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An Overview of Service Marketing

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Abstract

Marketing literature has expanded in its horizon overtime. Services have become a fundamental part of the literature. The inherent differences between goods and services led to development of services as a separate field of study. Marketing in case of services revolves around consumers as they are important part of service exchange. However, due to its complex nature, conceptual clarity about marketing in services is still lacking. This paper is an attempt to remove conceptual ambiguity about services marketing. The paper discusses the evolution of service marketing literature, characteristics of services and marketing mix for services. The paper concludes with some suggestions for service marketers.

Key Words: Service Marketing, Service Characteristics, Promotion Mix, Service Marketing Definition

Introduction

Major economies worldwide have predominantly become service economies. The service sector has indeed emerged as the most paramount sector of the world economy, contributing almost one-third of world gross value added, half of world employment and one-fifth of global trade. Service sector has become the key driver of growth of both developed as well as of developing countries. In 2016, by employing only 27% of the working population, the service sector contributed about 62 % of Indian Gross Value Added (GVA). The service sector has attained paramount importance for both practitioners as well as academic researchers.

There is wide variety of services such as haircut, meal in a restaurant, surgery by doctor, seat in an airplane, consultation by lawyer etc. World Trade Organisation (WTO) has classified services into eleven major categories- Business Services, Communication, Distribution, Finance, Transport, Construction and Engineering, Health, Education, Environment, Tourism and Recreation. Services are found to be fundamentally different from goods due to characteristics such as intangibility, inseparability, non standardization, perishability etc. Consumer behaviour also varies for service purchases and goods purchases. Consumer behaviour for services is more complex and unpredictable. Researchers have tried to discuss various aspects of services in literature. Nonetheless, the marketing literature is equivocal about various concepts, characteristics and implications of nature of services for marketers.

The present paper will be valuable contribution to the literature. This paper provides a comprehensive view of service marketing. The first section traces the evolution of service marketing. The next section defines the concept of marketing. The third section describes the key characteristics of services. The fourth section discusses marketing mix for services. The paper concludes with some insights for both marketers and practitioners.

Evolution of Service Marketing

As an academic field, service marketing has been in existence from few past decades. Fisk, Brown and Bitner (1993) studied the service marketing literature from its nascent stage in 1953 to its maturity in 1993. They divided this evolution into three stages- Crawling Out (1953–1979), Scurrying About (1980–1985), and Walking Erect (1986–1993). In the first stage, researchers discussed and explored whether this discipline deserves a separate place in literature (Swartz, Bowen & Brown., 1992). The researchers started debating how goods are different from services in this stage. Later in the stage of ‘Scurrying About’, the focus was on implications of the difference between goods and services. In his attempt to classify services into different types, Lovelock (1983) noted that there is “too much emphasis on drawing distinctions between goods marketing and services marketing and not enough on developing good insights for marketing practices in the service sector”. The ‘Walking Erect’ stage established the existence of services marketing as a distinct field. During the last decade of 20th century, the focus of the literature shifted to various aspects of services such as service quality, service experience, managing

demand and supply gap in services, increasing tangibility of intangible service processes, role of technology in service processes etc.

Concept of Service

The marketing literature suggests that services are difficult to define. Quinn, Baruch and Paquette (1987) have explained this concept as including “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”. Services are described as deeds and performances by Berry (1980). Services do not result in transfer of ownership to consumers and are intangible in nature. Referring to the intangibility of services, Gummesson (1987) explained services as something which can be bought and sold but you cannot “drop on your foot”. Lovelock (1983) developed an extensive taxonomy for services. The classification was an attempt to address one of these aspects- “nature of service act, type of relationship that the service organization has with its customers, scope for customization and judgement in service delivery, nature of demand and supply for the service and method of service delivery” (Lovelock, 1983). The service marketing literature establishes that services are different from goods and highlights the implications of such differences for service marketers. Consumers’ decision making process for services is unlike from decision making for goods (Zeithaml, 1981).

Key Characteristics of Services

Grönroos (1991) highlighted that instead of creating perfect definition of services, researchers should focus on examining characteristics of services. Some main characteristics of services are intangibility, heterogeneity, lack of ownership, inseparability, perishability, shorter supply chains etc. The most widely discussed characteristics in literature are intangibility, heterogeneity, inseparability and perishability, and are known as IHIP characteristics (Parry, Newnes & Huang, 2011).

Intangible: The term was first used in literature by Regan (1963). Services are not physical products. You cannot touch, see, touch or smell services. Since services are intangible in nature, it is difficult to gather information about them or compare various alternatives. The intangibility level varies from service to service.

Heterogeneous: It is difficult to standardise services. Even if the same person is performing the service again and again, the service output tends to be heterogeneous in nature. Companies try to make their services more homogeneous and consistent by using standardised processes or through technological innovations.

Inseparable: Services cannot be separated from source. Therefore, the role of service provider is very crucial in service delivery. For example- In a hospital, the doctor is a part of the consultation service that is being provided to the patients. In contrast, goods are manufactured and distributed to whole sellers/ retailers or other middle men who then later on sell goods to consumers.

Perishable: Usually, services are produced and consumed at the same time. A provider cannot manufacture their services and store them like goods. So, we cannot have inventory of services. For example- A haircut or seat in airline cannot be stored. Perishability becomes a challenge for the service providers since it is difficult to regulate supply with changes in demand.

Other Characteristics: There is lack of ownership in services. Payment for service doesn’t entitle a consumer to own a service. So, a consumer can use and can have access to a service but cannot own it. Services cannot be returned like goods. For example- If a consumer buys a defective TV set, he can return or exchange it, but he cannot return a haircut or a operation by a doctor. Usually, services are provided directly to the consumers and middlemen are generally not present in supply chain of services. Even when middlemen are involved, the supply chain is often limited to one or two intermediaries.

Marketing Mix for Services

The term marketing mix was coined by Neil Borden. The idea of traditional Four Ps (Product, Promotion, Place and Price) was given by Mc Carthy in 1960. The growing service literature shifted to the debate about adequacy of these four Ps for marketing of services. When services are different from goods, the promotion mix of services cannot be same as promotion mix of goods. This led to modified promotion mix for services which consists of seven Ps. The three new elements of services marketing mix was proposed by Booms and Bitner (1981) who developed the idea of expanding marketing mix for general use by service companies.

The services marketing mix is- Product, Price, Place, Promotion, People, Physical evidence and Process. The product is the key element in marketing mix. The product is offered to satisfy customer needs in case of marketing transaction. The product in case of services is quite different than in case of goods. Being intangible and variable in nature, services are complicated. Service offering should be according to the demand of consumers. Next element is price. Pricing is tricky in case of services. The service should provide value for money to consumers. Services should be offered at a place convenient for consumers. The service should be available at the place where consumers want to buy it. The service provider should be easily accessible to the target market. Promotion element has become very critical in case of services. George and Berry (1981) have given comprehensive guidelines for effective advertising strategy for services. People are a key component of service offering. The employees which contact consumers during the service delivery are the face of companies. Attitude and behaviour of service employees has major influence on consumers. Process consists of actions/steps undertaken to complete an activity. Service process refers to the way in which service is delivered to the consumer. Marketers should focus on standardizing service processes to ensure some consistency in service offering. Physical Evidence is the seventh component of service marketing mix. Since services are predominantly intangible in nature, marketers should try to include some tangible element in service offering. Physical evidence can also be used as a differentiator in case of services.

Conclusion

Marketing literature has taken a giant leap from goods logic to service dominant logic. From beginning, marketing has been expanding its horizons to include exchanges except goods. Services being processual in nature impacts consumer behaviour differently from that of goods. Marketing for tangibles revolves around the tangible product whereas in case of service marketing, consumers are integral part of whole process. The uncertainty level in service purchase is higher and therefore marketers need to provide adequate information to satisfy the informational needs of consumers. The consumer contact employees should be trained well. Building relationships are key factors in marketing of services. Risk is perceived to be higher in case of services. In case of goods, it is easier to be certain about the proposed purchase. But in case of services, the consumer cannot know with certainty about the service offering before purchase. Experience with the first purchase is very important in case of services. The marketers should offer incentives to consumers to try out their service. It has been established in literature that personal sources are more credible and preferred source of information in case of services. Thus, marketers should focus on increasing user generated content by encouraging review, ratings and recommendations by consumers. Referral marketing is very effective in case of services. Internet has been enormous facilitator in marketing of services. Social media marketing especially user generated content has become a key element in service promotion mix. Indeed, service marketing is full of challenges and opportunities. Service marketing as a field of study has not yet reached maturity. Future studies on service marketing can explore dimensions such as service experience co-creation, digital service space and role of e-WOM in service marketing.

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