Target marketing:

- Donors judge which charity to give to on the basis of:
  - the basis of awareness and reputation
  - the confidence that funds will not be wasted on excessive administration
  - the perceived worthiness of the cause
- Clients (customers)

HA2

Differentiation: e.g. political parties' marketing

Tactical marketing decisions need to be made



## Diapositiva 29

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**HA2**

It is unclear if the below two points are subsets of 'Clients'; please check

Hasija, Apoorva; 29/05/2019

# Social Marketing

- Social Marketing is used to describe efforts, mainly by public sector organizations, to encourage positive social change.
- Commercial marketing techniques such as consumer research, segmentation, and marketing mix development are frequently used to achieve these types of goals.

# Marketing in Non-profit Organizations



**Exhibit 7.9** Misereor is a German not-for-profit organization that is assisting in the fight against hunger and poverty in the world. It developed an innovative campaign whereby consumers can make a donation by swiping their credit/debit cards at interactive billboards and posters.

# Marketing in Non-profit Organisations



**Exhibit 7.8** This Unicef campaign, the ‘Face of Children of Rohingya’, highlights the importance of education for refugee children.



# Chapter Summary

1. There are four unique **characteristics of services**, namely intangibility, inseparability, variability, and perishability.
2. The **four key elements** of managing services enterprises, namely, physical evidence, people, process, and service branding.
3. **Internal** marketing to frontline employees is critical to the success of a service organization and great attention need to be paid to their selection, training, and motivation. Employee empowerment is a key element of service quality and service recovery.
4. **Service quality** involves measuring how service perceptions match up against the expectations that customers have of the service provider and taking the types of remedial action necessary to close any service delivery gaps.

# Chapter Summary

5. **Relationship marketing** raises levels of attitudinal loyalty. Value can also be created through the provision of customer experiences which can be used to improve the consumer's relationship with the organization.
6. Through **experiential** marketing, organizations recognize the important role of emotions in consumer decision-making.
7. **Non-profit organizations** attempt to achieve some objectives other than profit. Their two key publics are donors and clients; the needs of these two groups often conflict. In managing this complexity, non-profit organizations use conventional services marketing techniques.