

Service and
Nonprofit
Organization
Marketing

MKTG 8

Chapter 12

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2014-2015

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Learning Outcomes

-  LO¹ Discuss the importance of services to the economy
-  LO² Discuss the differences between services and goods
-  LO³ Describe the components of service quality and the gap model of service quality
-  LO⁴ Develop marketing mixes for services

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Learning Outcomes

-  LO⁵ Discuss relationship marketing in services
-  LO⁶ Explain internal marketing in services
-  LO⁷ Describe nonprofit organizational marketing
-  LO⁸ Discuss global issues in services marketing

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The Importance of Services

Discuss the importance of services to the economy



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The Importance of Services

Service industries accounted for 68 percent of U.S. GDP in 2012.

Services involve:

- Deeds
- Performances
- Efforts
- A service is the result of applying human or mechanical efforts to people or objects.
- In 2012, service industries accounted for 68 percent of U.S. GDP and four out of five U.S. jobs.

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How Services Differ from Goods

Discuss the differences
between services and
goods

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How Services Differ from Goods

Intangible

No physical object makes it hard to communicate benefits.

Inseparable

Production and consumption are simultaneous, meaning the consumer takes part in production.

Heterogeneous

Services depend on their employees for quality, which makes consistency difficult to achieve.

Perishable

Services cannot be saved, and it is challenging to synchronize supply and demand.

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When Services are Assessed

- Search quality: More often applied to goods, assessed before purchase
- Experience quality: Assessed after purchase
- Credence quality: Assessed only with appropriate knowledge.

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Service Quality

Describe the components of service quality and the gap model of service quality

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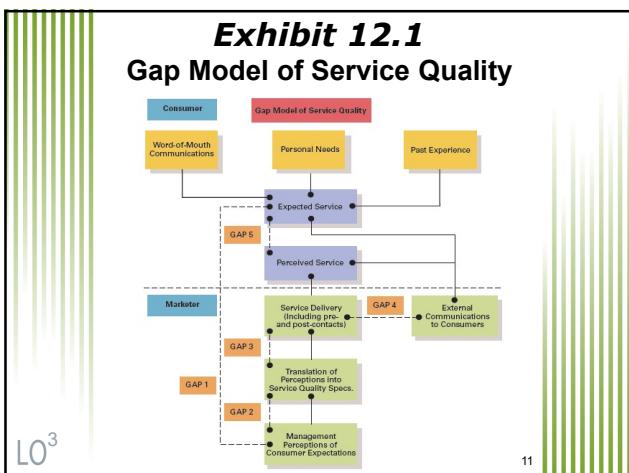
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Components of Service Quality

Reliability	The ability to perform the service right the first time.
Responsiveness	The ability to provide prompt service.
Assurance	The knowledge and courtesy of employees.
Empathy	Caring, individualized attention to customers.
Tangibles	The physical evidence of the service.

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Gap Model

A model of service quality called the "gap model" identifies five gaps that can cause problems in service delivery and influence customer evaluations of service quality.

1. Gap 1: The gap between what customers want and what management thinks customers want. This gap results from a lack of understanding or a misinterpretation of customers' needs or wants. To close gap 1, keep in touch with what customers want by doing research on customer needs and customer satisfaction.
2. Gap 2: The gap between what management thinks customers want and the quality specifications that management develops to provide the service.

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Gap Model (continued)

Gap 3: The gap between the service quality specifications and the service that is actually provided. If gaps 1 and 2 are closed, gap 3 is due to the inability of management and employees to do what should be done. To close gap 3, employees need the skills, training, and tools to perform their jobs.

Gap 4: The gap between what the company provides and what the customer is told it provides. This is a communication gap, caused by such things as misleading or deceptive advertising campaigns. To close gap 4, companies need to create realistic customer expectations through honest, accurate, realistic communication.

Gap 5: The gap between the service that customers receive and the service they want. This gap can be positive or negative. As the gaps shrink, service quality improves.

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Marketing Mixes for Services

Develop marketing mixes for services

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Product Strategies for Services

Service as a Process

Core and Supplementary

Customization/Standardization

Service Mix

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Service as a Process

Two things get processed in service organization: people and objects. In some cases, the process is physical, while in others the process is intangible. There are 4 types of service processing categories:

- People Processing**
The service is directed at a customer.
Examples include health care and hairstyling.
- Possession Processing**
The service is directed at customers' physical possessions.
Examples include lawn care, car repair, and dry cleaning.
- Mental Stimulus Processing**
Services directed at people's minds.
Examples include spectator sports events, theater performances, and education.
- Information Processing**
Services that use technology or brainpower directed at a customer's assets.
Examples include insurance, consulting, and banking.

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The Service Offering

Core Service

The most basic benefit the consumer is buying.

Supplementary Service

A group of services that support or enhance the core service.

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Customization/Standardization

Elements of customized and standardized services are found in mass customization.

Mass Customization

A strategy that uses technology to deliver customized services on a mass basis.

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The Service Mix

- ◆ Determine which new services to introduce
- ◆ Determine the target market
- ◆ Decide which existing services to maintain and which to eliminate

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Place (Distribution) Strategy

Convenience

A key factor influencing the selection of a service provider.

Number of outlets

The intensity of distribution should meet the target market's needs and preferences.

Direct or indirect distribution

Many service firms use direct distribution or franchising.

The newest form of direct distribution is the Internet.

Location

The location of a service reveals the relationship between its target market strategy and distribution strategy.

Scheduling

The most important factor for time-dependent service providers like airlines, physicians, and dentists.

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Promotion Strategy

Stress tangible cues

Use personal information sources

Create a strong organizational image

Engage in postpurchase communication

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Price Strategy

Pricing Challenges for Services

- ◆ Define the unit of service consumption e.g. Do we charge for hours used, units used, etc.
- ◆ Determine if multiple elements are “bundled” or priced separately

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Pricing Objectives

Revenue-Oriented Pricing

Maximize the surplus of income over costs

Operations-Oriented Pricing

Match supply and demand by varying price

Patronage-Oriented Pricing

Maximize the number of customers by varying price

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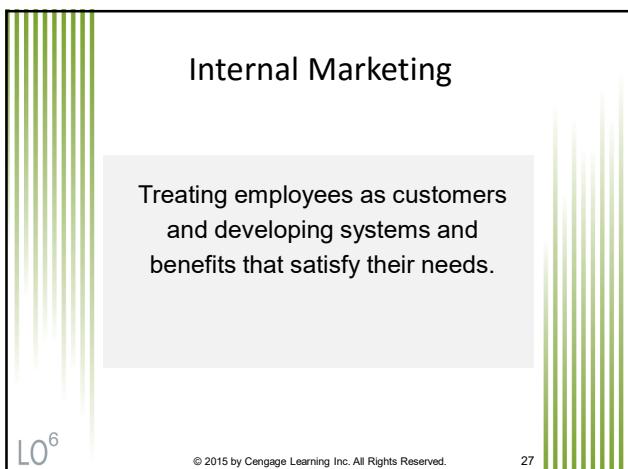
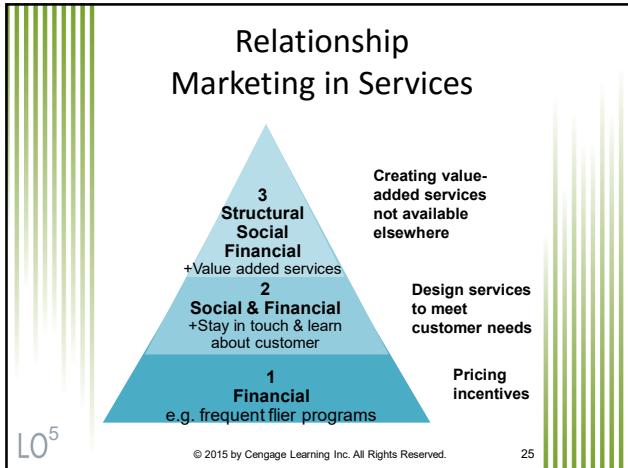
Relationship Marketing in Services

Discuss relationship marketing in services

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Nonprofit Organization

An organization that exists to achieve some goal other than the usual business goals of profit, market share, or return on investment.

- Governments
- Museums
- Theaters
- Schools
- Churches

Nonprofits account for more than 20% of all U.S. economic activity.

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Nonprofit Organization Marketing

Shared Characteristics with Service Organizations

- Market intangible products
- Production requires customer's presence
- Services vary greatly
- Services cannot be stored

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Nonprofit Organization Marketing Activities

Identify desired customers
(Target market may not want the product!)

Specify objectives

Develop, manage, eliminate programs and services

Decide on prices

Schedule events or programs

Communicate their availability
(Public service advertising? PSA)

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Unique Aspects of Nonprofit Organization Marketing Strategies

- Setting of marketing objectives
- Selection of target markets
- Development of marketing mixes

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Objectives

Provide services that respond to the wants of:

- ◆ Users
- ◆ Appointed officials
- ◆ Payers
- ◆ Media
- ◆ Donors
- ◆ General Public
- ◆ Politicians

- Must meet needs not covered by the private sector.
- Often focus on generating enough funds to cover expenses.

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Target Markets

Apathetic or strongly opposed targets

Pressure to adopt undifferentiated segmentation

Complementary positioning

Unique Issues of Nonprofit Organizations

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Product Decisions

Distinctions between Business and Nonprofit Organizations

- ◆ **Benefit complexity**-- Nonprofit organizations often market complex behavior or ideas, such as the need to quit smoking.
- ◆ **Weak or indirect benefit strength** -- The benefit strength of many nonprofit offerings may be weak or indirect.
- ◆ **Low involvement** -- Many nonprofit organizations market products that elicit low involvement, such as "Prevent forest fires," or very high involvement, such as "Stop smoking."

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Promotion Decisions

Professional volunteers

Donated services create goodwill, personal contacts, and general awareness of the organization.

Sales promotion activities

Sales promotion activities that make use of existing services to draw attention to the offerings of nonprofit organizations.

Public service advertising

Public service advertising that is donated by a sponsor, so the public service advertiser does not pay for the time or space.

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Pricing Decisions

Characteristics Distinguishing Pricing Decisions of Nonprofit Organizations

Pricing objectives
main objective = defray all or partial costs rather than achieve a profit.

Nonfinancial prices
consumers must absorb nonmonetary costs, e.g. time, embarrassment, & effort.

Indirect payment
Indirect payment through taxes is common to marketers of "free" services, such as libraries, fire protection, and police protection.

Separation between payers and users
e.g. donators don't use the "service"

Below-cost pricing
An example is university tuition, with services priced below cost.

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Global Issues in Services Marketing

Discuss global issues in services marketing

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Global Issues in Services Marketing

- The U.S. is the world's largest exporter of services. (e.g. banking)
- The marketing mix must reflect each country's cultural, technological, and political environment.

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Chapter 12 Video

Pepe's Pizzeria

Pepe's is a family owned and operated pizzeria in Connecticut. The original Pepe earned the nickname "Old Reliable" for his customer service, and his grandchildren carry out that value today. This video discusses the various ways that Pepe's Pizzeria works to provide great, consistent service and why it is important.

[CLICK TO PLAY VIDEO](#)

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Beyond the Book

Part 3 Video

Scripps Networks Interactive

Product Decisions

Scripps Networks Interactive is a media company that operates popular channels such as Food Network, DIY, and other lifestyle channels. In this video, employees discuss how Scripps manages and develops their new cross-platform products, such as social media and apps for mobile devices.

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Beyond
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