

**МОДЕРНИ МЕТОДИ ЗА ВЛИЯНИЕ ВЪРХУ ПРЕДЛАГАНЕТО И ТЪРСЕНЕТО
НА ПАЗАРА НА УСЛУГИ**

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**MODERN METHODS FOR INFLUENCING SUPPLY AND DEMAND ON THE
SERVICE MARKET**

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Abstract

The economic nature of services differentiates them from material goods and determines the specificity of the service market, which in turn stipulates various approaches in the management of market segments. On one hand, this field obeys the universal laws of market economy; on the other hand, all services have unique characteristics which greatly differentiate them from those of goods, such as immateriality, indivisibility, fragility, fickleness of quality and unevenness in time. All these peculiarities of services should be taken into account when developing the various methods which are designed to affect the market elements by stimulating the supply and demand for them, for example. The present article indicates the modern effective methods for influencing supply and demand on the service market, given its specific characteristics.

Key words: *service market, specific characteristics of the service market, influencing supply and demand, methods for affecting market elements*

JEL Codes: *R 40, R 41, R 49*

Introduction

The main purpose of services is the direct satisfaction of various human necessities – they are not just a part of public proceedings, they are an element that forms socio-economic conditions directly. The level of development in the field of services reflects the population's quality of life and the degree of its prosperity. Services mediate the economic relations of material production and dominate the field of the so-called “production” services, i.e. those services whose conditions of production are the closest ones to the conditions of material production. Production services include the services of branches such as transport (designed to service the population), messages, commerce, catering and some types of domestic services. The provision of services involves partnership interactions between suppliers and consumers – in most services consumers have direct participation in their provision. The service itself represents utility value only at a certain time and in a certain place, which drastically reduces the probabilities for its substitution on the market. To a larger extent, the service market corresponds with the requirements for the classic type of free markets and it is less susceptible to monopolization. Smaller enterprises which are based on partial and collective ownership are the most widespread form of organizing the provision of services. The service market is defined by characteristic features and significant fluctuations which set it apart from the commodity market. This suggests that, in order to influence supply and demand on service markets, firms have to implement

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various methods, ways and resources which are completely consistent with the characteristics and peculiarities of the services (Tzvetkova, 2014).

Characteristic Features of the Services and Specificity of the Market

A large part of the services cannot be created as a reserve designed to adjust to fluctuations in demand due to the fact that their creation and consumption happen simultaneously. The execution of an order can only be delayed if consumers are willing to wait. Due to their finite capabilities, some service systems do not excel with flexibility. The volume of activity of production systems could be increased for a short amount of time with the help of overtime work and additional shifts, for example.

It is difficult to prognosticate the demand for a great deal of services. Prognoses for the demand for services are harder to make compared to the demand for most goods and their fluctuations are usually more frequent, i.e. they happen over shorter time periods. One of the reasons for that is that decisions to consume certain services usually arise spontaneously, under the influence of circumstances. In other words, people usually do not make long-term plans for the consumption of certain services. The demand for services which are incidental and depend on unpredictable circumstances cannot be planned in advance. Moreover, there is minimum demand and maximum demand for some services. In some fields, like catering, public transport and power engineering, the points of minimum consumption and maximum consumption are well-known and predictable, whereas with other services they are not. Due to the variety of offered services, it is difficult to predetermine their individual nature and the individual needs of each customer, as well as the time necessary to service the expected number of consumers. For example, the time it takes to service a customer in a bank varies greatly, depending on the quantity and type of operations that customers demand. This could result in underestimating or overestimating the necessary volume of activity. It is also difficult to measure the necessary volume of activity (Parvanov, Tzvetkova, 2007).

Because the service cannot be relocated, the service has to be done within the necessary time frame and at the necessary location. For firms working in the field of servicing, with structural subdivisions, this means that when one point of service is too busy with customers, another is not busy enough. When such imbalances with goods occur, they could be relocated from one place to another, but consumers are not so easily relocated or they do not wish to go to another subdivision of service.

The service market excels with its unpredictability and its considerable segmentation, i.e. it is strongly oriented toward a certain group of customers. Over time, the comprehensive principle is also imposed upon it. For example, services involving the organization of holidays are related to commercial services, tourist services, hotel services, cinema services, television, video, advertising, etc.

Compared to the commodity market, the service market is also characterized by a large degree of localization and adherence to a specific region. Thanks to technological progress, locality is overcome too easily, but it still involves implementing a combination of the various methods of influence (both economic, as well as socio-psychological ones) due to the fact that the provision of services requires personal contact between suppliers and consumers, as well as showing interest and preliminary adjustment on the part of consumers that this is the service they desire. Preliminary confidence in the need for the respective service involves either relocating the supplier to the consumer's location or relocating the consumer to the supplier's location. Unlike the commodity market, the service market is too dynamic and flexible, which explains the fact that capital turnover in the field of services is faster than it is in production industries, as well as the fact that the organization of the service business requires considerably less initial capital than the industrial and agricultural sectors (Parvanov, Tzvetkova, 2007).

Methods for Influencing Demand on the Service Market

The demand for services cannot be controlled directly because it depends on multiple factors such as competitive prices, the level of income of potential consumers, accessibility to the service, etc. Firms could influence the demand by using the following methods:

- Regulation of prices, depending on the level of demand.
- Preliminary registration and reservation systems.
- Offering services with an opposite cycle of demand amendment.
- Provision of associated and additional services.
- Advertisements and realization of sales.

Regulation of prices, depending on the level of demand

Price changes are one of the most effective methods for influencing the demand. Some companies offer their services at lower prices than legislatively established ones to transition from periods of peak demand to off-peak periods. Prices could be a strong enough incentive for consumers to receive the service they demand during off-peak periods, thus “smoothing out” demand fluctuations. Lower tariffs for long-distance freights or lower ticket prices in movie theaters for matinee showings are indicative examples of that. Changes in peak periods are vital for the effective use of resources such as workforce and production capacity. If demand cannot be regulated, the firm has to either increase the volume of provided services to fully satisfy demands or lose consumers who make demands during peak periods. The first alternative will result in ineffective use of resources: service power and associates will be in stagnation during periods of minimum demand. The second option could result in lower profit or company bankruptcy.

Preliminary registration and reservation systems

Another widespread form of demand management that many firms implement consists of supplying services with the help of preliminary registration and appointments. This resembles the process of “creating reserves” for demand or “delaying” the demand for services. This practice is suitable for services which are inaccessible in large volumes, but are highly praised by consumers. Airlines, hotels, health organizations, beauty salons and hairdresser salons supply services by using reservations, hence why service for random consumers is not guaranteed. This helps create a constant level of demand. Indeed, people who have not appealed for services and have failed to make an appointment may not turn to this firm anymore. However, such practices sit well with customers because the main advantage is the confidence in the reception of services at a specifically set time. Moreover, consumers save time because they would not have to wait in line, which also spares them from tension.

One flaw of this system is the probability for lack of customers. An order may be placed at a specific time, but the customer fails to show up due to personal reasons. The company will not make a profit unless it immediately substitutes the missing customer with another. Airlines and hotels often face this issue. Because it is practically impossible to find a new customer quickly, sometimes a practice called reservation “in excess”/“in store” is implemented – firms accept more preliminary orders than they can execute. This practice reduces the probability for vacancies in airplanes or hotel rooms, but it could lead to complications if the number of customers exceeds the number of available spaces. A standard airline practice in such cases is compensating passengers whose orders have not been fulfilled in the form of free tickets to every point in the country or a seat on the next flight along the same run. If hotels do not have the indicated room number of the customer who placed the order,

the customer is given a number in the nearest hotel of the same category or with a higher level of service.

Offering services with an opposite cycle of demand amendment

The demand for some services is very difficult to manage due to its clearly defined and non-elastic seasonal nature, which is indifferent to price incentives. The booking or announcement of information usually has no effect with regard to altering the characteristics of peaks in demand or smoothing them out. There is little to no demand for such services during off-season periods. One possible means of counteraction is supplying additional services which could provide the same capacity and possibly the same staff; the demand for it, however, has an opposite cyclical or seasonal nature (Tzvetkova, 2009).

Provision of associated and additional services

The loss of regular customers due to waiting too long could be reduced if attention is redirected to additional services. During periods of peak demand, additional services make waiting more pleasant and customers are less likely to give up on the firm or to express preference for the offered service again if this does happen. That way, for instance, bars and rest rooms could keep regular restaurant visitors.

Advertisements and realization of sales

Advertisements and realization of sales are two additional means of stimulating demand. Programs for realization of sales offer additional benefits or discount prices for a limited time. Such examples include tourist trips with additional possibilities and encouragement with bonuses when attending late-night screenings. Sometimes even the simple act of addressing consumers could reduce peak demand. For example, advertising posters and clearance sale announcements convince consumers that public transport, parks and museums should not be used during peak periods because their prices are considerably lower the rest of the time. The number of people is smaller, trips are more comfortable and the overall experience is more pleasant.

Methods for Influencing Supply on the Service Market

Regulating the size of the workforce

This method can be implemented successfully in the short run, i.e. in the course of the planned 3 to 12-month period. When managers prognosticate spikes or drops in demand, they gradually increase or reduce the staff of associates. Additionally, having knowledge of the seasonal points of minimum demand and maximum demand will allow companies to hire personnel for the season. The main flaws of this strategy include: high rent prices, hiring and discharging associates, as well as the issue of associates becoming attached to the company (Demchenko, Maklakova, 2009).

Another way involves using the labor of part-time workers – many firms nowadays rely on part-time associates who are a significant part of the need for workforce. Hiring part-time associates is most appropriate when the daily need for workforce and provision of services are clearly and specifically defined, as is the case for fast-food restaurants and merchandise-supplying companies. When it is justified, the use of part-time workers gives significant flexibility to the firm if the volume of activities is changed and it allows managers to control the supply of services better.

Cross-training of associates

Most services involve the completion of several objectives. Training associates for fulfilling obligations and customer service powers different from the usual helps increase production during periods of peak demand. This strategy has other advantages, too – for example, it helps associates develop, acquire additional habits and reduce the routine which is inevitable when doing the same work everyday.

Increased participation of consumers

As mentioned earlier, consumers can be a valuable source of workforce in service delivery and one that some companies use sensibly. For example, in self-service laundry most operations are directly performed by the consumers and staff functions are minimized. Customer participation as a whole reduces company needs for workforce in the delivery of services and increases the speed of service, respectively the number of offered services. In this case there is a risk of consumers doing their work slowly due to lack of experience, thus reducing the volume of realized services.

Equipment leasing

Equipment and tools are an important component for the volume of sales in the provision of a number of services. Therefore, in order to increase the number of provided services, it is not enough to simply increase the number of associates. Parallel to that, the purchase of equipment is not always economically justified and the issue could be solved through renting or leasing equipment. In developed countries such practices are used by airlines which are in high demand during the summer period or holidays – they rent or lease rolling stock.

Automation

The automation of objectives carried out by people in the production field has been implemented for many years. The main advantages of automation include relatively low prime costs, large volume and stability of release, which also means higher quality of products. Automation of services is not always welcome because it usually results in their depersonalization. In some cases, however, speed and lower prime cost, among other advantages, make automation more appealing – for example, hotel chains which create autonomous centers for fast registration and recording of departures. Managers in the hotel branch believe that such centers will become a standard in the future. At the same time, however, such a strategy is not always justified for smaller firms.

Increased service time

Some companies can increase the volume of provided services through longer office hours under certain circumstances or during periods of peak demand. For example, some retailers keep their trade points open all night long during the period of New Year shopping and amusement parks have longer office hours during summer months and holidays.

Improved calendar planning

The volume of offered services could be increased significantly by improving calendar planning for staff activities. Management science offers means which can optimize the staff's work schedule, as well as the location and work schedule of service firms.

Queues in service firms make many consumers indignant, but most put up with them, viewing them as an unavoidable evil. Management strategies for supply and demand of services effectively influence a large portion of firms, but they cannot fully avoid waiting.

Reducing waiting time is an essential component of supply and demand management. As mentioned earlier, the science of management methods could help operating managers make decisions regarding the service system in order to reduce waiting time and their negative influence on consumers and companies. Let us look at another approach regarding demand management in case a queue is formed. This approach focuses on making anticipation less painful for both consumers and suppliers. In order to achieve this, it is necessary to understand the psychology of people waiting in lines. David Master has formed eight statements about the psychology of consumers with regard to waiting time:

- *The need for engaging consumers' attention while waiting.* Many firms are aware of this and they use various means of distraction to engage consumers. Some restaurants create bar countertops for regular customers to have a drink and communicate while waiting for their tables. Newspapers and magazines which can be found in doctors' reception halls, or television sets in the waiting rooms of auto-repair shops – all of them serve one purpose: to distract consumers from the tedious waiting;

- *Anticipation outside the service process feels longer to consumers than anticipation during the service process.* Anticipation feels shorter to us when service has already begun. Consumers are more dissatisfied when they wait to be served. They fear that they will be neglected, but once they are inside the system and the service process is already underway, these concerns are laid to rest. Most restaurants offer menus to customers who wait at their tables, thus creating the impression that service has already begun, engaging consumers' time. Sometimes all it takes to create the same impression is the simplest of notices: a letter from the inspection board of the college where admission requests are submitted makes anticipation shorter, especially if an approximate date of decision is indicated;

- *Excitement makes anticipation longer.* As mentioned earlier, "the fear of being neglected" can be a major cause for excitement; not knowing how long we'll have to wait for the service, what its quality will be, is our time enough – all of these are cause for alarm. In order to lay consumers' concerns to rest, waiting could be made less painful and be perceived as shorter;

- *Indefinite anticipation is longer than certain anticipation, which has a determined deadline.* Waiting could be longer if we do not know when we will be serviced, which increases our anxiety. Clarifications on the part of companies with regard to waiting time usually helps consumers calm down and understand the situation. However, assessments have to be as accurate as possible; and if they are wrong, it would be better to be wrong to a larger extent because this usually surprises customers pleasantly;

- *Unexplained waiting is longer than explained waiting.* When people are given an explanation for waiting, they gain a better understanding and they feel more comfortable; but when they are kept in the dark, they do not feel well. For example, if a nurse explains to waiting patients that the doctor will be late because he is performing an emergency operation, most people will view his delay as justified. Therefore, firms need to be honest, issue warnings to their customers and explain the reasons for delays in the service system;

- *The more valuable the service is, the more willing consumers are to wait.* In other words, the time dedicated to waiting is part of the "sacrifice" that customers are willing to make in order to receive the service. The more valuable the service is, the more willing consumers are to pay a higher price for it – this refers to monetary and non-monetary values. Company managers need to have a good understanding of the value that the service holds for consumers in order to guarantee that waiting will not overshadow the value set by consumers;

- *Individual anticipation is longer than group anticipation.* The anticipation for many services takes place in the company of other consumers, i.e. consumers in the literal sense are not alone in their waiting. However, because consumers do not know each other, they may feel isolated, especially when no one is talking or there is nothing to distract them. If possible, operating managers should create situations where customers can communicate with each other. This creates an atmosphere of

community, distracts customers' attention and "shortens" the waiting time. Studies on the perception of waiting confirm the fact that when waiting time is perceived as longer, customers are less satisfied. It becomes evident that the most important issues for consumers are the ones regarding: justice; the degree of interest; their personal position and subjective opinion on acceptable waiting time; the surrounding environment and external influences; service value and degree of satisfaction.

Recommendations and Conclusions

Unlike goods, services cannot be defined by their physical characteristics because they are immaterial. As mentioned earlier, it is very difficult for consumers to determine the quality of the offered services in advance and evaluate the possible alternatives. The majority of services are associated with their supplier. Once the firm has built a good image for itself, it has a much easier time selling its services. Because consumers have a tendency for trying to acquire some information – about transport services, for example – if the transport company has not been established on the market yet, the main things that make an impression on potential consumers include: servicing, the staff's level of qualification, the uniforms and presentable appearance of the company's employees and other seemingly insignificant at first glance things which in actuality are quite indicative of the company's image. In that regard, careful personnel selection is mandatory. The staff has to be comprised of well-trained, motivated and well-behaved people (Tzvetkova, 2014).

In principle, there is a significant difference between service users and service providers. They usually have different ideas about the type and quality of offered services. Very often customers use services with a specific level of preliminary expectations, but when actual customer experience exceeds these expectations, corresponds to them or fails to live up to them, this affects the future relations of service consumers and service providers. The company that provides the services should immediately implement methods of influence and adopt specific measures in order to correct its service in a way that makes it exceed or at least correspond to customers' requirements and ideas. When implementing the respective strategies and mechanisms for influencing supply and demand on the market, firms have to take into account the peculiarities of the services and the specificity of the market.

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