

Services marketing and not-for-profit marketing

LEARNING OBJECTIVES

By the end of this chapter you will:

- appreciate the nature and scope of services marketing
- be aware of special issues to which the marketing of service products gives rise
- understand the practical applications of the marketing mix in not-for-profit organizations

INTRODUCTION

Several times we have touched on what are probably two of the most significant developments to affect marketing managers in recent years. The first is the continued growth in importance of service industries with an attendant rise in services marketing, while the second is the shift towards a relationship approach to marketing. Each of these developments has had major implications for marketing theory and practice.

In this chapter we expand on the nature and meaning of services marketing, as customer relationship marketing has already been covered in Chapter 9.

SERVICES MARKETING

In Chapter 9 we mentioned the growth of service industries, pointing out that in some economies, service sectors now predominate. In the future, more and more developed economies will move towards a preponderance of service industries and products and many future marketing managers will be involved in service marketing. As noted in Chapter 9, although many of the basic principles involved in marketing service products are the same as for their physical product counterparts, service products have a number of characteristics which set them aside from physical products and give rise to additional issues with regard to their marketing and in particular to the elements of the marketing mix. We now discuss some of these differences and their implications in more detail, and first consider what is meant by a service product.

SERVICE PRODUCT CHARACTERISTICS: INTANGIBILITY AND NON-OWNERSHIP

The term 'service product' encompasses a myriad of different types of services. The definition proposed by Berry¹ is still one of the most effective in capturing the key distinguishing characteristics of different types of service products: 'A service is an intangible product involving a deed, a performance, or an effort that cannot be physically possessed.'

There is little doubt that both intangibility and non-ownership are key characteristics of service products, although other characteristics are important. Staying with Berry's definition, if we can see that the product is essentially intangible then the customer does not take physical possession. There are, however, tangible elements to the product of a flight: the aeroplane itself, the seat we occupy, the meals and drinks we are served are tangible aspects of the air travel product. In addition, we do take 'physical possession' of certain elements of the product, e.g. the seat, the meals and drinks. However, the core benefit that the customer is purchasing is essentially intangible.

This example shows that most products have a mixture of both tangible and intangible components. If we think of tangibility as a continuum, service products are those where the intangible element is predominant. This idea of a continuum of intangibility is frequently encountered in texts on services marketing and is a useful way of evaluating whether the customer is buying what is essentially a tangible product or a service. An example for business products/services adapted from Shostack² is shown in Figure 17.1. A list of examples of where the intangible element is dominant, and hence examples of what we define as service products, includes:

- fast food;
- hotels;
- holidays;
- travel;
- insurance and banking;
- education;
- health care;
- public transport;
- legal/financial advice;
- consultancy;
- personal health and beauty.

There are numerous different service products. An important fact to note is that although they are usually relatively easy for the marketer to classify as being service or non-service products, ultimately it is the customer who decides whether or not a product or service is being purchased, and hence marketed, according to the relative importance attached to the tangible versus intangible elements.

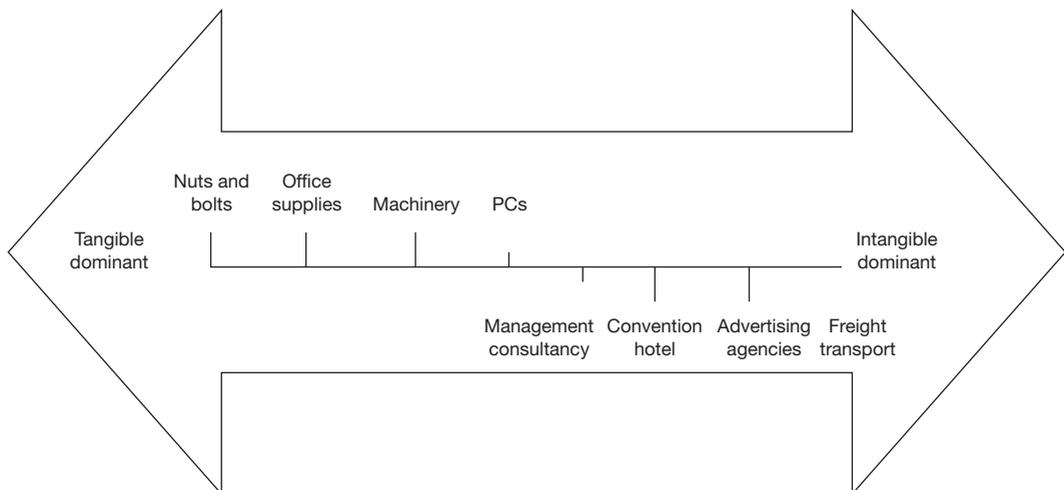


FIGURE 17.1 A continuum of tangibility and intangibility: business/product service classifications

Intangibility is certainly one of the key characteristics that distinguishes service products from tangible products. What about the notion of 'non-possession' referred to in Berry's definition, and what are the other distinguishing or special characteristics of service products? These other suggested special characteristics of service products, including the aspect of non-possession, or non-ownership, are now outlined. As with the characteristic of tangibility these so-called 'special characteristics' are a matter of degree and best thought of as a continuum. For each of these characteristics we have outlined the marketing implications and issues to which these characteristics give rise.

Non-ownership

As explained in the air travel example a characteristic of many services is that they are used rather than owned. Another example is a holiday where we simply use the services of the holiday provider as opposed to taking physical possession of a product.

Non-ownership can sometimes make it difficult for a customer to assess and appreciate the advantages of purchasing the service. The marketer therefore needs to pay particular attention in emphasizing benefits of non-ownership, such as no long-term commitment and inexpensive maintenance in promotional programmes.

At one time few private car buyers in the UK would have considered leasing a car on a long-term basis as opposed to purchasing one either outright or on credit. However, partly as a way to help customers finance the use of a car, over the last ten years the majority of the major car manufacturers have introduced what effectively are leasing schemes albeit often under other names. An increasing number of customers not only find this a more convenient way of covering the costs of having access to a new car, but also find there are many benefits to not actually taking ownership of a vehicle.

INSEPARABILITY

Unlike the majority of physical products, services are often consumed at the same point and at the same time as they are produced e.g. a visit to the hairdresser's where the hairdresser 'produces' the service while we are at the salon: production and consumption are simultaneous and producer and consumer are inseparable. In such a situation the person providing the service becomes important and in effect becomes the service product. This inseparability of consumer and service provider means that both provider and customer affect the 'quality' of the relationship.

Inseparability places emphasis on the selection and training of the service provider's personnel. The service provider must also be careful to examine the circumstances and processes that can affect the quality of the relationship between provider and consumer, especially in the hairdresser example as it is a service that the provider wants the customer to return to on a regular basis.

PERISHABILITY

Generally, service products cannot be stored. For example, if a restaurant has empty tables, if a hotel room is not booked, or if an aeroplane flies with empty seats, then these services i.e. the tables,

rooms or seats that the provider was hoping to fill cannot be 'stored' and sold later. The revenue that would otherwise have accrued has been lost for ever. The fact that service products have this high degree of perishability makes effective matching of demand and supply of service products particularly important. This is especially relevant with service products where there are time periods of excess demand and supply. The marketer therefore needs to manage the balance between demand and supply and may adopt devices such as differential pricing, the development of complementary services, effective pre-booking systems and the use of part-time staff to facilitate effective matching of demand and supply.

VARIABILITY

Because service products have high 'people' content i.e. a significant human element in their provision, the quality of the service product is potentially more variable than with a physical product. What the service provider must seek to minimize is customers experiencing poor service as a result of people variability. Staff selection and training become very important, as does customer care.

We have also indicated some of the implications for the marketer associated with service characteristics. A major implication of these characteristics is the notion of an extended marketing mix for service products, which was introduced in Chapter 9 and to which we now return.

THE MARKETING MIX FOR SERVICES

Characteristics of service products mean they must be marketed in a different way from other products. The three additional 'Ps' were introduced in Chapter 4 as 'People', 'Process' and 'Physical Evidence'. We now expand these elements.

People

The characteristics of inseparability and variability associated with service products in particular mean that people are an extremely important element of the marketing mix in services marketing. The nature of services means that their production and consumption often must take place at the same time and in the same place, often on the supplier's premises. This is the characteristic of 'inseparability'. This almost inevitably means that service providers' personnel and the customer come into direct contact during the provision and consumption of the service. It means that the service 'product' is potentially more variable than in physical product marketing. With a physical product, what the customer gets and experiences can be much more tightly planned and controlled than in services marketing. In services marketing, the product is affected by the people element of the service provider and is potentially much more variable. For example, in dealing with customers, some of the service provider's staff might be feeling unwell, or have family problems, or simply be feeling argumentative and might not be attentive to customer needs on a particular day.

In services marketing, the customer participates in and potentially adds to or subtracts from the process of value creation. This adds to the potential for variability in the service product. For example

if a customer arrives late at a restaurant for a pre-booked reservation this may end up detracting from the customer experience because the table originally booked is no longer available and the customer has to be allocated another less satisfactory one at which to eat their meal. Similarly, using the same example, a restaurant customer may detract from the overall service experience because they have had a bad day at the office and turn up determined to take this out on the restaurant by being rude to staff. Person-to-person contact with provider and customer in services marketing means that the 'people' element of the exchange process becomes very important and is a key part of customer experience and levels of satisfaction or dissatisfaction with the service provider. In turn, this means the services marketer must pay particular attention to ensuring that the people element is planned and managed as an integral part of the marketing process. There are a number of key implications of this importance of the people element in services marketing:

Selection and training of customer contact employees

Effective selection and training of all types of staff is important to all marketing, but the interactive nature of service exchanges means that careful selection and training of staff who come into direct contact with customers is particularly important and entails a number of special considerations not encountered when considering the training of staff who do not have this direct contact with customers. Any staff customers come into contact with during the service provision process form an important part of customer perceptions and evaluation of the service experience and hence the perception and evaluation of the service provider itself.

With regard to the selection of such staff, the services marketer must ensure that as part of the selection process, care is taken to evaluate the extent to which customer contact employees have the necessary skills, characteristics and attitudes to interact with customers effectively. For example, service employees must be able to relate to, and empathise with, customers effectively. Aggressive or abrasive personalities are unlikely to function effectively in customer-facing functions. Service marketer personnel must want to deliver good service, be empathetic and above all be interested in, and open to, other people.

If selection is one part of the effective management of the people element in services marketing, another is training and development. Both new and existing services marketing personnel need to be effectively trained to perform their customer-facing functions. For example, staff should be trained in how to interact with customers. All customers are potentially different so dealing with them can be difficult. Services marketing staff need, for example, to learn how to identify and assess individual customer requirements. They also need to be able to deal with sometimes angry or rude customers. They also need to be trained in company policies and procedures with respect to dealing with customers and the required levels of customer service and care. In services marketing in particular, it is vital that staff should be aware of the levels of customer service they are expected to meet. When staff are not fully trained, or are inadequately informed of these required levels of service, they may fail to deliver required service levels. Local improvisation will cause inconsistencies, and variations in the quality of service delivered to customers.

Compared to non-services marketing, services marketing staff need to have effective behavioural skills including for example: listening skills, the use of body language, dealing with conflict, and skills in co-operating with customers. In addition, the services marketer must anticipate and train

service provision staff in coping with the variability of service products due to customer involvement and the co-creation of customer value

Overall, the inseparability of service products puts a premium on 'interaction' skills on the part of services marketing personnel. This is because perceived service quality and overall levels of customer satisfaction depend not only on the technical quality of the service delivery, e.g. quality of the equipment in a fitness centre, but also on the quality of the service delivery. In the case of a fitness centre, this would include the care and concern of the fitness training staff. Services marketers often refer to these interactions between customers and service provider staff as 'moments of truth'.

Leadership and motivation

In addition to selection and training, two more important areas of managing the people element in services marketing are leadership and motivation.

With regard to leadership, effective management of the people element of the services marketing mix needs to originate from, and be supported by, top echelons of management in the organization. In effect, they should lead the way for all levels of customer service staff in the organization and should lead by example. One practical way of doing this is by creating a culture of commitment to customer service in the organization. For example, expected standards of customer service should be enshrined in company mission and value statements which in turn should be translated into corporate policies, objectives, strategies and standards.

With regard to motivation, services marketing staff need to be motivated to provide desired levels of customer service. All too often there is little or no incentive for staff to provide good customer service. The services marketer must determine required levels of customer service, but also ensure that staff are encouraged, and preferably rewarded, for achieving these. Often, services marketing staff may perceive that the organization rewards other, perhaps short-term, goals and results, such as for example meeting a sales target, rather than rewarding the provision of a good customer service experience.

Another aspect of encouraging staff to take a more positive and proactive approach to improving the service product is allowing them more discretion to use their initiative and judgement in dealing with customers and especially customer complaints. For example, staff can be empowered to deal with minor customer complaints as they occur rather than having to refer them to a senior manager or head office before action is taken. Many companies encourage this by allowing their front-line personnel to refund customers where necessary or provide additional services.

The characteristics of inseparability and variability associated with service products in particular mean that the service provider's staff, i.e. people, are an extremely important element of the marketing mix for services. As already indicated, this means that the selection and training of service staff is an important part of the overall marketing effort of the service provider, but in addition it is important that service staff interact positively with customers and are adequately motivated and rewarded. In particular front-line employees who have direct contact with customers should exhibit enthusiastic, positive and caring attitudes.

Many of the fast-food retailers such as Pizza Express and McDonald's empower their restaurant staff to deal immediately with customers' complaints. For example, if a customer is unhappy about

the quality or even quantity of a meal, front-line staff have the discretion to offer either a full refund, a replacement meal or additional portions.

Internal marketing

The development of a marketing culture and, in particular, the training and motivation of all the individuals in an organization to achieve this is termed internal marketing. The importance and value of internal marketing in services marketing in particular has increasingly been recognized by organizations. All employees and not just those with a direct contact with customers need to be committed to delivering customer satisfaction. In turn, achieving this commitment requires senior management to communicate the need for all employees to adopt a customer orientation. Internal marketing starts by identifying how customer orientation relates to the needs of all employees in an organization and how non-marketing employees can contribute to providing customer satisfaction. At its most basic, by helping meet customer needs an employee derives the benefit of helping the company to stay in business. Internal marketing goes further than this by convincing service company employees that by helping generate customer satisfaction, job satisfaction and motivation can be improved. Another facet of internal marketing is the use of the tools of marketing within the organization such as segmentation and targeting. For example internal marketing recognize that different employee groups or functional areas of the business will have different needs and requirements, so when marketing internally, these should be identified. In addition, internal marketing is achieved through the application of an internal 'marketing mix' including, for example, the use of staff training; the provision of systems and technology to help employees provide customer satisfaction through their work activities; linking reward and remuneration structures to customer satisfaction and so on.

Although internal marketing is important for all organizations, for the reasons discussed, it has proved particularly popular in services marketing organizations, for example banks, hotels, and so on, where a wide range of staff are in direct contact with customers and the people element is of paramount importance.

Process

In Chapter 9 we indicated that 'process' relates to how the service is provided. The 'inseparability' and 'intangibility' characteristics of service products are important characteristics underpinning this 'P' of the service marketing mix, but the characteristic of 'variability' also underpins the importance and planning of process. The process element of the services marketing mix relates to procedures for dealing with service customers before, during, and after the process of service product consumption.

Elements of process differ according to, for example, the particular service product, the needs and wants of customers and competitor and cost considerations. Process decisions involve determining the processes and procedures to be used in service product delivery, including systems and technologies which will be used to support these.

For example, in a fast-food outlet, process elements of the marketing mix might include:

- ordering systems;
- customer queuing systems;

- food delivery systems;
- food and table clearing systems;
- booking and reservation systems;
- complaints systems.

The process element should be planned and run to ensure consistency in service delivery in line with pre-determined levels of customer service. Again, the reduction of service quality variability is a key objective, but this must be balanced against the flexibility and potential advantage of being responsive to individual customer needs and requirements.

In planning the process elements of service it is important to consider the whole chain of interrelated elements of the service product delivery and these should be planned, managed and controlled as a total integrated system. For example, improvements in the ordering part of the system may lead to problems of production and delivery. Increasingly, technology is being used in designing, administering and controlling the process elements of services marketing.

Microsoft have recently introduced the 'Microsoft Surface', an interactive table top which allows customers in restaurants and cafes to view the products available from the table and the screen incorporated into the table top and then place the order direct with the kitchen.

The services marketer often has to balance the advantages of standardizing the processes of preparing and delivering their products, such as speed of production and lower costs, against the merits of meeting the different tastes and preference of individual customers.

The highly successful sandwich retailer Subway have a standard menu but within this, individual customers can to some extent personalize their sandwich by being able to select from a choice of fillings at the 'production' stage.

The process element of the service mix is a major way of differentiating the service provider from its competition. Successful process systems and services markets are frequently easy to copy which means that services marketers must constantly search for new service process innovations.

Physical evidence

This element of the marketing mix for services includes decisions regarding those marketing tools that pertain to the physical attributes of the service marketer's offer. With non-service product the customer can feel, touch, see and sometimes smell the product in evaluating whether or not it will meet their needs. However, owing to the 'intangibility' characteristic of many service products, this physical evaluation of the product itself is not possible. Particularly with a new service product or with a customer who has not used the service provider before, the customer will use other physical signals as 'evidence' in evaluating the service provider's offering. For example, say we were new to a town and wanted to register with a dentist, we might use 'evidence' of the appearance and facilities of the dentist's surgery waiting room to decide whether or not the services of the dentist would be likely come up to our expectations. Banks, building societies, hairdressers, airlines, hotels and management consultants are examples of service marketers who make use of the mix elements of physical evidence. Examples of tools in this area of the mix include:

- building facilities: office/shop frontage, reception and waiting areas;
- production facilities/areas;

- staff appearance/uniforms;
- company livery, vehicles and logos.

Primarily because of the intangible nature of services, it can often be difficult for consumers to evaluate service offerings, particularly aspects such as quality and value for money, prior to purchase. In the same way, this intangibility can also make it difficult for the marketer to position new service product offerings. Because of this, the marketer often needs to 'tangibilize' the service offering by managing the 'physical evidence' that accompanies service examples listed above.

Most service marketers are aware of the importance of physical evidence and the use by the potential customer of such evidence to gauge elements like service quality. Many service marketers place great emphasis on the appearance of their employees, often spending large amounts of their marketing budgets on aspects such as staff grooming and uniforms. In addition, the service marketer must pay particular attention to achieving consistency throughout the promotional mix with regard to things like the use of company colours and logos.

Airlines in particular appreciate the importance of physical evidence when it comes to a customer choosing an airline. This is reflected in the attention given to the appearance and demeanour of cabin staff. Airlines insist on certain standards of personal grooming for their cabin staff and require staff to wear uniforms. In this market we also find that the appearance of the staff and the style of uniforms selected are designed to reflect the overall corporate image and positioning the airline wishes to portray to its target customers.

IMPLICATIONS FOR MARKETING OF SERVICE PRODUCTS

Services characteristics mean they must be marketed somewhat differently from other products. Table 17.1 attempts to summarize these implications for marketing. These are some of the major distinguishing or special characteristics of service products together with some of the major additional marketing issues and complexities which they give rise to. We emphasize that most of the other elements of effective marketing management and strategy, e.g. the need for effective segmentation and targeting, adequate market research and information systems, are no different for services than they are for physical products. In addition, both types of marketing are being impacted by the second major development in marketing thought and practice discussed in Chapter 9, namely, the growth of relationship marketing.

Service quality in services marketing: the SERVQUAL model

The importance of adequate levels of service quality, the notions of effective customer care and relationship marketing apply to all marketers and products whether physical or service products and markets. However, some of the special characteristics of service products mean that sometimes what constitutes service quality, the areas that are important in service quality and how to measure and evaluate levels of service quality can be more difficult than for the tangible physical product marketer.

TABLE 17.1 Service characteristics and implications for marketing

<i>Characteristic</i>	<i>Major effect/issues</i>	<i>Marketing implications</i>
<i>Intangibility</i>	Difficult for consumers to evaluate service offerings, e.g. quality. Positioning is difficult to achieve or signal.	'Tangibilize' the service offering by managing the 'physical evidence' that accompanies the service, e.g. staff appearance, buildings/facilities, promotional material.
<i>Inseparability</i>	Direct contact with service provider. Both provider and client affect quality of relationship. Market may be limited by time constraints on provider.	Selection and training of service provider's personnel is essential. Franchise/train other service providers. Develop systems and procedures for increasing customer throughput.
<i>Variability</i>	Difficult to ensure that service quality levels are maintained. Customer may have 'bad' experiences.	Ensure strict quality control. Staff training essential. Develop customer care programmes and systems.
<i>Perishability</i>	Periods of excess demand: periods of excess supply.	Manage demand and supply, e.g. differential pricing; develop complementary services; effective pre-booking systems; use part-time personnel.

For example, with a physical product it is relatively easy to objectively measure its functional performance. With an intangible service product, however, this can be more difficult. Recognizing this, several models have been proposed with regard to the criteria for assessing service quality and the sorts of data which would need to be collected and interpreted in order to make this assessment. One of the most influential of the models in this area is that developed by Parasuraman, Zeithaml and Berry and referred to as the 'SERVQUAL' model.³

The main ideas and elements of this model are that it proposes that most customers take five main factors into account when assessing the quality of a service they have received. These five main factors are easily remembered by the initials *RATER* which respectively stand for:

- *Reliability* – the extent to which the service is delivered to the standards expected and promised. In essence it represents the customer getting what they feel they have paid for. Needless to say any shortcomings by the service provider in this respect are likely to be major causes of customer dissatisfaction.
- *Assurance* – the degree of trust and confidence the customer feels that the service provider is competent to supply the service. Mostly this stems from the degree of confidence that the customer has in the service provider's staff. The customer will not be satisfied if he/she does not feel assured about the competence of the service provider.
- *Tangibles* – a key characteristic of service products is their intangibility. Because of this, the services customer often looks to any tangible signs which may be used as indicators of the quality

of the service provision. Remember we have previously referred to this as the 'physical evidence' element of the services marketing mix. For example the customer will assess the premises of the service provider; or perhaps the appearance of the service provider's staff.

- *Empathy* – services customers often have expectations with regard to the extent to which the service provider appears to understand and is concerned about their individual needs and wants. The more the service provider can see things from the customer's point of view the better. We refer to this ability on the part of the service provider as 'empathy'.
- *Responsiveness* – this refers to the willingness and ability of the service provider to meet and adapt to customers needs, For example, a service provider may be willing to deliver outside of normal delivery times, and perhaps may have systems for responding to customer complaints on the same day.

The SERVQUAL model provides a comprehensive framework for identifying what are key criteria from the customer's perspective when evaluating and assessing the quality of services provision. In turn, it suggests the key areas where a service provider has to perform effectively. Finally, and related to these first two aspects, the SERVQUAL model guides the implementation of quality programmes for services marketers together with systems of evaluation and control.

The SERVQUAL model stresses that a company has service quality problems where there is a gap between what consumers expect and what they perceive they receive with regard to services quality. There are possible bases for such gaps and therefore strategies for filling them:

- 1 *Customer intelligence gaps* – First of all, a gap can exist because a company simply does not understand what customers want, and in particular what represents the key service attributes and levels of performance. They simply do not understand their customers' needs.
- 2 *Design gaps* – Even if the service marketer understands the service need and requirements of customers, service levels may still be decided which we know do not meet these. This may be because of resource constraints on the part of the service provider or perhaps because the customers desired service levels are deemed to be too costly to provide and hence unprofitable.
- 3 *Production gaps* – Even if the marketer understands and proposes to meet customers' service needs and requirements the process may simply fail to deliver these. Often such gaps are due to unrealistic targets for service levels and especially where these unrealistic levels are promised to customers so that the customer now expects them. Sometimes, this type of gap stems from lack of resources, training or systems devoted to achieving the standards set.

When Virgin Trains was first established, Virgin made several promises about the service standards customers could expect from the Virgin Train Service. These related to areas such as punctuality, reliability, cleanliness, safety and so on. As much as anything, some of the problems that Virgin Trains have experienced with regard to customer complaints about the service stem from the initial expectations which these promises encouraged on the part of customers. In some respects, at least in the short term, some of them were probably unachievable. www.manchesteronline.co.uk/news.

- 4 *Perceptual gaps* – This type of gap stems from the customer simply not recognizing that their service requirements and expectations have in fact been met. For some reason the marketer has failed to persuade or convince the customer about this.

NOT-FOR-PROFIT MARKETING

Marketing is increasingly being used outside the profit making/commercial sectors. A particular growth area for the application of marketing concepts and techniques has been the area of not-for-profit organizations. Before we consider specifically the applications of the marketing tools in such organizations it is useful to consider the background to the application of marketing in these organizations, and whether they really need marketing at all.

Whether such organizations are inside or outside of the mainstream of the public service, they are frequently the subject of criticism for having a top-heavy bureaucratic structure, an apathetic attitude to their customers and poor and wasteful management, characterized by a reluctance to innovate. Such criticisms infer unresponsiveness and lack of communication. These are classic marketing problems, and it is not unreasonable to assume that marketing can contribute to their solution. This view can be supported if we examine some of the marketing issues in what constitutes a large proportion of not-for-profit organizations, namely in the public sector.

Due to the fact that many public services are virtual monopolies and funded by government, it is not possible to draw significant parallels between such systems and the commercial sector, other than to recognize that both have marketing problems. The essential difference is that for many public sector organizations the principle of consumer sovereignty has a reduced significance. For the most part it has not been possible for consumers to exercise the ultimate sanction: the withdrawal of patronage. This is not to say that all public bodies have failed to respond effectively to their consumers. It is, however, true that where such failure has taken place, had the rules of the commercial sector been applicable, the guilty organizations would probably have been forced to change or go out of existence.

Since the period immediately after the Second World War, the UK has witnessed dramatic growth in the number of not-for-profit organizations dedicated to the service of the public. At the outset, the level of altruism and the immediate job in hand were probably such that a conscious marketing effort was not thought necessary. Over time the same trends that have necessitated changes in commercial marketing have also affected the public sector. Changes in lifestyle, levels of affluence and the economy have altered attitudes to institutions which were once considered to be major social benefits. These changes have not been restricted to amenities such as libraries and other public recreational facilities, but have extended to charities, the police force and the health service. It could be argued that the public has little choice but to accept the public services with which they are provided. To accede to such a proposition would, however, be to deny the fundamentals of the marketing concept. While a city library may lose custom because it is not a pleasant place to visit, the only equivalent to such a sanction with respect to more immediately essential services is an unresponsiveness which engenders apathy and eventually hostility. When such a situation occurs, an organization becomes inefficient, not only from an internal viewpoint, but from the viewpoint of consumer satisfaction.

The missing element in organizations that have had experiences as described above is 'communication'. Quite simply, the organization has lost touch with its consumers. During the last decade not-for-profit organizations have begun to adopt a 'marketing orientation' which is designed to remedy this, not only in what is physically being offered, but also in terms of image and customer impressions. Like the business sector, there has been a transitional period during which organizations

have moved from a 'selling' to a 'marketing' orientation. The providers of public amenities, for example, have recognized that it is not sufficient merely to offer short-term incentives and promotional campaigns; rather they have come to terms with deciding 'what business they are in'. Libraries or public swimming baths are more than what they seem to be if one considers them as satisfying the 'leisure' needs of the community, rather than providing a lending service or a pool of water in which to swim.

That not-for-profit organizations can have marketing problems has not always been recognized. This recognition is the principal step of readjustment to the changing needs of society and to better serving those needs that have always existed. The next step is to adopt a marketing approach to management. This can be achieved by viewing the not-for-profit organization as the marketer views the firm and its markets.

The principles of marketing are no different for not-for-profit organizations than they are for any commercial enterprise. The concept of the marketing mix has equal application: just as different companies employ a mix that is appropriate to their markets, the optimum marketing mix for public bodies will depend on the type of organization and the market conditions that prevail.

Applying marketing to not-for-profit organizations is made easier by regarding their marketing structures first, as one would regard that of any commercial enterprise. Not-for-profit organizations are made up of the following components:

- 1 *Production* This may seem unusual at first sight, but it makes sense if one considers production as an input/output system, whatever the 'product' might be. Input may simply involve the generation of ideas or the acquisition of the means to produce a service. However, this should be subject to the same degree of impetus and control that is applied to any production line of physical goods.
- 2 *Personnel* The labour force is an integral part of the total marketing system; the appointment, training and reward structure should be implemented with this 'total' system in mind.
- 3 *Purchasing* Just as in business, this should be conducted with cost and the finished product in mind.
- 4 *Marketing* Marketing is responsible for thinking in terms of the 'product', whether this be for goods or a service. Marketing's role should also concern image, the environment and the optimization of the individual components that make up the organization. A marketing director is an increasingly evident feature of progressive organizations.
- 5 *Consumers* Whatever the degree of choice that consumers have in their use of an organization, it should be uppermost in the minds of managers that, although customers may not be lost by inefficiency and poor communication (as can be the case for a hospital) these defects imply that the marketing concept is not being successfully implemented. All the factors listed should, therefore, be focused on consumers.

Although there may need to be some modification to their application, most of the central concepts and techniques of marketing discussed in earlier chapters, such as target marketing, market research and forecasting and analysing consumers are equally relevant and useful to the not-for-profit organization. Just as in the profit-oriented organization, the basic aim of not-for-profit organizations is to obtain a desired response from a target market. The desired response may be, for

example, a visit to a health centre or increased support for a police force, rather than the exchange of money for products and services, but the principles of marketing remain the same. As regards the application and combination of the marketing mix, in many ways not-for-profit organizations, but more specifically their 'products', are similar to service products. For example, they are often intangible in nature and variability. The additional elements of the marketing mix for services, therefore, come into play together with some of the variations in the application of the conventional four Ps with regard to service products already discussed.

SUMMARY

There are special issues associated with the marketing of service products. The special characteristics of services compared to their physical product counterparts give rise to additional considerations in their marketing. In particular, service marketing requires us to consider an additional '3Ps' in an extended marketing mix to encompass People, Process, and Physical evidence considerations.

Not-for-profit sectors have traditionally tended to be production-oriented. Such organizations are now more publicly accountable as evidenced by the fact that the marketing concept is being increasingly acknowledged in such situations. The view is taken that the application of marketing principles are essential and appropriate in such situations.

KEY TERMS

Service product	504	Physical evidence	511
Process	510		

CASE STUDY

Marine Services Ltd

Don Horne has recently joined Marine Services Ltd, a specialist consultancy company providing technical advice and services to marine exploration companies. Don's background, somewhat unusually in this industry, is entirely in consumer services marketing. The company has employed him for this

expertise and experience, believing that the marine exploration industry is lacking in its knowledge and application of up-to-date marketing ideas and techniques being used so successfully in other industries. Marketing in the past in this company has been dominated by people with technical backgrounds and an in-depth knowledge of marine biology, marine engineering and marine exploration.

CASE STUDY ... continued

The idea of introducing a marketing specialist to the company came from the managing director of the company who recent attended two marketing seminars. The first of these was on services marketing and although not exclusively concerned with technical and consultancy services, the course had provided what the managing director felt were useful insights into some of the additional considerations in marketing service products, including the notion of an extended marketing mix to include People, Processes and Physical Evidence. The managing director realized that these were just as potentially important in the competitive world of marine exploration as they appeared to be in the fast food and other consumer service industries. Certainly, he felt there was food for thought as to how some of the ideas from these service industries could be applied to the company and its markets.

The second course he attended focused on the concept of relationship marketing. The course leaders had stressed the move towards relationship marketing in many industries and the way that relationship marketing tools and techniques could be used to help build customer loyalty and retain customers.

This was of particular interest to the managing director as current relationships with customers in the industry seemed to be characterized by antagonism and lack of co-operation between the companies in the industry and their customers, including Marine Services Ltd. Again, he felt there was potential to apply some of the ideas about relationship marketing to the company and its markets.

Having appointed Don Horne with the specific job remit to develop and apply service and relationship marketing concepts and techniques to the company and its marketing, the managing director has asked Don as his first task in the company to produce a brief written and verbal report outlining how these concepts and techniques could be of value in the company's future marketing. He has informed Don that he would be presenting this report to a meeting of the company directors and senior managers at the next monthly meeting. He has also warned Don that he could expect some reservations and even antagonism regarding the use of some of the more recent marketing ideas in what is after all a very traditional and conservative company.

CASE STUDY QUESTION

Prepare the outline report that Don will present to the board and senior management.

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