

## SERVICE SECTOR MARKETING

### **1.0 Introduction**

According to Shostack (1977), "Breaking Free from Product Marketing" required further research interest in services. The researcher further argues that the traditional marketing

and management theories do not provide relevant tools for the characteristics of services. This critique was accepted later by academicians and practitioners. Kotler (1991) refers to services as "Any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. This definition can be linked to the activities of Leith Agency. A similar definition was offered by Collins and Payne (1991) when the researchers stated that "services are any primary or complementary activity that does not directly. Produce a physical product - that is, the non-goods part of the transaction between customer and provider". This paper therefore, addresses four important questions within the service marketing literature focusing on the case Leith Agency.

### **1.1 The 7-Ps of Service Marketing**

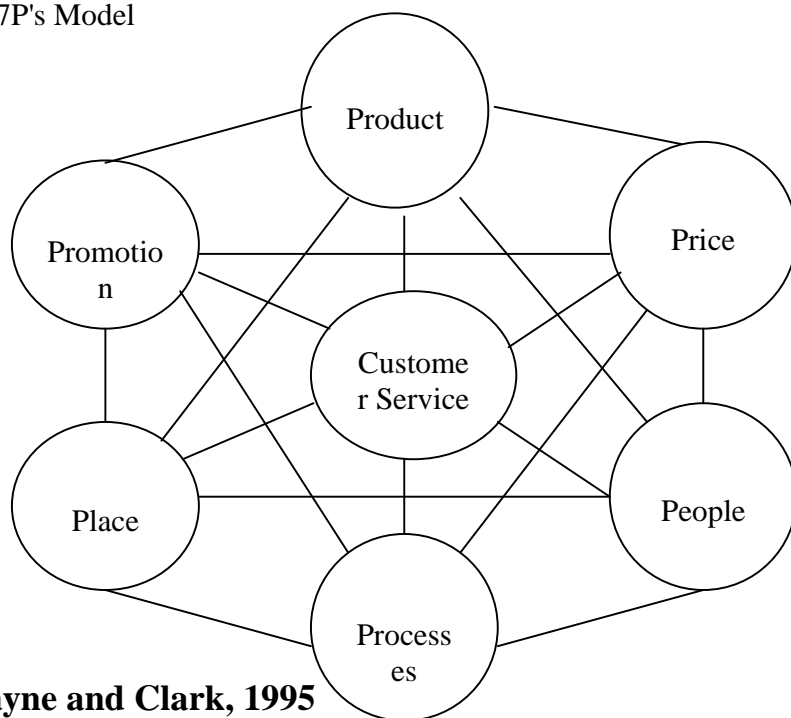
The traditional marketing mix originated from the marketing of goods for consumer markets and consists of the well known 4P's: Price, Promotion, Place, and Product. The marketing mix approach has been criticized for being incomplete, because it does not bear in mind customer-needs and it industrial marketing (Bitner, 1995, Gronroos, 1990; Gummesson, 1997). Judd (1997) proposes the fifth element as People and takes thereby the human resource factor into account. Booms and Bitner (1981) on their part created 7P's by adding Participants, Physical Evidence, and Process to the original 4P's.

The first P-The product refers to as the service and satisfaction offered by Leith Agency to their customers. Here these are the various forms of advertisement referred to as creative output they offer. The second P-The price of the service is the compensation they

received in the form of a fee or 15% commission while the place is the office location where exchange takes place. At Leith Agency, the Edinburgh and London offices are the place. The fourth element refers to as Promotion. At Leith Agency, they use both above the line and below the line strategies. Corporate brand building through sponsors. Here the marketing budget are kept at a minimum

In the marketing mix literature, the last three elements were added to take care of the service dimension of the product service mix continuum. No wonder, many commentators have referred to the additional three Ps as the Service Ps. This position was supported by Payne & Clark (1995) who proposed one minor modification which leads to their expanded marketing mix for services.

Figure 1 The 7P's Model



Source: Payne and Clark, 1995

Delivering services is characterized by processes. This is actually due to the in-separation of production and consumption of services. Processes are the functional attributes of services which refers to how services are delivered. On the other hand, the service product is the technical quality, and refers to *what* is delivered. At Leith Agency, this will be the different advertisement options they offer their client, while the processes will be the different media through which the adverts get to the customers. That is the tasks, customers interaction, etc.

The consideration of processes in the service marketing mix is justified and crucial to Leith Agency because it includes procedures, tasks, activities and operations which are of importance for the interaction between the service provider (Leith Agency) and the customers. Here, it should be noted that, a large number of activities supports the actual service delivery which often is invisible to the customer. Payne and Clark (1995) emphasize that a close cooperation is needed between the marketing and operations staff who involved in process management.

Customer service is the heart of the marketing of services. At Leith Agency for example the needs of the customer is the primary focus. The goal of service companies is to add value to their customers which is a prerequisite for customer satisfaction.

First of all the service marketing mix for services has been presented. It argues that in addition to the traditional price, place, promotion, and product, it is necessary, when managing a service company like Leith Agency, to encompass additionally three elements in the marketing mix. The three elements being: Participants, physical evidence,

and process. By taking all these elements into account, it is possible for managers of Leith Agency service organizations to handle the complexity of services and the interrelations which are prevailing in service businesses. Here the three elements are very crucial to Leith Agency in that it will enable them to be fully occupied with customer service, which means that they should be concerned with the building of bonds with customers and other markets or groups to ensure long-term relationships of mutual advantage. However, in order for the companies to meet or even exceed the customers needs, it is necessary for Leith company to identify and understand the various needs and expectations of the customer.

### **1.2 How important is Creative Output in terms of strengthening the Corporate Brand?**

To achieve and sustain success as they provide products or services that cater for consumers needs; companies must constantly redefine their identities via their brand names. According to Percy (1997), setting the communication objectives is naturally the first consideration in marketing communication strategy. The researcher went further and states that, when discussing marketing communication objectives, it is the communication effects that the researcher should be looking for. These effects will be subsequently turned into objectives.

Creative output at Leith Agency put the agency's activities at the forefront of other competitive Agencies by being creative and discovering better and more customer appealing and efficient ways of doing things. Lemon and Zeithaml (2004), suggest that 'a

firm's strategic opportunities might be best viewed in terms of the firm's opportunity to improve the drivers of its customer equity'. Consequently customer equity should be central and integral in thoughts of every marketing manager regardless of what firm they operate in. This is the objective of creative output at the Leith Agency, through creative output. Creative output increases the brand equity of Leith Agency. Through creative output, customers are motivated to do their advert in Leith Agency.

Through creative output, Leith Agency builds emotional ties that add value to the consumer because they trust the services that are being offered and thus are likely to become more loyal to the Leith corporate brand. Achieving this loyalty can be a source of competitive advantage because this loyalty assists in accomplishing superior results over the competition (Keller et al 2002). Keller, et al, (2002) have typified the importance that brand equity can play in achieving customer equity and subsequently improve firm performance. In all, creative output can encourage cross-buying this will have the same effect as before because with the loyalty that customers display through cross-buying it shows an increase in their lifetime value and thus the profits gained by company's corporate brand. They won several awards as a result of this, which gained a brand equity for them.

### **Why Leith Agency Presence in London necessary at this time?**

Leith Agency presence in London is necessary at this time because of the strategic role London plays relating to strategic decision making makers who are mostly based in

London. Thus, locating a Leith Agency office in London created an opportunity for relationship marketing and personal selling directly with those making decisions as to the purchase of Leith Agency services. Because the main marketing decision makers (customers) are based in London, putting a Leith agency now in London means, decision makers can easily be informed through word of mouth of the creative ideas of Leith Agency, thus committing them to purchase.

**Task B**

**Critically evaluate the differences between goods and services in the development of marketing communication strategies?**

Although service industries are themselves quite heterogeneous, there are some service characteristics upon which it is useful to generalize. The characteristics we have chosen to discuss are:

- Intangibility
- Inseparability
- Heterogeneity
- Perishability

### **Intangibility**

Services are not tangible, as stated by Berry: "A good is an object, a device, a thing; a service is a deed, a performance, an effort" (Berry, 1984). When a service is purchased, there is generally nothing tangible to show for it. As argued by Berry, "Services are consumed but not possessed" (Berry, 1984). Although the performance of most services is supported by tangibles, the essence of what is being bought is a performance rendered by one party, for another.

Most market offerings are a combination of tangible and intangible elements. It is whether the essence of what is being bought is tangible, or intangible, that determines its classification as a physical good or a service.

### **Inseparability**

Another characteristic concerning services is that production takes place simultaneously with consumption. Generally, goods are first produced, sold, and then consumed. Services on the other hand are usually sold first, and then produced and consumed simultaneously. This raises a number of problems which marketers of goods do not face: Participation of customers in the production process, or delivery process, the interaction between the service provider, the service

environment and the customer, and the merging of operations, human resource and marketing responsibilities in one individual. In some situation other customers are a part of the service consumption experience.

### **Heterogeneity**

Compared to goods service are normally less standardized and uniform. Services are not homogeneous. Service industries tend to differ regarding the extent to which they are "people based" or "equipment-based" (Thomas, 1978). That is to say, there is a larger human component involved in performing some services than others. Equipment-based services vary depending on whether they are automated or monitored by skilled or unskilled operators. People-based services also vary depending no whether they are provided by unskilled, or professional workers. One of the implications of this distinction is that the outcomes of people-based service operations tend to be less standardized and uniform than the outcome equipment-based service of goods-producing operations.

### **Perishability**

Services cannot be stored, hence services are highly perishable, e.g. empty tables in a restaurant can seen as a revenue opportunity lost for ever. Time cannot be held over for future sale, thus, services cannot be inventoried. Service marketers need therefore to manage not only the demand, but also the supply so that a profitable equilibrium is consistently obtained. All of these mentioned service characteristics are associated with several marketing problems. The different marketing problems specific for service companies are illustrated and summarized below

Table 2.1: Service Characteristics and Marketing Problems

Service  
Characteristics

Marketing Problems

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Intangibility	- Services cannot be stored - Services cannot readily be displayed, demonstrated or communicated
Perishability	- Process is difficult to set and keep adjusted
Heterogeneity	- No patent protection if protection is possible for services - Services cannot be inventoried
Inseparability delivery	- Services cannot be standardized - Quality control is difficult - Customer interacts with service production and systems and the service environment Customer may be part of the product, production, and the delivery system - No clear distinction between marketing, human resource management, and operations management can be made.

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Source: Zeithaml, Parasuraman and Berry, 1985.

The characteristics discussed above constitute the four traditional characteristics of services; however, in business marketing two additional characteristics can be added: Specialization and technology. Much more than in consumer marketing the business marketing of services involves the provision of specialized, custom-designed bundles of services. The management consultant for example identifies the unique problems of the business client and recommends unique solutions. As business markets involve more and more complex high-technology products, the service sector has to keep pace in meeting the customers more sophisticated needs (Barwise, 1995)

From appendix one below, when moving from the "pure good" towards to the "pure service" and of the spectrum, the proportion of tangible physical good, of the total value purchased decreases, and the intangible element increases. In personnel training, the

trainee may not receive any tangible physical items. Training may be achieved entirely through verbal communication and demonstration. For this reason, a personnel training is shown at the extreme right as one of the business services that most closely approximates the "ideal" of a pure service. This is the position in which we locate Leith agency

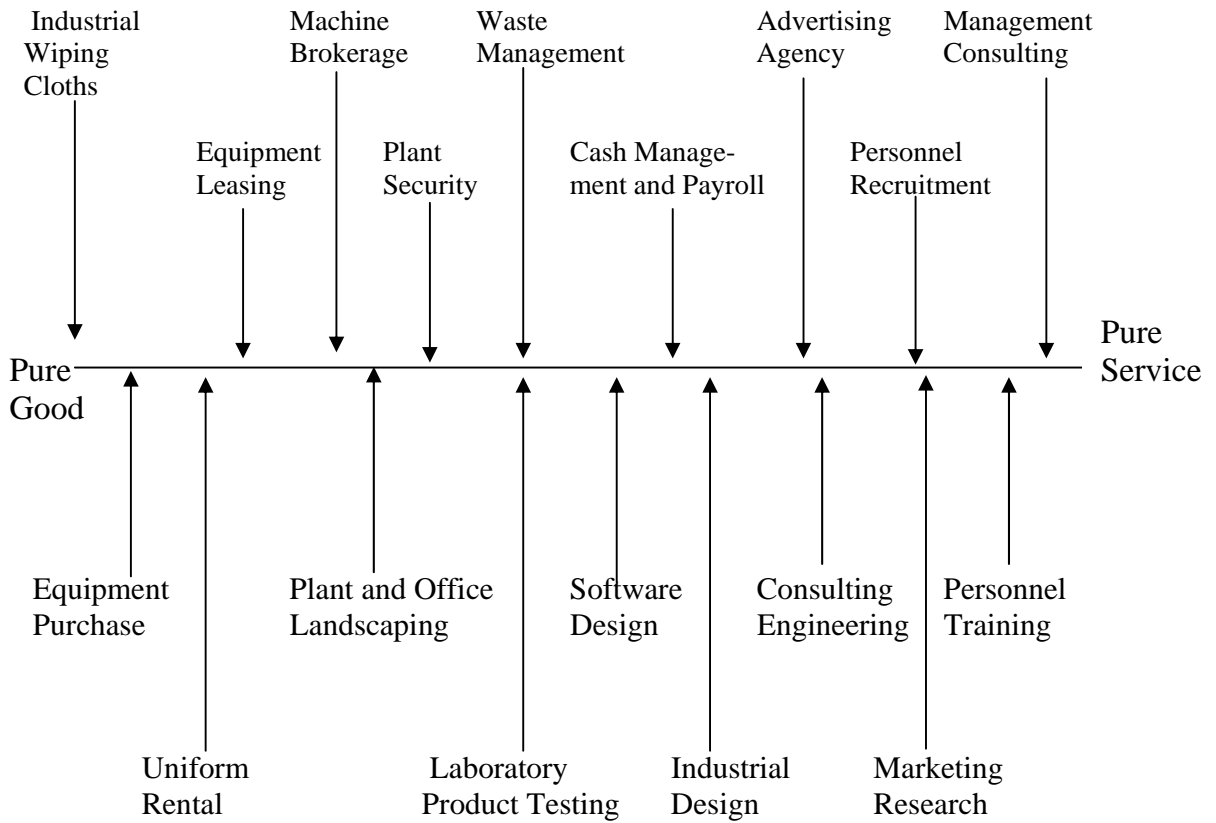
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**Appendix 1 Product service Continuum**



Source: Gross *et al* , 1993

