

## **The Significance of Service Marketing In Today's Economy**

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**Abstract:** Service marketing plays a crucial role in today's economy, with the service sector expanding rapidly in developed and developing countries. Unlike product marketing, service marketing is focused on building relationships and providing value to customers. This paper delves into the importance of service marketing, its marketing mix, new service development, service failure and recovery, and the significance of the service sector in contributing to economic growth, employment, and exports.

The marketing mix for services includes seven elements: product, price, place, promotion, people, process, and physical evidence. Each element is essential in the process of service marketing, from creating new services to testing and evaluating them, and launching them to customers. The role of promotion, in particular, is significant as it adds value to services, and subjective impressions play a greater role than concrete evidence in building consumer trust.

New service development is a vital process for the survival of organizations, but it can also be expensive and time-consuming, with the possibility of service failures even after considerable effort. However, the attraction of new services to customers can be exciting and increase revenue.

Service failure and recovery can be frustrating for consumers and result in negative word of mouth. As such, companies should define service goals, hire the right people for the job, provide proper training and offer consistent service to gain customer confidence and maintain a clear vision for the company.

In conclusion, the service sector is becoming the primary revenue-generating sector worldwide, and service marketing is essential to maintain the sector's growth. Understanding customers' needs and fulfilling them by providing appropriate services is vital, and human resource management plays a significant role in service marketing. The references provided in this paper offer insight into various aspects of service marketing, providing valuable information for companies seeking to improve their services.

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**Keywords:** service marketing, marketing mix, new service development, service failure, human resource management.

### **Introduction**

Service is a market transaction made by an organization or any entrepreneur or manager where the marketing transactions are taking place and the object is not to transfer the ownership of tangible product. For the consumers, services are a set of activities which are sold to provide benefits and satisfaction to the consumers; activities which he can't do by himself. Service is an activity which offers to sale without the physical products. It has a separate identity, and intangible in nature, which helps in providing satisfaction

to the consumers when they are marketed, and can also be beneficial for commercial users, which may or may not be bound with sale of products or services.

Service marketing refers to the marketing of services against the marketing of products. Services are intangible in nature, they are consumed at the time of production, and they can't be stored, saved or resolved. They can be consumed only once. Services possess unique features to different customers and they are also different from other service providers. It is a central element for business training, and also of marketing strategies for the organization. Service sector is the sector which is contributing the most for the economic growth to the developed economies. It is about 3/4<sup>th</sup> of the GNP. This is the fastest developing sector. It has increased the competition in the market. The strategists of the organizations have also understood this concept; they know that to remain in the competition, it is necessary to keep changing the policies as per the competitors and need of the consumers. It is the most important element of retailing sector. The main aim of organizations have changed to make the customers loyal and providing them best quality of service from just delivering of the products. Size of the service sector is increasing day by day all around the world. Most of the developed and developing countries are experiencing the growth of service sector, which is contributing highly to the national economy. It is also an important source of employment and exports for many countries.

As the development of service industry is growing at a high pace, economy of world is also experiencing a noticeable change from the history causing very effective results. New era of service sector is dominated by jobs in services, requiring professional knowledge, new skills, high qualification, and experience, especially in the customer service area. The traditional blue-collar job is now replaced by professionals, managers and administrative work which is performed in the offices and the service outlets. The today's economy of world is now categorized as service economy. It is due to the importance of service sector in the economy of developed and developing countries. Growth of service sector is the indicator of growth of country's economic progress. Now, goods are also not separated from services. Services are now an integral part of the product. Customer plays an important role on the process of production as services are provided for meeting the needs and solving the problems of the consumers. Services may or may not be associated with physical product.

Services are a series of activities with the element of intangibility associated with it.

**Marketing Mix for Services:** Objectives to study marketing mix are to explain the marketing mix traditional as well as modern. Traditional includes 4P's (Product, Price, Place, Promotion) while modern service marketing mix includes 7P's including (People, process and physical evidence). Marketing mix is a set of crucial elements which makes the Programme of marketing effective. It is a tool used by marketers. It is used to satisfy the needs of the customer. Earlier, customer was not treated as the part of marketing mix, but he was the target of marketing. There were some reasons for the failure of traditional marketing mix which are:

- Traditional mix of marketing was only beneficial for the marketing of goods i.e. tangible products, and it was suitable only for manufacturing industries.
- Needs of Marketers of service market were not satisfied.
- There was huge difference between marketing for products and that of marketing of services. They work on different models and concepts.

Keeping in view, these failures of conventional marketing mix; it needs to be modified by replacing the traditional 4P's by modern 7P's concept. Thus the elements of marketing mix are: Product, Price, Place, Promotion, People, Process and Physical Evidence. Many analysts have redefined the marketing mix which

enables the marketers of services to communicate effectively with the customers and satisfy them. The elements of service marketing mix are:

1. **Product:** Product is something which is needed to satisfy the consumers. It is an overall concept which is providing value to the customer. It is categorized in 2 parts: Goods and Services. Product offers the elements of tangibility and non-tangibility. Customers don't buy any goods or services particularly; they buy some special value form the offerings. It is composed of a core product which satisfies the needs and wants of a customer and provides service for value enrichment. Planning of marketing mix begins with a new concept of service involving better product mix decisions providing better value to customers to satisfy their demands. We can understand it by the example of a restaurant, restaurant is meant for food basically, but customer needs a relaxing atmosphere for entertainment and relaxation or status. Marketing mix is successful if the balance between the point of view of customer and services providers' matches.

2. **Price:** Price is the most important factor because it is indicator for the quality of product too. As price is one of the P's of marketing mix, its role has become wide. Customers are relying on the price to assess the quality. Pricing decisions include the choice as per the level of price to be charged. And to the extent to which price can be paid. Most of the services are perishable in nature and they cannot be stored. When there will be no demand, services remaining are wasted and when the demand is excess, some of the customers may not be able to purchase them. Pricing should not be cost-oriented. Price should be a key issue for service marketing using various strategies.

3. **Place:** Place refers to the physical location where a consumer accesses his service. To bring the service to the customer, distribution channels are involved to make them available to the consumers. It includes decisions regarding physical locations, decisions regarding intermediaries, and decisions regarding channels of distribution. Service marketers also have to face problems of distribution channels. They cannot be stored, or transported because they are intangible in nature. Today, the speed and convenience of place and time are the most important factors for service delivery. Some of the services are available 24/7 to help the consumers. Organizations also make websites for online help, reservations, order etc. Services cannot be separated from selling. Services are produced and sold at the same time.

4. **Promotion:** There is no marketing without communication. It includes different methods of giving information regarding an offer to persuade its consumers regarding the benefits of a product or service, and encourage them to purchase. It adds significance to the services. Customer trusts more on subjective impressions than the concrete evidence, it should be kept in mind while making promotional strategies. Consumers judge the quality of services on the basis of the service provider than the service. As there is no sample for service, it becomes difficult for consumer to evaluate it. Elements of promotion mix include advertisement, personal selling, sales promotion, public relations and service personnel. As the services are intangible, buying a service is riskier than buying a product, so it's the duty of service provider to provide satisfaction and confidence to the consumer.

5. **People:** People refer to the human factor that plays an important role in delivery of service and influence the perception of buyer i.e. service provider, consumer and prospective consumers. Many services require direct interaction between the service provider and the consumer. So, people are the most important element of service marketing. Appearance, attitude and behavior of the provider effect the perception of consumer towards the service. So their training, motivation and rewarding is necessary. If the service providers are rude, they will ruin all the marketing work done for attracting the consumers and on the contrary, if they are friendly, it will increase consumer loyalty and satisfaction. To achieve the quality standards which are set by the management, and marketing department, they need to work together. It is necessary to carefully target the right market and right customers.

6. **Process:** Process refers to the procedure, mechanism and flow of activities till the delivery of service to consumer satisfaction. It provides customer the evidence on judging a service, creating and delivering the service requiring for designing and implementing the process. For this purpose, marketing and operation managers need to work together to ensure delivery with high quality and productivity. The process of delivering function is compared with operation management till the conversion of input into finished product. The process of creating and delivering services to the consumers is a major factor for service marketing mix, as delivery of service is a part of service itself.

7. **Physical Evidence:** The physical evidence of service includes the tangible representation of the services which includes letterhead, business card, equipment, brochure etc. It is the environment where service provider and the customer interact. As the services are intangible and the nature of service to be produced and consumed at same time, makes it difficult for the consumer to judge it. To reduce this, environment for delivery of service is very important. The elements of this environment are tangible and they are proved as an indicator for service quality. It also includes the physical environment which is called as service outlet where customers make their purchasing decisions. Physical evidence should be such strong that it creates great impact on the minds of consumers.

**New Service Development:** New service development is an important process for the survival of organizations. Today's business is very competitive. To cope up with the competition, it is necessary for the organizations to continuously update their services or implementing new ones. The new service development is the process where a new service is converted into idea to reality and its introduction to the market. Developing a new service can make a business or even break it, especially startups. New services attract the customers in an exciting way. Process of new service development is quite costly and timeconsuming. For the service to succeed, some steps need to be followed. Steps of service development are based on the nature of service. But the most common steps to be followed in the development process of new service are:

1. **Idea generation:** The first step of new service development is to generate an idea for the service. It can be generated in many ways. They can come into mind from inside or outside the organization. It can also be done by asking employees who deals with their customers regularly. It is done by examining the need of service in the industry and creating an online survey for the customers.
2. **Idea screening:** This stage is concerned with finding the ideas which will be appropriate with time, expenses and managerial commitment for further study. It can be done by making list of ideas and sharing them with decision makers of the company. By discussing the pros and cons of all the ideas and making a concrete list of best ideas based on how much revenue is generated. It can be done by rating and ranking the ideas.
3. **Market Evaluation:** It includes testing and evaluating the market. It is done by seeking feedback from the consumers and the employees. Feedback can also be asked by the consumers and by asking the employees about the feedback, to know which service is more valuable or useful. It consists of taking the concept into development by reducing the ideas to just one or two most useful.
4. **Analysis of Business:** It is necessary to analyze the remaining service idea from point of view of business. It is done by determining the demand for the service, and estimating the costs involved with the service such as operational costs to fix the profit margin. It involves the chances of both success and failure. Requirement of manpower, other resources, estimation of costs etc. and reactions of the customers and the competitors towards the innovation.
5. **Development:** It includes developing a prototype to the service and sharing them with a group of consumers

and asking them to give feedback. It requires transfer of idea into actual product. It includes investment into the project. Here tangible elements for the service are designed. The feedback provided can be used for creating campaigning ideas, websites, portals, billboards etc. Unlike goods, development stage of new service product development because it includes tangibility and intangibility both.

6. **Testing:** Testing of services may not always be possible. Here, adjustments to the sample service or a new version of service are created and additional prototypes are made for market testing. Test is done in selected areas of the market. The sale of service is then evaluated, and the revenue generated is high or low, is determined. A small launch of the service helps in determining the requirements for final launch.
7. **Launching the Service:** It represents the final full scale launch of the new service. Advertising and speaking to service providers about the service, if the service is to be provided at retail outlets. It includes when to launch the new service, where to launch, to whom to launch and how to launch the new service.

**Service Failure and Recovery:** A various effort are made to develop a service. But it is not always possible that every service will be successful. Success or failure of any service depends on the number of factors. Therefore, efforts should be made to eliminate such factors so that mistakes could be prevented and service will result in success. For this, a service design can be prepared. An organization need to search the elements which may result in service failure. After finding such elements, designing the mechanism for reducing the risk of service failure becomes easy. It is always said that prevention is better than cure. Service failure is the end result which any party may want whether it is service provider or the consumer itself. Service failure can be done by doing something or by doing nothing. It is simply the performance which fails in meeting the needs of the consumers. When a service is failed, consumer may expect to receive compensation in form of refunds, discounts or apologies. It is the opposite of satisfaction of consumers. It may include bad quality of service, bad behavior of service provider or late delivery of service. The main reasons for failure of services are:

- **Failure of fixing the problem:** It is quite frustrating for the consumers to wait for the problem being fixed. It demotes the loyalty of the consumer towards the service and negative word of mouth is spread.
- **Not defining service goals:** For this it is necessary to put the consumer first. It cannot be just done by providing the customer service. It is important to define what the service is, and what the customer is wanting to experience. It needs to be clear.
- **Putting good people in wrong jobs:** Service providers are also the people. While hiring them, it is necessary to hire the personalities which best fits the culture of the organization and the jobs and make sure that the existing employees of the company will be ready and willing to be a part of the initiative.
- **Not providing proper training:** Proper training to the service providers is necessary. Everyone in the company needs to be aligned with the vision of the organization, and it can only be done by proper training and reinforcement of vision to the company.
- **Inconsistent Service:** Inconsistency reduces the confidence and the key point is to make the service providers confident. It can be done by delivering positive experience to customer service, which is consistent.
- **Vision of Company is not clear:** Vision of most of the companies is sometimes long and wordy. The best customer service vision should be one liner or less in lengths, so that the employees can easily get them.

**Recovery of Service Failure:** Service failure is very common. But, recovery of such failures is one of the most important tasks of the management. Many opportunities are hidden in the service failures, and it

depends on the management to make it more badly or set it as an example of recovery. Recovery can be done by:

1. **Prompt Action:** When the complaint is made while delivering of service, then it is the time to make service recovery. Whenever the complaints are made, companies have to establish policies to eliminate them as soon as possible. Fast acknowledgement of problems is very important.
2. **Apologizing:** Once the service is failed, it is necessary to listen to the consumers carefully and not interrupting them and then apologize to them. Apologizing should be done genuinely and in the sincere tone. It is necessary to provide the full information regarding the service failures to the consumers.
3. **Going through the Complaint:** It is always necessary to go through the complaints because there is always something which is missing. It helps in understanding the faulty person because sometimes customers are also at fault, they may also provide wrong or false complaint.
4. **Fixing the Problem:** It is essential to fix the problem with the best alternative available and then following it up. In case of failure, amount deducted can be refunded to develop a loyal customer.
5. **Documenting the problem in detail:** Recovery can be done by recording of complaints and problems in proper documentation. And training to staff members should be provided so that similar problems may not arrive in the future. The way of preventing the problems is documenting them and analyzing them later carefully.

It is not always possible that every service failure leads to its recovery. It depends on the management that how easily and fast the problem can be handled. Different and wide thinking and empathy leads to handle the failure and making loyal connection with its customers. In service marketing, customers don't always make complaints; it doesn't mean that the service is great; it may result in losing of the customers. Service recovery helps in maintaining better relationships and increasing customer loyalty.

### Conclusion

As the services are intangible in nature, marketing of services becomes challenging and quite important. Today most of the economies of the world are becoming economies of service. It is the most revenue generating sector all over the world. One of the most important aspects of Service marketing is its marketing mix which includes 7P's of marketing i.e. Product, Price, Place, Promotion, People, Process, and Physical Evidence. In service marketing, it is necessary to listen to the needs of the consumers and fulfilling them by providing appropriate services. As services are generated and consumed at the same time, customers are also involved in the process of service delivery as their feedback becomes more important. Services are delivered by the employees of the organization so it is necessary to manage the human resources. It can be done by having better understanding of evaluation of customers about their needs, competitors and strategies for service design and delivery.

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