

Concept of Product in Service Marketing

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The service marketing mix

- The service marketing mix is also known as an extended marketing mix and is an integral part of a service . The service marketing mix consists of 7 P's as compared to the 4 P's of a product marketing mix. Simply said, the service marketing mix assumes the service as a product itself. However it adds 3 more P's which are required for optimum service delivery.
- The product marketing mix consists of the 4 P's which are Product, Pricing, Promotions and Placement. These are discussed in my article on product marketing mix – the 4 P's.

Defination

- **Product.** A **product** is something which satisfies the needs and wants of the customer. It is the actual item which is held for sale in the **market**. **Product** mix constitutes the combination of all the **services** for sale in the **market**.

Defination-2

- Product – The product in service marketing mix is intangible in nature. The product element of the marketing mix includes the tangible good and all of the services that accompany that good to produce the final product. A product is a package, or bundle, of goods and services that comprise the total offering. For example, the purchase of a hotel room includes the guest room, fitness center, pool, restaurants, valet service, concierge, housekeeping service, etc. A restaurant meal consists of the actual food, host/hostess, and waiters, etc.

Product concept-explanation

A travel experience consists of a chain of products and services starting at the time of purchase and ending upon returning from the trip. Everything in between, such as hotel service, restaurants, and transportation (including taxis and buses), affect the overall experience. Some of the variables that are part of the 'product' decision include variety, quality, design, features/amenities, brand name, packaging, supporting services, and warranties. As stated earlier, the decision regarding the proper mix of goods and services is based on the wants and needs of consumers (the concept of marketing

Place in service marketing

- Place – The place element of the marketing mix includes the distribution

and logistics of producing a product or service and making it available to the final consumer. The location of a manufacturing or wholesaling facility is determined by considering the costs of resources such as labor, raw materials, and real estate. In addition, it is necessary to have access to the preferred mode(s) of transportation for delivering

the products to wholesalers and retailers. The location of a retail establishment is based mainly on accessibility to the final consumers. Services have relatively short channels of distribution and focus most of their efforts on finding retail locations that are convenient for consumers.

Example

Restaurants tend to choose high traffic areas close to shopping and other attractions. Similarly, hotels locate their facilities in areas such as airports, urban centers, industrial centers, and tourist attractions that are accessible to their respective target markets. Some of the variables that are part of the 'place' decision include the type of channel, location, assortments, coverage area, inventory, and transportation. Many service providers overlook the importance of this variable in the strategic planning process. The channel of distribution tends to be shorter for the marketing of services than that for goods, and most service providers act as manufacturer and retailer.

Promotion

The promotion element of the marketing mix includes all of the communications associated with marketing a product or service.

- The promotion mix consists of four elements: advertising, personal selling, publicity, and sales promotion.
- Advertising and publicity are forms of mass communication using a variety of mediums such as television, radio, newspaper, magazines, direct mail, and the Internet.
- Advertising is a paid form of mass communication with an identified sponsor, while publicity is a non-paid form of mass communication without a sponsor (i.e., it is free and objective).
- Personal selling is a form of interpersonal communication sponsored by the firm.
- Sales promotion is a short-term inducement to purchase a product or service.
- Some examples of sales promotions are contests, sweepstakes, premiums, and product bundles.

Pricing

- Pricing – Pricing in case of services is rather more difficult than in case of products. Price. Price is the value placed on a product or service. Other terms that can be used to refer to the price component of the marketing mix are: fee, rate, tuition, premium, and toll. There are non-monetary elements to price as well as the more obvious monetary elements. Some examples of non-monetary price are the time it takes to search and evaluate alternative products or services and the convenience of location.

Pricing-explanation

- If a consumer drives to several locations to shop for a product or service, then there are costs associated with time, gas, and depreciation on the car. Also, there could be tolls for highways, bridges, or subways. In the end, it is the perceived price or the perceived value the consumer associates with a product or service that influences the purchase and the level of customer's satisfaction. Value is the trade off between price and quality – the benefits the consumer receives for the price paid.

People :

- The role of the service employee becomes much more critical since to a very real extent the employee is the service, given the absence of any tangible artifact. They carry the responsibility of projecting the image of the service firm. Because of the inseparability of production and consumption of services, service delivery is characterized by interactions between customers and service employees.

People-explanation

- Service employees who experience positive human resource practices can devote their energies and resources to effectively serving their customers. The service firm's human resource management practices can create an environment that elicit more positive, courteous and helpful behavior from the employees toward customers. In turn, the behavior that employees display will positively impact on service quality.

Physical Evidence

- Physical evidence of service includes all the tangible representations of service such as clear signage, good ventilation, adequate space, internet presence, equipment and facility. As services are intangible, customers are searching for any tangible cues to help them understand the nature of the service experience.

Physical Evidence- example

- For example, in the hotel industry, the design, furnishing, lighting, layout and decoration of the hotel as well as the appearance of its employees will influence customer perceptions of the service quality and experiences. For theme parks, restaurants, health clubs, hospitals or schools, the physical facility is critical in communicating the service and making the entire customer experience positive. Ambient conditions include background characteristics of the environment such as temperature, air quality, lighting, noise, music, and scent affect the five senses.
- Spatial layout of the equipment, and furnishings arranged, the size and shape of these items, and the spatial relationships among them are also crucial to influence customers' perception.

Process :

- Process is referred to as the procedures, mechanisms and flow of activities by which the service is delivered i.e. the service delivery and operating systems. Delivering customer expectations depends on how well various steps function together. Highly bureaucratized services frequently follow complicated and extensive series of actions, and the logic of the steps involved often confuse the customer.

Process..cont.

- Customers may complain that service firms are slow in response and bureaucratic with the many steps involved. They want easy access to the service process, and they want things to be handled quickly, preferably by the first service employee. Customers describe frustrating experiences when they have to run from pillar to post to complete a simple transaction, experience long waiting time, rules and regulations, and personnel who decline to serve them with the excuse “I’m not allowed to do this” or “this is against our policy”.

LIC (Case Study)

- An Ordinance was issued on 19th January, 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies-245 Indian and foreign insurers in all. The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector.

History

Life Insurance Corporation of India (LIC) was formed in Sep 1956 after the Parliament of India passed the Life Insurance Corporation Act in Jun 1956. The company was created with the objective of spreading life insurance more widely, especially to reach all the insurable people in the rural areas and provide them with adequate financial cover at a reasonable cost. Apart from its corporate office, LIC had five zonal offices, 33 divisional offices and 212 branch offices in 1956. The nature of life insurance contracts being long-term coupled with the need to provide a variety of services during the term of the policy, LIC re-organised itself by opening a number of new branch offices. After its re-organisation, servicing functions were transferred to branches which were converted to accounting units.

Operations

As on Mar 2008, LIC had 2,048 fully computerised branch offices, 109 divisional offices, eight zonal offices apart from its corporate office. LIC's network connects all the branches through wide area network. The company also has tie-ups with certain banks and service providers to offer on-line premium collection facility in select cities. Besides, ECS and ATM premium payment facility to its customers, the company has also commissioned IVRS and information centres at Mumbai, Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune, amongst other cities. LIC has also launched Satellite Sampark offices in order to provide easy access to its policy holders. The company had 340 such offices as on Mar 2008. LIC also provides housing finance through LICHFL. It has also formed an asset management company known as LICMF AMC. The corporation has also extended its operations to the international arena; through various JVs and subsidiaries it operates in as many as nine countries.

Products & Services

LIC offers a wide array of insurance products to its customers such as insurance plans, pension plans, unit-linked plans, special plans and group scheme. During FY08, the company introduced certain new products such as Profit Plus, Fortune Plus, Jeevan Akshay, Jeevan Amrit & Amulya Jeevan. As of Mar 2007, total number of agents of the company stood at 1.1 mn while the total number of policies issued was 38.2 mn. The premium earned by the company reported a growth of 41% in FY07 when compared to the previous year. During the year, the company insured 34.28 mn individuals for the first time.

7 P`s of Services Marketing in LIC

The marketing mix is the combination of marketing activities that an organization engages in so as to best meet the needs of its targeted market. The Insurance business deals in selling services and therefore due weight-age in the formation of marketing mix for the Insurance business is needed.

- The marketing mix includes sub-mixes of the 7 P's of marketing i.e. the product, its price, place, promotion, people, process & physical attraction.
- The above mentioned 7 P's can be used for marketing of Insurance products, in the following manner:

PRODUCT

A product means what we produce. If we produce goods, it means tangible product and when we produce or generate services, it means intangible service product. A product is both what a seller has to sell and a buyer has to buy. Thus, an Insurance company sells services and therefore services are their product.

Product LIC..cont.

In India, the Life Insurance Corporation of India (LIC) is the leading companies offering insurance services to the users. Apart from offering life insurance policies, they also offer underwriting and consulting services. When a person or an organization buys an Insurance policy from the insurance company, he not only buys a policy, but along with it the assistance and advice of the agent, the prestige of the insurance company and the facilities of claims and compensation. . In short, the formulation of product-mix should be in the face of innovative product strategy. While initiating the innovative process it is necessary to take into consideration the strategies adopted by private and foreign insurance companies through various plans like Endowment plan, pension plan,ULIP.

PRICING:LIC

In the insurance business the pricing decisions are concerned with:

- i) The premium charged against the policies,
- ii) Interest charged for defaulting the payment of premium and credit facility, and
- iii) Commission charged for underwriting and consultancy activities. . The pricing in insurance is in the form of premium rates. The premium rates are revised if there are any significant changes in any of the below factors.
 - a) Mortality
 - b) Expenses
 - c) Interest

PLACE: LIC

This component of the marketing mix is related to two important facets —

- i) Managing the insurance personnel, and
 - ii) Locating a branch. .
- While locating branches, the branch manager needs to consider a number of factors, such as smooth accessibility, availability of infrastructural facilities and the management of branch offices and premises. In addition it is also significant to provide safety measures and also factors like office furnishing, civic amenities and facilities, parking facilities and interior office decoration should be given proper attention.

Place..cont.

Thus the place management of insurance branch offices needs a new vision, distinct approach and an innovative style. This is essential to make the work place conducive, attractive and proactive for the generation of efficiency among employees. The branch managers need professional excellence to make place decisions productive.

PROMOTION: LIC

Advertising and Publicity, organization of conferences and seminars, incentive to policyholders are impersonal communication. Arranging exhibitions, participation in fairs and festivals, rural wall paintings and publicity drive through the mobile publicity van units would be effective in creating the impulse buying and the rural prospects would be easily transformed into actual policyholders.

PEOPLE:LIC

Understanding the customer better allows designing appropriate products. Being a service industry which involves a high level of people interaction, it is very important to use this resource efficiently in order to satisfy customers. Training, development and strong relationships with intermediaries are the key areas to be kept under consideration. Training the employees, use of IT for efficiency, both at the staff and agent level, is one of the important areas to look into.

PROCESS: LIC

The process should be customer friendly in insurance industry. The speed and accuracy of payment is of great importance.

- IT & Data Warehousing will smoothen the process flow. IT will help in servicing large no. of customers efficiently and bring down overheads.
- Technology can either complement or supplement the channels of distribution cost effectively. It can also help to improve customer service levels.
- The use of data warehousing management and mining will help to find out the profitability and potential of various customers product segments.

PHYSICAL EVIDENCE-LIC

The physical evidence are includes such as policy document, statements, intimation letter, uniforms of personnel, vending machine of LIC enquiry option , LIC logo and their awards.

- Surroundings of the office of Lic is also part of it.

Thank you.....Queries Please.