

## **An Appraisal of Strategies and Challenges of Services Marketing in a Globalized Business Environment**

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**Abstract:** *Services marketing is the provision of intangible offerings (services), whether business to consumer (B2C) or business to business (B2B) markets. This can be commonly found in telecommunications, air travel, health care, financial, car rental, and professional services. A globalized business environment is that which encompasses different sovereign countries with interplay of several factors exogenous to the home environment of a business organization and influencing decisions on resource use and capabilities. Such factors fundamentally include social, political, economic, cultural, legal and technological elements. This paper attempts to appraise the strategies and challenges of service marketing in a globalized business environment. The study adopted desk research using of relevant secondary data to draw generalization. Relying on secondary data, it was found that service marketing is influenced by the challenges of intangibility, perishability, heterogeneity, inseparability and nature of the service. Other factors such as socio-cultural, macroeconomic and inter-boundary barriers are found to relate with service marketing operations internationally. Based on the findings, the paper recommends that since service marketing is very competitive, strategies that revolve around the effective mobilization, adaptation and deployment of the seven (7) Ps of services marketing mix variables of product, place, pricing, promotion, people, physical evidence and processes will help a service marketer and/or provider gain competitive advantage in a globalized market place.*

**Keywords:** *Services Marketing, Globalized Business Environment, Consumers and Strategy.*

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### **1. INTRODUCTION**

Business organizations are competing strategically through service quality for greater differentiation in today's competitive marketplace. This is because services are becoming the way organizations meet with their markets (Irons, 1997 in Strydom, 2004). Innovative organizations, offering new services as well as unique customer services are now succeeding in markets where established organizations have failed (Lovell and Patterson, 1998 in Strydom, 2004).

Quin, Baruch and Paquette (1987) defined services to include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser. A service is thus a type of economic activity that is intangible, is not stored and does not result in ownership. A service is consumed at the point of sale. Services are one of the two key components of economics, the other being goods. The basic characteristics of services are encapsulated into intangibility, inseparability of production and consumption, heterogeneity, and perishability.

Business dictionary (2014) defined Service marketing as the promotion of economic activities offered by a business to its clients. This might include the process of selling telecommunications, healthcare, financial services, hospitality services etc. It is considered to be a special sub set of marketing because it focuses on how rendering of services can affect both the customer attitude and the marketing strategy. Service marketing includes building public relations, advancing customer loyalty, developing quality of service, handling relationships and complaint management. According to Zeithaml, Parasuraman and Berry (1985), service marketing is becoming a recognized and accepted subset of the marketing discipline because of the growth of the service sector in economies throughout the world.

The service sector seems to be taking over the world economy because of its growing significance and immense share of the economic landscape of most nations. To some extent, the service sector has been regarded as a gauge of a country's economic advancement. Economic history illustrates that developing countries have habitually moved from agriculture to industry and finally to the service sector as their core sector of the economy.

Expectedly, service marketing, like every other marketing orientation is influenced by certain factors in a globalized economy. A global market gives firms opportunities to access worldwide resources and expand into many new overseas markets thereby increasing the firm's performance. On the other hand, there are threats posed by an increasing number of competitors and an increase in intensity of competition coupled with higher market uncertainty (Eng, 2001; Fawcett & Closs, 1993 and Hafsi, 2002). Consequently, it becomes pertinent to a service marketer to analyze this complex challenge in order to provide relevant corporate strategies that will ensure survival and growth of his/her organization in global market setting.

### **1.1 Statement of the Problem**

The failure of some service marketing businesses to survive and sustain growth in global business environment has challenged marketing managers in these organizations to identify and implement strategic approaches to minimizing the effects of global business challenges. Zeithaml, Bitner & Gremler (2010) argue that executives of services organizations have long struggled with how to approach service design and delivery in an organized manner. Thus efforts have been made towards evolving workable strategies to overcome these challenges posed by the global marketing setting to the marketing of services.

The objectives of this paper are to:

- i. Appraise strategies used in marketing services in global businesses;
- ii. Identify the challenges of service marketing in a globalized business environment;
- iii. Recommend ways of overcoming these challenges.

Accordingly, the following research questions are raised in a bid to proffering solutions:

- i. What are the challenges associated with services marketing in a globalized business environment?
- ii. To what extent do these challenges affect the effective marketing of services in a global business setting?
- iii. What are the strategies to use in reducing the effects of these challenges?

In attempting to provide the answers to the above posers, this paper derives its source of information and data primarily from available literature.

## **2. LITERATURE REVIEW**

Three basic assumptions pervade the growing body of literature on services marketing. Firstly, the unique characteristics – intangibility, inseparability of production and consumption, heterogeneity, and perishability – distinguish services from tangible goods. Secondly, these unique characteristics pose unique problems to the marketing of services as against goods. Thirdly, these problems posed require unique solutions (Zeithaml et al, 1985).

Papastathopoulou (2006) observed that services marketing has had to evolve through three different stages to become an important sub-unit of marketing viz The Crawling Out stage (pre-1980), The Scrambling about stage (1980-1985) and The Walking Erect stage (1986 – today). As Strydom (2004) noted, services marketing concepts, frameworks and strategies were developed as the result of interlinked forces of many industries, organizations and individuals who have realized the increasingly important role services are playing in the current world economy. Initially, the development of services marketing focused on service industries. However, manufacturing and technology industries recognized services as a pre-requisite to complement their products in order to compete successfully in the market place. Therefore, it can be argued that in most industries, providing a service is no longer an option but a necessity.

In their study, Ziethaml et al (1985) saw the differences in services marketing. They observed that firms marketing to institutional customers differ from firms marketing to end consumers in several important ways. For example, advertising appears to be a less important part of institutional firms marketing programme. They seem to be more interested in contact marketing with strong emphasis on customer follow-up. This may not be unconnected with the fact that there are fewer customers in the institutional market, who also have a tendency to spend more.

In early writings on services, scholars distinguished services from goods by noting that they were intangible, perishable, variable, and that the producer and consumer were inseparable. Recently, it has been suggested that these distinctive characteristics should not be viewed as unique to services, but that they are also relevant to goods, that “all products are services”, and that “economic exchange is fundamentally about service provision” (Vargo & Lusch, 2004).

### **2.1 Service Marketing**

Services marketing relates to the marketing of services, as opposed to tangible products. Proper marketing of services contributes substantially to the process of socio-economic development.

#### **Significance of services marketing:**

<http://faculty.mu.edu.sa> highlights the significance of the service economy under the following headings:

*i. Generation of employment opportunities:*

The components of the service sector are wide and varied. For example, the service sector includes personal care, education, medicare, communication, tourism, hospitality, banking, insurance, transportation, consultancy services, etc. The organised and systematic development of the service sector would create enormous employment opportunities

*ii. Optimum utilisation of resources:*

Service firms such as personal care services, the entertainment services, tourism services, hotel service contribute to the growth of the economy without consuming any natural resources. In a sense, the growth of service firms of this kind conserve natural resources. Thus, services marketing help conserve the valuable resources for future generations.

*iii. Capital formation:*

There are indications that services will grow more rapidly in the near future. Economic, social and political factors signal an expansion of the service sector. Investments and job generations are far greater in the service sector compared to manufacturing.

*iv. Increased standard of living:*

The standard of living of the people in any country would be decided on the basis of quality and standard of products consumed or services availed in the day-to-day living.

*v. Use of environment-friendly technology:*

Nowadays, almost all services are found to be technology-driven. Developed countries are making full use of latest technology while rendering services. Technologies used by service generating organizations such as banks, insurance companies, tourism, hotels, communication and education services are not detrimental in any way to the environment.

#### **Classification of services marketing**

Lovelock and Yip (1996) suggest classifying services into the following groups:

##### **i. People processing services**

These services require the customer's presence while the services are being provided. Typically such services are directed or applied to people and so their presence is mandatory. To use, enjoy

and buy these services customers must be prepared to spend time cooperating with the service operation (Lovelock, Vandermerwe & Lewis, 1996). Typical examples are medical services, passengers transport, hotels, fitness centres and beauticians.

### **ii. Possession processing**

Such services are aimed at people's possessions, that is, good transportation, laundry and repair services. Clearly these services do not require customer's involvement in the process and so from a marketing perspective are less complex than people processing services.

### **iii. Mental stimulus/information based services**

Under this heading are a developing range of services aimed at people's minds and assets, example entertainment, education etc. Many of these services, as noted by Vandermerwe and Chadwick (1989) are embodied in goods such as CD ROMs, DVDs, books, movies, cassettes and so are exportable as products. Personal contact with customers is unnecessary and for many of these services conventional international marketing theory is applicable.

## **2.2 Characteristics of Service Marketing**

The rationale for a separate treatment of services marketing centers on the existence of a number of characteristics of services which are consistently cited in the literature: intangibility, inseparability of production and consumption, heterogeneity, and perishability.

### **Intangibility**

The fundamental difference universally cited by Bateson (1995); and Lovelock, (1999) is intangibility. This is true because services are performances, rather than objects, they cannot be seen, felt, tasted, or touched in the same manner in which goods can be sensed. Intangibility, is the critical goods-services distinction from which all other differences emerge.

### **Inseparability**

Inseparability of production and consumption involves the simultaneous production and consumption which characterizes most services. Whereas goods are first produced, then sold and then consumed, services are first sold, then produced and consumed simultaneously (Zeithaml, Bitner & Gremler, 2006)). Since the customer must be present during the production of many services (haircuts, airplane trips), inseparability "forces the buyer into intimate contact with the production process". Inseparability also means that the producer and the seller are the same entity, making only direct distribution possible in most cases thus causing marketing and production to be highly interactive.

### **Heterogeneity**

Heterogeneity concerns the potential for high variability in the performance of services. The quality and essence of a service (a medical examination, car rental, and restaurant meal) can vary from producer to producer, from customer to customer, and from day to day. Heterogeneity in service output is a particular problem for labor intensive services. Many different employees may be in contact with an individual customer, raising a problem of consistency of behavior. Service performance from the same individual may also differ.

### **Perishability**

Perishability means that services cannot be saved (Bessom & Jackson 1975, Thomas, 1978 cited in Zeithaml et al (2006). Motel rooms not occupied, airline seats not purchased, and telephone line capacity not used cannot be reclaimed. Because services are performances frequently that cannot be stored, services businesses frequently find it difficult to synchronize supply and demand. Sometimes too much demand exists (a popular restaurant on a Saturday night) and sometimes too little demand exists (an income tax service in the summer). The literature suggests that each unique characteristic of services leads to specific problems for service marketers and necessitate special strategies for dealing with them.

## **2.3 Strategies of Service Marketing**

According to helpsmc.com article, there are two main strategies of service marketing:

### **A. Use of the Extended Marketing Mix**

The 4Ps marketing mix which represents **P**roduct, **P**lace, **P**ricing and **P**romotion, have been most widely employed as a model for product marketing. It shows the company preparing an offer mix of the product and price, with an integrated promotion mix to reach the target consumers through the selected distribution channels. The 4Ps of marketing have been the key areas where marketing managers allocate scarce corporate resources to achieve the business objectives. Services have unique characteristics: intangibility, heterogeneity, inseparability and perishability. To discern the differences between services and physical products, Booms and Bitner (1981) suggested the extension of the 4Ps framework to include three additional factors: **P**eople, **P**hysical evidence and **P**rocesses as marketing mix variables for services marketing:

**i. People** refer to all people directly or indirectly involved in the consumption of a service, example employees or other consumers. Due to the inseparability of production and consumption for services which involves the simultaneous production and consumption of services, service firms depend heavily on the ability of contact employees to deliver the service.

Contact employees contribute to service quality by creating a favorable image for the firm, and by providing better service than the competitions. Service providers (such as hair stylists, personal trainers, nurses, counselors and call centre personnel) are involved in real time production of the service. They are the “service”. Much of what makes a service special derives from the fact that it is a lived-through event. Service firms must find ways in which they can effectively manage the contact employees to ensure that their attitudes and behaviors are conducive to the delivery of service quality. This is especially important in services because employees tend to be variable in their performance, which can lead to variable quality i.e. heterogeneity in the performance of services. This lack of homogeneity in services creates difficulties for the service firms. As delivery of services occurs during interaction between contact employees and customers, attitudes and behaviors of the service providers can significantly affect customers' perceptions of the service. This is important, because customers' perceptions of service quality and its value can influence customer satisfaction, and in turn, purchase intentions.

**ii. Physical evidence** refers to the environment in which the service is assembled and in which the seller and customer interact, combined with tangible commodities that facilitate performance or communication of the service. The physical evidence of service includes all the tangible representations of service such as brochures, letterhead, business cards, reports, signage, internet presence and equipment. For example, in the hotel industry, the design, furnishing, lighting, layout and decoration of the hotel as well as the appearance and attitudes of its employees will influence customer perceptions of the service quality and experiences. Because of the simultaneous production and consumption of most services, the physical facility i.e. its servicescape can play an important role in the service experience. As services are intangible, customers are searching for any tangible cues to help them understand the nature of the service experience. The more intangible-dominant a service is, the greater the need to make the service tangible. Credit cards are another example of the use of tangible evidence that facilitates the provision of (intangible) credit facilities by credit card companies and banks. In fact, the physical environment is part of the product itself. In summary, physical evidence serves as a visual metaphor of what the company stands for, and facilitates the activities of customers and employees

**iii. Process** is referred to the procedures, mechanisms and flow of activities by which the service is delivered i.e. the service delivery and operating systems. Because services are performances or actions done for or with the customers, they typically involve a sequence of steps and activities. The combination of these steps constitutes a service process which is evaluated by the customers.

Furthermore, in a service situation customers are likely to have to queue before they can be served and the service delivery itself is likely to take a certain length of waiting time. It helps if marketers ensure that customers understand the process of acquiring a service and the

acceptable delivery times. Creating and managing effective service processes are essential tasks for service firms. This is more so due to the perishability of services which means that services cannot be inventoried, stored for reuse or returned. Hotel rooms not occupied and airline seats not purchased cannot be reclaimed. As services are performances that cannot be stored, it is a challenge for service businesses to manage situations of over or under demand. Another distinctive characteristic of the service process that provides evidence to the customer is the standardized or customized approach based on customer's needs and expectations. Since services are created as they are consumed, and because the customer is often involved in the process, there are more opportunities for customizing the service to meet the needs of the customers. The first concerns the extent to which the characteristics of the service and its delivery system lend themselves to the scope of customization; the second relates to the extent of flexibility the contact employees are able to exercise in meeting the needs of the customers.

## **B. Differentiating Your Service**

Service marketers sometimes complain about the difficulty in differentiating their services. For example, a dentist office might wonder how it can differentiate itself from other dentists. It might be tempting to compete on price, but this often ends up hurting business more than helping because competitors will cut prices to match. An alternative to competing on price, is to develop a differentiated offer, delivery, image and/or quality.

**Offer:** An offer can include innovative features. What customers expect is called the primary service package, and to this, you can add a secondary service feature. A coffee shop might offer free internet access and comfortable couches as secondary services.

**Delivery:** A service company can hire and train better people to deliver its service, a more attractive physical environment or design a quicker delivery process.

**Image:** Service companies can also differentiate their image through symbols and branding. If your company is reputable and provides a valued service, use a good logo and symbols to help customer's associate high quality to your services.

**Service Quality:** You can win over the competition by delivering consistently higher-quality services and exceeding customer expectations. These expectations are formed by their past experiences, word of mouth, and the messages you deliver through advertising. If you don't meet or exceed customer expectations, your customers will lose interest in your services.

## **2.4 Globalized Business Environment**

Globalization is the integration of national economies through trade and financial interaction. With the opening of borders to trade and foreign investment, globalization brings opportunities and pressures for domestic firms in emerging market economies to improve their competitive position. A globalized business environment will have the following features:

- i. Free access to the markets across the world without any physical or fiscal or any other (governments) restriction. Hence, global consumers emerge demanding high quality products and more value for their money without any restrictions like parochial, regional or national consideration.
- ii. Globally standardized products that can be marketed all over the world;
- iii. Free mobility of human capital resources across transnational borders
- iv. Differences in culture, economic variables, legal and regulatory factors, etc

## **2.5 Challenges of Service Marketing in a Globalized Business Environment**

Linton (2014) opined that service firms face different challenges than companies that market physical products. Service firms are marketing something intangible that the customer cannot experience until the firm has delivered it. While some aspects of service marketing are similar to those of product marketing, the service sector needs to place special emphasis on adding value, differentiation and specialization.

### *2.5.1 Value*

Service value is the extent to which a service is perceived by its customer to meet his or her needs or wants, measured by customer's willingness to pay for it. A service firm must demonstrate value to customers and prospects. Services such as accountancy, computer maintenance and insurance are essential to the efficient day-to-day operations of a business. However, services such as marketing, training or consultancy are more peripheral. Service firms have to demonstrate that those services can add value to the customer's business. Training, for example, can improve the productivity and performance of the workforce. A firm may also need to show that marketing services can improve a company's competitive advantage. Or that consultancy can help a company improve its operations and profitability.

### *2.5.2 Service Development*

Development costs for service firms are high compared to those of a product company. Service firms cannot keep standard services in stock or take advantage of economies of scale. They must create a new version of a service for each assignment, customized to the needs of individual customers. To create a service, a representative discusses the customer's requirements, prepares a service specification for the customer's approval and brings together the elements needed to deliver the service.

### *2.5.3 Competition*

Competition for service firms is both direct and indirect. Direct competitors include other service businesses offering similar services and manufacturers who provide services that support their products. A firm offering computer maintenance services, for example, faces competition from other maintenance firms as well as the service divisions of computer manufacturers. Service firms also face a form of indirect competition from customers who provide services from their own internal resources. To persuade customers to outsource their operations, service firms must demonstrate that their offering is both superior and cost effective.

### *2.5.4 Differentiation*

Customers can only judge the quality of a service when they have used it. They cannot inspect the service in the same way they can examine a product on a shelf. Service firms must therefore find ways to differentiate themselves from competitors. Accreditation with a recognized body is one way of demonstrating professionalism. Firms aim to build their reputation by publishing authoritative articles or speaking at industry seminars. Specialization can also create a point of difference. A firm offering training services, for example, can differentiate itself by focusing on tailored training for a specific sector, such as financial services.

## **3. FINDINGS**

In the course of this research the following findings were made.

- i. Service marketing has over the years evolved into an important sub-unit of marketing and embraced worldwide;
- ii. The unique characteristics of services are in themselves challenges to the marketing of such services. Such characteristics like intangibility, perishability, heterogeneity, inseparability nature of the service;
- iii. Strategies that can be employed to overcome some of these challenges include the application of the extended marketing mix which highlights the fact that the traditional 4Ps (Product, Price, Place, Promotion) of marketing, while sufficient in product marketing are inadequate in successfully marketing a service. Thus an additional 3Ps (People, Physical evidence and Processes) will provide the optimal mix of strategic variables to overcome the challenges of services marketing;
- iv. In today's world, business activities are directly or indirectly influenced by the phenomenon of globalization. With the world becoming a global village, certain features such as collapsing of trade boundaries, globally standardized products, free mobility of

resources (human and material) and different cultural, economic, legal and regulatory factors define the global business space;

- v. Marketing services, aside from the typical challenges resultant from the attributes of services, also have peculiar challenges occasioned by globalization. These include creating unique value, developing unique services, facing competition from other industry operators and the challenge of differentiating your firm in the face of similarities from competitors.

#### **4. CONCLUSION**

To be effective at services marketing, today's marketer must understand how the very nature of services can influence marketing strategy. Services marketing deliver processes and experiences that are intangible to customers at profitable gains to the firm. To this end, the survival and sustenance of service marketing businesses in a globalized market place can be greatly enhanced by a clear understanding of the need to evolve strategies to overcome the challenges posed by the internal and external business environments.

#### **5. RECOMMENDATION**

Services are inherently intangible, inseparable, variable, and perishable. Each of these characteristics creates challenges for marketers and requires particular strategies. Marketers must make the intangible tangible; increase the productivity (and in turn, profitability) of its service providers; limit the variability in service quality; and match the supply of services to changes in demand. By adapting strategies to the unique characteristics of services, marketers can more effectively promote their offerings to their target audience.

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