

SERVICE MARKETING

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- Services – general view
- Customer services



Service?

Services

Definition of “service”:

“...any act or performance that one party can offer to another that is essentially **intangible** and does **not result in the ownership** of anything. Its production may or may not be tied to a physical product”

Kotler (1994)

What's the Big Deal about Services?

- Roughly 70+ % of economic output in developed countries falls in the “**service sector**”
- This does not include “**hidden services**” carried out in goods-producing companies

GDP according to purchasing power parity (bil. USD), 2010)

	<i>Prim.</i>	<i>Sec.</i>	<i>Tertiary</i>
World	6%	30,9%	63,2%
EU	1,8%	25%	73,1%
USA	1,1%	22,1%	76,8%
China	10,2%	49,6%	43%
Germany	0,9%	27,8%	71,3%
GB	0,7%	21,8%	77,5%
France	2%	18,5%	79,5%
Austria	1,5%	29,4%	69,1%
Poland	3,4%	33%	63,5%
CZ	2,4%	37,6%	60%

GDP - composition, by sector of origin(%)

<https://www.cia.gov/library/publications/the-world-factbook/fields/2012.html>

„Top 100 Statistics“

- Of the top 100 revenue-earners worldwide, 55 % are service firms.
- The top service firm in revenues worldwide in 1998 was **Wal-Mart**, followed by top Japanese trading houses.
- On average, service firms produced 45 % more revenue per employee than did manufacturing firms.
- 33 % of the top 100 service firms are controlled from the U.S.

Global Services Trade Statistics

- Services account for an estimated **28 % of world trade**, once "bundled" services and intra-corporate services trade are included.
- The top five services exporting countries are the **U.S.A., the U.K., France, Germany, and Italy**.
- Since 1990, "other services" exports have grown worldwide at an **average annual rate of 8.6%**, compared with 6.9% for goods exports.

Services Marketing vs. Product Marketing

All intangible

All tangible



Tires and auto parts

Computer hardware

Computer software

Retailing

Professional services

Generic Differences: Nature of the Product

- According to Berry (1980),
a **good** is “an object, a device, a thing”
a **service** is “a deed, a performance, an effort”
- The service performance itself is an intangible.

Generic Differences: Customer Involvement in the Production Process

- cooperation (e.g., healthcare, hair salon)
- self-service (e.g., supermarket, gas station)

Generic Differences: People as Part of the Product

- Service customers
- Service employees

Generic Differences: Harder for Customers to Evaluate

search quality
experience quality
credence quality

Generic Differences: No Inventories for Services

- Services are completely “perishable” products
- Capacity, or supply of services, is constant for many services (e.g., a hotel); unused capacity cannot be stored and is thus lost
- Managing demand becomes increasingly more important for services marketers

The 7 Ps of Services Marketing

(T.J.Brown)

- product
- price
- place
- promotion
- people / participants
- processes
- physical evidence

Major Services

- Accounting
- Advertising
- Architecture
- Banking and other financial services
- Communications
- Computers
- Construction and engineering
- Education and training
- Equipment maintenance and repair
- Franchising
- Health care
- Hospital management
- Insurance
- Leasing
- Legal
- Lodging
- Management and catering
- Management consulting
- Publishing

World famous service companies?

Disney DIRECTORY

KPMG

World of
TUI

Radisson

accenture

IBM



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Leo Burnett

Customer services?

Customer services

- Customer services are everything, what company does for **satisfaction** of its customers.
- They help to gain **higher profit** from sold products.
- Quality and customer services present **strong barrier against the competition**, ensure customer loyalty, differentiate product, decrease marketing costs and increase company profit (Bovée and Thill, 1992).
- Customer services can be also an important **competitive advantage**.

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Customer Services

- help to understanding of customers needs
- customer service is the provision of service to customers
 - before,
 - during and
 - after a purchase
- customer service may be provided by
 - a person or
 - by automated means called self-service (web pages)
- influence emotional experiences from purchase and help to increase of customer satisfaction
- generate income and revenue

Customer services

- Companies can supply a lot of different **types of services** to their customers.
- The supply usually depends on **company management**, employees, customers, competitors or the type of business.
- Today, manufacturing companies provide their services in **different levels and ranges**.
- There are some frequent examples of often used services: ...

Customer services

- Transport of products according to customer requirements
- Packaging of products according to customers requirements
- Replacement of spare parts
- Maintenance services
- Sufficient information about the company and its products
- Training of customers
- Payment conditions (paying by leasing)
- Free phone connection (“Green line”)

■ Transport and product packaging



Customer services

- Change of spare parts
- Guarantee repairs



Customer services

■ Customer trainings



Customer services

■ Payment conditions (leasing)



Question

- Tell us about your experience with some extraordinary customer service.

Strategies focused on the certain aspects

Aspect	Size of enterprise (number of employees)			Average value
	0-9	10 - 49	50 - 249	
Price	47 %	46 %	52 %	47 %
Product / service	63 %	68 %	73 %	63 %
Customer service	75 %	62 %	61 %	64 %
Location	23 %	23 %	26 %	23 %
Others	1 %	1 %	1 %	1 %
Nothing	1 %	1 %	0 %	1 %

Customer services

- There are no doubts that customer services play an **important role** in today's companies.
- Customer services can be also perceived as a significant **competitive advantage**.
- It is necessary to continuously improve them and know their **customer perception**.

How to offer customer services

- 1. Know your product – However, it is possible to say "I don't know", but it should always be followed up by... "but let me find out" make sure that you don't leave your customer with an unanswered question.
- 2. Body Language/Communication - Two of the most important parts of positive body language are smiling, and eye contact.
- 3. Anticipate customers Needs - Nothing surprises your customer more than an employee going the extra mile to help them. Always look for ways to serve your customer more than they expect.

■ Which company provide
awesome customer services?

Customer services

■ IKEA



■ KONE



■ XEROX



Task

- Prepare customer services offered by lawyers
 - before,
 - during and
 - after a purchase

Case

CRM?

Customer relationship management

- is a broadly recognized, widely-implemented strategy for managing and a company's interactions with clients and sales prospects
- the goals are to find, attract, and win new clients
- when an implementation is effective, people, processes, and technology work in synergy to increase profitability, and reduce costs

Advantages of using CRM

- Better sales and marketing processes
- Higher sales productivity
- Improved service, loyalty of customers, and retention
- Better profiling and targeting
- Reduced expenditures
- Increased market share
- Higher overall profitability

The McKinsey 7S Model

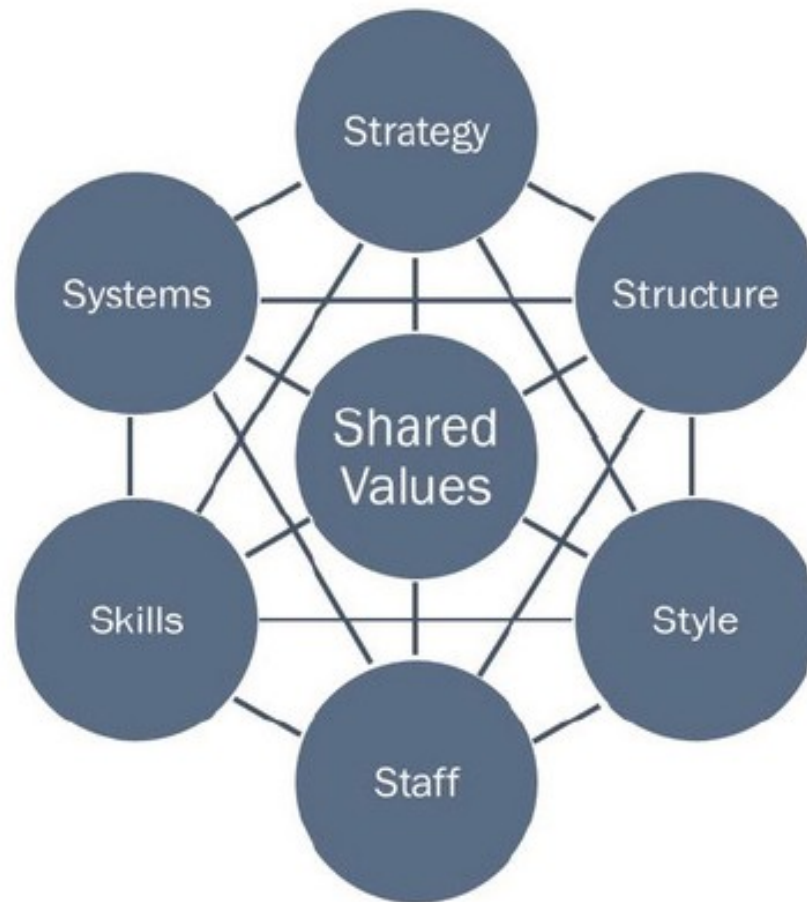
■ Goal:

- ensuring that all parts of a company work in harmony
- the model can be used to help identify what needs lead to improve performance
- the basic premise of the model is that there are 7 internal aspects of a company that need to be aligned if it is to be successful
- these 7 internal aspects are categorized as either "hard" or "soft" elements
 - "Hard" elements are easier to define or identify – e. g.: strategy statements; formal processes or IT systems.
 - "Soft" elements are more difficult to describe, they are more influenced by culture. However, these soft elements are as important as the hard elements if the company is going to be successful.
- these 7 internal aspects influences each other - a change in one affects all the others

The McKinsey 7S Model

■ Advantages:

- Analyze the current situation, determine how best to implement a proposed strategy.
- Examine the likely effects of future changes within a company.
- To identify gaps.
- Ensure that a company works effectively.
- Improve the performance of a company.



Aspects of the McKinsey 7S Model

- **Strategy**
 - the plan devised to maintain and build competitive advantage over the competition
- **Structure**
 - the way the company is structured and who reports to whom
- **Systems**
 - the daily activities and procedures that employees engage in to get the job done.
- **Shared Values**
 - these are the core values of the company that are evidenced in the corporate culture and the general work ethic
- **Style**
 - the style of leadership
- **Staff**
 - the employees and their general capabilities
- **Skills**
 - the actual skills and competencies of the employees working for the company

Organization structure

■ Functional structure

- employees tend to perform a specialized set of tasks, for instance the engineering department would be staffed only with software engineers
 - Advantage: operational efficiencies within that group
 - Disadvantage: a lack of communication between the functional groups within an organization, making the organization slow and inflexible.
- is best suited as a producer of standardized goods and services at large volume and low cost or for a small companies

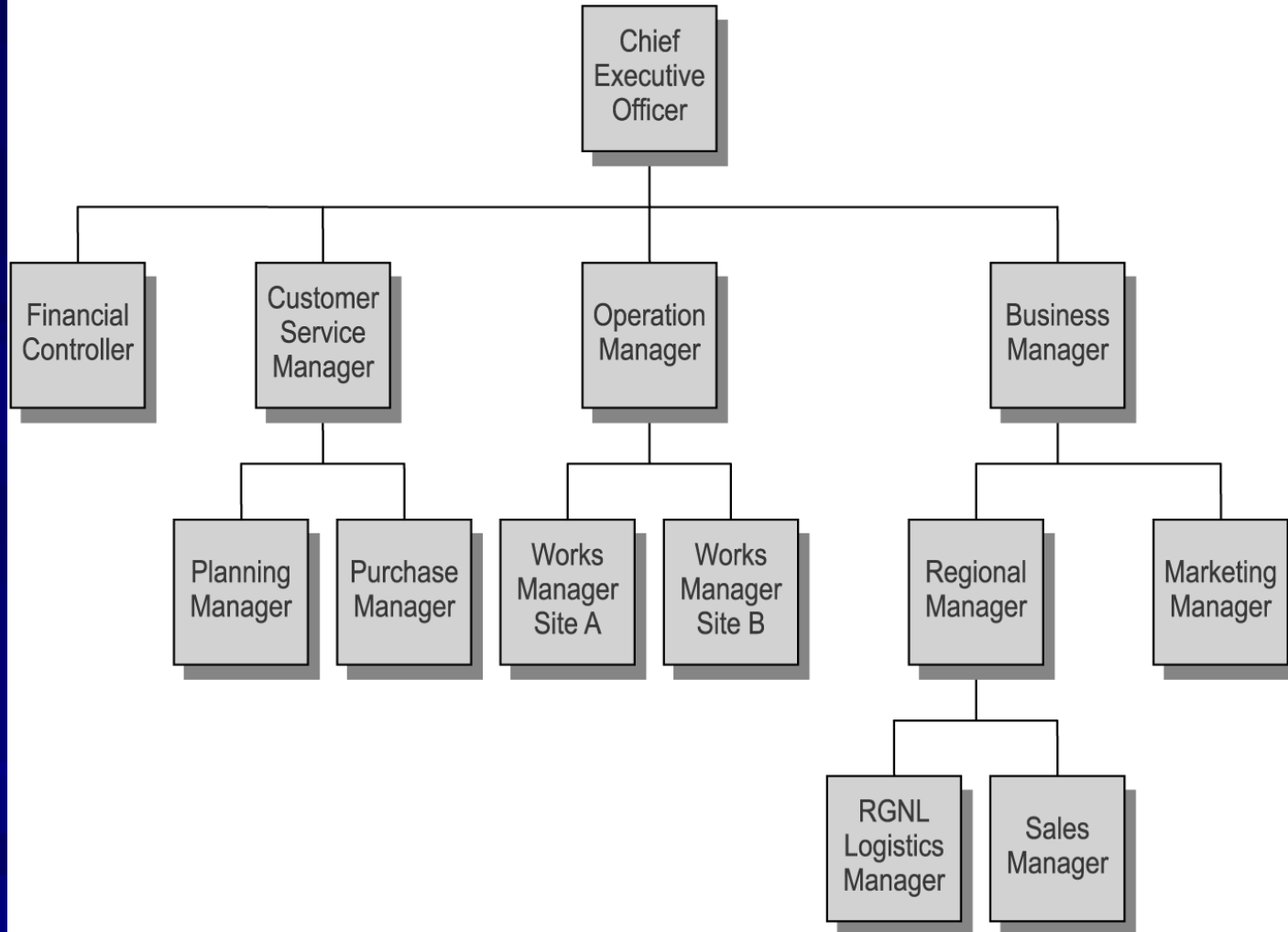
■ Divisional structure

- each organizational function into a divisions; each division within a divisional structure contains all the necessary resources and functions within it
- is best suited for companies on geographical basis or different products

■ Matrix structure

- combination of both function and division organization
- An example would be a company that produces two products, "product a" and "product b". Using the matrix structure, this company would organize functions within the company as follows: "product a" sales department, "product a" customer service department, "product a" accounting, "product b" sales department, "product b" customer service department, "product b" accounting department.

Functional Organization Structure



CEO

Division Product
X

R&D

Marketing

Finance

Division Product
Y

R&D

Marketing

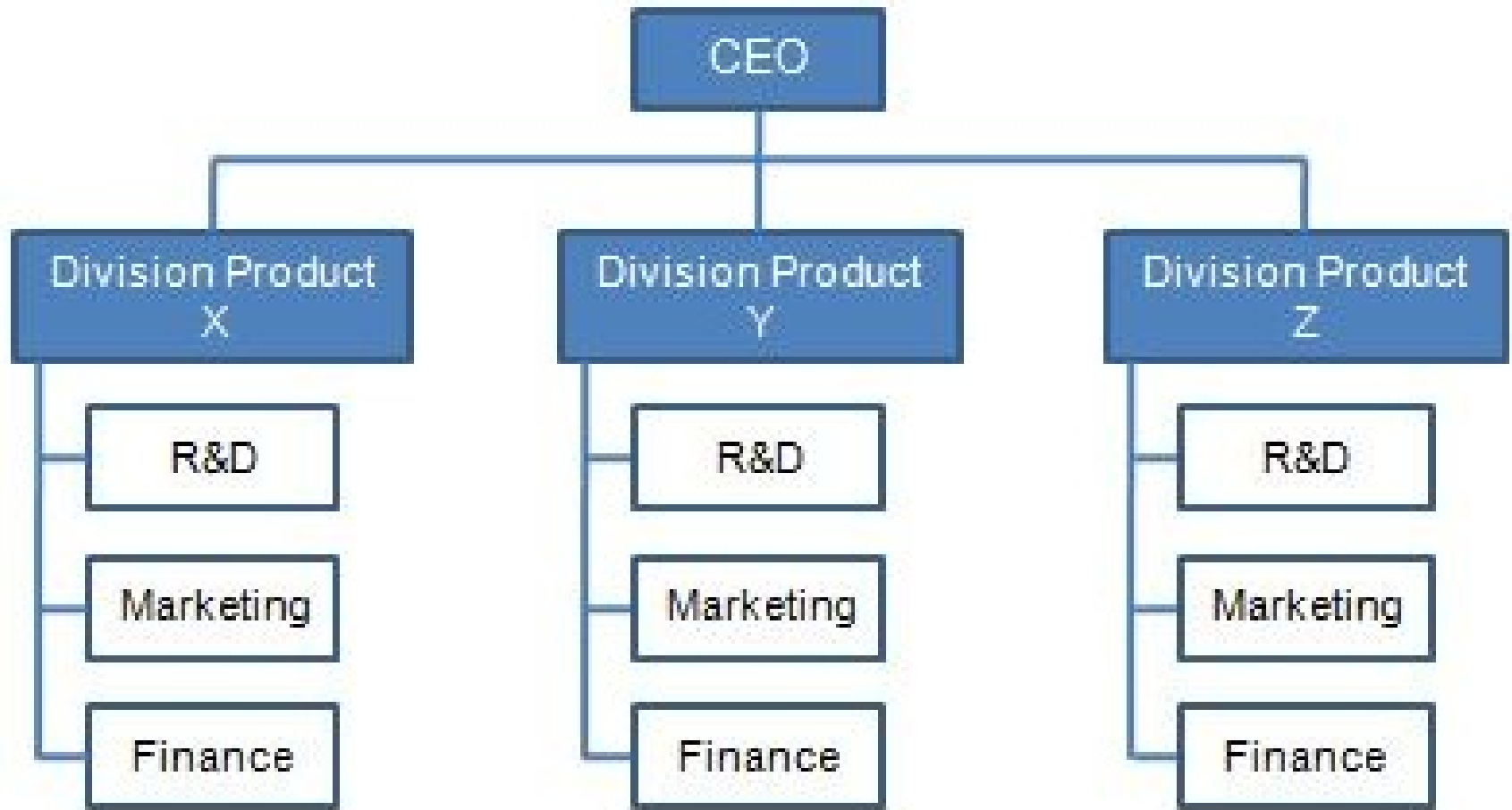
Finance

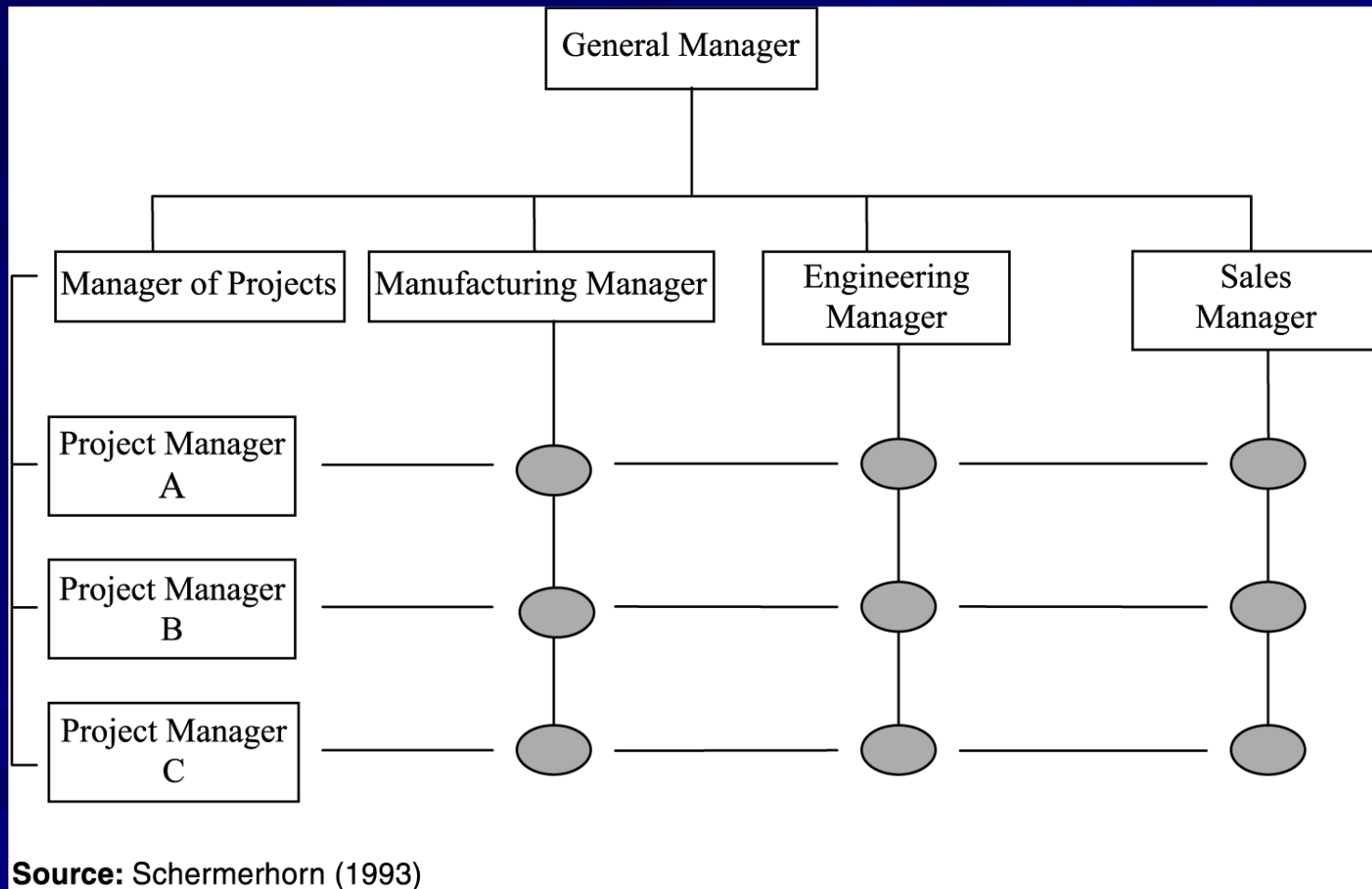
Division Product
Z

R&D

Marketing

Finance





Source: Schermerhorn (1993)

Leadership style

■ autocratic

- leaders tell their employees what they want done and how they want it accomplished, without getting the advice of their followers
- some of the appropriate conditions to use it is when a businessman has all the information to solve the problem, a businessman is short on time, and employees are well motivated

■ democratic

- the leader including one or more employees in the decision making process
- is used when a businessman has part of the information, and employees have other parts

■ Laissez-faire or free rein style

- the leader allows the employees to make the decisions. However, the leader is still responsible for the decisions that are made.
- is used when employees are able to analyze the situation and determine what needs to be done and how to do it

Question

- Which of leadership style is the best one for lawyers?

Example 7S Questions

■ **Strategy:**

- What is our strategy?
How do we intend to achieve our objectives?

■ **Structure:**

- What is the hierarchy of a company?
- How do the various departments coordinate activities?

■ **Systems:**

- Where are the controls and how are they monitored and evaluated?
- What internal rules and processes does the team use to keep on track?

■ **Shared Values:**

- What are the core values?
- What is the corporate/team culture?

■ **Style:**

- How effective is leadership style?
- Do employees/team members tend to be competitive or cooperative?

■ **Staff:**

- What positions need to be filled?
- Are there gaps in required competencies?

■ **Skills:**

- What are the strongest skills represented within the company/team?
- Do the current employees/team members have the ability to do the job?

Thanks for your attention!