Chapter 6
Issues in Service Marketing in Emerging Economies

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ABSTRACT

Globalisation and the resulting increase in competition have forced organisations to seek unique ways to gain a competitive advantage over their competition. One of the strategies successfully adopted is transforming/extending operations into service industry by the manufacturing organisation. This servitisation as packages or 'bundle' of customer focused combination of goods, services, support, self-service and knowledge adds value to core product offering. The focus of service sector marketing is supported by the fact that regarding world gross domestic product (GDP), the share of services increased from 59% in 1985 to 71% in 2011, underlying the major shift in paradigm. In manufacturing industry, this shift, termed as servitisation, has enabled organisations to achieve better profits and financial stability and has also offered them the opportunity to understand their customers better.

INTRODUCTION

There is no pure product or service. When a consumer buys something or some solution to satisfy the need, actually the consumer is getting the combination of product and services on a continuum. Some researcher has argued for increasing the elements of services in any tangible product will offer competitive advantages to the organisation. This is known as servitisation of the products. Vandermerwe and Rada (1998) defined servitisation as 'the increased offerings of the fuller market packages or 'bundle' of customer focused combination of goods, services, support, self-service and knowledge to add value to core product offering'. Versptrepen and van den Berg (1999) viewed it as a move towards product services by 'adding extra service components to core product'.

According to Vandermerwe and Rada (1988), instead of viewing services and manufacturing from a traditional point of view, servitisation companies offer products and services as a package to create a unique value. Servitisation establishes customer contact points which allow organisations to observe the customers on site and gather information. This, according to Lane and Bachmann (1998), could lead to a long-term relationship, through which companies can build an environment of trust and collaboration. Thus servitisation has a great potetail as a service sector promotion strategy in the emerging markets. The emergence of blocks of emerging economies across the globe has opened new markets for servitisation. An emerging economy can be defined as a country that satisfies two criteria: a rapid pace of economic development, and government policies favouring economic liberalisation and the adoption of the free market (Arnold and Quelch, 1998). McKinsey Global Institute estimates that by 2025, 45% of the Fortune 500 list of the world's biggest companies will be based in emerging markets, therefore, suggesting an increased growth of servitisation industry in future. It is also supported by the fact that organisations are increasingly outsourcing their service functions and the tasks which are not part of their core competency and strategy (Levery, 1998).

Among the several benefits of transforming into services, a strategy to react to changing customer needs while acquiring necessary information from the customer to increase product sales is critical (DeBruicker and Summe, 1985; Hull and Cox, 1994). The information gained could be used in the upstream supply chain to innovate the product according to changing demands. Turunen (2013) stresses the improved relationship between the corporation and customers by adding services into a product based offerings in the process of servitisation. Implementation of servitisation strategy could be challenging, as it requires a revisit to the service marketing strategy of the organisation. Service marketing is related to the marketing of the services such as healthcare services, financial services and hospitality services. It could be challenging for any emerging economy to incorporate this strategy into

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