

SERVICES MARKETING FOR THE SMALLER FIRM

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ABSTRACT

Concepts being developed in the field of services marketing management can be applied by the smaller firm. The small firm can be more responsive, flexible and personal than the larger competitor. The authors believe that small service firms may be able to leverage these competitive advantages by utilizing marketing strategies and actions designed to capitalize on the unique characteristics of services. The marketing strategies of dramatization, demand management, process engineering, and relationship management offer the small service firm significant opportunities for competitive advantage.

"Service Managers' Action Guidelines" are presented in an effort to assist small firm managers in implementing services marketing techniques. Guidelines are based on four characteristics which strategically differentiate the marketing services from products. Four strategies are recommended to assist managers in taking advantage of strategic service differences and opportunities. Several action recommendations are offered for each strategy.

INTRODUCTION

The growing discipline of services marketing blossomed during the 1970's and 80's. The literature of this specialized area is rich and complex. It features theory, research, analysis, and case studies in both periodical and book formats. The American Marketing Association has developed an extensive bibliography cataloguing the literature (Fisk & Tansuhaj, 1985). The majority of services marketing articles appear in academic journals such as *The Journal of Marketing*, *The Journal of Services Marketing*, *The Journal of Professional Services Marketing* and the *Journal of the Academy of Marketing Science*. A growing number of services marketing texts such as those by Lovelock (1991), Bateson (1989), Sasser, Hart & Heskett (1991) and Gronroos (1990) and others are used by business school faculty teaching services marketing courses. The popular press has published a variety of books capitalizing on the growing interest in services ranging from the business best sellers *Service America* and *At Americas Service* to more specialized offerings such as *Service Quality*. However, a review of periodical literature and of the publications produced by the Small Business Administration produced no articles or materials dealing with service marketing strategy and tactics for the smaller firm.

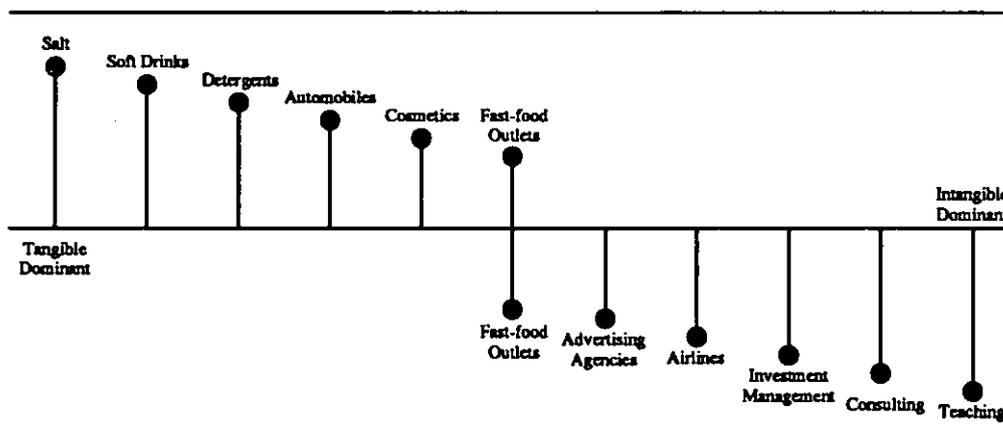
To assist managers in utilizing services marketing in the small service firm, the authors have developed "Service Managers' Action Guidelines". The guidelines are based on four key characteristics that strategically differentiate the marketing of services from the marketing of

products. Four basic marketing strategies are offered to assist managers in taking advantage of strategic service differences and opportunities. For each service marketing strategy several specific action recommendations and examples are presented that can lead to more success in the highly competitive market place of the 90's.

WHAT THE MANAGER NEEDS TO KNOW ABOUT SERVICE VS. PRODUCT DIFFERENCES

At first glance, differentiating products from services appears straightforward. A product is a physical article that has tangible properties. A service is an act performed by the business on behalf of a consumer. Services are intangible. However, in the world of business, consumers purchase solutions to needs and/or desires. These solutions usually consist of combined product/service components. For example, a business traveler may be hungry and stop for dinner at a local restaurant. The need to eat and the desire for a particular type of food is satisfied by a combination of tangible products (food and beverage items are the physical facilities of the restaurant) and less tangible services (valet parking, hostess greeting and seating, wait staff actions, cooks, dishwashers, and so on). Shostack (1977) illustrates this combination of tangible and intangible elements using a continuum. Figure 1 illustrates business offerings ranging from a commodity product, such as salt, to a personal service, such as consulting or teaching. Salt is high in tangibility attributes, teaching is more intangible.

Figure 1. *The Goods-Services Continuum*

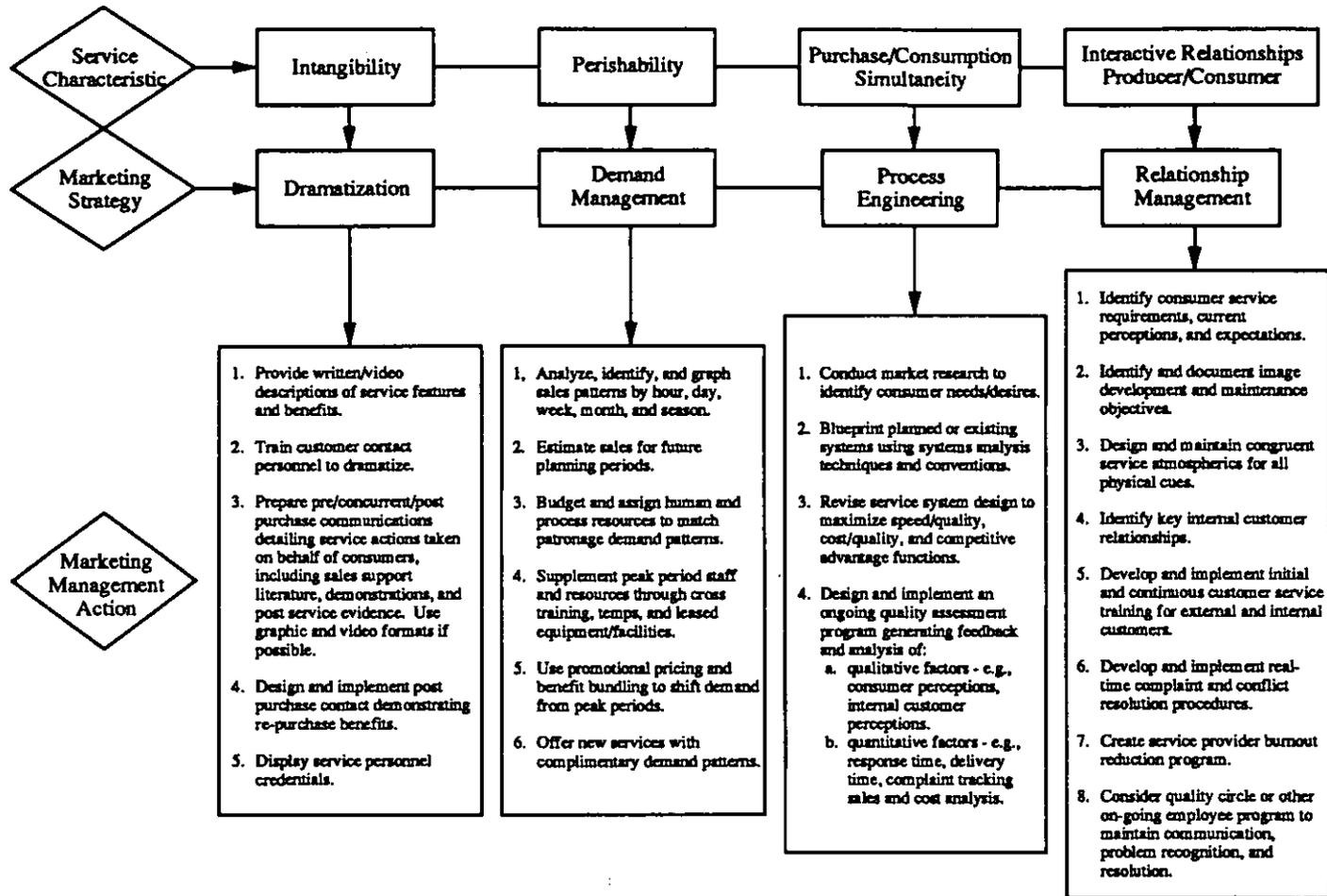


Why is the continuum concept important to the small firm manager? Thinking of business offerings as combinations of tangible and intangible components helps the manager focus on both the product and service aspects of their offerings. Marketing management strategies and actions for services must be adjusted to account for the differences in product and service characteristics.

As processes, services have many intriguing characteristics. Judd (1964), Rathmell (1974), Shostack (1977), Bateson (1977), and Sasser, Olsen, & Wyckoff (1978) were among the first to ponder the implications of service intangibility, service perishability, product/consumption simultaneity, and consumer participation in service processes. They found that traditional marketing, with its goods-bound approaches, was not helpful in process design, process modification, or process control (Shostack, 1977).

Figure 2 presents specific recommended marketing strategies for the small firm manager. These strategies can be utilized to deal with the strategic service characteristics of intangibility, perishability, purchase/consumption simultaneity, and the interactive producer/consumer relationship. Specific marketing management action guidelines are offered to help the small firm manager implement the recommended marketing strategies.

Figure 2. Service Management Strategies And Action Guidelines



SERVICE MARKETING STRATEGY DISCUSSION

Intangibility/Dramatization

Since services are less tangible than products, customers may not recognize, appreciate, or be anxious to pay for the work that was done on their behalf. Lack of tangibility also makes it more difficult for consumers to evaluate potential service providers during the shopping process. For example, the purchaser of an automobile is dealing with a highly tangible, product-specific purchase. The purchaser of an annual tuneup from a small business tuneup center is involved in a relatively intangible service purchase. The tuneup customer drives the car to the shop, leaves it for the day, and returns to find the car waiting in the parking lot and the bill waiting at the cashier's office. While the car buyer has constant tangible feedback concerning the goodness of the purchasing decision, the purchaser of a tuneup service may have difficulty evaluating the purchase. Most of the tuneup work has been performed behind the scenes. Quality is based on the performance of highly technical equipment and the subtle diagnostic and repair skills of the auto technician. The consumer has been absent during the service and, even if present, would likely be unable to evaluate the process. In order to meet the challenges that intangibility presents, the tuneup center should dramatize their actions. Dramatization is the process of explaining in detail ("acting out") what work has been performed on the customer's behalf and demonstrating the expected benefits of the work performed. Dramatization action recommendations are presented in the third column of the marketing management action guidelines (Figure 2). Dramatization can improve current customer satisfaction, increase return business and referral behavior. The materials and processes used in dramatization can be passed on by customers to other potential customers. Price objections will be reduced as customers gain a clearer understanding of what the small business service provider has done for them. Dramatization helps make services more tangible. Consider the following example.

A customer enters a small television (T.V.) repair shop to pick up her repaired set. She is handed a bill for \$127 which simply says "T.V. repair". She writes a check and leaves feeling \$127 was a lot to pay. She is suspicious that she was unfairly charged. A customer of another repair business has a different experience. First, the owner tests the T.V. when the customer brings it in discussing the symptoms, probable cause, and what next steps will be taken. After finding the trouble, the owner calls the customer explaining in detail the additional testing performed, the results, and the time, parts and costs involved in the repairs. The customer decides to have the unit fixed. When the set is picked up the customer receives a detailed invoice, an explanation of invoice entries, a plastic bag containing old parts, and a demonstration that the set is functioning. The bill is \$130. However, due to the dramatization skills of the owner the customer understands the charges. Her confidence in the skills and integrity of the firm causes her to recommend the business to others.

Perishability/Demand Management

A small business service provider often finds that demand is seasonal or variable. If the organization is not properly configured and staffed to provide the correct level of service at the correct time, sales are lost. When this occurs, the business faces double jeopardy. Not only is the sale lost, but the service customer's needs may be met by a competitor with the possibility of the customer being lost indefinitely. Services are perishable. They cannot be inventoried or placed in a warehouse until the exact moment of demand. If the service provider does not have the facilities and the staff to meet the service demand, unserved customers are lost. If the service

provider has capacity and resources that are in excess of actual service demand, firm resources are squandered. A demand management strategy can be applied in most service firm settings. To the extent possible, the service provider must match service offerings to fluctuating demand periods. Under extreme conditions the firm may offer special incentives to shift demand from peak periods to slower periods. Cross training of personnel to do more than one job, use of temps, and short-term leasing of service equipment can modulate the cost of demand pattern swings.

Owners of a popular 30-table family restaurant have become effective demand managers. They have extended business hours to cater to early and late dinners. Attractively priced "early bird" and "late dining" specials are offered and promoted to spread peak load demand over a more manageable time span. Personnel are cross-trained to be proficient in at least two job specialties. "Prep cooks" have been added to prepare staple food items prior to opening to allow concentration on entree preparation and to speed service. Menu item demand patterns are analyzed weekly and printed out in graphic form as a byproduct of the firm's computerized cash register and inventory control system. Menu complexity is matched to anticipated demand patterns to manage food, beverage, and service quality. In food service, the business frequently manages the owner. In the example presented, the owners have gained control and improved service utilizing demand management techniques.

Purchase/Consumption Simultaneity

Most service firms only get one chance to "get it right". The purchaser of a large-screen stereo/T.V. will have many years to interact with and learn about the product. A couple dining at a local restaurant offer a one-hour window of service opportunity from the time of restaurant selection until the completion of the meal. There is only one goal in service marketing and that is "perfection". Of course, perfection is seldom attainable. However, because services are often performed in a highly compressed time period, the service provider must constantly strive toward that unattainable goal. Customers who have a bad experience with a service provider are not likely to give the firm a second chance or be sympathetic to excuses and explanations. Since services are delivered in a compressed time span, the small service firm has a limited opportunity to create a satisfied customer. The strategy of process engineering and careful service planning require that the service system be developed, refined, tested, and evaluated to achieve maximum efficiency and customer satisfaction. The service system must then be continuously evaluated and re-engineered to ensure lasting customer satisfaction. Service providers who engage in initial and ongoing process engineering can develop a strong competitive advantage in the market place.

A nursery/plant sales business was disappointed by its lack of growth in volume and profits. After talking to customers, the owner found dissatisfaction with speed of service, quality of products, facility layout, and getting shrubs and plants to their vehicles after the purchase. The owner applied a systems approach to analyzing their business. With help from a local university, they flow charted their operations. Based on customer comments and their flow charts, the owner changed both layout and operation. Related products were grouped based on frequency of demand. An additional check-out location was provided. The firm furnished carts to hold products and facilitate transport to customer vehicles, placed parking closer to larger items such as shrubs and large potted plants, and improved plant watering and feeding sequences. The firm also implemented a biweekly inventory inspection procedure. By breaking their customer service process down to individual steps and using flow charting to visualize how these steps could be reconfigured, the firm used process engineering to help customers and improve business.

Interactive Relationships/Relationship Management

Services are highly personal. The way in which a customer is treated can be as important to customer satisfaction as the service being purchased. To the service customer, the service provider is the organization. If the relationship is positive, pleasant, and efficient, the firm may enjoy return purchase loyalty as well as positive recommendations. If the service customer has a bad experience with a service provider, it matters little that the other aspects of the firm are perfectly managed. Jan Carlzon, the President of Scandinavian Airlines System, characterized the critical period of interaction between the service customer and service provider as a "moment of truth". He pointed out that at Scandinavian Airlines there are over 65,000 moments of truth each day as airline employees interact with customers (Boone & Kurtz, 1992). In a very real sense the small service firm's only reason for existence is to successfully orchestrate these moments of truth. Firms that manage each customer service encounter to produce maximum customer satisfaction increase their probability of long-term success. Smaller firms usually can be more responsive, more flexible, and have a greater knowledge of customers. Personalization of service is a key competitive advantage for the smaller firm.

There is another important player in a firm/customer relationship, the "internal customer". Internal customers are members of the firm who support each other in delivering service to the final consumer. Local health club customers may have primary interaction with an aerobics instructor. However, the success of the class depends on more than the skill of the instructor. The instructors' success also depends upon the recruiting efforts of club owners, the billing and membership records personnel, individuals who clean and maintain the physical facility and equipment, and other employees of the organization. Successful service is a team effort. Employees who serve each other well serve the customer well. Relationship management is an important service marketing strategy. The relationships to be managed include those between the customer and the service provider and those among members of the small firm employee team.

Facing competition from a newly opened mass merchandiser, the manager of a local appliance store focused on improving customer loyalty. Floor sales staff received initial and continuous training on interpersonal customer service skills. The topics included customer greeting and eye contact, dress, grooming, spending time with the customer, making friends not just sales, relationship building, telephone service and complaint resolution. Prior training had been limited to technical product features. Sales persons became owners of long-term customer satisfaction and took an active role in coordinating major repairs, emergencies, and use of loaner equipment. The roles of clerical, repair, and delivery staff were redefined from being isolated specialists to members of a customer team. Regular "team" meetings were instituted with interactive problem and solution discussions that included management, sales and support personnel. Building and maintaining positive customer relationships and a more effective customer service team was seen as the best way to compete against the impersonal service of the mass merchandiser.

Implementing Marketing Strategy - A Case Example

The following case is based on an auto repair and service business. The firm employed three full-time and one part-time mechanic and one full-time and one part-time mechanic's helper. In addition, a full-time employee handled all receptionist, administrative, and bookkeeping duties while sharing the parts and supplies purchasing duties and work scheduling with the owner/mechanic. The facility featured three bays for regular automotive repair and one bay that housed

a front-end alignment/muffler, brake installation, and repair facility. The application of recommended marketing management strategies and actions follows the sequence in Figure 1.

Dramatization was used to make services more tangible. Time was dedicated to explanation and demonstration of work and benefits. Brochures discussing and illustrating the importance of preventative maintenance were furnished by parts suppliers. These and other brochures concerning engine rebuilding, transmission repair, front-end alignment, etc., were placed in the customer waiting area. Brochures were also used in mailings, in credit customer bills and were given to customers with written estimates. All employees attended customer service seminars offered at a local community college and a program offered by a vendor of automotive replacement parts. Mechanics were required to pursue continuing technical training and certification. Mechanics' helpers attended a local technical college's auto repair courses and clinics. Certifications and diplomas for these personnel were displayed in the customer waiting area. With the exception of routine maintenance for regular customers, the owner/manager carefully discussed work to be performed and the expected benefits with each customer prior to the work being authorized. A detailed written estimate was prepared and signed. If unexpected problems occurred during the repair, the customer was contacted, the problem carefully explained, and alternatives outlined. On completion of the work, the customer received a legible, detailed, machine-printed invoice explaining all labor procedures and parts utilized. Wherever possible, parts that were replaced were returned or shown to the customer.

Demonstrations were used when possible. For example, the mechanic physically demonstrated the looseness in a wheel bearing, pointing out bearing/surfaces that had begun to roughen due to lack of proper lubrication. Enlarged schematic drawings of major automotive systems were hung on the walls of the shop. These included cutaway drawings of engines, transmissions, drive trains, front-ends, cooling and electrical systems. Mechanics were required to spend a few minutes with each customer explaining the nature of the problem and illustrating what had been done to their vehicle in the repair process. These additional steps added only minutes to each service encounter.

A telephone and postcard reminder system was utilized for routine preventative maintenance appointments. For all major repairs, the receptionist called the customer one week after the car was delivered to ensure the customer was satisfied. If not, a follow-up visit was scheduled. The owner handled all follow-ups by reviewing what was done, supervising follow-up work, if required, and conducting a subsequent road test.

During the first few years of operation the owner was reacting to demand rather than attempting to manage it. Demand management approaches were implemented to modulate extremes in demand patterns. Analysis of past invoices revealed peak and slack demand periods. Business hours and work schedules were realigned to increase capacity during high demand and reduce overhead during low demand periods. Mechanics were required to develop at least one additional specialty. For example, someone skilled in engine maintenance and rebuilding developed front-end alignment skills. A backup person for the receptionist/administrator was identified and trained. This retired individual was used part-time as needed. Arrangements were made with a rental firm to provide additional tools and equipment on short-term notice. Customers were offered discount coupons and add-on products, e.g., a free oil filter and services and free tire rotation for having regular preventative maintenance performed during slack periods.

Process engineering involved a "clean sheet of paper" approach to identifying service offerings and the procedures to be used in service delivery. Ongoing market research took the form of customer comment cards left on the seat of every completed vehicle. A car wash and waxing service was initiated based on feedback from customers expressing their wishes for a clean car at the end of the repair cycle. Flow charts were prepared tracking events beginning with telephone inquiries to the presentation of the completed vehicle and invoice. All employees met to review the work flow diagrams and suggest ways of improving efficiency and quality of service. Improved use of mechanics' helpers to do routine work as well as tear down and finish procedures reduced cost and increased capacity. The customer check-in ticket and the mechanic's work order were combined into one form which became the final invoice. Assessment of customer perceptions was done on a continuing basis through verbal feedback, the use of customer comment cards, and the customer callback program. An employee incentive program was implemented to stimulate ongoing process improvement.

As one would expect in a small firm, producer/customer relations and working relationships among employees were generally good. Service was highly personalized and many regular customers had first name relationships with their mechanic and the owner. To protect and enhance these relationships additional action was taken. On an annual basis, a random sample of customers were asked to complete a two-page questionnaire evaluating key components of the firm. These included physical facilities, personnel, pricing, responsiveness, customer confidence, and other service variables. Based on negative feedback concerning the physical appearance of some employees and the facility itself, the firm began utilizing a uniform leasing service. Changes were made to the physical facility to improve its interior and exterior appearance. A 100 percent customer satisfaction policy was adopted and implemented. For all major repairs the owner and/or the lead mechanic road tested the vehicle to verify repair results. Whenever possible, the owner road tested the vehicle with the customer present discussing the specifics of the repair and what had been done. Finally, a bimonthly Friday morning employee breakfast round table was instituted. It was hosted by the owner and all employees were required to participate. These regular meetings featured an equal dose of praise and analysis of ways of improving repair quality and customer service. It was also recommended that the owner/manager take training in quality circle implementation and in team building. Management and marketing seminars and reading materials were available at a regional Small Business Center and community college.

The marketing strategies of dramatization, demand management, process engineering, and relationship management, (recognizing both external and internal customers,) offered this small service firm opportunities for competitive advantage.

CONCLUSIONS

While the application of specific marketing management guidelines vary by firm and industry, the concepts being developed in the field of services marketing management can be applied with positive results for the smaller firm. The small firm can be more responsive, flexible and personal than the larger competitor. The authors believe that small service firms may be able to leverage these competitive advantages by utilizing marketing strategies and actions designed to capitalize on the unique characteristics of services.

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