

## Services Marketing For Competitive Advantage in a Recession

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**Abstract:** Service marketing and the effective application of Service marketing mix elements are of paramount importance especially during a recession in view of the quest to achieve competitive advantage. The 7Ps which is an extended marketing mix serves as a veritable framework towards achieving customer satisfaction. Service marketing triangle is the relationship between the various providers of services, and the customers who consume these services. The triangle consists of company, customers and employees thus explains the process of internal marketing, external marketing as well as interactive marketing. The characteristics of service are those unique features that separate a physical product from services and are believed to be intangible, inseparable, perishable and variable. In a recession, operational and marketing functions need to be prioritized by ensuring that employees are doing the rights and doing them right. Among the recommendations are the need for comprehensive marketing plan, good customer relations and consistent rebranding.

**Keywords:** Perishability, recession, competitive advantage, marketing triangle, rebranding.

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### I. Introduction

In a period of recession, competition becomes intense and marketing strategies are usually fine tuned, with a focus on achieving customer loyalty and maintaining good return on investment irrespective of economic conditions. Therefore, aggressive application of service marketing mix elements is a matter of paramount importance. This study on service marketing and related studies are directed at contributing to existing body of knowledge, achieving customer satisfaction and loyalty as well as ultimately increasing return on investment for the firm or organization.

Service marketing is becoming increasingly competitive all over the world and Nigeria is no exception. “The gradual shift from “selling” to “marketing” vis-à-vis the customer orientation is quite evident in present day services industries, Sreenivas (2013). This article evaluates the innovative service marketing strategies adopted by services providers to sell their services and tries to explore the marketing process explained with the help of 7P’s i.e. product, price, place, promotion, people, physical evidence and process.

Services Marketing, according to the free online dictionary is a specialized branch of marketing. Services marketing emerged as separate field of study in the early 1980s, following the recognition that the unique characteristics of services required different strategies compared with the marketing of physical goods. Services referred to here includes telecommunications services, financial services, all types of hospitality, tourism leisure and entertainment services and professional services and trade services. In general, the marketing mix (4ps) is a business tool employed by the management of organizations which enable them to remain in global competitive environment and the variables that marketing managers can control in order to best satisfy customers need (Shankar and Chin, 2011). Kotler and Armstrong (2006) affirmed the marketing mix as 4P’s namely; product, price, promotion and place. They stressed further that, “marketing mix is a set of marketing tools that firms use to pursue their marketing objectives in the target market”. The services marketing mix elements of marketing are an expanded version of the traditional marketing mix of 4Ps. The services marketing mix elements are people, processes and physical evidence as additions or extension of the 4Ps of marketing (product, price, place and promotion). The term marketing mix was developed by Neil Borden who first started using the phrase in 1949. According to Borden, N. (1964), “when building a marketing programme to fit the needs of a firm, the marketing manager has to weigh the behavioural forces and then juggle marketing elements in his mix with a keen eye on the resources with which he has to work”. While E. Jerome McCarthy (McCarthy J. 1960), was the first person to suggest the four P’s of marketing – product, price, promotion and place (distribution) – which constitute the most common variables used in crafting a marketing mix; Bernard Booms, and Mary Bitner built a model consisting of Seven P’s (Booms, B. and Bitner, M. 1981). They added “People” to the list of existing variables, in order to recognize the importance of the human element in all aspects of marketing. They added “Process” to reflect the fact that services, unlike physical products, are experienced as a process at the time that they are purchased. The seventh element of the services marketing mix

is physical evidence and consists of, for example a hair salon that provide hair do, design, cleanliness, Acoustic smell, employee appearance.

The 8<sup>th</sup> P of services marketing is productivity and quality. Improving productivity is a requisite in cost management; but quality, as defined by the customer, is essential for a service provider to differentiate itself from others.

In service marketing, focus is on how the marketing mix for marketing a service is different to selling a product.

### **1.1 STATEMENT OF THE PROBLEM:**

Service includes all economic activities whose output is not a physical production and provides value in the forms of convenience, amusement, timeliness, comfort and health. Although there have been several studies on service marketing; the subject matter lacks ample literature especially with regard to economies in recession where competition is rife in order to achieve customer satisfaction as well as increased market share. This study therefore shall add to existing literature on the subject matter and to the body of knowledge generally.

### **1.2 FRAMEWORK FOR THE STUDY**

The subject of service marketing is of interest to researches in the field of marketing largely because of the intangibility of service and its peculiar characteristics. The following issues were discussed in relation to service marketing.

- The service marketing mix
- The characteristics of service
- Service and product characteristics compared
- Service marketing triangle
- Introduction to competitive advantage
- Service marketing in a recession

## **II. Service Marketing Mix**

Just like the marketing mix of a product the service marketing mix comprises of **Product, Price, Place and Promotion**. However as a service is not tangible the marketing mix for a service has three additional elements. **People, Process and Physical Evidence**.

### **2.1 People**

People are an essential ingredient in service provision: recruiting and training the right staff is required in order to create a competitive advantage. Customers usually make judgments about services provision and delivery based on the people representing an organization. This is because people are one of the few elements of the service that customers can see and interact with. Staff require appropriate interpersonal skills, and service knowledge for it to deliver a quality service.

### **2.2 Process**

This element of the service marketing mix looks at the systems used to deliver the service; imagine you get a meal delivered within 2 minutes of order. It was the process that allowed you to obtain an efficient service delivery. Also an efficient service that replaces old credit cards of bank customers will foster consumer loyalty and confidence in the company. All services need to be underpinned by clearly defined and efficient processes in order to avoid confusion and promote consistent service delivery. It then means that everybody needs to know what to do and how to do it.

### **2.3 Physical Evidence (Physical Environment)**

Physical evidence is about where the service is being delivered from. It is particularly relevant to retailer operating out of shops. This element of the marketing mix will distinguish a company from its competitors. No doubt customers will make judgments about the organization based on the physical evidence. For example if you walk into a restaurant you expect a clean and friendly environment. If the restaurant looks contrary to expectation, such as being smelly or dirty, customers are likely to walk away as quickly as possible.

### The Extended Marketing Mix

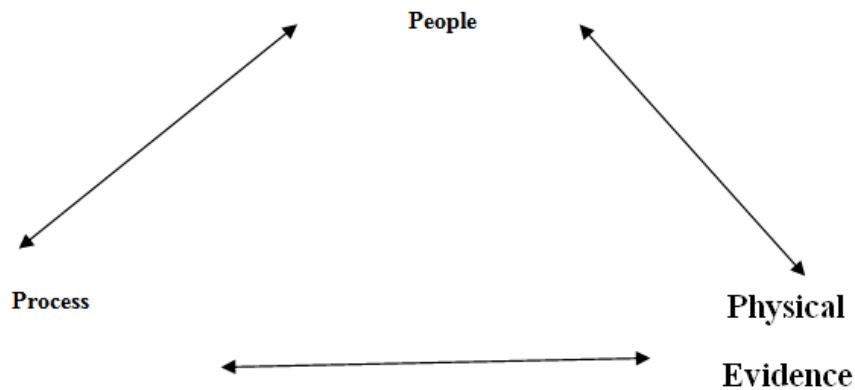


Figure 1. Source: [www.learnmarketing.net](http://www.learnmarketing.net)

### SERVICE MARKETING MI

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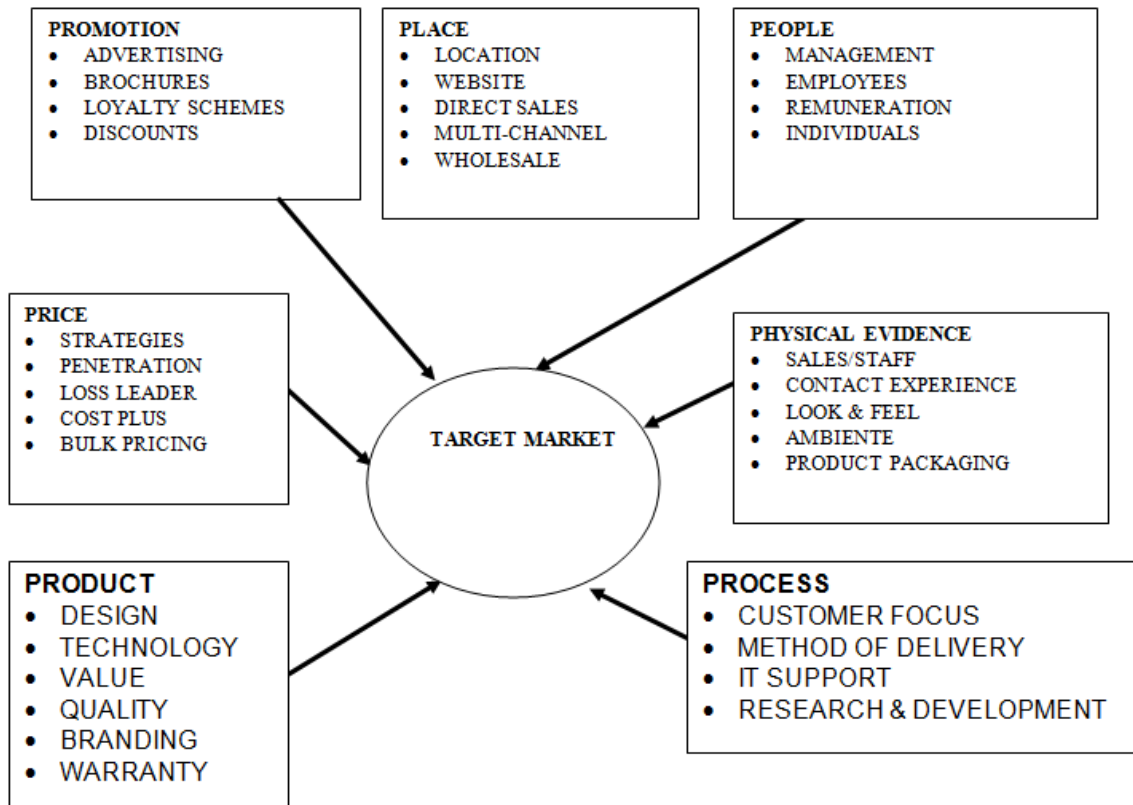


Figure 2. Source: [www.business-online-learning.com](http://www.business-online-learning.com)

As earlier said the service marketing mix involves Product, Price, Place, Promotion, People, Process and Physical Evidence. Firms marketing a service need to get each of these elements correct. The marketing mix for a service are different to that of a product. There are five major characteristics of services, Olufisayo (2011). They include lack of ownership, intangibility, and heterogeneity or variability. These are features which every service possess and can be recognized by.

To a certain extent managing services are more complicated than managing products, product can be standardized while a service is more difficult as it can be affected by factors outside the service providers control.

### III. Characteristics of Services.

The service characteristics are discussed hereunder.

**3.1 Intangibility:** Consider a tangible item as a car; when we buy a car, we can see it, feel it, and even test it before we decide to purchase. Products have tangible qualities that provide useful information to consumers so they can easily compare one product to another. Services, on the other hand, are intangible and cannot be experienced or consumed until the purchase is actualized. This challenge can be overcome simply by effective communication.

The use of customer feedback, testimonials and referrals is an excellent way to reduce the level of intangibility for the service.

A brochure or website can provide information to customers before they even talk to you thereby, improving overall efficiency and increasing the chances of securing new business.

**3.2 Inseparability:** Products are produced at one location, sold at another, and use at a separate location. Services are unique because they are usually provided and consumed at the same time in the same location (e.g. a haircut). Because of the characteristics of inseparability, customers have strong expectations about how a service will be provided, which can lead to disappointment, if actual quality varies from expected quality.

A solid and effective customer service process is the solution to this challenge.

**3.3 Perishability:** This is a critical characteristic of service. If an automobile product does not sell today, it can be stored and sold in the future. Services, on the other hand, are often perishable, meaning that unused capacity cannot be stored for future use or sale. For example, a hotel might be full one night and not full the next. The hotel drop in revenue will affect profits. The same is true for airline travel – every empty seat on the aircraft is lost revenue.

This challenge posed by the perishability factor can be overcome by effective management of supply and demand. A hotel might operate with fewer staff during the week and hire additional staff for weekends to meet high demand. This strategy will allow the hotel to provide the same level of customer service with varying customer demand – and improve productivity. During peak periods, pricing and promotional strategies can be adopted to stimulate demand for the service.

**3.4 Variability:** Variability means to lack in uniformity. When one decides to buy particular brand of car for example, Honda Accord, there will be no variation in the quality of the Accord from one Honda dealer to another. Manufactured goods tend to have automated processes and quality assurance procedures that result in a consistent product quality. However, the quality of a service can vary by many factors, including who provides it, where it is provided, when it is provided, and how it is provided. The more a business relies on humans to provide services (instead of automation), the more susceptible we are to variability.

The variability challenge can be nipped in the bud by establishing standard procedures to ensure consistency in service delivery. Such consistency is an indication that service quality is also reliable and devoid of the likelihood of disappointments.

Furthermore, it is essential not to become threatened by the challenges presented by the characteristics of service. After all, “Challenges” are simply disguised opportunities either in economic boom or in recession.

### 3.5 CHARACTERISTICS OF SERVICES COMPARED TO GOODS

It is not only important to communicate the service to customers (external communication) but also within the organization (internal communication) – the latter is also called “internal marketing”.

Goods	Services	Resulting implications
Tangible	Intangible	<ul style="list-style-type: none"> <li>• Service cannot be inventoried</li> <li>• Services cannot be readily displayed</li> <li>• Services cannot be patented</li> </ul>
Standardized	Heterogeneity	Service quality depends on many uncontrollable factors
Production separates from consumption	Simultaneous production and consumption	Customer participate in and affect the transactions decentralization may be required
Nonperishable	Perishable	Services cannot be resold or returned

Figure 3

#### IV. Service Marketing Triangle

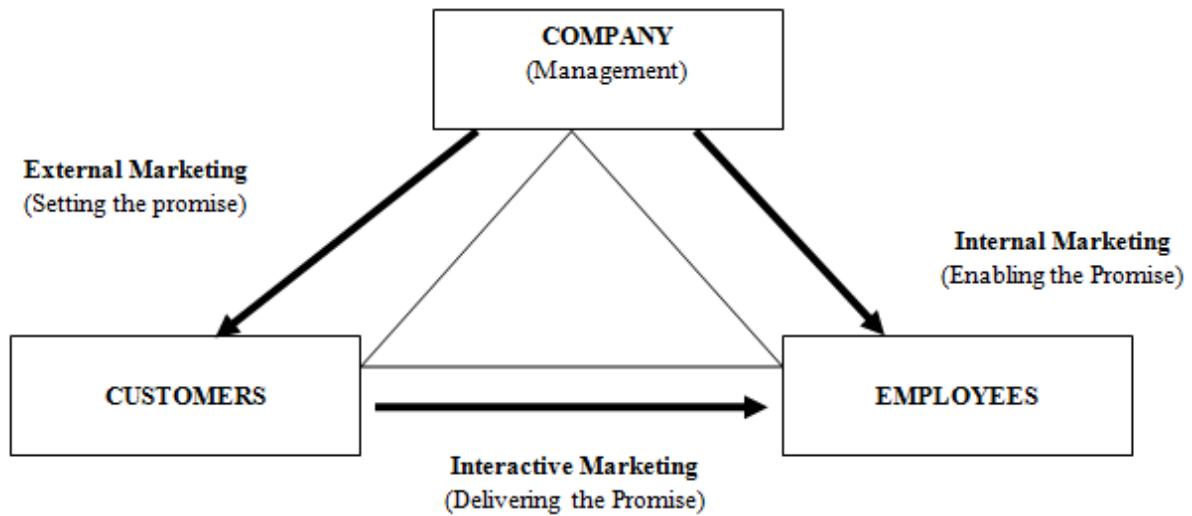


Figure 4

Source: hitesh bhasin “Service Marketing Triangle” (2016)

There are 3 types of marketing which happens within the service marketing triangle. They are Internal Marketing, External Marketing and Interactive Marketing.

Internal Marketing refers to marketing process that emanates from the company to employees. External Marketing originates from company to customers while the Interactive Marketing is between the customers and employees.

#### V. Zone Of Tolerance

This is considered as most crucial moment in services provision due to the fact that service providers may not always deliver the same from one provider to another and from one employee to another. The degree of tolerance by customers of this variation is referred to as “Zone of Tolerance”. In order to engender customer loyalty, brand image and maximization of profit providers must go the extra mile to ensure that they provide quality service.

For better facilitation of services with respect to the service marketing triangle, the service providers need to make realistic accurate promises and educate customers on their role in order to promote optimum performance.

#### VI. Gap Model

The difference between customer expectation and perceptions ie the service quality gap is referred to as the customer gap. The various gaps identified are as under:

Gap 1: This is the difference between consumers’ expectation and management’s perceptions of those expectations, i.e. not knowing what consumers expect.

Gap 2: This is the difference between management’s perceptions of consumers’ expectations and service quality specifications, i.e. improper service quality standards.

In terms of Gap 1, it is the difference between consumers’ expectation and management’s perceptions of those expectations; the difference between management’s perceptions of consumer’s expectations and service quality specifications relates to Gap 2 while Gap 3 states the difference service quality specifications and service delivered. The difference between service delivery and the communications to consumers about service delivery is in Gap 4; and Gap 5 represents the difference between consumer’s expectation and perceived service.

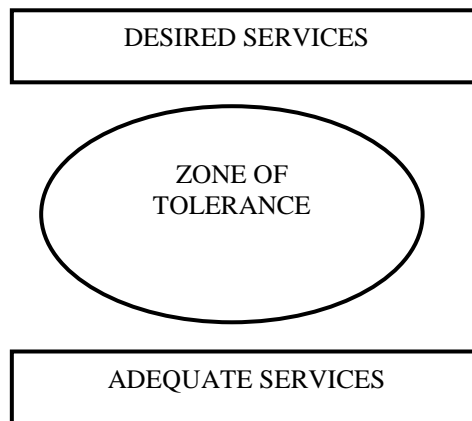


Figure 5: Zone of Tolerance

**Customer Gap = f (Gap 1, Gap 2, Gap 3, Gap 4, Gap 5)**

The magnitude and the direction of each gap will affect the service quality.

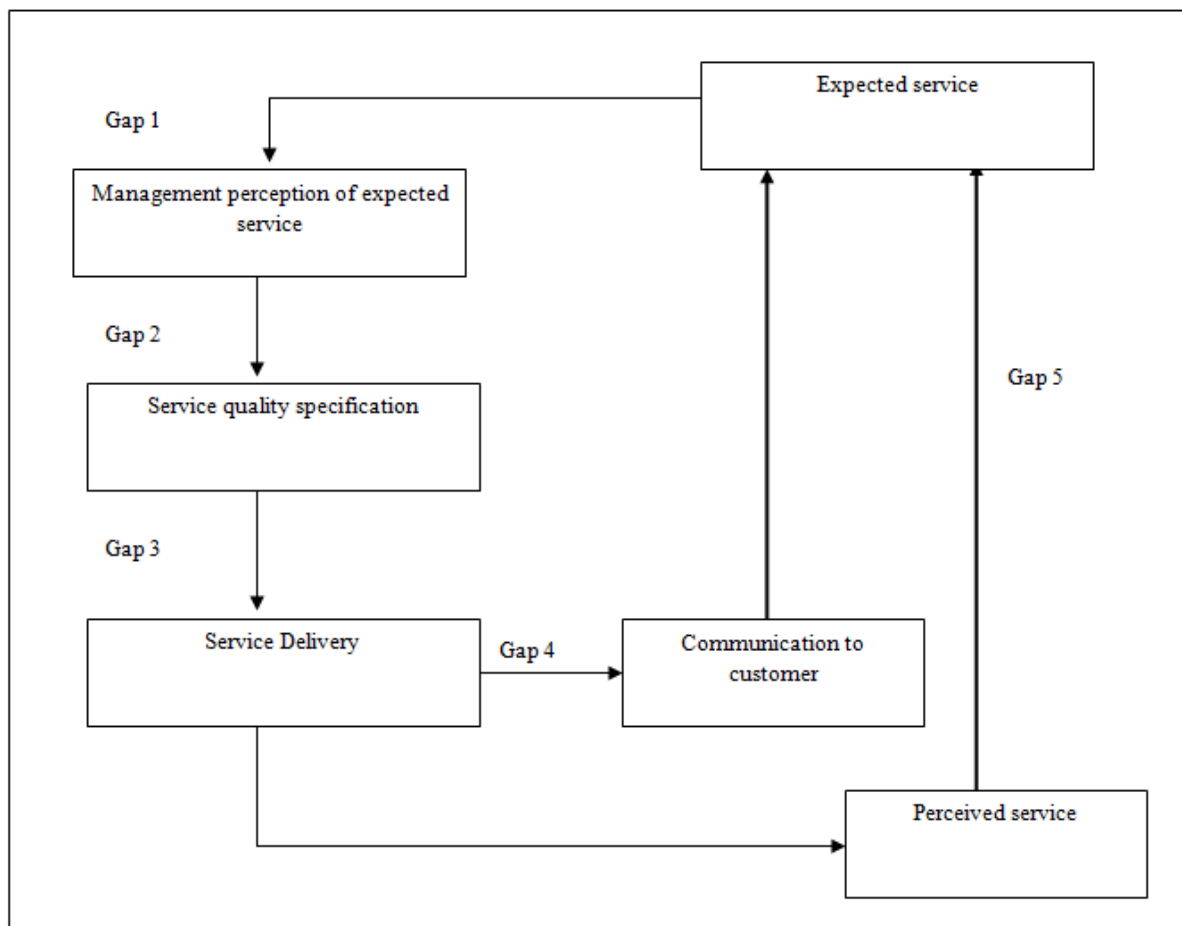


Figure 6: GAP Model

### VII. What Competitive Advantage Is

According to Wikipedia, the online dictionary, “competitive advantage is the attribute that allows an organization to out perform its competitors. Competitive advantages are conditions that allow a company or country to produce a good or service at a lower price or in a more desirable fashion for customers. These conditions allow the productive entity to achieve more turnover or superior margins than its competition. Competitive advantages are attributable to a variety of factors including cost structure brand; quality of product/service offerings, distribution network, intellectual property and customer support.

Competitive advantages provide strategic edge over rivals as well as the ability to generate greater value for a firm. The more sustainable the competitive advantage, the more difficult it is for competitors to counter it.

### **VIII. Service Marketing In A Recession**

According to Neil Salemo, a hotel Managing Coach, "Service marketing in a recession is meant to make business thrive, not to survive". Recession is also a time to prioritize operational and marketing functions; its not about doing everything, but about doing the right things and doing them right. While prioritizing those functions, it is appropriate to choose those which provide the best return-on-investment no matter what the cost may entail. It will be unusual to operate "normally" in a recession. Smart operators and service providers will implement new marketing and operational strategies. It is noteworthy that recession is a good time to hone one's skills in risk, expenditure and revenue management. Even in a recession, there will be business spikes, which will give smart operators the opportunity to boost average rate and maximize gains on the bottom line.

It is essential to step-up training efforts for all customer-contact business department especially sales. Climbing out of a recession economy will require good skills, practice, and knowledge. There is usually no time to let people develop at their own pace. Many of these training programmes are very affordable and can be substituted with webinas and webcasts.

In Nigeria, there are many service providers who are in haste to get into the more sophisticated services providing techniques but lack the fundamental. Time is a most precious commodity in service marketing and need to be gainfully harnessed.

Recession usually compresses the marketplace. Service provider which presents the best value to consumers will succeed, not those with the lowest rates. It is advisable and recommended to avoid the urge to just reduce rates because that strategy has never worked and usually leads to business failure.

It is smart to recognize that value actually motivates people to choose service. Packaging and value-added programmes are excellent vehicles to appeal to consumers in hard times. It's also recommended not to use one's judgment but to talk to customers and find out what motivated them to choose a particular service provider. Recession is an excellent time to define or rediscover the core values of brand. It's advisable to move forward with creative strategies to serve core markets, while reaching out to other segments of business.

In service marketing it is appropriate to focus on spending time to do the right things and to do those things right. The internet and other forms of electronic marketing are veritable mechanism for achieving far-reaching impacts.

It is ideal to maintain a positive stance about service marketing and no need to allow oneself or staff to buy-into the recession woes. Many service providers will thrive, not just survive if the right things are done. To sustain delivery of quality service, the following measures are some of the solutions marketing managers and policy makers in the services industries will need to put in practice.

**8.1 Need for Marketing Plan:** Elaborate and comprehensive marketing plans are necessary to prepare in advance to reduce the impact of recession. While preparing marketing plan, mission statement of the organization and objectives are to be considered and workable plan is to be formulated. The marketing plan provides the necessary directions to marketing efforts and has far reaching and positive consequences. The neglect of a marketing plan can spell disaster or doom for an organization.

**8.2 Good Customer Relations:** If a customer feels respected and welcomed, he or she will speak good of the organization to outsiders and win prospects for them. Good customer relations is thus a step in the right direction.

**8.3 Customer First:** Service providers now adopt the marketing concept with a philosophy that all planning is to be done with the customer needs considered first and foremost. In this regard, the customers' loyalty is won through the satisfaction of their wants.

**8.4 Public Relations:** There are several marketing programmes that maintain image and not require advertising while still reaching large number of people. These are in the nature of public relations and guest relations activities implemented by well trained, motivated and dedicated staff that provide friendly, courteous service to customers, for example in the hospital where staff comes into direct contact with the patients, the human relations or patient relations is of utmost importance.

**8.5 Regulation of Service Costs:** In most organizations for example, in hospitals, hotels and even in banking, service costs are too high and prohibitive. There should be uniformity in pricing structure without compromising quality.

**8.6 Customer Focused Programme:** Some goals and objectives necessary for effective service marketing are largely to improve customer satisfaction. Some of these goals are reducing the frequency of negative customer experience and allocating resources more efficiently. Others attracting and retaining customers and prospects as well as building stronger relationships over time and improving service delivery outcomes.

**8.7 Consistent Rebranding:** It is appropriate that once a service provider is known to providing quality services, it is advisable to remain consistent and raise the bar for higher quality services delivery instead of deteriorating.

**8.8 Services Process:** The customer's time is precious and service process should be customer-oriented and should not be unnecessarily long.

**8.9 First Impressions:** Good manners, positive comments and pleasant aroma are notable first impression traits to uphold as far as physical evidence element of service marketing is concerned. First impression should therefore be considered an indispensable trait to attract and retain customers.

## IX. Conclusion

Service marketing elements are an extension of the traditional marketing mix. The traditional marketing mix focuses on physical product while service marketing is on services. The behavioural conditions associated with service marketing have accorded unique status to the elements of service marketing mix i.e. people, physical evidence and process. These added to the traditional elements are referred to as the 7P's which when harnessed can serve to achieve competitive advantage, irrespective of the economic conditions. The paper identifies recession not only from the negative perspective but also as a period to prioritize operational and marketing functions. As marketing requires a sustained effort and results are cumulative and tend to compound, it is advisable in a recession to be pragmatic and aggressive in applying the service marketing mix elements in order to achieve desired objectives and results over and ahead of extant and potential competition.

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