

SERVICE MARKETING MANAGEMENT

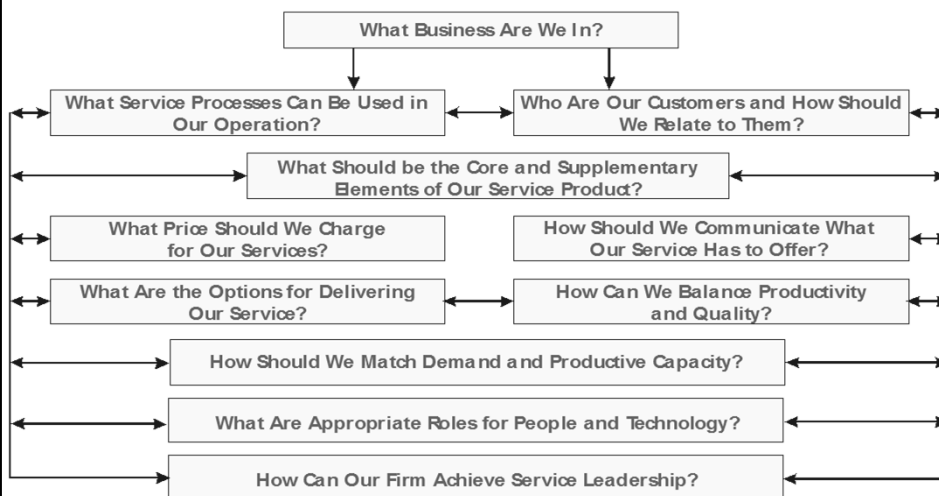
UNDERSTANDING SERVICES

Presented by:
Prof. Dr. Deden Mulyana, SE.,M.Si.

<http://www.deden08m.com>

1

The Service Management Decision Framework



<http://www.deden08m.com>

2

What is a Service? Defining the Essence

- *An act or performance offered by one party to another (performances are intangible, but may involve use of physical products).* Jasa adalah tindakan atau kinerja yang ditawarkan oleh satu pihak ke pihak lain (kinerjanya tidak berwujud, tetapi biasanya termasuk dalam produk fisik).
- *An economic activity that does not result in ownership.* Suatu aktivitas ekonomi yang tidak menghasilkan kepemilikan.
- *A process that creates benefits by facilitating a desired change in customers themselves, physical possessions, or intangible assets.* Suatu proses yang menciptakan manfaat dengan memfasilitasi terjadinya perubahan pada pelanggan, kepemilikan secara fisik, atau aktiva tidak berwujud.

<http://www.deden08m.com>

3

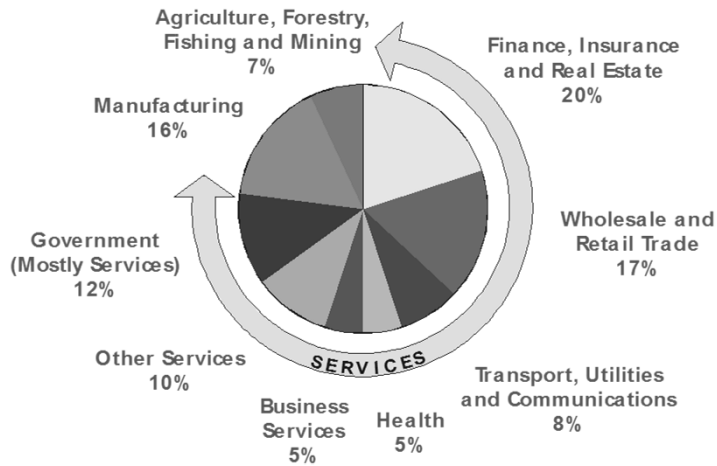
The Service Sector

- Includes businesses, government agencies, nonprofits
- Jobs range from high-paid professionals and technicians to minimum-wage positions
- Service organizations can be any size--from huge global corporations to local small businesses
- In most countries, adds more economic value than agriculture, raw materials and manufacturing combined
- In the USA -- world's largest economy -- services account for 73% of GDP and 76% of jobs

<http://www.deden08m.com>

4

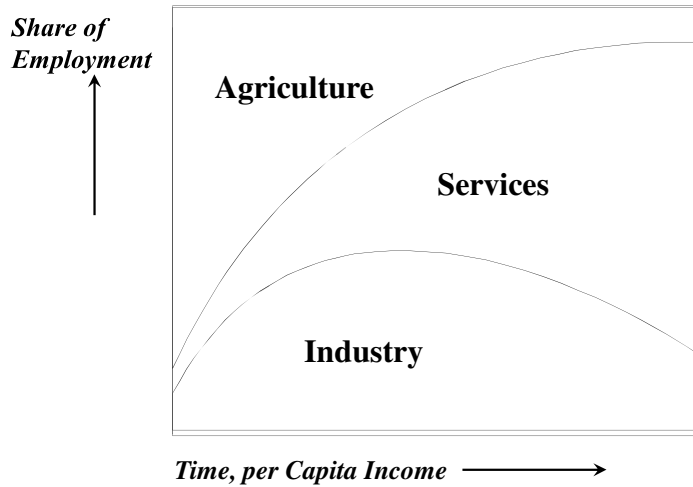
GDP by Industry in the USA, 1999



Source: Bureau of Economic Analysis, December 2000
<http://www.deden08m.com>

5

Changing Structure of Employment as Economic Development Evolves



Source: IMF

<http://www.deden08m.com>

6

Some Industries in the Service Sector

- **Banking, stockbroking**
- **Lodging**
- **Restaurants, bars, catering**
- **Insurance**
- **News and entertainment**
- **Transportation (freight and passenger)**
- **Health care**
- **Education**
- **Wholesaling and retailing**
- **Laundries, drycleaning**
- **Repair and maintenance**
- **Professional (e.g., law, architecture, consulting)**

<http://www.deden08m.com>

7

Internal Services

- **Service elements within an organization that facilitate creation of--or add value to--its final output**
- **Includes:**
 - **accounting and payroll administration**
 - **recruitment and training**
 - **legal services**
 - **transportation**
 - **catering and food services**
 - **cleaning and landscaping**
- **Increasingly, these services are being outsourced**

<http://www.deden08m.com>

8

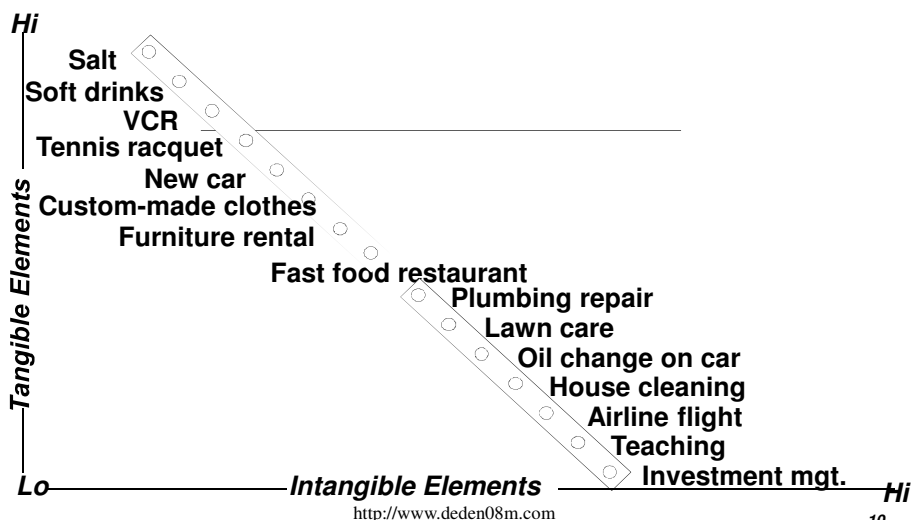
Basic Differences between Goods and Services

- **Customers do not obtain ownership of services** (Pelanggan tidak memiliki hak kepemilikan atas jasa)
- **Service products are intangible performances--not objects** (Produk jasa bersifat tidak berwujud)
- **Customers often actively involved in production process** (Pelanggan lebih terlibat dalam proses produksi)
- **Other people may form part of product experience** (Orang lain dapat menjadi bagian dari produk)
- **More variability in operational inputs and outputs--harder to improve productivity, control quality** (Adanya keragaman yang lebih besar dalam input dan output operasional)
- **Often difficult for customers to evaluate** (Sulit dievaluasi pelanggan)
- **Absence of inventories after production** (Umumnya tidak mempunyai persediaan)
- **Time factor is more important--speed may be key** (Faktor waktu relatif lebih penting)
- **Delivery systems include electronic and physical channels** (Sistem pengiriman dapat menggunakan saluran fisik maupun elektronik)

<http://www.deden08m.com>

9

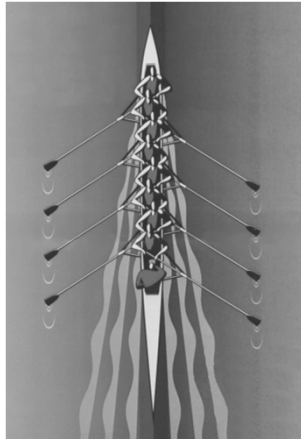
Value Added by Tangible versus Intangible Elements in Goods and Services (Fig. 1.4)



<http://www.deden08m.com>

10

The “8Ps” of Integrated Service Management vs. the Traditional “4Ps”



- Product elements
- Place, cyberspace, and time
- Process
- Productivity and quality
- People
- Promotion and education
- Physical evidence
- Price and other user outlays

<http://www.deden08m.com>

11

8Ps: (1) Product Elements

All Aspects of Service Performance that Create Value

- Core product features
- Bundle of supplementary service elements
- Performance levels relative to competition
- Benefits delivered to customers
- Guarantees

<http://www.deden08m.com>

12

8Ps:
(2) Place, Cyberspace, and Time

Delivery Decisions: Where, When, and How

- **Geographic locations served**
- **Service schedules**
- **Physical channels**
- **Electronic channels**
- **Customer control and convenience**
- **Channel partners/intermediaries**

8Ps:
(3) Process

Method and Sequence in Service Creation and Delivery

- **Design of activity flows**
- **Number and sequence of actions for customers**
- **Providers of value chain components**
- **Nature of customer involvement**
- **Role of contact personnel**
- **Role of technology, degree of automation**

8Ps: (4) Productivity and Quality

Synergy in Value Creation for Customers and the Firm

- **Achieve productive transformation of inputs to outputs**
 - efficiency (cost control, avoidance of waste)
 - effectiveness (value added, including quality and timeliness)
- **Attain customer-defined quality standards**
 - reliability
 - responsiveness
 - competence/trust
 - human dimensions
 - tangibles

8Ps: (5) People

The Human Side of the Enterprise

- **The right employees performing tasks well**
 - job design
 - recruiting/selection
 - training
 - motivation
 - evaluation/rewards
 - empowerment/teamwork
- **The right customers for the firm's mission**
 - fit well with product/processes/corporate goals
 - appreciate benefits and value offered
 - possess (or can be educated to have) necessary skills
 - firm is able to manage customer behavior

8Ps: **(6) Promotion and Education**

Informing, Educating, Persuading, and Reminding Customers

- **Marketing communication tools**
 - media elements (print, broadcast, outdoor, retail, Internet, etc.)
 - personal selling, customer service
 - sales promotion
 - publicity/PR
- **Imagery and recognition**
 - branding
 - corporate design
- **Content**
 - information, advice
 - persuasive messages
 - customer education/training

8Ps: **(7) Physical Evidence**

Providing tangible evidence of service performances

- **Create and maintaining physical appearances**
 - buildings/landscaping
 - interior design/furnishings
 - vehicles/equipment
 - staff grooming/clothing
 - other tangibles
- **Select tangible metaphors for use in marketing communications**

8Ps: (8) Price and Other User Costs

Managing Customer Outlays Relative to Corporate Revenues

- **Quoted price level and trade margins**
- **Discount terms**
- **Price-setting mechanism**
 - determined by seller
 - negotiation/barter
 - auction/reverse auction
- **Credit terms**
- **Strategies to minimize other user costs**
 - out-of-pocket financial expenses (e.g., travel, phone)
 - time investments and mental/physical effort
 - negative sensory experiences

Factors Stimulating Competition and Innovation in the Service Economy

- **Government Policies (e.g., regulations, trade agreements)**
- **Social Changes (e.g., affluent, time poor, seek experiences)**
- **Business Trends**
 - Manufacturers offer service
 - Growth of chains and franchising
 - Pressures to improve productivity and quality
 - More strategic alliances
 - Marketing emphasis by nonprofits
 - Innovative hiring practices
- **Advances in IT (e.g., speed, digitization, wireless, Internet)**
- **Internationalization (travel, transnational companies)**

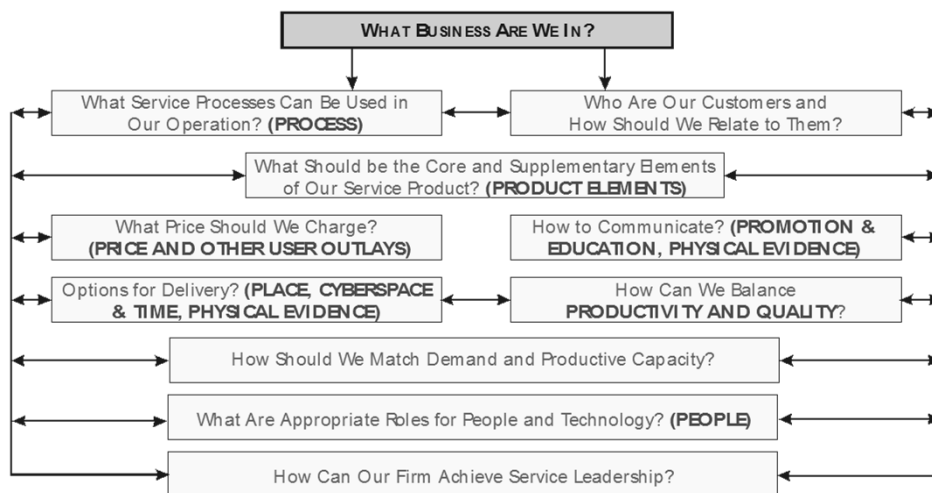
Some Impacts of Technological Change

- Radically alter ways in which service firms do business:
 - with customers (new services, more convenience)
 - behind the scenes (reengineering, new value chains)
- Create relational databases about customer needs and behavior, mine databanks for insights
- Leverage employee capabilities and enhance mobility
- Centralize customer service, be faster and more responsive
- Develop national/global delivery systems
- Create new, Internet-based business models

<http://www.deden08m.com>

21

Relating the 8Ps to the Service Decision Framework



<http://www.deden08m.com>

22

Service Decision Framework
What Business Are We In?

- **With what industry is our service associated?**
- **With what other goods and services do we compete?**
- **What forces for change do we face?**
- **What solutions do we offer to meet customer needs?**
(How do we create value?)