

MARKETING

Effect of service characteristics on marketing

In most world economies, markets for services are growing far more rapidly than goods markets. This growth is also apparent in Malta. It is reflected in the increase in the number of people employed by service firms in the private sector that has grown by some ten per cent in the last two and a half years. There are certain unique characteristics of services that distinguish them and hence require specific marketing approaches, writes Albert Caruana.

Traditionally, marketing has focused on tangible goods, and only in relatively recent times have academics and practitioners given attention to services. A service is something that, when you drop it on your feet, you do not feel a thing!

Intangibility

Intangibility means that the service cannot always be sampled before purchase. Generally, you cannot see, feel, hear, or smell a service. We can distinguish at least three broad categories of service intangibility. Firstly there are those that are essentially intangible such as security, entertainment, education and franchising. Secondly, there are services that add value to a tangible product. The include maintenance agreements, guarantees and insurance. Finally we can think of services that provide a tangible product.

Mail ordering, hire purchase arrangements, wholesaling - indeed all distribution represents the addition of service to what are often tangible products. It is very often the case that what is made available to the customer is a combination of tangible product and service. It is a question of degree. Soft drinks and fast food are principally tangible products but the latter has a higher degree of service attached to it. Similarly, both airline companies and the University principally offer a service though in the case of the University, or any other education institution for that matter, the offering is almost purely a service.

Inseparability

Physical goods are produced, they are then marketed and finally they are consumed. In the case of services these are produced and consumed at the point of purchase. The customer enters the 'factory' and marketing takes place in the 'factory'. It is because of this reason that in many cases service firms rely on direct distribution and have their

own distribution capability. A clear example is the case of commercial banks who maintain a branch network.

The product offering that the customer receives is formulated at the point of production and the customer contributes and is part of the production process. The service received is determined, to a large extent, by the person providing the service. Operations, human resources, and marketing management issues become blurred.

Heterogeneity

Unlike the case of physical products where the output from the factory is of a standard form, in services this is not so. This is

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because it is dependent on the individual performing the service rendering standardisation almost impossible. Providers of services seek to introduce some degree of standardisation by establishing set procedures and handbooks that establish the sequence to be followed in the provision of a service. Automatic Teller Machines are the answer by banks to introducing a standard service. You press buttons A, B and C and the result is predictable. Besides the 24 hour service that these offer it is interesting to notice that some customers appear to prefer the impersonality of the machine, and can often be seen queuing outside, even when there is a free server inside the branch. Is there a lesson to be learnt here? Do customers prefer to be in control?

Perishability

With physical goods, items that are not sold immediately can be put in stock. Services cannot be stored. They are perishable - empty seats on an aircraft, unsold hotel rooms, counter clerks with no customers at their counter. This aspect of perishability is often made worse by fluctuating demand that is often of a seasonal character. Various



Services are not standard but dependent on the people providing the service.

programmes exist to compensate for such fluctuations - cheaper telephone rates at night and Sundays, evening courses to utilise empty lecturing facilities at University, off season rates for hotels, and so on. In the case of services there is probably a higher need to manage supply and demand.

Ownership

With services, customers only have access to or use of a facility. Any payment made is for use or access. In all circumstances the customer never has ownership. The cost of access or use comes with a variety of names - interest for money, fares for transport, dues for union membership, commission for

stock brokers, rent for property, tuition for education, wages and salaries for employees, retainers for consultants, premium for insurance. The different terms reflect, in part, the variety of environments in which service pricing decisions are made and the diversity of pricing practices that may apply.

Marketing

That services have characteristics that distinguish them from physical products is not in doubt. The logical question from this is whether the marketing of services is different to that of physical products. The answer is yes and no.

Yes, because the unique characteristics that we have considered indicates that marketing

needs to be concerned with human resources and operations. The importance of people, particularly contact persons, in shaping the product highlights the importance of the human resources function. The physical environment in which the service is performed together with the type of technology and processes that are used in the delivery of the service underscores the need to be concerned with factors normally considered the realm of operations. If we see marketing as a general management function, as against a narrow departmental function, there are no real conflicts.

No, services are not different - in the sense that differences are of degrees and emphasis. As there are no pure services there are also no pure physical goods. In the end, everybody sells intangibles in the market place no matter what is produced in the factory. Customers buy want satisfiers or benefits; they do not distinguish between products and services. The basic principles of marketing do not change.

Dr. Albert Caruana holds a Ph.D. from Henley Management College and is a lecturer in marketing at the University of Malta.

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