

## **Question No.5 Differentiate between a product and a service. Discuss various barriers in international marketing of services.**

### **Solution:**

### **Services Differentiated from Products**

There are four basic characteristics of services, that differentiate them from products. They are: (1) intangibility, (2) heterogeneity, (3) simultaneous production and consumption, and (4) perishability.

#### **1. Intangibility**

The most basic difference between goods and services is intangibility. Services are performances or actions rather than objects. Therefore, they cannot be seen, felt, tasted, or touched in the same manner that we can sense tangible goods. The absence of tangible features means that it is difficult for the seller to demonstrate or display services, and for buyers to sample, test or make a thorough evaluation before buying them. For example, health care services are actions (e.g. surgery, diagnosis, examination, treatment) performed by doctors and directed towards patients. One cannot see or touch these services, although you may be able to see and touch certain tangible components of them (e.g. equipment, hospital room). In fact, many services such as health care are not easy for the consumer to grasp even mentally. Even after a diagnosis or surgery has been completed, the patient may not fully comprehend the services performed.

#### **2. Heterogeneity**

It is often impossible to assure homogeneity and consistency in the service provided by a seller, because services are performances rendered by human beings. Hence no two services will be precisely alike. The service is performed and delivered by employees (people), and people may differ in their performance from day to day or even 1 hour to hour. Heterogeneity also results because, no two customers are precisely alike; each will have unique demands or experience and requires the service in a unique way. For instance, take the case of a restaurant which is a hospitality service. One customer may prefer a crisp Masala Dosa with samba, while another customer may prefer soft Masala Dosa with coconut chutney. The cook has to prepare and serve

according to their tastes. Thus, the heterogeneity connected with services is largely the result of human interaction between employees and customers and all of the vagaries that accompany it.

### **3. Simultaneous Production and Consumption**

Most goods are produced first, then sold and consumed while most services are sold first and then produced and consumed simultaneously. For example, an automobile may be manufactured in Mumbai, shipped to Delhi, sold two months later, and used over a period of years. But restaurant services cannot be provided until they have been sold and the dining experience is essentially produced and consumed at the same time. Similarly, in travel services, the ticket has to be bought first and then the travel service has to be availed of. Very often, the customer is present while a service is being produced and thus the views of the customer are taken into account in the production process. For example, in the restaurant when one orders for a cup of coffee, he may ask for strong coffee (more coffee less milk) without sugar. Here the customer has influenced the production process of coffee. Frequently customers may interact with one another during the service production process and thus may affect one another's experiences. For example, strangers seated next to each other in an airplane may well affect the nature of the services experience for each other. Another outcome of simultaneous production and – consumption is that service producers find themselves; playing a role as part of the product itself and as an essential ingredient in the service experience for the consumer.

### **4. Perishability**

Perishability refers to the fact that services cannot be saved or stored or resold or returned. A seat on an airplane or in a restaurant, an hour of a lawyer's time or telephone line capacity not used cannot be reclaimed and used or resold at a later time. This is in contrast to goods that can be stored or resold another day, or even returned if the consumer is unhappy. It is not easy to reset a bad haircut nor is it possible to transfer it to another consumer. Perishability makes this an unlikely possibility for most services.

## **BARRIERS TO INTERNATIONAL MARKETING OF SERVICES**

While opportunities for the export of services are great and growing competition is also growing equally. Therefore, success in this increasingly competitive sector is possible only through proper understanding of international services concepts, issues, and challenges.

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Firms also face certain unique problems while marketing services internationally which are given below.

### **Legal Barriers**

Because production and marketing of services are closely intertwined with the societies being served, often the barriers associated with trade in services are even more restrictive than those associated with trade in products. Marketers of services face a plethora of legal restrictions in the global market place. While there are other similarly motivated restrictions around the world, the real purpose behind most legal barriers is economic protection of domestic service industries and workers.

Legal barriers usually fall into four main categories as discussed below :

1. **Quantitative and qualitative border prohibitions and restrictions** : Perhaps the simplest forms of restrictions are those that affect firms at the time their operations cross borders. Quotas are another common form of border restriction. Many countries have erected barriers to entry of banks and insurance firms. Almost all countries restrict the marketing of services by controlling work permits.
2. **Laws and regulations discriminating against foreign firms** : A second common approach to protect domestic firms from foreign competition is to let foreign firms in, but then discriminately restrict their operations.
3. **Direct and indirect subsidies to local firms** : A more subtle form of protection from outside competition is government subsidies to domestic workers and industries. Local services industries are commonly supported financially by government.
4. **Infringement of international copyright and trademark laws** : This perhaps is the most important from the perspective of American industry. This often takes the form of ideas and innovations that are quite easily copied. Non existence of laws on intellectual property or lackadaisical enforcement of laws in the concerned countries serves to protect their own domestic industries and limits the profitability of foreign companies.

### **Cultural Barriers**

As trade in services frequently involves people-to-people contact, culture plays a much bigger role in such trade than in merchandise trade. The perception of service to a large extent depends on cultural context.

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It is useful to consider important dimensions of culture and the ways in which culture can affect services buyers, service providers, and entry into international markets. A simple list of the major elements of culture would include:

1. **Language** : Communication is an essential part of the international marketing task. Hence the first issue is which language should be used in providing services. Obviously the language of customer is most appropriate. Therefore, services marketers must communicate in the language of the market. Adoption is needed in advertising and personal selling and in market research, which is often accomplished using national employees, distributors, and advertising agencies. Mistakes made in this area can have serious repercussions, particularly when one cultural group feels threatened by another. When translations are involved, care should be taken that the spirit of the original version is carried into the translated version.
2. **Values and attitudes** : These help to determine what members of a culture think is right, important, and/or desirable. Because behaviour, including consumer behaviour, flows from values and attitudes. Services marketers who want their services adopted cross-culturally must understand these differences among cultures for preparing appropriate marketing strategies.
3. **Manners and customs** : These represent a culture's views of appropriate ways of behaving. It is important to monitor differences in manners and customs, as these can have direct impact on the service encounter.
4. **Material culture**: Material culture consists of the tangible products of culture. What people own and how they use and display material possessions varies around the world. Cars, houses, clothes, and furniture are examples of material culture.
5. **Aesthetics** : Aesthetics refers to cultural ideas about beauty and good taste. These are reflected in music, art, drama, and dance, as well as the appreciation of colour and form.
6. **Education and social institutions** : Both kinds of institutions are affected by, and are transmission agents of culture. Education includes the process of transmitting skills and knowledge, and thus may take place in schools and in less formal training circumstances. The structure and functioning of each are heavily influenced by culture. Culture manifests itself most dramatically in the people-to-people contact of our social institutions.
7. **Culture's effects on customer behaviour** : Given all kinds of cultural differences associated with the delivery and marketing of services, it is a wonder that some firms are so successful in international markets. This may be due to efficient delivery of services action. Thus, part of that success depends on the firms' abilities to manage behaviours of satisfaction and potential innovations.