

Chapter 12
Services and
Nonprofit
Organization
Marketing

MKTG9
Lamb, Hair, and McDaniel



© 2016 Cengage Learning. All Rights Reserved.

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

© 2016 Cengage Learning. All Rights Reserved.

2

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

© 2016 Cengage Learning. All Rights Reserved.

12-1

The Importance of Services

**Discuss the importance
of services to the
economy**

© 2016 Cengage Learning. All Rights Reserved.

The Importance of Services

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

Services involve:

- Deeds
- Performances
- Efforts

© 2016 Cengage Learning. All Rights Reserved.

5

12-2

How Services Differ from Goods

Discuss the differences between services and goods

© 2016 Cengage Learning. All Rights Reserved.

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.

© 2016 Cengage Learning. All Rights Reserved.

7

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.

© 2016 Cengage Learning. All Rights Reserved.

8

12-3

Service Quality

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

© 2016 Cengage Learning. All Rights Reserved.

11

Components of Service Quality

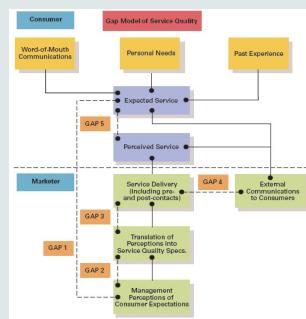
Reliability	The ability to perform the service right the first time.
Responsiveness	The ability to provide prompt service.
Assurance	The knowledge and courtesy of employees.
Empathy	Caring, individualized attention to customers.
Tangibles	The physical evidence of the service.

© 2016 Cengage Learning. All Rights Reserved.

10

12.1

Gap Model of Service Quality



© 2016 Cengage Learning. All Rights Reserved.

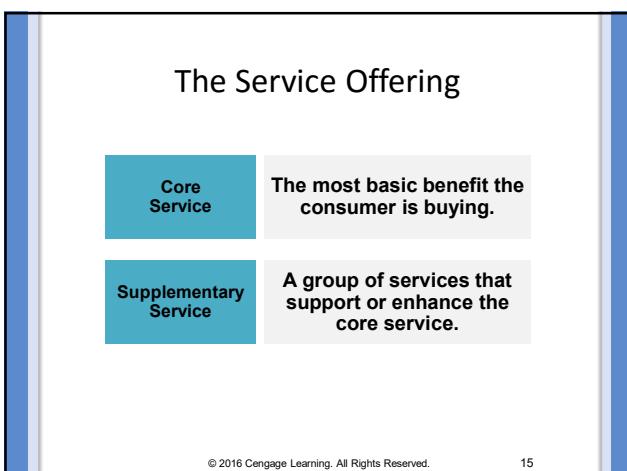
11

12-4

Marketing Mixes for Services

Develop marketing mixes for services

© 2016 Cengage Learning. All Rights Reserved.



The Service Mix

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

© 2016 Cengage Learning. All Rights Reserved.

17

Place (Distribution) Strategy

- Convenience
- Number of outlets
- Direct or indirect distribution
- Location
- Scheduling

© 2016 Cengage Learning. All Rights Reserved.

18

Promotion Strategy

Stress tangible cues

Use personal information sources

Create a strong organizational image

Engage in postpurchase communication

© 2016 Cengage Learning. All Rights Reserved.

19

Price Strategy

Pricing Challenges for Services

- ◆ Define the unit of service consumption
- ◆ Determine if multiple elements are “bundled” or priced separately

© 2016 Cengage Learning. All Rights Reserved.

20

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

© 2016 Cengage Learning. All Rights Reserved.

21

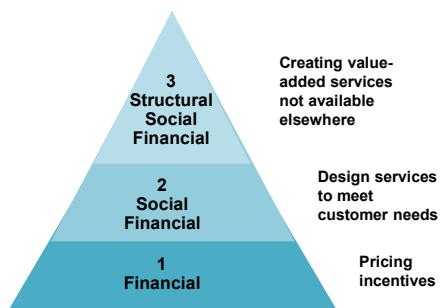
Relationship Marketing in Services

12-5

Discuss relationship
marketing in services

© 2016 Cengage Learning. All Rights Reserved.

Relationship Marketing in Services



© 2016 Cengage Learning. All Rights Reserved.

23

Internal Marketing in Service Firms

12-6

Explain internal
marketing in services

© 2016 Cengage Learning. All Rights Reserved.

Internal Marketing

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

© 2016 Cengage Learning. All Rights Reserved.

25

Nonprofit Organization Marketing

12-7

Describe nonprofit organization marketing

© 2016 Cengage Learning. All Rights Reserved.

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

© 2016 Cengage Learning. All Rights Reserved.

27

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

© 2016 Cengage Learning. All Rights Reserved.

28

Unique Aspects of Nonprofit Organization Marketing Strategies

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

© 2016 Cengage Learning. All Rights Reserved.

29

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	◆ Politicians
◆ Politicians	◆ General Public

© 2016 Cengage Learning. All Rights Reserved.

30

Target Markets

Apathetic or strongly opposed targets

Pressure to adopt undifferentiated segmentation

Complementary positioning

Unique Issues of Nonprofit Organizations

© 2016 Cengage Learning. All Rights Reserved.

31

Product Decisions

Distinctions between Business and Nonprofit Organizations

- ◆ Benefit complexity
- ◆ Weak or indirect benefit strength
- ◆ Low involvement

© 2016 Cengage Learning. All Rights Reserved.

32

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.

© 2016 Cengage Learning. All Rights Reserved.

33

Promotion Decisions

Professional volunteers

Sales promotion activities

Public service advertising

© 2016 Cengage Learning. All Rights Reserved.

34

Pricing Decisions

Characteristics
Distinguishing
Pricing Decisions
of Nonprofit
Organizations

- Pricing objectives
- Nonfinancial prices
- Indirect payment
- Separation between payers and users
- Below-cost pricing

© 2016 Cengage Learning. All Rights Reserved.

35

12-8

Global Issues in Services Marketing

Discuss global issues
in services marketing

© 2016 Cengage Learning. All Rights Reserved.

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.

© 2016 Cengage Learning. All Rights Reserved.

37

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](#)

© Cengage Learning Inc. 2015. All Rights Reserved.

38

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.

[CLICK TO PLAY VIDEO](#)

39

© Cengage Learning Inc. 2015. All Rights Reserved.