

# The deregulation of professional services — a marketing challenge

Hélène Brice and B. Phillips

Department of Business Science, University of Cape Town, Rondebosch

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Professional services are undergoing a process of self-examination in respect of deregulation of certain areas of conduct. This has been the response to competitive pressures on the professional services, and to developments in other countries. As a result, the marketing area has been put to the fore in the various professions. The authors seek to provide a conceptual framework within which the practitioner in professional service can consider the trend towards a marketing orientation, and propose some profitable directions for action and further research. *S. Afr. J. Bus. Mgmt.* 1986, 17: 79–86

Professionele dienste is tans besig met selfondersoek ten opsigte van die deregulasie van sekere terreine van werksaamhede. Dit is in reaksie op druk uitgeoefen op die professionele dienste a.g.v. mededinging, asook ontwikkelinge in ander lande. Bemerkings is gevolglik in die verskillende beroepe op die voorgrond geplaas. Die skrywers probeer 'n konseptuele raamwerk skets waarbinne die professionele praktisyne die neiging in die rigting van 'n bemerkingsoriëntasie kan oorweeg, en maak ook voorstelle betreffende nuttige rigtings vir optrede en verdere navorsing. *S.-Afr. Tydskr. Bedryfsl.* 1986, 17: 79–86

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## Introduction

In this article the authors seek to provide a conceptual framework within which the professional service practitioner can address himself to marketing issues and problems, which are fundamental to the application of a strategic approach to professional business ventures.

The marketing concept is a relatively new, and often unwelcome intrusion in the field of professional services, yet has an increasingly significant role to play. In fact, it is widely regarded as essential if the professional service firm is to meet effectively the pressures that currently prevail and are likely to intensify in the future.

The professional service organization has a long tradition of both unwillingness and inability to sanction the general acceptance of a marketing philosophy, its structure, and its functions.

Resistance has sprung largely from the following two considerations: (i) a denial of the relevance of marketing as an activity in the provision of professional services; and (ii) a fundamental questioning of its legitimacy.

The latter is exemplified in this quotation from Lewis:

'The ancient and universal practice in the world of commerce whereby custom may be enticed away from competitors has long since been held in the Western World to be unsuitable to the professions whose philosophy is that dedication to duty and not self-interest should be the professional's *raison d'être*; and indeed the prohibition of this practice is one of the distinguishing marks of what in common practice is called a profession' (Lewis, 1982:18).

It is the contention of this article that the above inability, or unwillingness, arises largely from an incomplete understanding of the marketing concept, and, in particular, a failure to fully visualize its application to the field of professional services. The authors set out to complement this understanding.

In order to do so, the following steps would appear useful:

- (i) to consider the need for a marketing approach to professional services;
- (ii) to outline briefly the nature and scope of the marketing concept, and to consider its relevance to the provision of services in general, and to that of professional services in particular;
- (iii) to consider ways in which the professional service firm can adopt, and profitably use the marketing function;
- (iv) finally, to integrate the marketing function in the overall strategy of the firm.

The article draws on the rapidly expanding interest in the marketing literature, and from exploratory research amongst

Hélène Brice\* and B. Phillips

Department of Business Science, University of Cape Town, Private Bag, Rondebosch, 7700 Republic of South Africa

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professionals. As such, the scope of the article is widely drawn, with insights gleaned from both published literature and from the experiences of practitioners in a variety of fields, especially from law, medicine, and accounting.

It is appropriate to start with a clear idea of the professional service operation.

Professionalism, as definitional issue, has long engaged the attention of management theorists. It is common to find criteria lists for this definition, the essence of which include (a field that):

1. is clearly defined and delineated;
2. is guided by a formal ethical code accepted by its members;
3. is policed by professional peers, including adjudication and expulsion from the profession for violation of the ethical code or professional practice standards;
4. has detailed criteria for membership, including educational experience, periods of training or apprenticeship, and performance standards;
5. recognises membership by formal certification, and,
6. the interests of clients or patients are placed before selfish interests' (Wheatley, 1983:16).

An essential component of *professional service* then is that of self-regulation. The professions are bound, not only within the general legal framework of the country, and the generally accepted norms of moral or ethical conduct, but by their own codes of conduct or regulation. These, in many instances, far exceed the general norms of business and social conduct.

It is therefore generally regarded, certainly by the professional himself, that it is fundamental to the concept of a profession that a code of conduct should be observed amongst its members, extending beyond any statutory, or customary requirements affecting the particular profession. The purpose of this code is to regulate the relations of professionals amongst themselves, and to regulate relations of its members with their user public. This then is the essential distinction between what constitutes a profession on one hand, and a general trade or (business) service, on the other.

### Pressures on the professions

At the level of macro analysis, the sheer weight of numbers, or economic significance of the service sector warrants emphasis — in all fields of enquiry, including that of marketing. This trend is consistent with the generally accepted 'Clark-Growth hypothesis' . . . that the process of economic development shifts the emphasis (in employment) from the primary sector, such as extractive industry and agriculture, to the secondary sector (manufacturing, in particular), and finally to tertiary activities, or the provision of services (Clark, 1957). Clearly, the urban or industrialized component of South African society evinces similar trends. If it is expected that a major part of economic growth and job creation is to originate from these activities, then attention needs to be focused on all means of facilitating this growth. As component of this emerging field of emphasis, regard to the marketing of professional service is warranted.

Increased pressure is felt from the regulatory effects of the professional codes. This is consonant with the mood in the United States and Britain and, more recently, in this country — a mood that looks to deregulation, and privatization as significant pre-requisites for entrepreneurial activity and economic growth. The professions in South Africa, like other

sectors of economic activity, are considered ripe for this deregulation.

The Competition Board, for example, is having a closer look at certain aspects of regulation in the professions, particularly barriers to entry, fixed or minimum fee scales, and the principle of 'closed shops', that is, the right to undertake specific work, such as conveyancing (property) by attorneys in South Africa (*Financial Mail*, October 11, 1985).

Practitioners in many areas of professional service report overwhelming competitive pressures, both within the profession, (where certain, no doubt 'unethical' practices are increasingly common) but, more visibly, from non- or 'para-professional' sources. For example, both the legal profession and the accountants face the increasing competition of the provision of services from larger financial institutions. These competitive pressures have been a natural response to the increasing scale and complexity of the business organization, with its concomitant demands for internalized services. This response is considered necessary, both in terms of the need for intimate knowledge of, and continuous contact with all segments of the organization, and because of the sensitive nature of much of the organization's activities. Many of these organizations themselves operate in an extremely competitive environment and make use of sophisticated business techniques. The marketing concept is a vital part of this use, and is adopted at all levels, no less so than in the competing service area. Understandably, the smaller professional firm, and the relatively isolated one, such as the rural practice, is especially vulnerable in the light of this pressure, so much so that the cynical label 'an endangered species' is not inappropriate.

A strong argument can therefore be launched for deregulating some of the stringent rules of conduct in the professions, both to allay some of the criticism of the monopolistic tendencies amongst the professions, and in order to benefit the professions themselves — to permit more open competition, with the assistance of all possible techniques of business management.

The above competition is accentuated by altered expectations from the clientele of the professional service firm. Altered expectations manifest themselves firstly, in the general level of awareness or sophistication of the user public. The urban milieu is increasingly that of a well-informed, highly critical service-user whose experience of a marketing society is profound. It is natural for such a consumer to expect, and indeed insist upon, a comparable level of (marketing) awareness in the *service* firm.

Secondly, the traditional esteem, with which the authority figure in professional service is held has steadily eroded, both as a consequence of altered value systems and, in no small measure, because of the aloofness and highhandedness displayed by many professionals in their relationships with clientele.

'Clients are rapidly losing any traditional sense of docility or humility towards their professional advisers. They are more ready to query the quality of their professional advice, its honesty or its cost. They are more ready to change advisers . . .' (Lagden, 1985:18) and the competitive environment enhances this readiness.

It is not sufficient to disregard the above — to relegate criticism to some form of 'liberal cant' — particularly, in the light of the indomitable, often extremely hostile resistance to all forms of authority that are evident today. Clearly, the adult client of the 1990s and beyond is likely to have a radically different perspective of (professional) authority. A further factor that merits attention under this heading is

that of changing technology. At one level, the operational and administrative procedures used by the professions have undergone significant change, for example, the routinized, machine-implemented procedures that have made their appearance in the service area. Certainly, these have contributed to improved efficiency, expressed in terms of time, accuracy and even cost of procedures. At the same time, they have helped 'de-personalize' the relationship between professional and client, and have rendered necessary improvements in communication in this relationship.

Technological developments have also made their presence felt in the general marketing area, for example by way of media services (in advertising), which have altered significantly, both in terms of quality, and in terms of intrusion in the area of professional service. Techniques of advertising in particular, and their impact, exercise a strong fascination amongst professionals.

Many of the pressures identified above are exacerbated by the nature of the professional firm itself, in particular its relatively small size and the intangible nature of its output. The nature of the (professional) service organization and its implications for marketing are discussed in a later section.

Finally, some reference needs to be made to the growing spirit of 'alienation', and even frustration that exists amongst the user public of the professional service organization. Mention has already been made of a changed ethos in respect of the ready acceptance of professional practice, (a 'shaking of the pedestal as it were' concerning the authority or status enjoyed by professionals). This is accentuated by a widespread dissatisfaction with the practitioner-client interface and, in particular, with key marketing parameters, such as the service offering, pricing, communication and distribution channels. The research that has been done indicates this, for example, by suggesting the existence of a generally ill-informed public concerning the range and quality of professional services. In many cases, the name itself (of the profession) conveys little to the public at large.

In large measure, the client or prospective client is at a loss in conceptualizing the service, particularly because of its intangible nature or 'lack of physical presence' and, consequently, is ill-placed to evaluate both its benefits and its costs.

... 'customers perceive services, as compared to goods, to be characterised by higher prices, less consistent quality, less reputable brands and lower overall satisfaction. They seem to feel that purchasing services is frequently a less pleasant experience than buying goods' (George, 1977:88).

It is little wonder that anxiety levels, and resultant negative attitudes, are perceived as serious by both practitioner and client alike.

For example, customer (patient) dissatisfaction is perceived by medical practitioners to be a very real problem area that requires attention (O'Brien, 1984). This is the antithesis of *service*, with its extreme connotation of customer satisfaction. Customers, in turn attribute high levels of discontent to extremely weak communication flows, in particular the inadequate explanation of fee levels, and the neglect of a satisfactory description of medical problems (Aluise, 1980). Feedback, or post-consultancy enquiry and follow-up is seen as a rarity in practice (O'Brien, 1984).

To conclude, therefore, it would appear that there are sufficient grounds for unease concerning the (business) operations of the typical professional firm. Professional competence, the essential criterion of entry and conduct in professional service, is a necessary condition and, as such, is sanctioned

by the regulatory codes of the various professions. However, it is not a *sufficient* condition (for success), in the light of the above pressures.

'It is not a matter of choice, but a matter of survival, that all professions including ours, (the actuarial profession),

- a) inform and communicate in every possible way the services that are available or can be created
- b) continually assess the quality of these services, and the nature of the needs of the market' (Lagden, 1985:18).

The problem has been identified and recognized as such by the professions. What has been the reaction, or response?

### An uncertain response

Reaction from the professions to the above influences has been varied. Clearly, the character of the profession itself, the size of the firm and the nature of its clientele are all significant variables in this response. What is clear, however, is the *partial* emphasis that most firms attach to the (marketing) needs that they feel require addressing.

The *promotional* aspects of professional service are emphasized, to the virtual exclusion of other, crucial issues in the marketing area, such as the setting of fees, the choice of an appropriate channel, and the 'customization' of the service offering.

It is the purpose of this section to consider this response. It should be emphasized that these aspects have recently been debated, and are currently under debate amongst most professions in South Africa. Members' opinion has been consulted and the various representative bodies are currently reaching towards a decision on many of the above issues. Here, the experiences of the professions in other countries have been major formative influences.

This is not to suggest that the present article is premature. The objective of the article is to place the marketing concept more clearly in the area of professional service — whatever the nature of this response may be.

It is interesting to take a brief historical perspective. The professions in general have traditionally imposed strict regulations on all promotional aspects (advertising) of business, and, with few exceptions, have limited their specific reference in the general marketing domain to this. The exceptions have related to some limited debate about fee-setting, (or the 'price' in terms of the marketing-mix concept). Most professions have tended to treat marketing and the solicitation or retention of clients as synonyms and, as such, have expressly prohibited these activities.

*Direct* promotional activities as such have been specifically excluded. For example, quoting Rule 2(L) of the Disciplinary Rules of the Public Accountants' and Auditors' Board: 'any accountant or auditor registered under the Public Accountants' and Auditors' Act shall be guilty of improper conduct if he solicits by personal canvass, by advertising, by correspondence, by circulars, by offering or paying a reward or by any other means, professional work or any other work of a type commonly performed by a registered accountant and auditor . . .'

The Medical Council, (South Africa), enforces a similar tight control over personal promotion activities, (Act 56 of 1974 especially Article 49), expressly forbidding any form of promoting (advertising) either the individual, the practice or the method, or technique. Quality of service, or repute is the only traditionally accepted means of advancing or retaining business.

The other major professions are also subject to similar stringent controls, both through their statutory foundations, and through their internal codes of conduct.

Promotion as such was expected to take place only indirectly, through personal exposure or profile and through the 'profession-wide' information conveyed in official (institute, or association) organs, technical journals, conferences and the like.

At a more sublime level, awareness has, of course, always been enhanced through more subtle measures, such as the highly visible, often sumptuous name plates, practice decor, etc., notification of change of address, or changed membership of partnership or practice, affiliation to clubs or societies and, of course, to the familiar practice of 'word of mouth.' These can all be viewed as part of the promotional perspective, in its broadest sense. In summary, the professional practice in South Africa is subject to strict regulation in terms of its freedom (in marketing). This control may be exercised in the following ways:

- (i) a statutory authority (board or council), with elected representatives from the profession (and a number of nominees). The council has wide powers, including the exercise of discipline and control of entry into the professions; and
- (ii) a code of conduct, established by the above authority with ministerial approval. Key (ethical) rules and procedures are established in terms of this code including the participation of the profession in marketing activities.

As such, the position corresponds closely to that of (earlier) American and British experience. The professions there have clearly been subject to similar constraints and have experienced decreased market share, consequent upon the kind of pressures outlined in the first part of this article. The professions have in the past few years taken steps to address the issue. In the legal professions for example, in June 1977, the U.S. Supreme Court, in *Bates vs State Bar of Arizona*, ruled that the legal profession's (self-imposed) ban on advertising was unconstitutional. Although not all States have followed suit, there has been widespread reaction to the move, and personal advertising has become commonplace. There has, however, been considerable controversy concerning *methods*, for example, the use of electronic broadcast media advertising (radio and television) has been excluded as an issue warranting special consideration (Brown, 1978).

The Law Societies of England and Wales, and Scotland have followed suit (1984 and February 1985).

. . . 'the Royal Commission is against promotion, touting and general advertising but is of the opinion that a member of the public is entitled to informative advertising to enable him to find the attorney most suitable for his particular problem and willing to deal with it on reasonable terms' (Bobbert, 1982:31).

In South Africa, recognition is made of these trends, and in the light of the increasing pressures felt on the professions, professional bodies are both questioning the strict regulations, and looking for guidelines that will govern the efforts of practitioners in advertising (and marketing) their services.

The S.A. Institute of Chartered Accountants, for example, has provided its members with a wide-ranging discussion paper (February 1985), in order to evaluate members' response to a re-examination of the profession's rules of conduct.

Similar moves are under way in the legal profession, and in architectural practice.

At this stage it would appear reasonable to expect that the overall response from the profession is likely to be favourably,

indeed strongly disposed towards the adoption, expansion, and use of some of the marketing functions. Whatever the ultimate nature of this response, a clearer perspective on marketing and marketing issues will greatly facilitate subsequent action from the professions.

Reference has already been made to the pressures exerted in respect of deregulation in general and, more particularly, in regard to professional service. In the United States, this deregulation has proceeded furthest. Here, practitioners in medicine, accounting, stockbroking, *inter alia*, have the right to advertise, including the right to determine and state their scale of charges.

The process (of change) has not been straightforward at all, and there has been considerable conflict of opinion about the appropriate course of action. Widely differing views persist — concerning the need for, and nature of marketing activities.

Obviously, size is an important consideration, both here and in developments in overseas instances. The larger organization, with its reserves of manpower and finance, is clearly more able to meet competitive threats with an appropriate (marketing) response. Yet, in many instances, their very size engenders a measure of complacency about the needs that are apparent. There is also considerable difference of opinion *within* the larger organization. The small firm and, in particular, the new practice, is clearly very much in need of marketing assistance, yet, in many instances argues that these activities (especially in the manner in which they are or are likely to be formulated) will benefit the profession *as a whole*, are also very costly, and are therefore inadvisable. If adopted, it is the larger, entrenched organization that will primarily benefit, they contend. In other words, firms that are already large are likely to expand further with application of marketing tools, and increase monopolistic tendencies. There can be little doubt that, in general, members of professions should be allowed to publicize the details of their services, particularly if they are to ensure that the profession does not lose ground to those competitors outside the profession. It would seem appropriate that this takes the form of a 'controlled promotion', in the sense that the nature and extent of these activities will still require articulation by the controlling body.

This is especially important in view of reservations expressed concerning both the quality of (professional) services and the impact of promotion, for example, on critical resources, the so-called ethics of resource distribution (Boyd, 1979). Clearly any form of marketing will have to take specific precautions in both these respects.

South Africa, with its sharp contrasts of urban 'affluence', (in terms of medical, legal and generally *all* service facilities) and rural deprivation, needs to pay particular attention to the issues of resource allocation, and to the manner and extent to which (marketing) activities by the professions may 'distort' this distribution. There is also no certainty that increased privatization, for example of medical care, will render this allocation of resources any more socially just. In America, there are indications that the move towards more private provision (of medical services) has not always produced attendant advantages in both efficiency, quality or cost (McGarvey, 1985), and only routine services have become cheaper.

Lastly, reference needs to be made to the structure of the professions themselves, and to the attitudes prevalent amongst members.

Most professional practices are small. For example, in Cape Town, almost two-thirds of medical practices are one-man concerns and, in the case of partnership, nearly 64% of these comprise three or less partners. In many cases, only part-time

(receptionist or nursing) staff are used and, in general, the level of (business) sophistication is low, for example, in terms of business training/education, the use of computerized systems, and external consultants. Practitioners acknowledge 'strenuous' working hours so that, in all, there is little reason to expect significant interest in the general area of marketing — at least in terms of its *practice*, if not its theory.

In support of the above, there are indications that, apart from ethical considerations, practitioners cannot always be expected to favour the promotional (and marketing) side of their practices. Reasons suggested here include:

- the lack of time, (arising from the extremely busy working schedules of the typical practitioner);
- the 'matter of fact' character of medical training is regarded as non-conducive to much of the marketing function, (as it is perceived);
- medical practice has, as yet, not been viewed in too competitive a light;
- and, finally, it is tempting to assume that the 'sales pitch', to which practitioners are constantly subject (for example, from drug and equipment representatives) may well have a deterrent effect on undertaking any similar activities (O'Brien, 1984).

It is more than likely that similar experiences are shared by many of the other professions. To conclude this section, therefore, it seems reasonable to expect:

- (i) an increased recognition, and acceptance of the critical importance of the marketing function to the professions,
- (ii) a movement towards incorporating this in the charter of the professional codes of conduct, or regulatory bodies; and
- (iii) finally, a considerable variance of opinion, and even confusion about the manner in which this recognition will be implemented in practice.

In order to provide useful guidelines for the above, it is necessary to establish the role of, and potential for marketing activities for the service firm in general, and for the professional service firm in particular.

### Professional services — a marketing orientation

It is necessary first, to raise the question as to whether there are essential differences between goods marketing and the marketing of services in general, and then to consider whether *professional services* marketing warrants treatment as a distinct activity in this respect.

The diversity of the service organization defies generalization, and the research base in terms of marketing clarification is limited. This makes for difficulty in drawing any distinctions in this respect, for example:

'... opinions on the relevance and significance of the differences between goods and services for marketing are divided. These opinions, however, are in the main just that — opinions. Few empirical studies of service marketing have been undertaken and, therefore, at present there is limited evidence from which to draw conclusions' (Rushton & Carson, 1985:26).

It seems, however, that a useful perspective would be to accept that service marketing is simply an application of basic marketing principles, (Enis & Roering, 1981) — that these basic principles of modern marketing management can be broadly applied across a spectrum of activities, but that the *practice* of marketing must be carefully tailored to fit the environment within which it takes place.

It is imperative for professional service organizations to adopt a marketing orientation. This, according to Kotler and

Bloom, holds that the main task of the organization is to determine the needs and wants of target markets and to satisfy them through the design, communication, pricing and delivery of appropriate and competitively viable offerings. (Kotler & Bloom, 1984).

Let us consider the first element of the marketing mix, namely the *service offering*, (or the 'product').

Professionals cannot pursue the aim of satisfying 'customers' to the same extent as conventional commercial marketers. They should always recognize that, in serving one type of client they are also serving other third-party 'clients' such as investors, insurance companies, government agencies and the members of their own profession. To neglect these third parties could lead to a loss of trust and more importantly, a loss of legal certification or licencing.

The concept of intangibility is perhaps the most critical dimension that the marketing of professional services needs to consider. The fact that the service does not produce tangible output has two important implications. Firstly, the provision and consumption of the service are normally simultaneous or in the dictum of Economics, the output cannot be stored. Therefore, the *manner* in which the service is presented is extremely important.

Intangibility means that it is difficult for the client to evaluate the output of the firm. Instead, it is easier, in a sense, to judge the performance of the presenter and it is precisely here that many practitioners are found wanting, (as comment in the first section of this article shows). This has important implications for the marketing function, (especially in respect to promotional activities).

In what Richard Chase calls 'high-contact service business,' the quality of the service is inseparable from the quality of the service provider (Chase, 1978). Human performance materially shapes the service outcome and hence becomes part of the 'product', therefore marketing must be concerned not only with external marketing but with internal marketing (Berry, 1980).

Internal marketing applies the philosophy and practice of marketing to the people that serve the external customer so that (i) the best possible people can be employed and retained and (ii) they will do the best possible work.

A further aspect of the intangibility factor is that the simultaneous production and consumption of services frequently provides opportunity to 'customize service'. Because a fundamental marketing objective is to effect a good fit between what the customer prospect wants to buy and what the organization has to offer, the potential for tailoring service to meet the precise desires of individual customers should be exploited.

This inseparability of production and consumption provides a further crucial challenge for many service industries to find ways to synchronize supply and demand better as an alternative to recurring conditions of severe overdemand and under-demand (Sasser & Arbeit, 1976).

Because goods are tangible and can be seen and touched they are generally easier to evaluate than service. The intangibility of services on the other hand, prompts customer prospects to be attentive to tangibles associated with the service for clues of the service's nature and quality (Zeithaml, 1981).

'Product marketing tends to give first emphasis to creating *abstract* associations. *Service* marketers on the other hand, should be focused on enhancing and differentiating 'realities' through manipulation of 'tangible' clues. The management of evidence comes first for service marketers' (Shostack, 1977:75).

For example, a watch is marketed with the emphasis on status. On the other hand, in a medical practice, the service is augmented by the decor of the surgery, reading material, equipment and the like.

Closely akin to the notion of intangibility, is the heavy *emotional* component involved in the service transaction. In other words, the purchasing (and re-purchasing) decision is contingent on the extent to which the professional caters to the emotional needs of the client. A hypothetical example could be that of the hesitant, or nervous client in legal consultation. An assertive and confident manner on the part of the practitioner would be essential if the service transaction is to be successful.

An important part of the marketing challenge for the professional is to pay close regard to 'reading' this component, and making use of it for both the client's satisfaction, and the good of the firm.

*Pricing, or fee-setting* for professionals also poses substantial challenges to the marketer of services. 'Pre-pricing' is complicated, in the sense that the service is only determined, in both a quantitative and qualitative sense, *after* the transaction. In many ways, this explains the perceived dissatisfaction with service reported earlier, especially concerning its cost. The practitioner is tempted to 'cover forward', with the consequent risk of divergence between price and actual effort or quality. In fact, most professionals use some form of cost-based pricing, recognition being made of comparable, competitive fees. This is not adequate if it is acknowledged that a close relationship is likely to exist between (perceived) quality and price. The reaction of the client, or even third parties to fee changes is also difficult to predict.

The whole issue of service pricing is therefore most sensitive, warranting close regard from the marketer. At minimum, this will necessitate consideration of:

- the objectives of the firm, and the competition that it faces;
  - testing of possible client reaction to proposed changes in fees, and
  - the willingness to negotiate fees, both in terms of levels, and also other related aspects, such as timing, collection, etc.
- Service location or accessibility* is a major component of the marketing mix.

Here, it is important to note that the provision of service generally has little mobility. In marketing terms, professional services present 'ultra-short' channels of distribution. The physical environment is therefore particularly important for marketing purposes, especially in view of earlier comment on the intangibility of the service, and the relevance of client self-image in the purchase of the service. This frequently extends beyond the physical appearance of the service premises, to the decor used, to equipment, and even to the general appearance and personal habits of the professional or his/her staff.

Because the service is not embodied in physical form, *promotion* is clearly a focal point in providing service. Promotion here also refers to the need to 'spread' demand, because, as it was emphasized earlier, the service, unlike the product, cannot be stockpiled (Rushton & Carson, 1985).

We have noted the regulations that traditionally restrict formal methods or promotion for professional services. What is extremely important for the marketer therefore, is the fact that, for services, word-of-mouth communication rather than formal advertising, has had far more impact on the purchase/re-purchase decision. Opinions are extremely important in this respect (Schissel, 1978).

In the service transaction, there is far more personal involve-

ment, contact and customer input than in the sale of goods (Rathmell, 1974). In fact, the personality of the practitioner, and the personal relationship that he develops, and maintains with the client is of paramount importance. The practitioner is often evaluated, not so much on his expertise, as on his reputation, and on the way in which clients *and* other professionals perceive this. It cannot be emphasized strongly enough that the emotional, as well as the functional attributes of professional service must receive attention from the marketer, and that this clearly extends beyond the professional himself, to his staff, and the support structure within which the service is transacted. For example, the sensitive relationship that has carefully been nurtured between medical practitioner and client can be destroyed by the negative experience of diagnosis and treatment outside this relationship.

The task of the following short section is to note the implications of the distinctions made above, in terms of requirements for a marketing strategy. Only then will it be possible to suggest policy guidelines for the professionals interested in a firmer market orientation, or commitment.

### Strategy and the marketing of professional service

According to Kotler & Bloom (1984: 41) 'Strategic planning is the managerial process of developing and maintaining a strategic direction that aligns the organization's goals and resources with its changing marketing opportunities'.

Present day marketers need strategic planning in order to cope with the intensity of competition, with the changing expectations of a more sophisticated clientele, and with the uncertainties posed by a rapidly changing environment.

Service organizations have been slow to adopt strategic planning as an integral part of their operations. The reason being their short-term orientation which has developed, both to meet the problems of operating in rapidly changing and competitive, personal environments, and has been the unfortunate result of the 'false sense of security' afforded by barriers to entry. However, effective strategic planning necessitates a longer time horizon and a more stable outlook. This may lead one to conclude that strategic planning and professional services are, by their very nature, incompatible. Such a conclusion, however, is grossly incorrect. It is in fact the dynamic nature of service offering which makes strategic planning so important.

Let us first consider the definition of marketing strategy: '*Marketing Strategy* which comprises the selection of *target markets*, the choice of a *competitive position* and the development of an effective *marketing mix* to reach and serve the chosen clients' (Kotler & Bloom, 1984: 58).

In other words, irrespective of the strategy developed, the firm must decide which target market to focus their efforts on. Customers are becoming increasingly heterogeneous hence markets are becoming correspondingly more fragmented. In order to use its resources most efficiently, the firm must develop an effective market segmentation strategy that will complement the firm's overall strategy. The segmentation strategy adopted and the target market identified then serve as a guide for decisions regarding the key elements of the marketing mix.

To encourage wider implementation of strategic planning among professional firms more attention must be directed towards their specific needs and problems. A fundamental need of such firms is flexibility and yet firms often fail to see how strategic planning can actually enhance this flexibility.

Instead, they see it as a set of long-term and fixed commitments. This need not necessarily be the case.

In line with facilitating wider implementation, it has been suggested that strategic planning does not necessitate major capital expenditures and a formal planning department. When first implemented, it can be done on a small scale. As an investment this time and support has proved to yield high returns in all fields of business endeavours.

### Conclusions

Any consideration of professional service marketing faces the inescapable conclusion that education is a key issue. There is clearly a need to include marketing, and even general business education in all professional education, and this need must be addressed urgently by the relevant professional bodies. It is not enough to merely rely on either self-help programmes, or short courses of a voluntary nature in mid-career, useful though these may be. This is particularly important in view of the increasingly critical issue of starting a new practice. This is becoming far more risky, both in terms of costs, such as the high cost of imported equipment, and prior training costs, and in the light of the competitive and environmental pressures suggested in the earlier parts of this article. The professional must be prepared, at the very outset of his career, to cope with the problems and opportunities posed by the marketing and strategic issues of his intended operations.

Allied to the above is the need for more research, of an ongoing nature, into several areas of real import. The educational requirements raised above would be an issue of first priority. The scope, nature and duration of an educational programme and its relationship with the general courses of the professional studies themselves, would have to be very carefully researched. It would appear desirable that this research comes largely from external interests, and not from the professional bodies alone.

Certainly, it is clearly their interest and stimulus that will initiate research. We have suggested, however, that the marketing of professional service is likely to raise some extremely sensitive issues, both in respect of relations within the professions themselves, and in respect of relations with their client public. Objective research, from outside institutions would seem appropriate, and here, the universities would have a very definite role to play.

At this stage, we can perhaps suggest some avenues that could be profitably approached with such an intended research thrust. These are, however, very tentative, stemming largely from the comment in this article, and from some of its exploratory research basis. We should preface these remarks by saying, with Kotler, that professional service firms:

... 'do perform marketing-like activities and could benefit by giving marketing problems more specific attention' (Kotler, 1972: 871).

In other words, the question is not whether professional service firms market. It is generally acknowledged that they do. What is needed, however, is a recognition that they need to market both more explicitly and more effectively.

The recruitment and use of professional support personnel is a key area of concern. The marketing concept has emphasized the role that the manner of the service provider fulfils, for example in the light of factors such as intangibility of offering and the emotional content of the interaction. All service personnel must carry this important responsibility. A correct marketing focus is fundamental here. In the small practice, this could mean little more than persistent attention to personal detail — a pleasant and approachable manner, systematic

records, congenial decor and literature, personal feedback or follow-up, and the like. The larger professional firm may well benefit from the addition of a permanent marketing specialist. Duties here would include the important public relations role, as well as critical business responsibilities. Examples include the introduction and maintenance of a sophisticated, yet personalized (computerized) management information system and the increasingly important function of time management. Time management implies a correct matching of the skills available in the practice with the demand on those skills. Too frequently, professional time is spent on issues that could be handled by support staff, or even delegated to external service establishments. The professional is then in a position to use his time more profitably, both directly in the practice or in pursuit of the marketing function, for example, through attendance at conferences, writing, (promotion) or fulfilling a social (marketing) function, such as teaching or providing free or low-cost service to the underprivileged sections of the community. It is more than likely that more efficient time management practices will also allow for more flexibility in fee-setting, such as the possibility of allowing a measure of fee differentiation.

Other strategic issues that arise from a consideration of the marketing mix include the following:

1. A close look at the channels of distribution could open hitherto unexplored possibilities for expansion, or survival, (against competitive forces). The larger firm may well consider the advantage that a decentralized practice offers. Rural, or suburban branches are one area of potential, and could be effectively maintained on a rotation, or assignment basis. There is the added advantage of allowing for more personalized service, a factor of considerable significance in the nature of the service offering. Franchising of service has become an increasingly popular topic, and indeed, in some areas of service, holds out promise. It must be remembered, however, that professional service implies close, personalized contact, in other words, a customized offering frequently lies at the heart of the transaction. Franchising is, however, largely dependant on a high degree of standardization, of both offering (product) and procedures, or techniques.
2. The area of fee-setting, (the 'price' of the marketing mix), offers potential for innovation, if an appropriate marketing stance is to be followed. Some of the possibilities here include:
  - (i) 'step-wise pricing' where the fee is not established for the entire service transaction. Instead, an attempt is made to distinguish steps in the process of providing the service, and to price accordingly. This allows the client some measure of discretion in deciding on his financial commitment.
  - (ii) 'dual pricing', by the nature of the term, implies some sort of fee differentiation. For example, there may be merit in considering high fees for a certain quality of service, (perhaps the luxury of private clinic treatment), whereas the same service could be lower priced in a different setting. This would also permit a commitment to the need for a social concern in marketing, a point that we raise later.
  - (iii) mention has already been made of the possible use of support, or ancillary service-staff, allowing a lower fee, and permitting attention by professionals to other areas of need, especially that of long-term promotion and strategic planning in general.

Turning to promotion, it would seem that, in many respects,

the die has already been cast. Professionals are either already promoting, or about to do so. All that remains is some thought to the manner in which this will take place. Here, there seems to be general agreement, that both ethical constraints, and the need to consider the question of resource distribution in a society such as ours will act to constrain discretion to promote. Promotion is no doubt more acceptable in the form of informative promotion, in selected media, under the watchful eye of some form of standards body. The role of the professional associations and their codes will still have a major role to play in this respect. Two items are interesting at this stage: the first concerns the need for change in the system of 'discipline', in the sense that the controlling organ be subject to renewal, such as a system of rotation and the co-opting of new members on a regular basis. Without this, there is the very real danger that innovation and change will be stifled, as well as the risk of vested interests becoming entrenched. Secondly, there is a call for careful 'targeting', in the selection and use of appropriate media for promotional purposes. The size of the firm is an important factor in this respect. For example, the small firm may need to target very carefully, to really customize its offering and, in doing so, adopt what is popularly called the 'rifle' approach. The larger service firm, however, is under more pressure to diversify, in terms of its service offering, and subsequent promotional activities. This, in turn, imposes pressures on co-ordination and organizational or administrative skills in the practice, where time management and earlier comment is appropriate.

The above are some preliminary directions that research in the area of professional service marketing may profitably pursue. They will obviously be firmed, and take expression as the debate currently under way in some of the professions proceeds. At this stage, it is hoped that they will provide some useful input and structure into a general marketing orientation for all fields of professional service.

It remains to raise one final, perhaps overriding issue, that is firmly lodged in the area of social marketing. The professional service firm, like its counterpart in the general area of business in this country, is increasingly under pressure to play a greater role in the area of social commitment. Resources in the professional service area are critically scarce, particularly in the poorer sections of the South African community. There is a real concern that an over-enthusiastic application of marketing may well serve to distort even further the imbalance that exists — that deregulation, promotion and discretion in the fees area may act to prejudice further the disadvantaged sections of the community. The larger firm, in particular, needs to recognize the significance of the resource distribution-marketing relationship, and to tailor its marketing efforts accordingly. For some of the professions, this realization has already taken hold, and extremely meritorious programmes are common in areas of legal counselling, (such as, legal aid centres, small claims courts, night courts, etc.), and of course

medical practice, for example, clinics, education involvement, etc. Undoubtedly, there is ample scope for expansion here, and for involvement from all sections of professional service.

Without this commitment, there will always be reservations, even apprehension about the involvement of professionals in the marketing area.

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