

# **S. S. Jain Subodh Management Institute**

**MBA IVth Semester, (Model Paper & Suggested Answers)**

**Subject: Marketing of Services**

**Paper Code: M-421**

**Time: 1 Hour**

**Max Marks: 10**

Note: Attempt both the questions. All questions carry equal marks.

Q1. What do you understand by 'services'? Differentiate between goods and services.

Q2. Explain the process of market segmentation?

### **Suggested Answers:**

**Ans. 1.** (Marking guidelines: The meaning of services contains one mark. Goods and service differentiation contains four marks; eight differences for half mark each should be explained. The differences can be stated in either form of points or comparison chart.)

Services are the intangible economic product that is provided by a person on the other person's demand. It is an activity carried out for someone else.

They can only be delivered at a particular moment, and hence they are perishable in nature. They lack physical identity. Services cannot be distinguished from the service provider. The point of sale is the basis for consumption of services. Services cannot be owned but can only be utilized.

Example: Postal services, banking, insurance, transport, communication, etc.

### **Key Differences between Goods and Services**

The basic differences between goods and services are mentioned below:

1. Goods are the material items that the customers are ready to purchase for a price. Services are the amenities, benefits or facilities provided by the other persons.
2. Goods are tangible items i.e. they can be seen or touched whereas services are intangible items.
3. When the buyer purchases the goods by paying the consideration, the ownership of goods moves from the seller to the buyer. Conversely, the ownership of services is non-transferable.
4. The evaluation of services is difficult because every service provider has a different approach of carrying out services, so it is hard to judge whose services are better than the other as compared to goods.
5. Goods can be returned to or exchanged with the seller, but it is not possible to return or exchange services, once they are provided.
6. Goods can be distinguished from the seller. On the other hand, services and service provider are inseparable.
7. A particular product will remain same regarding physical characteristics and specifications, but services can never remain same.
8. Goods can be stored for future use, but services are time bound, i.e. if not availed in the given time, then it cannot be stored.
9. First of all the goods are produced, then they are traded and finally consumed, whereas services are produced and consumed at the same time.

Comparison Chart

| <b>BASIS FOR COMPARISON</b> | <b>GOODS</b>  | <b>SERVICES</b>  |
|-----------------------------|---|--|
| Meaning                     | Goods are the material items that can be seen, touched or felt and are ready for sale to the customers. | Services are amenities, facilities, benefits or help provided by other people. |
| Nature                      | Tangible  | Intangible   |
| Transfer of ownership       | Yes   | No   |
| Evaluation                  | Very simple and easy  | Complicated  |
| Return                      | Goods can be returned.  | Services cannot be returned back once they are provided.                       |
| Separable                   | Yes, goods can be separated from the seller.  | No, services cannot be separated from the service provider.                    |
| Variability                 | Identical   | Diversified  |
| Storage                     | Goods can be stored for use in future or multiple use.  | Services cannot be stored.   |
| Production and Consumption  | There is a time lag between production and consumption of goods.  | Production and Consumption of goods occurs simultaneously.                     |

**Ans. 2. (Making guidelines: The answer should contain the explanation of concept of market segmentation and the steps of market segmentation process.)**

Market segmentation is a marketing concept which divides the complete market set up into smaller subsets comprising of consumers with a similar taste, demand and preference.

Market segmentation is the process of dividing a market of potential customers into groups, or segments, based on different characteristics. The segments created are composed of consumers

who will respond similarly to marketing strategies and who share traits such as similar interests, needs, or locations.

A market segment is a small unit within a large market comprising of likeminded individuals. One market segment is totally distinct from the other segment. The individuals from the same segment respond in a similar way to the fluctuations in the market.

### **Process of market segmentation:**

Below steps are mostly followed to segment the market.

#### **Step 1: Define the overall market**

Before getting too deep into segmenting, the first step is to clearly define the overall market. A market that is too broadly defined won't produce meaningful segments.

#### **Step 2: Identify potential market segments**

Each market segment needs to have at least one factor that binds it together while separating it from other groups. With that in mind, there are many ways to go about breaking up a market. Here are a few possibilities for segmenting groups in a consumer market:

- Geographic—by country, region, city, zip code, or some other geographic basis.
- Demographic—by characteristics such as age, sex, occupation, marital status, family size, language spoken, etc.
- Psychographic—by lifestyle, interests, opinions, political views, social attitudes, etc.
- Behavioral—by the relationship people have with the product the company is trying to sell; for example, heavy or light users, loyal customers or switchers, etc.
- Benefits—by the specific benefits customers are looking for, such as convenience or status.

#### **Step 3: Evaluate the identified segments**

Once potential market segments are identified, the next step is to evaluate them against some form of criteria to determine if the segments make sense for the company and offer a real economic opportunity. Identified market segments should be homogeneous, heterogeneous, measurable, substantial, accessible, actionable and responsive. If a segment does not meet each of these criteria, it should be reevaluated.

#### **Step 4: Develop segment profiles**

The goal of developing segment profiles is to describe the consumers in each segment to understand their needs, especially with regard to how they are distinct from other market segments. Segment profiles should provide company with a deep understanding of the potential consumers within each segment for comparison and strategy purposes. The segment profile should outline important aspects of consumer behavior such as consumer needs, brand preferences, product usage levels, price sensitivity and so on. It should also provide a demographic and psychographic description of the segment.

#### **Step 5: Evaluate the attractiveness of segments**

After developing profiles of segments, the most attractive segment is identified. An attractive segment offers solid current and/or long-term profit potential. The criteria for evaluating the market segments can be:

- Competitors
- Company resources
- Segment size
- Segment growth rate
- Segment profitability
- Segment accessibility
- Segment differentiation

#### Step 6 : Select Target market

After evaluation of selected market segments, the most attractive segment is identified. This results in the appropriate selection of target market.

#### Step 7: Design, implement and maintain marketing mix

The last step in market segmentation is developing the right marketing mix to achieve the organizational objectives and implement it. After implementation of marketing strategy, the control measures are adopted to maintain the marketing mix.