

BALAJI INSTITUTE OF I.T AND MANAGEMENT KADAPA

SERVICES MARKETING
(17E00404)

ICET CODE: BIMK

2nd Internal Exam Syllabus

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Name of the Faculty: **S. KARREMULLAH HASSAN**

Units covered : **2.5 to 5 Units (2nd Internal Syllabus)**

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(Elective V)

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- Service sector Management, C.Bhattacharjee, and Jaico.

UNIT-III**PRICING & PROMOTION STRATEGIES FOR SERVICES****5. PUTTING SERVICE PRICING STRATEGY INTO PRACTICE:****FACTORS CONSIDERED IN DEVELOPING SERVICE PRICING STRATEGIES:**

To put services pricing into practice, service marketers need to consider several points to have a well thought out pricing strategy. These points are as follows:

1. **TOTAL AMOUNT OF PRICING**: Realistic decisions on pricing are critical for financial health. The task begins with determining the relevant costs, which set the relevant “floor” price. The second step is to establish a “ceiling” price for specific market segments. This involves assessing market sensitivity to different prices, which reflects both the overall value of the service to prospective customers and their ability to pay. Competitive prices provide a third input.
2. **BASIS FOR PRICING**: To set a price, managers must define the unit of service consumption. Basis of pricing may include :
 - i) Completing a specific service task, such as repairing a piece of equipment.
 - ii) Cleaning a jacket, or cutting a customer’s hair.
 - iii) Entry to a service performance, such as a conference, films, concert, or sports event.
 - iv) Using an hour of a lawyer’s time,
 - v) Occupying a hotel room for a night, or
 - vi) Renting a car for a week.
- i) **PRICE BUNDLING**: - Some products require a mixture of tangible and intangible elements. Many hospitals and restaurants fall in the middle of the continuum because they rely on expensive equipment or facilities and skilled personnel to deliver a product.

- ii) **DISCOUNTING**: - To attract the attention of prospective buyers or to boost sales during a period of low demand, firms may discount their prices, often publicizing this price cut with coupons or an advertising campaign.
- iii) **COLLECTION OF PAYMENT**: Sometimes firms choose to delegate provision of supplementary services like billing to an intermediary. Although the original supplier pays a commission, using a third party may still be cheaper and more efficient than performing those tasks itself.
- iv) **PLACE OF PAYMENT**: Payment for many services is collected at the service facility just before or immediately following service delivery.
- v) **TIMING OF PAYMENT**: Two basic options are to ask customers to pay in advance (e.g., an admission charge, airline ticket, or postage stamps), or to bill them on completion of service delivery (e.g., restaurant bills and repair charges).
- vi) **MODE OF PAYMENT**: Service businesses must decide on the types of payments they will accept. Although cash is a simple payment method, it raises security problems and is not always convenient for customers (especially for large purchases).
- vii) **COMMUNICATING PRICES TO THE TARGET MARKETS**: - The final task is to decide how the organization's pricing policies can best be communicated to its target markets. People need to know the price for some product offerings well in advance of purchase.

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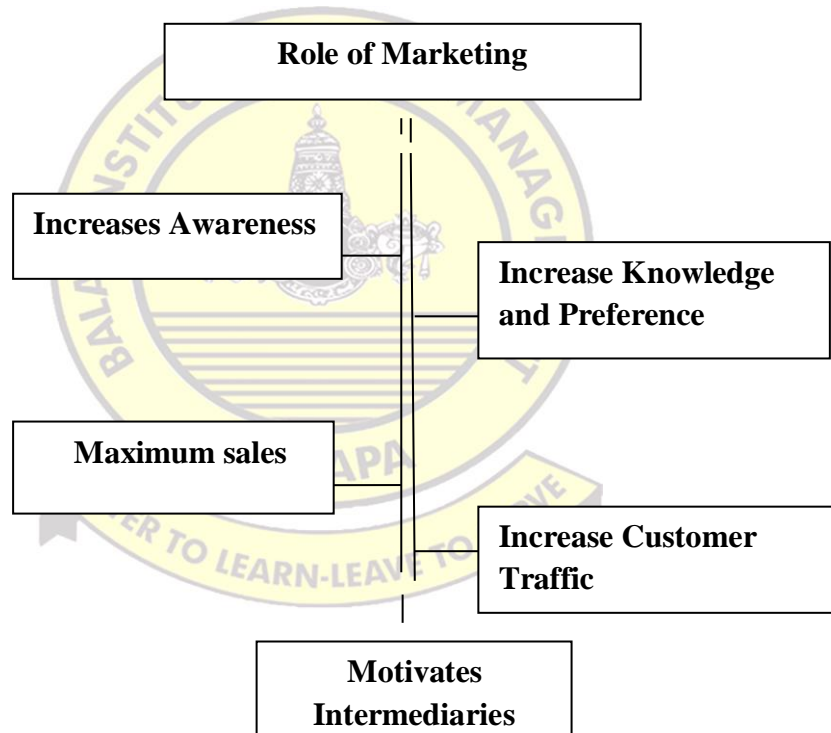
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UNIT-IV

SERVICE PROMOTION

1. ROLE OF MARKETING COMMUNICATION:

Strategies for engaging consumers and influencing how they think, feel, and act toward a brand or market offering through the use of communications. The role of marketing communication in communicating value to customers in target market can be explained with following points:



1. INCREASES AWARENESS:

If the product or service is new, or marketer wants to introduce it to a new potential customer base, promotion is a key.

2. INCREASE KNOWLEDGE AND PREFERENCE:

Just because consumers know about the service, doesn't mean they'll avail or hire it. Even if consumers get the services near them consumers may not hire it if they are unfamiliar with it.

3. MAXIMIZES SALES:

Ultimately, the measurement of successful promotion is whether or not the promotion increased sales. Increasing awareness of a product or service is of little value if one doesn't get consumers to act.

4. INCREASE CUSTOMER TRAFFIC:

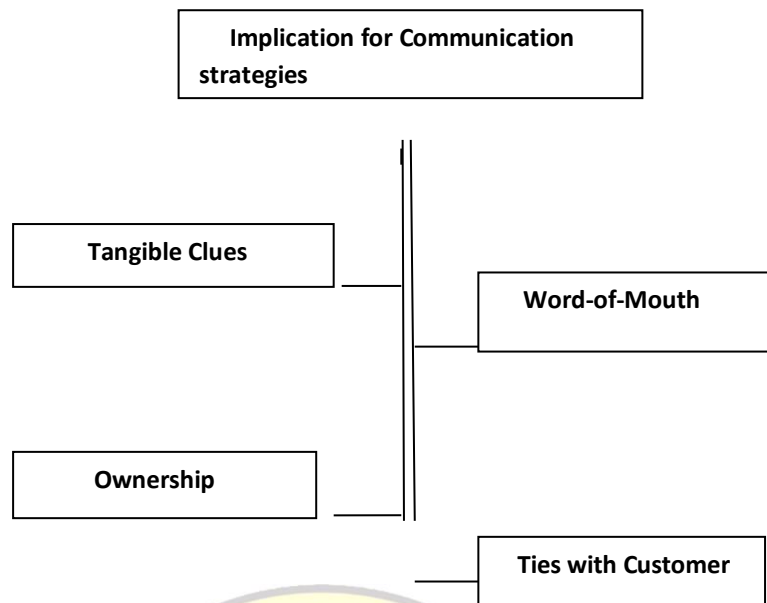
Beauty salons, movie theatres, etc (are) use promotions such as frequency programs to increase customer traffic. a frequency program promotion is designed to reward people the more they visit and spend with a retailer.

5. MOTIVATES INTERMEDIARIES:

Intermediaries play a very significant role in promoting services in service's marketing. The service firms many a times carry out promotional campaigns to motivate the intermediaries and promote their service facilities to gain better customer patronage of the service delivery points. It is always should be noticed that the clear, the more interesting, and the more convincing the marketing communication is, the more influence it will have on the customers to take positive action, which will positively affect the revenue and deliver expected level of customer value.

2. IMPLICATION FOR COMMUNICATION STRATEGIES:

Service communication has following implications that must be taken care of in the promotion context:



1. TANGIBLE CLUES:

The service customer looks for tangible clues. As goods are tangible and palpable, they can be seen, touched, felt, smelt and tasted prior to purchase. The good's tangibility facilitates customer's search and evaluation process. There exists considerable tangible evidence to arrive at an opinion about a service. In case of service, the intangible nature of the product does not supply the prospects with various product –related dimensions. To compensate for this, the service customer looks for tangible clues associated with the service such that a pre-purchase choice is facilitated.

2. WORD-OF-MOUTH:

A service customer looks for advice from prior users of the service. Services are generally high on experience qualities, i.e., the attributes which can be discerned after purchase or consumption.

3. OWNERSHIP:

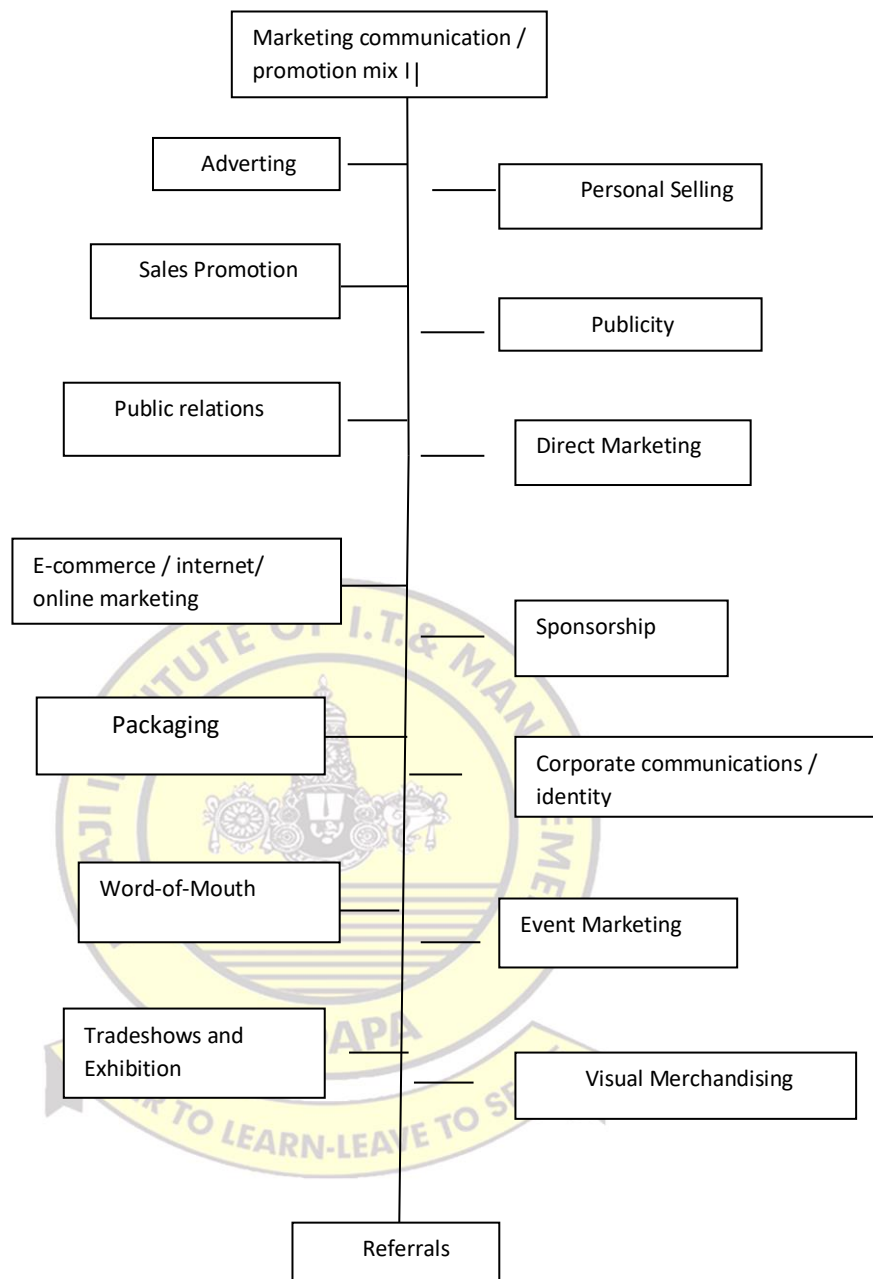
Unlike goods, services are not owned. They are consumed or experienced. A customer may have access to a hotel room, club, bank or a (seat) in a classroom but he or she cannot physically possess the service.

4. TIES WITH CUSTOMER:

Service invariably involves building ties with the service-provider. In case of professionals like lawyers physicians, dentists and consultants, the buyer likes to meet the service provider. Meeting has the effect of confidence enhancement. Through this process, the customer wants to reduce the risk of the unknown generally involved in service purchases. It is a way of satisfying one's anxiety about the quality of service that lies on store.

3. MARKETING COMMUNICATION / PROMOTION MIX:

Integrated marketing communication is integration of all marketing tools, approaches, and resources within a company which maximizes impact on consumer mind and which results into maximum profit at minimum cost. Generally, marketing starts form "Marketing Mix". Promotion is one element of marketing mix. Promotional activities include advertising (by using different media), sales promotion (sales and trades promotion), and personal selling activities. It also includes internet marketing, sponsorship marketing, direct marketing, database marketing and public relations. And integration of all these promotional tools along with other components of marketing mix to gain edge over competitor is called integrated marketing communication.



1. ADVERTISING: Advertising includes any information or persuasive message carried by a non-personal medium and paid for by a sponsor whose product or service is in some way identified in the message.

2. PERSONAL SELLING: Personal Selling is a person-to-person dialogue between buyer and seller.

3. SALES PROMOTION: Sales Promotion includes techniques that stimulate demand in a market during a short period and has measured responses.

4. PUBLICITY: Publicity is a non-personal not paid stimulation of demand of the products or services or business units by planting commercially significant news or editorial comment in the print media or by obtaining a favorable presentation of it upon radio, television or stage.

5. PUBLIC RELATIONS: Most firms in today's environment are not only concerned to customers, suppliers and dealers but also concerned about the effect of their actions on people outside their target markets.

6. DIRECT MARKETING: In direct marketing, organizations communicate directly with target customer to generate a response and / or a transaction.

7. E-COMMERCE / INTERNET / ONLINE MARKETING: As the new millennium, begins we are experiencing perhaps the most dynamic and revolutionary changes of any era in the history of marketing, as well as advertising and promotion.

8. SPONSORSHIP : Sponsorship can be defined as “ an investment in (which) cash or kind in an activity, in return for access to the exploitable commercial potential associated with this activity.”

9. PACKAGING: Packaging plays major role with regard to physical evidence. It is not just required for functional reasons but also to add value to the service and create a positive image.

10. CORPORATE COMMUNICATIONS / IDENTITY: Corporate identity can change the market conditions for a company. It is a symbolic, visual system that embraces everything from the company logo and signage, to its brochures, advertising and even the company's website.

11. WORD-OF-MOUTH: Of course, an organization's image can be projected through channels other than the formal communication process.

12. EVENT MARKETING: Special events combine many IMC tools like advertising, sales promotion, public relations, etc., in linking the brand to a specific event.

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UNIT-5

MARKETING PLANS FOR SERVICES

1.MARKETING PLANNING AND SERVICES:

INTRODUCTION:

Marketing plan or planning is a part of the process of overall planning of a business and industrial enterprise. Marketing planning includes sales forecasting, determination of marketing objectives, and the formulation of marketing programs and policies for the achievement of these objectives.

Marketing planning is a part of overall managerial planning that decides future actions and plans for marketing functions in the present. Policies and programs are prepared in advance for carrying out the functions and activities of marketing in order to attain the marketing aims.

Marketing planning is done by the marketing department. Various sub-divisions or sections under the marketing department submit their proposals to the marketing department and then the marketing department prepares the plan for the whole marketing division.

According to STEPHEN MORSE, “Marketing planning is concerned with the identification of resources that are available and their allocation to meet specified objectives”.

CHARACTERISTICS OF SERVICES MARKETING PLANNING:

1. Formal and Systematic Approach:

Marketing planning is a formal and systematic approach towards planning of all marketing activities- product positioning, price setting and distribution channels etc.,

2. Rational Activity:

Marketing planning, as a rational, requires thinking, imagination and foresight.

3. Forward-Looking:

Marketing planning is a forward-looking and dynamic process designed to promote market-oriented or consumer-oriented business actions.

4. Optimistic and Pessimistic component:

Planning is concerned with two things: (a) Avoiding incorrect actions and, (b) Reducing frequency of failure to exploit opportunities.

5. Decision-making process:

Planning is basically a decision-making process. Marketing planning is a program of marketing-based actions regarding the future with the object of minimizing risk and uncertainty and producing a set of interrelated decisions.

6. Marketing Department:

Marketing planning is done by the marketing department. Various sub-divisions and sections under the department submit their proposals based on which the overall company marketing plans are developed and designed.

2. ELEMENTS OF SERVICES MARKETING PLANNING:

Marketing planning involves setting of objectives and making plans for these objectives can be achieved. It involves deciding the policies, strategies, procedures, programmers, schedule and budget. The marketing planning has the following elements:

1. Setting of Objectives:

Objectives are the (deals) ends which an organization wants to achieve through various means. It is the responsibility of the marketing executive not only to set objectives but also to explain them very clearly (stated and specific) to the other members of the organization.

2. Strategies:

A strategy is a gamesmanship or an administrative course of action designed to achieve success.

3. Policy:

Policies are the guidelines for achieving the set objectives of the firm. The policies guide the manager and subordinates of the company as what is to be done.

4. Procedure:

Procedure serves as guidelines to the actual marketing activity.

5. Programme:

A programme is a concrete scheme of action designed to accomplish a given task. A well conceived programme covers all actions needed to achieve a specific goal and it shows who does what and when.

6. Schedule:

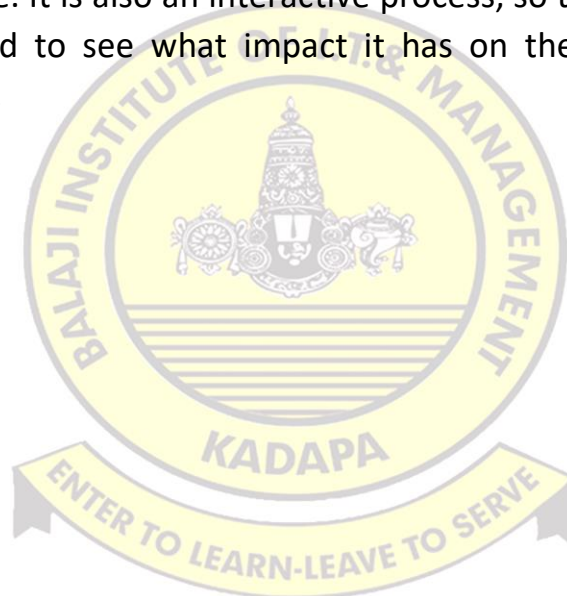
A schedule specifies time limits within activities are to be completed. Scheduling is the process of establishing a time sequence for the work to be done.

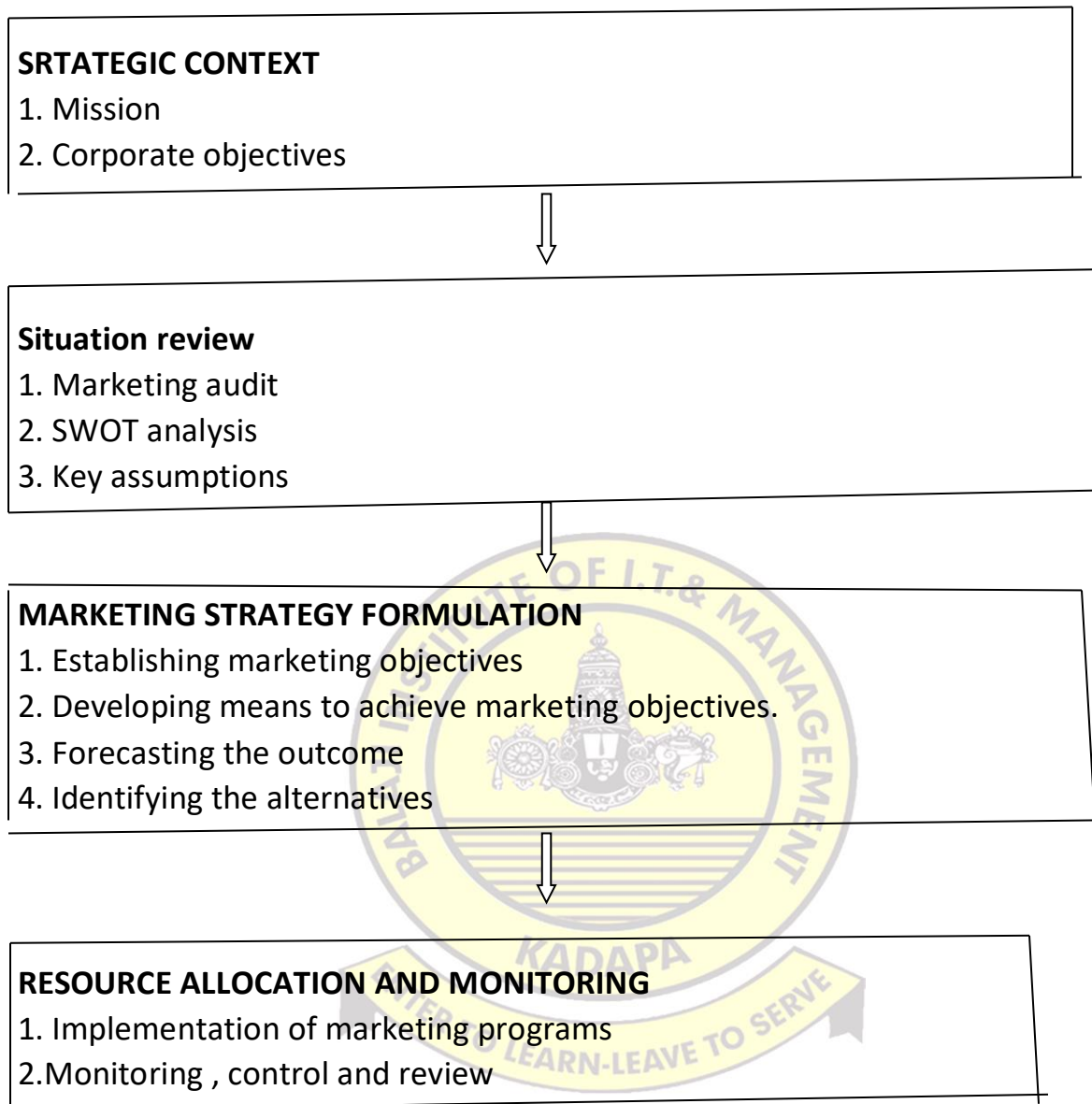
7. Budget:

A budget is a statement of expected results expressed in numerical terms for a definite period of time in the future.

3. MARKETING PLANNING PROCESS:

In most organizations, "strategic planning" is an annual process, typically just the year ahead. Occasionally, a few organizations may look at a practical plan which stretches three or more years ahead. To be most effective, the plan has to be formalized, usually in written form, as a formal 'marketing plan'. The essence of the process is that it moves from the general to the specific, from the overall objectives of the organization down to the individual action plan for a part of one marketing programme. It is also an interactive process, so that the draft output of each stage is checked to see what impact it has on the earlier stages and is amended accordingly.

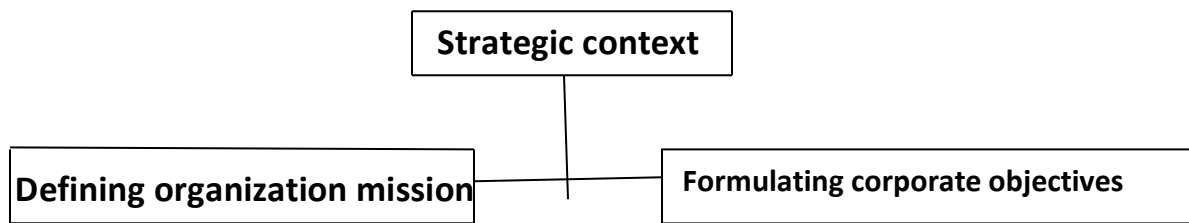




Marketing planning process

4. STRATEGIC CONTEXT:

The first phase in marketing planning process is establishing strategic context which includes defining the mission statement and corporate OBJECTIVE. Marketing strategies of the organization should be based on those mission and objectives in order to help in achieving it successfully. Without a clear understanding of the organization mission and objectives, marketing activities cannot be co-ordinated and implemented successfully. Establishing strategic context involves two aspects as shown in below:



1. DESIGNING ORGANIZATION MISSION:

Every organization requires defining the purpose for which it is existing. What business they are in and who their customers are. The corporate mission defines the basis on which the entire business is carried out and also where it is 'ignoring' in the future. These mission statements are also called the vision statement or corporate philosophy service managers need to define their business in terms of the needs they fulfill rather than the products they produce. This gives a broader-framework within which the objectives are set. A well-defined mission statement helps to channelize the efforts of the employees. This will be helpful in building internal marketing the key to success of service-firm.

For example, accounting firms define their business as providing "business solutions" rather than just providing "accounting services". The mission statement should reveal the following;

- i. Purpose:** The reason for the existence of the organization.
- ii. Strategy:** The nature of the business and the achievement of competitive advantage.
- iii. Standards and Behavior:** Norms and rules about how things are done.
- iv. Values:** The beliefs and principles that lie behind the standards.

The key issues that need to be considered while writing out the mission statements are;

- i. To understand that the business of the service organization.
- ii. The mission statements must be broadly defined.
- iii. The audience for the mission statement should be considered carefully.
- iv. To must market oriented rather than service oriented.

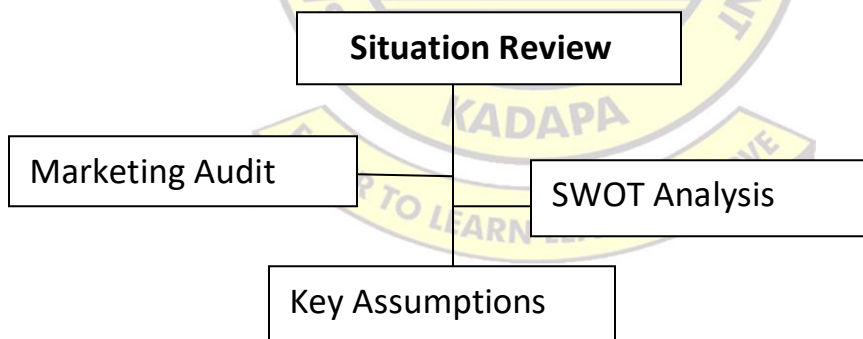
v. Should be unique to the service firm.

2. CORPORATE GOALS AND OBJECTIVES:

After finalizing the mission statement, the organization should formulate its corporate goals and objectives. These objectives should be in alignment with the corporate mission and should, in fact, act as scales to measure the organization's progress towards achieving its mission. The objectives should be established in different management areas like customer service, innovation, and quality, profitability, employee performance, social responsibility, revenues, market share etc., Establishing clear and quantifiable corporate goals enables the management to set clear and quantifiable functional goals too (finance, marketing, production etc.,). This helps the management monitor the performance of the organization closely, and take corrective steps wherever necessary.

5. SITUATION REVIEW:

After establishing the mission and corporate goals, the management should next analyze the internal and external environments of the organization. The external environment forces include competition in the market, social and economic conditions and, political and legal factors.

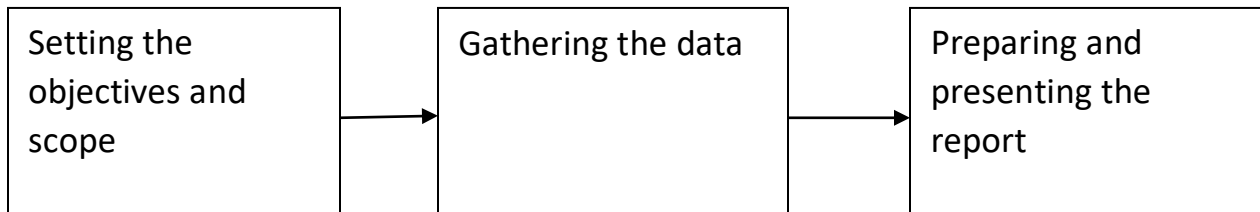


1. MARKETING AUDIT:

A marketing audit is a formal and systematic review of the executed marketing strategy and plan. It may take the form of an external audit by independent experts or an internal audit by members of the marketing organization.

2. MARKETING AUDIT PROCESS:

How is a marketing audit performed? Marketing auditing follows the simple three-step procedure.



Steps in a Marketing Audit

i. SETTING THE OBJECTIVES AND SCOPE:

The first step calls for a meeting between the company officer(s) and a potential auditor to explore the nature of the marketing operations and the potential value of a marketing audit.

ii. GATHERING THE DATA:

The bulk of an auditor's time is spent in gathering data. Although we talk of a single auditor, an auditing team is usually involved when the project is large.

iii. PREPARING AND PRESENTING THE REPORT:

The marketing auditor will be developing tentative conclusions as the data comes on. It is a sound procedure for him to meet once or twice with the company officer before the data collection ends to outline some initial findings to see what reactions and suggestions they produce.

2. SWOT Analysis:

Service providers should use the information marketing audit, to evaluate their strengths and weaknesses and identify the threats and opportunities in the market. The most popularly used analysis for relating organizational factors with environmental factors in order to develop a strategic fit between them is SWOT analysis. The letters S and W represent 'strengths' and 'weaknesses' of the organization. The letters O and T represents 'opportunities' and 'threats' that are existing or likely to emerge in the environment in relation to the organization.

A SWOT should:

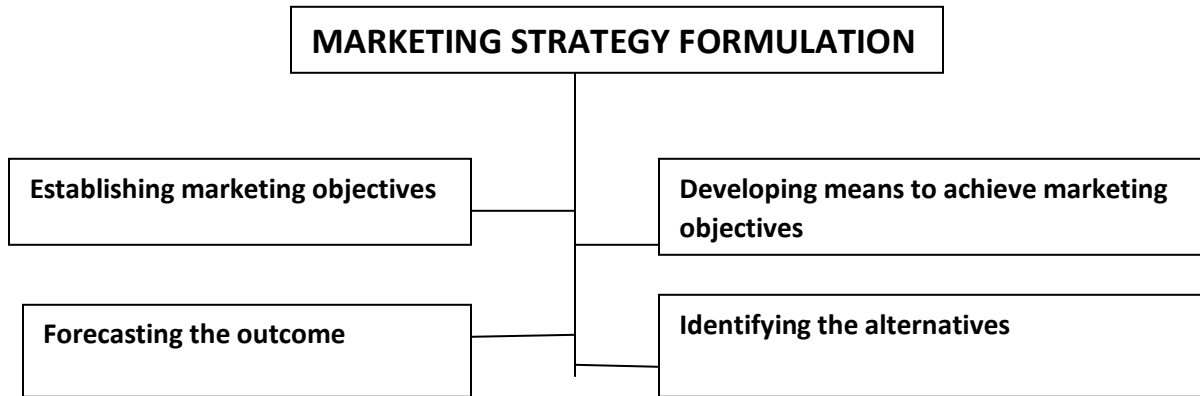
- i. Be focused on each specific segment of crucial importance the organization's future.
- ii. Be a summary emanating from the marketing audit.
- iii. Be brief interesting and concise.
- iv. Focus on key factors only
- v. List differential strengths and weakness vis-à-vis competitors, focusing on competitive advantage.
- vi. List key external opportunities and threats only.
- vii. Identify and pin down the real issues.
- viii. Enable the reader to group instantly the main thrust of the business, even to the point of writing marketing objectives.
- ix. Follow the implied questions "which means that?" to get the real implications.
- x. Not overabbreviate.

3. KEY ASSUMPTIONS:

Organizations need to make some assumptions regarding a few key factors that influence the success of marketing efforts. These assumptions are essential for formulating an effective marketing strategy.

6. MARKETING STRATEGY FORMULATION:

In the formulation of a strategy, it is necessary to take into consideration the full set of commitments, decisions and actions required for a firm to achieve strategic competitiveness. The SWOT analysis provides necessary strategic inputs for effective strategic formulation and implementation. A company's competitive strategy consists of the business approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position.



1. ESTABLISHING MARKETING OBJECTIVES:

The marketing objectives of a service organization or for that matter any (service) organization should be in alignment with the corporate objectives.

2. DEVELOPING MEANS TO ACHIEVE MARKETING OBJECTIVES:

After setting marketing objectives, the management needs to specify the ways and means of achieving them. These ways and means constitute the marketing strategies.

3. FORECASTING THE OUTCOME:

Services cannot be stored for future consumption and use. The perishable nature of service emphasizes the importance for the service provider to forecast demand.

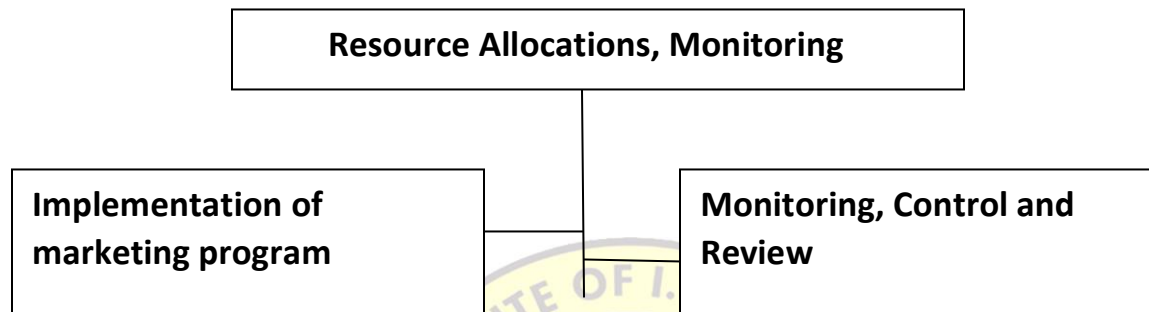
4. IDENTIFYING THE ALTERNATIVES:

Before implementing any marketing strategy, it should be tested for its ability to deliver the desired results. If the strategy seems to have any flaws, it should be withdrawn immediately, before it causes any damage. The management should also look for alternative strategies simultaneously.

In the marketing strategy, managers should also accommodate plans to deal with contingencies like a sudden fall in demand, changes in economy, technology etc., sometimes irrespective of the extensive planning and care-taken in the implementation of a strategy. The actual outcome may deviate from the expected outcome. Managers should observe any such deviations from the expected results, investigate the reasons, (the) and take appropriate steps to avoid them in future.

7. RESOURCE ALLOCATIONS, MONITORING & DETAILED PLANNING:

This is the last step in the marketing planning after the strategies are formulated. The strategic marketing plan gives only a broad outline of the objectives, to strategies to be adopted and the resources to be allocated to achieve the objectives.

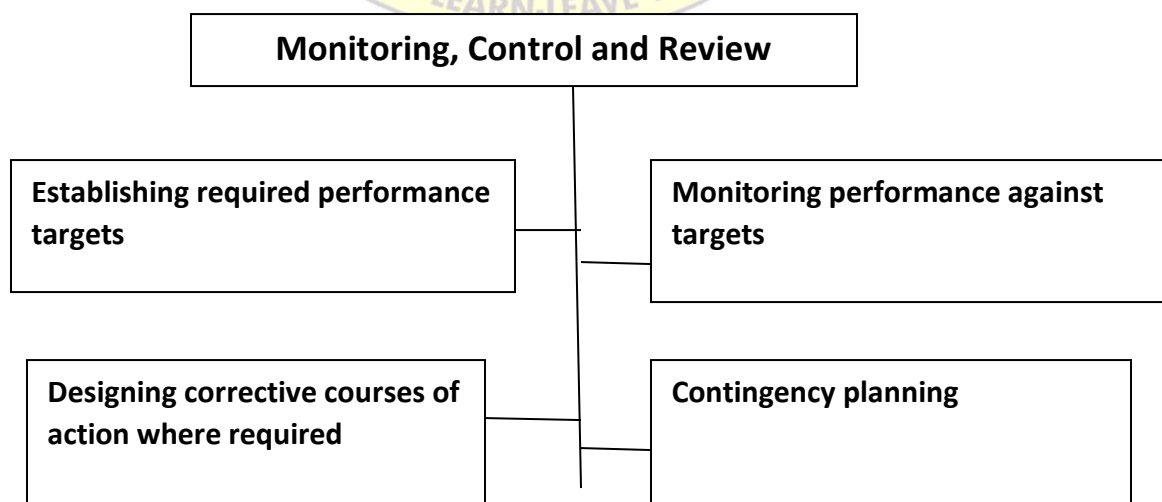


1. Identification of marketing program:

The development of a good marketing strategy alone does not yield results. Implementation of the strategy is equally important. Strategies like a blueprint indicate various course of action to achieve desired objectives.

2. Monitoring, control and Review:

The last stage in the marketing planning process sets in place control techniques for monitoring the plan's performance.



1. ESTABLISHED REQUIRED PERFORMANCE TARGETS:

Targets are derived from the marketing objectives set down in response to corporate objectives. They should:

- (a) Indicate clearly required levels of individual performance.
- (b) Allocate responsibility for individual achievement to the appropriate persons.
- (c) Delineate clearly between areas of individual responsibility for which individuals have control and uncontrollable factors which should be executed from that individual's required targets.
- (d) Be prioritized and ensure they are feasible and compatible.
- (e) Have some built-in flexibility in order to respond proactively to changes in the organization's environment.

III. DESIGNING CORRECTIVE COURSES OF ACTION WHERE REQUIRED:

The purpose of an effective monitoring system is to identify areas of shortfall between actual performance and targets quickly and deal with problem areas promptly.

IV. CONTINGENCY PLANNING:

This is designed to focus management thinking on alternative courses of action which can be taken when expected situations arise which make the designated action program, or parts of it, unworkable.

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