Services Marketing Mix

Idea In Short

The services marketing mix is also known as an extended marketing mix and is an integral part of a services blueprint design. The services marketing mix consists of 7P's as compared to the 4P's of a product marketing mix. Simply said, the services marketing mix assumes the service as a product itself. However it adds 3 more P's which are required for optimum services delivery.

Services Marketing Mix consists of a set of tactics that a company can use to promote and encourage potential customers to buy their services. The services marketing mix is also known as an extended marketing mix and is an integral part of a service blueprint design. The services marketing mix consists of 7P's as compared to the 4P's of a product marketing mix. Simply said, the services marketing mix assumes the service as a product itself. However it adds 3 more P's which are required for optimum service delivery.

The model is unique to services and does not apply to products. The model is an extension of the 4Ps of marketing. The product marketing mix consists of the 4P's - Product, Pricing, Promotions and Placement [Positioning]. The extended services marketing mix places 3 further P's - People, Process and Physical evidence.

Characteristics Of Services

The most relevant characteristics that apply universally to any service are:

- Intangibility
- Perishability
- Inseparability
- Heterogeneity
- Ownership
- Simultaneity

- quality Measurement
- Nature Of Demand

Intangibility

By nature, a service is an abstract phenomenon. Service intangibility means that services cannot be seen, tasted, felt, heard, or smelled before they are bought. You cannot try them out.

Intangibility is an important consideration that complicates the responsibility of a marketer, specially while influencing and motivating the prospects/customers. The goods of tangible nature can be displayed, the prospects or buyers can have a view and they can even test and make a trial before making the buying decisions. Therefore, product sales is relatively easier. However, the intangible nature of services complicates the task of marketers and decision-makers.

While selling or promoting services, we need to concentrate on benefits and satisfaction which a buyer can derive after buying. We can hardly emphasise the service itself.

It is the professional excellence of decision-makers that counts here, that influences the entire process and that helps them substantially.

> For example, the banking organisations promote the sale of credit cards by visualising the conveniences and comforts the holders of the credit cards are likely to get from the same.

Services carry with them a combination of intangible perceptions.

> Similarly, airline passengers have nothing but a ticket and a promise that they will arrive at a certain time at a certain destination. But, there is nothing that they can feel or touch.

Perishability

Perishability means that services cannot be stored for later sale or use. In other words, services cannot be inventoried. This is one of the most significant characteristics of services, since it may significantly impact financial results.

The persishability complicates the task of a service marketer. Goods, if not sold today, can be stored, preserved for further selling. Here, the risk exists in a different form.

However, in the context of services, if we fail to sell the services, it is lost only not for today but also possibly in the future.

If a seat on an airplane is unsold, a bedroom in a hotel remains unbooked or a seat at a cinema theatre remains vacant, revenues are missed and lost forever. The services can't be stored or preserved.

It is for this reason that doctors or dentists often charge patients for missed appointments because the service value has foregone. The value existed only at that particular point and disappeared when the patient did not come.

Hence, it is essential that decision-makers and executives use their professional judgment to minimise the possibilities of economic waste. The opportunities come and you need to capitalise on those by applying your skills, capacity and excellence.

Inseparability

Characteristics of services include inseparability, which means that services are produced and consumed at the same time. This also entails that services cannot be separated from their providers.

Contrary to services, physical goods are produced, then stored, later sold, and even later consumed. Services are first sold, then produced and consumed at the same time. In services marketing, a service provider is the product.

According to Donald Cowell:

> Goods are produced, sold and then consumed whereas the services are sold and

then produced and consumed

It is inseparability that makes the task of marketing services difficult. The goods are produced at one point and then distributed by others at other points.

In the services, we find the selling processes making ways for the generation of services. Professionals, while marketing the services, inherently also bear the responsibility of removing or minimising the gap between the services-promised and services-offered.

Goods are produced, sold and then consumed but the services are sold, produced and then used. Thus, this inseparability requires service-providers to act and behave professionally to avoid any quality degradation.

Heterogeneity

Heterogeneity (Service Variability) also belongs to the important characteristics of services. It refers to the fact that the quality of services can vary greatly, depending on who provides them and when, where, and how.

Due to this heterogeneity, it is extremely difficult to establish standards, especially around service quality.

Because of the labor-intensive nature of services, there is a great deal of difference in the quality of service provided by various providers, or even by the same providers at different times.

In entertainment and sports, we find the same thing. The same type of services can't be sold to all the customers even if they pay the same price.

The consumers rate the services in a different way. Of course, it is due to the difference in the perception of individuals at the levels of providers and users. The heterogeneity factor makes it difficult to market efficiently. The professionals by using their excellence bear the responsibility of minimising the problem.

Ownership

It is also ownership that makes it significant to market the services in a bit different way. The goods sold are transferred from one place to another, the ownership is also transferred and this provides to the buyers an opportunity to resell. In the case of services, we don't find the same thing. The users have just an access to the service. As for example, a consumer can use personal care services or Medicare services or can use a hotel room or swimming pool, however the ownership rests with the providers.

Philip Kotler opines:

> service is an activity or benefit 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

Here, it is clear that ownership is not affected in the process of selling the services. The issue of ownership has also been clarified by another expert.

> Services are those separately identifiable, essentially intangible activities which provide want satisfaction and that are not necessarily tied to use sales of a product or another services. To produce a service may or may not require the use of tangible goods. However, when such use is required, there is no transfer of permanent ownership to these tangible goods.

The same theme of not transferring the ownership has also been supported by Batesan. Here, the focus is on the point that transfer of ownership simplifies the task of a marketer since he/she can use it as a motivational tool. In case of services, the professionals experience difficulties because we don't find any scope for the transfer of ownership. The professionals thus need to be more careful while selling or marketing the services.

Simultaneity

Services cannot be physically delivered to customers or users like goods can. They must be accessed at the location of the service provider or the service provider must travel to the location of the customer. This means that services have limited geographical areas.

Service providers generally have smaller operations than goods producers, largely because they must travel to provide services or customers must travel to access services. When providers travel to customers, it takes away from the production of services and increases the cost of those services, similarly, customers must also spend time and money traveling to service providers. This creates an incentive for service providers to locate their centers closer to customers, resulting in smaller service centers.

For example, hotel rooms cannot be brought to the customers, airplanes cannot be brought to the customers, etc. Services like these must be accessed at the location of the service provider.

Quality Measurement

Measuring the quality of service is a challenging task that cannot be limited to service level alone. It is difficult to rate or quantify the overall experience. For example, while it is possible to quantify the food served in a hotel, factors such as the service provided by waiters, the overall environment and the behavior of other staff cannot be ignored when evaluating the overall experience. Therefore, it is important to measure customer satisfaction to determine the extent to which customers are satisfied with the service. A company also sells atmosphere, convenience, consistent quality, status, emotional well-being, and morality. These factors are hard to quantify, but they contribute to the overall customer experience.

Nature Of Demand

When assessing the performance of a service, the demand factor must not be overlooked. Services often experience fluctuations, especially during peak times when demand increases significantly. For example, passenger traffic increases during wedding season or important festivals. Tourists tend to travel to tourist spots or resorts during the summer when the weather is favorable, sports stadiums are used more during winter, golf courses are less utilized during the winter and public transport is heavily used during the start and end of office hours. These examples demonstrate that there are peak times when demand for services is abnormally high.

The aforementioned characteristics of services make it clear that professionals working in the service sector must have a high level of expertise to provide promised services without interruption. If executives working in service-oriented organizations have the ability to understand the unique nature of the services they offer, they will be better equipped to understand customer expectations and provide satisfying customer service. This is not to say that professionals working in goods manufacturing organizations do not need expertise, but it is especially important in the services sector because of the sensitive nature of services and the high expectations of customers. This approach can help tackle the complex challenges that can arise in the process of selling services.

Extended Marketing Mix

The services consists of the original four tactics of the product marketing mix, plus three new tactics.

Product

Service products are intangible in nature and cannot be measured like physical products. They are also heterogeneous, perishable, and cannot be owned. For example, the services provided by the tourism and education industries are intangible and cannot be physically held or measured.

To create an effective service product, it's essential to understand the specific needs of the target audience and design the service offering to meet those needs. Because services are intangible, it's helpful to think of the benefits of the service as the product, and the processes around that benefit. This is why service blueprinting is commonly used to define the service product. For example, a restaurant blueprint will be prepared before opening a restaurant, specifying how the service will be provided.

When consuming services, the customer experiences them at the time of production, and there is often room for customization. However, it's important not to compromise on product standards. The five levels of a product are:

1. **Core Service**: Doctors provide treatment to patients when they are sick
2. **Basic Service**: Doctors use basic equipment for check-ups
3. **Expected Service**: Patients need a waiting area when they visit the doctor's clinic

4. **Augmented Service**: Patients are assisted by the hospital staff from start to end. Cleanliness and television at the waiting area of the hospital
5. **Potential Service**: Super speciality hospitals with updated medical instruments. And doctors treat their patients using the latest technologies

Major product decisions in service marketing include:

- Quality of the service
- Range of service
- Level of service
- Service branding
- Product description, etc.

To provide a better service, the service providers must be aware of the service attributes and should design the service in a way that it meets the customer's expectation. The service providers must also ensure that the service quality is maintained throughout the service delivery process.

Pricing

Pricing is another crucial decision when designing the marketing strategy of the service. It is the value of the service offered.

Compared to a physical product, service pricing is a difficult task. Its cost estimation depends on the customer's perception of quality and the attached value.

Service marketers must conduct an analysis of similar products offered by competitors. Subsequently, they should design the different range of services with differential pricing considering competitive pricing.

Major service pricing decisions may include:

- Pricing Levels
- Discount Allowed
- Terms and Conditions
- Credit
- New Product Pricing

Pricing in case of services is rather more difficult than in case of products. If you were a restaurant owner, you can price people only for the food you are serving. But then who will pay for the nice ambiance you have built up for your customers? Who will pay for the band you have for music?

Thus these elements have to be taken into consideration while costing. Generally service pricing involves taking into consideration labor, material cost and overhead costs. By adding a profit mark up you get your final service pricing. You can also read about pricing strategies.

For example, airlines charging for flights would need to consider many factors, such as will we charge more as the plane gets increasingly booked?

- Will we charge more for peak times?
- Will we offer discounts for group bookings?

And these are just a few of the factors that might need to be taken into account when determining the price of a flight.

Interestingly, because services are much more ambiguous than products, customers are likely to associate a higher-priced service with superior quality.

Place

In service marketing, "place" refers to the location where the service will be provided. The location of a service is crucial to its success, as it can greatly impact the accessibility and convenience for customers.

> For example, a petrol pump is likely to be more successful if it is located on a highway or in a city, where there is a higher volume of traffic. On the other hand, a software company would benefit from being located in a business hub with many other companies nearby, rather than a rural or suburban area.

Hence, it is important to carefully consider the location of a service business as it can

greatly affect the accessibility and convenience for customers, and also the target market, competition and cost.

Like physical products, services also require distribution channels for them to be delivered to customers. However, the channels for service distribution are typically more direct and shorter than those for physical products because services are inseparable from the provider.

Based on the non-transferable nature of services, there are three types of interactions between service providers and consumers:

1. **Customer calling contacts**: the service provider provides the service at the customer's doorstep. For example, home tutors visiting student's houses to provide their services
2. **Service firms calling customers**: customers are called to the service center for service delivery. For example, customers visiting customer care centers to access services
3. **At arm's length**: there is no direct interaction with the customer during service delivery. For example, streaming platforms where customers make payments and get access to content

Major place decisions in service marketing may include:

- Location of the service
- Distribution channel of the service
- Service accessibility
- Service provider

In general, it's important to consider the location of the service, the distribution channel, the accessibility of the service, and the qualifications and reputation of the service provider when making decisions about service delivery.

Promotion

Promotion is a crucial aspect of service marketing as it is the medium through which service offerings are communicated to target customers. In addition to being a communication medium, promotion also serves as a tangible element of the service.

Through promotional tools, customers can access relevant information about the service, which helps to build trust and create a sense of differentiation from competitors. Service marketers must design their promotional campaigns carefully to attract potential customers to their services.

Promotion has become a critical factor in the services marketing mix, as services are easy to duplicate and it is often the brand that sets a service apart from its competitors. This is why you will see many banks, IT companies, and online businesses promoting themselves rigorously. It is necessary for them to do so in order to survive in a competitive market.

Promotion is the way to communicate, describe, and advertise your service because they are intangible. Services can be more difficult to promote than products, as there is nothing physical that can be assessed by a potential customer.

Common ways to promote services include using celebrity endorsements to create trust in the service, offering guarantees to remove risk, and using testimonials from satisfied customers.

While designing a promotional campaign for services, one must focus on the following components:

- Medium of promotion
- Direct Selling
- Advertising
- Sales promotion
- Word of mouth
- Publicity
- Creation of campaigns that affect customers positively
- Understandable and tangible clues about the service

People

People is one of the elements of services marketing mix. People define a service. By people, we mean those people who are directly or indirectly involved in the delivery of the service. That typically means employees of the company, but it can also mean subcontractors with direct interaction with customers. Actually, it can even refer to existing and past customers of the company.

> If you have an IT company, your software engineers define you. If you have a restaurant, your chef and service staff defines you. If you are into banking, employees in your branch and their behavior towards customers defines you.

People are a very important factor in the 7P's because services tend to be produced and consumed at the same time. Because of this, the behavior of these people is very important in determining the experience of the customer using your service.

Hence, in service marketing, people can make or break an organization. Furthermore, customers also represent the company through word of mouth by talking to their friends on their colleagues.

Therefore, all services business should ensure that the staff is well trained and motivated. Specifically, many companies train their staff in interpersonal skills and customer service with a focus towards customer satisfaction. In fact, many companies have to undergo accreditation to show that their staff is better than the rest. Such accreditations are definitely a unique selling proposition [USP] in the services business. Marketing decisions regarding people may include:

- High Contact Services
- Low Contact Services

Physical Evidence

Services are intangible in nature. Hence, to create a better customer experience, tangible elements are also delivered with the service. Physical evidence is defined as being both the environment or place where the service is delivered and any tangible elements that facilitate the service or provide information about the service.

> For example, a restaurant which has only chairs and tables and good food, or a restaurant which has ambient lighting, nice music along with good seating arrangement and this also serves good food. Which one will you prefer? The one with the nice ambience. That's physical evidence.

Several times, physical evidence is used as a differentiator in service marketing.

> As an example, think about a hotel that someone wants to visit for the first time. The physical evidence might include pictures of the hotel's past customer reviews online and the hotel's proximity to the town center.

Based on this definition, physical evidence includes things such as the company's website, their annual accounts if they're publicly available, any logos or online brochures, or even the buildings that the services are provided from.

Process

Service process is the way in which a service is delivered to the end customer. Here, process refers to the procedure's mechanisms on the flow of activities that occur when the customer and the business interact with each other.

When, for example, a customer books a hotel room, a process is triggered when the customer then checks into the hotel. Another process is triggered on, obviously, then, when they check out, yet another process is triggered.

All of these processes need to be tightly controlled to ensure a consistent customer experience. They're usually defined in written standard operating procedure documents.

> Lets take the example of two very good companies -- McDonalds and Fedex. Both the companies thrive on their quick service and the reason they can do that is their confidence on their processes.

On top of it, the demand of these services is such that they have to deliver optimally without a loss in quality. Thus the process of a service company in delivering its product is of utmost

importance. It is also a critical component in the service blueprint, wherein before establishing the service, the company defines exactly what should be the process of the service product reaching the end customer.

Services marketers can retain their customers by providing quality and standardized services. So, they should create and follow quality standards while delivering the services. Customers can use this as a base for comparing businesses with similar services in the market. Service process may include:

- Tasks
- Routines
- Schedules

12P's Of services marketing mix

Strategists have found out some more elements in the marketing mix. 7P's, along with the below-mentioned 5Ps forms the 12Ps of the services marketing mix:

- Productivity And Quality
- Period Or Duration
- Primary Inputs
- Push And Pull Strategies
- Price-Quality Tradeoff

Productivity And Quality

Productivity refers to the efficiency with which resources (such as labor, capital, and technology) are used to produce goods and services. Quality, on the other hand, refers to the degree to which a product or service meets the needs and expectations of its customers. In the context of services, quality can include factors such as reliability, responsiveness, competence, and courtesy of the service provider, as well as the overall design and delivery of the service itself. Improving productivity and quality are often seen as mutually beneficial, as increasing productivity can lead to cost savings that can be invested in improving quality, and improvements in quality can lead to increased customer satisfaction and loyalty, which can in turn lead to increased productivity.

Period Or Duration

The period or duration of a service refers to the length of time that it takes for the service to be provided. This can vary depending on the type of service, and can range from a few minutes (such as a quick consultation or repair) to several months or even years (such as a construction project or a long-term consulting engagement).

In some cases, the duration of a service may be fixed and clearly defined in advance, such as a one-hour massage or a three-day training course. In other cases, the duration may be more flexible and open-ended, such as a subscription-based service or a project-based engagement. The duration of a service can also be influenced by factors such as the complexity of the service, the availability of resources, and the needs and expectations of the customer.

It is important for service providers to clearly communicate the expected duration of a service to customers, and to manage the service delivery process effectively to minimize any delays or disruptions.

Primary Inputs

The primary inputs for a service are the resources that are required to deliver the service. These inputs can include:

- **Labor**: The human resources required to provide the service, such as service providers, technicians, and support staff
- **Capital**: The financial resources required to provide the service, such as equipment, facilities, and technology
- **Materials**: The tangible resources required to provide the service, such as parts and supplies
- **Information**: The knowledge, data, and other intellectual resources required to provide the service, such as technical expertise, market research, and customer information
- **Energy**: The resources required to power the service, such as electricity, fuel and water

Different types of services may require different combinations of inputs. For example, a service such as a restaurant will require labor (cooks, servers), capital (kitchen equipment, tables and chairs) and materials (food ingredients), while a service such as a consulting firm

will require labor [consultants] and information (industry expertise and market data).

It is important for service providers to manage these inputs effectively to ensure that the service is delivered on time, within budget, and to the satisfaction of the customer.

Push And Pull Strategies

In service business, push and pull strategies refer to the methods used to promote and distribute the service.

A push strategy is a promotional method in which a service provider actively promotes their service to customers. This can include methods such as advertising, direct sales, and personal selling. The goal of a push strategy is to create demand for the service among customers, and to encourage them to purchase the service.

A pull strategy is a promotional method in which customers actively seek out the service. This can include methods such as word-of-mouth marketing, customer reviews, and social media. The goal of a pull strategy is to create awareness and interest in the service among customers, and to encourage them to ask for the service.

Both push and pull strategies have their advantages and disadvantages. Push strategies can be effective in creating demand for a new or unfamiliar service, while pull strategies can be effective in building customer loyalty and repeat business. A service provider may choose to use a combination of push and pull strategies to reach different customer segments and to achieve different marketing goals.

It's important to note that the choice of strategy will also depend on the nature of the service, target market, and the budget of the business.

Price-Quality Tradeoff

The price-quality tradeoff in service business refers to the relationship between the price of a service and the perceived quality of that service. Generally, a higher price is associated with a higher level of quality, and a lower price is associated with a lower level of quality.

Service providers may choose to set a higher price for their service in order to signal a higher level of quality to customers. This can be effective in attracting customers who are

willing to pay more for a higher-quality service, such as luxury services. However, a higher price may also discourage some customers from using the service, especially if they perceive the quality to be lower than the price.

On the other hand, service providers may choose to set a lower price for their service in order to attract more customers, such as budget-conscious customers. This can be effective in increasing market share and revenue, but it may also lead to perceptions of lower quality among customers.

It's important for service providers to consider the price-quality tradeoff when setting prices for their services, and to find the right balance between price and quality that meets the needs and expectations of customers. Additionally, it's also important to take into consideration factors such as production cost, target market, competition, and marketing objectives.

Case - School

Now, we will explain the services marketing mix by taking an example of a school.

> A school is an institution that provides educational services.

Let us assume we are a marketer of a school. And see what all decisions are taken when designing a marketing strategy.

We have listed some relevant decisions under elements of the services marketing mix.

Product

- Name of the school
- A brochure containing the USP of the school
- The language of instruction

Pricing

- Fees collected from the students

Place

- The school building from which service delivery will occur

Promotion

- Newspaper advertisements
- Pamphlets distribution in the nearby areas
- Hoardings

People

- Teachers
- Principle / Director
- Counsellors

Physical Evidence

- Brochure of the school
- Fees receipts
- Class schedules
- Computer lab facilities
- Regular updates to parents
- Individual coaching sessions

Process

- Interactive lectures by the teachers
- Fee payment on 31st of every month
- Monthly parents-teacher meets

Criticism of Marketing Mix

One criticism of the 7P's is that they force you to think in an internally focused manner rather than a customer-focused manner. Hence, it is useful to map the 7P's to 7Cs to

enhance customer-focus as follows:

- Product = Customer
- Price = Cost
- Place = Convenience
- Promotion = Customer Engagement
- People = Caring
- Physical Evidence = Confirmation
- Processes = Coordination

Some people find thinking in terms of the 7Cs makes much more sense to them, as it's much more customer-focused.

A customer-focused organization requires improving service quality as a critical element of differentiation. It's related to the long-term evaluation of the service performance and is crucial to customer satisfaction which is the difference between perception and expectation, moreover, customer satisfaction will become a key factor for business success in the future.

To develop long-term relationships, it is necessary to build customer involvement, commitment, and trust. In service companies focused on building loyalty, customer service plays an important role in their marketing strategies and is an essential element in creating service quality and customer satisfaction.

An organization which strategy focuses on delivering service excellence was more successful. This era is the era of customers and for the success and survival in this competitive market, organizations should emphasize on quality service and this should be integrated into the strategy.

When we're using the services marketing mix, we're trying to get the right balance of each tactic so that the service is a success in the marketplace and people buy it. Now we can think of the sweet spot as being the point when all seven tactics are in balance. If you were just one factor or one tactic, you might have to adjust the others to maintain that balance.

For example, if we decide to change from a budget airline into a luxury one, we need to change the price.

However, we also need to change all the other tactics to we probably need more people. To offer a more personal experience because that's what higher-end customers would expect. And we need to change processes, so each customer is given more care on attention.

Service Mix Example

A luxury hotel to see the services marketing mix in action and compile everything together.

Product

Rooms in which customers stay for a period of time. Of course, there is more to a luxury hotel than just his rooms. There are also restaurants, WiFi spots, etc.

Price

Price will vary according to room size. Maybe, a large suite with a cityscape of you costs significantly more than a small room with no view. And that's because the value perceived by the customer is much greater, and therefore they're prepared to pay more.

Place

Place concerns on how the service is consumed. Typically, the place will be chosen for a strategic reason. For example, because the hotel makes the hotel close to a city, a business center, or even a tourist attraction, the hotel's location is obviously in one fixed place.

However, the place could also mean but a mobile app is used to give customers easy access to concierge services wherever they happen to be while they're staying at the hotel.

Promotion

Promotion could include advertising on travel websites related to the location of the hotel. It could also mean directly advertising to pass customers using social media and press releases.

People

There would be many people who interact with guests, including managers, receptionists,

consular staff, spar staff, waiters,etc.

Physical Evidence

The physical evidence includes the customer service they receive before they're said. It also includes, you know, the hotel's website on any online reviews or online photos that people have posted, amongst other things.

Process

The key processes for a luxury hotel include things that happened when its guests' books a room checks in on obviously checks out. Each of these will have a unique and formal process associated with fish designed to delight the customer.

Summary

Services marketing mix consists of a set of tactics that a company can use to promote and encourage potential customers to buy their services. The product marketing mix consists of the 4P's which are Product, Pricing, Promotions and Placement. The extended services marketing mix places 3 further P's which include People, Process and Physical evidence. All of these factors are necessary for optimum service delivery.