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THE MARKETING OF SERVICES - IMPLICATIONS FOR LEISURE

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ABSTRACT

Leisure is a service industry and traditional marketing approaches do not work well. New models are needed to improve the effectiveness of the leisure service industry.

THE MARKETING OF SERVICES - IMPLICATIONS FOR LEISURE

INTRODUCTION

By the late seventies researchers at the Harvard Business School were discovering that traditional approaches were inadequate when it came to the production of services. The special characteristics of services have implications for the way in which they are marketed.

The matrix in figure one links the three major characteristics of services with the four traditional parts of the marketing mix to highlight the marketing implications.

SERVICES ARE INTANGIBLE

The fact that services are intangible means that they cannot be stored, they cannot easily be demonstrated and that, while they can be sold, there is not necessarily any transfer of ownership.

Product

These characteristics have implications for the parts of the marketing mix. In terms of the product it means that it is particularly

difficult to guarantee quality. Reproduction of an intangible service to previously experienced standards is a major concern to management. It is only recently that service providers have become interested in a quality assurance program for their operations. The idea of a quality assurance program was pioneered by I.T.T. and is being implemented in the hotel industry through the American Hotel and Motel Association. It has not yet, however, made an impact upon recreation. The difficulties associated with defining quality for intangible services is an area that this industry will be forced to face soon.

Pricing

The intangible nature of services suggests certain pricing strategies. The intangible nature of a service makes it difficult for the customer to understand what the service package actually consists of and, therefore, what we are putting a price tag on. In addition, because few service transactions are identical, standardization is difficult. This may mean that some customers ask for and receive "more" service than others. To an extent, then, certain customers are subsidizing others while paying the same price. This opens the way for competitors to enter the marketplace with differential pricing strategies based on the level of service given.

Because services cannot be stored there is increased pressure on recreational operators to be more creative in their pricing. It is an oft repeated statement that the sale that is lost today is gone forever. While supply is fixed, demand is variable. This means that we must increasingly identify segments of the market based on the relative importance of time and money to them and produce appropriate pricing strategies to fill up those slack periods.

Promotion

The fact that a service is intangible makes it more difficult to promote. The service cannot be effectively demonstrated to the potential customer. We cannot touch or see that ski trip before it is taken. In marketing services the image created is vitally important. An image is the way reality is mentally represented to an individual or group. The image generated must be powerful enough to motivate the individual to buy an intangible experience, to travel often great distances to experience what was purchased with no guarantee that, if disappointed, the experience can be duplicated to the buyer's satisfaction. An awesome task!

When it works an image can become self-fulfilling. The image generates behavior on the part of the customer. If the customer is satisfied that behavior justifies and, therefore, reinforces the image. To the extent that the satisfaction of the customer is seen by others it influences their perception of reality.

Image creation can be effectively used not only in promoting a message to the market but also to the employees. Advertisements are also read by the employees of the operation and can be constructed to increase motivation. We all like to feel we are part of a winning company. By advertising quality, customer satisfaction, and good times the employees can be drawn into the act to provide the very things the advertisements are touting.

Distribution

In the marketing of goods the fourth "P" in the marketing mix is PLACE. The key is to get the right goods to the right people in the right quantities at the right time. In service marketing the term used is DISTRIBUTION. Distribution is the link between demand and supply. The principal difference is that in tourism and recreation the people move to the service rather than the goods moving to the people. The task of a distribution system is two fold: to provide an effective mechanism whereby potential customers get information at the right time, at the right place and in quantities sufficient to allow them to make a purchase decision; and to provide a mechanism whereby those customers can make reservations and pay for their recreational experience.

PRODUCTION AND CONSUMPTION OCCUR AT THE SAME TIME

The second major characteristic of services is related to the fact that production and consumption occur simultaneously. Because of this functional differences within the organization between production and selling disappear. In many cases the customer is a participant in the production/selling/consumption process. These facts make service marketing difficult.

Product

The service is "made to order". This means that there is great pressure to be ready to deliver quality experiences at any time there is a demand. Yet oftentimes, demand is so variable operators cannot predict with any degree of certainty when it might occur. This puts tremendous demands on management and staff.

This dilemma - the great gulf between the general dullness and the occasional need for extraordinary skill that occurs in the same job - is a difficult one. The service company cannot afford to employ people who have all the potential and skill for the once-in-a-lifetime situation but who hardly ever have to use it; and such skilled people would be bored by the everyday routine of the job. On the

other hand, the company cannot afford not to have the skill, the personal qualities and the motivation available to solve the problem when it does arise, because that is what their service is all about. Innovative personnel ideas, often of some temporary or transient kind, tend to be important ingredients in solving such dilemmas. (1)

There are several ways to build quality into this difficult situation. As much of the service as possible can be produced "back of the house" thereby assuring quality. This can be done through standardized recipes in a restaurant situation. Secondly attempts can be made to reduce the decisions made by employees at the time of contact with customers. This can be achieved through the training of employees such that they know the standards that are expected of them while providing supervisors as back up for dealing with any situations that rise out of the ordinary. The third strategy is the opposite of the second to allow contact staff to use as much discretion as possible by improving their ability to solve problems and to treat each situation in a customer-oriented way.

Price

The fact that customers often are part of the production/selling/consumption equation has implications for pricing. Since customers are part of the process anyway it may be possible to actively increase customer participation as a strategy for reducing costs. How can the customer be induced to participate in the production/selling/consumption process? Cost is an obvious incentive. By turning to self-service, if it is appropriate, operators can turn over some of the labor functions to the customer, rewarding that customer with reduced prices. It should also be noted that customers will participate if the situation seems interesting or even stimulating for them. They must, however, be educated in how to wax their own skis, for example, and given the tools to do so. The physical setting must be one that is appropriate to support customer participation and such situations must be carefully designed to protect the status and self-image of the customer. Apart from T.V. game shows few people will lower themselves in the eyes of others for money.

Promotion

Employee selling becomes an important part of the marketing mix because of the link between production and consumption. More so than in goods' industries all service employees are part of the selling process. Depending upon the training and encouragement they receive from management employees can be order takers or sales makers. They have an opportunity to sell at the point of contact - a bottle of wine, ski lessons, recreational activities add-ons.

Distribution

The distribution function will, of necessity, be more diversified than in goods' industries. Service companies distribute directly and indirectly. Direct distribution involves direct contact between the operation and the customer; indirect distribution involves the use of an intermediary - a travel agent or a ski club, for example - between customer and the operation. Increasingly the trend is for the use of intermediaries in distributing tourism and recreation services. The dominant issue here is one of control. Intermediaries in the distribution channel are not the employees of the recreational site. They are not subject to the instructions of the management of the supplier. They may have several different recreational options to sell, not just "ours". They may lack the training and/or the motivation to sell. The need becomes apparent for the supplier to actively recruit and train and motivate those intermediaries who can reach those segments of the market being cultivated.

SERVICE IS AN ACT, A SOCIAL EVENT

Product

The product being served relies greatly on the fact that service involves an interaction between host and guest. It involves a transfer. The product is potentially a transfer of three things - service, knowledge and/or management. At one level a customer may want to rent skis (service); someone else may want ski lessons (knowledge); yet another may want to establish a year-round program of fitness in their life (management).

To the extent that service is a social event the quality of that service depends not only on the interaction between customer and employee but also on the interaction between customer and customer. Management is charged with the task of managing the appropriateness of the dress and behavior of other guests to ensure customer satisfaction.

Price

Price is one way to influence the type of customers attracted and the behavior that is expected. By pricing at a high level a certain segment of customer is attracted. By pricing at that level management is also "telling" guests what kind of behavior is appropriate. It is important that the quality received be perceived by the customer as greater than or at least equal to the price charged. If it is not so customer dissatisfaction will result. The higher the price the more

quality, the more dramatic, the more flamboyant the social event must be.

Promotion

The fact that service is an act means that operators must change their business orientation. Those who see themselves as providing a bed, a meal, a drink, or a lift ticket exhibit a product orientation. They think people will buy because their product is bigger or better. This is true when demand is greater than supply - when there are more customers than competition. When there is more competition than available customers the orientation changes to that of selling. Those who emphasize advertising, two-for-ones and other promotions exhibit a selling orientation. The problem is that a selling orientation focuses on my needs as the seller rather than on your needs as the customer. What must be promoted is a marketing orientation. A marketing orientation dramatizes the idea that we are in business to satisfy the needs and wants of the customer. The entire operation must be designed, operated and promoted around that thought. It is the realization that some skiers choose a ski area because it is the "in" place (esteem), others because it offers them the opportunity to have a family vacation at a reasonable price (love or belonging) while others want a place that will help keep them in shape (physical). What must be promoted to potential customers and employees alike is that this operation does not promote features; it promotes benefits. Those benefits involve a social event - an interaction between customer, other customers and employees.

Distribution

Earlier it was noted that there were several ways of attempting to ensure quality. One was to restrict the discretion of employees; another was to increase it. Because service is a social event, increased employee discretion is suggested. Management can train their employees, can give them the tools to do the job and provide a motivating climate within which to operate. When they reach that "moment of truth" - the interaction between host and guest - their actions can no longer be directly influenced by management. They must rely on an operations manual which details every possible situation or they can rely upon the technical and interactive skills and the values given to them by management as a guide to their behavior. The latter is appropriate if we are to emphasize the social event nature of the service being provided.

SUMMARY

This article has explored some of the issues facing the marketing of recreational services. The framework will add understanding of how marketing principles can be developed to guide management actions, especially in the tourism and recreation fields.

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1. R. Norman, Service Management; Strategy and Leadership in Service Business, John Wiley and Sons, New York, New York, p. 40, 1984.

FIGURE 1

SERVICE CHARACTERISTICS AND THE MARKETING MIX

Characteristics of Services	Product	Price	Promotion	Distribution
Services are intangible	Difficulty in guaranteeing quality	Differential pricing; creative pricing	Importance of image	Provide information; allow for reservations
Simultaneous production and consumption	Pressure on employees	Self-service	Importance of employee selling	Use of intermediaries
Service is an act; a social event	Importance of other customers	Pricing to influence behavior	Promoting need-want satisfaction	Employee discretion at the moment of truth
