

# Chapter 6

## Service Marketing: Managing Customer Experience and Relationships

### STUDY OBJECTIVES

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Having completed this chapter, readers should be able to:

1. understand the limitations of the traditional *4Ps* model of marketing and the importance of three new *Ps* in the modern service management context;
2. understand external service implications and the role of service marketing when compared to traditional marketing functions;
3. understand the significance of other marketing concepts, such as the service encounter triad, internal marketing and relationship marketing, and be able to apply them in a hospitality and tourism context; and
4. recognize a complex and interdependent relationship among operations, HR and marketing concepts (and associated service encounter, internal processes and marketing, loyalty, customer engagement, and customer experiences concepts), which to a degree are also covered in other chapters of this book.

### OUTLINE

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- ▶ Introduction
- ▶ Toward a new marketing paradigm
  - ▶ What does marketing do?
  - ▶ How does marketing work?
  - ▶ A new integrated paradigm of service marketing
- ▶ Integrating operations, marketing, and human resources
  - ▶ Marketing *distance* in manufactured goods
  - ▶ Marketing *experience* in service
  - ▶ Customer experience

## INTRODUCTION

Marketing as we know it was built on a product-focused and typically manufacturing-based perspective grounded on the notion of economic exchange conceived during the time of industrial revolution. As we have seen, service organizations have features that are different from manufacturers of products, and the marketing of service is consequently different from that of product marketing. This chapter focuses on how the distinctive qualities of service affect the marketing of the service interface. The following chapter looks at the internal structures and strategies that are required to make this work.

Because they were primarily designed for goods marketing, the traditional *4Ps* of the marketing mix (*product, price, place, and promotion*) have proved inadequate for service marketing. It is essential that goods marketing focus on sales, since the role of goods marketing is external to the firm, meaning that it has limited involvement in the production process. On the other hand, in most service contexts the true impact of marketing happens inside the firm where customers interact with elements of the organization, particularly those front-line employees who are closely involved in all aspects of production and consumption. Moreover, given that most service outcomes are produced by people for people, the primary focus of service marketing is on value enhancement through relationship building during the production and consumption of service. To address this new perspective of service marketing three additional *Ps* have thus been introduced as service marketers have attempted to create more appropriate marketing models for the service industry. This chapter addresses these various aspects of service marketing.

In a similar vein, to address the needs of the service industry, new marketing concepts—such as customer experience, customer engagement, customer communities, employee engagement, employee participation, service encounter triad, internal marketing, and relationship marketing—have been identified as being specifically related to customers' perceptions and satisfaction in a service situation. These newer concepts are also discussed in this chapter and also in the following chapters.

It is vital that service managers understand and manage the challenges posed by the marketing of service at the interface with customers. This chapter addresses these challenges at the point of contact with the customer—the external service implications of service marketing. The next two chapters will follow by examining the internal mindset, structures, and strategies that are required to facilitate effective external service marketing.

## TOWARD A NEW MARKETING PARADIGM

### *What does marketing do?*

The primary function of marketing is to bring buyers and sellers together with the intention of exchanging products and services to create mutual value. The exchange essentially involves the obtaining of a desired product or service from another party by giving something in return. During this process of interaction and exchange, value is co-created by both customers and the employees of the firm. To render this possible, the primary role of marketing is communication, where the firm communicates to its potential customers about the benefits of its products and service while at the same time finding out from the customers their expectations, preferences, and changing needs.

To effect successful exchanges (or transactions), the marketing department analyzes what each party can be expected to give and receive. A full understanding of marketing therefore requires product