

Value creation through services marketing, relationships and experiences

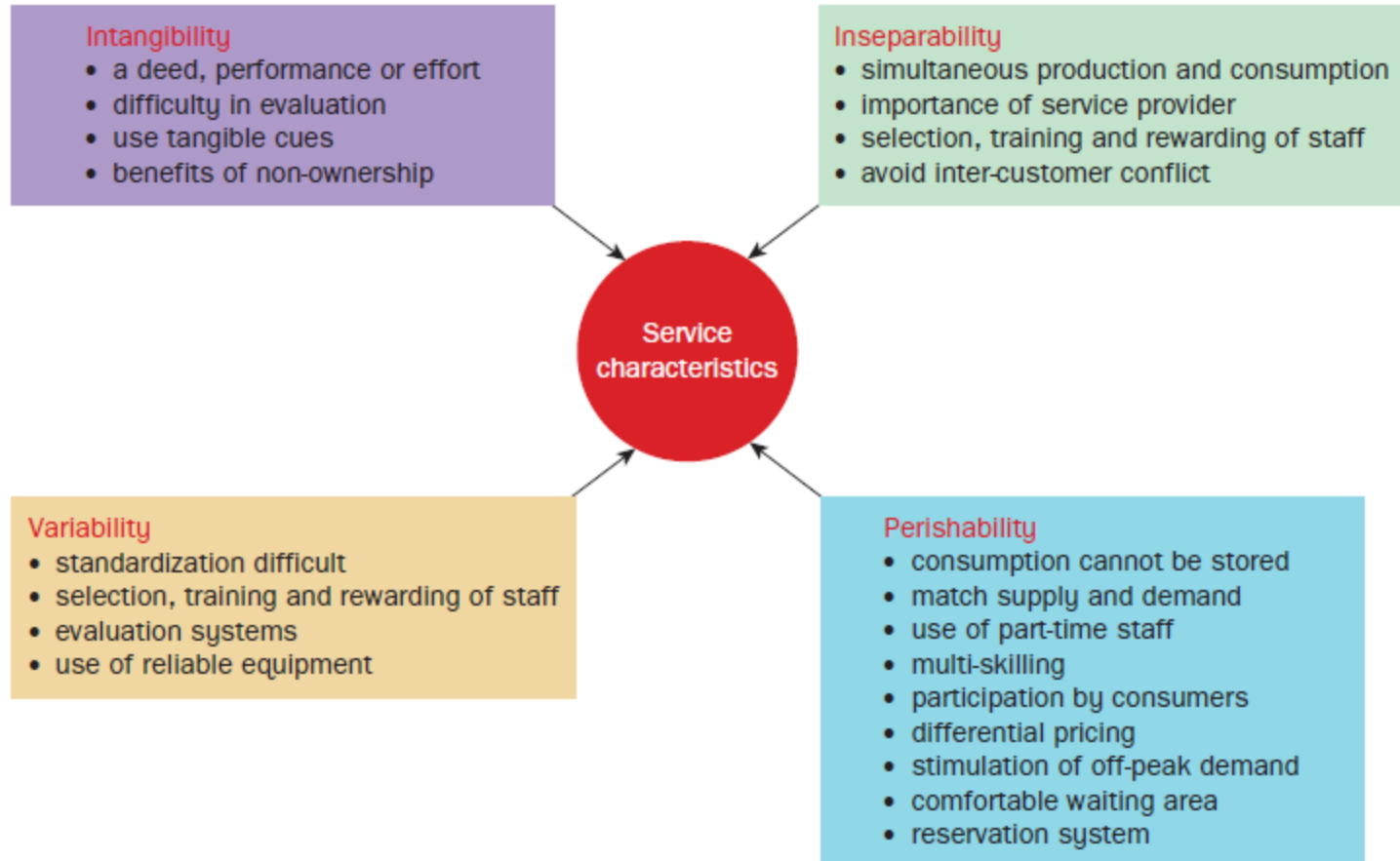


Session Objectives

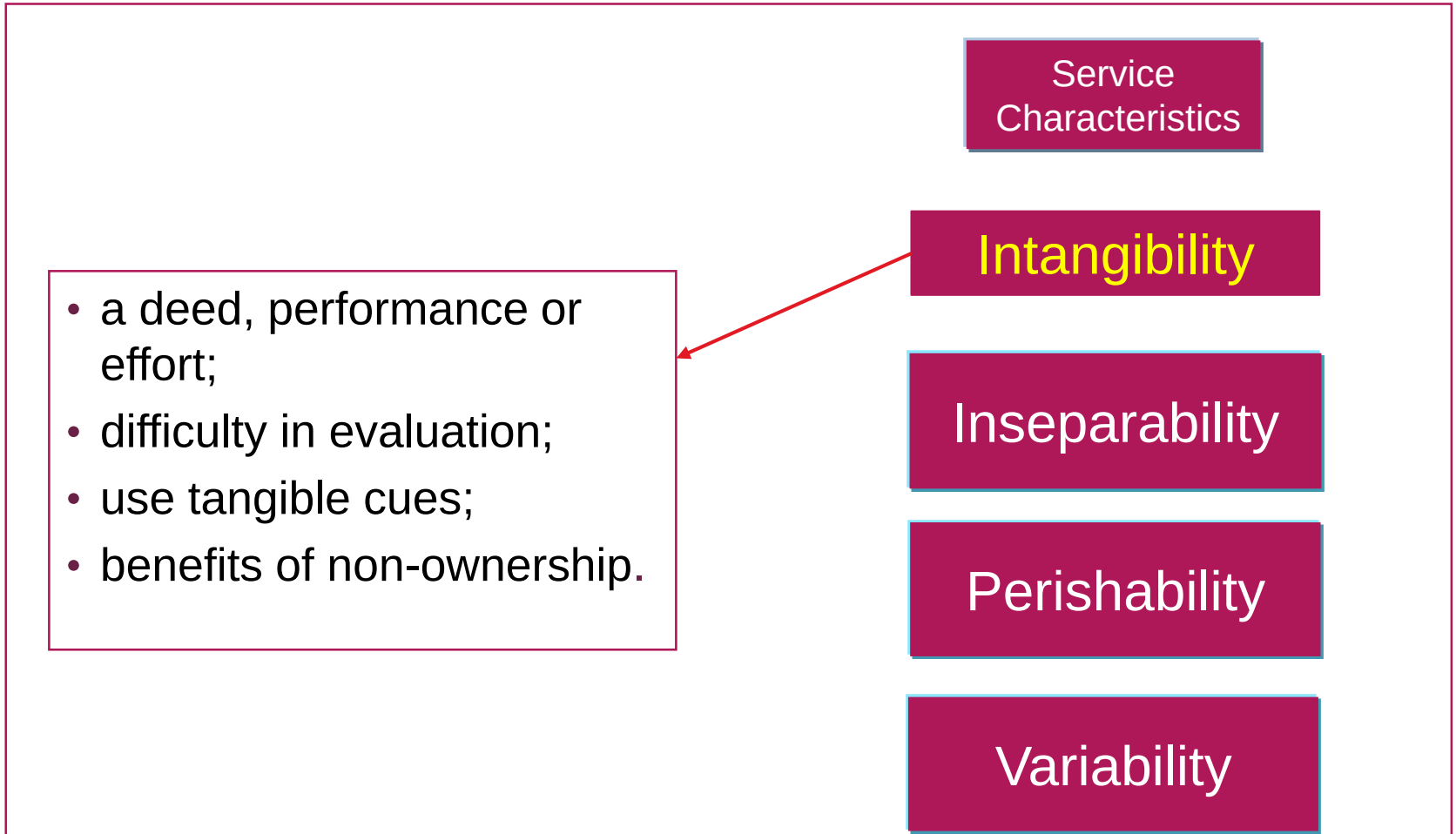
1. To assess the unique **characteristics of services**, namely intangibility, inseparability, variability, and perishability.
 2. To evaluate the **four key elements** of managing services enterprises, namely, physical evidence, people, process, and service branding.
 3. To appraise the relevance of **Internal** marketing to frontline employees and how the activity contributes to the success of a service organisation.
 4. To analyse to what extent employee empowerment is a key element of service quality and service recovery.
 5. To appraise the importance of measuring how service perceptions match up against the expectations that customers have of the service provider and to identify service delivery gaps
 6. To evaluate how **Relationship marketing** raises levels of attitudinal loyalty and to what extent value can also be created through the provision of customer experiences which can be used to improve the consumer's relationship with the organisation.
 7. To explore experiential marketing for further relationship building and loyalty
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The Characteristics of Services

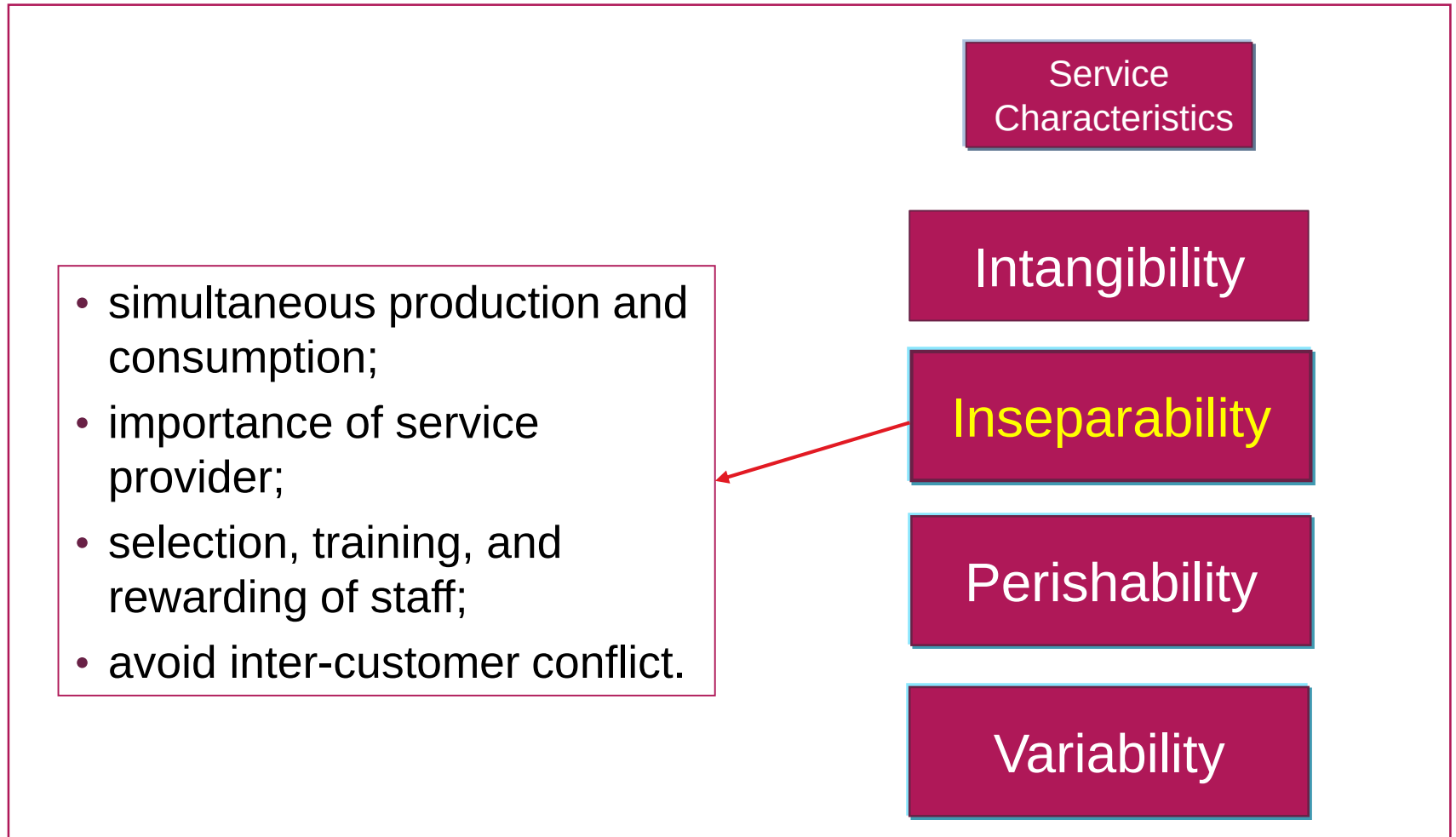
Figure 7.1 The unique characteristics of services



Intangibility



Inseparability



Inseparability

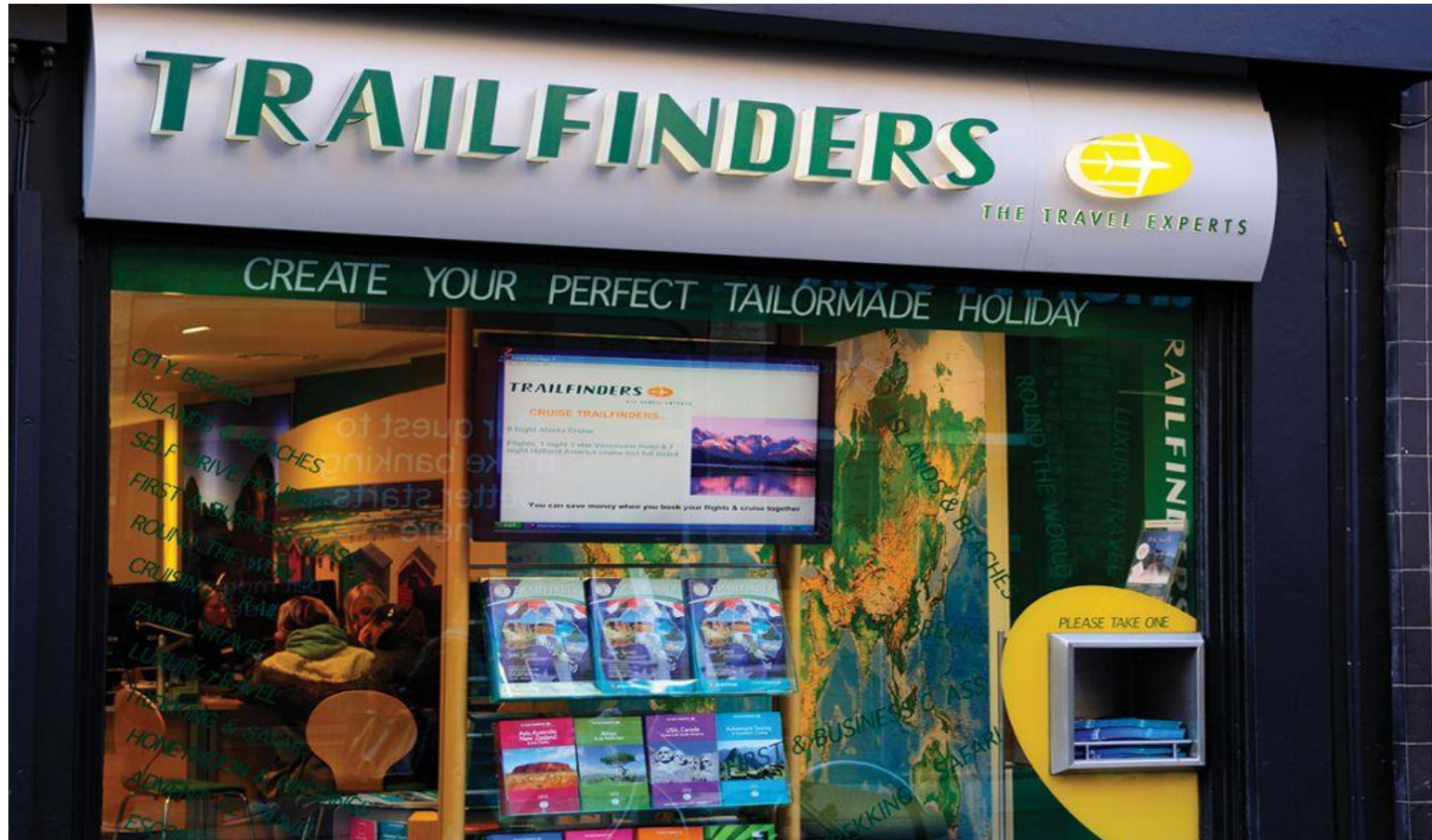
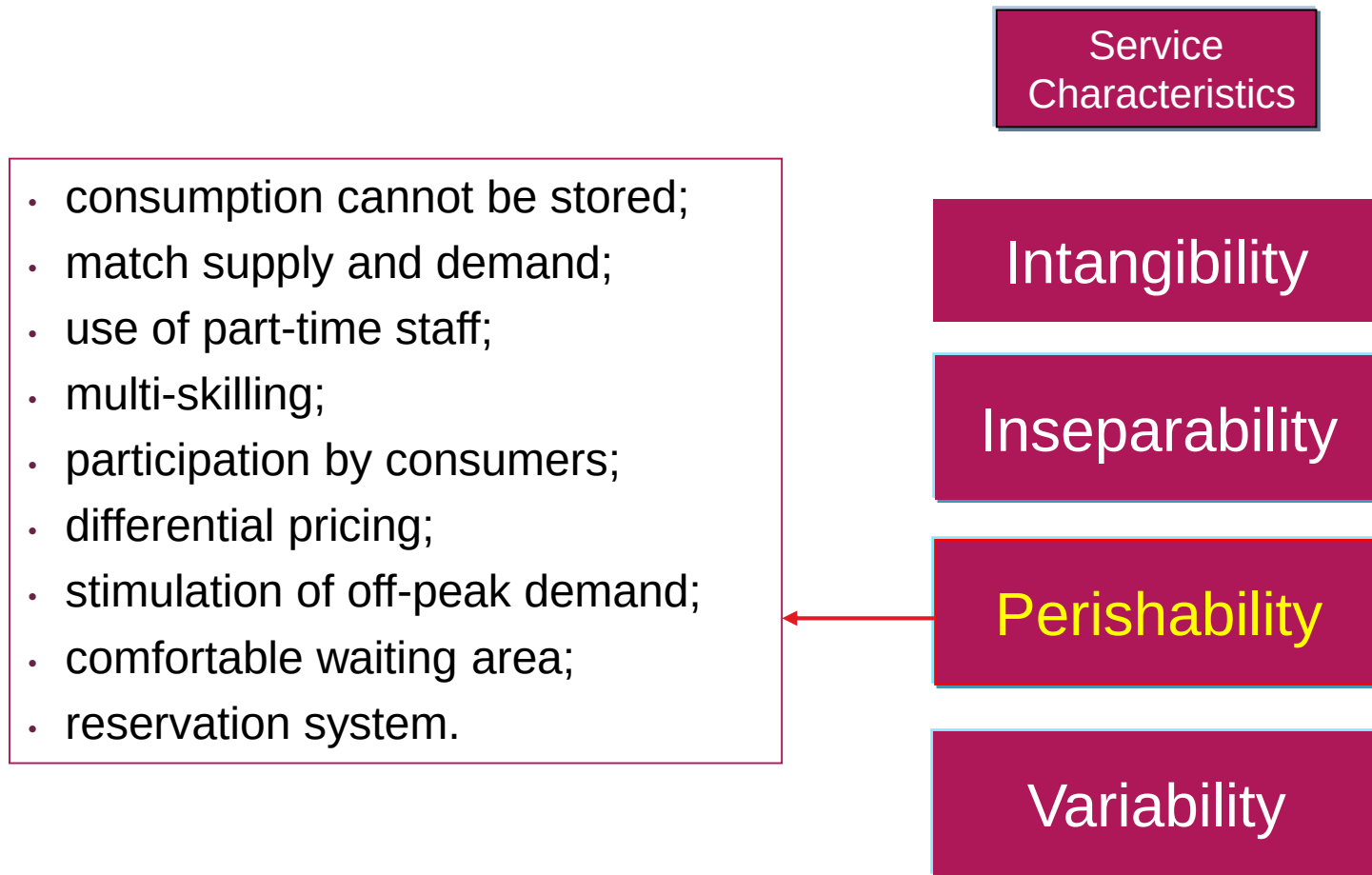


Exhibit 7.2 Holidays are a service that illustrate the inseparability of the production and consumption.

Perishability

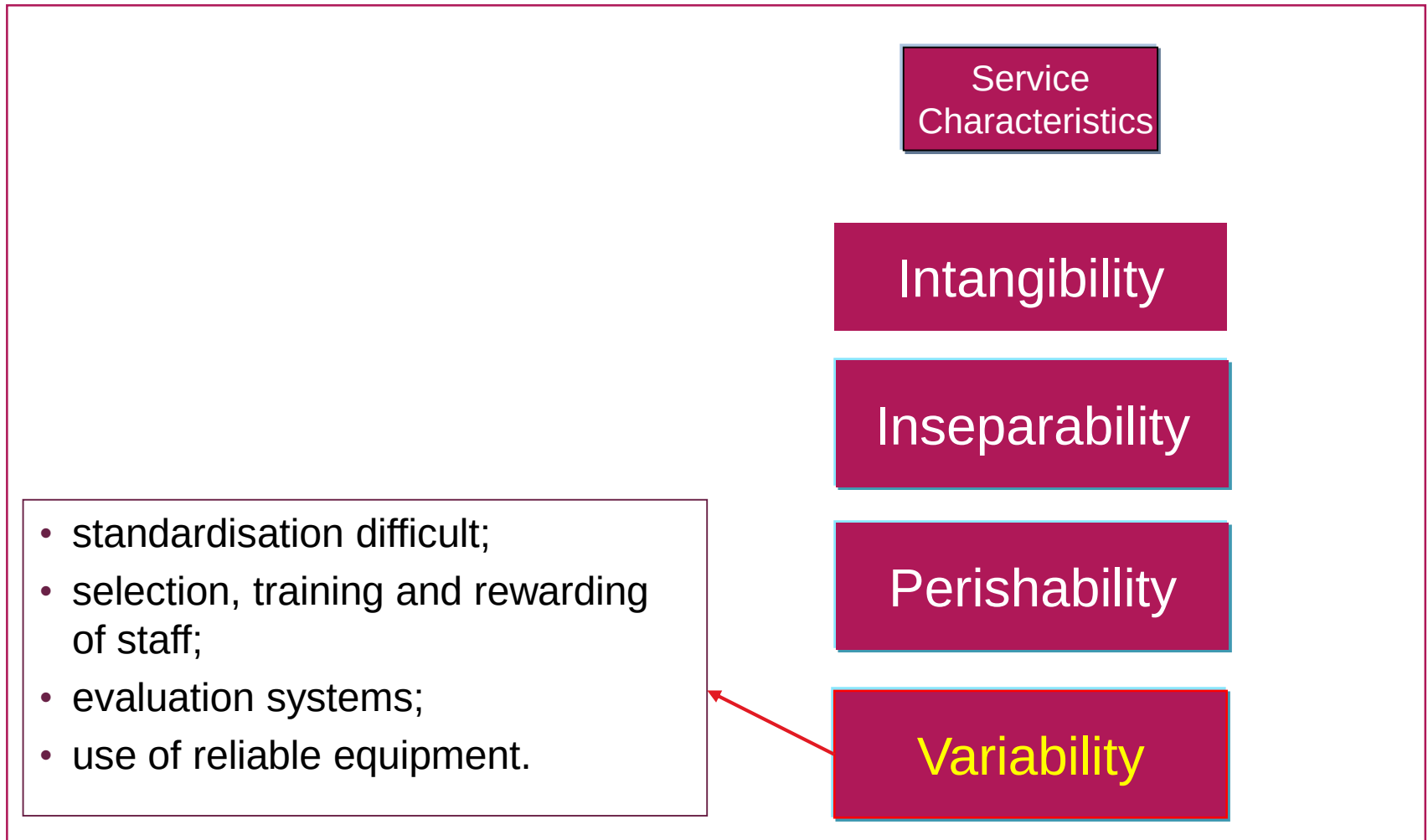


Perishability

A cleverly designed social media advertisement for the Truck festival in Oxfordshire is designed to overcome the perishability problem of events like this. If tickets are not sold by the end of the event, the opportunity to do so passes.



Variability



The Services Marketing Mix

The services marketing mix is an extension of the 4P's:

- Product;
- Price;
- Promotion;
- Place.

The additional elements of the mix are:

- Physical evidence;
- People;
- Process;
- **Service Branding.**

Physical Evidence

- Customers look for clues to examine the likely quality of a service by inspecting the tangible evidence or the *service-scape*.
- Includes the décor, furnishings and lighting.
- The ambience of a retail store is highly dependent on décor, and colour can play an important role in establishing mood because colour has meaning.
- Changes in the physical evidence are often part of a marketer's effort to reposition a brand.



People

- The term *service encounter* is used to describe an interaction between a service provider and a customer.
- In order for service employees to be in the frame of mind to treat customers well, they need to feel that their company is treating them well.
- This has given rise to the idea of the *service profit chain* whereby having a happy workforce leads to having happy customers and, ultimately, superior profitability.
- *Internal marketing* – that is, selecting, training, and motivating staff members to provide customer satisfaction.

People



Exhibit 7.3 Service providers like Emirates frequently use images of their staff in their advertising.

Process

- The service process refers to the procedures, mechanisms, and flow of activities by which a service is acquired.
- The service process usually contains two elements, namely, that which is visible to the customer and where the **service encounter** takes place and that which is invisible to the customer but is still critical to service delivery.
- Service process decisions usually involve some trade-off between levels of service **quality** (effectiveness) and service **productivity** (efficiency).
- The service process will also be significantly influenced by the service provider's attitude towards investments in technology.

Relationship Marketing

Six Benefits of Strong Customer Relationships:

1. Increased purchases;
2. Lower costs;
3. Lifetime value;
4. Sustainable competitive advantage;
5. Word of mouth promotion;
6. Decreased staff turnover.

Service Branding

Research on service organisations has identified four characteristics of successful brand names:

1. **Distinctiveness:** it immediately identifies the service provider and differentiates it from the competition;
2. **Relevance:** it communicates the nature of the service and the service benefit;
3. **Memorability:** it is easily understood and remembered;
4. **Flexibility:** it not only expresses the service organisation's current business but also is broad enough to cover foreseeable new ventures.

Service Branding



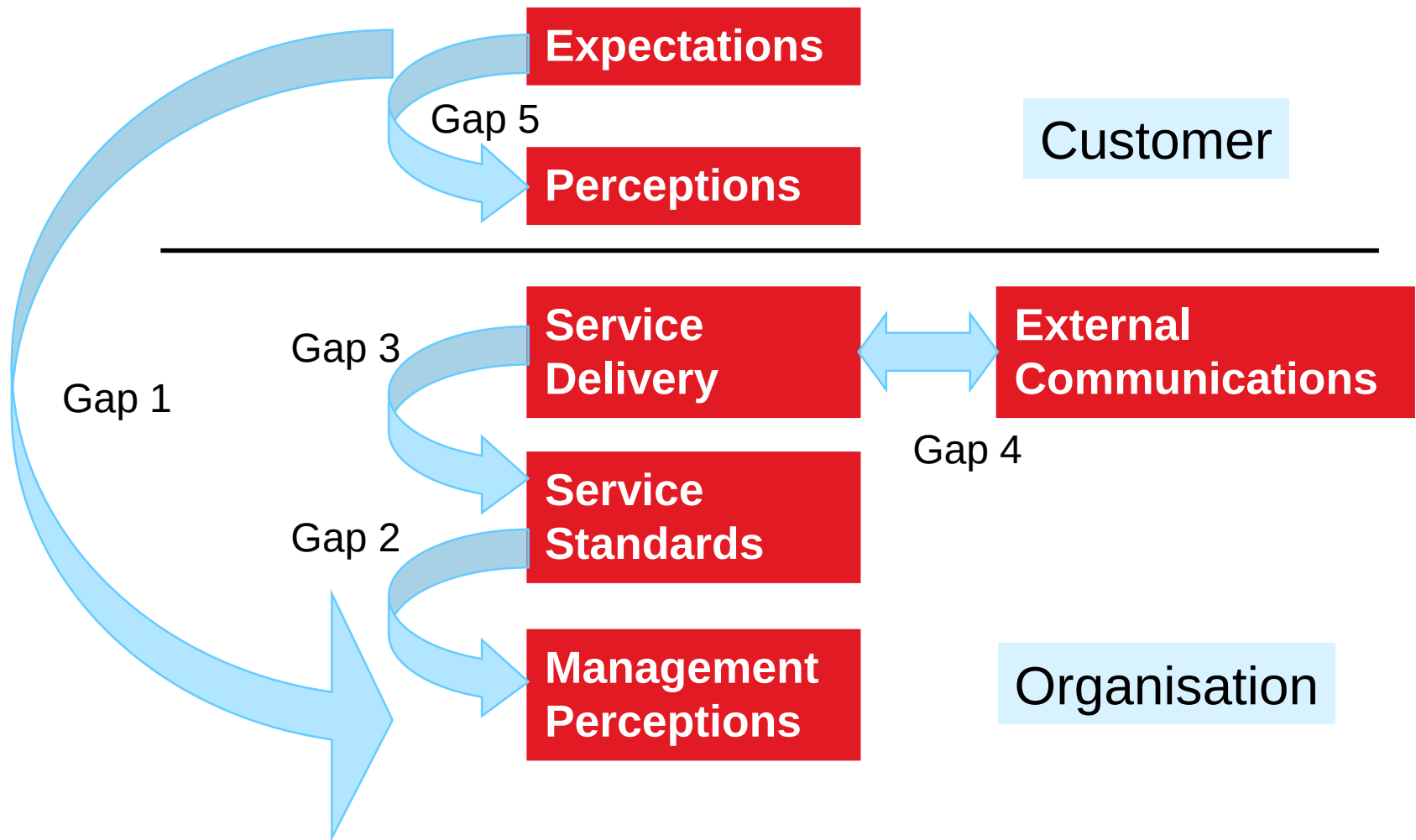
Exhibit 7.4 Starbucks' brand imagery has become so strong that the actual brand name is no longer required to identify the company.

Meeting Customer Expectations

1. **Reliability:** is the service consistent and dependable?
2. **Assurance:** that customers can trust the service company and its staff.
3. **Responsiveness:** how quickly do service staff respond to customer problems, requests and questions?
4. **Empathy:** that service staff act in a friendly and polite manner and care for their customers.
5. **Tangibles:** how well-managed is the tangible evidence of the service (e.g. staff appearance, decor, layout)?



SERVQUAL model...



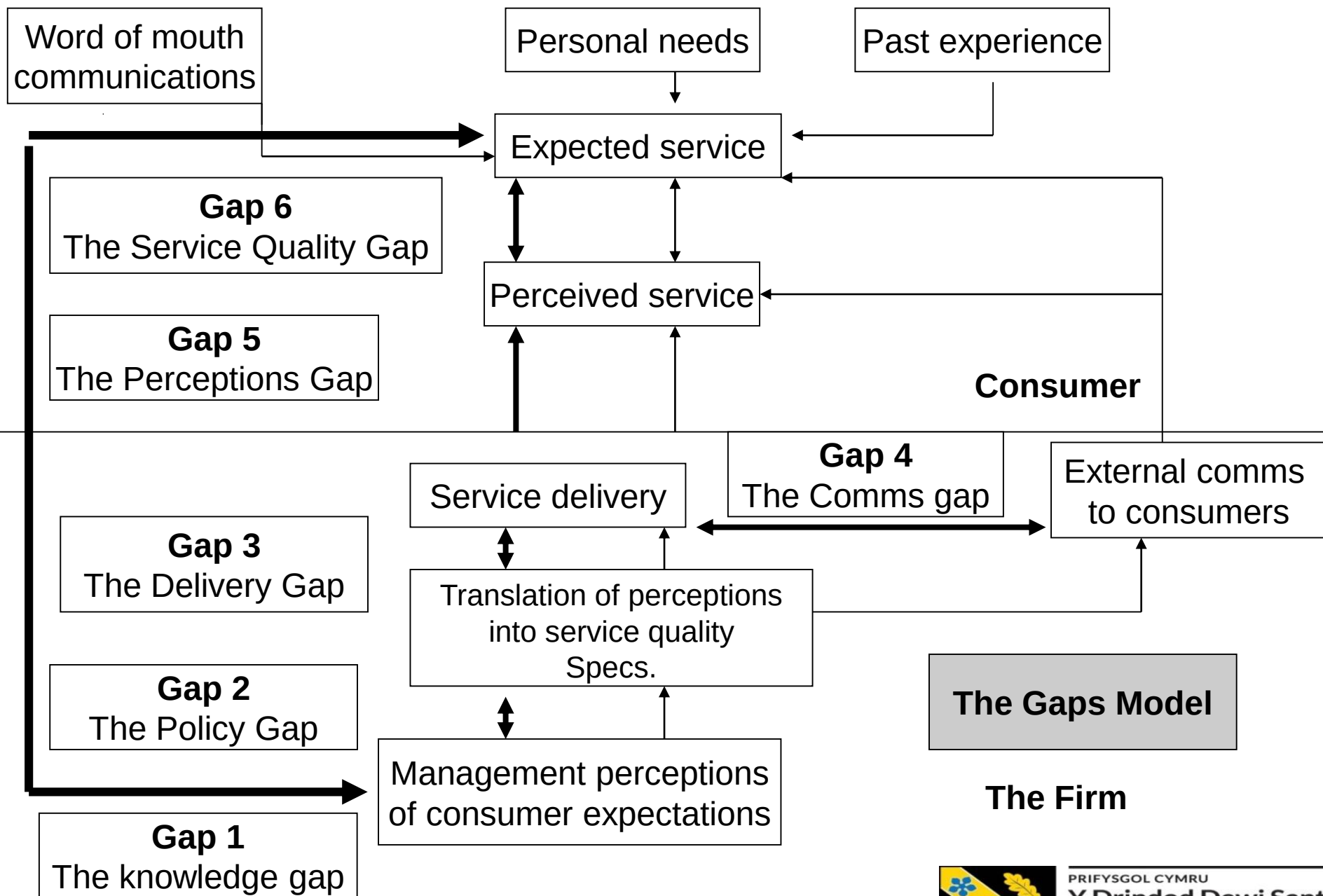
SERVQUAL

SERVQUAL is a disconfirmation model and is based on the difference between the expected services and the actual perceived service.

Using this GAPS approach five different dimensions of service-quality have been established. These are:

Reliability	the accuracy and dependability of repeated performances of service delivery.
Responsiveness	the helpfulness and willingness of staff to provide prompt service.
Assurance	the courtesy, confidence and competence of employees.
Empathy	the ease and individualised care shown towards customers.
Tangibles	the appearance of employees, the physical location and any facilities and equipment, and the communication materials.
(RATER)	

Refer to Servqual questionnaire on Moodle!



(Source: adapted from 5-gaps model by Parasuraman et al in Lovelock and Wirtz (2007))



Gap 1 – **The Knowledge Gap** - difference between what snr mgmnt believes customers expect and customers' actual needs and expectations

Gap 2 – **The Policy Gap** – difference between management's understanding of customers' expectations and the quality standards established for service delivery.

Gap 3 – **The Delivery Gap** – difference between specified service delivery standards and the delivery teams' and service operations' actual performance on these standards

Gap 4 – **The Communications Gap** – difference between what the company communicates and what it actually delivers to its customers. Internal Gap between what the company's advertising and sales personnel think are the product's features, performance and service quality level and what the company actually is able to deliver. Overpromise Gap can be caused by advertising and sales personnel assessed by the sales they generate can lead them to overpromise.

Gap 5 – **The Perceptions Gap** – difference between what is, in fact, delivered to the customer and what customers perceive they have received

Gap 6 – **The Service Quality Gap** – difference between what customers expect to receive and their perceptions of the service that actually is delivered.

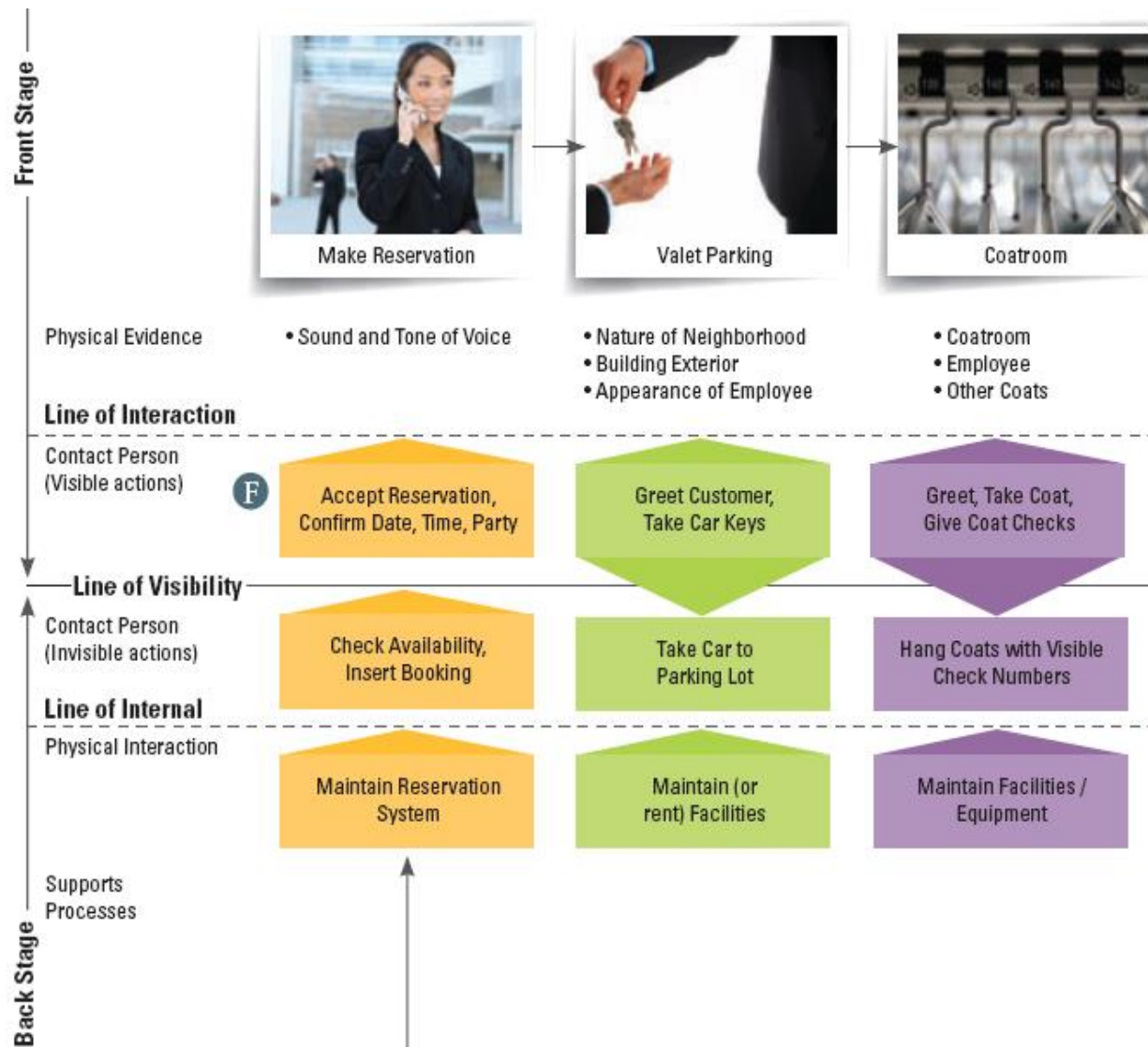
(Source: Lovelock and Wirtz (2007))

Close the gaps!

Types of quality gap	Proposed solutions
Gap 1 – The Knowledge Gap	<i>Educate management about what customers expect.</i>
Gap 2 – The Policy Gap	<i>Establish the right service processes & specify standards.</i>
Gap 3 – The Delivery Gap	<i>Ensure the performance meets standards</i>
Gap 4 – The Communications Gap	<i>Close the internal communications gap by ensuring communications promises are realistic and correctly understood by customers</i>
Gap 5 – The Perception Gap	<i>Tangibilise and communicate the service quality delivered</i>
Gap 6 – The Service Quality Gap	<i>Close Gaps 1 – 5 to consistently meet customer expectations. Gap 6 is the accumulated outcome of all the other gaps. It will be closed when Gaps 1 – 5 have been addressed.</i>



Blueprinting the Restaurant Experience: Act 1



Source: Lovelock and Wirtz (2010), *Services Marketing* 7e

Blueprinting the Restaurant Experience: A Three-Act Performance

Act 1: Prologue and Introductory Scenes

Act 2: Delivery of Core Product

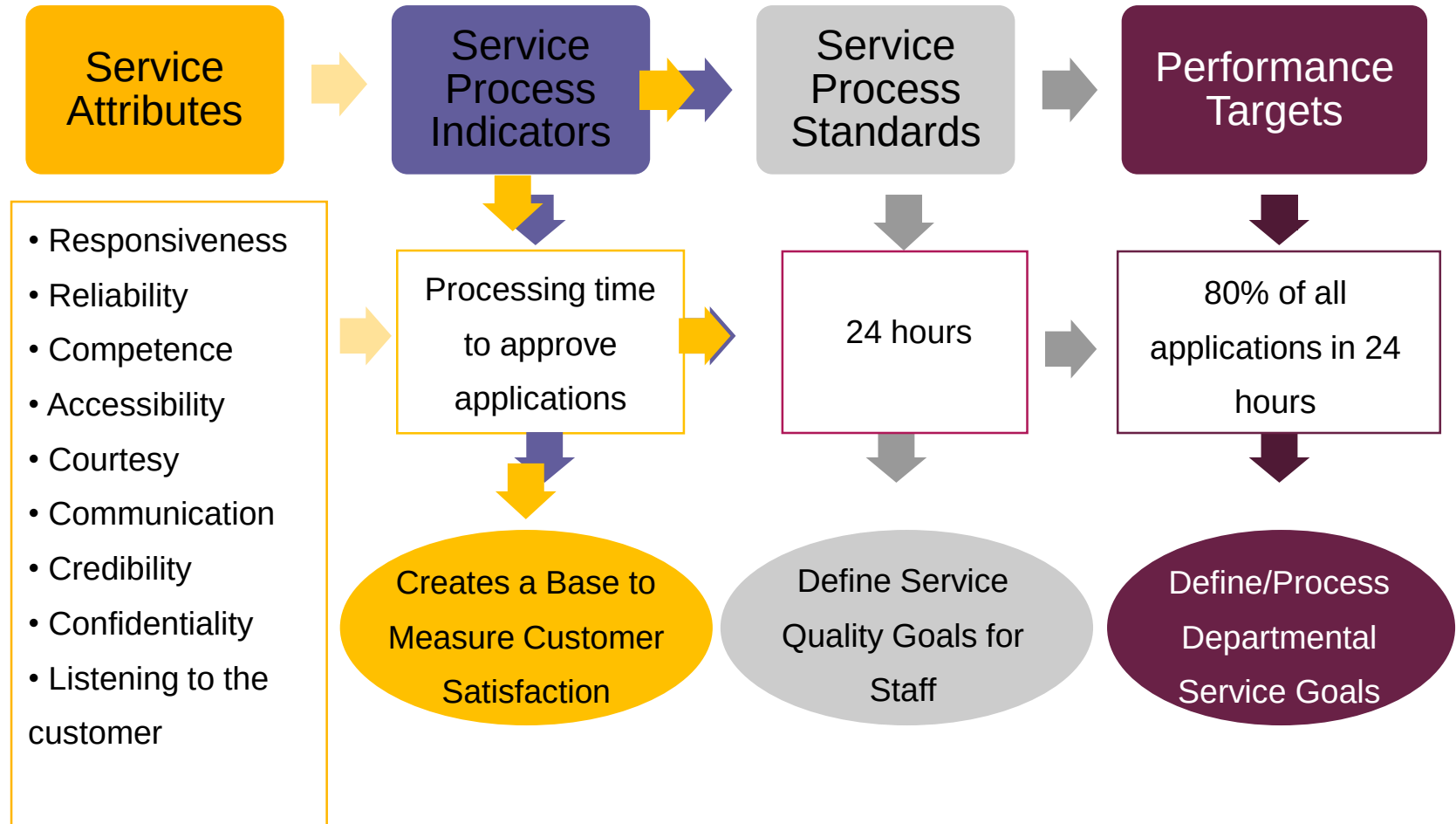
- Cocktails, seating, order food and wine, wine service
- **Potential fail points:** Menu information complete? Menu intelligible? Everything on the menu actually available?
- Mistakes in transmitting information a common cause of quality failure
- Customers may not only evaluate quality of food and drink, but how promptly it is served or serving staff attitudes

Act 3: The Drama Concludes

- Remaining actions should move quickly and smoothly, with no surprises at the end
- Customer expectations: accurate, intelligible and prompt bill, payment handled politely, guest are thanked for their patronage

Lovelock and Wirtz (2010), *Services Marketing 7e*

Setting Standards and Targets for Customer Service Processes



Group activity:

1. *Review the blueprint of the restaurant visit. Identify several possible opportunities for mistakes to be made in the front stage process.
Consider possible causes underlying each potential failure and suggest ways to eliminate or minimise these problems.*
 2. *Prepare a blueprint for a service with which you are familiar. On completion consider the following:*
 - *the tangible cues or indicators of quality from a customer's perspective*
 - *whether all steps in the process are necessary*
 - *the extent to which standardisation is possible and advisable through the process*
 - *the location of potential fail points and how they could be designed out of the process and what service recovery procedures could be introduced*
 - *the potential measures of process performance*
-

Relationship Marketing

The intangible nature of services means that customers may also value having a close relationship with a service provider.

The idea of relationship marketing can be applied to many industries. It is particularly important in services since there is often direct contact between service provider and consumer.

The following conditions suggest the use of relationship marketing activities.

- There is an ongoing or periodic desire for the service by the customer, e.g. insurance or theatre service versus funeral service.
- The customer controls the selection of a service provider, e.g. selecting a hotel versus entering the first taxi in an airport waiting line.
- The customer has alternatives from which to choose, e.g. selecting a restaurant versus buying water from the only utility company service in a community.

The Customer Relationship Life Cycle

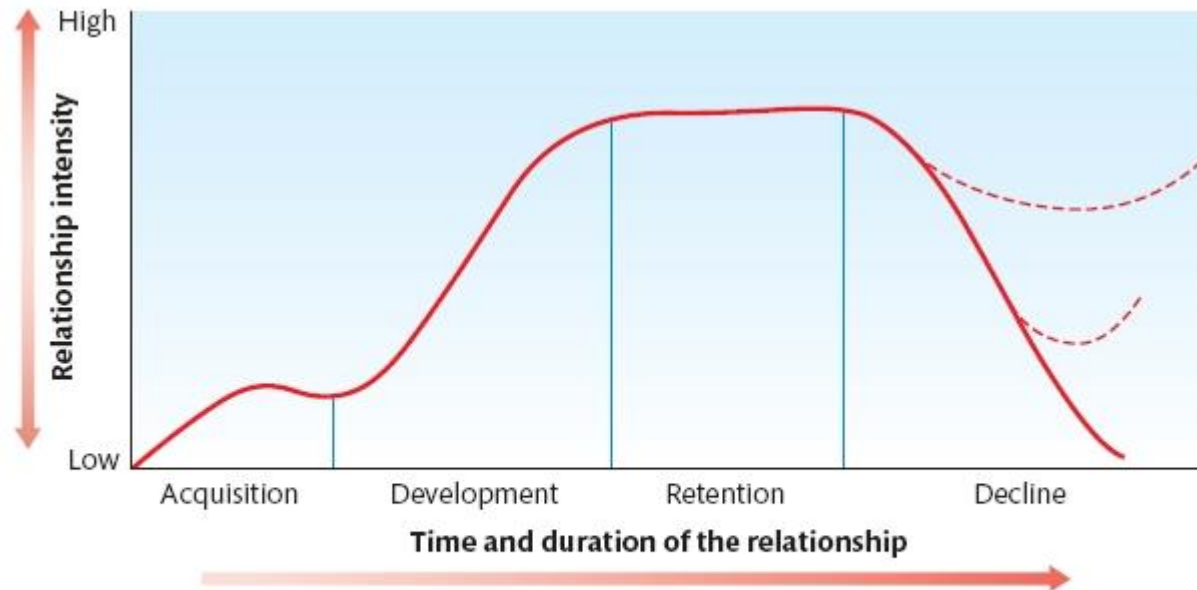


Figure 14.1

The customer relationship lifecycle

Customer Service and Relationship Management

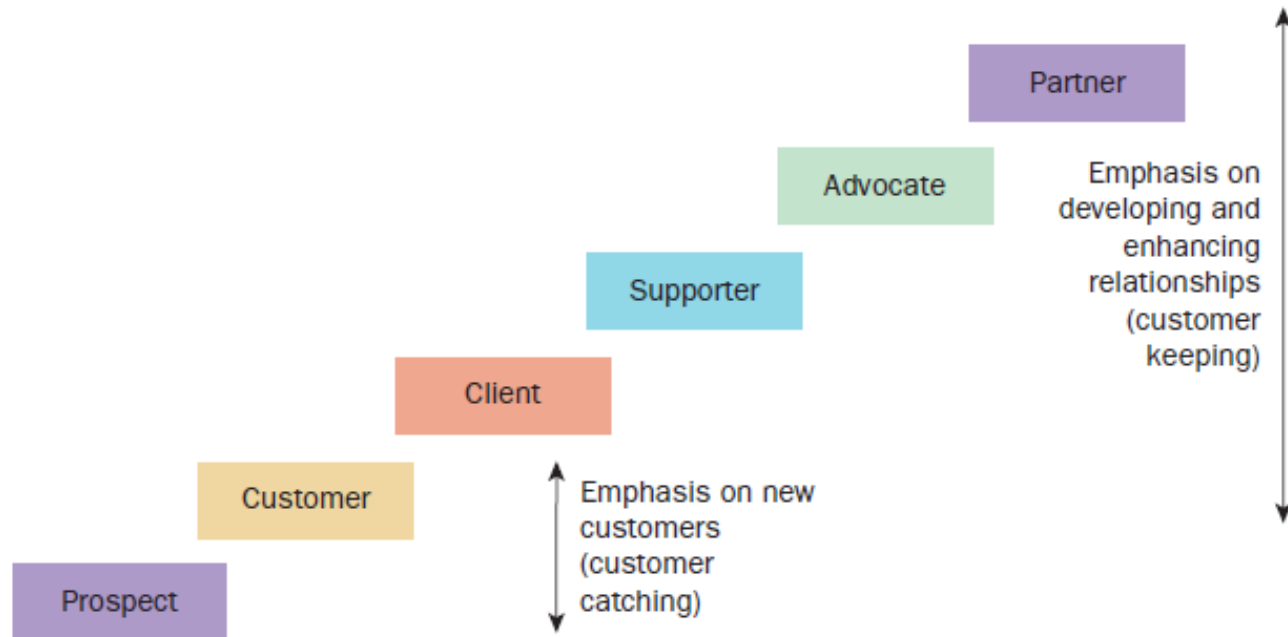
Managing trust and reputation, reducing risk and providing high levels of customer satisfaction is now regarded as an expectation that all suppliers need to meet. In addition, organizations attempt to manage their customers using two main approaches:

Customer Contact Centres - many organisations try to help their customers contact them. This can be achieved via a call centre or customer contact centre.

Customer Relationship Management (CRM) – the aim of using these systems is to provide relationships with superior value by enabling suppliers access to real time customer information. This helps suppliers to anticipate and satisfy customers needs effectively, efficiently and in a timely manner.

Ladder of Loyalty

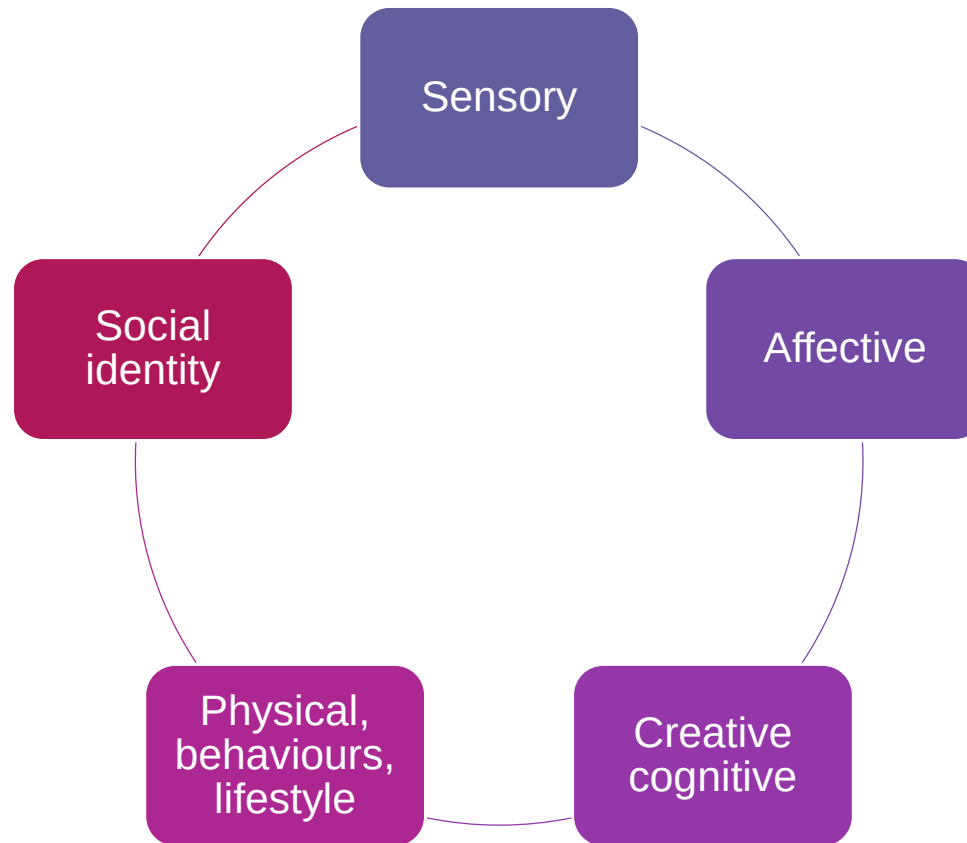
Figure 7.2 The ladder of loyalty



Source: Adapted from Christopher, M.C., Payne, A. and Ballantyne, D. (1991) *Relationship Marketing*. Oxford: Butterworth-Heinemann.

Experiential Marketing

Through *experiential marketing*, organisations recognise the important role of emotions in consumer decision-making.



Experiential Marketing



Exhibit 7.7 The Ribena ‘Colouring Cafe’ was a one-day experiential event in London organized by the drinks brand and Brass Agency, aimed at people who ‘wanted to grab life by the felt tip’.

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Further reading:

Parasuraman, A., Zeithaml, V., and Berry, L. (1988), *SERVQUAL: a multiple item scale measuring consumer perceptions of service quality*, Journal of Retailing, 64, 1, 12 – 40

Lovelock, C., Wirtz, J., (2007), *Services Marketing: People, Technology, Strategy*. Pearson, 7th ed.

Further reading and in addition to sources referenced in this presentation:

- Reichheld, F. F. and Sasser, E. W. (1990), 'zero defections: quality comes to services', *Harvard Business Review*, September, 105-11
- Morgan, R. M. and Hunt, S. D. (1994), 'The commitment-trust theory of relationship marketing', *Journal of Marketing*, 58 (July), 20-38
- Meyer, C. and Schwager, A. (2007), 'Understanding customer experience', *Harvard Business Review*, February, 117-26
- Parasuraman, A., Zeithaml, V., and Berry, L. L. (1988), 'SERVQUAL: a multiple-item scale for measuring consumer perceptions of service quality', *Journal of Retailing*, 64, 1, 5-37.

- Association for the Advancement of Relationship Marketing
<http://www.aarm.org/>
- The CMO Council
<http://www.cmocouncil.org>
- The Customer Experience Professionals Association (CXPA)
<http://www.cxpa.org/>
- CMSWire.com
<http://www.cmswire.com/news/topic/customer+experience>