

SERVICES MARKETING
(MBA IV SEMESTER-ELECTIVE IV)

(14E00404) SERVICES MARKETING

The objective of the course is to provide a deeper insight into the marketing management of companies offering services as product.

1:Understanding services marketing & CRM: Introduction, services in the modern economy, Classification of services, marketing services Vs. Physical services, services as a system -Customer Relationship Marketing: Relationship Marketing, the nature of service consumption, understanding customer needs and expectations, Strategic responses to the intangibility of service performances.

2:Services market segmentations: The process of market segmentation, selecting the appropriate customer portfolio, creating and maintaining valued relations, customer loyalty. Creating value in a competitive market: Positioning a service in the market, value addition to the service product, planning and branding service products, new service development.

3:Pricing & Promotion strategies for services: Service pricing, establishing monetary pricing objectives, foundations of pricing objectives, pricing and demand, putting service pricing strategies into practice. Service promotion: The role of marketing communication. Implication for communication strategies, setting communication objectives, marketing communication mix.

4:Planning and managing service delivery: Creating delivery systems in price, cyberspace and time. The physical evidence of the service space. The role of intermediaries, enhancing value by improving quality and productivity.

5:Marketing plans for services: The marketing planning process, strategic context, situation review marketing strategy formulation, resource allocations and monitory marketing planning and services.

References:

- ❖ Services Marketing People, Technology, Strategy, Christopher Lovelock, Wirtz, Chatterjee, Pearson.
- ❖ Services Marketing—Integrating Customer Focus Across the Firm, Valarie A. Zeithaml & Mary Jo Bitner: TMH.
- ❖ Services Marketing – Concepts planning and implementation, Bhattacharjee, excel, 2009
- ❖ Services Marketing, Srinivasan, PHI.
- ❖ Services – Marketing, Operations and Management, Jauhari, Dutta, Oxford. Services Marketing – Text and Cases, Rajendra Nargundkar, TMH.
- ❖ Marketing of Services, Hoffman, Bateson, Cengage. Service sector Management, C. Bhattacharjee, Jaico.

UNIT 5

Marketing Plans for Services

There has been growing emphasis on, and acceptance of, marketing planning over the years. A number of authors have developed approaches to marketing planning; some are highly academic and are based on marketing theory, whilst others have attempted to identify demonstrated best practices in a wide range of companies, linking these to the theoretical concepts that have been developed in both strategic and marketing planning.

One approach that has proved robust in both industrial, consumer and services markets is the marketing framework developed by Malcolm McDonald. This framework is used widely in both service and industrial firms. Basing on this framework, the following four phases are evolved which in turn has been broken down into ten major steps. The major phases are:

1. Strategic context
2. Situation review
3. Marketing strategy formulation
4. Resource allocation and monitoring

These four phases together with the associated steps are shown in the following figures. Although the process is shown as individual steps, many of the steps are interrelated and the process is interactive. Also the degree to which each step should be emphasized in a given service firm will depend on the size and nature of the organisation.

PHASE-I: STRATEGIC CONTEXT

The first phase of marketing planning has two steps: defining the mission and identifying corporate objectives. These are derived directly from the strategic planning process. It is necessary to identify the strategic context of the marketing plan to ensure that specific marketing objectives and strategies are directed towards the overall corporate goals of the company.

Mission

The purpose of the mission statement is to give the various stakeholders of the service business a clear sense of purpose and direction. The mission statement is an important device for coordinating activities in a service organisation. It provides a framework to enable staff operating in diverse parts of the organisation to work together in a coordinated manner towards the achievement of the overall objectives and philosophy of the enterprise.

Whilst determination of the mission usually occurs at the corporate planning level, it is essential that this is considered in the marketing plan so that the subsequent steps of the marketing plan are focused towards achieving the organization's overall purpose.

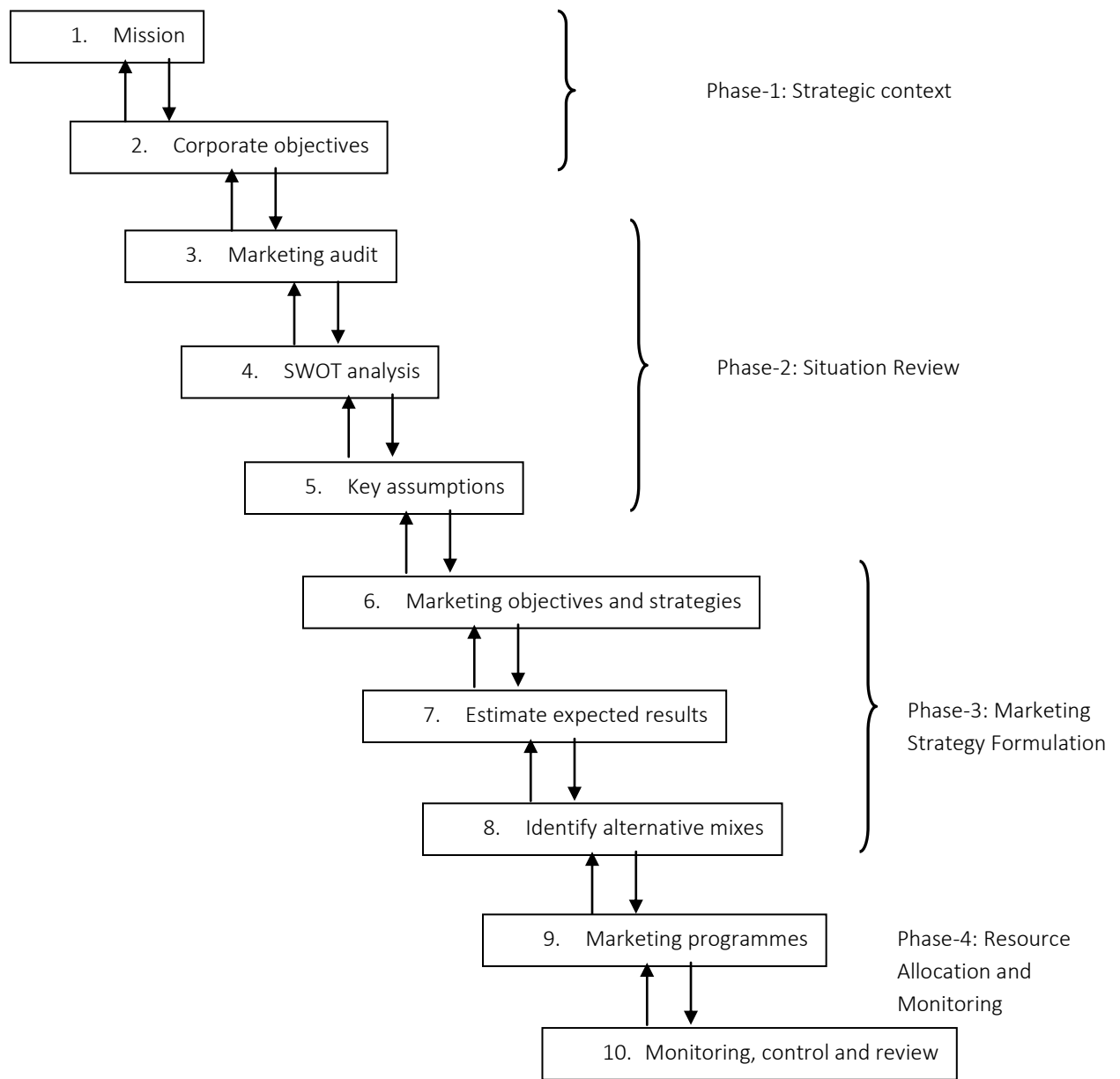


Fig. 8.1 The marketing planning process

Corporate objectives

Once a mission statement has been developed corporate objectives need to be addressed. The purpose of the corporate objectives is for the stakeholders to measure the success of the mission. Peter Drucker has identified a number of key areas in which objectives need to be set. These include the following:

1. Market Standing:
 - a. Sales and market shares by product and market segment;
 - b. Customer service levels; and
 - c. Availability of services
2. Innovation – new products and services required to achieve market objectives.
3. Productivity – of employees and capital.
4. Physical and financial resources:
 - a. Buildings, equipment, processes and technology;
 - b. Capital; and
 - c. Raw material and components.
5. Profitability:
 - a. To replace assets;
 - b. For innovation and expansion; and
 - c. To reward risk taking and attract new capital.
6. Manager performance and development
7. Worker performance and attitude
8. Public responsibility

Service companies need to consider in which specific areas objectives should be set for their organisation.

Service companies approach the setting of objectives in different ways. British Airways corporate objectives are shown in the following table. In the early 1980s, British Airways regarded itself as an airline with the primary function of flying planes. It was led by objectives which stressed technical efficiency, ignoring the objective of trying to satisfy passengers needs in the best possible way. A major turnaround in profitability was brought around, in part, by modifying the objectives of the company to recognize that instead of being in the business of flying airplanes, British Airways was in fact in the business of satisfying passenger requirements.

Table 10.1 British airway's corporate objectives

1.	To provide the highest levels of service to all customers, passengers, shippers, travel agents and freight agents.
2.	To preserve high professional and technical standards in order to achieve the highest levels of safety

3.	To provide a uniform image worldwide and to maintain a specific set of standards for each clearly defined market segment
4.	To respond quickly and sensitively to changing needs of our present and potential customers
5.	To maintain and, where opportunity occurs, expand our present route structure.
6.	To manage, operate and market the airline in the most efficient manner.
7.	To create a service and people oriented work environment, assuring all employees of fair pay and working conditions and continuing concern for their careers.

Objectives may be qualitative (as in the case of British Airways' objectives) quantitative or a combination of both. For example, one financial services company expressed corporate objectives which included:

- Profit – doubling group earnings by 2006
- Growth – trebling group revenues by 2007
- Innovation – launching at least one major new product or service every two years which will represent at least 10% of total sales revenue within two years of launch.
- Corporate Image – achieving unprompted awareness improvement, as measured by external research, from 30% to 50% by 2005
- Services – increasing consultancy and value added services from 15% to 25% of total revenues by 2005
- Staff – containing staff turnover to less than 60% of industry average for the sector.

The setting of corporate objectives alongside the mission statement provides an opportunity to test the appropriateness of both the corporate objectives and the mission statement. The corporate objectives, in addition to comprehensively covering the areas identified, should also enable evaluation of whether the corporate mission is being achieved. Thus the mission statement and corporate objectives are tightly interlinked. Each key element of the mission statement should be covered by a corporate objective. In most cases these will be quantified so that the extent to which they are accomplished can be objectively assessed.

The marketing planning process starts with these two steps derived from the strategic planning process. Service companies with relatively homogeneous services operating in a local market need to develop only one marketing plan at the corporate level, whilst those companies with considerable diversity of service and markets need to develop divisional or subunit marketing plans, which are then integrated into an overall marketing plan. Clear objectives, both corporate and marketing, are key elements of the marketing plan. The basic purpose of the marketing plan is to provide an integrated framework for implementing the marketing strategy and sub-programs, in order to achieve these specified objectives.

PHASE – II : SITUATION REVIEW

The situation review phase consists of three steps: the marketing audit, situation analysis and the identification of key assumptions in the marketing plan.

Marketing audit

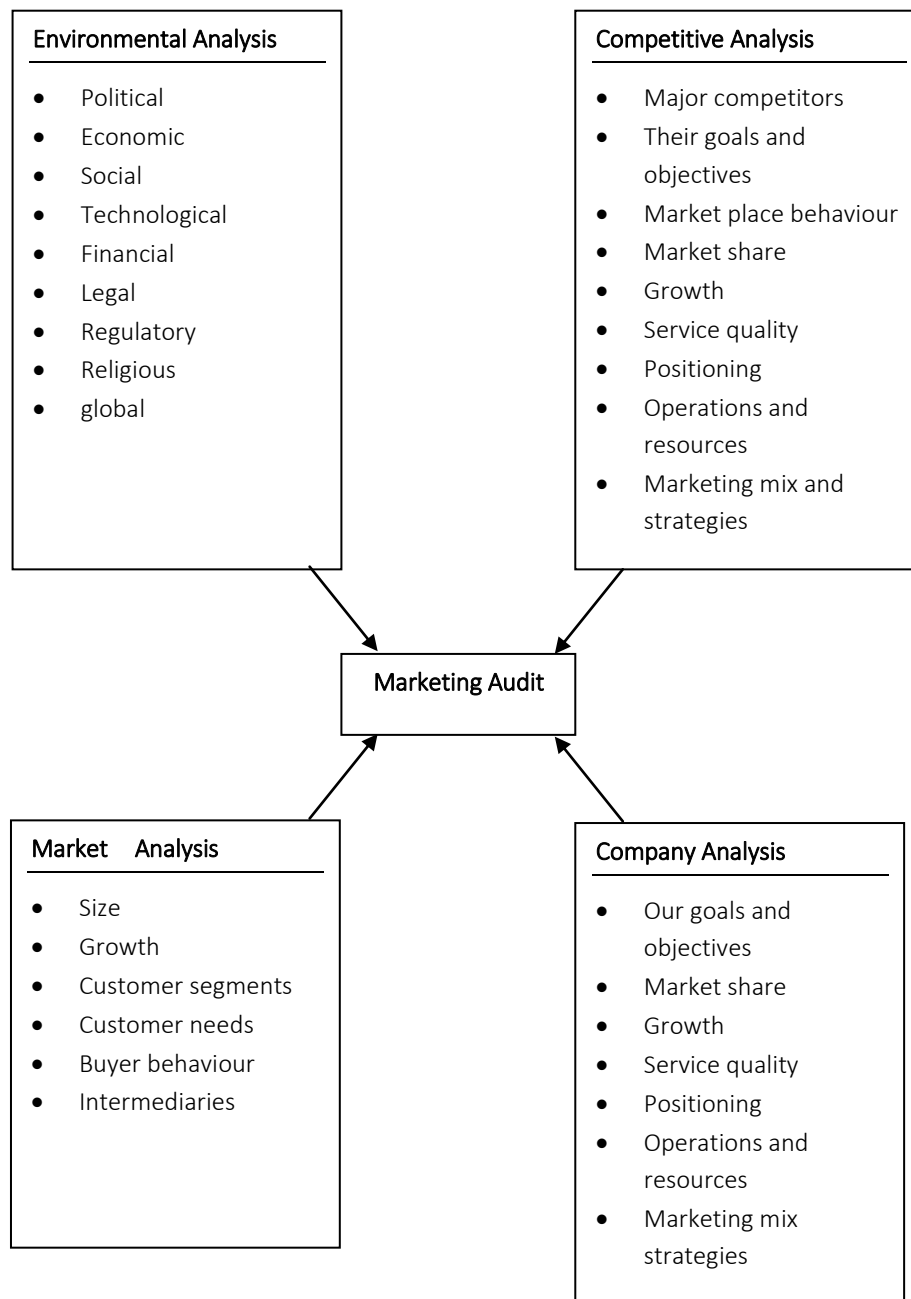
The purpose of the marketing audit is to gather all the data necessary to determine how the business can succeed in each marketing segment in which it chooses to compete. The data collected are usually split between the external appraisal of the environment in which the company operates, and an internal assessment. Both sets of data need to be related to the current situation and the likely future trends. The categories of analysis for a marketing audit are shown in the following figures. This includes:

1. Environmental Analysis
2. Competitive Analysis
3. Market Analysis
4. Company Analysis

The marketing audit involves a comprehensive and systematic examination and analysis of the above four categories.

There are many analytical tools and techniques which can be used to look at both services and customers in a logical, structured manner. Several of the most important of these are the following:

- The product / service lifecycle.
- The Boston Consulting Group matrix
- The multiple factor portfolio matrix



Swot analysis

Once all the data from the marketing audit have been amassed it is necessary to evaluate the company's internal position in relationship to its particular strengths and weaknesses, compared with the opportunities and threats presented by the external environment.

This analysis is well known SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis and provides a familiar, easily understood, and structured device for developing ideas for the future. The purpose of the SWOT analysis is to separate out the meaningful data in the marketing audit and to discover what management must do to best satisfy its customers in each market segment in which it chooses to complete.

The fundamental objectives of SWOT analysis is to identify those trends, forces and conditions which have a potential impact on the formulation and implementation of the company's marketing strategies. This is almost important step for two reasons. Firstly, any change in the external environment can have

a profound impact on a company's markets. By anticipating and taking action the company will be better placed to take advantage of these changes. Secondly, it provides an opportunity to establish which are the most important aspects to evaluate. The total amount of environmental information that could be collected in the marketing audit is enormous, and clearly the company must identify those aspects which are of the greatest significance and make a decision as to how much detail and accuracy is required. This stage lays the foundations for identifying the key marketing objectives and strategies.

When all four areas of the SWOT have been identified there must be a decision about what they mean, and what actions are needed to enhance or deal with the particular aspects.

Key assumptions

The last step in the situation review stage is the identification of key assumptions. The purpose of key assumptions is to identify, from the situation review, those factors that will be critical to the success or failure of the marketing strategy.

Key assumptions are an estimate of the future operating conditions for the marketing plan. They may influence both its formulation and implementation. Key assumptions might include the following:

- Changes in gross national product
- Interest rates
- Inflation rates
- Status of economy
- Anticipated demand levels
- Regulatory changes

When key assumptions are identified, it is suggested that they should be presented in two columns. The first column lists the key assumptions under appropriate headings. The second column lists 'implications for marketing plan'. This forces the marketing planner to consider what key assumptions mean for the plan. Key assumptions that are critical, and which could change, may need to form the subject of contingency plans.

PHASE —III: MARKETING STRATEGY FORMULATION

The next phase of the marketing plan is marketing strategy formulation. This is perhaps the most important aspect of the whole process. The first step of this phase is setting the marketing objectives and strategies. It is necessary to set realistic and achievable objectives for the company's major services in each of its markets. This is followed by *development of marketing strategies, estimating expected results and identifying alternative marketing mixes.*

Marketing objectives and strategies

The purpose of setting marketing objectives and marketing strategies is to target the profit, revenue and market share necessary to satisfy the mission, and how an integrated marketing mix is to be devised to achieve the target for each segment. A *marketing objective* is a precise statement, which outlines what is to be accomplished by the service company's marketing activities; *marketing strategies* are the means by which marketing objectives are achieved.

The process of setting objectives consists of the following three levels:

1. *Level – 1*: Setting broad marketing objectives. The broad marketing objectives would be concerned with long-term profitability, and be related to the organizational objectives.
2. *Level – 2*: Setting objectives for key result areas. Here the objectives are defined more precisely and specifically relating to different functions.
3. *Level – 3*: Setting subobjectives to support the broad objectives. These objectives would be based on sales volume goals, geographic expansion, and service offering extension.

Marketing objectives help determine where the organisation want to go and also provide yardsticks by which it can measure its performance. A marketing objective should meet several criteria, and should be:

- *Relevant* – the marketing objective should be relevant in relation to the corporate mission and objectives.
- *Specific* – it should focus on clear and identifiable goals.
- *Measureable* – the objective should be quantified
- *Time bound* – it should have an achievement date attached to it.
- *Challenging* – objectives should be reliable, but should stretch people in achieving them.
- *Focused* – marketing objectives should focus on issues relating to both the markets products and services, which the company wishes to address.

Market objectives and strategies to achieve the target include:

1. Increased productivity:
 - a. Sales force effectiveness;
 - b. More efficient distribution;
 - c. Pricing strategies; and
 - d. Improved customer service.
2. Increased revenues from:
 - a. Market penetration;
 - b. Service development;
 - c. Market development; and
 - d. Diversification.
3. Decrease expenses:
 - a. Scale related; and
 - b. Non-scale related

Each of these elements needs to be systematically investigated to determine its potential impact on reducing the identified gap.

Estimated expected results

The purpose of examining the expected results from the marketing strategies is to ensure that marketing strategies will actually deliver the desired marketing objectives. Once the strategies have been determined and decisions made about the marketing mix to be developed in each market segment, the financial implications of the strategies need to be evaluated. Estimating expected results involves the detailed review of sales revenues, cost of sales, marketing costs, operating expenses and overhead expenses. The financial analysis should show that the strategy will produce anticipated results. If it does not, the marketing strategies need to be examined further to see how they can be redeveloped to achieve the desired results. This, like all steps in the marketing plan, may be an interactive process.

Identify alternative mixes

The purpose of considering alternative mixes is to discover if more effective marketing strategy is available before the plan is implemented. A marketing manager may evaluate a number of mixes, using both analysis and trial and error, to find the best use of available resources before selecting the final marketing mix to be implemented as marketing programmes.

If the proposed marketing strategy is not likely to achieve the desired level of expected results other marketing strategies will need to be considered. However, even if the proposed marketing strategies will deliver the desired results, alternative marketing mixes should also be investigated to determine if they can deliver improved results. Thus several further sets of marketing strategies should be developed and evaluated.

At this point the development of contingency plans should be considered. Although it is not possible to establish a contingency plan for every eventuality, the impact of different sets of assumptions should be assessed and, where appropriate, broad contingency plans that will need to be considered if certain situations arise. In spite of best intentions, changed situations can force marketing strategies to be altered.

It is especially important that responsibility for determining why variances have occurred, and for taking appropriate corrective action, is delegated to specific managers to ensure that plan objectives can be met by marshalling the necessary resources and by taking positive and timely action.

PHASE – IV : RESOURCE ALLOCATION AND MONITORING

The last phase in the marketing planning process is resource allocation and monitoring. This involves two final steps: marketing programmes; and monitoring, control and review.

Marketing programmes

The purpose of marketing programmes is to ensure that all firm's staff know what actions they are responsible for, and to determine how to allocate the physical and financial resources available to secure success in each market segment.

Each element of the marketing mix will have its own specific programme, which in turn will be linked to specific marketing objectives. Marketing programmes are similar to marketing objectives and strategies in that they should do the following:

- Have an established timetable and be able to be carried out within a defined period of time.
- Identify the resources needed to carry them out.
- Provide for monitoring and control of performance.

Programmes should clearly describe the resources needed to accomplish marketing strategies and the time horizon in which to achieve them. Programmes provide the opportunity for all members of the marketing team to work together in an integrated manner.

Programmes involve the development of a practical, fact-based, results-oriented approach which act as a road map for management to implement marketing activities. A detailed marketing budget needs to be prepared at this point to ensure that the necessary budget allocations, reflecting projected costs, are available to carry out the programmes.

A further task within programmes is the development and prioritization of important marketing activities, subactivities and tactics. This involves the preparation of marketing programme timetables to help ensure that key tasks are accomplished on schedule.

Marketing programmes need to be closely linked with the final stage of monitoring, control and review to ensure success.

Monitoring, control and review

The purpose of monitoring, controlling and reviewing the programmes and strategies is to ensure that the short-term strategies are working to bring the business consistently towards achieving its long-term objectives and mission. Some service companies are very weak at setting and control their achievement. By contrast other service firms are extremely rigorous in their monitoring and control procedures. One diversified service firm requires all business units to report detailed weekly results into an electronic mailbox so that performance and profitability is calculated on a weekly basis. Some retailers have similar performance details available at the close of each day. Clearly the level of detail and frequency of reporting will be determined by the type of Service Company and the sector in which it operates. Some service firms will want weekly or even daily performance figures, whilst others can control operations adequately with monthly or quarterly reports.

As the marketing plan is implemented, performance criteria for measuring the performance of marketing efforts will need to be determined. Typical performance measures to be monitored and controlled include the following:

- Revenues
- Market share
- Marketing costs
- Overhead costs
- Profits
- Return on investments
- Consumer attitudes
- Sales force productivity
- Advertising effectiveness
- Complaints
- Customer retention

Information systems and reporting procedures need to be established to ensure that the right information is issued to the right person at the right time and in a useful format. The essential element of monitoring and control is to ensure the development of information systems that meet the need of the marketing management charged with taking corrective action.

The ten-step marketing planning framework represents a practical and proven approach for developing and refining a services marketing plan.

