



## THE CHALLENGE OF SERVICES MARKETING IN THE CONTEXT OF EMERGING GLOBAL SERVICE ECONOMY

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### ABSTRACT

Given the intangibility of service, marketing them becomes a particularly challenging and yet extremely important task. Due to the increasing homogeneity in product offerings the attendant services proving are emerging as key differentiator in the mind of the consumers. This paper presents a conceptual frame work summarizing the exclusive characteristics of services, the challenges occurs from these characteristics and strategies suggested as appropriate to conquer the issues. Today almost every service organization is facing the marketing challenges in global service economy due to the basic characteristics of services. Most of the studies focus on comparing differences in buyer characteristics and only few compare how goods and services relate to their markets based on these differences. Even the literature, providing marketing implication arising out of the goods-services distinction and suggesting marketing strategies, suffers from certain drawbacks. The services marketing literature doesn't uncover the most critical problems facing most service firms today. This paper is a pure academic attempt to uncover these critical problems faced by many firm today.

**KEYWORDS** : services marketing, Intangibility, Inseparability, Heterogeneity, Perishability and consumers.

**Introduction of services marketing:** services are economic activities offered by one party to another. Often time-based, performances bring about desired results to recipients, objects, or other assets for which purchasers have responsibility. In exchange for money, time and effort, service customers expect value from access to goods, labor, professional skills, facilities, networks, and systems; but they do not normally take ownership of any of the physical elements involved.

Quin, Baruch and Paquette (1987) defined services to include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser. A service is thus a type of economic activity that is intangible, is not stored and does not result in ownership. A service is consumed at the point of sale. Services are one of the two key components of economics, the other being goods. The basic characteristics of services are encapsulated into intangibility, inseparability of production and consumption, heterogeneity, and perishability.

**2. Definitions of service:** "A service may be defined as a change in the condition of a person, or of a good belonging to some economic unit, which is brought about as the result of the activity of some other economic unit, with the prior agreement of the former person or economic unit." (Hill, 1977). "Any purchase of services by an economic agent B (whether an individual or organization) would, therefore, be the purchase from organization A of the right to use, generally for a specified period, a technical and human capacity owned or controlled by A in order to produce useful effects on agent B or on goods C owned by agent B or for which he or she is responsible." (Gadrey, 1992). "An elementary service is the result or the output of the servuction system, in other words, the result of an interaction between physical support, personnel and customer." (Eiglier & Langeard, 1975). As explained by Scheneider(2000), the fundamental archetype in services marketing since the 1980 s has been that services are different from goods, a assert supported by an in-depth literature review (Fisk, Brown and Bitner, 1993), who concluded that [four] features- intangibility, inseparability, heterogeneity, and perishability- provided the underpinnings for the case that services marketing is field separate from goods marketing. Shostack's (1977) work gives impetus to the discussion that services marketing is unique. Gronroos, (1978); Gummesson, (1979) Berry (1980) and Lovelock (1981) explained that a special management approach is essential for services marketing efforts. Intangibility is not only the most common difference between goods and services but also has been described as the serious distinction from which all other differences come out (Bateson,

1979). Bateson tracked the difference between physical intangibility, that which is unreal or cannot be touched and mental intangibility, that which cannot be grasped mentally. Intangibility of services holds the challenge of storing service and protecting new services through patents. Also because of the characteristics of intangibility, services cannot be willingly displayed or easily communicated and pricing decisions also become hard. Services are parallel produced and consumed (Inseparability) and the client is present in the production process that makes mass production very difficult. The excellence of service and customer fulfillment depends on what happens in "real time" including action of employees and interactions between employees and customers (Bitner, 1996)". Because the customer must be present during the production of many services, inseparability forces the buyer into close contact with the production process (Carmen and Langeard, 1980; Norman and Ramirez, 1993). Inseparability moreover means that the producer and the seller are the same entity, making only direct distribution possible in most cases (Upah, 1980) and causing marketing and production to be highly interactive (Grönroos, 1978).

### 3. Service Marketing

Services marketing relates to the marketing of services, as opposed to tangible products. Proper marketing of services contributes substantially to the process of socio-economic development.

#### 3.4 Characteristics of Service Marketing

The rationale for a separate treatment of services marketing centers on the existence of a number of characteristics of services which are consistently cited in the literature: intangibility, inseparability of production and consumption, heterogeneity, and perishability.

**Intangibility:** The fundamental difference universally cited by Bateson (1995); and Lovelock, (1999) is intangibility. This is true because services are performances, rather than objects, they cannot be seen, felt, tasted, or touched in the same manner in which goods can be sensed. Intangibility is the critical goods-services distinction from which all other differences emerge.

**Inseparability:** Inseparability of production and consumption involves the simultaneous production and consumption which characterizes most services. Whereas goods are first produced, then sold and then consumed, services are first sold, then produced and consumed simultaneously (Zeithaml, Bitner & Gremler, 2006)). Since the customer must be present during the production of many services (haircuts, airplane trips), inseparability "forces the buyer into intimate contact with the production process". Inseparability also means that the producer and the seller are the same entity, making only direct distribution possible in most cases thus causing marketing and production to be highly interactive.

**Heterogeneity:** Heterogeneity concerns the potential for high variability in the performance of services. The quality and essence of a service (a medical examination, car rental, and restaurant meal) can vary from producer to producer, from customer to customer, and from day to day. Heterogeneity in service output is a particular problem for labor intensive services. Many different employees may be in contact with an individual customer, raising a problem of consistency of behavior. Service performance from the same individual may also differ.

**Perishability:** Perishability means that services cannot be saved (Bessom & Jackson 1975, Thomas, 1978 cited in Zeithaml et al (2006). Motel rooms not occupied, airline seats not purchased, and telephone line capacity not used cannot be reclaimed. Because services are performances frequently that cannot be stored, services businesses frequently find it difficult to synchronize supply and demand. Sometimes too much demand exists (a popular restaurant on a Saturday night) and sometimes too little demand exists (an income tax service in the summer). The literature suggests that each unique characteristic of services leads to specific problems for service marketers and necessitate special strategies for dealing with them.

#### 4. Challenges of Services marketing in a Global economy

Linton (2014) opined that service firms face different challenges than companies that market physical products. Service firms are marketing something intangible that the customer cannot experience until the firm has delivered it. While some aspects of service marketing are similar to those of product marketing, the service sector needs to place special emphasis on adding value, differentiation and specialization.

Service value is the extent to which a service is perceived by its customer to meet his or her needs or wants, measured by customer's willingness to pay for it. A service firm must demonstrate value to customers and prospects. Services such as accountancy, computer maintenance and insurance are essential to the efficient day-to-day operations of a business. However, services such as marketing, training or consultancy are more peripheral. Service firms have to demonstrate that those services can add value to the customer's business. Training, for example, can improve the productivity and performance of the workforce. A firm may also need to show that marketing services can improve a company's competitive advantage. Or that consultancy can help a company improve its operations and profitability.

#### Service Development

Development costs for service firms are high compared to those of a product company. Service firms cannot keep standard services in stock or take advantage of economies of scale. They must create a new version of a service for each assignment, customized to the needs of individual customers. To create a service, a representative discusses the customer's requirements, prepares a service specification for the customer's approval and brings together the elements needed to deliver the service.

#### Competition

Competition for service firms is both direct and indirect. Direct competitors include other service businesses offering similar services and manufacturers who provide services that support their products. A firm offering computer maintenance services, for example, faces competition from other maintenance firms as well as the service divisions of computer manufacturers. Service firms also face a form of indirect competition from customers who provide services from their own internal resources. To persuade customers to outsource their operations, service firms must demonstrate that their offering is both superior and cost effective.

#### 5. Function of Services in Economy

There is a rising market for services and increasing supremacy of services in economies worldwide. Services are a dominant force in countries around the world as can be seen in the global feature. The

marvelous growth and economic contributions of the service sector have pinched increasing attention to the issues and problems of service sector industries. There was a time when it was believed that the industrial revolution was the only solution to the problems of poverty, unemployment and other ills of society. Now, however, the service sector promises to fulfill the task. Services stroke the lives of every person every day whether it is in the field of food services, communication, leisure services, maintenance services, travel, amusement parks, to name only a few. Services are gradually more being used by the corporate as well as the household sector. This prominence on services and its increasing use has not happened overnight - it started in the twentieth century especially after the end of World War II. Due to large scale obliteration during the war, a lot of economic activities had to be carried out to bring the war torn economies back on road. After Green Revolution and Industrial revolution, the next possible popular revolution will be in the field of service sector. In Green revolution the man learnt to use, exploit and interact with nature (i.e., land and natural resources).

#### 6. Findings

In the course of this research the following findings were made.

i. The unique characteristics of services are in themselves challenges to the marketing of such services. Such characteristics like intangibility, perishability, heterogeneity, inseparability nature of the service;

ii. Strategies that can be employed to overcome some of these challenges include the application of the extended marketing mix which highlights the fact that the traditional 4Ps (Product, Price, Place, Promotion) of marketing, while sufficient in product marketing are inadequate in successfully marketing a service. Thus an additional 3Ps (People, Physical evidence and Processes) will provide the optimal mix of strategic variables to overcome the challenges of services marketing;

iii. In today's world, business activities are directly or indirectly influenced by the phenomenon of globalization. With the world becoming a global village, certain features such as collapsing of trade boundaries, globally standardized products, free mobility of resources (human and material) and different cultural, economic, legal and regulatory factors define the global business space;

iv. Marketing services, aside from the typical challenges resultant from the attributes of services, also have peculiar challenges occasioned by globalization. These include creating unique value, developing unique services, facing competition from other industry operators and the challenge of differentiating your firm in the face of similarities from competitors.

#### 7. Conclusion

A wide definition of services implies that it is originally intangible and comparatively quickly perishable activities whose buying takes place in a process of interaction intended at creating customer satisfaction, but during this interactive consumption it does not always lead to material possession. Services have five unique characteristics that are not found in goods, i.e. intangibility, inseparability, variability, perishability and ownership. The intangibility characteristic of services seems to be the leading one in the definition of services. These unique characteristics create frequent challenges for service marketers to draw new customers and hold current customers. The service marketing triangle and the service mix are but two concepts used to address the challenges of service marketing. The service marketing triangle focuses on three marketing processes that need to be successfully carried out to ensure service success. The success of services relies on the success of the communication between service providers and customers. Customers distinguish services in terms of service quality, customer satisfaction and value. Very few organizations have succeeded without taking customer needs into concern. Individual customers have individual expectations of services. From the customers point of view the interaction with the service provider is the most vivid impression they have of the service quality therefore the initial

communication of customers with the service employees can be decisive for the organization in any repeat purchase and in achieving a reputation for better quality.

## 8. Recommendations

It is predictable that globalization has become the standard in the service industry. This is evidenced by a growing number of businesses that a service firm operates in more than one country. Those have since evolved their business practices. The changes in the world economy and business practices have determined the focus on service: the fact that services dominate the modern economies of the world; the center on services as competitive business crucial; specific needs of the deregulated and proficient service industries; the role of new service concepts increasing from technological advances; and the understanding that the unique characteristics of services result in unique challenges and opportunities. A service provider has to adjust to ever changing world economy, identify challenges, distinguish among pure services, value-added services, customer services, derived services and suitably address these service sectors.

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