

UNIT 11

MARKETING OF SERVICES

1. IMPORTANCE OF SERVICES IN MARKETING

Services are activities, benefits, or satisfactions offered for sale that are essentially intangible and do not result in the ownership of anything. Services constitute the majority of economic activity in developed nations.

Significance: Services drive modern economies, contribute significantly to GDP, and are a source of competitive advantage (e.g., product support services).

Example: Education is a crucial economic sector. Universities provide the service of knowledge creation, skill development, and career advancement, fundamentally transforming the "customer" (student).

2. BASES FOR SERVICE CLASSIFICATION

2.1 Classification on the basis of the degree of involvement of the customer

This classifies services based on what is being processed or acted upon.

Category	Description	University Example
People Processing	Tangible actions on the customer's body (e.g., haircut, physical therapy).	N/A (Low relevance)
Possession Processing	Tangible actions on the customer's physical goods (e.g., repair, dry cleaning).	N/A (Low relevance)
Mental Stimulus Processing	Actions directed at the customer's mind (e.g., education, entertainment, consulting).	Core Service: Delivering lectures, facilitating research, mentorship, and learning experiences.
Information Processing	Actions directed at intangible assets (e.g., banking, insurance, legal services).	Administrative Services: Processing applications, managing student records, issuing transcripts, and providing library database access.

2.2 Classification on the basis of the service tangibility

This classifies services based on the relationship between the service and any physical output.

- **Highly Intangible:** The service is almost entirely an experience or performance (e.g., consulting, education, legal advice).
 - *Example:* The core value is the quality of the teaching and the reputation of the degree, which are non-physical.
- **Service linked to Tangible Goods:** Maintenance contracts for machinery, installation services.
 - *Example:* Offering technical support for the campus Wi-Fi or e-learning platform.

- **Tangible Goods linked to Services:** Restaurant food, a packaged travel tour.
 - *Example:* Providing textbooks or laptops included in the tuition fee.
- **High Tangibility:** Product is the focus, service is minimal (e.g., purchasing basic raw materials).

2.3 Classification on the basis of skills and Expertise required

- **Professional Services:** Services requiring specialized knowledge, training, and certification (e.g., healthcare, law, accounting, teaching).
 - *Example:* The Professors, specialized researchers, and career counsellors are professional service providers.
- **Non-Professional Services:** Services requiring less specialized or standardized skills (e.g., cleaning, simple transport).
 - *Example:* Campus security, cafeteria staff, and general maintenance crew.

2.4 Classification on the basis of the business orientation of service provider

- **Commercial Organizations:** Primary goal is profit or sustainable operation with a surplus.
 - *Example:* A private, for-profit university or a large private institution that reinvests surpluses but focuses on financial sustainability.
- **Not-for-Profit Organizations:** Primary goal is social welfare, educational access, or religious mission.
 - *Example:* A state-funded public university or a private university with a charitable endowment.

2.5 Classification on the basis of the type of end-user

- **Consumer Services:** Used by individuals for personal needs (e.g., healthcare, entertainment).
 - *Example:* A student pursuing a Bachelor's degree for personal career growth.
- **B2B Services:** Services sold to other organizations (e.g., logistics, corporate insurance).
 - *Example:* The university running an executive education course for managers from Company X.
- **Industrial Services:** Services related to physical production or infrastructure (e.g., heavy equipment repair).

3. CHARACTERISTICS OF SERVICES (IHIP)

Services possess four fundamental characteristics that distinguish them from physical goods.

3.1 Intangibility

Services cannot be seen, tasted, felt, heard, or smelled before they are bought. This makes perceived quality difficult for the customer to assess beforehand.

- *Example:* A prospective student cannot "touch" the quality of a Business School degree. They must rely on physical evidence (the campus tour), image (university rankings), and testimonials (alumni success stories) to judge value.

3.2 Heterogeneity (Variability)

The quality of services depends on who provides them, when, where, and how. It is difficult to standardize output.

- *Example:* A lecture by Professor A on Marketing may be brilliant and engaging, while the very next lecture by Professor B on Finance may be dull and poorly prepared. The quality varies based on the individual faculty member and their performance on that specific day.

3.3 Inseparability

Services are typically produced and consumed at the same time. The provider (employee) and the customer are often physically present together.

- *Example:* The educational service (the lecture) is created by the professor and consumed by the student simultaneously in the lecture hall or virtual classroom. Mass production away from the customer is impossible.

3.4 Perishability

Services cannot be stored for later sale or use. If a service is not consumed, the revenue opportunity is lost forever.

- *Example:* An empty seat in a lecture hall or an unsold spot in the incoming class cannot be stored or sold the next year. The capacity is lost once the academic year begins.

4. DEVELOPING MARKETING STRATEGIES FOR SERVICES (THE 7 PS)

The traditional 4 Ps (Product, Price, Promotion, Place) are expanded to 7 Ps to account for the unique characteristics of services.

4.1 Product

Defining the service offering, features, quality, and branding.

- *Example:* The "product" includes the curriculum structure, the range of specializations (e.g., FinTech, Sustainable Marketing), the alumni network offered, and the degree certificate itself.

4.2 Pricing

Setting fees, determining discounts, and managing payment terms.

- *Example:* Tuition fees are the main price, but this also includes scholarships, fee waivers based on merit or need, and instalment payment plans.

4.3 Promotion

Communicating the value and differentiating the service through advertising, PR, and personal selling.

- *Example:* Running digital campaigns showcasing successful alumni, participating in college fairs, publishing high-ranking research, and using alumni testimonials.

4.4 Place/Distribution

The channel or method used to deliver the service.

- *Example:* The physical campus location, the online learning management system (LMS), and potentially partnerships with international satellite campuses or local outreach centers.

4.5 People

All human actors who play a part in service delivery and thus influence the buyer's perceptions (employees, the customer themselves, and other customers).

- *Example:* The expertise and engagement of the faculty, the courtesy and efficiency of the administrative staff, and the quality of the student peers (which enriches classroom discussion).

4.6 Process

The procedures, mechanisms, and flow of activities by which the service is delivered.

- *Example:* The efficiency of the online application and admissions process, the speed of grade reporting, and the streamlined course registration system.

4.7 Physical Evidence

The environment in which the service is delivered and where the firm and customer interact, and any tangible elements that facilitate the performance or communication of the service.

- *Example:* The modern design of lecture halls and labs, the cleanliness of the cafeteria, the professionalism of the course catalogue, and the official seal on the diploma (a tangible reminder of the intangible service).

5. MANAGING SERVICE DIFFERENTIATION

To stand out in a competitive market, a service firm must differentiate itself from competitors based on something the customer values.

5.1 Offer (What is offered)

- *Example:* Differentiating the *core offer* by creating a unique, highly specialized curriculum (e.g., a dual degree in AI and Business Ethics) that no other competitor offers.

5.2 Delivery (How it is offered)

- *Example:* Differentiating the *delivery* by ensuring tiny class sizes with a 5:1 student-to-faculty ratio, guaranteeing personalized one-on-one mentorship for every student.

5.3 Image (How it is perceived)

- *Example:* Differentiating the *image* by constantly promoting the fact that the university is ranked #1 globally for job placement in a key industry, fostering a perception of superior outcomes.

6. MANAGING SERVICE QUALITY

High service quality is critical for building loyalty and is often defined by five dimensions (Reliability, Assurance, Tangibles, Empathy, Responsiveness—RATER).

6.1 Strategic Concept

Quality must be embedded in the company's mission.

- *Example:* The university's mission statement explicitly commits to "delivering transformative, industry-relevant education that exceeds student and employer expectations."

6.2 Commitment of the Top Management

Quality starts at the top and must be driven by senior leadership.

- *Example:* The Dean and President spend \$1 million annually on faculty development and personally review every poor student satisfaction score to hold faculty accountable.

6.3 High Standards

Establishing measurable standards for service performance.

- *Example:* Setting a service standard that "all administrative queries must be resolved within 4 hours" and mandating that faculty maintain a minimum of 90% satisfaction on student feedback surveys.

6.4 Monitoring Systems

Regularly measuring customer satisfaction and service performance gaps.

- *Example:* Implementing bi-weekly student pulse surveys for every course and using mystery shoppers (or auditors) to test the efficiency of the admissions and registration processes.

6.5 Customer Complaints

Having effective systems to resolve complaints quickly and fairly, as successful recovery can lead to higher loyalty than if the failure never occurred.

- *Example:* Establishing a dedicated Student Grievance Cell and a clear, three-step, time-bound process for academic appeals.

6.6 Satisfying Employees

High-quality service delivery requires motivated, trained employees.

- *Example:* Offering competitive salaries, providing research grants, and ensuring a positive, low-stress work environment for all faculty and administrative staff.

7. MANAGING PRODUCTIVITY

Finding ways to improve efficiency without sacrificing the perceived quality of the service.

- *Example:* Using AI-driven tutoring software for routine queries to free up professors' time for complex mentorship (efficiency gain) while maintaining personalized support (quality maintenance). Another method is offering large introductory courses online to reach more students (scale) while keeping advanced, specialized seminars small (quality).

8. PRODUCT SUPPORT SERVICE MANAGEMENT

Services provided to support the primary product or service, often extending beyond the core transaction.

- *Example:* Providing lifelong career guidance to alumni, offering exclusive networking events for graduates, and allowing alumni to audit new courses for free five years after graduation. This increases the total value of the "product" (the degree) over time.