

CHAPTER - 13

GLOBALIZATION OF SERVICES

Nowadays the whole world becomes a global economic village because of the economic & cultural interdependencies between a growing numbers of economically strong countries. A combination of technological/Microelectronic development, cultural homogenization and the removal of industry barriers via deregulation have permanently changed the international business environment. The rise of the service sector is global phenomenon. Services contribute an average of more than 60 percent to the gross national product of all industrial nations.

CHALLENGES TO GLOBAL SERVICE MARKETERS

The unique dimensions of the global marketing of services are:

(a) Macroenvironmental Factors - Global changes in the political, economic, social and cultural environment have an impact on the international trading of services as well as goods. Even services are affected by cultural dimensions even more than goods because of their inseparable nature.

(b) Trade Barriers - Barriers to the global marketing of services tend to be more restrictive than barriers to the marketing of goods, largely because of the close cultural links between a country and the services it offers. Scarce factors of production present a challenge to global service marketers, partly because services are inseparable. Thus, they normally are labour-intensive, requiring a competent provider interacting directly with the customer. One way to get around barriers to trade in services is to include services with physical goods.

(c) The Emergence of Global Markets and the 'Global Consumer' - The argument for global markets does not mean the end of choice or market segments. It means the beginning of price competitions for quality products aimed at fewer but larger global market segments which are themselves discrete and heterogeneous. It means the end of market segments; it means that they expand to worldwide proportions.

(d) Deregulation and Protectionism: Political and Economic Pressures - Deregulation promotes international investment and global competition. Protectionists' policies, such as quotas or tariff barriers, create constraints on global competitions. The very need for artificial trade barriers is evidence of the strength of international demand by consumers for international goods and services. Deregulation is a purposeful attempt to improve the efficiency of markets by opening them up to increased competition.

(e) Industry Restructuring & Concentration - Service Industry witnessed the emergence of very large firms, distribution, consultancy, business services & even traditional professional services such as law and accountancy for e.g. Arthur Anderson, in last 20-25 years. It increasingly consists of international firms of great size, marketing a global brand of quality and service delivery. Merger & acquisition is there but service concepts can and do 'travel'.

(f) Vertical Integration - The general trend towards increased scale, is the vertical integration occurring in the service industries for e.g. the takeover of brokerage firms by banks and the acquisition of companies.

(g) Mobility of Service - Inseparability and Perishability present a challenge to the marketing manager by determining the extent to which the producer or buyer of the service must be mobile. There are four categories, the marketing manager may determine, in which the particular service fits best. **CATEGORY 1** - An international transaction may occur without any movement by either the supplier or the receiver of the service. **CATEGORY 2**-The buyer must go to the supplier of the service. **CATEGORY 3**- It consists of services that are taken to the customer. **CATEGORY 4** - For some services both the buyer and the supplier must be mobile.

(h) The Role of Technology - New technologies have had a major impact on global marketing, particularly as an aid in the design and delivery of services, and as a means of circumventing barriers to trade. Advanced communications and computer technologies have effectively eliminated distance as a barrier to trade in financial and other services. Another use to circumvent trade barriers is to transfer intellectual property rights, IT increases a company's ability to co-ordinate its activities nationally & internationally, Creates opportunities to take advantage of new competitive scope since companies can deliver better and more varied services with no significant cost penalties.

SUCCESSFUL GLOBAL SERVICES MARKETING

The global marketing of services presents special problems arising from the nature of service products:

(a) Managing International Marketing Risks - Expansion of sales of a service packing is more risky than expansion of product sales. The service provider must immediately produce on foreign soil, deal directly with customers, and respond to their needs. Immediate on-site procedures, controls, and processes must be established to manage International Marketing Risks.

(b) Adaptation of Operations to Foreign Markets - Service firms must adjust to the business norms and laws of the host government. The

effective approach to reducing risks and adapting to foreign markets is to follow a gradual spread of international operations, beginning in the country with whose language and culture the firm is most familiar.

(c) Uniqueness - The more unique the supplier of the service, the more global potential the service offers. Given adequate support system, a unique service will attract customers from around the world.

(d) Customization - Services can be tailored because of its diversity. Marketing manager can make services more attractive to the potential customers through the creation of unique packages.

(e) Superior Quality - Higher quality at a competitive price always gives the firm an advantage, whether the product is a good or service.

(f) Superior Management System - It may enable the firm to transfer a service to another national market. The fastest growing market entry technique for services is franchising, for e.g. Taj Group of Hotels.

TYPICAL INTERNATIONAL SERVICES

There are numerous services that have great potential for internationalization. Financial institutions can offer very competitively internationally in the field of banking services. Another arena with great international potential is construction, design, and engineering services. Economies of scale can be effected not only for machinery and material but also for areas such as personnel management and the overall management of projects. Firms in the fields of legal and accounting services, Communication services, Teaching services, & Management consulting services can expect substantial growth.

LAUNCHING OF SERVICES IN THE INTERNATIONAL MARKET

For services that are delivered mainly in the support of or in conjunction with products, the most sensible approach for the international novice is to follow the path of the product. But for service provider whose activities are independent from products, a different strategy is needed. They must search for market situations abroad that are similar to the domestic market. Such a search concentrates in their area of expertise. Another opportunity consists of identifying and understanding points of transition abroad. Leads for international service opportunities can also be gained by keeping informed about international projects sponsored by domestic organizations, very frequently such projects are in need of support through services.

STRATEGIC IMPLICATIONS OF INTERNATIONAL SERVICES MARKETING

First the nature and aim of the services offering should be understood to be successful in the international service offering. During the determination, the marketer must consider other tactical variables that have an impact on the preparation of the service offering. In the field of Research – the measurement of capacity and delivery efficiency often remains highly qualitative rather than quantitative, Communications - the intangibility of the service reduces the marketer's ability to provide samples. Brochures or catalogues explaining services often must show a "proxy". The role of personnel deserves special consideration in the international marketing of services. The close interaction with the consumer will also have organizational implications. The area of pricing and financing requires special attention. Finally, the distribution implications of international services must be considered.

GLOBAL BRAND DOMINANCE IN THE SERVICE INDUSTRIES

Implementing a strategy to establish strong, quality, global brand names in any industry will require: A focus on customer needs, Multiple distribution channels, Ability to introduce product offerings quickly, Careful selection of clear markets, Entry of market segments with market share leadership potential. However, the distinctive character of service industries creates further special demands: Global marketing must be backed up by global service delivery, Uniform quality at outlets worldwide, uniform level of customer service at outlets.

GLOBALIZATION AND CORPORATE CULTURE

The strongest mechanism for achieving integration of internal strategic service vision, quality control of service delivery and commercial success is corporate culture. The management of service delivery on a global basis is viewed as fundamental to successful implementation of a global servicing strategy.

SUMMARY

Thus, global services play an increasing role in most economies world wide. As a result, international growth and competition in this sector has begun to outstrip that of merchandise trade and likely to intensify in the future.

DO NOT COPY