Services Marketing

PEOPLE, TECHNOLOGY, STRATEGY

Seventh Edition

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WHAT DID YOUR CONSULTANTS LEAVE BEHIND?

When a consultancy works only with the senior executives, they often leave you with more problems than they solved. A.T. Kearney, however, collaborates with your entire team. So you not only get big ideas, but an organization prepared to implement them—and deliver even more.

ATKEARNEY IDEAS THAT LAST.

FIGURE 7.5 AT Kearney Uses Bear Traps as a Metaphor for Problems

Source: Courtesy of AT Kearney.

comprising such elements as media advertising, public relations, and use of purchased lists for direct mail or telemarketing.

- *Users*—In contrast to prospects, more cost-effective channels may be available to reach existing users, including cross- or up-selling efforts by frontline employees, point-of-sale promotions, and other information distributed during service encounters. If the firm has a membership relationship with its customers and has a database containing contact and profiling information, it can distribute highly targeted information through email, text messages, direct mail, or telephone. These channels may serve to complement and reinforce communications' broader channels or simply replace them.

- *Employees*—Employees serve as a secondary audience for communication campaigns through public media. A well-designed campaign targeted at users, nonusers, or both can also be motivating for employees, especially those in frontline roles. In particular, it may help to shape employees' behavior if the advertising content shows them what is promised to customers. However, there's a risk of generating cynicism among employees and actively demotivating them if the communication in question promotes levels of performance that employees regard as unrealistic or even impossible to achieve.

Communications directed specifically at staff typically are part of an internal marketing campaign, using company-specific channels, and so are not accessible to customers. We will discuss internal communications in Chapter 11.
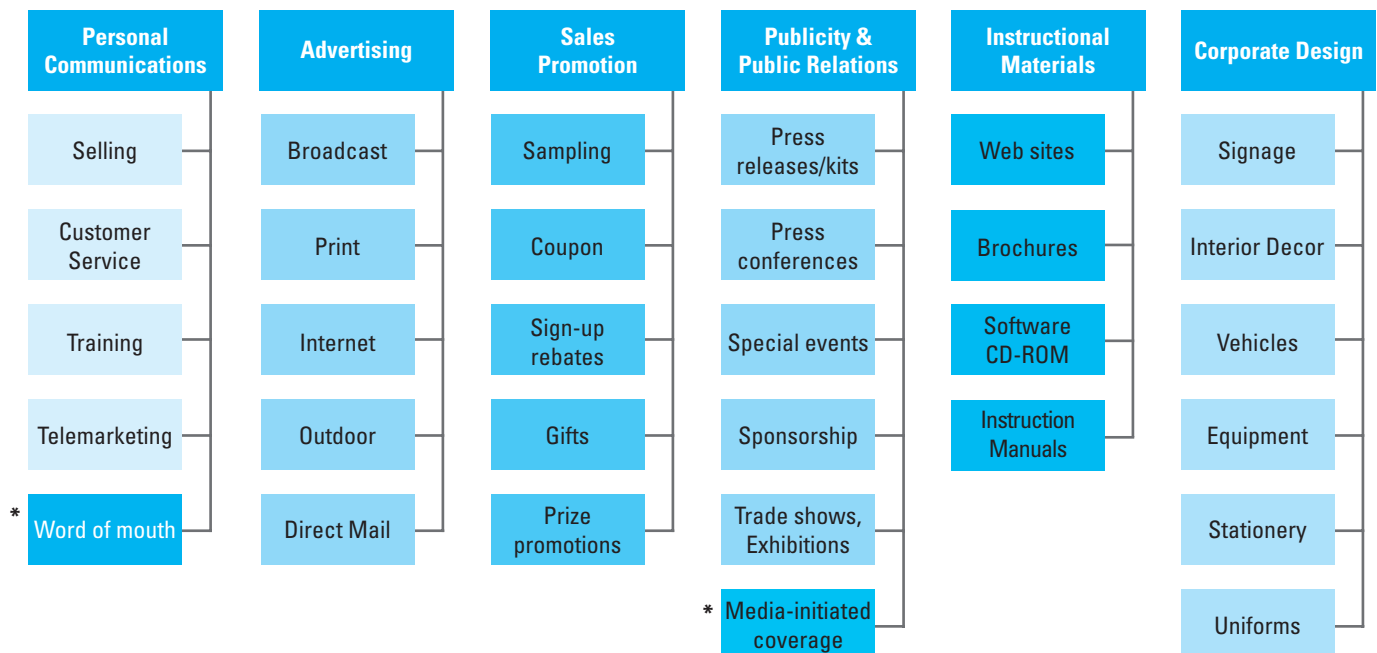
Specifying Communication Objectives

After we are clear about our target audience, we need to now specify what exactly we want to achieve with this target audience. Communications objectives answer the question of what we need to communicate and achieve. Marketers need to be clear about their goals; otherwise, it will be difficult to formulate specific communications objectives and select the most appropriate messages and communication tools to achieve them. Objectives may include shaping and managing customer behavior in any of the three stages of the purchase and consumption process we discussed in Chapter 2 (i.e., the prepurchase, service encounter, and postconsumption stages). Common educational and promotional objectives for service organizations include:

- Create memorable images of companies and their brands.
- Build awareness and interest in an unfamiliar service or brand.
- Compare a service favorably with competitors' offerings.
- Build preference by communicating the strengths and benefits of a specific brand.
- (Re)position a service relative to competitive offerings.
- Reduce uncertainty and perceived risk by providing useful information and advice.
- Provide reassurance, such as by promoting service guarantees.
- Encourage trial by offering promotional incentives.
- Familiarize customers with service processes in advance of use.
- Teach customers how to use a service to their best advantage.
- Stimulate demand in low-demand periods and shift demand during peak periods.
- Recognize and reward valued customers.

THE MARKETING COMMUNICATIONS MIX

After understanding our target audience and our specific communications objectives, we now need to select a mix of cost-effective communications channels. Most service marketers have access to numerous forms of communication, referred to collectively as the *marketing communications mix.* Different communication elements have distinctive capabilities relative to the types of messages they can convey and the market segments most likely to be exposed to them. As shown in Figure 7.6, the mix includes personal

Personal Communications	Advertising	Sales Promotion	Publicity & Public Relations	Instructional Materials	Corporate Design
Selling	Broadcast	Sampling	Press releases/kits	Web sites	Signage
Customer Service	Print	Coupon	Press conferences	Brochures	Interior Decor
Training	Internet	Sign-up rebates	Special events	Software CD-ROM	Vehicles
Telemarketing	Outdoor	Gifts	Sponsorship	Instruction Manuals	Equipment
* Word of mouth	Direct Mail	Prize promotions	Trade shows, Exhibitions		Stationery
			* Media-initiated coverage		Uniforms

Key: * Denotes communications originating from outside the organization

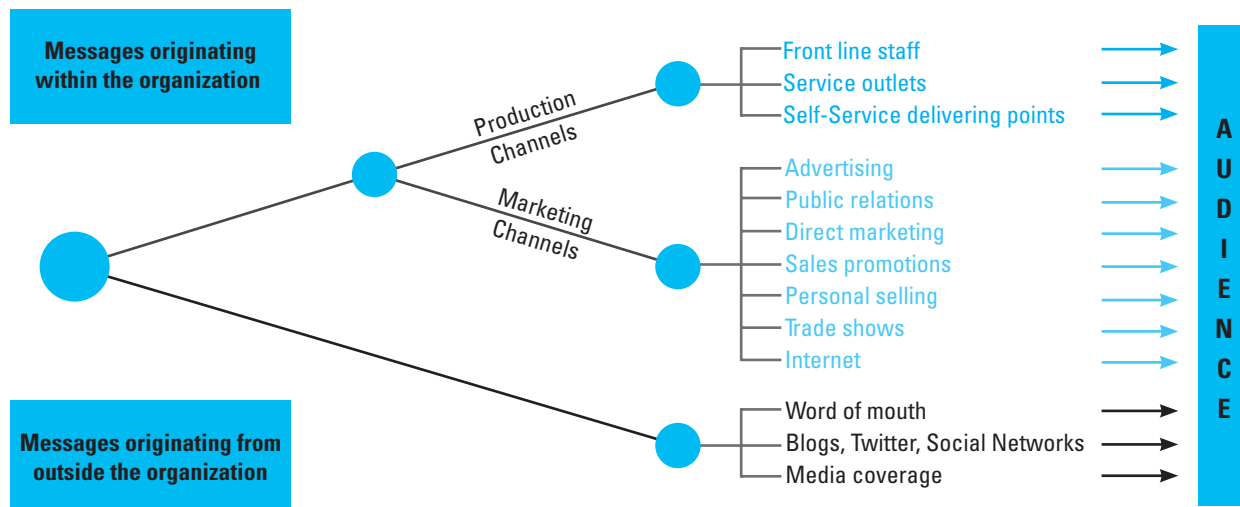**FIGURE 7.6**   The Marketing Communications Mix for Services

FIGURE 7.7   Sources of Messages Received by a Target Audience

Source: Adapted from a diagram by Adrian Palmer, *Principles of Services Marketing*, London: McGraw-Hill, 4th ed., 2005, p. 397.

communications, advertising, sales promotion, publicity and public relations, instructional materials, and corporate design.

Communications Originate from Different Sources

As shown in Figure 7.6, the traditional communications mix shown in Figure 7.7 can also be categorized into two main channels—those controlled by the organization and those that are not. Not all communications messages originate from the service provider. Rather, some messages originate from outside the organization. Furthermore, Figure 7.6 shows that messages from an internal source can be further divided into those transmitted through marketing channels (traditional media and the Internet) and those transmitted through the service firm's own service delivery channels. Let's look at the options within each of these three originating sources.

Messages Transmitted through Traditional Marketing Channels

As shown in Figure 7.6, service marketers have a wide array of communication tools at their disposal. We briefly review the principal elements.

ADVERTISING.   A wide array of paid advertising media is available, including broadcast (TV and radio), print (magazines and newspapers), movie theaters, and many types of outdoor media (posters, billboards, electronic message boards, and the exteriors of buses or bicycles). Some media are more focused than others, targeting specific geographic areas or audiences with a particular interest. Advertising messages delivered through mass media often are reinforced by direct marketing tools such as mailings, telemarketing, or email.

As the most dominant form of communication in consumer marketing, advertising often is the first point of contact between service marketers and their customers, serving to build awareness, inform, persuade, and remind. It plays a vital role in providing factual information about services and educating customers about product features and capabilities. For instance, a review of 11,543 television ads and 30,940 newspaper ads found that ads for services were significantly more likely to contain factual information on price, guarantees/warranties, documentation of performance, and availability (where, when, and how to acquire products) compared to ads for goods.[8]

Despite being the most dominant form of communication in consumer marketing, the effectiveness of advertising remains hugely controversial. Conventional wisdom in the industry is that sales may well increase for a certain period even after the end of the advertising campaign. However, there comes a point when sales start to decline and it becomes extremely expensive to rebuild the brand. Robert Shaw of Cranfield School of

Management runs a forum in which large companies try to monitor the "marketing payback" from advertising. According to Shaw, the results were "never terribly good," with less than half of the ads generating a positive return on their investment.[9]

One of the challenges facing advertisers is how to get their messages noticed. In general, people are tiring of ads in all their forms. A recent study by Yankelovich Partner, a U.S. marketing services consulting firm, says that consumer resistance to the growing intrusiveness of advertising has reached an all-time high. The study found that 65 percent of people feel "constantly bombarded" by ad messages, and 59 percent feel that ads have very little relevance to them.[10] Television and radio broadcasts are cluttered with commercials, while newspapers and magazines sometimes seem to contain more ads than news and features.

FIGURE 7.8   Avatars Crowd in Front of Sony BMG's Media Island. Virtual Video Game Worlds Like Second Life Lead the New Wave of Dynamic In-Game Advertising

Source: Second Life ® used by permission of Linden Labs.

How can a firm hope to stand out from the crowd? Longer, louder commercials and larger format ads are not necessarily the answer. Marketers are trying to be more creative with their advertising to allow their messages to be more effective. For example, when customers have low involvement with a service, firms should focus on more emotional appeals and the service experience itself.[11] Some advertisers stand out by employing striking designs or a distinctively different format. Others, like Comcast, seek to catch the audience's attention through use of humor as it seeks to show how slow competing services are compared to its own high-speed Internet cable access. Or firms are now placing advertisements in video games, which can be dynamic advertisements if the games are connected to the Internet (Figure 7.8).[12]

PUBLIC RELATIONS.   Public relations (PR) involves efforts to stimulate positive interest in an organization and its products by sending out news releases, holding press conferences, staging special events, and sponsoring newsworthy activities put on by third parties. A basic element in PR strategy is the preparation and distribution of press releases (including photos and/or videos) that feature stories about the company, its products, and its employees.

Other widely used PR techniques include recognition and reward programs, obtaining testimonials from public figures, community involvement and support, fundraising, and obtaining favorable publicity for the organization through special events and *pro bono* work. These tools can help a service organization build its reputation and credibility; form strong relationships with its employees, customers, and the community; and secure an image conducive to business success.

Firms can also win wide exposure through sponsorship of sporting events and other high-profile activities like the Olympics and World Cup for soccer where banners, decals, and other visual displays provide continuing repetition of the corporate name and symbol. Furthermore, unusual activities can present an opportunity to promote a company's expertise. FedEx gained significant favorable publicity when it safely transported two giant pandas from Chengdu, China, to the National Zoo in Washington, D.C. The pandas flew in specially designed containers aboard a FedEx aircraft renamed "FedEx PandaOne." In addition to press releases, the company also featured information about the unusual shipment on a special page on its website.

DIRECT MARKETING.   This category embraces such tools as mailings, email, and text messaging. These channels offer the potential to send personalized messages to highly targeted microsegments. Direct strategies will most likely succeed when marketers possess a detailed database of information about customers and prospects. Commercial services are available that combine company-collected data with rich, third-party

online and offline data sources. Experian, one of the globally leading providers in this market, states on its website: "We can help you to build a richer picture of your customers' behavior so you can predict and engineer how they behave in the future. Using internal and external data sources, our proven customer management tools allow you to tailor strategies to an individual.... Powered by up to 6,000 variables...uses lifestyle, demographic, transaction, permissible credit and consumer classification data."[13]

Advances in on-demand technologies such as email spam filters, TiVo, podcasting, and pop-up blockers empower consumers to decide how and when they prefer to be reached and by whom. Because a 30-second television spot interrupts a viewer's favorite program and a telemarketing call interrupts a meal, customers increasingly use such technologies to protect their time, thereby reducing the effectiveness of mass media. These developments give rise to *permission marketing*, where customers are encouraged to "raise their hands" and agree to learn more about a company and its products in anticipation of receiving useful marketing information or something else of value. Instead of annoying prospects by interrupting their personal time, permission marketing allows customers to self-select into the target segments.

In the permission marketing model, the goal is to persuade consumers to volunteer their attention. By reaching out only to individuals who have expressed prior interest in receiving a certain type of message, permission marketing enables service firms to build stronger relationships with their customers. In particular, email in combination with websites, can be integrated into a one-to-one permission-based medium.[14] For instance, people can be invited to register at the firm's website and specify what type of information they would like to receive via email. These emails can be designed as the start of a more interactive, multilayered communication process, in which customers can request regular information about topics of their interest. In addition, if they are particularly excited about a new service or piece of information, they can click through a URL link embedded in the email to more in-depth information and even video materials. Finally, they can subscribe online for additional services, recommend their friends, and the like.

The greater effectiveness of permission-based communications combined with the falling prices and improving quality of customer relationship management (CRM) and online technology, which together power permission-based marketing, has led many service firms to increase their focus on permission-based marketing strategies. To see how some firms have implemented excellent permission-based marketing strategies, visit Amazon.com or Hallmark.com and register at these websites.

SALES PROMOTION.   A useful way of looking at sales promotions is as a communication attached to an incentive. Sales promotions usually are specific to a time period, price, or customer group—sometimes all three. Typically, the objective is to accelerate the purchasing decision or motivate customers to use a specific service sooner, in greater volume with each purchase, or more frequently.[15] Sales promotions for service firms may take such forms as samples, coupons and other discounts, gifts, and competitions with prizes. Used in these forms, sales promotions add value, provide a "competitive edge," boost sales during periods when demand would otherwise be weak, speed the introduction and acceptance of new services, and generally get customers to act faster than they would in the absence of any promotional incentive.[16] Sales promotions need to be used with care because research shows that customers acquired through sales promotions may have lower repurchase rates and lower lifetime values.[17]

Some years ago, SAS International Hotels devised an interesting sales promotion targeted at older customers. If a hotel had vacant rooms, guests over 65 years of age could get a discount equivalent to their years (e.g., a 75-year-old could save 75 percent of the normal room price). All went well until a Swedish guest checked into one of the SAS chain's hotels in Vienna, announced his age as 102, and asked to be paid 2 percent of the room rate in return for staying the night. This request was granted, whereupon the spry centenarian challenged the general manager to a game of tennis—and got that, too. (The results of the game, however, were not disclosed!) Events like these are the stuff of dreams for public relations people. In this case, a clever promotion led to a humorous, widely reported story that placed the hotel chain in a favorable light.