

Chapter 12 Services and Nonprofit Organization Marketing

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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

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LEARNING OUTCOMES

- 12-5 Discuss relationship marketing in services
- 12-6 Explain internal marketing in services
- 12-7 Describe nonprofit organizational marketing
- 12-8 Discuss global issues in services marketing

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12-1

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

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How Services Differ from Goods

12-2

**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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12-3

Service Quality

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

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Components of Service Quality

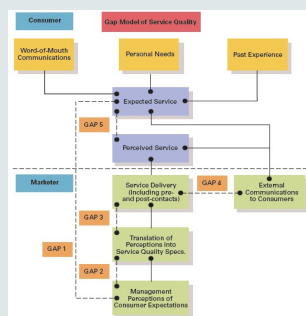
Reliability	The ability to perform the service right the first time.
Responsiveness	The ability to provide prompt service.
Assurance	The knowledge and courtesy of employees.
Empathy	Caring, individualized attention to customers.
Tangibles	The physical evidence of the service.

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12.1

Gap Model of Service Quality



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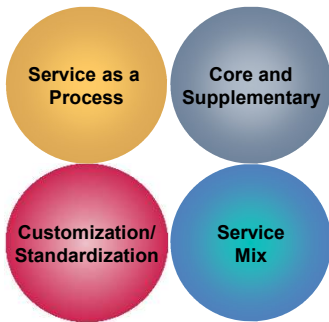
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Marketing Mixes for Services

Develop marketing mixes
for services

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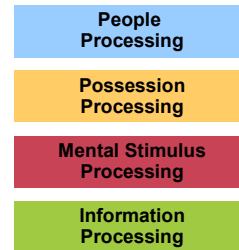
Product Strategies for Services



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Service as a Process



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The Service Offering



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Customization/Standardization



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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

Number of outlets

**Direct or indirect
distribution**

Location

Scheduling

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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
- ◆ 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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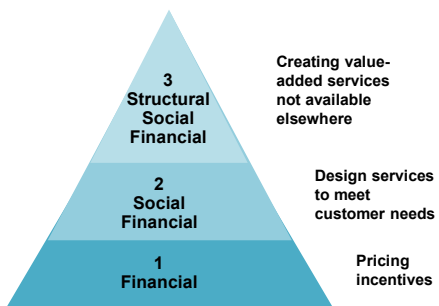
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Relationship Marketing in Services

**Discuss relationship
marketing in services**

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Relationship Marketing in Services



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Internal Marketing in Service Firms

**Explain internal
marketing in services**

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Internal Marketing

Treating employees as customers and developing systems and benefits that satisfy their needs.

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Nonprofit Organization Marketing

Describe nonprofit organization marketing

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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

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Nonprofit Organization Marketing Activities

Identify desired customers

Specify objectives

Develop, manage, eliminate programs and services

Decide on prices

Schedule events or programs

Communicate their availability

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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

Nonprofit organizations focus on generating enough funds to cover expenses.

Nonprofits provide services that respond to the wants of:

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

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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
- ◆ Weak or indirect benefit strength
- ◆ Low involvement

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Place Decisions

A nonprofit organization's ability to distribute its service offerings where and when customer groups want them is a key variable in determining success.

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Promotion Decisions

Professional volunteers

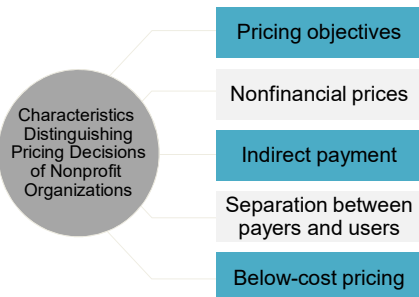
Sales promotion activities

Public service advertising

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Pricing Decisions



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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.
- 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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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 develop their new cross-platform products, such as social media and apps for mobile devices.

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