The service sector

- The services sector has been growing at a rate of 8% per annum in recent years
- More than half of our GDP is accounted for from the services sector
- This sector dominates with the best jobs, best talent and best incomes

"There are no such thing as service industries.There are only industries whose service components are greater or less than those of other industries. Everybody is in service."

-Theodore Levitt-

What is services?

It is the part of the product or the full product for which the customer is willing to see value and pay for it.

Difference between physical goods and services

Physical goods	Services
tangible	intangible
homogeneous	heterogeneous
Production and distribution are separated from consumption	Production, distribution and consumption are simultaneous processes
A thing	An activity or process
Core value processed in factory	Core value produced in the buyer-seller interaction
Customers do not participate in the production process	Customers participate in production
Can be kept in stock	Cannot be kept in stock
Transfer of ownership	No transfer of ownership

Most products have a service component

They could be

- Equipment based
- People based – varying skill levels

Services could meet

- Personal needs – haircuts, tution, massage parlours
- Business needs – courier services, office cleaning services, delivering fresh flowers

Characteristics of services

- Intangibility
- Inseparability
- Perishability
- Variability
- Lack of Ownership

The three additional 'P's of Service Marketing

- People
- Physical evidence
- Process

Importance of Customer Relationship Management

Benefits to the Organization of Customer Loyalty

- loyal customers tend to spend more with the organization over time
- on average costs of relationship maintenance are lower than new customer costs
- employee retention is more likely with a stable customer base
- lifetime value of a customer can be very high

Benefits to the Customer

- inherent benefits in getting good value
- economic, social, and continuity benefits
  - contribution to sense of well-being and quality of life and other psychological benefits
  - avoidance of change
  - simplified decision making
  - social support and friendships
  - special deals

"The Customer Isn't Always Right"

- Not all customers are good relationship customers:

  - wrong segment

  - not profitable in the long term

  - difficult customers

Strategies for Building Relationships

- Foundations:
  - Excellent Quality/Value
  - Careful Segmentation
- Bonding Strategies:
  - Financial Bonds
  - Social & Psychological Bonds
  - Structural Bonds
  - Customization Bonds
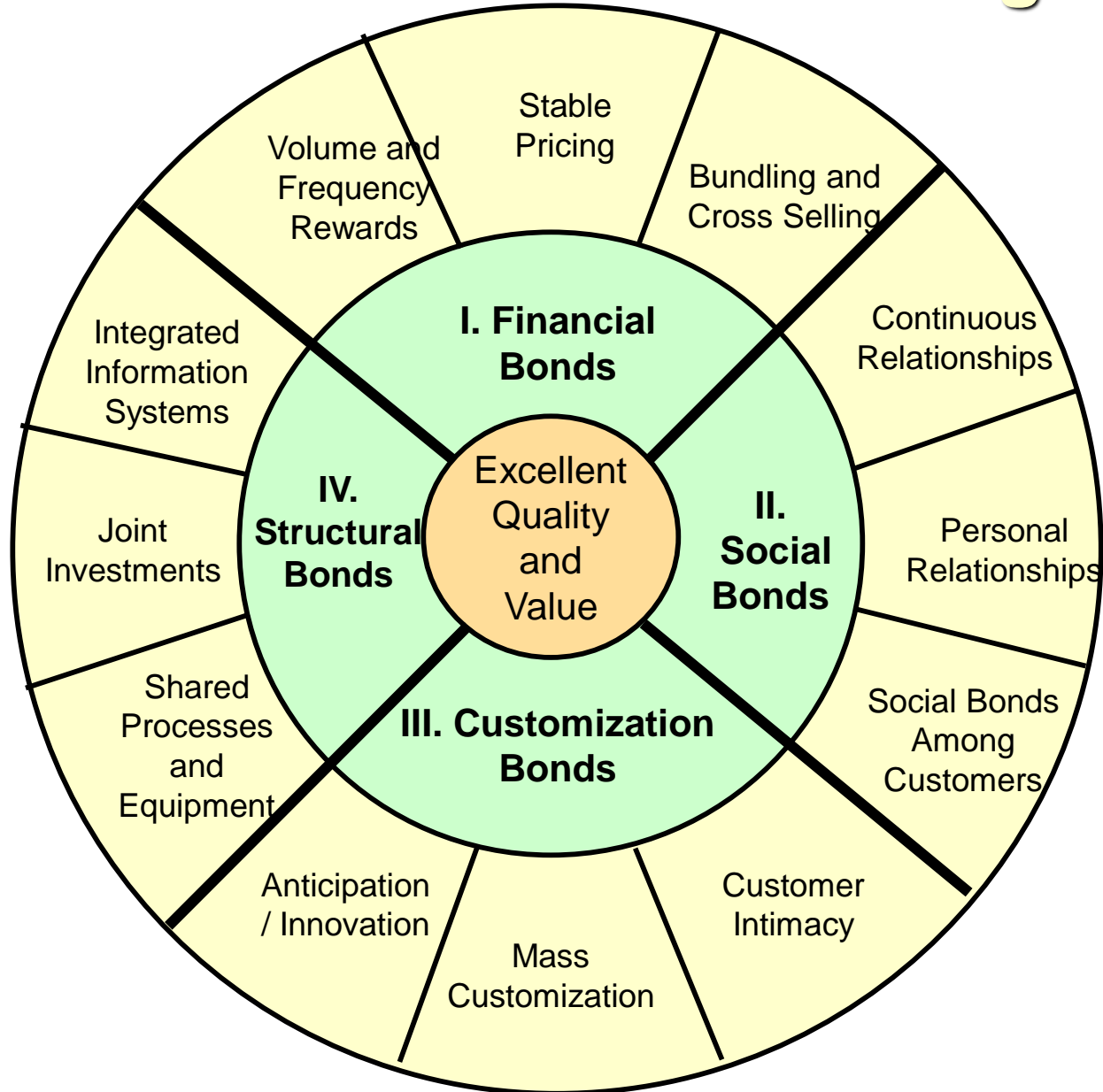- Relationship Strategies Wheel

Underlying Logic of Customer Retention Benefits to the Organization

Customer Satisfaction

Customer Retention & Increased Profits

Quality Service

Employee Loyalty

Customer Goals of Relationship Marketing
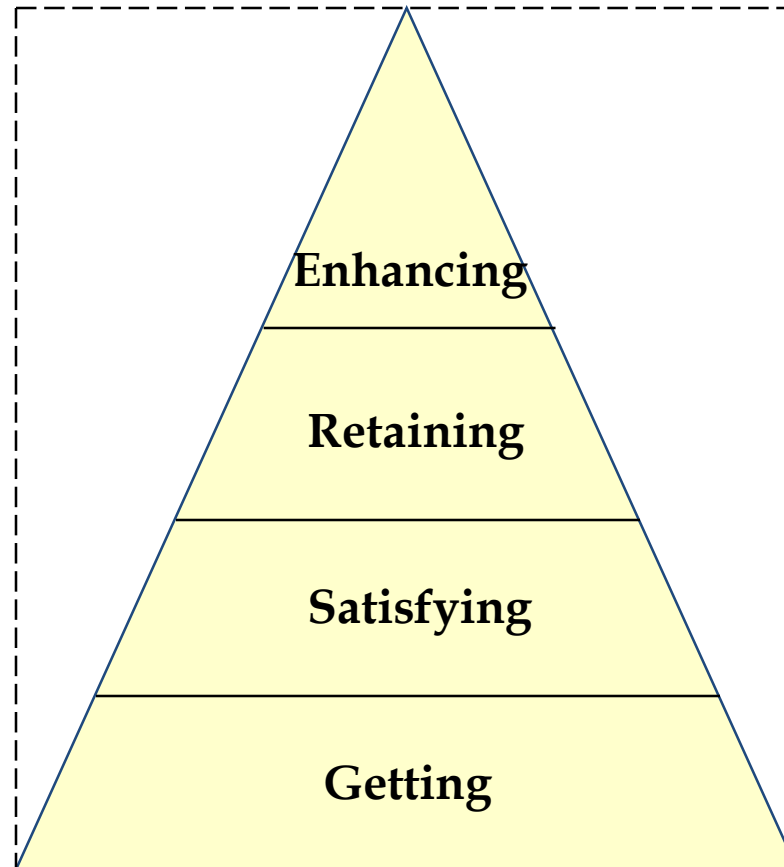
Levels of Retention Strategies

Quality of services

- Search qualities

- Experience qualities

- Credence qualities

Determinants of service quality

- Reliability – delivering on promises
- Responsiveness – willing to help
- Assurance – inspiring trust and confidence
- Empathy – individualising customers
- Tangibles- physical representation

Moments of truth

- It is the customer – service encounter
- Every positive or negative experience of the consumer would have fall-out on the overall service experience

In services, the last experience remains uppermost in your mind. Therefore, it is not enough to be good, you have to be consistently good
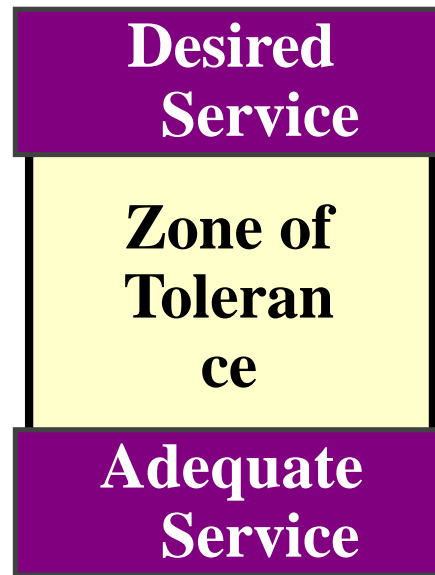
When customers visit a service establishment

Their satisfaction will be influenced by

- Encounters with service personnel
- Appearance and features of service facilities – exterior and interior
- Interactions with self service equipment
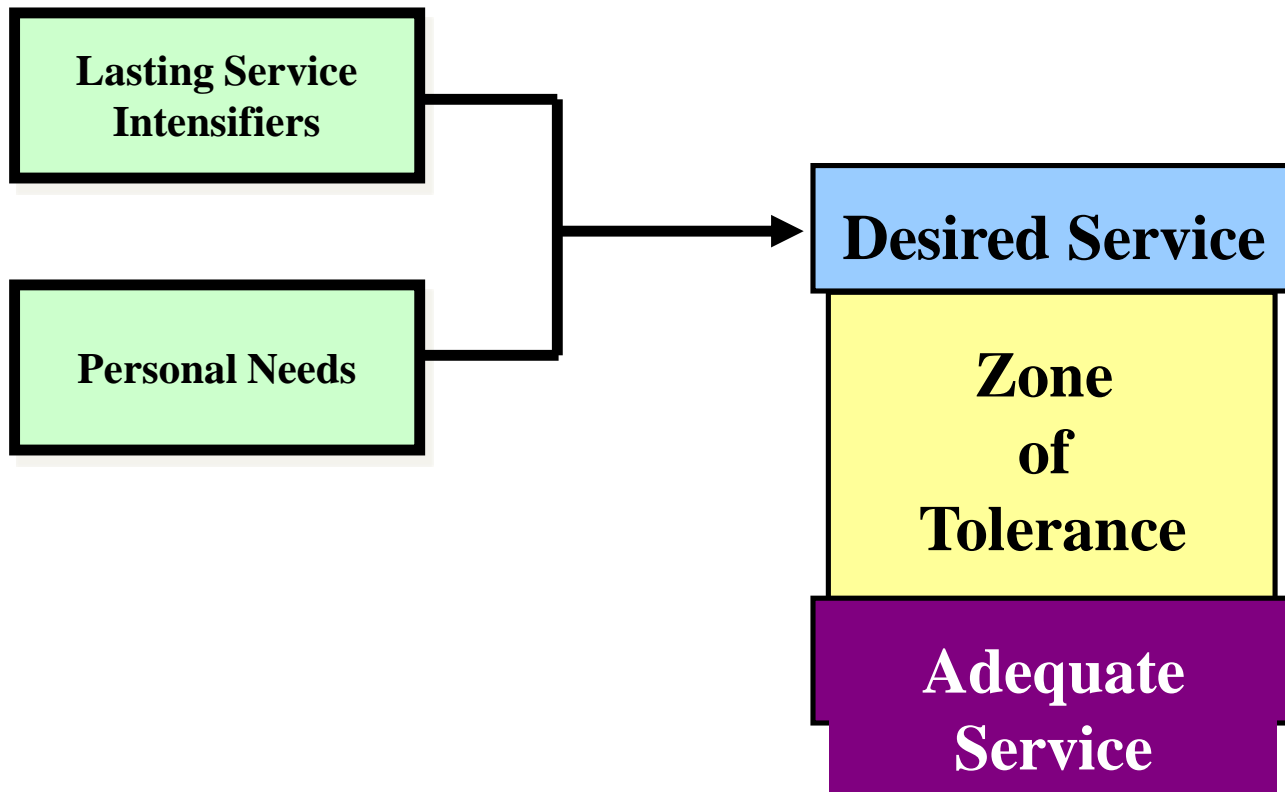- Characteristics and behaviour of other customers

Customer Service Expectations

- Desired Service – the 'wished for' service
- Adequate Service – the service that would be acceptable

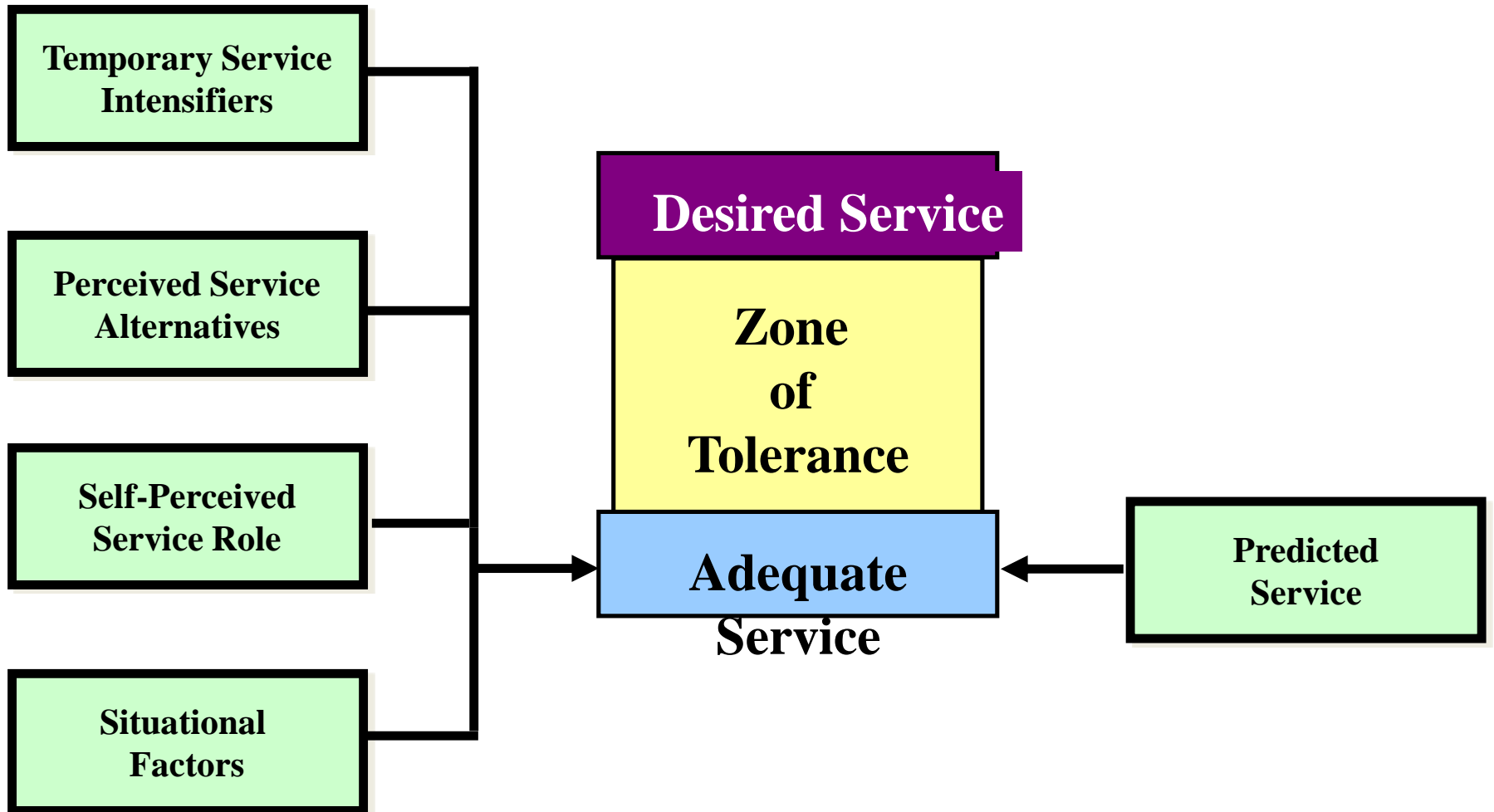# Dual customer expectations levels and the Zone of Tolerance

Desired Service

Zone of Tolerance

Adequate Service

Factors That Influence Desired Service

Factors That Influence Adequate Service

Temporary Service Intensifiers

Perceived Service Alternatives

Self-Perceived Service Role

Situational Factors

Desired Service

Zone of Tolerance

Adequate Service

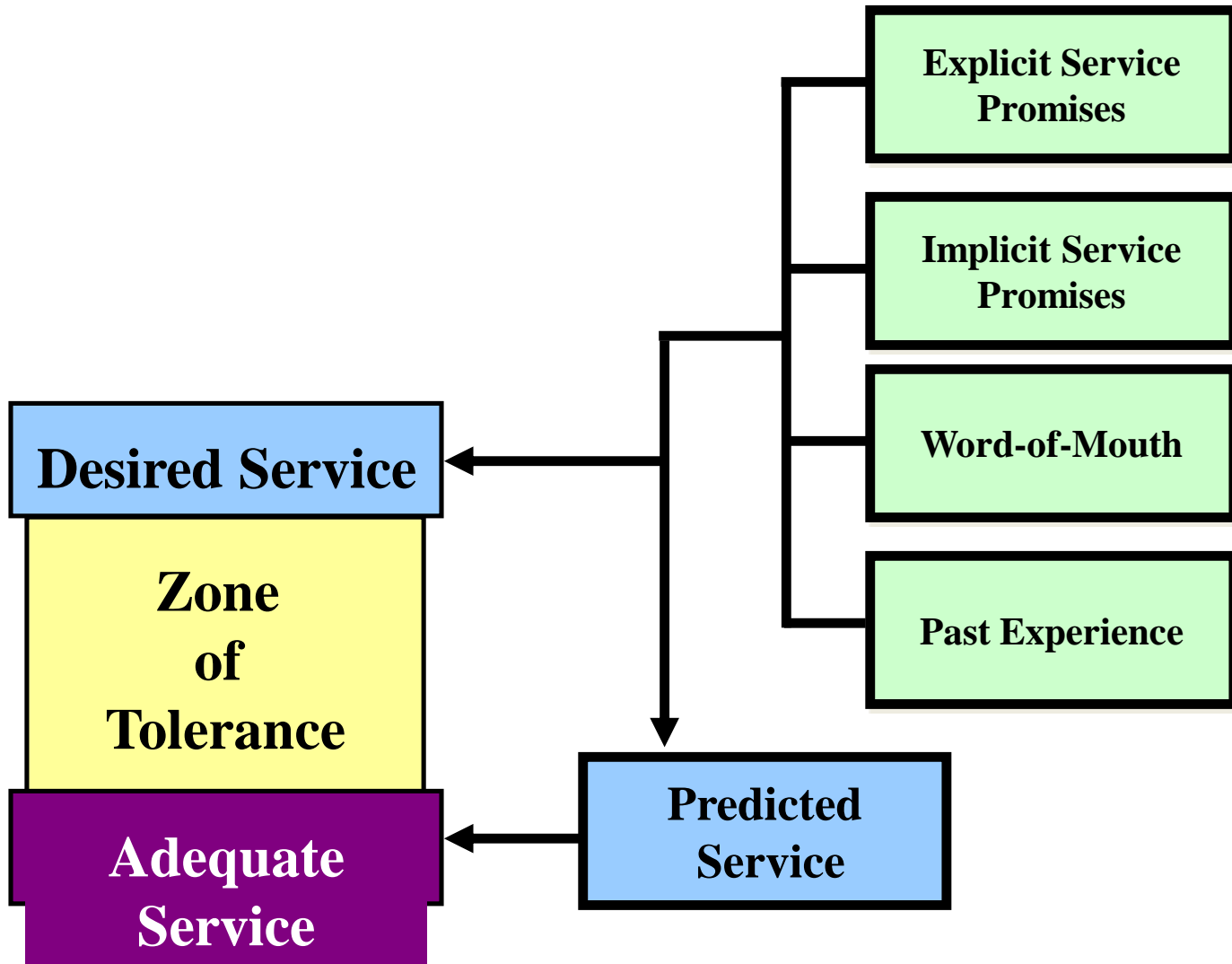**Predicted Service**

Factors That Influence Desired and Predicted Service

Service Encounter Themes

- Recovery
- Adaptability
- Spontaneity
- Coping

Recovery

Don't

- Ignore customer
- Blame customer
- Leave customer to fend for himself
- Downgrade
- Act as if nothing is wrong
- 'pass the buck'

Do

- Acknowledge problem
- Explain causes
- Apologise
- Compensate/upgrade
- Lay out options
- Take responsibility

Adaptability

Don't

- Promise and fail to keep them
- Show unwillingness to try
- Embarrass the customer
- Laugh at the customer
- Avoid responsibility

Do

- Recognise the seriousness
- Acknowledge
- Anticipate
- Accommodate
- Adjust
- Explain rules/policies

Spontaneity

Don't

- Exhibit impatience
- Yell/laugh/swear
- Steal from customers
- Discriminate
- Ignore

Do

- Take time
- Be attentive
- Anticipate needs
- Listen
- Provide information
- Show empathy

Coping

Don't

- Take customer's dissatisfaction personally
- Let customer's dissatisfaction affect others

Do

- Listen
- Try to accommodate
- Explain
- Let go of the customer

Types of complainers

- Passives
- Voicers
- Irates
- Activists

Customer complaints

- It pays to resolve customer complaints
- On an average only 5 % dissatisfied customers complain. Others simply go over to the competitor
- A satisfied consumer speaks to an average of 3 people on his her experience
- A dissatisfied consumer gripes to on an average 11 persons about his/her unpleasant experience

Companies that pay importance to resolving customer complaints

- Pay attention to quality and training of manpower recruited
- Have clear benchmarks on service quality and communicate to employees
- Take remedial steps to improve customer satisfaction and prevent repeats of customer dissatisfaction
- Have a data base on customer complaints that is periodically analysed and policies adjusted

Satisfied employees will produce satisfied customers

- Morale
- Motivation
- Mood

Managing Service Productivity

- Giving quality service is an expensive business
- Not every consumer is willing to pay extra for service quality
- Service providers would have to find their optimum service quality/cost ratios
- Can technology substitute part of the labour content?
- Can customers substitute part of the labour content?
- Making services obsolete by product innovations

Market Segmentation

Segmentation is the starting point for developing effective marketing strategies because:

* trying to target all consumers is not cost-effective
* identifying the characteristics of target markets means the offer can be designed to satisfy customers more effectively
* providing a more focused and cost-effective marketing strategy improves profitability by maximizing customer satisfaction, generating repeat and recommended sales

The segmentation process

* Specify the market

* Establish segmentation criteria

* Generate segmentation variables

* Evaluate market segment profiles

* Evaluate company's competences to

   serve   selected segments

Hospitality segmentation variables

The primary segmentation variable is **purpose of travel**

Three main categories are:
* business
* leisure
* visiting friends and relatives (VFR)

Each of these main categories can be subdivided into several distinct market segments

Key point is that the **same person** can have different customer needs and wants depending on whether the purpose of travel is business, non-business or VFR

Business

Accommodation business customers tend to:

* be less price sensitive, employer pays for hospitality and travel expenses
* have shorter stays (one night or only a few)
* be more frequent, or regular, users of hotel accommodation
* stay at establishments that are within a reasonable (5– 3 0 min) travel time of their place of work less seasonal

Leisure

Accommodation leisure customers tend to:

* be more price sensitive than business travellers, since they are paying for the accommodation out of their own after-tax income
* be more likely to stay longer on each trip
* be less-frequent users of hotel accommodation (unless also business travellers)
* stay at establishments that are close to leisure amenities and tourist attractions
* be much more seasonal

Secondary hospitality segmentation variables

Geographic

Age

Family size/structure

Ethnic origin, religion and nationality

Price/product

Brand loyalty

Size of party

Time

Demographic

Gender

Socio-economic class

Buyer needs and benefits

Current user status

Purchase occasion

Lifestyle (or psychographics)