

Chapter 12

Services and Nonprofit Organization Marketing

Learning Outcomes

- 12-1 Discuss the importance of services to the economy
- 12-2 Discuss the differences between services and goods
- 12-3 Describe the components of service quality and the gap model of service quality
- 12-4 Develop marketing mixes for services
- 12-5 Discuss relationship marketing in services
- 12-6 Explain internal marketing in services
- 12-7 Describe nonprofit organization marketing
- 12-8 Discuss global issues in services marketing



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Learning Objective 1: The Importance of Services

Services

- Result of applying human or mechanical efforts to people or objects
- Involve a deed, a performance, or an effort that cannot be physically possessed
- Service-oriented industries that contribute to the U.S. economy
 - Technology, financial services, health care, and retail



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Learning Objective 2: How Services Differ from Goods



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Characteristics of Services (1 of 2)

- **Intangibility**
 - Inability of services to be touched, seen, tasted, heard, or felt in the same manner that goods can be sensed.
- **Inseparability**
 - Production and consumption are simultaneous, meaning the consumer takes part in production.



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Characteristics of Services (2 of 2)

- **Heterogeneity**
 - Variability of the inputs and outputs of services, which causes services to tend to be less standardized and uniform than goods.
- **Perishability**
 - Inability of services to be stored, warehoused, or inventoried.



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Intangibility

- **Evaluating the Quality of Services**
 - **Search quality:** Can be easily assessed before purchase
 - **Experience quality:** Can be assessed only after use
 - **Credence quality:** Can be difficult to assess even after purchase as customers lack necessary knowledge or experience



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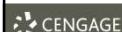
Learning Objective 3: Service Quality



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Evaluating Service Quality

- **Reliability**
 - Ability to perform a service dependably, accurately, and consistently
- **Responsiveness**
 - Ability to provide prompt service
- **Assurance**
 - Knowledge and courtesy of employees and their ability to convey trust
- **Empathy**
 - Caring, individualized attention to customers
- **Tangibles**
 - Physical evidence of the service



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The Gap Model of Service Quality (1 of 2)

- Gap 1: The gap between what customers want and what management thinks.
- Gap 2: The gap between what management thinks customers want and the quality specifications that management develops to provide the service.
- Gap 3: The gap between the service quality specifications and the service that is actually provided.



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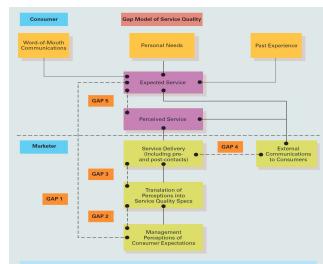
The Gap Model of Service Quality (2 of 2)

- Gap 4: The gap between what the company provides and what the customer is told it provides.
- Gap 5: The gap between the service that customers receive and the service they want. This gap can be positive or negative.



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Exhibit 12.1 Gap Model Of Service Quality



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Learning Objective 4: Marketing Mixes for Services

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Product (Service) Strategy

- Service as a process
- Core and supplementary service products
- Customization/Standardization
- The service mix

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Service as a process

Categories of Service Processes

- **People processing**—the service is directed at a customer
- **Possession processing**—directs to customers' physical possessions
- **Mental stimulus processing**—directs to people's minds
- **Information processing**—use technology or brainpower directed at a customer's assets

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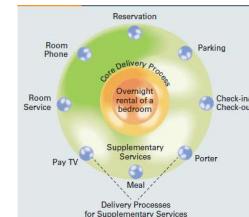
Core and Supplementary Service Products

- **Core service**
 - Most basic benefit the customer is buying
- **Supplementary service**
 - Group of services that support or enhance the core service



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Exhibit 12.2 Core And Supplementary Services For A Luxury Hotel



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Customization/Standardization

- Customized services—more flexible, respond to individual customers' needs, and command a higher price
- Standardized services—more efficient and cost less
- Emerging strategy
 - **Mass customization:** Strategy that uses technology to deliver customized services on a mass basis



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The Service Mix

- Each organization's service mix represents a set of opportunities, risks, and challenges.
- Service strategy decisions
 - *Introduction of what new services to which target market*
 - *Maintenance of existing services*
 - *Elimination of services*



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Place (Distribution) Strategy

- Convenience – Select a service provider
- Number of outlets – Intensity should meet market's needs
- Direct vs. Indirect distribution – 1. Direct distribution
2. Most use
- Location – relation between market and distribution strategy
- Scheduling – time-dependent service providers



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Promotion Strategy (1 of 2)

- Stressing tangible cues—To make their intangible services more tangible, hotels turn down the bedcovers and put mints on the pillows.
- Using personal information sources—A personal information source is someone consumers are familiar with (such as a celebrity) or someone they admire or can relate to personally.



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Promotion Strategy (2 of 2)

- Creating a strong organizational image—One way to create an image is to manage the evidence, including the physical environment of the service facility, the appearance of the service employees, and the tangible items associated with a service (such as stationery, bills, and business cards)
- Engaging in postpurchase communication—Postpurchase communication refers to the follow-up activities that a service firm might engage in after a customer transaction.



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Price Strategy

- Defining the unit of service consumption
- Determining if multiple elements are to be bundled or priced separately
- Three categories of pricing objectives
 - *Revenue-oriented pricing*
 - *Operations-oriented pricing*
 - *Patronage-oriented pricing*



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Categories of Pricing Objectives

- Revenue-oriented pricing
 - Focuses on maximizing the surplus of income over costs
- Operations-oriented pricing
 - Seeks to match supply and demand by varying price
- Patronage-oriented pricing
 - Tries to maximize the number of customers by varying price



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Learning Objective 5: Relationship Marketing in Services



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Levels in Relationship Marketing

- **Financial**—Using pricing incentives
- **Social**—Building social bonds
- **Customization**—Developing one-to-one solutions to fit customers' needs
- **Structural**—Offering value-added services



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Learning Objective 6: Internal Marketing in Service Firms



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Internal Marketing

- Treating employees as customers and developing systems and benefits that satisfy their needs
- Critical in service firms
 - Employees deliver the brand promise directly to customers



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Learning Objective 7: Nonprofit Organization Marketing



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Nonprofit Organization Marketing

- Effort by nonprofit organizations to bring about mutually exchanges with target markets
 - **Nonprofit organization:** Exists to achieve some goal other than the usual business goals of profit, market share, or return on investment
 - Governments, private museums, theaters, schools, and churches



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What Is Nonprofit Organization Marketing?

- Identifying desired customers
- Specifying objectives explicitly or implicitly
- Developing, managing, and eliminating programs and services
- Deciding on prices
- Scheduling events or programs
- Communicating their availability



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Unique Aspects of Nonprofit Organization Marketing Strategies (1 of 4)

- Objectives
 - To generate enough funds to cover expenses
 - To provide equitable, effective, and efficient services
- Selection of target markets
 - Apathetic or strongly opposed targets—strongly opposed to receiving their services
 - Pressure to adopt undifferentiated segmentation strategies—fail to recognize the advantages
 - Complementary positioning—complement, rather than compete



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Unique Aspects of Nonprofit Organization Marketing Strategies (2 of 4)

- Product decisions
 - Benefit complexity—complex, long term, and intangible
 - Benefit strength—weak or indirect
 - Involvement—elicit low involvement
- Place (distribution) decisions
 - Success is determined by a nonprofit organization's ability to distribute its service offerings when and where customers want them



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Unique Aspects of Nonprofit Organization Marketing Strategies (3 of 4)

- Promotion decisions
 - Professional volunteers—donates services in exchange for potential long-term benefits
 - Sales promotion activities—use of existing services to draw attention
 - Public service advertising (PSA)—promotes a federal, state, or local government
- Pricing decisions
 - **Pricing objective** is to defray costs rather than to achieve a profit
 - **Nonfinancial prices**—Consumers must absorb nonmonetary costs such as time, embarrassment, and effort.



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Unique Aspects of Nonprofit Organization Marketing Strategies (4 of 4)

- **Indirect payment** through taxes is common to marketers of free services.
- **Separation between payers and users**—Services are used by those who are relatively poor and paid for by those who are better off financially.
- **Below-cost pricing**—Example is University tuition



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Learning Objective 7: Global Issues in Services Marketing



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Global Issues in Services Marketing

- Many U.S. service industries have been able to enter the global marketplace because of competitive advantages.
- To be successful in the global marketplace, firms must:
 - Determine the nature of their core product
 - Design marketing mix that reflects each country's cultural, technological, and political environment



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Key Terms (1 of 2)

- Service
- Intangibility
- Search quality
- Experience quality
- Credence quality
- Inseparability
- Heterogeneity
- Perishability
- Reliability
- Responsiveness
- Assurance
- Empathy



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Key Terms (2 of 2)

- Tangibles
- Gap model
- Core service
- Supplementary services
- Mass customization
- Internal marketing
- Nonprofit organization
- Nonprofit organization marketing
- Public service advertisement (PSA)



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