INSTRUMENTS FOR THE MARKETING OF SERVICES AND THEIR IMPLEMENTATION

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Anotace: príspevok sa zaoberá základným pohľadom na marketing a jeho nástrojmi, známymi ako marketing mix- produktom, cenou, distribučnou a komunikačnou politikou s rozšírením na model 7 P a jeho príležitosťami a rizikami..

Klíčové slová :marketing, cena, produkt, komunikačná politika, disribúcia,

Summary: contribution is about fundamentals view in marketing and its instruments knows as marketing mix – product, price, place and promotion with spread to model of 7th P and its opportunities and risks.

Keyworks: marketing, product, marketing mix, pricing, communication policy, distribution

1. FUNDAMENTAL IDEA

The specific nature of service industry means that, instead of the four marketing instruments normally associated with the marketing of consumer goods (the so-called 4 P's), seven instruments (the 7 P's) often need to be referenced. However, since these additional instruments can be subsumed under the four classic marketing mix elements, there is no need to go into this in any greater detail [9]. Rather, the thoughts laid out to the marketing mix which follow relate to product, communication, pricing and distribution policies [5].

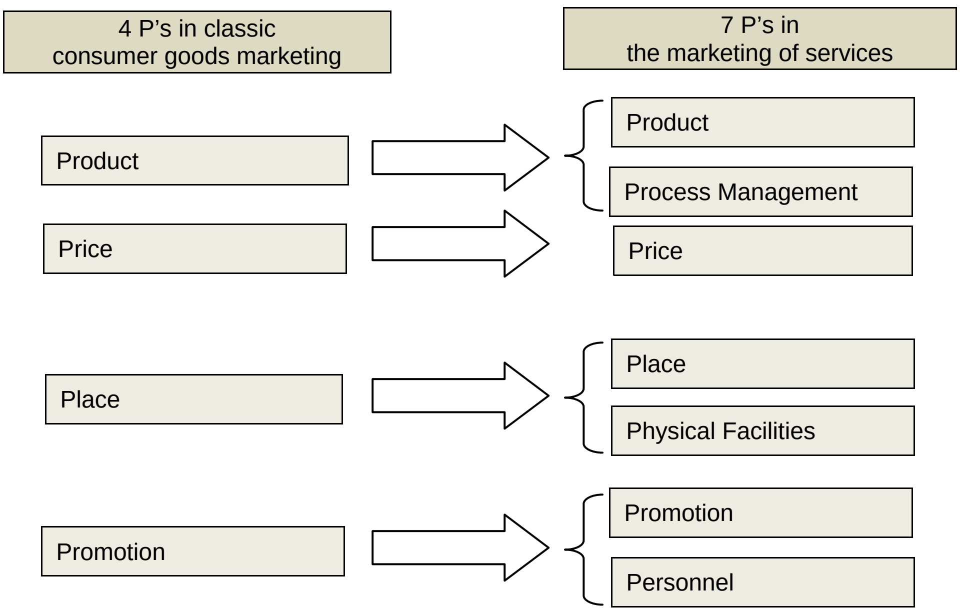

Illustration 1: The 4 P's and the 7 P's in the marketing of services[13]

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2. INSTRUMENTS IN THE MARKETING OF SERVICES

2.1 Product policy

Specific to the service sector is the need to free the potential necessary for service delivery (process management). This implies exact quantitative and qualitative capacity planning. But further to this, service providers need to think about standardisation options.[13] These relate to standardisation within capacity potentials, processes and outcomes. Within any standardisation process the cost advantages are less important than how the standardisation is perceived by the customer. A standardised offer can reduce uncertainty [9], The same is true of branding. The uniform appearance and product range available at Burger King or McDonalds, for instance, make the customer feel he is getting a service at a generally acceptable level. Trust in the service provider is strengthened when the consumer is confronted with an atmosphere he knows and feels comfortable with, and this in turn raises the level of test characteristics [14].

Product differentiation also plays a considerable role within the service sector. On the one hand, many services are tailor-made to meet the customer's needs. On the other hand, the marginal costs involved in product differentiation are lower than with physical products due to the high level of fixed costs (maintaining the capacity needed for service delivery) [9].

2.2 Communication policy

The personal approach to sales is paramount within service industry, given there is nearly always a need to explain the service. Classic advertising finds it difficult dealing with the essential immateriality of service provision. Services have no "want appeal" whatsoever, whereas physical products can arouse desire by simply being on display. A substitute is needed in the case of service advertising (materialisation via visualisation) [8]. This is why building societies, for example, feature material goods in their advertising campaigns, showing family dream homes in order to motivate customers to sign up for a building loan agreement. Other examples of visualisation are e.g.:

- Before and after dramatisations
- Dramatisation of internal production factors such as employees, machines or premises
- Testimonials from satisfied customers and opinion leaders [11].

In the service sector, the communication objective is often risk minimisation via building an image and conveying competence [9]. The risk is perceived to be higher because of a lack of test characteristics but also because of an absence of standardisation. Even consumers who have bought into a specific service many times cannot be sure they will receive the same result and the same quality the next time they access the service [16].

Uncertainty prior to purchase can be reduced by close "branded" designation of the service provided or by communication of a concrete service benefit [14]. Seen this way, marketing communication within the service industry aims to create an image which the consumer can then use to make his choice [15].

Service marketing has the problem that a close "branded" designation of the service is not possible because of the immaterial nature of service delivery. To offset this, internal and external reference subjects need to be "branded" instead. These can be all the material production factors which the consumer is confronted with. Customer contact staff serve as a good example [8].

2.3 Pricing policy

Price setting in advance is only possible in the case of standardised services. The costs of service provision are often dependent on external factors, as is the case with piano lessons. Here it is advisable to fix the price according to the time needed to provide the service. But this means the consumer agrees to buy a service without knowing exactly what the final price will be (e. g. services provided by tradesmen) [9].

The common practice of price bundling (price fixing for a complete service package) leads to a reduction in market transparency [9]. It may be advantageous for the service provider (price comparisons are more difficult), but it can at times prove detrimental to the customer.

Price is often regarded as an indication of quality due to the complex evaluation process needed to gauge real quality within service provision [9]. This leads to the price-quality effect (it's only good if it's expensive) [14].

Price differentiation assumes a crucial role in capacity management [9]. The fact that a service cannot be stored and transported implies that a service must be supplied at a particular point in time, at a particular place and to a particular customer and/or object. If these imperatives are not met, the service can lose its entire value in a worst-case scenario. An unoccupied seat on a flight has no value whatsoever for the airline. For the passenger who arrives too late, the promise of a flight the next day or to another destination is also worthless. Therefore, the service provider must predict exactly how his supply matches demand. However, a peak load approach in a situation of low demand leads to poor utilisation of available capacity. But offering too little contributes to customer dissatisfaction. A service provider can adapt demand to available supply by implementing a skilful price differentiation policy. Examples of this are lower off-season tariffs in the hotel industry, happy hours in bars or special reductions at cinemas at the beginning of the week [8].

2.4 Distribution policy

The fact that services are not transportable or storable also influences the distribution policy within the sector. Service providers and users need to be brought together so that the service can be supplied to the customer or his object (safeguarding capacity potential) [9]. This happens via support points (branches of a restaurant chain or a bank, railway stations, taxi stands, doctors' practices), via the service provider finding service recipients (meals on wheels, insurance policy advice, management consultancy, air conditioning system maintenance) or by using different media (legal advice on the telephone, dispatching an appliance which needs repaired by post, remote maintenance of IT systems via modem). The nature of the product supplied can limit the possibilities in this regard (meals on wheels), as can the service user's preferences (a home visit by the insurance salesperson) [14]. Waiting time procedures and reservation systems are two further management tools. Decisions must also be made on the distribution channels and the number of intermediate steps [9].

3. IMPLEMENTING SERVICE MARKETING

When implementing service marketing, internal marketing should not be overlooked because the employees are the interface with the customer [9]. Internal marketing refers to measures employed by the company to motivate its staff. This is important because they constitute an important element within the value creation chain. As can be seen in illustration 2, the relationship between customer contact personnel and the customer is fostered by interactive marketing. Marketing of the service company to the customer is defined as external marketing [1].

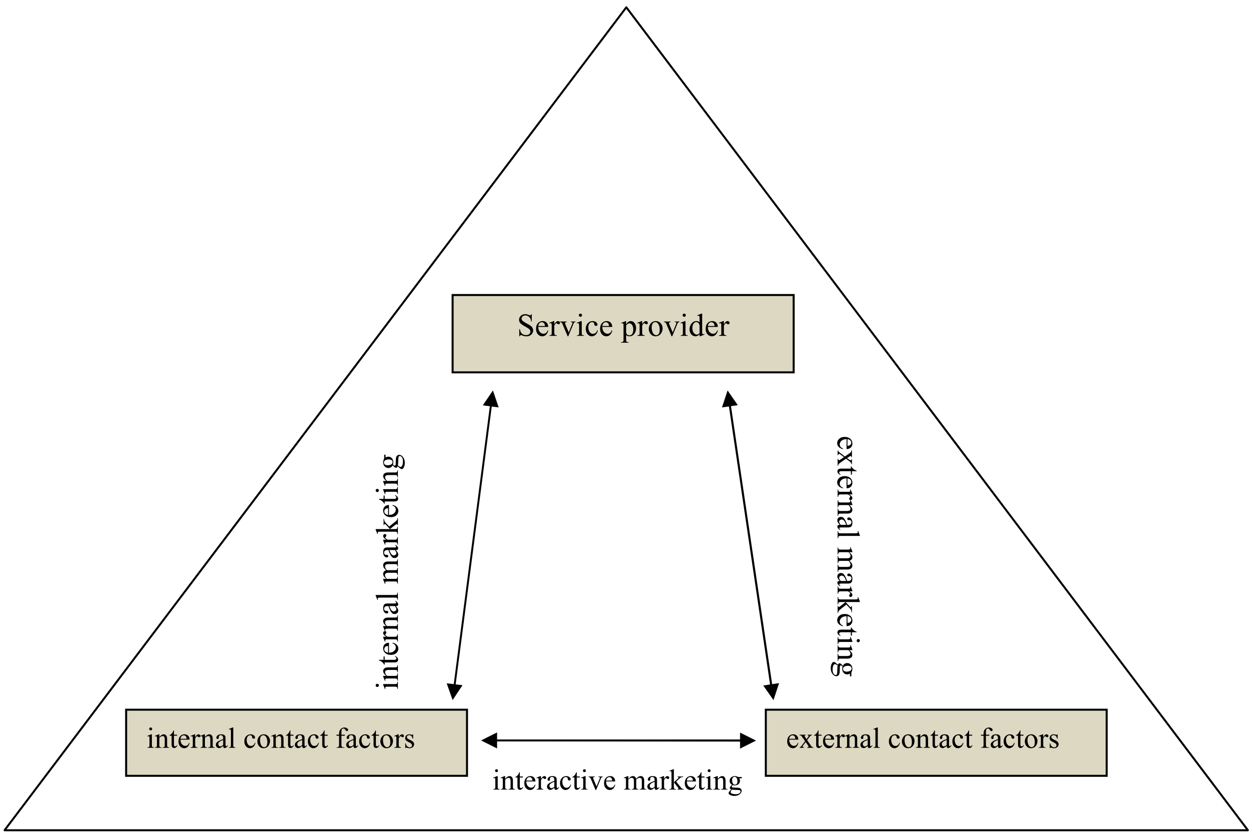

Illustration 2: Internal, external and interactive marketing [14]

Management within the service sector is based on profiling the service offered, on providing differentiated service offers, on the quality of the service provided (service quality) [7] and on the productivity while the service is being performed [1]

4. CONCLUSION AND OUTLOOK

There are many definitions for the basic concept of service. However, they all have one thing in common: services are not physical products [4]. As was clearly shown, service delivery is different to physical product delivery in terms of both production and distribution/sales. The basic constituent characteristics of a service are of the utmost importance as they have a considerable bearing on management decisions.

Services are of vital importance to the national economy and they already make a major contribution to the gross value added. We can assume this will increase in the future.

Marketing within the service sector will face many challenges in the future. The opportunities and risks associated with future developments within the sector listed in Illustration 3 should be taken into consideration [10].

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Opportunities	**Risks**
• Changes in consumer behaviour • Increased significance of value-added-services for both manufacturing companies and also institutional service providers • Increased service awareness Utilisation of services which free up leisure time • A trend toward the utilisation of services of greater quality • Increased utilisation of entertainment service providers given the growing leisure time available • Possible use of new service technologies • Increasing growth rates in the intensive service sector	• Increasing international competition within the service sector • Dwindling loyalty towards service providers • Convergence of service markets • Danger of service substitution through DIY activities • Increasing competition faced by institutional service providers by services offered by the consumer goods and capital goods industry (differentiation through VAS) • Legal regulations • Expansion of state/public services

Illustration 3: Opportunities and risks for service companies]14]

The success of a service company will depend on its ability to seize opportunities and avoid risks.

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