



Services Marketing

During the pass 20 years (from 1980 to 1998), international marketing of services has brought fundamental changes dramatically. Among the most important of these have been the globalization of markets, the decline of trade barriers, and the emergence of modern communications and information technologies that facilitate cost-effective international business operations, (Knight, G. 1998). The subject in this paper will first of all outline the differentiation between services and products. Subsequently to discuss and account for the increasing importance of the services sector in economically developed countries. Finally, to discuss whether the economic of the newly industrializing countries will follow the same pattern of development.

To what extent do services differ from goods? It is frequently argued that services have unique characteristics that differentiate them from goods or manufactured products. There are as many definitions on services as there are marketers. Quinn and Gagnon (1986) said services are actually all those economic activities in which the primary output is neither a product nor a construction. This definition defines services by saying what they are not. Kotler, P. (1997) defined a more positive and more substantive definition of services. He said any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. This definition suggests that services centre around intangibility. There is more to it, however, as the following, more extensive definition by Gronroos, C (2000). He said for most services, basic characteristics could be identified into three. Firstly, services are processes consisting of activities or a series of activities rather than things. Secondly, services are at least to some extent produced and consumed simultaneously and finally, the customer participates in the services production process at least to some extent.

Pure services have a number of distinctive characteristics that differentiate them from goods and have implications for the manner in which they are marketed. Palmer, A. (1998) said these characteristics are often

described as intangibility, inseparability, variability, perishability and the inability to own a service.

Intangibility is a pure service that cannot be assessed using any of the physical senses. On the other hand, pure services have no tangible properties that can be used by consumers to verify advertising claims before purchase is made, (Palmer, G. 1998). This idea goes in line with Cowell, D. (1991) who said services are essentially intangible. It is often not possible to taste, feel, see, hear or smell services before they are purchased. Opinions and attitudes may be sought beforehand. A repeat purchase may rely upon previous experience. The customer may be given something tangible to represent the service, but ultimately the purchase of a service is the purchase of something intangible. Gronroose (2000) said, when services are described by customers, words such as experience, trust, feeling and security are used. Because of the high degree of intangibility, it is frequently difficult for the customer to evaluate a service. To overcome this, consumers tend to look for evidence of quality and other attributes, for example in the decor and surroundings of the beauty salon, or from the qualifications and professional standing of the consultant.

Because a service is not a thing but processes consisting of a series of activities which are produced and consumed simultaneously. This is also called the inseparability characteristic, (Gronroose, 2000). It is difficult to manage quality control and to do marketing in the traditional sense, since there is no pre-produced quality to control before the services are sold and consumed. Palmer (1998) described that inseparability has a number of important marketing implications for services. Firstly, whereas goods are generally first produced, then offered for sale and finally sold and consumed, inseparability causes this process to be modified for services. Services are generally sold first, then produced and consumed simultaneously. Secondly, while the method of goods production is to a large extent (though by no means always) of little importance to the consumer, production processes are critical to the enjoyment of services.

Gronroose (2000) suggested that quality control and marketing must therefore take place at the time and place of simultaneous service production and consumption. If the firm relies on traditional quality control and marketing approaches, the part of the service process where the customer is involved may go uncontrolled and include negative marketing experiences for the customer.

For service, variability (heterogeneity) impacts upon customers not just in terms of outcomes but also in terms of processes of production. It is the latter point that causes variability to pose a much greater problem for

services, compared to goods, (Palmer, 1998). Because of the impact of people, personnel, customers or both, on the production and delivery process, a heterogeneity aspect follows from the basic characteristics. A service to one customer is not exactly the same as the same service to the next customer, (Gronroose, 2000). The heterogeneity of services creates one of the major problems in service management, that is, how to maintain an evenly perceived quality of the service produced and rendered to customers. This idea goes in line with Palmer, 1998 who said that the variability (heterogeneity) of services output could pose problems for brand building in services compared to tangible goods. For the latter it is usually relatively easy to incorporate monitoring and quality control procedures into production processes in order to ensure that a brand stands for a consistency of output. In some cases, service offers have been simplified, jobs have been deskilled and personnel replaced with machines in order to reduce human variability.

Services are perishable; they cannot be stored, (Woodruffe, 1995). The producer of service which cannot sell all of its output produced in the current period gets no chance to carry it forward for sale in a subsequent period, (Palmer, 1998). Spare seats on a package tour or an empty hotel room represent capacity lost forever. This comes to the point where capacity planning becomes a critical issue. Even though services cannot be kept in stock, one can try to keep customers in stock (Gronroose, 2000). For example, if a restaurant is full, it is always possible to try to keep the customer waiting in the bar until there is a free table.

Finally, many definitions of services imply that services do not result in ownership of anything, (Gronroose, 2000). Palmer (1998) says the inability to own a service is related to the characteristics of intangibility and perishability. On the other hand, when a service is performed, no ownership is transferred from the seller to the buyer. The buyer is merely buying the right to a service process. For example, to be transported from one place to another, but when we arrive at our destination, there is nothing left but the remaining part of the ticket and the boarding card.

Payne (1993) said the concept of a continuum is useful when considering each of the five distinguishing characteristics of services. It should also be recognised that at least some characteristics may also apply to goods. The distinction between manufactured products and services therefore becomes less clear. Services can only be described as having a tendency towards intangibility, inseparability, variability, perishability and the inability to own a service. Any given service will display a different combination of each of these five characteristics. For example, a fast food service is high on

tangibility, highly standardised, generally performed near to the customer, and is perishable. On the other hand, financial services are less tangible, highly varied, can often be performed away from the customer and are generally required immediately.

World Trade Organization said an efficient services infrastructure is a precondition for economic success. Services such as telecommunications, banking, insurance and transport supply strategically important inputs for all sectors, goods and services. Without the spur of competition they are unlikely to excel in this role to the detriment of overall economic efficiency and growth. An increasing number of Governments thus rely on an open and transparent environment for the provision of services. This goes in line with Palmer (1998) who said that services have had a major impact on national economies and many service industries have facilitated improved productivity in the manufacturing and agricultural sectors. The figure from Eurostat, office for national statistic (2001) reported that in the United Kingdom, the service sector share of the total output had risen over the last two decades, from 56 percent to reach 72.3 percent of total output.

Like merchandise trade, three-quarters of all world exports and importers of services are dominated by just twenty countries. Not unexpectedly, the United States tops the list as the world's biggest importer and exporter of service with 18.8 percent share of total exporters and 13.7 percent share of total importers, (World Trade Organization Press/175, 2000). While the servicesector's share of total output in newly industrial country, such as Thailand is 47 percent, (Thai Economy, 2001), with only 1.1 percent share of total exporters and 1.0 percent share of total importers (World Trade Organization Press/175, 2000).

The figure above supported the reason that services can have a multiplier effect on local and national economic in that initial spending with a service producer triggers further expenditure. Palmer (1998) described that the first producer spends money buying in supplies from outside (including labor) and these outside suppliers in turn purchase more inputs. The multiplier effect of this initial expenditure can result in the total increase in household incomes being much greater than the original expenditure. Looy, B. et al (1998) concludes that the services sector's increasing of economy can thus be seen as a universal trend. We have shifted from an industrial society of machine operators to a post-industrial society of service workers. Palmer (1998) had question whether western developed economies focus on becoming service-based economies, even at the expense of the manufacturing sector.

He gave an opinion that this may sound appealing, but the logic of this argument can be pushed too far, in particular:

- A large part of the growth in services sector during recent years has reflected the buoyancy of the manufacturing sector. As manufacturing industry increases its level of activity, the demand for producer's services such as accountancy, legal services and business travel increases. For example, the sudden decline of many UK financial services sectors in the early 1990s reflected the downturn in manufacturing activity, resulting in lower demand for business loans and export credit.

- In the UK, the assumption that the country has a comparative cost advantage in the production of services needs to be examined closely. For example, UK manufacturing industry lost their competitive advantage to developing nations during the 1960s and 1970s. High levels of training in competing nations have allowed those countries to firstly develop their own indigenous services and then to develop them for export.

- Over reliance on the service sector could pose strategic problems for developed countries. A diverse economic base allows a national economy to be more resilient to changes in world trading conditions.

Gronroos (2000) said one of the reasons that understanding service management is now of interest to manufacturers of goods. Customers are now more involved in various processes of the manufacturer such as the design of the goods, modular production, delivery, maintenance, helpdesk functions, information share and a host of other processes. Competitive environment in today's world have become important for the creation of a competitive advantage. All these activities bring the manufacturing of goods and service management closer to each other.

Customer equity is also necessary for the competitive market in service industry. It is the total of the discounted lifetime values of all time firm's customers, (Kotler, P. 2001). The factors affective customer equity combines with three aspects. Firstly, the value equity is customers' objective assessment of the utility of an offering based on perceptions of its benefits relative to its cost. Secondly, brand equity is customer's subjective and intangible assessment of the brand, above and beyond its objective perceived value. Finally, relationship equity is customer's tendency to stick with the brand, above, and beyond objective and subjective.

Relationship marketing, especially in developed countries, has been receiving increasing attention in recent years as more and more organizations

focus their attention on retaining existing customers rather than attracting new ones. Although the origins of relationship marketing are to be found in an industrial context, it is with the increasing importance of the services sector during the last decade that relationship marketing has emerged as an important topic in helping marketers focus on maintaining and enhancing customer relationships, (Payne, A. et al 1995).

O'Sullivan (1998) said as more products and services become discretionary in nature and as more services incorporate psychic needs into their marketing mix, it becomes more difficult to apply either product or services marketing to this new industry, especially in developed countries. The confusion between the products and services grows because more products create the service-oriented benefits in order to attract and retain customers. The trend of this services industry may move to experience marketing. O'Sullivan (1998) said experience marketing is the next natural progression of the industry. It mirrors the emerging direction of the economy. It addresses the inherent differences between products, services, and experiences. It speaks to the increasingly diverse yet definitive nature of people's needs. It incorporates the heightened consumer preference for personalization as dictated by technology and rising expectations. It reflects the burgeoning competition within this segment of the industry. This idea goes in line with the recent work by Dr. Gerald Zaltman, chair of Harvard Business School's Laboratory of the Mind. Zaltman (2001) has confirmed that total customer experience is, in fact, more important than product or service attributes in determining future customer behavior even more important than price. His research shows that people make up their minds based on the thoughts and feelings that lie below conscious awareness. These feelings are built from a collection of clues, rather than on any single factor. So not even words are as important to a customer as the stew of information, mannerisms, gesture, intensity, and other nonverbal attributes he or she encounters - let alone the multitude of other clues he or she picks up from the surrounding. Moore, C (2002) presented the report from her article in, the new heart of your brand, which supported the above ideas. She said a classic piece of research at service companies shows that most customers (68 percent) who do not return to a company make the decision because of perceived indifference and lack of interest, not because of any fault of the product or service itself.

Figure 1: Transition Tracking

From	To
Products and services	Experiences
Tangible benefits	Inner needs
From manufacturers and providers	Infusers, enhancers, and makers
Demographics	Psychographics
Standard of living	Quality of life
4Ps of marketing	4Ps of experience marketing
Product, place, price, promotion	Parameters, people, peripherals, perInfoCom (per Information and communications)

Note: O’Sullivan (1998) presented transition tracking of the market trend in developed countries.

Looy, B. et al (1998) said it is hard to pinpoint one determining factor in the service sector’s growth; rather, a combination of different factors has all plays a part in the sector’s increasing. In general, we can describe into two groups of factors that can be determined. Firstly, increasing consumer incomes and sociological changes in newly industrializing countries have led to a greater demand for service. Secondly, increasing professionalism in companies and technological changes have brought these countries about the creation of new services, notably of producer services. World Trade Organization (2001) said access to world-class services helps exporters and producers in developing countries to capitalize on their competitive strength, whatever the goods and services they are selling. A number of developing countries have also been able, building on foreign investment and expertise, to advance in international services markets from tourism and construction to software development and health care. Services liberalization has thus become a key element of many development strategies.

Taiwan follows the same pattern of development countries. The figure from Taiwan economy (1997) reported that agriculture contributes less than 3 percent to GDP, down from 35 percent in 1952. Traditional labor-intensive industries are steadily being moved off-shore and replaced with more capital- and technology-intensive industries. Taiwan has become a major investor in China, Thailand, Indonesia, the Philippines, Malaysia, and Vietnam. The loss of Agriculture and Industry are compensated to a degree by the rising of services industry with the figure at 62 percent of service industry in 1997.

The economist (2001) reported that India market brahminism has helped point the Indian economy towards the intangible, a direction already encouraged by its industrial shortcomings. Services are growing faster than any other sectors. They span a range from banks to tea stalls, but it is the knowledge industries that have captured the imagination of India's entrepreneur. Information technology is the most successful. It has grown at an average annual rate of over 50 percent, from almost nothing in 1991 to sales of \$8.3 billion in 2000 and employment of around 400,000. It makes up 15 percent of India's exports. In theory, India can export just about any service capable of being carried by fibre-optics, from cartoon animation to research and development. NASSCOM guesses that 68,000 people were generating 40 billion rupees of revenue in remote service in 2000. Some analysts think that India will scoop up clerical work in the developed world, just as China and other East Asian countries commandeered manufacturing. Such predictions reinforce the idea that India's real metier is services rather than manufacturing.

On the other hand, the growth of service sector in industrializing countries is not necessary to follow the same pattern of developed countries. Beginning in late 1978 the Chinese leadership has been trying to move the economy from a sluggish Soviet-style centrally planned economy to a more market-oriented economy but still within a rigid political framework of Communist Party control. The result has been a quadrupling of GDP since 1978. Agricultural output doubled in the 1980s, and industry also posted major gains, especially in coastal areas near Hong Kong and opposite Taiwan, where foreign investment helped spur output of both domestic and export goods. On the darker side, the environment factor in China has the direct effect on the economic growth. The leadership has often experienced in its hybrid system the worst results of socialism (bureaucracy, lassitude, corruption) and of capitalism (windfall gains and stepped-up inflation). At the same time, the government struggled to

- collect revenues due from provinces, businesses, and individuals;
- reduce corruption and other economic crimes;
- keep afloat the large state-owned enterprises, most of which had not participated in the vigorous expansion of the economy and many of which had been losing the ability to pay full wages and pensions.

From 60 to 100 million surplus rural workers are adrift between the villages and the cities, many subsisting through part-time low-paying jobs. Popular resistance, changes in central policy, and loss of authority by rural cadres have weakened China's population control program, which is essential to maintaining growth in living standards. Another long-term threat to

continued rapid economic growth is the deterioration in the environment, notably air pollution, soil erosion, and the steady fall of the water table especially in the north. China continues to lose arable land because of erosion and economic development. The next few years may witness increasing tensions between a highly centralized political system and an increasingly decentralized economic system. Economic growth probably will slow to more moderate levels. China still remains focusing on industry and agriculture. The move from manufacturing country to service industry will not be as fast as Taiwan. In 1997, the GDP in industry and agriculture is still high with the share of 68 percent while service industry is only 32 percent.

World Trade Organization, Press/175 (2000) reported that the global export value of commercial services recovered in 1999 after stagnating in 1998. Preliminary data by major services categories indicate that all categories recorded positive growth. Transportation services are estimated to have expanded less than the average growth rate of 1.5 per cent despite the increase in fuel costs. Travel services and the residual grouping of other business services have both expanded by about 2 to 3 per cent.

The commercial services trade data by region indicate that the most dynamic export and import growth in 1999 was in North America and Asia. While North America services import growth exceeded its export growth, thereby reducing its traditional surplus in commercial services, Asian imports and exports expanded at about the same rate (4-5 per cent). The rebound in Asian services trade is much weaker than for Asian merchandise trade, in particular for exports. In contrast to the developments in North America, Asia and West Europe services trade expanded less favorably in 1999 than in the preceding year. Available data for the transition economies point to a sharp contraction of both services exports and imports.

The services industry within the developed countries is still increasing. Customers are now involved in various processes that bring the manufacturing of goods and service closer to each other. Products and services become discretionary in nature and as more services incorporate psychic needs. The service industries become competitive markets. It is harder to apply services marketing to this new industry. The relationship marketing has emerged as an important topic in helping marketers focus on maintaining and enhancing customer relationships and building up the customer equity. Experience marketing will be part of the next natural progression of this burgeoning competition within service industries. It incorporates the heightened consumer preference for personalization as dictated by technology and rising expectations.

The new economies of the newly industrializing, such as China, Taiwan, India, Thailand have also been able, building on foreign investment and expertise, to advance in international service markets. The service industries sector will increasing but it may not follow the same pattern of developed countries. Countries, such as Taiwan or India, are now moving very fast and follow the trend of developed countries. But other countries, such as China, are still based on agriculture and manufacturing industry because of the external environment factors, such as politics, economy, social and technology within the country that directly effects the growth in service industry sector.

Bibliography

- Cowell, D. (1991), *The Marketing of Services*, Butterworth Heinemann.
- Gronroos, C. (2000), *Service Management and Marketing*, John Wiley & Sons, Ltd.
- Kotler, P (2001), *New marketing in the new millennium*, paper presented at Peninsula Manila Hotel.
- Looy, B. et al (1998), *Services Management: An integrated approach*, Financial times, Pitman publishing.
- Palmer, A. (1998), *Principles of Services Marketing*, 2nd Edition, McGraw-Hill Publishing Company.
- Payne, A. (1993), *The Essence of Services Marketing*, Prentice Hall.
- Payne, A. et al (1995), *Relationship Marketing for Competitive Advantage: Winning and keeping customers*, Butterworth Heinemann.
- O'Sullivan, E. and Spangler, K., (1998), *Experience Marketing: Strategies for the new millennium*, Venture Publishing, Inc.
- Woodruffe, H. (1995), *Services Marketing*, Pitman Publishing.
- [Anon] (2001), *Coffee with your tea?*, *The Economist*. October 6th 2001, page 88.
- [Anon] (2001), *A survey of India's economy*, *The Economist*, June 2nd 2001, page 3-19.
- Moore, C. (2002), *The new heart of your brand: Transforming your business through customer experience*, *Design Management Journal*, Winter 2002.
- World Trade Organization. [2002]. [Online]. Available: <http://www.wto.org> (10 March 2002).
- UK National Statistic. [2002]. [Online]. Available: <http://www.statistics.gov.uk/statbase/ssdataset.asp?vlnk=4917&b4.x=27&b4.y=6> (10 March 2002).
- National Statistical Office Thailand [2002]. [Online]. Available: <http://www.nso.go.th/eng/stat/stat.html>. (10 March 2002).
- United States Department of Commerce [2002] <<http://www.census.gov/prod/www/statistical-a-abstract-us.html>> (10 March 2002)
- Manpower research statistics department, Minister of Manpower, Singapore [2002] [Online]. Available: [www.http://mtl.gov.sg](http://www.mtl.gov.sg) (10 March 2002).
- Asean Supporting Industry Database [2002]. [Online]. Available: <http://www.asidnet.org/> (10 March 2002)
- Photius [2002]. [Online]. Available: <http://www.photius.com/web/web1999/taiwan/taiwan.economy.html>. (10 March 2002).
- Photius [2002]. [Online]. Available: <http://www.photius.com/web/web1999/china/china.economy.html>. (10 March 2002).

ประวัติผู้เขียน

สุวิทย์ วงศ์จุริวานิชย์

สถ.บ. สถาบันเทคโนโลยีพระจอมเกล้าเจ้าคุณทหารลาดกระบัง 2537

MSC Design Management, University of Salford, 2544

ปัจจุบัน เป็นที่ปรึกษาทางด้านการออกแบบ และแบรนด์ ให้กับบริษัท กันตนา จำกัด, บริษัท UBC, บริษัท Top Supermarket บริษัท Disney Thailand และ อาจารย์พิเศษ
ภาควิชาศิลปอุตสาหกรรม คณะสถาปัตยกรรมศาสตร์ สถาบันเทคโนโลยีพระจอมเกล้า
เจ้าคุณทหารลาดกระบัง