

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 monitoring marketing planning and services.

References:

- ❖ Services Marketing People, Technology, Strategy, Christopher Lovelock, Wirtz, Chatterjee, Pearson.
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- ❖ Services Marketing – Concepts planning and implementation, Bhattacharjee, excel, 2009
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UNIT II

Services Markets Segmentation

Market segmentation is the process of aggregating customers with similar wants, needs, preferences, or buying behaviour. Market targeting involves evaluating the attractiveness of the segments and selecting ones the firm will serve. In other words, segmentation is the analysis conducted about customers and targeting is the managerial decision about whom to serve. Both of these are required for effective market positioning, which involves establishing the competitive position for the service in the mind of the customer and creating or adapting the service mix to fit the position.

Market segmentation is especially important for services in the current competitive marketplace. Service industries are suffering from increasing competition both in the number of competitors and in the proliferation of service offerings. Market segmentation helps prevent the waste of valuable resources by directing effort into those areas that will help achieve success.

Service products are frequently not clearly differentiated. Market segmentation offers the opportunity of gaining competitive advantage, in a highly contested market, through differentiation. The market segmentation approach involves identification of the benefits which different homogeneous groups seek, allowing relevant features and requirements to be determined and used as a source of service differentiation.

Different customers have different needs. A hotel which aims to satisfy the prestige executive market needs to consider the specific requirements of this segment. These might include full secretarial and office facilities, conference amenities, twenty-four hour catering, a fitness facility and late check-out options. Successful marketing identifies specific needs and preferences for services, and then develops strategies to satisfy these preferences.

A single service or product cannot meet the needs of all customers, but it can meet the needs of a specific group of customers. A service business should be positioned to serve particular segments of the attractive parts of the market so that it can serve them effectively and produce the greatest profit.

The segmentation process, shown in the following figure is concerned to divide a heterogeneous follows four broad steps:

- The definition of the market to be addressed.
- The identification of alternative bases for segmentation.
- An examination of these bases and the choice of the best base or bases for segmentation.

- The identification of individual market segments, an assessment of their attractiveness and the selection of specific target segments.

Once the market segment has been selected, the process of target marketing involves developing a positioning for the target segments selected and then developing a marketing mix for each target market.

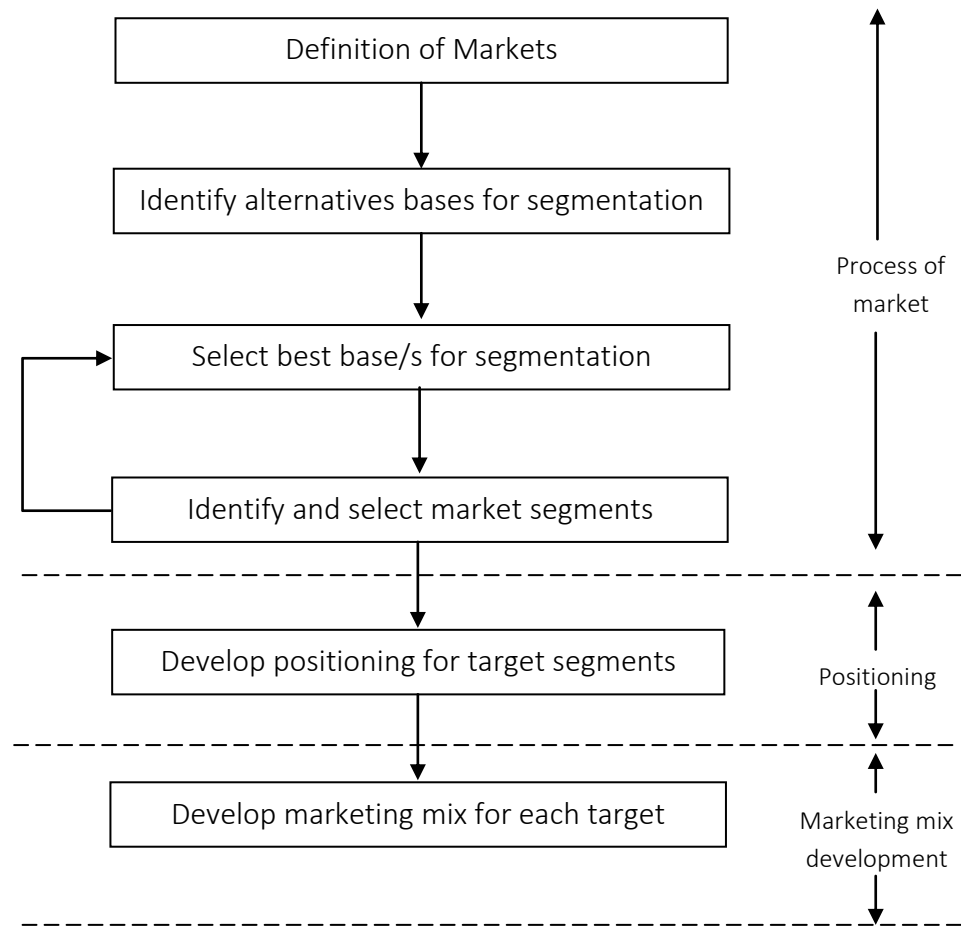


Fig. 5.1 Services market segmentation

Definition of Relevant Market

The definition of the relevant market to be addressed involves specifying the customer group to which the company is seeking to market its services. This can be a broad group such as retail customers for a supermarket in a given geographic region, or a much more specific group which can be further segmented.

Successful market segmentation means satisfying the needs of existing and potential customers in a clearly defined market. This involves understanding customer attitudes, and customer preferences, as well as the benefits which are sought. Definition of the target market and its requirements is the first essential step in the segmentation process.

Bases of Segmentations

Market segments are formed by grouping customers who share common characteristics that are in some way meaningful to the design, delivery, promotion, or pricing of the service. Common segmentation bases for customer markets are demographic segmentation, geographic segmentation, psychographic segmentation and behavioural segmentation. Segments may be identified on the basis of one of these characteristics or a combination.

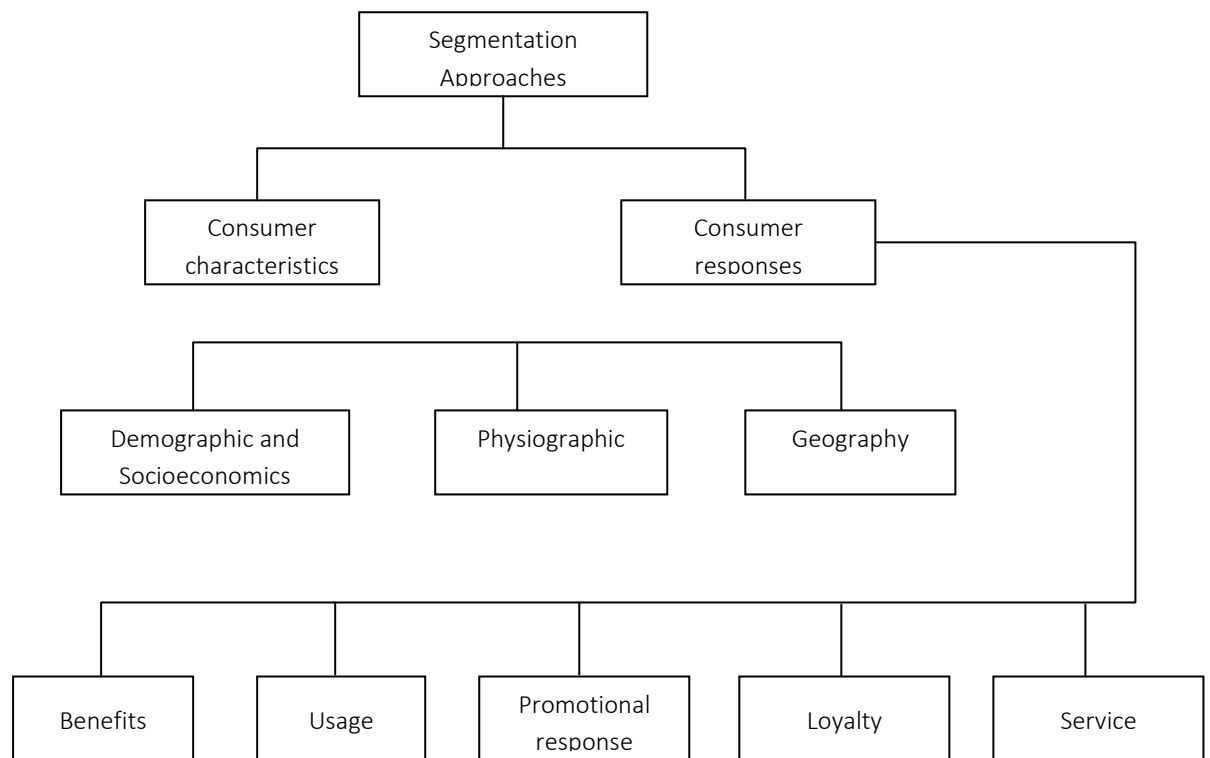


Fig 5.2

Demographics and socio-economic segmentation

Demographic segmentation includes a number of factors including sex, age, family size etc. Socio-economic variables may also be considered here, including income education, social class and ethnic origins. Many retail stores target different customer group.

An interesting example of market segmentation is seen in the banking patterns of consumers based on the lifecycle of the household. Whilst other factors such as socio economic level are also important, the age and family composition of the lifecycle concept are particularly valuable predictors of a household's propensity to either save or borrow.

An analysis of the stages within the customer lifecycle determines what kinds of banking relationships are needed to meet the demands of the household. These need change significantly from a bachelor who wants easy credit facilities and convenient transactions, young married requiring higher levels of credit facilities, through to older families at the peak of their earning and spending potential, and then older people without children at home who have a higher propensity to save. A financial institution can therefore direct various service offerings to individuals based on their stage within the lifecycle model.

Psychographic segmentation

This form of segmentation cannot be explained in clearly defined quantitative measures it is concerned with people's behaviour and ways of living. Psychographic segmentation is concerned with analyzing lifestyle characteristics, attitudes and personality. Often these elements are examined in conjunction with demographic variables. Service companies are increasingly starting to look at psychographic segmentation.

Geographic segmentation

Geographic segmentation divides customers according to where they live or work and correlates this with other variables. This is appropriate where customer needs vary in different areas, or where local and regional trends favour particular types of service offerings.

A geographic analysis is a relatively simple means of segmenting a market, it is frequently one of the first segmentation variables to be considered by a service firm. Geographic segmentation dimensions are typically grouped into market scope factors and geographic market measures.

1. Market scope factors include a consideration of where the markets to be served are located: this may be local, national, regional or global. To be a major player in some service business requires a regional or global presence: airlines wishing to be significant players are recognizing this. Many airlines are seeking increased scale of operations through mergers and strategic alliances.
2. Geographic market measures include examination of population density, climate-related factors, and standardized market areas. Geographic measures are especially important in the selection of specialized mass communications media. Most mass circulation media profile geographic coverage of standardized market areas in detail as well as providing media circulation by type of reader and other variables. Geographic market measures are used to determine relative sales potential in different geographic areas.

Benefit segmentation

The segmentation variables listed above focus on the personal attributes of the customer. Segmentation can also be carried out on the basis of the customer's response.

Benefit segmentation assumes that the benefits that people are seeking from a given product or services are the basic reasons why they buy the product. This differs from psychographic segmentation which focuses on who will buy a product. Identifying a segment seeking a common benefit permits the service provider to develop a relevant offering. For example, various benefits are sought within the retail banking market. One segment seeks large, well known banks which offer a full range of service for varying needs. Another segments looks for advantageous loans with borrowing easily available at low interest. A third segment may seek high savings interest with quick service and a personal banking relationship. A fourth segment might seek a one-stop bank with a wide variety of services, convenient hours and quick service. A bank can direct its service to satisfying one or more of these segments and gain a reputation for offering a distinct package.

Benefit segmentation is applicable to almost all services as it focuses on the clearlying reasons for purchasing them. For example, within the education market consumers can be analyzed based on the primary benefits they seek from the education experience. An example of benefit segments used for categorizing prospective MBAs can be identified from a survey of candidates.

Usage segmentation

Usage segmentation focuses on the type and extent of usage patterns. Consumers are typically divided into heavy users, medium users, occasional users or non-users of the service being considered. Many services marketers are concerned with focusing on the heavy user segment, who may consumer many times more of the service than the occasional user. This is the basis of many fast food restaurants who cater for high volume usage by providing speedy, low-cost food. Banks and building societies are concerned with heavy, medium, light and non-users of their services. They wish to understand the nature, behaviour and identity of heavy users and attract them to their bank.

Promotional response segmentation

Promotional response segmentation considers how customers respond to a particular form of promotional activity. This may include response to advertising, sales promotions, in-store displays and exhibitions. Users of mail order catalogues tend to be good users of credit cards and will have a higher response rate to other direct mail offerings. This information can be used by service companies to ensure that this segment receives frequent communication by direct mail, thus building a relationship with the customer as well as obtaining a high response rate to promotions.

With loyalty segmentation customers are categorized according to the extent of the loyalty they exhibit to the particular product or service being offered. Customers can be characterized according to their degree of loyalty in the channels of distribution on outlets.

Some customers are very loyal to the services organisation they are currently with, even if they are not happy with the service they are receiving. Customers are sometimes divided into four categories according to consumer loyalty patterns,

'hard-core loyals' (consumers who buy their brand all the time); 'soft-core loyals' (who are loyal to two or three brands); 'shifting loyals' (who shift from favouring one brand to another); and 'switchers' (who show little sustainable loyalty to one brand). The underlying reasons for these different behaviour patterns need further analysis.

Segmentation by service

One area which has received relatively little attention is the consideration of how customers respond to varying service offerings. This may be considered a subset of benefit segmentation, but it is of sufficient importance to be addressed separately. The various elements of customer service that can be offered, and possible differentiation in terms of service levels within these elements, represent a considerable opportunity to design service package appropriate to different market segments.

Segmenting markets by service involves addressing the following issues:

- Can groupings of customers be identified with similar service requirements?
- Can we differentiate our service offering?
- Do all our products require the same level of service?

The types of segmentation outlined above are illustrative of the main forms of segmentation used by services companies. They are, however, by no means exhaustive. To a large extent the identification of segmentation bases involves an element of creativity. Those marketing services should constantly be considering alternative ways of segmenting the market and seeking ways in which they can create differential advantage over their competitors. This stage of the segmentation process should result in the selection of the best base(s) for segmentation.

The segmentation process should result in one of four basic decisions being reached:

1. The service firm may decide to target one segment of the market.
2. The service firm may decide to target several segments and so will develop different marketing mix plans for each segment.
3. Management may decide not to segment the market but to offer the service to the mass market. This may be appropriate if the market is very small and single portion would not be profitable. It also may be the case that the service company dominates the market so that targeting a few segments would not increase volume or profit.
4. Analysis may show that there is no viable market niche for the service offering.

The relevance of market segmentation is now being increasingly recognized in the services sector. A number of studies have pointed to the importance of market segmentation. One study ranked 'problems in recognizing, defining, understanding and segmenting markets' as the most important problem facing the senior executives surveyed. Another survey ranked segmentation as the third most important

marketing tool out of eighteen surveyed. However, despite the recognition of the importance of market segmentation, and the developments that have been made in market segmentation methodology, some service firms are still basing their marketing strategies and tactics on either an old approach to the market, or a relatively unsophisticated approach to segmentation. Many service firms need to be more disciplined in their focus on their marketplace.

Segmentation is at the heart of marketing strategy and is concerned with the development of a market position that minimizes competition's strengths and maximizes the strength of the service providers. Segmentation and the associated steps of positioning provide the opportunity to tailor the service offered to better meet the needs of specific segments.

Positioning and Differentiation of Services

Service firms are not identifying their key market segments and then determining how they wish consumers to perceive both their company and its products and services. Positioning is of particular significance in the services sector as it places an intangible service within a more tangible frame of reference. Thus the concept of positioning stems from a consideration of how an organisation wishes its target customer to view its products and services in relationship to those of its competitors and their actual, or perceived, needs.

Positioning can be defined as follows:

“Positioning is concerned with the identification, development and communication of a differentiated advantage which makes the organization's products and services perceived as superior and distinctive to those of its competitors in the mind of its target customers.”

Positioning offers the opportunity to differentiate any service. Each service firm and its goods and services has a position or image in the consumer's mind and this influences purchase decisions. Positions can be implicit and unplanned and evolve over a period of time or can be planned as part of the marketing strategy and then communicated to the target market. The purpose of planned positioning is to create a differentiation in the customer's mind which distinguished the company's services from other competitive services. It is important to establish a position of value for the product or service in the minds of the target market, i.e. it must be distinguishable by an attribute, or attributes, which are important to the customer. These attributes should be factors which are critical in the customer's purchase decision.

There is therefore no such thing as a commodity or 'standard' service. Every service offered has the potential to be perceived as different by a customer. Buyers have different needs and are therefore attracted to different offers. It is therefore important to select distinguishing characteristics which satisfy the following criteria:

- Importance – the difference is highly valued to a sufficiently large market
- Distinctiveness – the difference is distinctly superior to other offerings which are available.

- Communicability – it is possible to communicate the difference in a simple and strong way.
- Superiority – the difference is not easily copied by competitors.
- Affordability – the target customers will be able and willing to pay for the difference. Any additional cost of the distinguishing characteristic(s) will be perceived as sufficiently valuable to compensate for any additional cost.
- Profitability- the company will achieve additional profits as a result of introducing the difference

Each product or service has a set of attributes which can be compared to competitive offerings. Some of these attributes will be real, others will be perceived as real. A company wishing to position itself should determine how many attributes and differences to promote to target customers. Some marketers advocate promoting one benefit and establishing recognition as being the leader for that particular attribute. Others suggest that promoting more than one benefit will help in carving out a special niche which is less easily contested by competitors. The selection of the differentiating attribute(s) is most successful if it confirms fact which is already in the mind of the target market. Denying or fighting customers' perceptions of different offerings in the market is unlikely to be successful. A successful positioning strategy takes into account customers' existing perceptions of market offerings. It determines needs which customers value and which are not being met by competitors' services. It identifies which unsatisfied needs could be satisfied. The positioning strategy seeks to integrate all elements of the service, to ensure that the perceived position of the service is strongly reinforced.

Services have a number of distinguishing characteristics which have special implications for the positioning and selection of which attributes to emphasize. Three of the key characteristics of services, make positioning strategies of particular importance in marketing a service. These are the intangibility, the degree of variability or heterogeneity in quality of a given service, and inseparability – the fact that the performance of a service will often occur in presence of a customer.

Positioning can permit an intangible service benefit to be represented tangibly. It can help the customer see an intangible benefit – cleanliness; and this view can be reinforced by plastic covered glasses in rooms and a paper cover over the lid of a lavatory stating 'sanitized for your protection'. This helps the customer to associate cleanliness with the service offering, reinforcing the position that the hotel wishes to portray. Service companies often promote their reputations in an attempt to add tangibility.

Services are also highly variable and rely to a great extent on input from company employees for their production. For example, in a restaurant the waiter is the main point of contact with the customer and his service performance will be a major factor in the way the establishment will be judged. His performance will vary at different times, and there will also be variance between his service and that of another waiter

or waitress in the restaurant, as a result, the quality of the delivered service can vary widely.

Further, the quality of small elements of a total service offering may affect the received quality of the service as a whole. For instance, a poor check-out procedure from a hotel, may greatly affect the perceived quality of the overall experience of staying on it. The customer's perception of the quality of the service is therefore greatly affected by the quality of the overall experience of staying in it. The customer's perception of the quality of the service is therefore greatly affected by the quality of the staff who are responsible for delivery. An advantage can be gained by providing better trained and more highly responsive people. A positioning strategy may therefore include the distinctive characteristic of employing 'better people'.

Services tend to be inseparable and are characterized by the fact that they are performed in the presence of the customer.

The distinctive features of the services outlined above provides the basis for competitive positioning strategy.

Positioning can be considered at several levels:

Industry positioning – the positioning of the service industry as a whole.

Organizational positioning – the positioning of the organization as a whole.

Product sector positioning – the positioning of a range or family of related products and services being offered by the organisation.

Individual product or service positioning – the positioning of specific products.

Process of Positioning

Product positioning involves a number of steps including the following:

Determining levels of positioning

Identification of key attributes of importance to selected segments

Location of attributes on a positioning map

Evaluating positioning options

Implementing positioning.

Determining levels of positioning

The first step in positioning is to determine which level(s) – service level, product sector level, corporate level – are to receive explicit positioning attention. Some examples will illustrate the choices that are made by some service organizations. The level or levels of positioning to be undertaken are usually fairly clear out, although some organisation, have placed different emphasis on these levels at different points in time.

Identification of attributes Once the level of positioning has been determined it is necessary to identify the specific attributes that are important to the chosen market segments. In particular, the way in which purchasing decisions are made should be considered. Individuals use different criteria for making a purchase decision of a service.

Location of attributes on positioning map

The positioning process involves the identification of the most important attribute and location of various companies' services, for these attributes, on a positioning map. Where a range of attributes are identified, statistical procedures exist for combining these attributes into aggregate dimensions. Such dimensions are referred to by various names such as principal components, multi-dimensional scales, factors etc. depending upon how the data were elicited and which statistical procedures were used. Usually two dimensions are used on positioning maps and these often account for a large proportion of the 'explanation' of the customer's preferences.

Products or services are typically plotted on a two dimensional positioning map such as show in the following figure. The positioning map can be used to identify the position of competitors' services in relation to the selected attributes. The analysis can be further developed by drawing separate positioning maps for each market segment. Customers in each market segment may perceive the service and its benefits differently and different map will show these different positions.

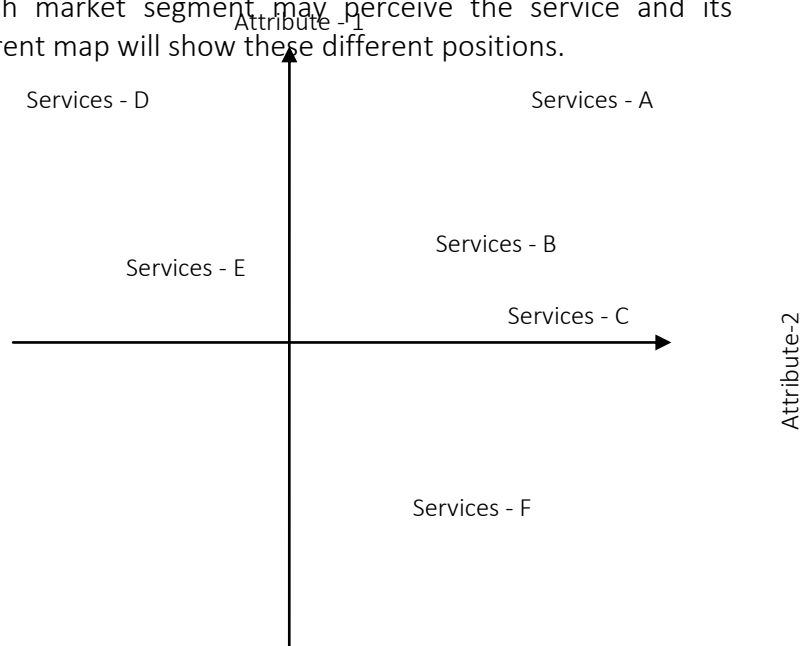


Fig. 6.1 Illustrative positioning map

Positioning maps can be based on either objective attributes or subjective attributes. Maps can also use a combination of objective and subjective attributes.

Evaluation positioning options

- Strengthening current position against competitors to avoid head-on attack.
- Identifying an unoccupied market position that was not filled by a competitor
- Repositioning the competition.

Once a company had identified where it is positioned at present, it then needs to determine how to enhance or sustain its position relative to its competitors.

Criteria for good positioning

- The positioning should be meaningful.
- The positioning must be believable.
- The positioning must be unique.

Implementing positioning and the marketing mix

How a company and service is positioned needs to be communicated throughout all of its implicit and explicit interactions with customers. This suggests that all elements of the company, its staff, policies and image, need to reflect a similar image which together conveys the desired position to the market place. This means that a company must establish a strategic positioning direction, which is followed through in all of its tactical marketing and sales activities.

A successful positioning strategy should make the service clearly distinguishable by features which are desirable and important to the target customer segment. This means that the positioning strategy should be examined from time to time to ensure that it does not become outdated and that it is still relevant to the target market segment.

The marketing mix is the key to implementing a positioning strategy. The design of the marketing mix to implement the positioning must be based on the key salient attributes relevant to the target segment. These attributes should be identified in the context of analysis of competitors, whose positions should be assessed to discover their vulnerability. All the elements of the marketing mix can be utilized to influence the customer's perception and hence the positioning of the product or organization concerned. The marketing mix can be used to develop a coherent totality that creates the positioning in the customer's mind.

Importance of Positioning

Positioning involves both launching new brands into the marketplace (new brand positioning), and repositioning old brands. It is concerned with the differentiation of products and services and ensuring that they do not degenerate into a commodity. To maximize its potential a company should position itself in its core market segments,

where it is objectively or subjectively differentiated in a positive way over competing offerings.

Positioning is particularly important for services in the market. As a result of competitive pressure the consumer is becoming increasingly confused by the huge offering of services within each market sector. These offerings are communicated by a vast number of advertising messages promoting different features of the services. The key to a successful positioning strategy is to promote the feature which the company is best at and which exactly matches the needs of the customer.

Because of intangibility and other features associated with services, consumers find that differentiation of services can be more difficult and complex. Successful positioning makes it easier for the customer to see a company's services as being different from others and exactly what is wanted.

Positioning is a strategic marketing tool which allows managers to determine what their position is now, what they wish it to be and what actions are needed to attain it. This permits market opportunities to be identified, by considering positions which are not met by competitors' products. It therefore helps influence both product development and the redesign of existing products. It also allows consideration of competitor's possible moves and responses so that appropriate action can be taken. The concept is often considered at the product level although it is also relevant at the product sector and organizational level. Positioning involves giving the target market segment the reason for buying your services and thus underpins the whole marketing strategy. It also offers guidelines for development of a marketing mix with each element of it being consistent with the positioning.

Services Marketing Mix

The marketing mix concept is a well established tool used as a structure by marketers. It consists of the various elements of a marketing programme which need to be considered in order to successfully implement the marketing strategy and positioning in the company's markets. The discipline of considering the integration of the elements of the marketing mix, as well as the individual various elements, helps ensure that there is consistency within the marketing strategy as a whole.

Essentially the marketing mix represents the factors which need to be considered when determining a service firm's marketing strategy. For example, in marketing a law firm the following elements should be considered: What particular legal services it offers to the target market segment(s) it has selected; the pricing strategy that is appropriate to those services; how it will promote itself and communicate with its market; the processes it will adopt; the appropriate service levels it will offer to its clients; the processes it will adopt; the appropriate service levels it will offer to its clients; the delivery system of the legal services; and the type and expertise of the people who will be involved in providing them.

The elements of the marketing mix for services include – Product, Price, Place, Promotion, People, Processes and Physical evidence. The underlying concept in developing each of these elements is to use them to support each other, to reinforce the positioning of the product and to deliver appropriate service quality to achieve competitive advantage.

Service Product

The term 'product' is frequently used in a broad sense to describe either a manufactured good or service. Thus goods and services are two types of product. A service product denotes an activity or activities that a service provider offers to perform, which results in satisfaction of a need or want of predetermined customers. The services are offered to a variety of customers at several levels as individual service products. In fact customers are not buying goods or services – they are really buying specific benefits and value from the total offering. We term this total offering to customers 'the offer'; it represents those benefits that customers derive from the purchase of goods or services.

In planning the offer of products and services, a good marketing manager devises a strategy whereby the offers are viewed at various levels to achieve unmatched product differentiation and superlative customer service. Generally, four levels of service products are identified. They are:

The core of generic product

It is the basic service product. Although the term 'generics' is the most usual descriptive term, the generic products have also been described as brand free, no names and unbranded products. A typical example would be a bed in a hotel room for a night.

The expected product

It is the minimum set of benefits expected by a customer from a service product. It consists of the generic product and the minimal purchase conditions which has to be met. Thus, a customer having a transaction with bank will expect, in addition to the service, a correct transaction recording, timely service and minimum courtesy.

The augmented product

They are offering in addition to what the customers expect in addition to the benefit expected by him. The augmented product is described as the complete bundle of attributes perceived by or offered to an individual buyer incorporating.

- The properties of the core product;
- The specific properties differentiating the offering of one supplier by contrast with another;
- The attendant elements of customer service, which when added to the core and differentiated product influence the customer's tastes and preferences. Due to these added features consumers prefer many products that are indistinguishable physically. For example, a marketer who may not have the most technological advanced core product will differentiate by adding value in the form of excellent customer service to the core product for reliability and responsiveness.

The potential product

It consists of potentially feasible added features and benefits to hold and attract customers. It includes the potential for redefinition of the product to take advantage of new users and the extension of existing applications.

A service product is a complex set of value satisfactions. People buy services to solve problems and they attach value to them in proportion to the perceived ability of the service to do this. Value is assessed by the buyers in relationship to the benefits they receive. But it has to be recognized that customers differ and that their requirements for different attributes vary by market segment.

This framework reconciles the marketer's view of a product, seen in terms of various inputs and processes needed to produce it, and the various benefits. This is shown in the example of the personal computer market.

The core product for a computer is a machine that permits input, processing, storage and retrieval of data. This is the minimum requirement for such a product.

The expected product will also have service support, warranty, a recognizable brand name and attractive packaging.

The augmented product may include the supply of the free diagnostic software, a generous trade in allowance, user clubs and other product augmentations which are valuable to personal computer buyers.

The potential product may consist of future applications including use as a systems controller, facsimile machine or a music composer.

The brand name itself also becomes an important element of the augmented product. Brands can be a major determining element in the purchase of services and an important means of adding differentiation at the augmented product level.

Branding

The product level subsequent to the generic product offer opportunities to provide added value to the customers. Value is added through the creating of strong brand names and the owners of the brands can command premium prices for them. Thus branding has an important role in assuring customers of uniform service quality.

Of late, branding has become common in services, and distinctive brands are established with considerable efforts. There is an argument that in future the customers will increasingly respond to a company brand and that the customer's choice will depend upon their assessment of the company and the people behind it rather than on evaluation of the functional benefits of a product or services.

By adding value to the basic generic service product a brand achieves differentiation. But the consumer's perception of service quality depends more on reliability, responsiveness, assurance and empathy. This means that service marketers should give increased attention to how they can differentiate the product surround and enlarge it. The larger the product surround the greater the probable differentiation of a company's brand offering from those of its competitors.

Berry and Parasuramen have suggested some key questions service managers should address with respect to their company's branding;

1. Are we proactive in presenting a strong company brand to our customers (and other stakeholders)?
2. How does our company name rate on the tests of distinctiveness, relevance, memorability and flexibility?
3. Do we use to full advantage branding elements other than the company name?
4. Is our presented brand cohesive?
5. Do we apply our brand consistently across all media?
6. Do we use all possible media to present our media?
7. Do we recognize the influence of the service offering on brand meaning?
8. Do we base our branding decisions on research?
9. Are we respectful of what exists when we change own brand or add new brands?

10. Do we internalize our branding?

Addressing these questions should help avoid the specialty to commodity slide. They also provide a platform for elements of physical evidence to be added which reinforce the brand and product surround.

Service Product Decisions

Many service organizations like to offer a range of services. Decisions on this have to be considered with a view on the company's positioning strategy and the competitors services offerings. Any new service that might be offered should be within the competency of the company to deliver it. When considering service product decisions many strategic growth options are available to a service company. For this, there is an useful framework, proposed by Igor Ansoff. The framework is called a product / market expansion grid or Ansoff matrix. Ansoff matrix is used to consider four strategies which are fundamental to the service provider i.e. to review whether more market share should be gained for the existing service products in their current market; to consider whether it can find or develop new market opportunities for its existing products; to consider whether new products can be developed with potential interest to its current markets and then to review opportunities for diversification by developing new services products for new product. An outline of the Ansoff matrix is given below:

Ansoff's product/Market expansion grid

	Existing product	New Products
Existing Markets	Market penetration	Product (service) development
New Markets	Market development	Diversification

Market Penetration

It was proposed by Igor Ansoff whereby a company seeks increased sales for its present products in its present markets through more aggressive promotion and distribution. There are three major approaches.

- Encouraging the current customers to buy more of the product,
- Attracting the customers of the competitors to switch to its brand, and
- Convincing non users of the service to start using it.

Market penetration is achieved by more focused segmentation and a more clearly defined positioning strategy and better application of the marketing mix elements. It is aimed at greater productivity and building market share at the expense of competitors.

Market Development

Ansoff's second basic strategy under which the company seeks increased sales by taking its present products into new markets. The following approaches may be adopted:

- Identification of potential user groups in the current sales areas whose interest in the product services might be stimulated.
- Seeking additional distribution channels in its present locations, and
- To consider marketing in new locations domestically or abroad.

This strategy requires in depth market research to ensure that the needs of the customers are understood and met competitively and hence it involves a higher risk than other strategies. Further, in these circumstance the different needs of different customers are often not given sufficient consideration. So there is a view that market extension can be more safely adopted if the service is to be used by existing customers in the different market.

Product or Service Development

The next strategy is to consider new product possibilities. New product development is a comparatively new for researches. Service products with new feature and different quality levels or an alternative service itself could be developed.

Christopher Lovelock has suggested six categories of service innovation, including the following:

1. *Major innovations*: these innovations represent major new markets. Examples: Cellular telephones and Open University (Distance educations). The risk and reward profile of such major innovations are typically large.
2. *Startup business*: these are new and innovative ways of addressing the current needs of customers and increasing the range of choices available to them. Examples: Video Cassette hire. Some innovations could fit either of the above two categories.
3. *New products for the market currently served*: this allows the service provider to sue the customer base to the best advantage and cross-sell other products. For example, the Automobile Association established a core range of products related to car breakdown services. The customer base is now offered a range of other car-related services, including car insurance, travel insurance and map books.

The technological change has increased the range of opportunities for innovation and creativity, and is also responsible for creating a market for products and services which consumers may not have considered that they require. For example, automated teller machines, electronic mail and desk-top publishing have each resulted from technological development and created consumer demands which previously did not exist.

4. *Product line extensions*: These offer customers greater variety of choice within existing service lines. This is typical of a business in maturity, which already has a core market segment which the service provider seeks to maintain.
5. *Product improvements*: this usually consists of altering or improving the features of existing service products.
6. *Style changes*: These involve cosmetic alternations or enhancement of tangible elements of the service product. The development of a new corporate image, or the introduction of uniforms for bank counter staff are examples of style changes.

Diversification

It is the fourth basic strategy proposed by Igor Ansoff. It is more riskier and is typically adopted by mature service industries as their growth cannot be achieved in any other way. The process involves introduction of new products, which may or may not be related to the company's present products, into existing or new markets. Diversification may be the result of a deliberate attempt by management to hedge against the company's future being tied too closely to a small number of product or markets. It may be accomplished by new investment or through mergers and acquisitions.

Gronroos outlines four steps that the services marketer needs to manage in providing a service offer:

- *Developing the service concept* – the basic concept or intention of the service provider.
- *Developing a basic service package* – the core service, facilitating services and goods and supporting services and goods.
- *Developing an augmented service offering* – the service process and interactions between the service provider and customers, including the service delivery process. It includes between the service produce and the customer, and the degree of customer participation.
- *Managing image and communication*- so that they support and enhance the augmented service offer. This is the interface between the promotion and product marketing mix elements.

A consideration of these steps makes clear some of the linkages with other elements of the marketing mix. Once the basic service offer has been established, attention can then be directed at development of pricing, promotion, distribution and other ingredients of the marketing mix.

Service Price

Pricing plays an important role in the marketing of services. Pricing decisions have a significant role in the determination of the value for the customer and in building the

image for the service. Thus price influences the perception of the quality. It also has an impact on all parts of the marketing channels. Suppliers, sales people, distributors, competitors and customers all are affected by the pricing system.

Special pricing considerations apply to services for various reasons. Some of them are:

- Immediate delivery,
- Importance of availability, according to higher and lower demand, i.e. the demand fluctuation,
- Intangible nature of the product as the buyer often perceives a strong price – quality association.
- Services categories which cannot be standardized,
- Prevailing economic and political conditions,
- Location (for example, different States have varied tax structures), and
- Status of the user.

Branding allows homogeneous services to be differentiated and allows adopting premium pricing strategy. The decision on the pricing of a new service must take into account many relevant features. The most important of these is that the pricing decision must be consistent with the overall marketing strategy. The charging of different prices in different markets may also need to be considered. In addition, the specific price to be charged depends on the type of customer to whom the service is sold. Value is not determined by price but by the benefits the buyer perceives the new service and the price of alternative services which are competing with it.

A service company will very often sell a range of services. It may decide to offer bundles of these services at special prices. Package holidays – which offer travel, hotel, transportation, sports, facilities and equipment, entertainment and insurance are examples of this. In these areas pricing needs to be carefully considered in order to obtain the maximum potential profit and revenue from each customer.

