Winning in Service Markets Series, Vol. 5: Service Marketing Communications

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Service Marketing Communications

Jochen Wirtz

Developing an effective service marketing communications strategy starts with a good understanding of the service product and its prospective buyers. It is essential to understand target market segments and their exposure to different media, consumers' awareness of the service product, their attitudes toward it, and how they can easily evaluate the products characteristics prior to purchase, and during and after consumption. Service Marketing Communications is the fifth book in the Winning in Service Markets series by services marketing expert Jochen Wirtz to cover the key aspects of services marketing and management based on sound academic evidence and knowledge.

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Winning in Service Markets Series

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The Winning in Service Markets Series covers the key aspects of services marketing and management based on sound academic evidence and knowledge. The books in this series is written by services marketing expert Jochen Wirtz, author of globally leading textbook for Services Marketing. Each book in the series covers different themes in the study of services marketing and management, is accessible, practical and presented in an easy-to-read format for busy practitioners and eMBA students.

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Winning in Service Markets Series: Vol. 5

Service Marketing Communications

Jochen Wirtz

Winning in Service Markets Series — Vol. 5
SERVICE MARKETING COMMUNICATIONS

Dedication

To my past and future EMBA and Executive Program participants.

I have been teaching EMBA and Executive Programs for over
20 years. This Winning in Service Markets Series is dedicated to you, the
participants from these programs. You brought so much knowledge and
experience to the classroom, and this series synthesizes this learning for future
EMBA candidates and managers who want to know how to bring their service
organizations to the next level.

Preface

The main objective of this series is to cover the key aspects of services marketing and management, and that is based on sound academic research. Therefore, I used the globally leading text book I co-authored with Professor Christopher Lovelock (Title: *Services Marketing: People, Technology, Strategy*, 8th edition) as a base for this series, and adapted and rewrote it for managers. This is a unique approach.

This series aims to aims to bridge the all-too-frequent gap between cutting edge academic research and theory, and management practice. That is, it provides a strongly managerial perspective, yet is rooted in solid academic research, complemented by memorable frameworks.

In particular, creating and marketing value in today's increasingly service and knowledge-intensive economy requires an understanding of the powerful design and packaging of intangible benefits and products, high-quality service operations and customer information management processes, a pool of motivated and competent front-line employees, building and maintaining a loyal and profitable customer base, and the development and implementation of a coherent service strategy to transform these assets into improved business performance. This series aims to provide the knowledge required to deliver these.

Winning in Service Markets comprises of the following volume:

Vol 1: Understanding Service Consumers
Vol 2: Positioning Services in Competitive Markets
Vol 3: Developing Service Products and Brands
Vol 4: Pricing Services and Revenue Management
Vol 5: Service Marketing Communications
Vol 6: Designing Customer Service Processes
Vol 7: Balancing Capacity and Demand in Service Operations
Vol 8: Crafting the Service Environment
Vol 9: Managing People for Service Advantage
Vol 10: Managing Customer Relationships and Building Loyalty
Vol 11: Designing Complaint Handling and Service Recovery Strategies
Vol 12: Service Quality and Productivity Management
Vol 13: Building A World-Class Service Organization

Contents

Introduction

Developing an effective service marketing communications strategy starts with a good understanding of the service product and its prospective buyers. It is essential to understand target market segments and their exposure to different media, consumers' awareness of the service product, their attitudes toward it, and how they can easily evaluate the products characteristics prior to purchase, and during and after consumption. *Service Marketing Communications* is the fifth book in the Winning in Service Markets series by services marketing expert Jochen Wirtz to cover the key aspects of services marketing and management based on sound academic evidence and knowledge.

VOLUME 5

Service Marketing Communications

Life is for one generation; a good name is forever.

Japanese proverb

Education costs money, but then so does ignorance.

Sir Claus Moser
British statistician

We don't have a choice on whether we do social media; the question is how well we do it.

Erik Qualman
Author of Socialnomics

INTEGRATED SERVICE MARKETING COMMUNICATIONS[1]

Although communication is the most visible or audible form of marketing activities, its value is limited unless used intelligently in conjunction with other marketing efforts. According to an old marketing axiom, the fastest

way to kill a poor product is to advertise it heavily. By the same token, an otherwise well-researched and well-planned marketing strategy is likely to fail if prospects are not aware of a service firm's existence, what it has to offer, the value proposition of each of its products, and how to use them to their best advantage. Customers can be easily lured away by competitive offerings, if there is no proactive management and control on the firm's identity. Marketing communications, in one form or another, are essential to a company's success. This volume focuses on how to plan and design an effective marketing communication strategy for the services offered. Through communications, marketers explain and promote the value proposition their firm is offering.

Communications must be viewed more broadly than just as media advertising, public relations, social media, and professional salespeople. There are many other ways for a service business to communicate with current and prospective customers. Location and atmosphere of a service delivery facility, corporate design features, such as consistent use of colors and graphic elements, appearance and behavior of employees, design of a website, all these make a profound impression on customer's mind that reinforces or contradicts the specific content of formal communication messages.

In the past few years, Internet and mobile apps have emerged as new and exciting opportunities for reaching prospects with previously unimaginable targeting and message specificity. All these media have to be effectively synchronized to attract new customers and to affirm the choice of existing customers, while educating them on how to proceed through a service process.

Developing an effective service marketing communications strategy starts with a good understanding of the service product and its prospective buyers. It is essential to understand target market segments and their exposure to different media, consumers' awareness of the service product, their attitudes toward it, and how they can easily evaluate the products characteristics prior to purchase, and during and after consumption. Decisions include determining the content, structure and style of the message to be communicated, its manner of presentation, and the media most suited to reach the intended audience.

To integrate all these considerations, the Integrated Service Communications Model was developed as shown in Figure 1, which

serves as the organizing framework for this volume. It starts with the 5 'W's model, which offers a useful checklist for marketing communications planning:

- *Who* is the target audience?
- *What* do we need to communicate and achieve?
- *How* should we communicate this?
- *Where* should we communicate this?
- *When* do the communications need to take place?

The following section discusses the issues of defining the target audience ("who") and specifying communication objectives ("what"), which are the key strategic communications decisions to be made. Further sections deal with the tactical decisions of service communications plan required to implement the communications strategy, which include the wide array of communication channels available to service marketers ("*where*"), how service-specific challenges of communications can be overcome ("*how*"), and when scheduling of communication activities should take place ("*when*"). Additional considerations included in this model are discussed in the subsequent sections — the budget available for execution and methods of measuring and evaluating a communications program performance; ethics and consumer privacy, and corporate design. The final section then discusses how communications across channels should be aligned using integrated marketing communications.

DEFINING TARGET AUDIENCE

Prospects, users, and employees are the three broad target audiences for any service communications strategy:

- *Prospects*: As marketers of consumer services do not usually know the prospects in advance, they typically need to employ a traditional communications mix, comprising elements such as media advertising, online advertising, public relations, and use of purchased lists for direct mail or telemarketing.

- *Users*: In contrast to prospects, more cost-effective channels are often available to reach existing users, including cross- or up-selling

Figure 1: Integrated Service Communications Model

Communications Strategy Development

Who is our target audience? (Target Audience Decision)

Key Target Audiences for Service Communications:
- Prospective customers, target segments
- Current customers, users of the service
- Employees as secondary audience

What are our objectives? (Communications Objectives)

Strategic Objectives:
- Position & differentiate the brand & service products

Tactical Objectives by Consumption Stage Along the Service Communication Funnel
- Pre-purchase stage:
  - Manage the customer search and choice process.
- Service encounter stage:
  - Guide customers through the service encounter
- Post-encounter stage:
  - Manage customer satisfaction & build loyalty

Communications Strategy Implementation

How should this be communicated? (Message Decisions)

Challenges of Service Communications:
- Problems of intangibility
  - Abstractness
  - Generality
  - Non-searchability
  - Mental impalpability
- Strategies to address intangibility
  - Advertising tactics to address intangibility (incl., showing consumption episodes, documentation, and testimonials)
  - Tangible cues
  - Metaphors

Where should this be communicated? (Media Decisions)

Communications Mix for Services from Three Key Sources:
- Marketing communications channels
  - Traditional media (e.g., TV)
  - Online media (e.g., search engine advertising)
- Service delivery channels
  - Service outlets
  - Frontline employees
  - Self-service delivery points
- Messages originated from outside the organization:
  - Word-of-mouth, social media
  - Blogs & Twitter
  - Traditional media coverage

When should communication take place? (Timing Decisions)

Timing Decisions:
- Map timing against Service Communications Funnel
- Use media plan flowchart

Budget Decisions & Communications Program Evaluation
- Objective-and-Task Method
- Other budgeting methods (e.g., percentage of revenue, matching against competitor spent)
- Map performance against overall and specific objectives along the Service Communications Funnel.

Ethics & Consumer Privacy
- Do not make exaggerated promises or use deceptive communications
- Respect and protect consumer privacy

Corporate Design
- Ensure a unified and distinctive visual appearance for all tangible elements of the firm and its services

Integrated Marketing Communications
- Integrate communication across all channels to deliver a consistent message, look and feel

efforts by frontline employees, point-of-sale promotions, other information distributed during service encounters, and location-based mobile apps. If the firm has a membership relationship with its customers and a database of contacts and profiling information, it can distribute highly targeted information through apps, emails, messages, direct mails, or telephone. These channels may serve to complement and reinforce broader communications channels, or simply replace them.

• *Employees*: Employees serve as a secondary audience for communi-cation campaigns through public media.[2] A well-designed campaign targeted at customers can also be motivating for employees, especial-ly those in frontline roles. In particular, it may help to shape employ-ees' behavior if the advertising content shows them what is promised to customers. However, there's a risk of generating cynicism among employees and actively demotivating them if the communication in question promotes levels of performance that employees regard as unrealistic or even impossible to achieve.

Communications directed specifically at staff are typically part of an internal marketing campaign, using company-specific channels, and so are not accessible to customers. Internal communication is further discussed in Volume 9, "Managing People for Service Advantage".

SPECIFYING SERVICE COMMUNICATION OBJECTIVES

A clear idea of the target audience leads to the next step, i.e., what is expected to be achieved from the target audience. At the most general level, marketing communications objectives are to inform, educate, persuade, remind, shape behavior, and build relationships. However, these objectives are at too high a level to be operationalizable. Communications objectives answer the question of what is needed to be communicated and achieve. Objectives can be strategic and tactical in nature, and are often an amalgamation of both.

Strategic Service Communications Objectives

Strategic objectives include building a service brand, and positioning

it and its service products against competition. That is, companies use marketing communications to persuade target customers that their service product offers the best solution to meet those customers' needs, compared to the offerings of competing firms. Communication efforts serve not only to attract new users but also to maintain contact with an organization's existing customers and nurture relationships with them. That is, marketing communications is used to convince potential and current customers about the firm's overall superior performance.

To document the superior quality and reliability of its small package delivery services, a FedEx advertisement showcased the awards it received for being rated as highest in customer satisfaction for air, ground, and international delivery from J.D. Power and Associates, widely known and respected for its customer satisfaction research in numerous industries.[3] To reposition a service relative to competitive offerings is also a common strategic objective of communications.

**Tactical Service Communications Objectives**

Tactical objectives relate to shaping and managing customer's perceptions, beliefs, attitudes and behavior in any of the three stages of the service consumption process discussed in Volume 1 (i.e., the prepurchase, service encounter, and post-encounter stages). The *Service Marketing Communications Funnel* in Figure 2 shows how common tactical communications objective map against the three stages of the service consumption (left column in Figure 2) and related key consumer behavior concepts and theories (right column in Figure 2).

There are a few study models that deal with the prepurchase phase, generally referred to as sales funnel (or purchase funnel from the customer's perspective) and those that depict the stages a consumer typically passes through from not being aware of a product to all the way of actually buying it. Probably the oldest model, "AIDA", standing for Awareness, Interest, Desire, and Action, developed almost a century ago, holds that persuasion to buy a product occurs over time, and explains how customers move from cognitive (awareness), to affective (interest and desire), to behavioral (action) responses.[4] As with many basic models, it has stood the test of time and is still being used. Currently, the *hierarchy of effects* model is probably the most widely used framework to describe this process by extending the steps described in the AIDA model as follows:

Figure 2: Common communications objectives along the Service Marketing Communications Funnel

Three–Stage Model of Service Consumption	Common Communication Objectives Along the Services Marketing Communications Funnel	Key Consumer Behavior Concepts and Theories

Pre-purchase Stage Awareness of need
• Information search
• Clarify needs
• Explore solutions
• Identify alternative service products
 	
 Evaluation of alternatives
• Review supplier information (e.g., advertising, website)
• Review information from third parties (e.g., published reviews, ratings, blogs)
• Discuss options with service personnel
• Get advice from third-parties
• Make purchase decision
	Customer Acquisition
	• Move customers along the key stages of the sales funnel
	• Build awareness, knowledge, and interest in the service or brand
	  – Encourage to explore the firm's website or social media sites
	  – Register for your online newsletter, service updates, or YouTube channel
	• Develop liking, preference, and conviction for the service or brand
	  – Compare a service favorably with competitors' offerings
	  – Convince potential customers about the firm's superior performance on determinant attributes
	• Encourage potential customers to purchase
	  – Reduce perceived risk by providing information and service guarantees
	  – Encourage trial by offering promotional incentives
	• Create memorable images of brands and services
	• Stimulate and shift demand to match capacity
		Pre-purchase Stage
		• Need arousal
		• Evoked set
		• Consideration set
		
		 Multi-attribute choice model
		• Search, experience, and credence attributes
		• Perceived risk
		• Formation of expectations
		• Purchase decision

Service Encounter Stage • Request service from the chosen supplier or initiate self-service • Experience the service encounter	**Service Encounter Management** • Familiarize customers with service processes in advance of use (e.g., what to prepare & expect) • Guide customers through the service process • Manage customer behavior and perceptions during the service encounter (e.g., teach roles, script for queuing, inject perceived control) • Manage quality perceptions • Cross-sell & upsell services	**Service Encounter Stage** • Moments of truth • Service encounters • Servuction system • Theatre as metaphor • Role and script theories • Perceived control theory
Post-encounter Stage • Evaluation of service performance • Future intentions • Future behaviors	**Customer Engagement** • Manage customer satisfaction • Manage service quality perceptions • Build loyalty • Encourage WOM (offline and online) • Encourage referrals • Build a brand community	**Post-encounter Stage** • Confirmation/ disconfirmation of expectations • Dissatisfaction, satisfaction, and delight • Service quality • WOM and referrals • Online reviews • Repurchase • Customer loyalty

Figure 3: This Chicago School advert creates awareness and interest
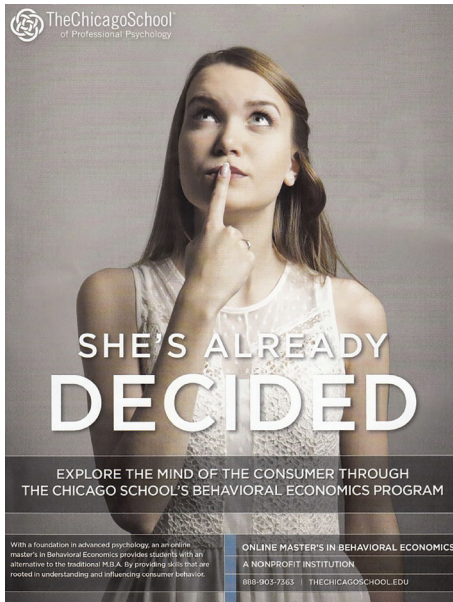
The hierarchy of effects model starts with a cognitive stage of awareness and knowledge, followed by an affective stage that leads to liking, preference and conviction, and finally, a behavioral stage of buying.[5] Along each of those stages and the individual steps within, marketing communications assumes different roles to guide consumers toward the purchase decision (Figure 3).

The Service Marketing Communications Funnel is aligned to the AIDA and hierarchy of effects models in the prepurchase stage, and extends them by incorporating a wider range of service-specific objectives. Furthermore, as neither of the two models covers the service encounter and post-encounter stages, service communications objectives relating to the service encounter itself (which can include the full gamut of customer behaviors that needs to be managed, ranging from queuing behaviors to performance perceptions), and to the post-encounter stage (e.g., many services are membership-type or contractual in nature, which therefore includes a host of post-encounter behaviors that can be shaped by communications) were added.

The Service Marketing Communications Funnel starts with a broad target audience at the top (i.e., all prospects in the firm's target segments), narrows down to customers who actually buy and consume the service, and finally — even for loyalty initiatives, firms typically do not target all their customers with the same intensity — the focus tends to be on their "platinum" or premium customers with high purchase volumes (refer to Volume 10). Marketing communications plays specific roles during all three stages of the service consumption process and not just the prepurchase stage.

A key takeaway from Figure 2 is that the communications objectives

can be highly specific and can address any aspect of service consumer behavior. Volume 1 describes the consumer behavior in a service context and how communications can be used to shape consumer behavior in the firm-desired direction at any stage. For example, in the prepurchase stage, how communications can be used to trigger a need, get a service evoked and then into the consideration set, reduce perceived risk, and shape multi-attribute model-type processing (e.g., shifting attribute performance perceptions, attribute weightings, and decision rules in the favor of the firm's services). During the service encounter stage, how can communications be employed to shape performance perceptions, to help customers move effectively through the service encounter, to shape quality perceptions, teach service roles and scripts, and to inject perceived control into the service encounter? Finally, how can communications be used in the post-encounter stage to shape customer satisfaction and service quality evaluations, and encourage word-of-mouth, referrals, repurchase, and loyalty?

To discuss all possible objectives that can be derived from the Services Marketing Communications Funnel is beyond the scope of this volume. However, a few important communications objectives are highlighted in the following sections.

Promote Tangible Cues To Communicate Quality. Companies should use concrete cues to communicate service performance by highlighting the quality of equipment and facilities, and by emphasizing employee characteristics such as qualifications, experience, commitment, and professionalism, because even if customers understand what a service is supposed to do, they may find it hard to tell the difference between offerings from different suppliers. Some performance attributes are easier or more appropriate to communicate than others. Airlines and hospitals do not advertise safety because even the slightest suggestion that things might go wrong will make many people nervous. Instead, they approach this ongoing customer concern indirectly by communicating the overall high quality of their people, facilities, equipment, and processes (Figure 4).

Add Value through Communication Content. Information and consultation represent important ways to add value to a product. Prospective customers may need information and advice about what service options are available to them (Figure 4); where and when these services are available; how much they cost; and what specific features,

Figure 4: Itau stresses its global reach, but also its intimate knowledge of Latin America.
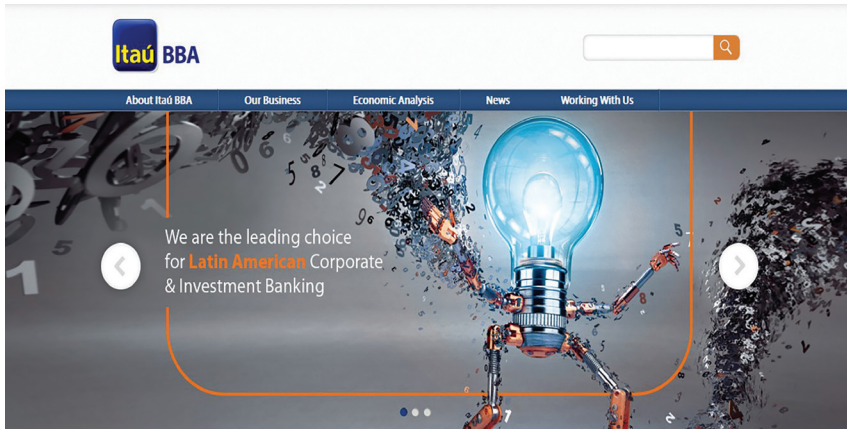
functions, and service benefits there are. (For more details, see the Flower of Service Framework in Volume 3.)

Facilitate Customer Involvement in Service Production. When customers are actively involved in service production, they need training to help them perform well — just as employees do. Improving productivity often involves making innovations in service delivery. However, the desired benefits will not be achieved if customers resist new, technologically-based systems or avoid self-service alternatives.

Marketers often use sales promotions as incentives to encourage customers to make the necessary changes in their behavior. For example, giving price discounts or running lucky draws are a few ways to encourage customers to try and switch to self-service, and if necessary, well-trained service personnel can provide one-to-one tutoring to help customers adapt to new procedures.

One way to train customers, as recommended by advertising experts, is to show service delivery in action. Television and videos are effective because of their ability to engage the viewer and display a seamless sequence of events in visual form. Some dentists show their patients videos of surgical procedures before the surgery takes place so that the customers know what to expect. This educational technique helps patients prepare mentally for the experience, and shows them what role they need to play in service delivery to ensure a successful surgery and speedy recovery.

Promote the Contribution of Service Personnel and Backstage Operations. High quality, frontline staff and backstage operations can be important differentiators for services. In high-contact services, frontline personnel are central to service delivery. Their presence makes the service more tangible and, in many cases, more personalized. An advertisement that shows employees at work helps prospective customers understand the nature of the service encounter and implies a promise of the personalized attention that they can expect to receive.

Advertising, brochures, websites, and videos on YouTube can also show customers the work that goes on "backstage" to ensure good service delivery. Highlighting the expertise and commitment of employees whom customers normally never encounter may enhance trust in the organization's competence and commitment to service quality. For example, Starbucks has publicity materials and videos that show customers what service personnel do behind the scenes, how coffee beans are cultivated, harvested, and produced — highlighting its use of the finest and freshest.[6]

Advertising messages set customer expectations high, so advertisers must be reasonably realistic in their depiction of service personnel. They should also inform employees about the content of new campaigns that promise specific attitudes and behaviors so that employees know what is expected of them.

Stimulate and Shift Demand to Match Capacity. Low demand outside peak periods is a serious problem for service industries with high fixed costs, such as hotels. One strategy is to run promotions that offer extra value — such as room upgrades or free breakfasts — to encourage demand without decreasing price. When demand increases, the number of promotions can be reduced or eliminated (see Volumes 4 and 7).

Advertising and sales promotions can also help to shift usage from peak to low-demand periods and thus help to match demand with the available capacity at a given time.

CRAFTING EFFECTIVE SERVICE COMMUNICATION MESSAGES

This section deals with the communication challenges service firms face when developing their communications messages. For goods and services

alike, messages have to break through the clutter as communications can only succeed if it gains the attention of its target group. Marketers have to make decisions on what they want to say (i.e., the message content) and how to say that (i.e., the message structure and format).[7] While any good marketing and communications book deals with these questions, traditional marketing communication strategies were shaped largely by the needs and practices associated with marketing manufactured goods. However, several of the differences that distinguish services from goods also have a significant effect on the ways we approach the design of message and creative strategy of service marketing communication programs. This is especially true for intangibility discussed next.

Problems of Intangibility

The benefits of services can be difficult to communicate to customers as they are "performances" rather than objects, especially when the service in question does not involve tangible actions to customers or their possessions.[8] Intangibility creates four problems for marketers seeking to promote its attributes or benefits: abstractness, generality, non-searchability, and mental impalpability.[9] Each problem has implications for service communications[10] as follows:

- *Abstractness* refers to concepts such as financial security or investment-related matters, expert advice, or safe transportation and do not have one-to-one correspondence with physical objects. It can be challenging for marketers to connect their services to those intangible concepts.

- *Generality* refers to items that comprise a class of objects, persons, or events such as airline seats, flight attendants, and cabin service. There may be physical objects that can show these services, so abstractness is not a problem. However, it is general and not specific enough, so even though most consumers know what they are, it is difficult for marketers to create a unique value proposition to communicate what makes a specific offering distinctly different from — and superior to — competing offerings.

- *Non-searchability* refers to the fact that many of the service attributes cannot be searched or inspected before they are purchased. Physical service attributes, such as the appearance of a health club and types of

equipment installed, can be checked in advance, but the experience of working with the trainers can only be determined through extended personal involvement. Services usually have more experience and credence attributes than search attributes. Experience attributes are those that need consumers to go through the service to understand it. Services high in credence attributes, such as surgeon expertise, must be taken on faith.

- *Mental impalpability.* Many services are sufficiently complex, multi-dimensional, or novel that it is difficult for consumers — especially new prospects — to understand what the experience of using them will be like and what benefits will result.

Overcoming the Problems of Intangibility

The next step is to communicate the service messages. Here, the intangibility of service presents problems for advertising that need to be overcome. Table 1 suggests specific communications strategies marketers can follow to create messages that help to overcome each of the four problems created by the intangibility of services.

In addition to using the strategies presented in Table 1, tangible cues and metaphors are two other methods firms can use to overcome the four challenges of intangibility. Both of these methods help to clearly communicate intangible service attributes and benefits to potential customers.

Tangible Cues. Commonly used strategies in advertising include the use of tangible cues whenever possible, especially for services that involve few tangible elements. It is also helpful to include "vivid information" that catches the audience's attention and produces a strong, clear impression on the senses, especially for services that are complex and highly intangible.[11] For example, many business schools feature successful alumni to make the benefits of their education tangible and communicate what their programs could do for prospective students in terms of career advancement, salary increases, and lifestyle.

Use Metaphors. Some companies have created metaphors that are tangible in nature to help communicate the benefits of their service offerings and to emphasize key points of differentiation. Insurance companies often use this approach to market their highly intangible products. Allstate advertises that "You're in Good Hands", and Prudential uses the Rock

Table 1: Advertising strategies for overcoming intangibility

Intangibility Problem	Advertising Strategy	Description
Abstractness	Service consumption episode	Capture and show typical customers benefiting from the service, e.g., by smiling in satisfaction at a staff going out of his way to help
Generality • For objective claim	System documentation	Document facts and statistics about the service delivery system. For example, in the UPS website, they state that they have 227 aircraft in operation
• For subjective claim	Performance documentation	Document and cite past service performance statistics, such as the number of packages that have been delivered on time
	Service performance episode	Present actual service delivery being performed by the service personnel. The video mode is best for showing this
Non-searchability	Consumption documentation	Obtain and present testimonials from customers who have experienced the service
	Reputation documentation	If the service is high in credence attributes, then document the awards received, or the qualifications of the service provider
Mental impalpability	Service process episode	Present a clear step-by-step documentation of what exactly will happen during the service experience
	Case history episode	Present an actual case history of what the firm did for a specific client and how it solved the client's problem
	Service consumption episode	A story or depiction of a customer's experience with a service

of Gibraltar as a symbol of corporate strength. The Merrill Lynch bull has been a symbol for the wealth manager's business philosophy, which suggests both a bullish market and a strong commitment to financial performance of its clients (Figure 5).
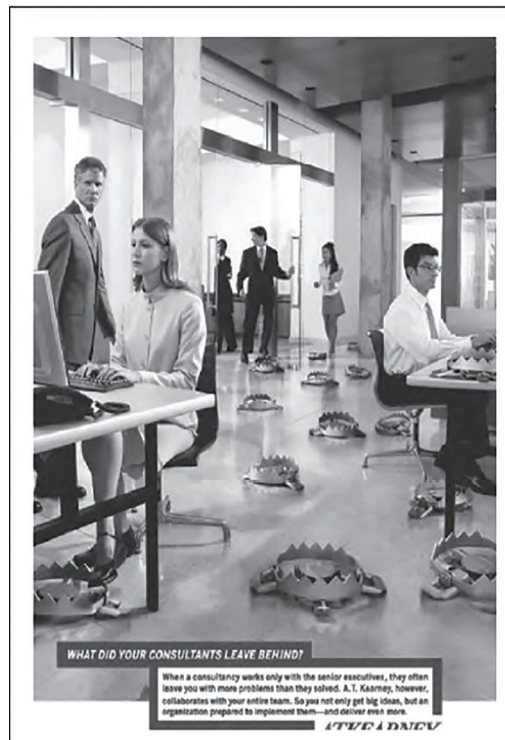
Figure 5: Merrill Lynch bull showing a strong commitment to the financial performance of its clients.

Where possible, advertising metaphors should highlight *how* service benefits are actually provided.[12] Consulting firm AT Kearney emphasizes that it includes all management levels in seeking solutions, not just higher-level management. Its clever advertisement, showing bear traps across the office floor, draws attention to the way in which the company differentiates its service through careful work with all levels in its client organizations, thus avoiding the problems left behind by other consulting firms who work mostly with senior management (Figure 6).

Figure 6: AT Kearney using bear traps as a metaphor for problems.

WHAT DID YOUR CONSULTANTS LEAVE BEHIND?

When a consultancy works only with the senior executives, they often leave you with more problems than they solved. A.T. Kearney, however, collaborates with your entire team. So you not only get big ideas, but an organization prepared to implement them—and deliver even more.

A.T. KEARNEY

THE SERVICES MARKETING COMMUNICATIONS MIX

Most service marketers have access to numerous forms of communication, referred to collectively as the *service marketing communications mix*. Different communication elements have distinctive capabilities for the types of messages they can convey and the market segments most likely to be exposed to them, and the mix needs to be optimized to achieve the best possible results for a given budget.[13]

Figure 7 provides an overview of the wide range of communications channels available to service firms. Note that these media can be categorized in several ways. For example, service employees providing service are, at the same time, part of the service delivery point and a type of personal communications. Each communications mix element can be categorized according to the most suitable category for the purpose of discussing the overall media strategy of service organizations.

There are a few other ways to categorize these channels — often, they are split into non-personal (e.g., advertising) and personal (e.g., direct marketing and personal communications), or traditional media (e.g., TV, print, and outdoor) versus online media (e.g., online advertising, social media and mobile communications). Each type of media has its own strengths and weaknesses, and can be used for different objectives. For example, non-personal mass media tend to be effective for creating awareness and positioning the service, whereas personal communications can be highly effective for explaining complex service information, reducing risk perceptions and persuading to buy. Communications in the servicescape (e.g., signs and posters) can be used to manage consumer behavior during service encounter such as queuing, following the service script, and trying new services (i.e., cross-selling). Direct marketing is highly cost-effective in the post-encounter stage, such as to encourage customers to come back and recommend the service to their friends and family.

Communications Originate from Different Sources

As shown in Figure 8, the services marketing communications mix featured in Figure 9 can also be categorized into three broad categories of sources of communications: (1) marketing communications channels, which include traditional media and online channels, (2) service delivery channels, and (3) messages that originate from outside the organization.[14]
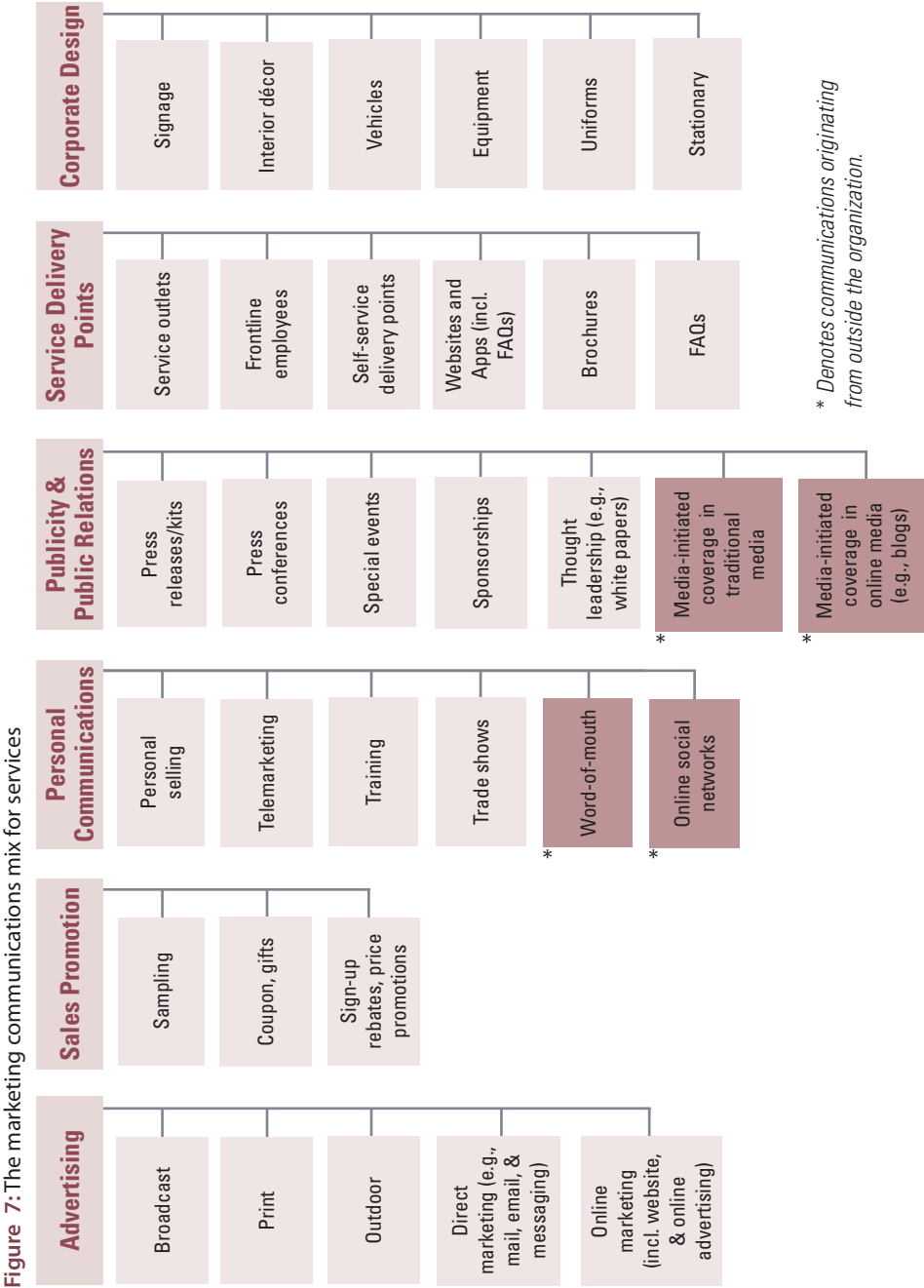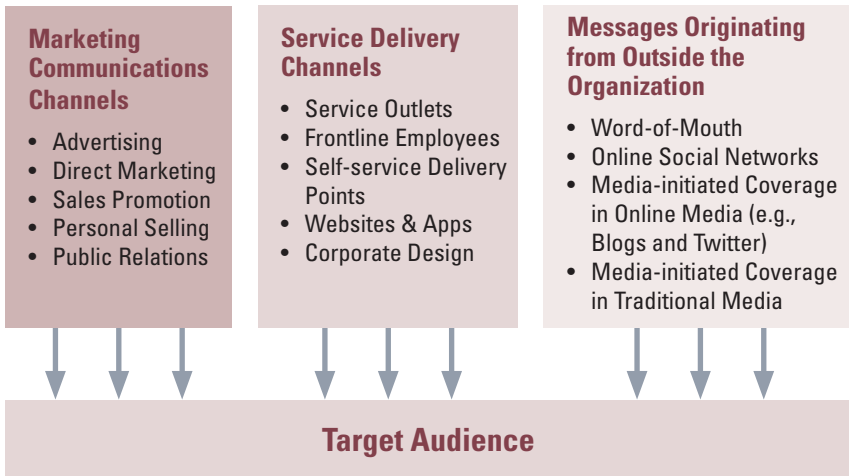
Figure 7: The marketing communications mix for services

Advertising	Sales Promotion	Personal Communications	Publicity & Public Relations	Service Delivery Points	Corporate Design
Broadcast	Sampling	Personal selling	Press releases/kits	Service outlets	Signage
Print	Coupon, gifts	Telemarketing	Press conferences	Frontline employees	Interior décor
Outdoor	Sign-up rebates, price promotions	Training	Special events	Self-service delivery points	Vehicles
Direct marketing (e.g., mail, email, & messaging)		Trade shows	Sponsorships	Websites and Apps (incl. FAQs)	Equipment
Online marketing (incl. website, & online advertising)		Word-of-mouth *	Thought leadership (e.g., white papers)	Brochures	Uniforms
		Online social networks *	Media-initiated coverage in traditional media *	FAQs	Stationary
			Media-initiated coverage in online media (e.g., blogs) *		

* Denotes communications originating from outside the organization.

Figure 8: Three key sources of messages received by the target audience.

Marketing Communications Channels	Service Delivery Channels	Messages Originating from Outside the Organization
• Advertising • Direct Marketing • Sales Promotion • Personal Selling • Public Relations	• Service Outlets • Frontline Employees • Self-service Delivery Points • Websites & Apps • Corporate Design	• Word-of-Mouth • Online Social Networks • Media-initiated Coverage in Online Media (e.g., Blogs and Twitter) • Media-initiated Coverage in Traditional Media

Target Audience

Each of these three originating sources has key tools, however, traditional and online media have vastly different characteristics and applications and are discussed separately.

Messages Transmitted through Traditional Marketing Channels

As shown in Figure 8, service marketers have a wide array of communication tools at their disposal. Following are the principle elements:

Advertising. A wide array of paid advertising media is available, including broadcast (TV and radio), print (magazines and newspapers), movie theaters, and many types of outdoor media (posters, billboards, electronic message boards, and the exteriors of buses or bicycles). Some media are more focused than others, targeting specific geographic areas or audiences with a particular interest. Advertising messages delivered through mass media are often reinforced by direct marketing tools such as mailings, telemarketing, or email.

As the most dominant form of communication in consumer marketing, advertising is often the first point of contact between service marketers and their customers, serving to build awareness, inform, persuade, and remind. It plays a vital role in providing factual information about services and educating customers about product features and capabilities. For instance, a review of 11,543 television and 30,940 newspaper advertisements found that advertisements for services

were significantly more likely to contain factual information on price, guarantees/warranties, documentation of performance, and availability (where, when, and how to acquire products) compared to ads for goods.[15]

One of the challenges facing advertisers is how to get their messages noticed. In general, people are getting tired of ads in all forms. A study by Yankelovich Partner, a US marketing services consulting firm, found that consumer resistance to advertising has reached an all-time high. The study found that 65% of people feel "constantly bombarded" by ad messages, and 59% feel that ads have very little relevance to them.[16] Television and radio broadcasts, websites, and online games are cluttered with ads, while newspapers and magazines sometimes seem to contain more ads than news and features. Robert Shaw of Cranfield School of Management runs a forum in which large companies try to monitor the "marketing payback" from advertising. According to Shaw, the results were "never terribly good", with less than half of the ads generating a positive return on their investment.[17]

How can a firm hope to stand out from the crowd? Longer, louder commercials and larger-format ads are not the answer. Marketers are trying to be more creative with their advertising to allow their messages to be more effective. For example, when customers have low involvement with a service, firms should focus on more emotional appeals and the

Figure 9: Virtual video game worlds such as Second Life leading the wave of in-game advertising.

service experience itself.[18] Some advertisers stand out by using striking designs or a distinctively different format. Others, such as Comcast, seek to catch the audience's attention through use of humor as it seeks to show how slow competing services are, compared to its own high-speed Internet. Some firms are now placing advertisements in video games and multiplayer online role-playing games, which can be dynamic advertisements if the games are connected to the Internet (Figure 9).[19] Furthermore, mobile apps are becoming increasingly important avenues for communication with potential and current customers.

Direct Marketing. This category embraces tools such as mailings**,** email, and text messaging. These channels offer the potential to send personalized messages to highly-targeted microsegments. Direct strategies will most likely succeed when marketers possess a detailed database of information about prospects and customers.

Commercial services that combine company-collected data with rich, third-party online and offline data sources are available. Experian, one of the globally leading providers in this market, stated on its website: "We can help you to build a richer picture of your customers' behavior so you can predict and engineer how they behave in the future. Using internal and external data sources, our proven customer management tools allow you to tailor strategies to an individual…powered by up to 6,000 variables…uses lifestyle, demographic, transaction, permissible credit and consumer classification data".[20]

Advances in on-demand technologies such as email spam filters, TiVo, podcasting, and pop-up blockers allow consumers to decide how and when they like to be reached and by whom. As a 30-second television spot interrupts a viewer's favorite program and a telemarketing call interrupts a meal, customers increasingly use such technologies to protect their time, thereby reducing the effectiveness of mass media. These developments gave rise to *permission marketing,* where customers are encouraged to "raise their hands" and agree to learn more about a company and its products in anticipation of receiving useful marketing information or something else of value. Instead of annoying prospects by interrupting their personal time, permission marketing allows customers to self-select into the target segments.

In the permission marketing model, the goal is to persuade consumers

to volunteer their attention. By reaching out only to individuals who have expressed prior interest in receiving a certain type of message, permission marketing enables service firms to build stronger relationships with their customers. In particular, email and messaging, in combination with websites and mobile apps, can be merged into a one-to-one permission-based medium. For instance, people can be invited to register at the firm's website or download an app and state what type of information they would like to receive.[21]

These messages can be designed at the start of a more interactive, multilayered communication process in which customers can request regular information about topics of their interest. In addition, if they are particularly excited about a new service or piece of information, they can click through a link embedded in the message to access more in-depth information and video materials. Finally, they can subscribe for additional services, communicate with other customers, recommend the service to their friends, and like it on Facebook or LinkedIn.

Many service firms increased their focus on permission-based marketing because of its high effectiveness combined with the falling prices and improving quality of customer relationship management (CRM) systems, big data, social media and communications technology, which together empower permission-based marketing. To see how some firms have implemented excellent permission-based marketing strategies, check Amazon.com or Hallmark.com, and register at these websites or download their apps.

Sales Promotion. A useful way of looking at sales promotions is as a communication with an incentive. Sales promotions usually are specific to a time period, price or customer group — sometimes all three as in direct marketing. Typically, it is employed for short-term objectives such as to accelerate the purchasing decision or motivate customers to use a specific service sooner, in greater volume with each purchase, or more frequently.[22] Sales promotions for service firms may take forms such as samples, coupons and other discounts, gifts, and competitions with prizes. Used in these forms, sales promotions increase sales during periods when demand would otherwise be weak, speed up the introduction and acceptance of new services, and generally get customers to act faster

than they would in the absence of any promotional incentive.[23] However, sales promotions need to be used with care because research shows that customers acquired through sales promotions may have lower repurchase rates and lower lifetime values.[24]

Some years ago, SAS International Hotels devised an interesting sales promotion targeted at older customers. If a hotel had vacant rooms, guests over 65 years of age could get a discount equivalent to their years (e.g., a 75-year-old could save 75% of the normal room price). All went well until a Swedish guest checked into one of the SAS chain's hotels in Vienna, announced his age as 102, and asked to be paid 2% of the room rate in return for staying the night. This request was granted, whereupon the spry centenarian challenged the general manager to a game of tennis — and got that, too. (However, the results of the game were not disclosed!) Events like these are the stuff of dreams for public relations people. In this case, a clever promotion led to a humorous, widely reported story that placed the hotel chain in a favorable light.

Personal Selling. Interpersonal encounters in which efforts are made to educate customers and promote a particular brand or product are referred to as personal selling. Many firms, especially those marketing business-to-business (B2B) services, maintain a sales team or employ agents and distributors to undertake personal selling efforts on their behalf. For services that are bought less often such as property, insurance, and funeral services, the firm's representative may act as a consultant to help buyers make their selections. For industrial and professional firms that sell relatively complex services, customers may have an account manager they can turn to for advice, education, and consultation.

However, face-to-face selling to new prospects is expensive. A lower-cost alternative is *telemarketing*, involving use of the telephone to reach prospective customers. At the consumer level, there is growing frustration with the intrusive nature of telemarketing, which is often timed to reach people when they are home in the evening or on weekends (Figure 10). Today, many people in the US subscribe to a "Do Not Call Registry", which has dramatically reduced the number of solicitor calls that reach their prospects.[25]

Public Relations. Public relations (PR) involves efforts to stimulate

Figure 10: Telemarketers call in the evenings.

© 1999 Randy Glasbergen.

GLASBERGEN

"Before you hang up, Mrs. Johnson, are you aware that you can lose up to 50 pounds a year by listening to telemarketers instead of eating your dinner?"

positive interest in an organization and its products by sending out news releases, holding press conferences, staging special events, and sponsoring newsworthy activities put on by third parties. A basic element in PR strategy is the preparation and distribution of press releases (including photos and/or videos) that feature stories about the company, its products, and its employees.

Other widely used PR techniques include recognition and reward programs, obtaining testimonials from public figures, community involvement and fund raising, and obtaining favorable publicity for the organization through special events and *pro bono* work. These tools can help a service organization build its reputation and credibility, form strong relationships with its employees, customers and the community, and secure an image conducive to business success.

Firms can also gain wide exposure through sponsorship of sporting events and other high-profile activities such as the Olympics and World Cup where banners, decals, and other visual displays provide continuing repetition of the corporate name and symbol. Furthermore, unusual activities can present an opportunity to promote a company's expertise. For example, the "Oscar" campaign shown in *Service Insights 1* was successful in creating a following on its Facebook pages as a result of the hotels employees who were quick and innovative.

SERVICE INSIGHTS 1

Oscar Is Having The Time Of His Life

Employees of the Kilronan Castle Hotel in Ireland found a bright orange and yellow monkey soft toy in a linen bin, which clearly would be missed by its owner. Rather than putting it into the lost property shelf, the employees had the great idea of starting a social media campaign to reunite Oscar, the name the employees gave to the toy, with his rightful owner, and they had a lot of fun in the process as seen in the photos!

They took photos showing Oscar living the high life, and uploaded them to Facebook. The message was that Oscar is looking for his owner, and although he is lost, he has the time of his life at this luxury castle hotel. The photos show him enjoying afternoon tea, having beauty treatments, and having a buffet prepared for him by the executive chef. It almost seemed as if Oscar didn't mind not being found for a little while longer…

Have a look online whether he was eventually reunited with his owner.

While the employees hoped that Oscar's owner would come forward, there is no doubt about the significant social media publicity generated for the Kilronan Castle Hotel. Speed, creativity

Figure 11: Oscar is having the time of his life

carverphotography.com

Notice put up by staff of Kilronan Castle on its Facebook Page

LOST CUDDLY TOY ALERT
Kilronan Castle are launching an appeal to find the owner of a very cute and cuddly monkey found here at the castle…

Little Oscar (named by the staff at Kilronan) was found in a linen bin and we are now asking any guests who stayed here over the weekend if they have any information on Oscars owner.

Please help us find Oscar's owner… in the meantime he is being well looked after and experiencing the exceptional customer experience here at Kilronan Castle.

and fun are some of the attributes that can make a social media campaign go viral.

Sources: https://www.facebook.com/media/set/?set=a.913675381980829.1073741840.125951937419848&type=3; http://www.evoke.ie/news/oscar-the-lost-teddy-is-having-the-time-of-his-life-and-lapping-up-the-luxury-at-this-irish-castle-waiting-on-his-owners, Google search for "Kilronan Castle and Oscar", March 12, 2015; MavSocial, "Fun + Engagement – Superb Social Media Campaigns, http://mavsocial.com/fun-engagement-superb-social-media-campaigns, accessed on 12 March, 2016.

Messages Transmitted Online[26]

Online and mobile advertising using the Internet, social media, and apps allow companies to complement, and sometimes even substitute traditional communications channels at a reasonable cost. However, like any of the elements of the marketing communications mix, online and mobile advertising should be part of an integrated, well-designed communications strategy.[27]

Company's Website. Marketers use their own website for a variety of communications tasks:

- Creating consumer awareness and interest.
- Providing information and consultation.
- Allowing two-way communications with customers through email and chat rooms.
- Encouraging product trial.
- Enabling customers to place orders.
- Measuring the effectiveness of specific advertising or promotional campaigns.

Innovative companies continue to constantly look for ways to improve the appeal and usefulness of their websites. Suitable communication content varies widely from one type of service to another. A B2B site may offer visitors access to a library of technical information (e.g., Oracle or SAP both provide substantial information on their customer relationship management solutions at their respective websites). By contrast, a B2C website for an MBA program might include attractive photographs and videos featuring the university, its professors and facilities, student

testimonials, information on alumni, location, and even a graduation ceremony.

Marketers must also address other factors such as downloading speed that affect website "stickiness" (i.e., whether visitors are willing to spend time on the site and will revisit it in the future). A sticky site is:

- *High in quality content.* Relevant and useful content is king. A site needs to contain what visitors are looking for.

- *Easy to use.* Easy to use means it is easy to find their way around the site with good navigation, and a site structure that is well signposted, neither overcomplicated nor too big. Customers do not get lost in good sites!

- *Quick to download*. Viewers do not want to wait, and will often give up if it takes too long for pages to download from a site. Good sites download quickly, and bad sites are slow; which means that the content has to be "light".

- *Updated frequently*. Good sites look fresh and up-to-date. They include recently posted information that visitors find relevant and timely.[28]

A memorable web address helps to attract visitors to a site. Ideally, they are based on the company's name (e.g., www.citibank.com or www.aol.com). Ensuring that people are aware of the address requires displaying it prominently on business cards, letterhead stationery, email templates, brochures, advertising, promotional materials, and even vehicles.

Online Advertising. There are two main types of online advertising, namely banner advertising and search engine advertising.

- *Banner Advertising*: Many firms pay to place advertising banners and buttons on portals such as Yahoo or CNN, social media websites such as Facebook and LinkedIn, and apps, online games and advertising-funded content websites. The usual goal is to draw online traffic to the advertiser's own site. In many instances, websites include advertising messages from other marketers with services that are related but not competing. For example, Yahoo's stock quotes page has a sequence of advertisements for various financial service providers.

Simply getting a large number of exposures ("eyeballs") to a banner (a thin horizontal ad running across all or part of a web page), or a skyscraper (a long skinny ad running vertically down one side of a website) doesn't necessarily lead to an increase in awareness, preference, or sales for the advertiser. Even when visitors click through to the advertiser's site, this act doesn't necessarily result in sales. Consequently, there is now more emphasis on advertising contracts that link fees to marketing-relevant behavior by these visitors, such as providing the advertiser with some information about themselves or when making a purchase. Most of the Internet advertisers pay only if a visitor to the host site clicks through to the link onto the advertisers' site. This is similar to paying for the delivery of junk mail only to households that read it.[29]

- *Search Engine Advertising*: Search engines are a form of a reverse broadcast network. Instead of advertisers broadcasting their messages to consumers, search engines let advertisers know exactly what consumers want through their keyword search, and advertisers can then target relevant marketing communications directly at these consumers. Search engine advertising is currently the most popular online advertising instrument,[30] and Google is the leader in this space (*Service Insights 7.2*), with firms like Bling and Yahoo! seeking to increase their market share.

  A key advantage of online advertising is that it provides a very clear and measurable return on investment, especially when compared to other forms of advertising. Particularly in performance-priced online advertising (e.g., pay-per-click), the link between advertising costs and the customers who were attracted to a company's website or offer is traceable.[31] Compare this to traditional media advertising on TV or in magazines, where it is notoriously difficult to assess the success and return of investment of an advertisement. Advertisers have several options where they can:

  - Buy top rankings in the display of search results through "pay-for-placement". Since users expect the rankings to reflect the best fit with the keywords used in the search, Google's policy is to shade paid listings that appear at the top of the rankings column and identify them as "sponsored links". Pricing for

these ads and placements can be based on either the number of impressions (i.e., eyeballs) or clickthroughs.

As sponsored links aim to connect to customers just before they make a purchase decision, some firms buy keywords that are closely related to their competitor's offering. This allows them to "poach" customers and free ride on the market created by other firms.[32]

– Pay for the targeted placement of ads to keyword searches related to their offer.

– Sponsor a short text message with a clickthrough link, located next to the search results.

– Pay for performance online advertising. The advertiser is charged on the basis of pre-agreed results of their communication campaign, which could include actions such as registration on a website, downloading of a brochure, and even sales.

– Regularly conduct search engine optimization (SEO) of the firm's website. SEO improves the ranking of a website in organic (i.e., unsponsored) search lists. Doing this should be a "no-brainer" as firms do not have to spend to get the attention of potential customers. But do note that SEO only works well if the website is well-designed, contains relevant information and is aligned with target customers' interests.[33]

SERVICE INSIGHTS 2
Google: The Online Marketing Powerhouse

Larry Page and Sergey Brin, who were both fascinated by mathematics, computers and programming from an early age, founded Google in 1998 while they were Ph.D. students at Stanford University. Seven years later, following Google's successful public offering, they had become multi-billionaires and Google itself had become one of the world's most valuable companies.

The company has the grand vision "to organize the world's information and make it universally accessible and useful". The utility and ease of its search engine has made it immensely

successful, almost entirely through word-of-mouth from satisfied users. Few company names have become verbs, but "to Google" is now a common use in English.

Its popularity has enabled Google to become a highly targeted advertising medium, allowing advertisers two important ways to reach their customers — through sponsored links and through content ads.

Sponsored links appear at the top of search results on Google's website and are identified as "sponsored links". Google prices its sponsored links service as "cost per click", using a sealed-bid auction (i.e., where advertisers submit bids for a search term without knowing the bids of other advertisers for the same term). This means prices depend on the popularity of the search terms with which the advertiser wants to be associated. Heavily used terms such as "MBA" are more expensive than less popular terms such as "MSc in Business". Advertisers can easily keep track of their ad performance using the reports in Google's online account control center.

Google allows content ads to be highly targeted through a number of ways via its Google AdWords service. Ads can be placed next to search results on Google.com (i.e., they are displayed as banner ads). These ads allow businesses to connect with potential customers at the precise moment when they are looking at related topics or even specific product categories. Here, firms buy the opportunity to be associated with particular search categories or terms. To explore this part of Google's advertising business model, just "Google" a few words and observe what appears on your screen in addition to the search results.

AdWords also allows advertisers to display their ads at websites that are part of the Google content network rather than only on Google.com. This means these ads are not initiated by a search, but are simply displayed when a user browses a website. Such ads are called "placement-targeted ads". Advertisers can specify either individual websites or website content (e.g., about travel or baseball). Placement targeting allows advertisers to handpick their

target audiences, which can be really large (e.g., all baseball fans in the US or even in the world) or small and focused (e.g., people interested in fine dining in the Boston area). Google places the ads alongside relevant content of a Google partner's websites. For example, if you read an article on a partner website, you will see an ad block at the foot of the article. These ads have been dynamically targeted to the content of that article by Google. They can be the same ads that appear on Google.com alongside searches, but they are distributed in a different way here and appear on websites of publishers of all size of ads in the Google partner network.

AdWords is complemented by a second service, called AdSense, which represents the other side of Google's advertising model. AdSense is used by website owners who wish to make money by displaying ads on their websites. In return for allowing Google to display relevant ads on their content pages, these website owners receive a share of the advertising revenue generated. An important side effect of AdSense has been that it has created advertising income streams for thousands of small and medium online publishers and blogs, making those businesses sustainable. Although big media companies like *The New York Times* and CNN also use AdSense, it generates a smaller portion of their total online advertising revenue compared to the typical niche website or blogs.

Google's ability to deliver an advertising medium that is highly targeted, contextual, and results-based has been very attractive to advertisers leading to rapid revenue growth and profits. It's no surprise that Google's success frightens other advertising media.

Sources: https://www.google.com.sg/intl/en/about/ and http://en.wikipedia.org/wiki/AdWords, accessed on 21 March 2016.

Moving from Impersonal to Personal Communications. Communication experts divide communications as impersonal — where messages move only in one direction and are generally targeted at a large group of customers and prospects rather than at a single individual — and personal communications such as personal selling, telemarketing, and word-of-mouth. However, technology has created a gray area

between personal and impersonal communications. Think about the email messages you may have received, containing a personal salutation and perhaps some reference to your specific situation or past use of a particular product. Similarly, interactive software can simulate a two-way conversation. For example, a few firms are beginning to experiment with web-based agents — on-screen simulations that move, speak, and even change expression.

Through the widespread use of smart mobile devices coupled with social networking platforms, firms have unprecedented opportunities to communicate with their customers and to facilitate firm-relevant communications between customers. Based on the analysis of customer data, highly targeted and personalized services and messages can be generated for each customer. These messages supplement, or in some cases replace, traditional marketing communications.[34] For a brief description of important new media and their implications, see *Service Insights 3.*

SERVICE INSIGHTS 3
New Media and Their Implications
for Marketing Communications

Technology has created exciting new communication channels that offer important opportunities for targeting. Among the key developments are mobile advertising, mobile apps, Web 2.0, social media and social networks, and podcasting.

Mobile Advertising[35]

Mobile advertising through cell phones and other mobile wireless devices is one of the fastest-growing forms of advertising, and is expected to exceed US$62.8 billion by 2017. Mobile advertising is quite complex as it can include the Internet, video, text, gaming, music, and much more. For example, advertisements can come in the form of SMS, advertisements in mobile games, and videos. Through mobile advertising and use of a global positioning system, customers can walk into shopping malls and receive targeted advertisements with discounts when they visit a particular store within the mall. The most prevalent type is still mobile display

Figure 12: This social network is constantly connected via various technologies and apps, but also meets face-to-face

advertising (MDA), which takes the form of banners on mobile web pages and in mobile applications. What will such messages mean for the consumer? It might be greater convenience and more relevant advertising — or it might mean the invasion of privacy.

2D codes, better known as QR (for "quick response") codes appear on many ads, allowing those interested to learn more to take a photo of the code with their smart phone and get connected to an in-store promotion, coupons or a real world treasure hunt. For firms, QR codes bridge its offline and online communication channels and help to funnel potential customers from other media to the firm's online channels and richer content.

Mobile Apps

Apps have become an increasingly popular tool to help customers navigate extended service encounters, get the most out of the experience, while at the same time pursuing the firm's objectives such as cross-sell, up-sell, manage demand, and queuing. For example, major cruise lines such as Disney, Norwegian, and Royal Caribbean all have their own apps to help passengers navigate their large ships and explore their onboard entertainment options, spa services, and ports of call.[36]

Figure 13: YouTube's headquarters at 901 Cherry Avenue, San Bruno, California.

YouTube HQ photo: https://commons.wikimedia.org/wiki/File:901cherryave.jpg

Web 2.0, Social Media and Social Networking[37]
Web 2.0 technology helps the rise of user-generated content and combines it with the power of peer-to-peer communications. It is an umbrella term for various media including Facebook (the grandpa of social networks), Google+, LinkedIn, YouTube, Vine, Twitter, Instagram, Snapchat, Pinterest, Wikipedia, Flickr, and other social networks. In Web 2.0, content is generated, updated, and shared by multiple users. Social networking is the fastest growing media behavior online.

Service firms use social media for various purposes, which include learning from the market, targeting potential customers, creating buzz, and shaping customer behavior. They do this by advertising on social media, listening to what is being discussed, and selectively also participating in conversations. Given the importance of social media, marketers need to understand and carefully integrate them into their communications mix.

Podcasting

Podcasting comes from the words "iPod" and "broadcasting". It refers to a group of technologies for distributing audio or video programs over the Internet using a publisher/subscriber model. Podcasting gives broadcast radio or television programs a method of distribution. Once someone has subscribed to a certain feed, they will automatically receive new "episodes" that become available.

Podcasting has several forms. These include video podcasting for delivery of video clips, mobilecast for downloads onto a cell phone, and blogcast for attachment of an audio or video file to a blog. It is beneficial to include podcasting as part of a firm's marketing communications program because once a listener has subscribed to a specific show, it means the listener is interested in the topic. Hence, podcasts can reach a wide audience of listeners that have a narrow focus, more like "narrowcasting" than broadcasting. When the advertising message is more targeted, this leads to a higher return on investment for the advertising dollars spent.

Integrating online and traditional media. To show the complexity for integration of mostly online channels, see the potential integration of various media in a budget carrier context. The largest budget carriers in the US (Southwest Airlines), Europe (Ryanair) and Asia (AirAsia) each has a different strategy, but their common goal is to have travelers book directly at their own websites. Southwest Airlines integrates heavy TV advertising in its communications mix. Ryanair focuses heavily on search engine optimization and buys strategic keywords for its online ad campaigns. AirAsia has been highly active on various social media platforms such as Twitter and Facebook to update its followers on a regular basis, push promotions, and collect customer feedback. Although each airline has a different emphasis of its communications campaigns, most use all of the channels shown in Figure 14 to drive online traffic to its website to generate ticket sales.

Messages Transmitted through Service Delivery Channels

Unlike most goods marketers, service firms typically control the point-of-

Figure 14: Budget carriers are excellent at integrating a vast array of mostly online channels to drive ticket sales on their websites.
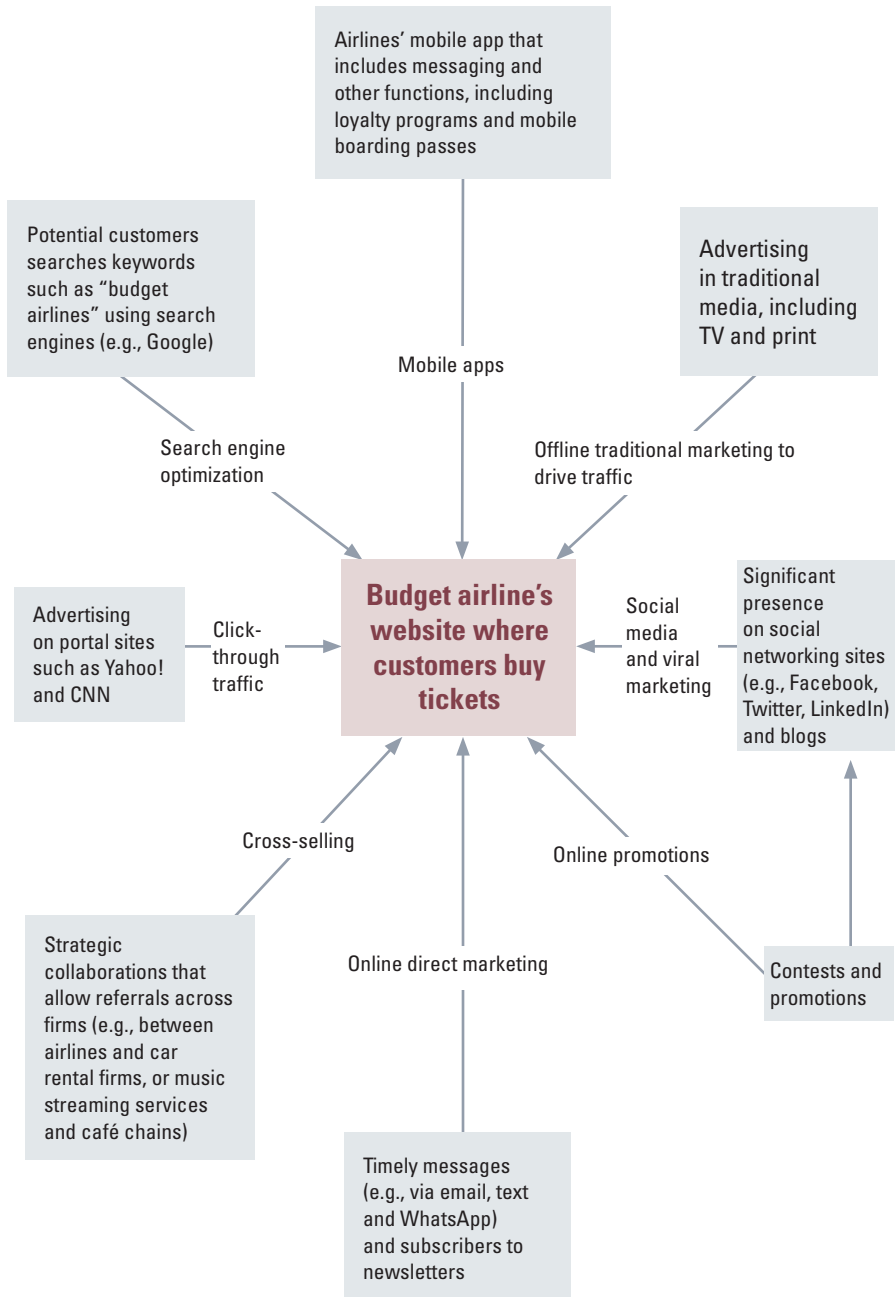
Airlines' mobile app that includes messaging and other functions, including loyalty programs and mobile boarding passes

Potential customers searches keywords such as "budget airlines" using search engines (e.g., Google)

Advertising in traditional media, including TV and print

Mobile apps

Search engine optimization

Offline traditional marketing to drive traffic

Advertising on portal sites such as Yahoo! and CNN

Click-through traffic

Budget airline's website where customers buy tickets

Social media and viral marketing

Significant presence on social networking sites (e.g., Facebook, Twitter, LinkedIn) and blogs

Cross-selling

Online promotions

Strategic collaborations that allow referrals across firms (e.g., between airlines and car rental firms, or music streaming services and café chains)

Online direct marketing

Contests and promotions

Timely messages (e.g., via email, text and WhatsApp) and subscribers to newsletters

Figure 15: The Salentein Winery in Argentine has a very unique servicescape.

Bodegas Salentein – Uco Valley – Argentina

sale and service delivery channels, which offer them particularly powerful and cost-effective communications opportunities. Specifically, messages can be transmitted through service outlets, frontline employees, self-service delivery points, and location-enabled apps.

Service outlets. Both planned and unintended messages reach customers through the medium of the service delivery environment itself. Impersonal messages can be distributed in the form of banners, posters, signage, brochures, video screens, and audio. "Crafting the Service Environment", the physical design of the service outlet — what we call the servicescape — sends important messages to customers (see Volume 8). Interior architects and corporate design consultants can help to design the servicescape to coordinate the visual elements of both interiors and exteriors so that they communicate and strengthen the positioning of the firm and shape the nature of the customers' service experiences in positive ways (Figure 15).

Frontline Employees. Employees in frontline positions may serve customers face to face, by telephone, or via e-mail. Communication from frontline staff takes the form of the core service and a variety of supplementary services, including providing information, giving advice,[38] taking reservations, receiving payments, and solving problems. New customers, in particular, often rely on customer service personnel for help in learning to use a service effectively and to solve problems.

Frontline employees have a very important part to play. Brand equity is created largely through a customer's personal experience with the service firm rather than through mass communications, which is more suitable for creating awareness and interest (see Volume 3). Furthermore, many service firms encourage their customer service staff to cross-sell additional services, or to up-sell to higher value services. Tony Hsieh has an interesting perspective on how to use customer contact centers for brand building, see *Service Insights 4*.

SERVICE INSIGHTS 4
Using the Call Centre for Building Brand Equity

Have you ever tried to call Google, or EBay or even Amazon.com, the company that owns Zappos? More likely than not, the phone number is buried many links deep, if it can be found at all! Zappos takes the exact opposite approach and puts its customer service hotline at the top of every single page of its website.

Tony Hsieh, the founding CEO of the highly successful multi-billion dollar revenue e-tailer Zappos, thinks it is funny that when he attends marketing conferences and hears companies talking about customers being bombarded with thousands of advertising messages every day, and that there is a lot of buzz about social media. He feels that "as unsexy and low-tech as it may sound, the telephone is one of the best branding devices out there. You have the customers' undivided attention for five to 10 minutes, and if you get the interaction right, what we've found is that the customer remembers this experience for a very long time". He explains that "a lot of people may think it's strange that an Internet company would be so focused on the telephone, when only 5% of our sales happen by phone. But we've found that on average, our customers telephone us at least once at some point, and if we handle the call well, we have an opportunity to create an emotional impact and a lasting memory. We receive thousands of phone calls and e-mails every day, and we view each one of them as an opportunity to build the Zappos brand… Our philosophy has been that most of the money we might ordinarily have spent of advertising should

be invested in customer service, so that our customers will do the marketing for us through word-of-mouth".

In contrast, many service firms view their call centers through an expense-minimizing lens and focus on managing carefully average handling times and how many calls an agent can handle a day, which makes customer service representatives worry about how quickly they can get a customer off the phone, which in the eyes of Zappos is not delivering great service. Zappos' longest phone call from a customer, till this day, took almost six hours to help go through what seemed like thousands of pairs of shoes. Zappos representatives also don't use scripts or upsell, and handling customer calls is viewed as an investment in marketing and branding, and not an expense. Hsieh's view is that call centers are "a huge untapped opportunity for most companies, not only because it can result in word-of-mouth marketing, but because of its potential to increase the lifetime value of the customer".

Zappos CEO Tony Hsieh

Sources: Tony Hsieh (2010), "How I Did It: Zappos's CEO on Going to Extremes for Customers", Harvard Business Review, Vol. 88, No. 7/8, pp. 41-45; Tony Hsieh (2010), Delivering Happiness: A Path to Profits, Passion, and Purpose. Grand Central Publishing.

Self-Service Delivery Points. ATMs, vending machines, websites and service apps are all examples of self-service delivery points. Promoting self-service delivery requires clear signage, step-by-step instructions (perhaps through diagrams or animated videos) on how to operate the equipment, and user-friendly design. Self-service delivery points can often be used effectively in communications with current and potential customers, and to cross-sell services and promote new services. Similarly, location-enabled apps can guide customers through complex servicescapes such as cruise ships, airports, hospitals, and shopping malls, while also selling to and informing customers.

Messages Originating from Outside the Organization

Some of the most powerful messages about a company and its products come from outside the organization and are not controlled by the marketer. They include word-of-mouth (both in person and in electronic form on social media), online reviews on third-party websites, blogs, twitter, and media coverage.

Word-of-Mouth (WOM). Recommendations from other customers are generally viewed as more credible than firm-initiated promotional activities and can have a powerful influence on people's decisions to use (or avoid using) a service. In fact, the greater the risk customers perceive in purchasing a service, the more actively they will seek and rely on WOM to guide their decision-making,[39] and customers who are less knowledgeable about a service rely more on WOM than expert consumers do.[40] WOM even takes place during service encounters. When customers talk to each other about some aspect of service, this information can influence both their behavior and satisfaction with the service,[41] and this has been found to be an important predictor of top-line growth.[42] There are now ways to measure WOM and allow firms to test the effect of WOM on sales and market share for brands, individual promotions campaign and also for the company as a whole.[43]

Research shows that the extent and content of word-of-mouth is related to satisfaction levels. Customers who hold strong views are likely to tell more people about their experiences than those with milder views, and extremely dissatisfied customers tell more people than those who are highly satisfied.[44] Interestingly, even customers who were initially dissatisfied with a service can end up spreading positive WOM if they are delighted with the way the firm handled service recovery[45] (see Volume 11 "Designing Complaint Handling and Service Recovery Strategies").

Positive WOM is particularly important for service firms, as services tend to have a high proportion of experience and credence attributes, and are therefore associated with high perceived risk by potential buyers. In fact, many successful service firms such as Starbucks and Mayo Clinic have built powerful brands largely by relying on WOM of their satisfied customers. As Ron Kaufman, bestselling author, and founder of UP Your Service! College says: "Delighted customers are the only advertisement everyone believes".[46] Because WOM can act as such a powerful and highly credible selling agent, marketers use a variety of strategies to stimulate

positive and persuasive comments from existing customers.[47] These include:

- Creating exciting stories, promotions and competitions that get people talking about the great service the firm provides. Richard Branson of Virgin Atlantic Airways has repeatedly generated global news that got people talking about his airline. For example, Branson abseiled off a 407-feet Las Vegas hotel dressed like James Bond in a tuxedo to promote his, then new, Virgin America airline. More and more firms are running creative promotions on social media that can get global attention in a few days.

- Offering promotions that encourage customers to persuade others to join them in using the service (for instance "bring two friends, and one of you eats for free" or offering a household with several family members to "subscribe to three cell phone service plans or more, and we'll extend a 35% discount off the monthly bill").

- Developing referral reward programs that incentivize existing customers to make referrals with units of free service, a voucher, or even cash for introducing new customers to the firm. Such programs can be highly effective and profitable, so much that they have become ubiquitous — just type "recommend a friend program" into your browser you will get hundreds of millions of hits.[48] Such programs work offline (e.g., clubs, credit card companies and even diving schools use it), online (think of Dropbox's highly effective viral incentive scheme, see Figure 16), and on mobile apps (e.g., Uber's incentive program which encourages users to "send friends a free ride and you'll get worth $10").

    Referral reward programs work well for close friends and family because they trust that you will recommend the service not for the incentive but because you have the best interest of your friends and family at heart. However, firms have to be more careful using referral reward programs when targeting acquaintances and colleagues of current customers as the latter may worry what the people they recommend the service to will think of them and about the impression they create.[49] Think about a finance professor who gets an incentive for recommending a discount broker to her students or colleagues — probably, she would rather not recommend the broker than being

Figure 16: Dropbox's online referral reward program.

How do I earn bonus space for referring friends to Dropbox?

You can get extra space by inviting your friends to try out Dropbox. Both you and your referral will receive bonus space if your referral completes these steps:

1. Accepts your invitation to sign up for an account.
2. Installs the Dropbox desktop app.
3. Signs in from the desktop app.
4. Verifies their email address.

Bonus space by account type

- Basic accounts get 500 MB per referral and can earn up to 16 GB.
- Pro accounts get 1 GB per referral and can earn up to 32 GB.

Note: Services Marketing: People, Technology, Strategy is not affiliated with or otherwise sponsored by Dropbox, Inc.

seen as receiving an incentive! Creative program design can change these programs so that the person who is being referred receives the reward and not the recommendation giver. In our example, the finance professor's students would get the reward, not her, and the professor would look good by recommending a great service firm and facilitating her students to get this great deal. Sometimes, it is more important for customers to look good and knowledgeable, and receiving an incentive may only achieve the opposite!

- Referencing other purchasers and knowledgeable individuals, for instance: "We have done a great job for ABC Corp., and if you wish, feel free to talk to Mr Cabral, their MIS manager, who oversaw the implementation of our project".

- Presenting and publicizing testimonials. Advertising and websites sometimes feature comments from satisfied customers.

- Provide opportunities for online reviews, and support and respond to them frequently. As online reviews become ubiquitous, positive postings help and negative ones damage a firm's brand equity and sales. For example, a study set in the London metropolitan area showed that while all hotels benefit, luxury hotels were particularly

strongly influenced by the valence of reviews (and not so much by the volume; that is, a few highly positive or negative reviews had a strong impact and potential discerning guests seem to read those reviews carefully), whereas those of lower-end hotels were more driven by the volume of reviews (a hotel needed a lot of positive or negative reviews before those reviews had impact; potential guests seemed to scan the reviews to see whether the hotel is of acceptable quality and they trust volume for that).[50]

In either case, the firm's communications strategy should be to encourage satisfied customers to post positive reviews, while ideally dissatisfied customers complain to the firm and get a service recovery (see Volume 11, "Designing Complaint Handling and Service Recovery Strategies") instead of going online to vent their frustration.[51] A small hair stylist shop was trying to precisely achieve this by posting the following sign at the exit: "If you like our service, please tell a friend; if you don't like it, please tell us".

• Support brand communities, which can be done with relatively low costs online.[52] See, for example, the successful online brand communities supported by Google and LinkedIn in Figure 17.

In addition to WOM, we also have "word-of-mouse" or viral marketing. Internet has accelerated the spread of personal influence, causing it to evolve into a viral marketing phenomenon that businesses cannot afford to ignore.[53] One of the very early success stories of viral marketing was the Hotmail free email service, which grew from zero to 12 million users in just 18 months while on a miniscule advertising budget, mostly thanks to the inclusion of a promotional message that included the Hotmail's URL in every email sent by its users.[54] Today, virtually every online startup relies on viral marketing in one way or another. Similarly, eBay and other electronic auction firms rely on users to rate sellers and buyers in order to build trust in the items offered on their websites and thereby facilitate transactions between strangers who, without access to such peer ratings, might be reluctant to transact on these sites.

Besides e-mail, "word of mouse" is spread by service reviews on third-party websites, chat, social media, and online communities that have potential for global reach in a matter of days! Companies are taking advantage of this. Swipely is a company that allows users to conveniently

Figure 17: Online brand communities as seen on the Google and LinkedIn websites.
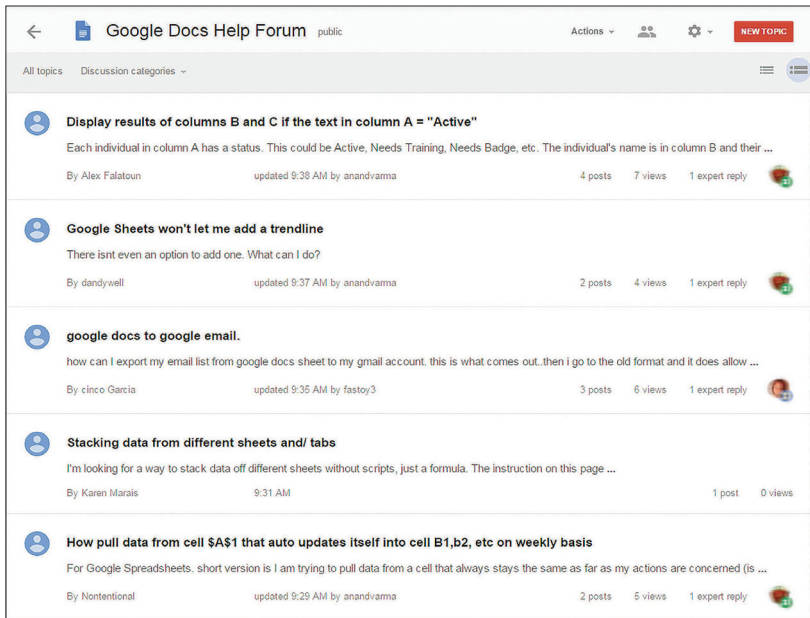
Google and the Google logo are registered trademarks of Google Inc., used with permission.
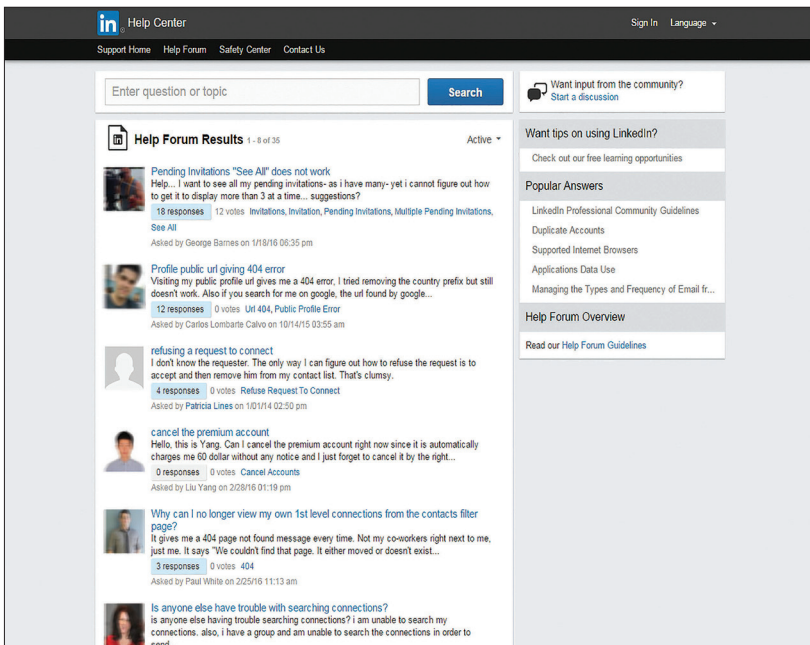
upload their purchases whenever they swipe their credit or debit cards, and their friends can then immediately see these transactions and discuss the purchase.[55] It is one way users can update their friends on what they are buying. There are constantly new types of social networks emerging which all feed into the online ecosystem where consumers share their experiences.

Blogs, Twitter, and Other Social Media as a Type of Online WOM. Web logs, usually referred to as blogs, have also become ubiquitous. Blogs are web pages best described as online journals, diaries, or news listings where people can post anything about whatever they like. Their authors, known as bloggers, usually focus on narrow topics, and quite a few have become self-proclaimed experts in certain fields. Blogs can be about anything, ranging from baseball and sex, to karate and financial engineering. There are a growing number of travel-oriented sites, ranging from Hotelchatter.com (focused on boutique hotels), CruiseDiva.com (reporting on the cruise industry), and pestiside.hu ("the daily dish of cosmopolitan Budapest"). Some sites, such as the travel-focused tripadvisor.com, allow users to post their own reviews or ask questions that more experienced travelers may be able to answer.

Marketers are interested in the way blogs have developed into a new form of social interaction on the Internet; a massively distributed but completely connected conversation covering every imaginable topic, including consumers' experiences with service firms and their recommendations on avoiding or patronizing certain firms. A byproduct of this online communication is a set of hyperlinks between blogs created in the exchange of dialog. These links allows customers to share information with others and influence opinions of a brand or product — just Google for the terms "Citibank and blog" or "Charles Schwab and blog", and you will see an entire list of blogs or blog entries relating to these service firms. Increasingly, service firms monitor blogs and view them as a form of immediate market research and feedback. Some service companies have even started their own blogs; for example, you can take a look at Google's blog at http://googleblog.blogspot.com (Figure 18).

Blogs and other online media such as Twitter, can be seen as in-between WOM (there are millions of bloggers with not many followers, more akin to traditional WOM), and online media (some bloggers have a large following, similar to popular media). Marketers therefore can treat

Figure 18: Google has its own blog.
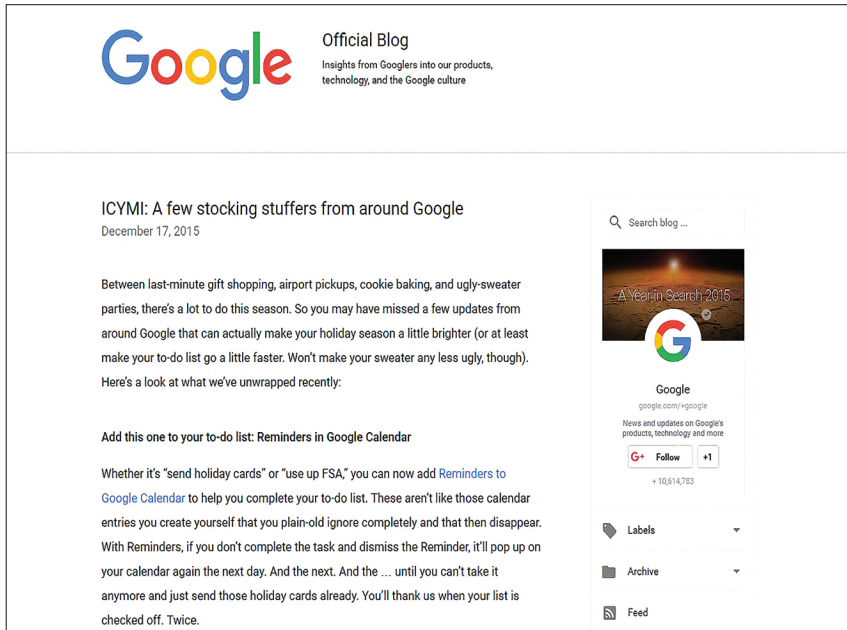
Google and the Google logo are registered trademarks of Google Inc., used with permission.

the WOM part of the spectrum through their standard referral programs and WOM initiatives, but will have to deal with bloggers with a large following similar as to how they would with a publisher of traditional media.[56] These bloggers are important industry players and they need to be treated with respect and engaged at eye level.

Twitter is a social networking and microblogging service that allows its users to send updates or read other users' updates. These updates are up to 140 characters in length and can be sent and received through the Twitter website, SMS, or external applications. Created in 2006 by Jack Dorsey, Twitter has become a highly popular global social networking service.[57] Service firms use Twitter in various ways. Comcast, the U.S. cable service provider, has set up @comcastcares to answer customer queries in real time. Zappos's CEO interacts with his customers as if they were friends, celebrity Ashton Kutcher interacts with his fans while on the move, and airline branding firm SimpliFlying used Twitter to help establish itself as a thought leader in its niche by holding special trivia quizzes and competitions for its followers around the world.

Media Coverage. Although the online world is rapidly increasing in importance, coverage on traditional media cannot be neglected, especially as newsworthy events are often first discussed in the online world, and are then picked up and reported in the traditional media that reach the masses. Media coverage of firms and their services is often through a firm's PR activity, but broadcasters and publishers also often initiate their own coverage.

In addition to news stories about a company and its services, editorial coverage can take several other forms. For example, journalists responsible for consumer affairs often contrast and compare service offerings from competing organizations, identifying their strong and weak points, and offering advice on "best buys". In a more specialized context, *Consumer Reports,* the monthly publication of Consumers' Union, periodically evaluates services that are offered on a national basis, including financial services and telecommunications, and commenting on the strengths and weaknesses of different service providers and seeking to determine the true cost of their often confusing fee schedules and pricing plans.

Furthermore, investigative reporters may conduct an in-depth study of a company, especially if they believe it is putting customers at risk, cheating them, employing deceptive advertising, damaging the environment, or taking advantage of poor workers in developing countries. Some columnists specialize in helping customers who have been unable to get complaints resolved.

TIMING DECISIONS OF SERVICES MARKETING COMMUNICATIONS

Goods such as champagne, jewelry and Christmas pudding are heavily promoted in the three months leading up to Christmas, as often half of their annual sales will happen then. Service firms, in contrast, are capacity constrained and therefore generally do not promote during heavy usage periods. Rather, timing is closely matched to the various perceptions and behaviors the firm wants to manage in the service communications funnel. Often, different communications channels are used to move a customer along from awareness, preference all the way to the post-consumption stage.

Timing of communications is typically managed in a media plan flowchart which looks like a large Excel spreadsheet. It gives a bird's

eye view of the media where and when communications is planned. Typically, software is used to assist with tedious tasks to crunch numbers to get toward an optimal media mix and media plan, and it computes key numbers such as reach of the target audience and cost per thousand contacts of the target segment. Professional firms such as Telmar (http://www.telmar.com) help companies with their planning.

BUDGET DECISIONS AND PROGRAM EVALUATION[58]

Most service firms will allocate more budgets to services marketing communications as long as they believe it will increase sales and profits. However, the optimal point of communications expenditure is difficult to predict, and setting a budget is one of the hardest decisions to make. In practice, service firms use a number of methods to determine their communications budget, including allocating a percentage of sales or profit, matching competitors' spent, and using last year's budget and adding to or subtracting from it, depending on the success of last year's communications and the firm's future plans.

The most logical method, however, is the objective-and-task method, which is also known as the budget buildup method. This method entails three steps: (1) defining the communications objectives along the services marketing communications funnel, (2) determining the tasks needed to achieve these objectives, and (3) estimating the costs of the program. The estimated costs become the basis for the proposed promotions budget. Of course, a firm's financial position and estimated returns on these investments always need to be integrated as well. If costs are too high or expected returns too low, the budget needs to be scaled back. The key challenge though remains that it is difficult to determine in advance the intensity of communications required to achieve a certain goal.

Finally, the empirical research method can be used alone or in combination with the objective-and-task method. The empirical research method runs a series of tests or field experiments with different communications budgets to determine the optimum level of communications spent. Online, of course, such experiments can be done easily and fast, and are regularly used in professional campaign management.

Once the budget is spent, next is the evaluation of the success of the communications program. For specific objectives, it is easy to measure. For example, if specific communications programs were targeted at changing customer behavior (e.g., shifting usage away from peaks, teaching customers how to keep their PINs safe, shifting customers from paper-based statements to e-statements and upselling to a higher-level service) the results are directly measurable. The same applies to direct response marketing, such as email campaigns or online marketing where clickthroughs, newsletter signups, followers, registrations, lead generation, and sales can be matched directly to specific marketing communications.

Similarly, advertising and research agencies have become experts at measuring whether wider communications objectives (e.g., awareness, knowledge, and preference) have been achieved. However, the effect of market communications on sales and profit is notoriously hard to measure. A key reason is that marketing communications affects sales, but it is only one of the many drivers of sales which range from service features and quality to price and competitor activities.

ETHICAL AND CONSUMER PRIVACY ISSUES IN COMMUNICATIONS

In addition to how to reach, persuade and manage the behavior of prospects and customers, firms also need to consider the ethical and privacy issues associated with communications, especially as few aspects of marketing are so easily misused (and even abused), such as advertising, selling, and sales promotion. The fact that customers often find it hard to evaluate services makes them more dependent on marketing communication for information and advice. Communication messages frequently include promises about the benefits that customers will receive and the quality of service delivery. When promises are made and then broken, customers will be disappointed.

Some unrealistic service promises result from poor internal communications between operations and marketing personnel concerning the level of service performance that customers can reasonably expect. In other instances, unethical advertisers and salespeople deliberately make exaggerated promises to secure sales. Finally, there are deceptive promotions that lead people to think that they have a much higher

chance of winning prizes or awards than is really the case. Fortunately, many consumer watchdog groups are on the lookout for these deceptive marketing practices. They include consumer protection agencies, trade associations within specific industries, and journalists seeking to expose cheating schemes and misrepresentations.

A different type of ethical issue concerns unwanted intrusion by aggressive marketers into people's personal lives. The increase in telemarketing, direct mail, email and messaging is frustrating for those who receive unwanted sales communications. How do you feel when your dinner at home is interrupted by a telephone call from a stranger trying to get you to buy services in which you have no interest? Even if you are interested, you may feel, as many do, that your privacy has been violated (*Service Insights 5*). See also the earlier section on direct marketing where the concept of permission marketing as one way to address consumer concerns is discussed.

To address growing hostility toward these practices, both government agencies and trade associations have acted to protect consumers. In the United States, the Federal Trade Commission's National "Do Not Call" Registry enables consumers to remove their home and mobile numbers from telemarketing lists for a five-year period. People who continue to receive unauthorized calls from commercial telemarketers can file a complaint, and the telemarketing firm can be subjected to heavy fines for such violations.[59] Similarly, the Direct Marketing Association helps consumers remove their names from mailing, telemarketing, and e-mail lists.[60]

SERVICE INSIGHTS 5
Consumer Concerns about Online Privacy

Technological advances have made Internet a threat to consumer privacy. Information is collected on not only people who register, shop or use email, but also on those who just surf the Internet, participate in social networks, or contribute to blogs! Individuals are increasingly fearful of databases and concerned about their online privacy. Hence, they use several ways to protect themselves, including:

- Providing false information about themselves (e.g., disguising their identity).

- Using technology such as Microsoft's InPrivate Browsing, anti-spam filters, e-mail shredders, and cookie-busters to hide the identity of their computers from websites.

- Refusing to provide information and avoiding websites that require personal information to be disclosed.

Such consumer responses will make information used in CRM systems inaccurate and incomplete, thereby reducing the effectiveness of a firm's customer relationship marketing and its efforts to provide more customized, personalized, and convenient service. Firms can take several steps to reduce consumer privacy concerns, including:

- Customers' fairness perceptions are key — marketers need to be careful about how they use the information they collect and whether consumers see their treatment and outcomes as fair. In particular, marketers should continually provide the customer with enhanced value such as customization, convenience, and improved offers and promotions to increase fairness perceptions of the information exchange.

- The information asked for should be perceived to be related to the transaction, especially if it is highly sensitive. Therefore, firms should clearly communicate why the information is needed, and how information disclosure will benefit the consumer.

- Firms should have a good privacy policy in place, one that can be readily found on its websites, is easily understood and comprehensive enough to be effective. Ideally, websites should give customers control over how their information can be used.

- Fair information practices need to be embedded in the work practices of all service employees to prevent any situation whereby an employee may allow personal customer information to be misused.

- Firms should have high ethical standards of data protection. They can use third party endorsements such as TRUSTe or the

Better Business Bureau and have recognizable privacy seals displayed clearly on their website.

Sources: M. Lwin, J. Wirtz, and J. D. Williams, "Consumer Online Privacy Concerns and Responses: A Power-Responsibility Equilibrium Perspective", *Journal of the Academy of Marketing Science*, Vol. 35, No. 2, 2007, 572–585; Jochen Wirtz and May O. Lwin, "Regulatory Focus Theory, Trust, and Privacy Concern", *Journal of Service Research*, Vol. 12, No. 2, 2009, 199–207; Catherine E. Tucker (2014), "Social Networks, Personalized Advertising, and Privacy Controls", *Journal of Marketing Research*, Vol. 51 (October), pp. 546-562.

THE ROLE OF CORPORATE DESIGN

Corporate design is key to ensure a consistent style and message is communicated through all of firm's communications mix channels. Corporate design is particularly important for companies operating in competitive markets where it's necessary to stand out from the crowd to be instantly recognizable in different locations. Many companies stand out in the crowd because of the colors they use, the widespread application of their logos, the uniforms worn by their employees, or the design of their physical facilities?

Many service firms employ a unified and distinctive visual appearance for all tangible elements to facilitate recognition and reinforce a desired brand image. Corporate design strategies are usually created by external consulting firms, and include stationery and promotional materials, retail signage, uniforms, and color schemes for painting vehicles, equipment, and building interiors. The objective is to provide a unifying and recognizable theme that links all the firm's operations in a branded service experience through the strategic use of physical evidence. Companies can do that by using the following approaches either individually or in combination:

- Companies in the highly competitive express delivery industry tend to use their name as a central element in their corporate design. When Federal Express changed its trading name to the more modern "FedEx", it featured the new name in a distinctive, new logo.

- Many companies use a trademarked symbol, rather than a name, as their primary logo. Shell makes a pun of its name by displaying a yellow scalloped shell on a red background, which has the advantage of making its vehicles and service stations instantly recognizable. McDonald's "Golden Arches" (Figure 19) is said to be the most widely recognized corporate symbol in the world and is featured

Figure 19: The Golden Arches at the Times Square McDonald's restaurant in New York.

at all touchpoints, including its restaurants, employee uniforms, packaging, and in all the company's communications materials (see Table 2).

- Some companies have succeeded in creating tangible, recognizable symbols to associate with their corporate brand names. Animal motifs are common physical symbols for services. Examples include the eagles of the U.S. Postal Service and AeroMexico, the lions of ING Bank and the Royal Bank of Canada, and the ram of the investment firm T. Rowe Price, and the Chinese dragon of Hong Kong's Dragonair.

- Many companies use colors in their corporate designs. If we look at gasoline retailing, we see BP's immediately recognizable bright green and yellow service stations; Texaco's red, black and white; and Sunoco's blue, maroon, and yellow.

INTEGRATED MARKETING COMMUNICATIONS

Have you ever seen a new, exciting service promotion being touted at a firm's website, only to find that the counter staff was not aware of the promotion and couldn't sell it to you when you visited a branch office?

What went wrong? In many service firms, different departments look after different aspects of a firm's market communications. For example, the marketing department is in charge of advertising, the PR department of public relations, functional specialists look after a company's website and its direct marketing and promotions activities, operations of customer service, and human resource of training. The service failure described above is a consequence of these various departments not coordinating their efforts effectively.

With so many channels delivering messages to customers and prospects, it becomes more and more important for firms to adopt the concept of integrated marketing communications (IMC). IMC ties together and reinforces all communications to deliver a strong brand identity. It means that a firm's various media deliver the same messages and have the same look and feel, and the communications from the different media and communications approaches all become part of a single, overall message about the service firm and its products. Firms can

Table 2: Corporate Design Strategies

Examples of Corporate Design Strategies			
Name as central element	Trademarked symbol	Tangible recognizable symbol	Distinctive color used in corporate design
FedEx	McDonald's "Golden Arches"	ING Bank's lion	DHL's yellow (Pantone 116) and red (Pantone 200) colors of its logo.
DHL	Shell's yellow scalloped shell	Hong Kong's Dragon Air's Chinese dragon	BP's bright green and yellow service stations

achieve this by giving the ownership of IMC to a single department (e.g., marketing), or by appointing a marketing communications director who has overall responsibility for all of the firm's market communications.

CONCLUSION

The *promotion* and *education* element of the 7 'P's requires a somewhat different emphasis from the communication strategy used to market goods. The communication tasks facing service marketers include emphasizing tangible clues for services that are difficult to evaluate, clarifying the nature and sequence of the service performance, highlighting the performance of customer contact personnel, and educating the customer about how to effectively participate in service delivery. A key takeaway point is that effective service marketers are good educators who can use a variety of communication media in cost-efficient ways, not only to promote their firm's value propositions but also to teach both prospects and customers what they need to know about selecting and using the firm's services.

SUMMARY

1. The Integrated Service Communications Model

Service marketers need to design an effective communications strategy by using the Integrated Service Communications Model as a guiding framework which is organized around the 5 'W's model. The 5 'W's are:

- Who is our target audience? Are they prospects, users, and/or employees?
- What do we need to communicate and achieve? Do the objectives relate to consumer behavior in the prepurchase, service encounter, or post-encounter stage?
- How should we communicate this? How can we overcome the challenges caused by the intangibility of services?
- Where should we communicate this? Which media mix should we use?
- When should the communications take place?

2. Target Audiences

There are three broad target audiences (Who) of service communications. They are:

- Prospects, reached via traditional communications media just like in goods marketing
- Current users, reached via more cost-effective communications channels such as the firm's service delivery channels (e.g., service employees, branch network, account statements, and self-service channels)
- Employees as a secondary audience who can be highly motivated with the right communications messaging.

3. The Objectives of Marketing Communications

- Marketing communications objectives (What) are to inform, educate, persuade, remind, shape behavior, and build relationships.
- Communications objectives can be strategic and tactical in nature, and are typically an amalgamation of both.

- Strategic objectives include building brand equity, positioning a brand against competition, and repositioning it.

4. The Services Marketing Communications Funnel

Tactical objectives can be organized according to the Services Marketing Communications Funnel that details a range of potential objectives using the three-stage model of service consumer behavior as a guiding framework. A key takeaway of this funnel is that communications objectives can be highly specific and address any aspect of service consumption behavior in the:

- Prepurchase stage (e.g., emphasize the importance of attributes in which the firm outperforms, and reduce perceived risk)
- Service encounter stage (e.g., guide customers through service process, encourage proper queuing behavior, and manage performance perceptions)
- Post-encounter stage (e.g., shape customer satisfaction and encourage referral and loyalty behaviors).

5. Examples of the Importance of Service Marketing Communications

- Promote the tangible cues to communicate quality.
- Add value through communication content (e.g., provide information and consultation as discussed in the Flower of Service model).
- Facilitate customer involvement in production.
- Promote the contribution of service personnel.
- Stimulate and shift demand to match capacity.

6. Challenges for Communications Efforts

The intangibility of services presents several challenges for communications:

- Abstractness
  - Challenge: No one-to-one correspondence with a physical object.
  - Solution: Use service consumption episode and show typical customers experiencing the service.\

- Generality
  - Challenge: Items are part of a class of persons, objects, or events and are not specific to the firm's performance
  - Solution: For objective claims, use system documentation showing facts and statistics about the service delivery system and performance documentation that cites past performance statistics, such as the percentage of packages delivered on time. For subjective claims, service performance episodes can be used, where the actual service delivery being performed by service personnel is shown.
- Non-searchability
  - Challenge: Cannot be inspected, or searched before purchase.
  - Solution: Consumption documentation can be used where testimonials are obtained from customers who have experienced the service. For services high in credence attributes, use reputation documentation showing the awards received or the qualifications of the service provider.
- Mental impalpability
  - Challenge: Difficult to understand and interpret. There are a number of ways to overcome the communications problems posed by intangibility.
  - Solution: use service process episode by presenting what exactly will happen during the service experience, feature a case history episode of what the firm did for a client and how it solved the client's problem or show a service consumption episode showing the customer's experience with a service.
  - There are two additional ways to help overcome the problems of intangibility:
    › Emphasize tangible cues such as its employees, facilities, certificates, and awards, or its customers.
    › Use metaphors to communicate the value proposition. For example, Prudential uses the Rock of Gibraltar as a symbol of corporate strength.

7. Communications Channels

To reach our target audiences and achieve the communications objectives, we can use a variety of communications channels (Where), including:

- Traditional marketing channels (e.g., advertising, direct marketing, online advertising), apps and social media (e.g., Web 2.0, and social media).
- Service delivery channels (e.g., service outlets, frontline employees, service apps, and self-service websites).
- Messages originating from outside the organization (e.g., WOM, social media, and blogs and coverage in traditional media).

8. Traditional Marketing Channels

The traditional marketing channels include advertising, public relations, direct marketing (including permission marketing), sales promotions, and personal selling. These communication elements are typically used to help companies create a distinctive position in the market and reach prospective customers.

9. Online Communications Channels

- Online communications channels include the firm's websites and online advertising (e.g., banner advertising, and search engine advertising and optimization).
- Developments in technology are driving innovations such as permission marketing, resulting in exciting possibilities of highly targeted communications using online and mobile advertising, apps, Web 2.0, social media, and podcasting.

10. Service Delivery Channels

Service firms usually control service delivery channels and point-of-sale environments that offers them cost-effective ways of reaching their current customers (e.g., through its service employees, service outlets, and self-service delivery points).

11. Some of the Most Powerful Messages are not Controlled

Some of the most powerful messages about a company and its services originate from outside the organization and are not controlled by the marketer. They include traditional WOM, blogs, Twitter and other social media, and coverage in traditional media.

- Recommendations from other customers are generally viewed as more credible than firm initiated communications, and are usually more sought by prospects, especially for high-risk purchases.
- Firms can stimulate WOM from its customers through a number of means including creating exciting promotions, referral reward programs, and referencing customers, all of which are increasingly being shifted to the online environment.

12. Consulting the Service Communications Funnel

Unlike in goods marketing where much of the communications happens before periods of heavy buying (e.g., before Christmas), service firms typically cannot cater for additional demand during peak periods. Therefore, communications tend to be more spread out and connected to the specific objectives and their timing in the Service Communications Funnel (When). Budget decisions and performance management are mapped against these objectives (if the objective-and-task method is used).

13. Considering Ethical and Privacy Issues

When designing their communication strategy, firms need to bear in mind ethical and privacy issues in terms of promises made, possible intrusion into people's private lives (e.g., through telemarketing or e-mail campaigns), and protecting the privacy and personal data of customers and prospects.

14. Good Corporate Design

Besides communication media and content, corporate design is key to achieving a unified image in customers' minds. Good corporate design uses a unified and distinctive visual appearance for tangible elements including all market communications mix elements, stationery, retail signage, uniforms, vehicles, equipment, and building interiors.

15. The Integrated Marketing Communications

With so many channels delivering messages to customers and prospects, it becomes crucial for firms to adopt the concept of Integrated Marketing Communications.

ENDNOTES

1   Note that this volume was not written to provide the reader with an in-depth understanding of marketing communications in general. Rather, the focus is on service-specific issues, while covering the basics of marketing communications.

For a detailed coverage of marketing communications in general, refer to William F. Arens, Michael F. Weigold, and Christian Arens (2013), *Contemporary Advertising & Integrated Marketing Communications*. 14th ed., NY: New York, McGraw-Hill; and George E. Belch and Michael A. Belch (2015), *Advertising and Promotion: An Integrated Marketing Communications Perspective*. 10th ed., NY: New York, McGraw-Hill.

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In recognition of his excellence in teaching and research, Professor Wirtz has received more than 40 awards, including the prestigious Academy of Marketing Science (AMS) 2012 Outstanding Marketing Teacher Award (the highest recognition of teaching excellence of AMS globally), and the top university-level Outstanding Educator Award at NUS. He was also the winner of the inaugural Outstanding Service Researcher Award 2010, and the Best Practical Implications Award 2009, both by Emerald Group Publications.

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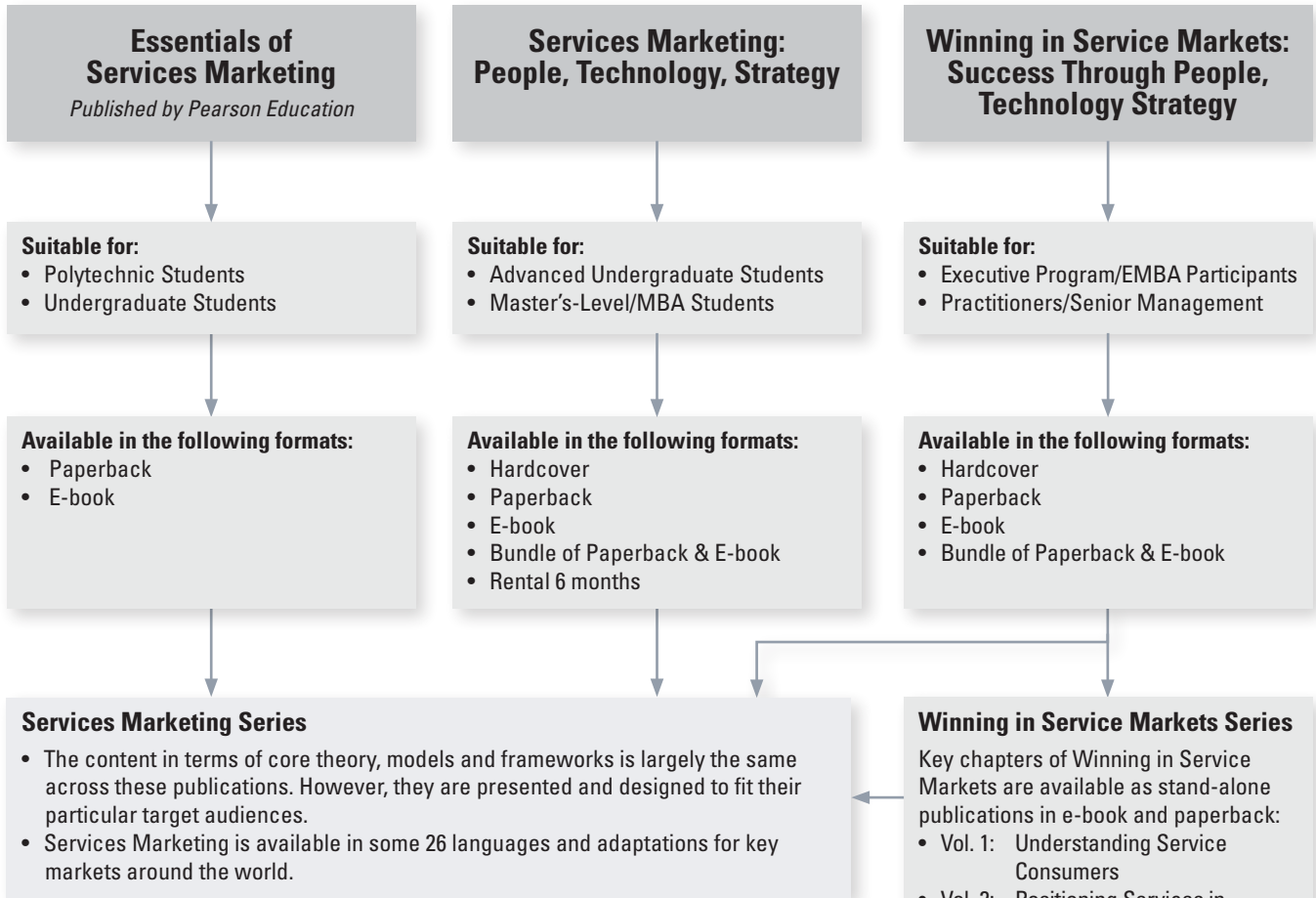
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