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Service Marketing**

Service Marketing



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ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual- skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this. Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure student's performance (continuous assessment).



PREFACE

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!



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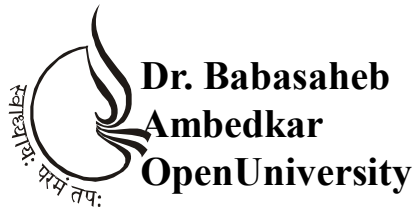
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BLOCK-1 SERVICES AND ITS QUALITY, CUSTOMER EXPECTATION AND PERCEPTION, CRM

UNIT 1

INTRODUCTION OF SERVICES

UNIT 2

SERVICE QUALITY

UNIT 3

CUSTOMER EXPECTATION AND PERCEPTION OF THE SERVICE

UNIT 4

CUSTOMER RELATIONSHIP MANAGEMENT

BLOCK 1 : SERVICES AND ITS QUALITY, CUSTOMER EXPECTATION AND PERCEPTION, CRM

Block Introduction

It is becoming increasingly important to conform ourselves with service industry as the world is fast moving towards a services oriented economy.

With the share of service industry growing at a faster rate, it has attracted many players / competitors. Thus, the organizations have geared to be more professional.

In this unit, you will be introduced to the concept of services. Also, you will learn the gap arising due to unfiltered data on what the customer wants, or insufficient communication between contact employees and managers, or lack of market segmentation or lack of proper training.

Block Objectives

After learning this block you will be able to understand :

- What are services and the trend
- What is the need to understand the marketing concepts for services
- Find the gaps in service quality
- Identify the customers' expectations and the related issues around expectations.

Block Structure

Unit 1 : Introduction of Services

Unit 2 : Service Quality

Unit 3 : Customer Expectation and Perception of the Service

Unit 4 : Customer Relationship Management



INTRODUCTION TO SERVICES

: UNIT STRUCTURE :

- 1.0 Learning Objectives**
- 1.1 Introduction**
- 1.2 Meaning and Definition of Services**
- 1.3 What are Services ?**
- 1.4 Difference between Goods and Services**
- 1.5 A Goods and Service Continuum**
- 1.6 Overview of Service Sector in India**
- 1.7 Four Broad Categories of Service – A Process Perspective**
- Classification of the Services**
- 1.8 Characteristics of Services**
- 1.9 Service Marketing Mix.**
- Traditional Marketing Mix.**
- Expanded Mix of Services.**
- 1.10 Challenges in Service Marketing**
- 1.11 Let Us Sum Up**
- 1.12 Answers for Check Your Progress**
- 1.13 Glossary**
- 1.14 Assignment**
- 1.15 Activities**
- 1.16 Case Study**
- 1.17 Further Readings**

1.0 Learning Objectives :

After learning this unit, you will be able to :

- To understand basic concept of services
- To understand difference between services and goods
- To understand the trends in services
- To understand Service Marketing Mix

1.1 Introduction :

We know that Industrial and Economic activities can be categorized under three main groups : Primary (Agriculture, Fishing and Forestry come under primary activities), Secondary activities includes manufacturing and construction) and Tertiary activities includes services and distribution.

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India's services sector covers a wide variety of activities such as trade, hotel and restaurants, transport, storage and communication, financing, insurance, real estate, business services, community, social and personal services, and services associated with construction.

Growth of Service Sector in India is perceptible and generating substantial employment and contributing to the economy. In our daily routine will make use of various type of activities like – For transit from one place to another, we use bus, auto rickshaw, Uber or Ola etc; we go to salon in order to get ourselves pampered (Haircut, Massage etc) Making a call to friend, relative etc. getting food delivered at our requested address. Such activities are called services because they involve an act offered by one party to another for sale.

1.2 Meaning and Definition of Services :

According to **American Marketing Association** services are defined as "activities, benefits or satisfactions which are offered for sale or provided in connection with the sale of goods"

According to **Philip Kotter and Bloom** – "any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.

According to **Zeithaml, Bitner, Gremler, Pandit** – Services can be defined in simple term as deeds, processes and performance provided or coproduced by one entity or person for and the entity or person.

Broad definition of services includes all economic activities whose output is not a physical product or construction, is generally produced at the time it is produced and provides added value in forms (such as convenience, amusement, timeliness, comfort and health) that are essentially intangible concerns of its first purchaser.

Check Your Progress – 1 :

1. Services are defined as "activities, benefits or satisfactions which are offered for sale or provided in connection with the sale of goods"
 - a. American Marketing Association
 - b. Canadian Marketing Association
 - c. European Marketing Association
 - d. Indian Marketing Association
2. Services are defined as "any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product."
 - a. Philip Kotler, Bloom
 - b. Zeithaml, Bitner
 - c. Gremler, Pandit
 - d. None of them

1.3 What are Services ?

The absence of a clear definition on service has hindered the development of specific marketing and management knowledge to service companies, according to **Fisk et al.**

A service is a "a deed, a Performance, an effort" (Rathmell 1966)

- **It's intangible.**
- **It doesn't result in ownership**

Let's see few examples of the Services in order clear our concepts.

- Talking on phone
- Using credit card
- Riding a bus
- Withdrawing money from and ATM
- Booking a cruise vacation
- Getting financial advice
- Having a medical examination

Educational Organization includes :

- Libraries
- Students accommodations
- Healthcare
- Athletic facilities
- Museums
- Security
- Counseling
- Career Services

On campus you may find

- Bookstore
- Post office
- Photocopying services
- Internet access
- A Bank
- Food
- Entertainment etc.

Check Your Progress – 2 :

1. Which are the examples of Services ?
 - a. Counselling
 - b. Getting Financial Advice
 - c. Photocopying Services
 - d. All of them

1.4 Difference between Goods and Services :

The below mention table differentiates physical goods from services :

Physical Goods	Services
1. Tangible	1. Intangible
2. Homogenous	2. Heterogeneous
3. Production and distribution are separated from consumption	3. Production, distribution and consumption are simultaneous processes
4. A thing	4. An activity or process
5. Core value produced in factory	5. Core value produced in buyer-seller interaction
6. Customers don't participate in production process	6. Customers participate in production process
7. Can be kept in stock	7. Cannot be kept in stock
8. Transfer of ownership	8. No Transfer of ownership

Source : Christian Gronross, services Management and Marketing (Massachusetts, Rexing Books, 1991)

Let us study the above mentioned differences in detail.

First we talk about the Goods.

1. **Tangible :** When we talk about tangible products they are basically produce by the organization to market it and sold it to the customer in exchange of money. Tangible products can be touched, smell, it has a physical presence and taste. Tangible products can be used one-time or repeatedly.
2. **Homogenous :** The consumer cannot distinguish a homogeneous product from similar items. Bottled water is an example of a homogeneous product. The majority of bottled water is comparable to other bottled water, and the buyer buys it solely on the basis of price.
3. **Production and distribution are separated from consumption :** Products or Goods are produced in a mass quantity in a factory/ manufacturing plant and by various media it is distributed to the customer and the customer make use of that product or goods at their own convenient location.
4. **A thing :** It is an object.
5. **Core value produced in factory :** The core value is the basic need that is satisfied by the product which is produced in factory.
6. **Customers don't participate in production process :** As we know that production and consumption takes place separately, customer participation in the production process is not there. Production of

the product is done at the factory or manufacturing plant where the presence of the customer is not there.

7. **Can be kept in stock** : As products are tangible, it can be stored and kept in stock.
8. **Transfer of ownership** : Customer purchase the product in exchange of the money, hence the ownership of the product is transferred to the customer from the seller.

Now, let's have a look at the Services

1. **Intangible** : Services are intangible, where customers cannot taste, smell, or touch these elements.
2. **Heterogeneous** : Heterogeneity of services refers to the fact that the quality of a service might range from one service provider to the next, or even from one service provider to the next at different periods of the day or week.
3. **Production, distribution and consumption are simultaneous process** : In service enterprises, the production and consumption of the service are usually done at the same time. In a restaurant, for example, both the production and consumption of the service occur simultaneously.
4. **An activity or process** : The service process can be defined as the method through which a corporation operates in order to provide service to a consumer. Managers will work on the following to standardise this in keeping with the company's brand and goals: Identifying processes that aid in the process, Assigning responsibility and tasks, Creating efficient routines and schedules, Service mechanisms and process flows are being defined.
5. **Core value produced in buyer–seller interaction** : The service needs of the customer is satisfied when the buyer–seller interaction takes place.
6. **Customers participate in production process** : Customer may be involved in coproduction of service. Customer may interact with providers, equipment, facilities and systems.
7. **Cannot be kept in stock** : As services are intangible, it cannot be inventoried.
8. **No Transfer of ownership** : Only the user has access to the service. A consumer, for example, can use personal care or medicare services, as well as a hotel room or swimming pool, but the provider retains ownership. Any action or advantage that one party can provide to another that is fundamentally intangible and does not result in ownership of anything is referred to as a service.

Check Your Progress – 3 :

1. Goods are _____
 - a. Tangible
 - b. Homogeneous
 - c. Transfer of ownership
 - d. All of them

As we are studying services marketing as a subject it is very important to understand certain term. The tools and strategies which we will learn can be applied to any of these categories.

1. **Service Industries :** is defined as industries or companies which are there into the service sector and whose core product is service. Indent, Novatel, Taj (Rodging), Vistara, Indigo, Air India (transportations), SBI, HDFC (Banking), Insurance, financial services).
2. **Service as Products :** is defined as the wide range of the intangible product offerings that customers value and pay for in the marketplace. Service products are sold by both service companies and non-service companies. For Example: IBM and HP offers information technology consulting services to the marketplace, competing with traditional pure service firm Accenture.
3. **Customer Service :** When Customer purchases some product and in support of product if the service is provided is known as customer service **For Example :** (1) If you visit any mall and retail employee will help you to find a desired product. This type is known as on-site service, or it can occur over the phone or via internet through channel.
(2) If we purchase a product say TV, Washing Machine – a company representative will come to give demo, how to operate the product.
4. **Derived Service :** the value which is derived from the Physical good is the service provided by the good, and not the good itself. **For Example :** A Pharmaceutical drug provide medical services, a razor provide barbering service, computer provide information and data manipulation service

1.5 A Goods and Service Continuum :

According to G. Lynn Shostack, all goods and services do not fall into absolute tangible and intangible elements. There is a spectrum that spans absolute tangible products such as salt to absolute intangible services such as education.

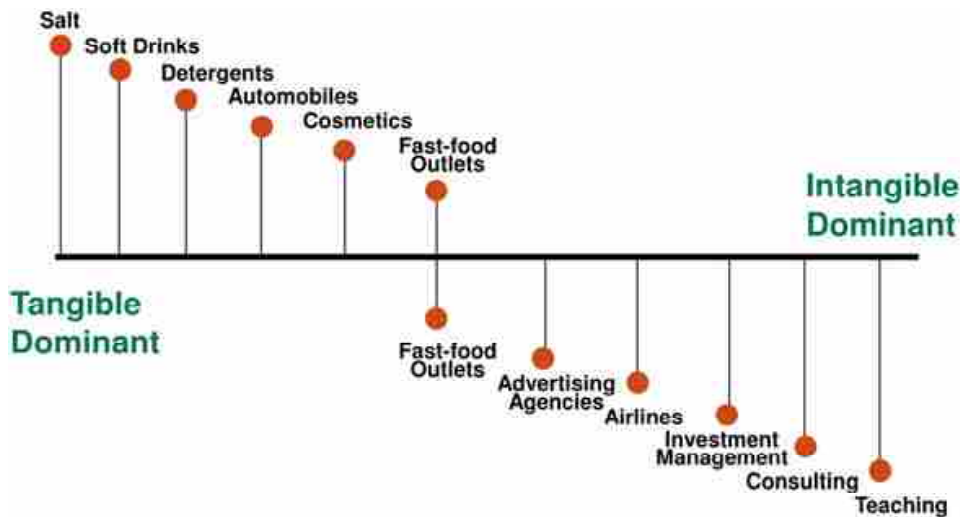


Figure : 1

Source : G. Lynn Shostack, "Breaking free from Product Marketing," Journal of Marketing 41(April 1977), pp,73–80.

Services as compared to manufactured products tends to be more intangible which implies that a consumer cannot touch, feel or see a service product, and manufactured products tend to be more tangible than services. **For Example :** Fast–food industry while classified as a Service also has many tangible components such as food, the packing etc. Automobiles, while classified as a manufacturing sector, also supply many intangibles such as transportation and navigation services, hotel, airlines communication, education, personal services etc. Home finance company throws in free accident insurance and bank might give away a key chain, calendar or a diary along with its new deposit schemes. Thus service products range from being highly intangible to highly tangible.

Check Your Progress – 4 :

1. When Customer purchases some product and in support of product if the service is provided is known as
 - a. Customer Service
 - b. Derived Service
 - c. Service Industry
 - d. Service Product

1.6 Overview of Service Sector in India :

Service Sector is a key driver of India's economic growth. We know that Trade, hotel and restaurant services, transportation, storage and communication, financial, insurance, real estate, business services, community, social, and personal services, and construction services are all part of India's service industry. The services sector is not only the dominant sector in India's GDP has increased dramatically as a result of significant foreign investment, which has boosted exports and created large–scale employment.

❖ Market Size :

The sector contributed 55.39% to India's Gross Value Added at current price in FY20*. Services sector's GVA grew at a CAGR of 1.45%

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to US\$ 1,064.8 billion in FY20 from US\$ 1,005 billion in FY16. According to RBI data, in April 2020, service exports stood at Rs 1,254.09 billion (US\$ 17.06 billion) while imports stood at Rs 709.07 billion (US\$ 9.65 billion).

❖ Industry Developments :

Some of the developments by companies in the services sector in the recent past are as follows :

- The Indian healthcare business is likely to migrate to teleconsultation, which is a digitally enabled remote consultation. From 2020 to 2025, the Indian telemedicine industry is estimated to grow at a CAGR of 31%.
- In August 2020, Japan committed ~Rs 35 billion (US\$ 476.11 million) under the Official Development Assistance for the health sector to fight the COVID-19 crisis in India and improve resilience of India's health systems against infectious diseases.
- In September 2020, LinkedIn and NSDC collaborated to accelerate digital skills training for the Indian youth.
- In September 2020, NASSCOM Future Skills and Microsoft collaborated to launch a nationwide AI skilling initiative to train 1 million students in AI by 2021.
- In September 2020, Byju's acquires 3D virtual lab startup Lab In App to strengthen its edtech presence.
- The services sector in India is the greatest recipient of FDI, with US\$ 82 billion inflows between April 2000 and March 2020.
- In June 2020, Jio Platforms Ltd. sold 22.38% stake worth Rs 1.04 trillion (US\$ 14.75 billion) to ten global investors in a span of eight weeks under separate deals, involving Facebook, Silver Lake, Vista, General Atlantic, Mubadala, Abu Dhabi Investment Authority (ADIA), TPG Capital and L. Catterton. This is the largest continuous fundraise by any company in the world.

❖ Government Initiatives :

The Government of India recognises the importance of promoting growth in services sector and provides several incentives across a wide variety of sectors like health care, tourism, education, engineering, communications, transportation, information technology, banking, finance and management among others.

The Government of India has adopted few initiatives in the recent past, some of these are as follows :

- In September 2020, the government announced that it may infuse Rs 200 billion (US\$ 2.72 billion) in public sector banks through recapitalisation of bonds
- In the next five years, the Ministry of Electronics and Information Technology is working to increase the contribution of the digital

economy to 20% of GDP. The government is working to build cloud-based infrastructure for collaborative networks that can be used for the creation of innovative solutions by AI entrepreneurs and start-ups.

- On Independence Day 2020, Prime Minister Mr Narendra Modi announced the National Digital Health Mission (NDHM) to provide a unique health ID to every Indian and revolutionise the healthcare industry by making it easily accessible to everyone in the country. The policy draft is under 'public consultation' until September 21, 2020.
- In September 2020, the Government of Tamil Nadu announced a new electronics & hardware manufacturing policy aligned with the old policy to increase the state's electronics output to US\$ 100 billion by 2025. Under the policy, it aims to meet the requirement for incremental human resource by upskilling and training >100,000 people by 2024.
- The Cabinet Committee on Economic Affairs has given its approval for continuation of the process of recapitalization of Regional Rural Banks (RRBs) by providing minimum regulatory capital to RRBs for another year beyond 2019–20.
- Government of India has launched the National Broadband Mission with an aim to provide Broadband access to all villages by 2022.
- Under the Mid-Term Review of Foreign Trade Policy (2015–20), the Central Government increased incentives provided under Services Exports from India Scheme (SEIS) by 2%.

1.7 Four Broad Categories of Service – A Process Perspective :

In Services *People, Physical Objects and Data* can be processed and the nature of processing can be *tangible or intangible*.

Tangible actions are performed on *people bodies or physical possession*.

Intangible actions are performed on *people's mind or to their intangible assets*.

❖ Classification of the Services :

1. **People Processing** : Customer can go to avail services at preferred location. Even Service provider can go to give services at customer location. Customer need to cooperate while taking service. **For Example** : (Hair-cut, Eye examination). The Time requires to provide services widely differs.
2. **Possession Processing** : Customer involvement is less, usually limited to dropping off the item that needs treatment, requesting the service, explaining the problem and later returning to pick up the item and pay the bill. Production and Consumption are separable. **For Example** : Overgrown hedge, a malfunctioning elevator, a

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package that needs to be delivered to another city, dirty clothes or a sick pet.

3. In some instance customer may prefer to remain present–In order to supervise work. **For Example** : Car, Dog etc. **Mental Stimulus Processing** : Services directed on people mind include Education, News and information, Professional advice, Entertainment & Religious Activities.

Difference B/W People and Mental Stimulus :

For Example : Passenger can sleep through a flight and still arrive at their desired destination. But if you fall asleep in class or during educational TV broadcast, you won't be any wiser at the end.

4. **Information Processing** : Information is processed by Information Technology. But not all information is processed by machine but few information is processed by brains of the professionals. Information is intangible form of the output, but it may be transformed into more enduring tangible forms as letter, reports, plans, CD-ROMs or DVD. **For Example** : Attorney or Market Researcher.

Check Your Progress – 5 :

1. Services Process on People mind is known as _____
 - a. Information Processing
 - b. Mental Stimulus Processing
 - c. People Processing
 - d. Possession Processing

1.8 Characteristic of Services :

The below mentioned are the distinctive characteristics of services. It should not viewed as unique as they are also relevant to goods as "all products are services"

Intangibility : Broadly Intangibility means not having physical presence that cannot be felt, touched, tasted and seen. Services are intangible. Unlike physical product they cannot be seen, tasted, felt before they are brought.

For Example : Patient in the psychiatrist's office cannot know the exact outcome.

Hetrogeneity : Performance of the employee may differ from day to day or hour to hour. Hetrogeneity will also result as no two customers are alike. They have unique demand and experience the service in different way. As we know that services are coproduced and co created with customer, the behaviour of customer will also introduce variability and uncertainties, resulting in hetrogeneity of outcome.

For Example : Lawyer may provide a different experience to two different customers on the same day depending on their individual needs and personalities and on whether the lawyer is interviewing them when he or she is fresh in the morning or tired at the end of a long day

Inseparability : Services are sold first and then produced and consumed simultaneously.

For Example : Hotel services cannot be provided until they have been sold.

In Restaurant dining experience is essentially produced and consumed at the same time. Here when the services are produced customer are present and may even take part in the production process as a co-producers or co-creators of service. Means that customer do interact with the service provider during production process and may affect each other experience.

Now as the increase in the technology service may be produced at one place and can be consumed at other place

For Example : video recording of lectures

Perishability : It refers to the fact that the services cannot be saved, stored, resold or returned.

For Example : If a barber had done bad haircut, then it would be nice to return or resold to another customer

1.9 Service Marketing Mix :

❖ **Traditional Marketing Mix :**

It is also known as 4Ps. These elements are core decision variables used as a tool to define Marketing strategies, plan etc. This mix of 4Ps are interdependent and on each other to some extent. The marketing mix can be adjusted on a frequent basis to meet the changing needs of the target group and the other dynamics of the marketing environment.

Expanded Marketing Mix for Services

Product	Place	People	Process
Physical Good Features Quality level Accessories Warranties Product Line Packaging Branding	Channel Type Exposure Inventory Intermediaries Outlet locations Transportation Storage	Employee • Recruiting • Training • Motivation • Rewards • Teamwork Customers • Education • Training	Flow of activities • Standardized • Customized Number of Steps • Simple • Complex Customer Involvement
Price List Price Discounts	Promotion Advertising Sales force	Physical Evidence Facility design Equipment	

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Credit Terms Allowances	Publicity Sales Promotion	Signage Employee dress Web pages Other tangible • Reports • Business Cards • Statements • Guarantees	
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Figure : 2

Source : Valarie A Zeithmal, Mary Jo Bitner, Dwayne D. Gremler, Ajay Pandit (2013), Service Marketing, Integrating customer focus across the firm, Mc.Graw Hill, Edition 6th.

❖ **Extended Marketing Mix :**

As we know that services are usually produced and consumed simultaneously. Customer are also the part of production where in Customer interact with the employees during production Process, again as services intangible customers are often looking for some tangible cues. Accepting the significance of these variables, services marketer has adopted the concept of an extended marketing mix for services. In addition to 4Ps of Traditional Marketing Mix, Service Marketing Mix includes – People, Process and physical environment

- **People :** the people who make contact with customers in delivering services. All of the human actors involved in the delivery of a service give the client clues about the nature of the service. Customers' opinions of the service are influenced by their attitudes and behaviours, as well as how these personnel are dressed and their personal appearance. In certain cases, the provider is the service, such as consulting, counselling, teaching, and other professional relationship-based services. In some circumstances, the contact person may appear to play a minor role in service delivery, such as a cable installer, an airline luggage handler, or an equipment delivery dispatcher. Nonetheless, research reveals that even these providers may be the focal point of key service experiences for the company. Customers can influence service delivery in numerous situations, thereby altering service quality and their personal satisfaction. A client of a consulting firm, for example, might impact the quality of service obtained by giving needed and timely information and following the consultant's suggestions. Similarly, patients' compliance or noncompliance with health regimes advised by the physician has a significant impact on the quality of service they receive. Customers can impact not only their own service outcomes, but also the outcomes of other customers. Customers can impact the level of

service received by others in a theatre, a classroom, or online, either boosting or detracting from other customers' expectations.

- Process :** The customer's delivery phases, or the service's operational flow, also provide evidence for customers to evaluate the service. Some services are extremely sophisticated, requiring the consumer to complete a lengthy and complicated set of steps in order to complete the process. This pattern is common in highly bureaucratized services, and the rationality of the stages involved frequently escapes the customer. Another distinguishing feature of the process that can provide evidence to the client is whether the service uses a production–line/standardized approach or an empowered/customized approach. None of these aspects of the service are intrinsically better or worse than the others. Rather, these process features are another type of evidence that customers use to evaluate service. Two successful airline firms, Southwest and Singapore Airlines, for example, have very distinct process models. Southwest is a low–cost airline that offers frequent, generally short domestic flights with no frills (no food, no assigned seats). Its vision and market position are supported by all of the evidence it gives. Singapore Airlines, on the other hand, concentrates on business travellers and caters to their specific requirements. As a result, its approach is highly tailored to the individual, and employees are empowered to deliver exceptional service when necessary. Both airlines have had a lot of success.
- Physical Environment :** All tangible representations of the service, such as brochures, letterhead, business cards, reports, signage, equipment, and web pages, are included in the physical evidence of service. In some circumstances, the "servicescape" – for example, a retail bank branch facility–includes the actual location where the service is provided. The physical facility is irrelevant in some circumstances, such as telecommunication services. Other tangibles, such as billing statements and the appearance of the service van and installer, could be useful quality indicators in this scenario. Consumers will rely on these cues, just as they would rely on the cues offered by individuals and the service process, especially when they have little on which to judge the actual quality of service. Physical evidence signals offer the firm exceptional opportunity to transmit consistent and strong statements about the organization's goal, target market groups, and service nature.

For Example : In Gym various latest equipment are there – PRODUCT. It Yearly / Month price is low– PRICE. Online advertisement/ /Drill board advertising–PROMOTION

Check Your Progress – 6 :

1. Expanded Marketing Mix for Services includes which Ps
 - a. People
 - b. Product
 - c. Place
 - d. Promotion

1.10 Challenges in Service Marketing :

According to Linton (2014), service enterprises confront different problems than companies that sell physical goods. Service businesses are selling an intangible product that the customer will not be able to experience until the company has delivered it. While some components of service marketing are comparable to those of product marketing, the service industry must focus on adding value, distinction, and specialisation.

Intangibility : One of the most difficult obstacles to overcome in the service sector is intangibility. People are able to touch and examine a product before trading money for something they require and can use at home. People, on the other hand, only witness the effects of a service, which may or may not be immediate. Customers must have faith that they will receive the intended results for their money. If you own a cleaning service, for example, you must persuade your consumers that their properties will be cleaned to their satisfaction. Another technique to overcome the issues of intangibility in service marketing and acquire confidence is to provide before and after testimonials or images.

❖ **Empathy Demonstration :**

In your marketing efforts, persuade your customers that you understand their problems and are delivering a solution. Use people, procedures, and tangible evidence to do this. If you and your employees, for example, have families and work full-time, this identifies with working families who don't have time to clean their homes.

Physical evidence includes before-and-after photos in your marketing materials, such as your website, brochures, and advertising. Finally, as part of the marketing process, you may need to interact with clients directly numerous times to create a relationship and persuade them that you understand their needs. To have the greatest impact, promote your business to the right target clients in the right area. For example, if you own a cleaning company, you might want to advertise in high-earning office buildings with a lot of high-earning, active prospects.

❖ **Competitive Pricing :**

Another problem is to have an appropriate pricing system in place because, unlike products, services might have differential pricing. For example, the price of a Pepsi bottle will be the same for all types of consumers, however in the case of a service, this will not be the case. For example, in banks, the schedule of charges for saving account holders differs from the schedule of charges for current account holders for various services provided by the banks; similarly, in restaurants, the menu of an AC dining hall differs from that of a regular dining hall, and the charges for a birthday party differ from those for a business conference or meeting.

The way you price your services is a crucial part of your marketing strategy. You need to be competitive, therefore look into the prices of a few competitors to see what your potential clients are expecting to pay. Then look at your expenditures – things like rent, insurance, salaries, and supplies – to see if you can cover your expenses while still making a profit with that pricing. Consider packaging extra features with your services to set yourself apart and command a premium price; clients' perceptions of value are crucial, according to Inc. For example, as part of your service, you could offer to wax floors or do laundry as a bonus.

❖ **Putting People to Work :**

As a service provider, marketing your employees, including yourself, is critical. When a service is purchased or created, it is consumed; nonetheless, the outcomes or effects persist, often only temporarily. For example, your customer's house will become unclean again after your cleaning service, so the result of your cleaning service is only temporary. Based on the whole experience, the client may or may not call you again. Your employees' performance and interactions with clients will have an impact on recurring business. Following up with your customer with personalised notes or a phone reminder as part of your marketing techniques is crucial. Another problem in service marketing is the company's employees or workforce, because while people do not play a significant role in product marketing, the workforce is the face of service marketing, as whether a customer is satisfied or not is entirely dependent on the person providing the service. So, if you go to person A in the bank who speaks gently and politely, your experience will be positive and you will speak positively about the bank, however if you go to person B who is arrogant, your experience will be negative and you will speak negatively of the bank.

1.11 Let Us Sum Up :

In this unit we have studied basic concepts of services by various definition, to whom we call a services, by what mean we differentiate goods and services, tangibility spectrum, Overview of Service Sector in India, Classification and Characteristics of Services, Expanded Mix of services.

1.12 Answers for Check Your Progress :

Check Your Progress – 1 :

1. a 2. b

Check Your Progress – 2 :

1. d

Check Your Progress – 3 :

1. d

Check Your Progress – 4 :

1. a

Check Your Progress – 5 :

1. b

Check Your Progress – 6 :

1. a

1.13 Glossary :

1. **Service Industries :** is defined as industries or a companies which are there into the service sector and whose core product is service.
2. **Service as Products :** is defined as the wide range of the intangible product offerings that customers value and pay for in the marketplace. Service products are sold by both service companies and non-service companies.
3. **Customer Service :** When Customer purchases some product and in support of product if the service is provided is known as customer service.
4. **Derived Service :** the value which is derived from the Physical good is the service provided by the good, and not the good itself.
5. **Intangibility :** Broadly Intangibility means not having physical presence that cannot be felt, touched, tasted and seen. Services are intangible. Unlike physical product they cannot be seen, tasted, felt before they are brought.
6. **Hetrogeneity :** Performance of the employee may differ from day to day or hour to hour. Hetrogeneity will also result as no two customers are alike. They have unique demand and experience the service in different way. As we know that services are coproduced and co created with customer, the behaviour of customer will also introduce variability and uncertainties, resulting in heterogeneity of outcome.
7. **Inseparability :** Services are sold first and then produced and consumed simultaneously.
8. **Perishability :** It refers to the fact that the services cannot be saved, stored, resold or returned.

1.14 Assignment :

1. Explain what services are. Differentiate between goods and services
2. Explain by giving examples the characteristics of services.

1.15 Activities :

Calculate your budget for an average month. What percentage of your budget goes for services versus goods ? Does the service which you purchase have value ? In what sense ? If you had to cut back on your expanses, what you cut out ?

1.16 Case Study :

During the boom times, many firms providing computer education to students used to survive and thrive in the Indian market. But the boom did not last forever. The bust which followed took its toll on the educational IT services sector, with Aptech selling off its business to SSI, and many other firms exiting from the business.

Tata Infotech also found its business squeezed, and had to think of new segments that it could venture upon. The company refocused attention on the corporate segment which also requires computer training for its employees, and over a period, the percentage of business which came from the corporate segment changed from 20% of its total to about 65% of the total.

At the same time, its affiliate channels through whom a lot of its consumer(student) business was done, came down from about 200 to about 125 in number, signalling a decline in that segment.

What this case shows is that in bad times, it makes sense to take a re-look at your segmentation and target marketing strategy. Of course, this may involve repositioning yourself at times, in line with the requirements of the new segments being targeted. Also, it could involve changes in the 7Ps of marketing.

1. Can you think of what changes Tata Infotech would need to make in its positioning, and its 7Ps (marketing plan) to successfully serve the corporate market ?

1.17 Further Readings :

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: UNIT STRUCTURE :

2.0 Learning Objectives

2.1 Introduction

2.2 Definition of Service Quality

2.3 Importance of Service Quality

2.4 Components of Service Quality

2.5 Determinants of Service Quality

2.6 Gap Model of Service Quality

2.7 Various Ways to Close the Service Quality Gap

2.8 Perceived Service Quality

2.9 Different Approaches to Improve the Service Quality and Productivity

2.10 Let Us Sum Up

2.11 Answer to Check Your Progress

2.12 Glossary

2.13 Assignment

2.14 Activity

2.15 Case Study

2.16 Further Readings

2.0 Learning Objectives :

After studying this unit, you will able to :

- To understand service quality concepts
- To learn about Gap Model of Service Quality.

2.1 Introduction :

The word service quality is a mixture of two words : service and quality, the focus on providing high-quality services to end users. The word "quality" refers to the standard or specification that a service provider promises. There can't be a straight line between good and bad. For quality generation, the sky is the limit. Scientific discoveries and technologies pave the way for quality to be produced. More frequent developments mean fewer gaps in the process of quality improvement.

Even Service generating organisations, like goods-producing organisations, are found to be instrumental in encouraging research and devising something different that distinguishes their programmes, schemes,

and generates lucrative business opportunities to capitalise on. It is against this backdrop that the process of innovation is more common in developing countries.

Since consumers who have tasted the sweetness of world class services expect the same from other organisations, the generated quality forms the boundary of expectations. Expectations pave the way for fulfilment or disappointment. If we succeed in meeting users' needs, they will be happy, and this satisfaction will lead to increased market share.

It is important to remember that service quality satisfaction is the product of resources and activities extended to provide service that meets the needs of customers. It is also suggested that service quality can be divided into two categories: technological and functional. For the intention of raising the standard of service quality that we provide. The service-producing organisations must recognize the factors that contribute to rising customer dissatisfaction and implement effective steps (technical or functional) to reduce it. In this unit we will discuss about technical and functional quality in detail.

Now let's talk about various definition of service quality.

2.2 Definition of Service Quality :

According to **Crosty, 1984**, quality can be defined as "conforming to requirement". **Juren, 1982** states that quality is all about fitness for use. In general term quality focuses on standard or specification that a Service generating organization promises.

Service may be related to '**tangible product or intangible product**'. On the other hand, **Zeithaml and Bitner (2003:85)** mentioned that, 'Service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service namely reliability, responsiveness, assurance, empathy, tangibles.'

The term **Service Quality** draws our attention on the quality of services made available by the organization. The perception of Service quality keeps on changing and the governing factors are the use of sophisticated technologies, development of personally committed people and availability of infrastructural facilities to make Services attractive.

Check Your Progress – 1 :

1. According to _____ quality can be defined as "conforming to requirement".
 - a. Crosty
 - b. Bitner
 - c. Zeithaml
 - d. Juren

2.3 Importance of Service Quality :

According to **Londe et al., 1988**, the importance of service is determined by customer service management. Customer service is considered part of the marketing mix of services marketing. According to **Zeithaml and Bitner (1996)**, high-quality customer service needs not only customer service departments, but also all levels of management

and staff to agree and have a mindset regarding customer care. **Payne, 1995**, on the other hand, claimed that customer service is under pressure due to competition and technological advancements. He also noted that consumers are demanding higher service standards as their needs become more complex and modified, and that service refers to customer satisfaction, delight, service delivery, and customer relationship to them, and that in order to offer good service to customers, service providers must understand the important variables of service quality namely, assurance, empathy, reliability, responsiveness and tangibles. According to Payne, 1995 customer service and quality management programmes are inextricably linked. Furthermore, relationship marketing brings together marketing, customer care, and relationship marketing, and marketers are very concerned with achieving quality (1991, Christopher and Ballantyne). However, according to various scholars, service quality has been linked to the following factors:

- Costs (Crosby, 1979)
- Profitability (Buzzell and Gale, 1987; Rust and Zahorik, 1993)
- Customer Satisfaction (Boltan and Drew, 1991; Boulding et al, 1993)
- Customer retention (Reichheld and Sasser, 1990)
- Behavioural intention and positive word of mouth (Anderson and Zeithmal, 1984; Philips, Chang and Buzzell, 1983)

Check Your Progress – 2 :

1. According to various scholars service quality is linked to _____ factors.

a. Costs	b. Profitability
c. Customer Satisfaction	d. All of them

Furthermore, Anderson and Zeithmal, 1984; Philips, Chang, and Buzzell, 1983 argued that quality, which is considered the most significant purchasing decision factor, influences consumer buying decisions and contributes to market share and return on investment. Quality, according to Garvin (1983), has strategic advantages in terms of increasing efficiency and lowering manufacturing costs.

2.4 Components of Service Quality :

Gronoss in 1984 has identified 'technical' and 'functional' quality as being two principle component of quality

1. **Technical Quality** : refers to the relatively quantifiable aspects of a service which consumer receive in their interactions with a service firm. It can be easily measured by both customer and supplier. It also forms on important basis for judging service quality. As service involves direct consumer and Producer interaction, consumers are also influenced by how the technical quality is delivered to them.
For Example : waiting time at a supermarket check out

2. **Functional Quality** : Functional quality cannot be measured as objectively as the elements technical quality. **For Example** : In case of queues at a supermarket checkout, functional quality is influenced by environment in which queuing takes place and consumer perceptions of the manner in which queues are handled by the supermarket staff. **Gronoss** also sees an important role for a service firms Corporate image in defining customers' perceptions of quality, with corporate image being based on both Technical and functional quality.

Figure : 1 : Consumer perception of technical and functional quality applied to an opticians practice (based on **Gronroos, C. (1984)**) strategic management and marketing in service sector, **Chartwell-Bratt Ltd.**)

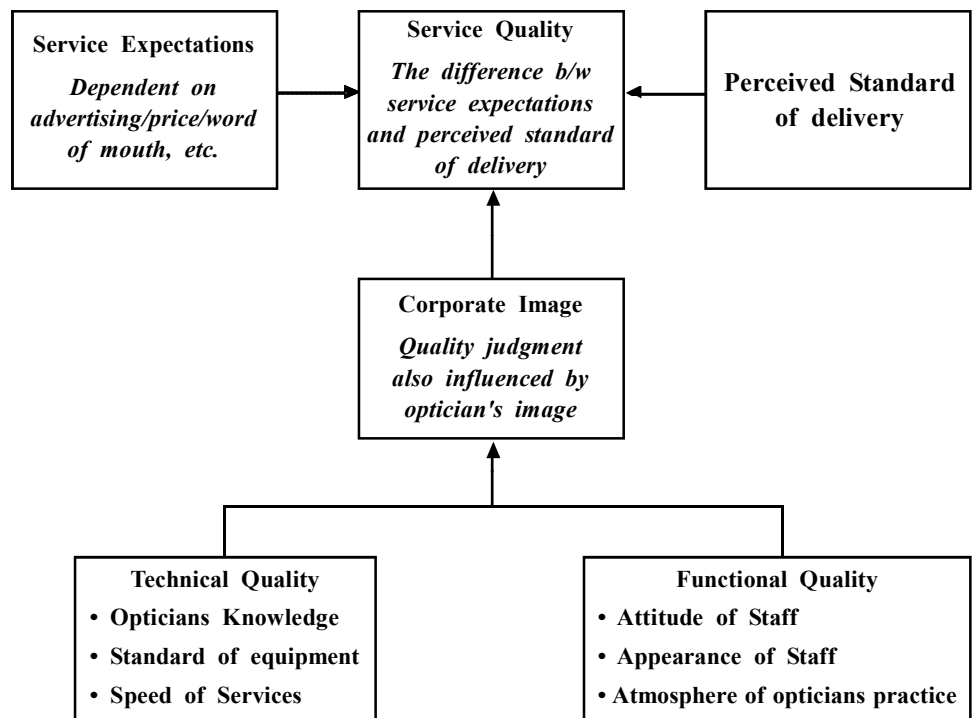


Figure – 1 : Describe Gronoos's Conceptualization of Service Quality as Applied to an Optician's Practice

Check Your Progress – 3 :

1. Gronoss in 1984 has identified _____ and _____ quality as being two principle component of quality.
 - a. Technical
 - b. Functional
 - c. Both (a) & (b)
 - d. None of them

2.5 Determinants of Service Quality :

According to the Parsuraman, valarie zeithmal and leonard Berry have identified five dimension of service quality that can be applied across a variety of service context. These five dimensions are the drivers of service quality.

Reliability : It can be defined as the ability to perform the promised service dependably and accurately. Reliability means that company delivers

on its promises. Promise can be about Performance of initial services, accuracy in billing, keeping records correctly, service provision, problem resolution, pricing. **For Example :** Is my credit card statement free of errors ? When a Bank officer says that will call me back within 15 minutes does she do so ?

Responsiveness : Responsiveness concerns the willingness of the employee to help customers and to provide prompt service. The major emphasize of this dimension is on attentiveness and promptness in dealing with customer requests, questions, complaints and problems. The measure includes :

- Timeliness of service
- Mailing transaction Slips immediately
- Efficient customer support
- Giving prompt service

Responsiveness perceptions are declined when customer must wait to get through by telephone, are put through to a complex voice mail system, or have trouble accessing the firm's website. **For Example :** When there is a problem with my bank statement, does the bank resolve the problem quickly ? Is the repair firm willing to give me a specific time when the repair person will show up ?

Assurance : It means possession of the required knowledge and Skills by the employee. Courtesy of an employee and the ability of the firm and its employee to inspire customer trust and confidence. When the customer's feels high risk of service or customer is uncertain about their ability to evaluate outcomes, this dimension is particularly important.

For Example : Banking, Insurance, brokerage, medical and legal services. The person who links the customer to the company like securities brokers, insurance agents, lawyers or counselors may be embodied/incorporated with a trust and confidence.

- Prudential ("*Own a piece of the rock*") which illustrate efforts to create trusting relationship between customers and the company as a whole.
- An Advertisement Campaign by **Fed-Ex** uses the tagline "*Relax, Its Fed Ex*", going beyond its traditional reliability message to focus on assurance and trust.

Empathy : Treating customer as an individual. Empathy is defined as the concern for others, firms are very much focused towards its customers. Firm provides personalized services to the customers and understand the needs of the customer. Employees working at a small service firms are often call their customer by their names and sometimes also knows the customer preference and requirement. When such a small firm competes with larger firms the ability to be empathetic may give the small firm a clear advantage. Many small companies compete effectively with large vendors by positioning themselves as industry experts. Despite

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having more money, small businesses are seen as being more informed about their customers' individual concerns and needs and are willing to provide more specialized services. For Example: Waiting time for patients, facilities for the disabled, Rates and timings, Individual care.

Tangibles : Representing the Service Physically. Tangible can be described as physical facilities, personnel, communication materials. Through the appearance of the physical facilities customer can evaluate the kind of services. Service Companies use tangibles to enhance their image, provide continuity and quality to customers, most companies combine tangible with another dimension to create a service quality strategy for the firm. For Example: Are the bank facilities are attractive, Is my credit card statement easy to understand.

E-Service Quality : A study was undertaken by the Marketing Science Institute, to understand how consumers judge e-service quality. In that study, **E-SQUAL** is defined as the extent to which a website facilitates efficient and effective shopping, purchasing, and delivery. Through, data collection and its analysis it has been identified that seven dimensions are critical for core service evaluation (**four dimensions**) and service recovery evaluation (**three dimensions**)

The **four primary dimensions** that customers use to evaluate websites where they have no questions or problems are as follows :

- **Efficiency** : The ease and speed of accessing and using site
- **Fulfilment** : The extent to which the site's promises about order delivery and item availability are fulfilled.
- **System Availability** : The correct technical functioning of the site.
- **Privacy** : The degree to which the site is safe and protects customer information

The study also revealed three dimensions that customer use to judge recovery service when they have problems or questions.

Responsiveness : The effective handling of problems and returns through the site

Compensation : The degree to which the site compensates customer for problems

Contact : The availability of assistance through telephone or online representative.

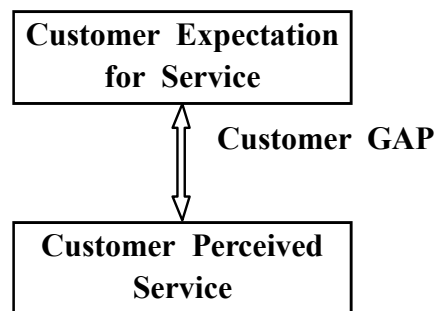
Check Your Progress – 4 :

1. Which dimensions customers use to judge service recovery when they have problems or questions ?
 - a. Contact
 - b. Efficiency
 - c. Privacy
 - d. fulfillment

2.6 Gap Model of Service Quality :

When it comes to meeting customer expectations, the model depicts the five primary satisfaction gaps that businesses must solve. The model

was first proposed by **A. Parasuraman, Valarie Zeithaml, and Leonard L. Berry** in **1985**. It is also known as **Customer Service Gap Model** or the **5 Gap Model**. This framework helps us to understand customer satisfaction. Customer expectations are expectations or benchmarks that customers bring to the service experience, whereas customer perceptions are subjective appraisals of the actual service experience. Customer satisfaction is largely a function of perception. If the customer perceives that the services meet their expectations then they will be satisfied. If not, they will be dissatisfied if they are dissatisfied them, it is due to the Customer gaps – the difference between customer expectation and perception.



For Example : When a student signs up for an online Management course, he expects the course to increase his domain knowledge of Management, however, after taking a few lectures online, he may think that he hasn't received the perceived amount of knowledge.

There are **four important provider gaps**.

Gap – 1 : Listening Gap / knowledge gap :

The difference between what service providers believe customer expects and customer actual needs and expectations. Major factors responsible for this gap is inadequate research on customer, lack of upward communication, focus on new customer rather than relationship customer, inadequate service recovery mechanism in case of a service failures.

For Example : A wireless telephone service provider may think that their customers want lower tariffs for calls, but the customers may be more concerned with the range of network coverage of the provider.

In a hospital, the administrators may think patients want better food, but patients may be more concerned with the care given by nurses and support staff.

Gap – 2 : The service design and standard gap :

The gap between management perceptions of customer expectations and service design and standards that are driven by customers. Poor service design, the lack of a customer-driven norm, and the use of improper physical evidence and service are all factors that contribute to this gap.

For Example : In a Travel and tourism company the management may instruct their employees to respond to booking enquiries of customers

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fast and efficiently, but the management has not mentioned how fast and efficiently. They have not set standards to their process.

An IT company may ask their employees to solve customer complaints quickly, but it doesn't mention how quickly (within 24 hours 2 day, 3 days etc.)

Here even though the management or service provider is aware of what the customers want, they aren't able to satisfy the customers due their lack of planning and standards.

Gap – 3 : The Service Performance Gap/Delivery :

It is the discrepancy between the development of the customer driven standards and actual service delivery by the employees of the company. Key factors leading to this gap is inefficient recruitment, role ambiguity and role conflict, failure to match supply and demand, customers not fulfilling roles means customers are not aware of their roles and responsibilities, conflict with the intermediaries like Retailer, franchises, agents and brokers.

For Example : In an upscale restaurant, if the waiter/server is not courteous and hospitable, the customer may become unhappy with the entire service experience even if the food served complies with his quality standards.

In a hair salon franchise like Lakme Salon, the management has set standards and have specifications regarding service quality. If a hair dresser is inexperienced and doesn't do a good job of cutting their client's hair, this results in customer dissatisfaction due to GAP3

Gap – 4 : Communication Gap :

The distinction between service delivery and the external communications of service providers. The problem arises when company does not fulfill its Promises which they had communication through media like advertising, sales force, etc. various factors which led to the communication gap are overpromising, insufficient Communication between sales and operation between advertising and operations, lack of internal communication etc.

For Example : The hotel printed on the brochure may have clean and furnished rooms, but in reality it may be poorly maintained in this case the customer's expectations are not met.

An insurance company may promise large returns to the policy holder but in reality, the fine print in the policy may be different than what was promised to the customer.

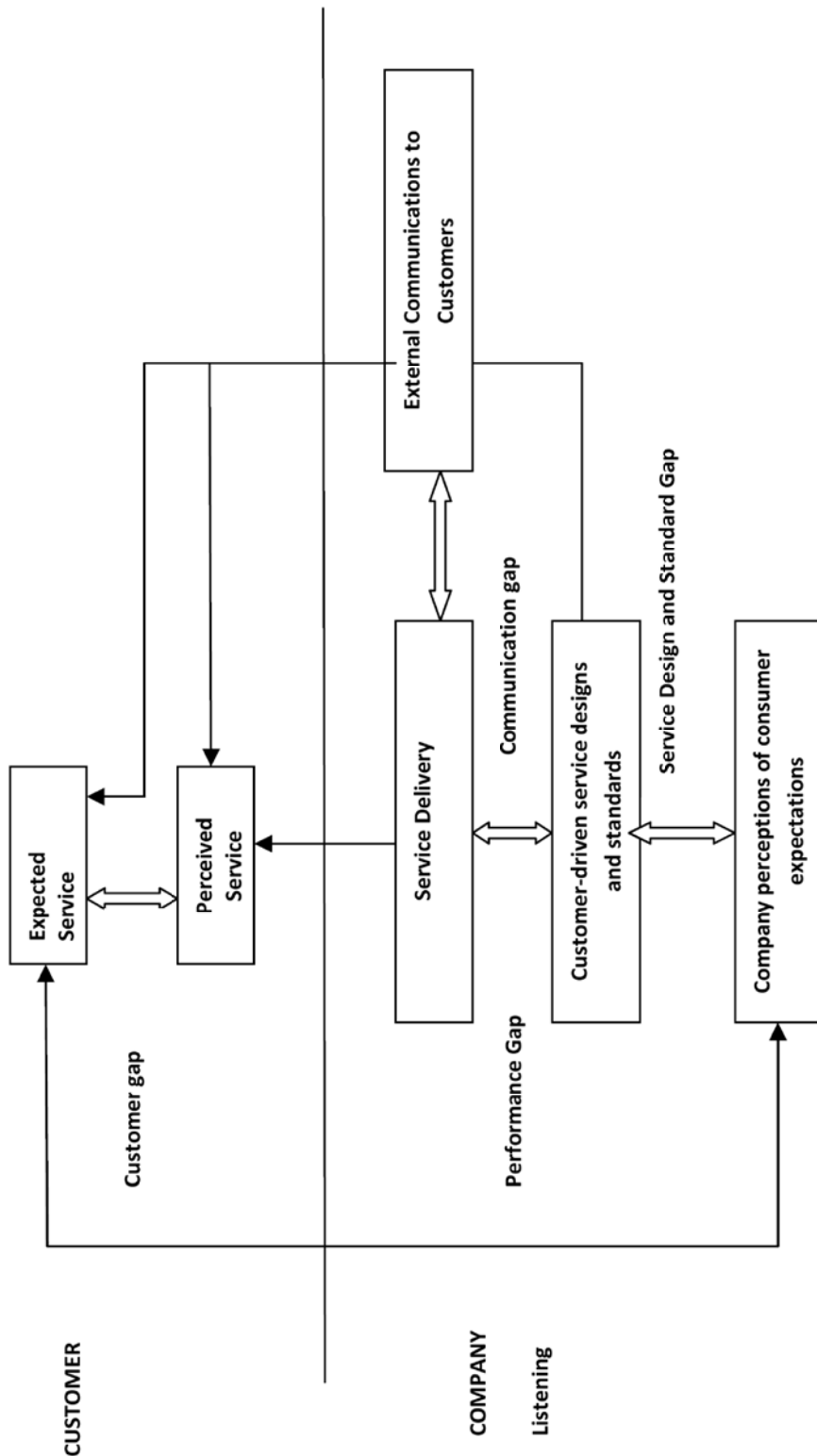
This Model conveys clear messages to all managers who want to improve Service quality. The strength of this gap Model is that it is generic insight and solution which can be applied to various industries. Each firm can developed its own customized approach to ensure that service quality remain key objective.

Check Your Progress – 5 :

Service Quality

1. The problem arises when company does not fulfill its promises which they had communicated through media is known as
 - a. Listening gap
 - b. Communication gap
 - c. The service design and standard gap
 - d. The service performance gap

❖ **GAP MODEL OF SERVICE QUALITY :**



2.7 Various Ways to Close the Service Quality Gap :

Gap 1 : The Listening Gap

- Educate Management about what customer expect
- Implement a consumer feedback system that incorporates satisfaction surveys, online complaints and compliments, customer panels, and exit surveys.
- Customers and senior management should interact more (e.g. program such as "a day in the field" and senior management taking calls in customer contact centers)
- Facilitate and encourage communication between frontline personnel and management by improving upward communications.

Gap 2 : Service Design and Standard Gap

- Establish the right service product, processes and standards that are based on customer needs and expectations.
- Make sure your product and customer service processes are in order.
 - o Design and revamp service goods and customer service processes using a rigorous, systematic, and customer–centric methodology.
 - o By substituting hard technology for human touch and improving work practices, standardize and potentially automate repetitive job tasks to assure consistency and reliability.
- Set quantifiable customer–oriented service standards for all work units, communicate them, and reinforce them:
 - o Establish a set of difficult, realistic, and specifically designed service quality targets for each phase in the service delivery process.
 - o Ascertain that personnel are aware of and accept these objectives, standards, and priorities.
- Create tiers of service goods that fulfil customer needs:
 - o Consider offering premium, standard, and economy–level products so that buyers can self–segment based on their preferences.
 - o Provide customers with various levels of service at various price points.

Gap 3 : Performance Gap

- Ensure that performance meet the standard
- Ascertain that customer care representatives are motivated and capable of meeting service standards:
 - o Improve recruiting by focusing on employee–job fit; hire workers who have the ability and skills to do a good job.

- o Train staff on the technical and soft skills they'll need to do their jobs well, including interpersonal skills, which are especially important when interacting with clients in difficult situations.
- o Clarify staff duties and make sure they know how their jobs contribute to customer happiness; train them about consumer expectations, perceptions, and difficulties.
- o Create cross-functional service teams capable of providing customer-centric service delivery and problem resolution, as well as efficient service recovery.
- o Push decision-making power down the organisation to empower managers and employees in the field.
- o Measure performance, provide regular feedback, and recognise the efforts of customer service teams, as well as individual employees and supervisors, in achieving quality objectives.
- Install the appropriate technology, equipment, support processes, and resources :
 - o To improve performance, choose the most relevant technology and equipment.
 - o Ascertain that staff performing internal support roles deliver excellent service to their own internal customers, as well as frontline personnel.
 - o Demand must be balanced against available capacity.
- Customers should be managed for service quality.
 - o Customers must be well educated in order to carry out their roles and duties in the supply of services.
- Ensure that all intermediates and third parties involved in service delivery are on the same page.
 - o Align objectives, performance, expenses, and rewards with intermediaries (for example, in consumer outsourced service delivery).
 - o Service quality should be monitored and rewarded.

Gap 4 : The Communication Gap

Close the Internal and External Communication Gaps by Ensuring that communication promises are Realistic and Correctly Understood by Customer

- Ensure that the content of communications sets reasonable consumer expectations, and train sales and marketing communications managers on operational capabilities.
 - When developing new communications programmes, solicit feedback from frontline staff and operations personnel.

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- Allow front-line employees to see adverts and other communications before they are seen by customers.
- Encourage salespeople to bring operations personnel into face-to-face discussions with clients.
- Develop internal instructional and motivating campaigns to improve knowledge and integration between marketing, operations, information technology, and human resources functions, as well as to standardise service delivery across several locations.
- Align sales incentives with those for service delivery teams. This will avoid the problem of salespeople focusing solely on generating sales (for example, by overpromising) and ignoring customer happiness (e.g. Through disappointed expectations)
- Maintain client awareness of communication content by being explicit with promises :
 - o Pre-test all communications (advertising, brochures, sales scripts, website and social media page content, etc.) to ensure that target audiences interpret them in the way the company wants (if not, revise and retest). Make sure the advertising text matches the most significant service attributes to clients. Inform them of what is and is not doable, as well as why.
 - o Before signing a contract or agreement, make a list of the responsibilities and performance levels that will be covered.

Gap 5 : Customer Gap

- Make quality tangible and explain the level of quality that has been achieved.
 - o Create service surroundings and physical evidence cues that are appropriate for the level of service being delivered.
 - o Keep consumers informed about what is being done during service delivery for complicated and credential services, and give debriefings after the delivery so customers may appreciate the quality service delivered and what was performed.
 - o Explain what work was done in respect to a certain billing statement after the task is completed.
 - o Provide physical proof (e.g. for repairs, show customers the damaged components that were removed.)

2.8 Perceived Service Quality :

Perceived service quality Perceived service quality is a widely studied construct (Parasuraman et al., 1988; Cronin and Taylor, 1992; Asubonteng et al., 1996). Perceived service quality is defined as the

customer's assessment of the overall superiority or excellence of the service (Zeithaml, 1988). According to Parasuraman et al. (1985), the customer's assessment of overall service quality depends on the gap between expectations and perceptions of actual performance levels. Service quality is therefore operationalized as a function of the magnitude and direction of the gap between perceived service and expected service. Parasuraman et al. (1985) conceptualized service quality as consisting of ten determinants, which were later abridged to five dimensions (Parasuraman et al., 1988). Researchers argue that value and quality are two distinct constructs (Zeithaml, 1988). First, unlike quality, perceived value includes a trade-off of give and gets components (for example quality or convenience) (Zeithaml, 1988). Second, value is a more personal and individualistic construct (Zeithaml, 1988).

The following five dimensions would drive the customers perception of the bank if we consider a service, such as banking.

1. **Tangibles** : Do physical facilities, equipment, and personnel appearance reflect quality standards ?
2. **Reliability** : Will the accounting job done be accurate and trustworthy ?
3. **Competence** : Is the bank employing the appropriate skilled personnel ?

Is there a sense of trust and confidence in the services provided ?

4. **Responsiveness** : Is the sales team eager to assist consumers and give quick and dependable service ?
5. **Empathy** : Does the bank treat its customers with respect and give them personalised attention ?

These variables aid in the evaluation of service brands' perceived quality.

2.9 Different Approaches to Improve the Service Quality and Productivity :

Let's us study about different approaches to improve service quality and productivity.

1. Total Quality Management : Japan was the first country to implement total quality management. It is perhaps the most well-known strategy to continuous improvement in the manufacturing industry, but it is also utilised in service companies. TQM can assist organisations in achieving service quality, increasing productivity, and remaining a constant source of value creation by enhancing innovation processes. TQM concepts and technologies can be immediately applied to services. Service organisations employ TQM techniques like control charts, Pareto analysis, blueprints, and fishbone diagrams to monitor service quality and determine the root causes of specific problems with tremendous success.

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2. ISO 9000 certification : ISO (the International Organization for Uniformity, based in Geneva, Switzerland) has 165 members and promotes standardisation and quality to enable international trade. ISO 9000 is a set of requirements, definitions, guidelines, and related standards that provide an independent assessment and certification of a company's quality management system. "The totality of traits and characteristics of a product or service that bear on its capacity to satisfy stated or implied demands," according to the official ISO 9000 definition.

ISO 9000 is a set of sub-standards that address different aspects of quality management. These standards offer guidance and tools to companies that wish to ensure that their products and services consistently match consumer needs and that quality is continually enhanced. ISO 9000 incorporates a variety of TQM tools and internalises their use in participating organisations to ensure quality, as well as W. Edwards Deming's PDCA cycle (i.e Plan-Do-Act-Check Cycle). Wholesale and retail businesses, IT service providers, healthcare providers, consulting firms, and educational institutions are among the major service industries that have widely accepted ISO 9000 certification. Service businesses may ensure that their services meet consumer expectations and increase efficiency by embracing the ISO 9000 standards.

3. Six Sigma : Motorola created the six sigma approach to enhance product quality and reduce warranty claims, and it was quickly adopted by other manufacturing companies to reduce faults in a number of domains. As a result, service companies have adopted a variety of six sigma tactics to minimize errors, shorten cycle times, and boost productivity. GE Capital used six sigma methods to cut backroom costs of selling consumer loans, credit card insurance, and payment protection as early as 1990. Denis Nayden, the company's former president and chief operating officer (COO), stated. Although Six Sigma was created for the manufacturing industry, it can also be used to transactional services. One obvious example is ensuring the accuracy of the millions of credit card and other bills GE delivers to consumers, which reduces our adjustment costs. Winning new consumers is one of our most expensive expenses in the banking industry. They will stay with us if we treat them well, lowering our customer acquisition expenses. Six Sigma means reaching a quality level of only 3.4 defects per million opportunities, according to statistics (DPMO). Consider postal delivery to get a sense of how tight this aim is. If a mail service delivers 99 percent of the time, it will miss 3,000 goods out of 300,000. Only one thing out of this total will go wrong if it achieves a Six-Sigma performance level. Six Sigma has grown from a defect reduction method to an overall company improvement approach through time, and it is now characterised as. Six Sigma is a flexible and comprehensive approach to obtaining, maintaining, and maximising business performance. Six Sigma is distinguished by a thorough awareness of customer needs, the disciplined use of facts, data, and statistical analysis, and the careful management, improvement, and

reinvention of business processes. Supplementary strategies include process improvement and process design/redesign. If a root cause cannot be identified or efficiently eliminated inside the existing process, it is redesigned to address the problem completely or partially. The DMAIC model is the most widely used six sigma improvement technique for assessing and improving business processes.

DMAIC model stands for

D = Define the opportunity (including the problem, scope and goals)

M = Measure the current performance along key steps/inputs

A = Analyze to identify root causes

I = Improve the process and its performance

Control the process to sustain higher level of performance.

4. Malcolm–Baldrige and European foundation for Quality Management Approaches :

Malcolm–Baldrige, The National Institute of Standards and Technology created the National Quality Award with the objective of fostering best practices in quality management and recognizing and publicising quality achievements among US businesses. Other than the United States, other countries offer similar quality awards, with the European Foundation for Quality Management (EFQM) approach being the most extensively utilised.

Despite the fact that the framework is generic and does not differentiate between manufacturing and service firms, the award has a dedicated service category, and the model can be utilised to foster a culture of continuous service improvement.

The use of this framework has been shown to boost organizational performance in studies.

1. Leadership commitment to a culture of service excellence
2. Setting improvement priorities, such as service standards, performance targets, and customer satisfaction, defect, cycle–time, and productivity assessment.
3. Data and analysis to assist the company in collecting, measuring, analysing, and reporting strategic and operational indicators.
4. Human Resources Management, which includes everything from recruiting the right people to development, involvement, empowerment, and inspiration, and helps the company to provide excellent service.
5. Process management, which includes process design, monitoring, and continual improvement.
6. Customer and market focus, which enables the company to identify customer
7. Business results.

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There are various approaches to be applied to systematically improving a service firm's service quality and productivity. It is best to see these approaches as complementary and building on another, and not as mutually exclusive.

2.10 Let Us Sum Up :

In the above mentioned unit we have studied about the brief of service quality and its importance. Further, we have also studied about the Service Quality Gap Model. It is very important for the organizations attempting to improve quality service and service marketing.

2.11 Answer to Check Your Progress :

Check Your Progress – 1 :

1. a

Check Your Progress – 2 :

1. d

Check Your Progress – 3 :

1. d

Check Your Progress – 4 :

1. a

Check Your Progress – 5 :

1. b

2.12 Glossary :

1. **Service Quality** : Service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service namely reliability, responsiveness, assurance, empathy, tangibles. The term **Service Quality** draws our attention on the quality of services made available by the organization.

2.13 Assignment :

1. Describe the Gaps Model.
2. Briefly describe the components of Service Quality.
3. What do you understand by the service quality and why it is important ?

2.14 Activity :

1. Interview a nonprofit or public sector organization in your area (it could be some part of your college/university. Find out if the integrated gaps model of service quality framework makes sense in the context of its organization.

2.15 Case Study :

Perceived Service Quality, Author: Monika Halan, Source: Intelligent Investor.

Consider the following story to understand customer satisfaction in service delivery.

An annoyed and irritated customer walked into a watch repair shop with a wristwatch that was repaired and had the battery changed a few days ago, but now as in the same condition as it was before the repair. The person behind the counter acknowledged the fact that he had changed the battery but would look into the problem.

This gesture immediately eased the tension of the customer, but who still had doubts about the quality of the battery. Understanding from the body language of the customer, he showed that the little cell was active with 16.V of current. And confirmed that there still was a guarantee period of one year of the battery.

He then walked into get the machine cleaned. As the customer waited for the job to be done, she noticed other customers come into the shop. Most of them were greeted by name. This further changed the attitude of the customer whose aggressiveness had all disappeared.

The men returned the watch to the customer and assured that everything was fine. He even refused accept anything towards the repair as the customer had already paid before. By refusing to accept a little money he had gained a lot of goodwill. At the end he had a relieved and joyous customer who would evangelise his shop to all friends and family.

2.16 Further Readings :

1. <https://www.ukessays.com/essays/marketing/definition-of-service-quality-marketing-essay.php#:~:text=Service%20may%20be%20related%20to,%2C%20empathy%2C%20tangibles.%20Based>
2. Valarie A Zeithaml, Mary Jo Bitner, Dwayne D. Gremler, Ajay Pandit, (2013), Services Marketing (Integrating Customer Focus Across the Firm), Tata McGraw Hill Education, 6th Edition
3. R.Srinivasan, (2014) Service Marketing (The Indian context), PHI Learning, 4th Edition
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6. C. Bhattecharjee (2006), Service Marketing, Concept, Planning and Implementation, Excel Books, 1st Edition.



**Unit
3**

**CUSTOMER EXPECTATION AND
PERCEPTION OF THE SERVICE**

**-----
: UNIT STRUCTURE :
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3.0 Learning Objectives

3.1 Introduction

3.2 Customer Expectation of the Services

3.3 Different Type of Customer Expectation

Possible Levels of Customer Expectation of Services

Sources of Derived Service Expectation

Sources of Adequate Service Expectation

Factors that Influenced Derived and Predicted Services

3.4 Customer Perceptions of Services

3.5 Customer Satisfaction

3.6 Service Encounters

Importance of Service Encounter

Types of Service Encounter

Sources of Satisfied and Dissatisfied in Service Encounter

Technology Based Service Encounter

3.7 Let Us Sum Up

3.8 Answer to Check Your Progress

3.9 Glossary

3.10 Assignment

3.11 Activity

3.12 Case Study

3.13 Further Readings

3.1 Learning Objectives :

After studying this unit, you will understand :

- To understand Customer Expectation and Perception of the Service.
- To understand Customer Perception of Services
- To understand Service Encounters

3.1 Introduction :

In each and every transaction which customer do, they expect certain level of quality. It is important of every service organization to understand what kind of standard the customer has in mind about services and how he formulates these standards. Customer expectations act as benchmark

against which service quality can be assessed. A service organization strives to match or exceed customer expectations.

Each and Every customer has certain opinion for the business or product and that can make or break the brand. This is called a Consumer perception. **For Example :** When Zomoto delivers the food on-time then the customer forms the positive perception. When number of Post Services is described while purchasing the product and that is delivered then also customer forms the positive perception. It is nothing but the customer feeling about the brand or products including their direct and indirect experience they have with the company. If the business continuously monitors the business than they can easily spot customer common user pain points and improve the customer journey. To differentiate we can say that Customer expectation is a presumption made when making a purchase, whereas customer perception is an interpretation made after the purchase.

3.2 Customer Expectation of the Services :

The word "customer expectation" refers to everything a customer expects from a product, service, or business. Customer preferences are formed in the minds of consumers based on their personal experiences and lessons learned, as well as their prior knowledge and experience. Further it also refers to the perceived value or benefits that seek when purchasing a good or a service. Customer expectation for services includes

- Belief about service delivery
- Serve as standards or reference against which performance against which performance is judged.
- Customer compares their perceptions of performance with these reference points when evaluating service quality.

3.3 Different Type of Customer Expectation :

❖ **Different Type of Expectation :**

Basically there are Different Levels of Expectation :

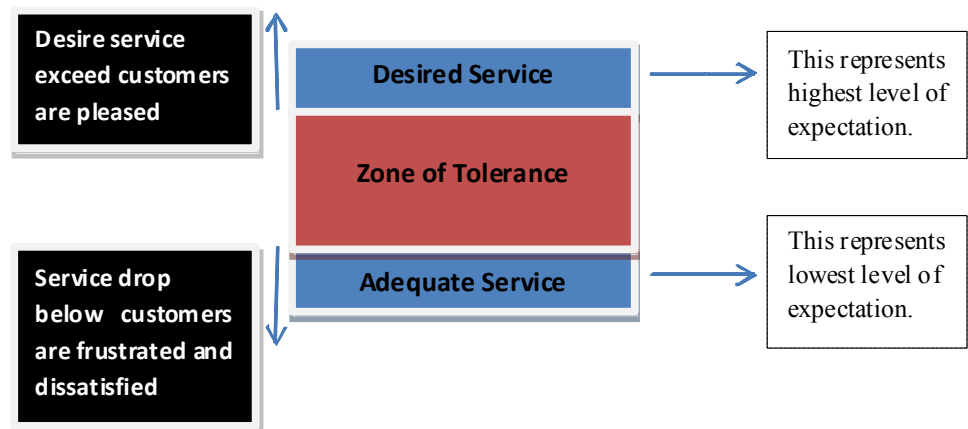
1. **According to Teas, Desired Services :** is a blend of what customers desires or believes "**can be**" or "**should be**" The level of services the Customer hopes to receive – the "**wished for**" level of performance.

For Example : Student who join a high ranked B-School expect the school to have scholarly faculty, a curriculum that improves their competency, and above all secure them good placements.

2. **Adequate Service :** As customer are aware that they cannot always get the desired level of service quality on such occasion customer expect minimum Level of service. We call it threshold level of acceptable service

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For Example : When one travels in a low cost airlines, one does not expect the airline to provide sumptuous food in flight or any other luxuries other than fulfillment of ones expectation of reaching the destination.



If the service offered is better, than the desired service, the customer may be very pleased or very satisfied whereas if the service offered is below the adequate service, then the customer may feel highly dissatisfied or unhappy.

Zone of Tolerance : Defined as the difference between desired service and the level of service considered adequate. But within the Zone of Tolerance quality doesn't get much attention.

We know that services are heterogeneous and the way in which services are performed differ from employee to employee but customer also plays a major role as customer is also a part of service production. The extent to which customers recognize and are willing to accept this variation is called zone of tolerance.

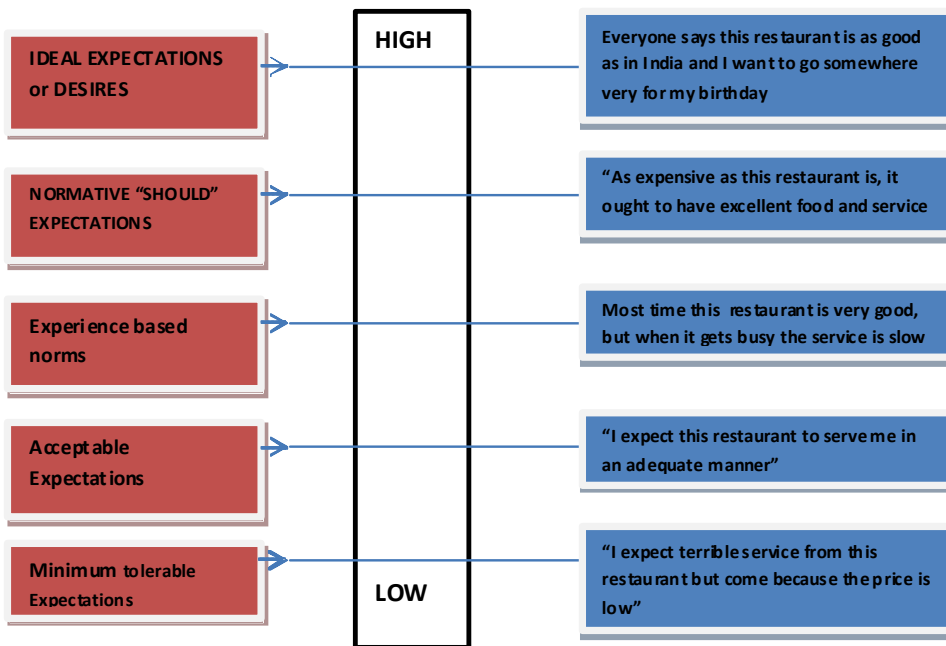
For Example : When one applies for a bank loan, getting the loan sanctioned within reasonable time may be rated as service quality within the Zone of Tolerance. But the customer will be delighted if a relationship executive call on him and collect the documents and gets the loan sanctioned at the earliest.

Basically Zone of Tolerance varies across customers. Even it can vary across situations. When one is in a hurry and waits in a queue for boarding and checkin, he may feel frustrated and rate services quality poorly. The same customer may show more Tolerance if he was not in hurry.

Check Your Progress – 1 :

1. Customer expect minimum level of service is known as
 - a. Adequate service
 - b. Desired services
 - c. Zone of tolerance
 - d. None of the above

❖ Possible Levels of Customer Expectation of Services :



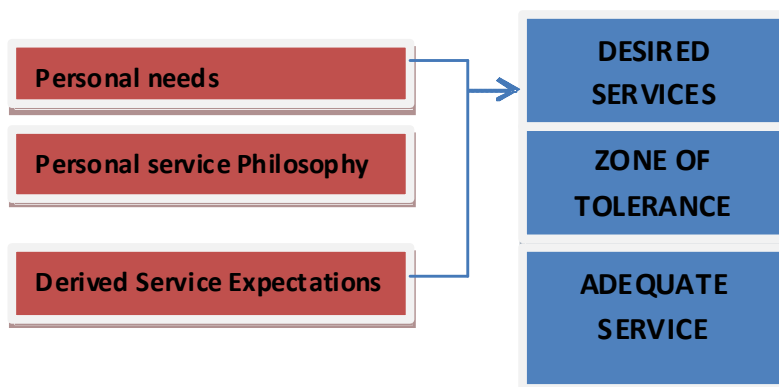
Customer Expectation and Perception of the Service

Source : R. K. Teas "Expectations, performance evaluation and consumers' perception of quality". *Journal of Marketing*, Oct-1993, pp.18-34

The above diagram displays a continuum of possible service expectations. On the left side, different types or levels of expectations, ranging from high (top) to low (bottom) and on the right side of the figure what it might mean in terms of a restaurant you are considering.

❖ Sources of Derived Service Expectation :

Desired Service expectation falls under three categories (1) Personal needs (2) Personal service Philosophy (3) Derived service expectation



- (1) **Personal Need** : Personal needs are those states or circumstances that are important to a customer's physical or psychological well-being, and they are pivotal factors in deciding what services they want. **For Example** : A Management student who has to attend some conference hope and desire for branded formal clothes.
- (2) **Personal Service Philosophy** : The general attitude of consumers toward the meaning of service and the proper conduct of service

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providers. If you have actually worked in any service sector, you have knowledge about the Service which has been shaped by your training and experience in that role.

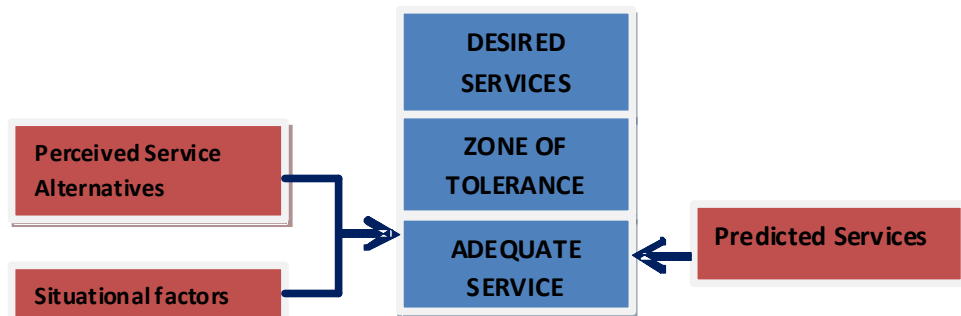
For Example : You might believe the Waitress should not keep customer waiting longer than 15 minutes to take the order knowing how the kitchen works, you can be less forgiving of lukewarm food or order errors than those who have never worked as a waitress. In General customers who are themselves in service businesses or have worked for them in the past seems to have strong service philosophies

- (3) **Derived Service Expectation :** Derived Service Expectation occurs when customer expectations are driven by another person or group of people

For Example : Selection of hotel for wedding for friend/ cousin
Selection of hotels for birthday party of grand-Maa
Parents choosing a vacation for family

❖ Sources of Adequate Service Expectations :

Lets us study about three factors which influence adequate service: perceived service alternatives, situational factors and predicated service.



Perceived Service Alternatives : They are the other provider from whom the customer can obtain service. Customers who believe they have a number of service providers to choose from or who believe they can conduct the service themselves (such as **lawn maintenance** or **personal grooming**) have higher levels of adequate service than customers who believe they cannot get better service elsewhere.

Situational Factors : The levels of adequate service are also influenced by situational factors. There are some uncontrollable situational factors that are beyond the control of the service provider and as a result, they are unable to deliver adequate services. Customers are aware that these factors are beyond the control of the service provider.

For Example : during the Cyclone Tauktae 2021(India) disaster telephone and internet service was poor because so many people were trying to get in touch with friends and relatives. Customer who recognize that situational factors are not the fault of the service company may accept lower levels of adequate service, given the context situational factors often temporarily lower the level of adequate service, widening the zone of tolerance

Customer Expectation and Perception of the Service

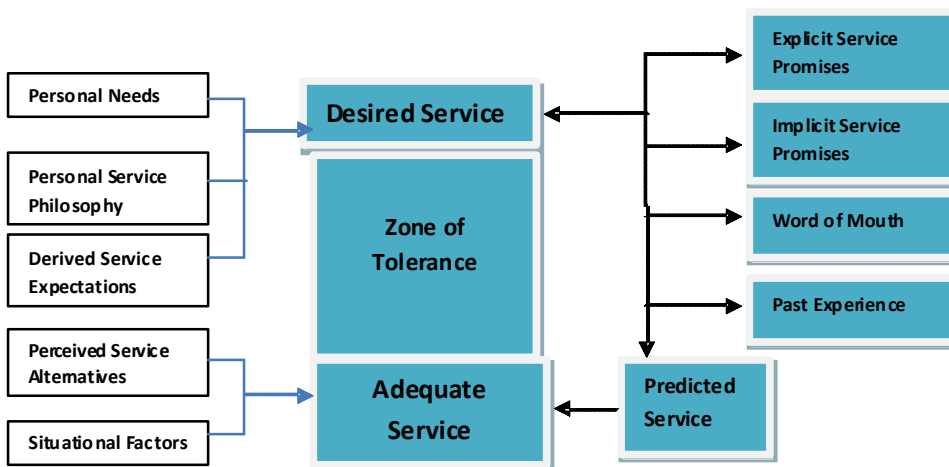
Predicted Services : Predicted service, or the level of service that consumers expect they will get, is the final factor that influences adequate service. Customers' predictions of what will happen during an exchange can be interpreted as this form of service expectation. Predicted Service Performance entails a calculated likelihood of performance or an estimation of expected Service performance level. Customers who anticipate good service are more likely to receive satisfactory service than those who anticipate bad service.

For Example : During the summer months, when students are not on campus, full-time residents in a college town can expect quicker restaurant service. This prediction would most likely lead to higher expectations for satisfactory restaurant service during the summer than during the school year. Customers of telecommunications companies, cable service providers, and utilities in a college town, on the other hand, know that installation service from these companies would be difficult to come by during the first few weeks of school, as a slew of students are settling into their new digs. In this scenario, sufficient service levels fall and tolerance zones widen.

Check Your Progress – 2 :

1. Desired Service Expectation is NOT
 - a. Personal Needs
 - b. Personal Services
 - c.) Personal Wants
 - d. Derived Service Expectation

❖ Factors that Influence Desired and Predicted Services :



It is self-evident that we would obtain knowledge from different sources before buying any product or service. It could be through friends, television commercials, newspapers, the internet, and so on.

In this section we will discuss about four factors that influence both desired service and Predicted service expectations: explicit service promises, implicit service promises, word of mouth and past experience

- (1) **Explicit Service Promises :** are personal comments made by the company to consumers about the service. When comments are communicated by the company's salespeople or service staff, they are personal; when they come from the company's web sites,

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advertisement brochures, or other written publications, they are non-personal.

- (2) **Implicit Service Promises** : Implicit service promises are service-related signals that lead to inferences about what the service can and will be like that are not explicit promises. The price and the tangible associated with the service are the most important quality indicators. In general, the more a consumer expects from a service, the higher the price and the more impressive the tangibles are.

For Example : Customer who stays at a posh hotel with a luxurious lobby is likely to desire and predict a higher standard of service than from hotels with less impressive facilities.

- (3) **Word of Mouth Communication** : The role of word-of-mouth in shaping service expectation has been well established. These comments made by non-organizational parties, such as those found on social networking platforms, inform consumers about the services they would receive and affect both predicted and desired service. Since it is known as impartial, word of mouth communication carries special weight as a source of information. In services that are difficult for consumers to determine before purchasing and without having direct experience with them, word of mouth communication is very significant. Experts (including **customer reports, friends and family**) and Internet Forums are also word of mouth sources that can affect the levels of desired and predicted services.

- (4) **Past Experience** : The customer's prior exposure to the related service, contributes to predicting the focal service. **For example**, you are likely to equate each stay in a specific hotel to all previous stays in that hotel. However, your previous experience with the focal hotel is likely to be a very small representation of your previous experience. You may also compare your experiences at different hotels and hotel chains. Customers also make cross-industry comparisons : **For example**, hospital patients equate their stay to the norm of hotel stays. Customers of cable services often equate cable service to the expectations set by telephone service, which is one reason cable service is often regarded as subpar. Previous experience with the focal service provider, average output of similar service services, and experience with the most recent service purchased are all examples of past experience.

Check Your Progress – 3 :

1. _____ are also word of mouth sources that can affect the levels of desired and predicted services.
- | | |
|--------------------|----------------|
| a. Internet | b. Friends |
| c. Customer report | d. All of them |

3.4 Customer Perceptions of Services :

Customer Perception refers to the consumer's feelings about the brand/Product or services. It includes their beliefs, expectation, experiences with the services, whether they have experienced quality service and whether they are satisfied with the service. Perception is based on expectation, and expectations are dynamic; evaluations of services may also shift over time—from individual to individual and from culture to culture. Quality services that satisfies customers today may change over a period of time or may be different tomorrow.

3.5 Customer Satisfaction :

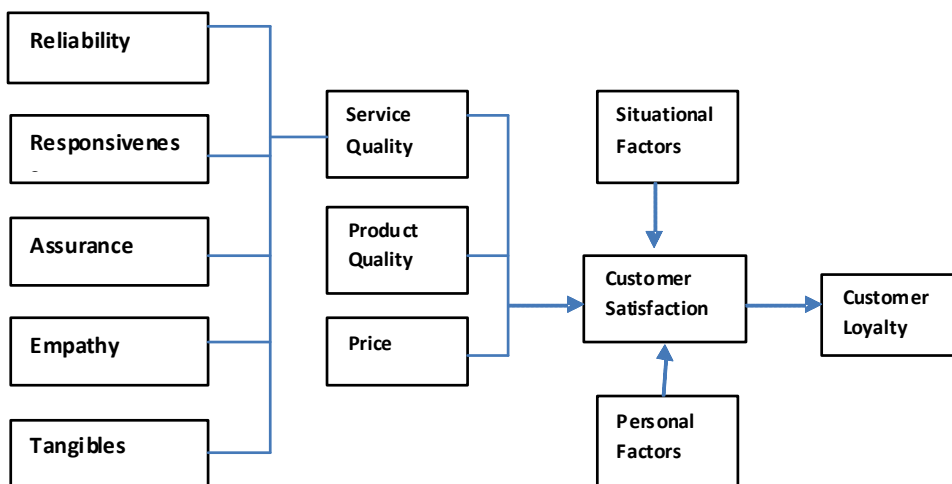
❖ **Satisfaction Versus Service Quality :**

Usually, we make use of these two terms Satisfaction and Service Quality interchangeably but the satisfaction of customers and service quality of service are not identical terms. These two terms are different in terms of Causes and Outcome. Reliability, Assurance, Responsiveness, and Tangibles are examined in terms of service quality. On the other hand, satisfaction is more subjective : it is influenced by **product quality, service quality, price quality, situational factors and Personal factors.**

Check Your Progress – 4 :

1. Customer Satisfaction is influenced by NOT
 - a. Perception
 - b. Price
 - c. Product Quality
 - d. Personal factors
2. Service Encounter is also know as
 - a. Moments of truth
 - b. Moments of loyalty
 - c. Moments of satisfaction
 - d. Moments of faith

❖ **Service Quality and Satisfaction : A Customer Perceptions**



❖ **What is Customer Satisfaction ?**

Customer satisfaction is described as a customer's assessment of a product or service in terms of whether it met their needs and expectations.

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It is believed that failure to fulfil needs and desires would lead to dissatisfaction with the product or service. Depending on the context or form of service, satisfaction may be linked to other emotions. Satisfaction can be viewed as (1) contentment (more of passive response that customer may associate with the service they do not think a lot about or services that they receive routinely over time,

(2) pleasure (that make the customer feel good or are associated with a sense of happiness),

(3) delight (Services that surprise the customer in a positive way),

(4) relief (removal of negative leads to satisfaction, ambivalence) when there is mix of positive and negative experiences associated with the product or service.

Customer Satisfaction is influenced by the following features

- 1. Product and Service Features :** Customer Satisfaction is influenced by the customer's evaluation of product or service features.
- 2. Customer Emotions :** Customer Emotions can also affect their perceptions of satisfaction with product and services.
- 3. Attributions for Service Success or Failure :** Customers' evaluations of the outcome will affect their satisfaction when they are shocked by an outcome such as the service being much better or much worse than anticipated.
- 4. Perception of Equity or Fairness :** Satisfaction of the customer also depend on the equity or fairness. Notions to the fairness are central to the customer perceptions of satisfaction with products and services, particularly in service recovery situation. Customer ask themselves : Have I been treated fairly compared with other customer? Did other customers get better treatment, better prices, or better-quality service ?
- 5. Other customers, family members and Coworkers :** Other than the service features, customers are also influenced by other people. **E.g. :** The family's choice of vacation destination and satisfaction with the trip are complex phenomena affected by individual family members' reactions and emotions. Later, stories retold within the family and selective memories of the events can affect what family members convey in terms of satisfaction or disappointment with the trip.

3.6 Services Encounters :

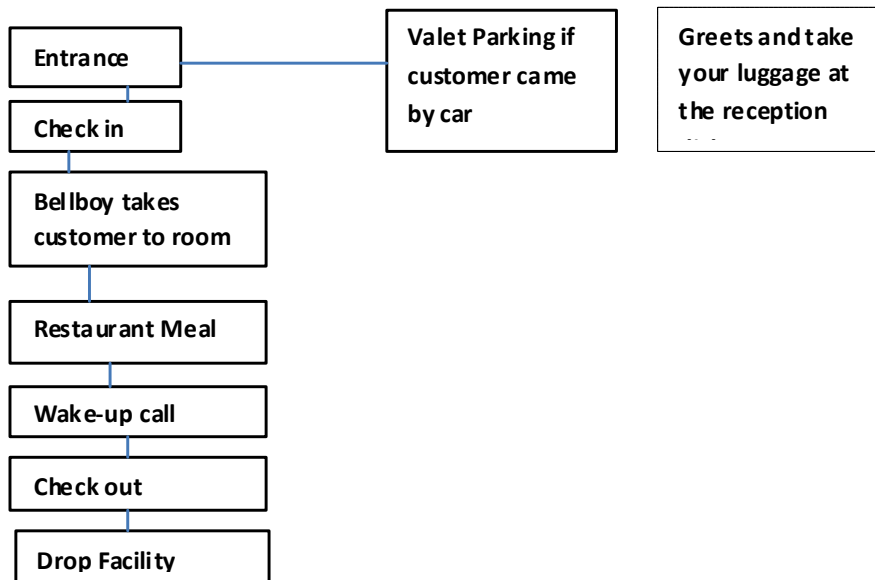
Service Encounters is also called as "*moments of truth*". Service encounter is generally defined as a consumer's direct contact with a service provider, including both face-to-face interaction and experience .Solomon Et al. devised the service encounter concept and defined it as a face to face interaction between service providers and receipts during the process of service consumption. Voorhees et al. defines service encounter as "any

discrete interaction between the customer and the service provider relevant to a core service offering".

Once the customer makes a purchase decision, they move forward to the core of service experience which includes a series of contacts with the chosen service firm.

Customer Expectation and Perception of the Service

❖ A Service Encounter at Hotel Visit :



From the above series of the services received by the customer, they will have a feel of Organization service quality and if they are satisfied with the services they will do business with the organization again. Each service encounters gives an opportunity to prove their potential as a quality service provider and to increase customer loyalty.

Some of these encounters are very brief and consist of just a few steps.

For Example : A taxi Ride, a phone call, some service has many encounters like **For Example :** The Disney Corporation estimates that each of its amusement park customer experiences about 74 service encounter and that a negative experience in any one of them can lead to a negative overall evaluation.

❖ The Importance of Encounters :

Service Encounter at each stage is very important. It is true that first impression in the initial encounters is important but any encounter can determine customer satisfaction and loyalty.

For Example : a customer calling for electric service may well hang up and call different company if he is Treated rudely by a customer service representative, put on hold for a lengthy period or told that two weeks is the soonest someone can be sent out to make the repair. Even if the technical Quality of the firm's repair service is superior, the firms may not get the chance to demonstrate it if the initial telephone encounter drives the customer away.

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If the behaviour of the personnel is bad towards the customer while service encounters only once, than also it simply ruins the rest and drive the customer away no matter how many or what type of encounters have occurred in past. Similarly positive encounters can bind a customer to an organization for life

❖ **Types of service Encounter :**

There are three **types of service Encounter**

1. Remote encounter
2. Technology–mediated encounter
3. Face to face encounter

When the interaction takes place between customer and the service firm, any of these encounters or a combination of all three is experienced by the customer source

1. **Remote Encounters :** In Remote Encounters, there is no direct human contact.

For Example : When customer interact with bank through ATM system and with retailer through its website. Remote Encounters also occurs when the service firm sends it's billing statements or communicates other type of information to customers by regular email or mail. In Remote Encounters primary basis of judging quality are tangible evidence, technical process and system.

For Example Retail Purchase

Air ticketing

Shipment tracking

2. **Technology Mediated Encounters :** There are many companies that allow technology based communication will real person in real time.

For Example : Telephone, simultaneous texting, live chat on other platforms. Here, when the employee is interacting with the customer via phone, the quality can be judged via tone of voice, employee knowledge and efficiency and effectiveness in handling the customer issues. In case of real time email or live chat where there is no human to rely on the cues, the actual words chosen and tone of the communication will determine the quality.

3. **Face–to–face Encounters :** This type of encounter occurs between employee and a. Customer. In order to judge the quality both verbal and non verbal behavior are important. The other factors such as tangible Cues such as employee dress and other symbol of service like equipment, informational brochures and physical Setting. During interaction, Behaviour of the customer is also important in creating services.

❖ **Sources of satisfaction and dissatisfaction in service Encounters :**

There are four sources of customer Satisfaction and dissatisfaction in service Encounters

Recovery : Whenever there is a failure in Service delivery system employee respond to such failure in some way. If the employee behaviour is positive or in helping nature towards customer disappointment then customer will be satisfied.

For Example : they lost my room reservation but manager gave me deluxe room for the same price – **satisfied customer**

We had made advance reservations at the hotel. When we arrived, we found we had no room – Employee didn't gave us any explanation, no apologies and they didn't provide any assistance in finding another hotel – **dissatisfied customer.**

Adaptability : Employee Response to customer needs and requests.

For Example : It was snowing outside and my car broke down. I checked nearby hotels but there were no rooms. Finally one understood my situation and had offered me a bed in banquet room – **satisfied customer**

My young son was flying alone, was to be assisted by a flight attendant from start to finish. At the Qatar airport she left him alone with no one to escort him to his connecting flight – **dissatisfied customer**

Spontaneity : Even when there is no systems failure and no special request or need customer can still remember service encounter as being very satisfying and dissatisfying. For Example if special attention is given, customers are being treated like royalty, receiving something nice but not requested – **Satisfied Customer.** If the employee behavior is rude, discriminations, ignoring the customer – **Dissatisfied Customer.**

Coping : Employee described many incidents in which customers were the cause of their own dissatisfaction. Such customers were basically uncooperative – That is, unwilling to cooperate with service provider, other customers, industry regulations and or laws. In these cases nothing the employee could do would result in the customer feeling pleased about the encounter. The term coping is used to describe these incidents because coping is the behaviour generally required of the employee to handle problem encounter

Recovery	Adaptability
Employee response to service delivery system failure	Employee response to customer needs and requests.
Spontaneity	Coping
Unprompted and Unsolicited Employee Actions	Employee response to problem Customer.

❖ **Technology Based Service Encounter :**

It involves customer interacting with various technology like internet based services, these systems are often referred SST's (Self service Technologies) because the customer essentially provides his or her own services

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According to **Mathew Menter**, for many firms often faces the challenges is not managing the technology but rather getting consumers to try the technology

Advantages of SST's.

- Greater convenience, faster services, flexible in timings, flexibility in location
- Cost Savings
- Greater Control over service delivery and higher perceived level of customization

Customers may prefer to use SST's when

- They help get them out of difficult situation
- Easier to locate and access in time off need
- When SST's perform better than service employee.

Disadvantages of SST's

- Failure
- Can be poorly designed making it difficult to operate and use
- Customer can be their own cause off dissatisfaction forgetting a password
- Few include service recovery system, no simple way to fix on the spot

According to **Mary Jo Bitner** suggests that managers should put their firms SST's to test by asking few questions as mentioned below :

- Does the SST's work reliably ? Firms must ensure that SST's work as dependably as promised and that the design is user friendly for customers.
- Is the SST better than the interpersonal alternative ? if it does not save time or provide ease of access, cost savings, or some other benefit, then customer will continue to use familiar conventional processes.
- If it fails, what systems are in place to recover ? It is very difficult for the firm to provide systems, structure and recovery technologies that will enable prompt service recovery when things go wrong.

For Example : Most bank display a phone number at the ATMs, giving direct access to a 24–hour customer service center where they can talk to a real person if they have questions or run into difficulties

3.7 Let Us Sum Up :

In the above unit we have learned about customer expectation, and various type of customer expectation, various sources of derived and adequate service expectation, customer perceptions and services encounter, its importance and its types. Customer experience with the service will be good if the quality of service is satisfactory and if the services are

not appropriate then the customer will be dissatisfied. We have studied in this unit that every service encounter plays an important role to determine customer satisfaction and simply one negative encounter can ruin the customer experience, hence service provider should make sure that customer get positive encounter to have a long relationship with customers.

Customer Expectation and Perception of the Service

3.8 Answer for Check Your Progress :

Check Your Progress – 1 :

1. a

Check Your Progress – 2 :

1. c

Check Your Progress – 3 :

1. d

Check Your Progress – 4 :

1. a 2. a

3.9 Glossary :

1. **Customer Expectation** : Customer Expectation is a belief the something will happen because it's is likely to happen (Wehmeier, 2000). Expectation can be formed before or during of delivery of a service. They reflect belief as to what will or should happen.
2. **Customer Perception** : Customer Perception is the method by which a person chooses, organises, and interprets data in order to generate a meaningful image of the world. The way people perceive services is based on a complicated set of judgments made during or after the event.

3.10 Assignment :

1. What is the difference between desired service and adequate service ? Why would a service marketer need to understand both types of service expectations ?

3.11 Activity :

1. Keep a service journal for a day and document your services. Ask yourself before each service encounter to indicate your predicted service of that encounter. After the encounter, note whether your expectation were met or exceeded. How does the answer to this question relate to your desire to do business with that service firm again ?

3.12 Case Study :

Customer Expectations of Airport Services using technology

One of them most difficult tasks that marketers face is understanding what customers expect form service and nowhere is this problem more

Service Marketing

evident than when these services involve technology. Customer almost always resist technology initially—perhaps because they do not understand it, perhaps because they fear change—even when the technology leads to improved services. Technology that makes obtaining services easier and faster is springing up all over, even in airports around the country. Customers are accepting some new service technologies and resisting others. Here we discuss two innovations that are meeting different fates.

One service technology that has been accepted by customers is automatic airline check-in: customers walk up to computer screens, slide credit cards, and use touch pads to retrieve their boarding passes and receipts. On most flight, including many international ones, customers can check luggage automatically as well, and an attendant takes their luggage from them before they go to their gates. The service generally takes less time than working with an attendant, and most airlines now have more computers than they previously had line for attendants, saving customer considerable time. When these computers were first installed, customers were not sure what to expect and did not know how to use them. Airlines that supplied extra employees to stand and help customers use the computers found success in converting customers from the human handling to the technology. More recently, most of the larger airlines have created mobile phones apps that allow customers to check seat assignment (and change them), identify arrival and departure gates, examine itineraries for upcoming trips, and review recent activity on their frequent flier accounts.

Another airport technology that has been accepted more slowly by customers is called Exit Express and is a technology substitute for toll booths as customers leave airport parking areas. It work like this : before customers exit the airport, they use a machine(similar to a subway token machine) to pay their parking fees in advance .They insert their parking ticket, then their credit card and cash; and receive back their stamped parking ticket. When they exit the parking lot, they use one of many Exit Express lanes, insert their paid ticket, and leave. Airports typically still retain a small number of lanes that use live employees and operate in the traditional way. Surprisingly, many airports are finding that customers do not use Exit Express technology as much as expected.

Why are many customers resisting the Exit Express technology that clearly meets or exceeds their expectations of getting out of the airport quickly? One possible reason is that they do not understand how the system works, even though a loudspeaker in the parking lots trumpets the new system continuously. They also may not clearly see the benefits being provided, possibly because the airport does not communicate them well enough, leading customers to believe that the old system with toll booths is quick enough. Another reason is that most airports have not stationed employees near technology (i.e. check-out-kiosk) to familiarize customers with it and to deal with service failures, as the airlines did with automatic check-in. Customers may also fear that, if something were to go wrong, they would be embarrassed and not know how to resolve

the situation. A final compelling reason is that many customers distrust the technology the way they used to distrust automated teller machine (ATM) technology when it was first introduced.

Over the years customers have adapted to changes in various aspects of airlines travel brought on by technology. Less than 20 years ago most travelers carried tickets issued by the airlines, which allowed them to get boarding passes. When "advance check-in" became available on most domestic U.S. flights, customers grew accustomed to checking in before arriving at the airport (as much as 24 hours in advance of departure) and printing their boarding passes themselves. Now, most airlines can send electronic boarding passes (complete with a bar code) directly to customers mobile phones—thus removing the requirement for customers mobile phones—thus removing the requirement for customers to carry a physical (printed) boarding pass altogether. As with Exit Express, some customers have been slow to embrace the use of electronic boarding passes—and for similar reasons: they do not understand how the technology works, they do not understand how to retrieve their electronic boarding pass, they get anxious when having to retrieve it quickly on their phones when other passengers are waiting in line behind them, and they are not sure what to do if the technology fails them during their travels.

If services enhanced by technology are to meet the expectations of customers, they must be trusted understood and introduced as valuable to customers. Otherwise, the promise of meeting or exceeding customer expectations will not be realized despite large investment.

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: UNIT STRUCTURE :

- 4.0 Learning Objectives**
- 4.1 Introduction**
- 4.2 Relationship Marketing**
- 4.3 CRM by Different Names**
- 4.4 Traditional Marketing Vs Relationship Marketing**
- 4.5 The Development of Customer Relationship**
- 4.6 Customer Profitability Segments**
- 4.7 Relationship Development Strategies**
- 4.8 Relationship Challenges**
- 4.9 Let Us Sum Up**
- 4.10 Answer to Check Your Progress**
- 4.11 Glossary**
- 4.12 Assignment**
- 4.13 Activity**
- 4.14 Case Study**
- 4.15 Further Readings**

4.0 Learning Outcomes :

After studying this unit, you will able to understand :

- To understand Customer Relationship Management
- To understand the Relationship Strategies and challenges

4.1 Introduction :

For the survival and the existence of the company customer relationship is must. If they keep the relationship with the customer than its helps those to generate profit and can retain the customer for a long time for which company's needs to develop various types of the relationship strategies. So, In this unit we will be studying Relationship Marketing, CRM by different names, Traditional Marketing Vs Relationship Marketing, The Development of Customer Relationship, Customer Profitability Segments, Relationship Development Strategies, Relationship Challenges

4.2 Relationship Marketing :

It is shifting away from an acquisitions/transactions–focused approach and toward a retention/relationship–focused approach. In contrast to traditional marketing, relationship marketing focuses on maintaining and

improving relationships with current customers rather than acquiring new customers. Successful marketers develop customer retention strategies that are based on this assumption, as well as another that suggests that it is usually less expensive to retain a current customer than it is to acquire a new one.

4.3 CRM by Different Names :

E-CRM : Electronic customer relationship management (web based CRM)

ECRM : Enterprise customer relationship management

PRM : Partner Relationship Management

CCRM : Collaborative customer relationship management

mCRM : Mobile Customer relationship management(CRM through wireless technology)

SRM : Supplier relationship management

OCRM : Operational customer relationship management (front office relations)

ACRM : Analytical Customer relationship management(back office relations)

4.4 Traditional Marketing Vs Relationship Marketing :

Transaction marketing is the term used to describe traditional marketing because it is primarily transaction oriented. As the business environment has evolved, many organisations have been forced to shift their focus from transaction orientation to customer relationship orientation. According to the following, the fundamental difference between transactional and relationship marketing is as follows :

Transaction Marketing	Relationship Marketing
Focus on making sales	Focus on making a customer loyal
Product features are focused	Product benefits are focused
Short term focus	Long term focus
Little emphasis on customer service	High emphasis on customer service
Low customer commitment	High customer commitment
Moderate Customer Contact	High Customer Contact
Quality is primarily a concern of production	Quality is the concern of all
Customer Satisfaction	Customer Retention

Check Your Progress – 1 :

1. Transaction Marketing are NOT _____
 - a. Focus on making sale
 - b. Product features are focused
 - c. Short term focus
 - d. long term focus

4.5 The Development of Customer Relationship :

This development will help to serve as guidelines to the service companies for developing a **CRM Strategy**.

1. **Customer as a Stranger** : This type of customer has not conducted any business with the company and is not familiar with the company's products or services. This customer does not have any kind of relationship with the service provider/company. The fundamental goal of a firm or company is to initiate communication in order to attract customers. This assists firms or companies in making potential customer aware of their offerings, which in turn encourages customers to give these businesses a try.
2. **Customer as Acquaintance** : Customers and the company become acquainted once they have gained awareness of and participated in a trial with their product. At this stage of the relationship, the company's primary goal is to satisfy the customer by providing a value proposition that is superior to that of the competitors. Acquaintances is beneficial to the customer as long as the customer is relatively satisfied and what is received in exchange is perceived to be of reasonable value. Customers gain experiences and become more familiar with the firm's offerings as a result of their repeated interactions with the company, which helps to reduce uncertainty about the benefits they can expect in exchange. Repeated interaction improves a company's understanding of its customers, thereby assisting in the organization's marketing and sales efforts.
3. **Customer as a Friend** : Personal relationships and warmth are critical to the success of a service-oriented business. Providing distinctive offerings and thus creating differential value elevates the relationship from the status of acquaintance to that of friend. We are unable to predict the outcomes of services before they are purchased and consumed in a service exchange. It is possible that we will not be able to discern service performance even after experiencing it, and we will have to trust the provider to deliver on their promises.

Customer retention is the most important goal for businesses during the friendship stage of the relationship.

The potential for a company to develop a sustainable competitive advantage through friends should be greater than the potential for a company to develop a sustainable competitive advantage through acquaintances because the offerings are more unique and the customer comes to realise that uniqueness.

4. **Customer as Partners** : The firm is focused on improving relationships. Customers are more likely to stay in a relationship with a company if they believe the company understands their changing demands and is prepared to invest in them by constantly

upgrading and evolving its product and service mix. Customers will be less likely to be tempted away by competitors if these relationships are improved, and they will be more likely to acquire additional products and services from the company over time.

- 5. Benefits for Customers :** In order for a customer to remain loyal to a company, they must receive greater value than they would expect from a competing company. Research has identified specific types of relational benefits that customers experience in long-term service relationships, including the following.

Confidence benefits : Trust or confidence in the provider, as well as a sense of lessened tension and comfort in knowing what to expect, are all confidence benefits.

Social benefits : A sense of familiarity and even social interactions develops with time. They are less likely to switch, even if a competitor offers greater quality or a lower price.

Special Treatment benefits : As shown in the following quotes, receiving the benefit of doubt, a particular deal or place, and preferred treatment.

For Example : I think you get a special treatment when you have established a relationship.

My family doctor allowed me to use the back door to the office so my son could avoid contact with other sick people.

Benefits for Firm : A firm's intimate relationship with its consumers has many benefits, including economic, customer behaviour, and human resource management.

- 1. Economic Gains :** As clients come to know a firm and are content with the service quality compared to competitors, they tend to offer it more business. According to research, happy clients are willing to pay more for a provider's services. Lower costs are another benefit for the firm. Repeat business from existing customers can save up to 90% on marketing costs.
- 2. Customer Behaviour Benefits :** Long-term consumers provide free advertising through word-of-mouth communication. When a product is complex, difficult to analyse, and involves risk in the purchase choice. Consumers frequently seek recommendations for services. Customers that are happy and loyal are inclined to recommend a business. This type of free advertising can be more effective than paid advertising and can reduce the costs of acquiring new clients. Second, consumer behaviour benefit might be delivered in the form of friendship or encouragement to other customers.

For Example : At a physical therapy clinic, a patient who is recovering from knee surgery is likely to think more highly of the clinic when fellow patients provide encouragement and emotional support to the patient during rehabilitation process.

3. **Human Resource Management Benefits :** First, loyal consumers can help co-produce services by assisting in service delivery; typically the more experienced customers can make the service employee's job easier. A second benefit is that loyal customers are more likely to have reasonable expectations of what the organisation can achieve for them. Customer retention also benefits employees. A solid consumer base helps a company retain employees. People want to work with organisations with loyal clients. Their works are more fulfilling, and they can spend more time building relationships than chasing new consumers. As a result, customers are happier and return, creating a virtuous spiral. Longer staff tenure enhances service quality and reduces turnover costs, increasing revenues.

Check Your Progress – 2 :

1. The customer has not conducted any business with the company and is not familiar with the company's products or services.
 - a. Customer as a Stranger
 - b. Customer as a partner
 - c. Customer as a Acquaintance
 - d. Customer as a friend

4.6 Customer Profitability Segments :

Companies may desire to treat all customers well, but often find that consumer expectations vary widely and that meeting all of them is neither realistic nor lucrative. **FedEx**, for example, used to classify its customers as "excellent, bad, or ugly" based on their profitability.

Rather of treating all customers equally, the corporation focused on improving relationships with the excellent, converting the terrible, and discouraging the ugly.

After determining the profitability band, the firm offers services and levels to match.

Building a loyal consumer base increases profitability.

❖ **Profitability Tiers–The Customer Pyramid :**

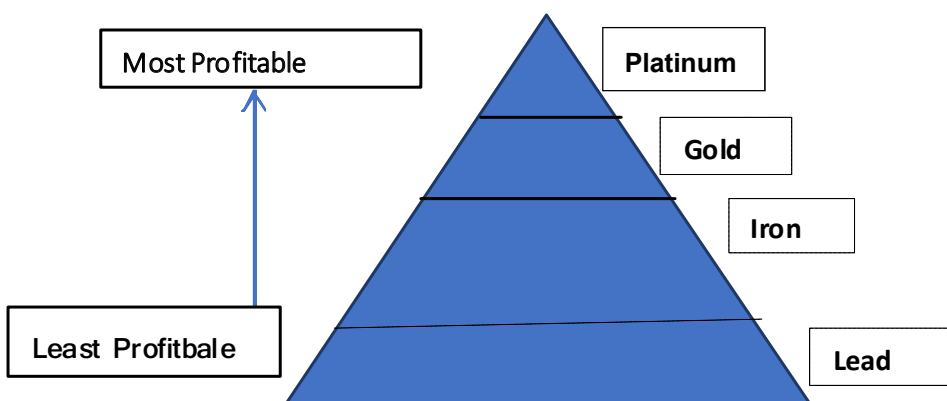
Labelling the customer into good, bad and ugly is negative description but it valuable if companies keep tract of which customer is profitable.

Almost all firms are aware that their customers differ in profitability and that a minority of their customer's account for the highest proportion of sales or profit.

Four Tier System : How customer differ in term of profitability

1. **Platinum Tier :** In this tier customers are most profitable for the company, they are heavy users of the products, they are not overly price sensitive, they are willing to invest in and try new offerings and committed customers of the firm.
2. **Gold Tier :** Profitability levels are not high, customers are not that loyal or they want price discounts that limit margins. They may be heavy users who minimize risk working with multiple providers rather than just the focal company.
3. **Iron Tier :** Contain Essential customers who provide the volume needed to utilize the firms capacity, by their spending levels, loyalty and profitability are not sustainable en enough for special treatment.
4. **The Lead Tier :** Consist of the customer who are costing to the company money. They demand more attention than they are due given their spending and profitability and are sometimes problem customers complaining about the firm to others and typing up the firms.

Two differences are obvious. First in the customer pyramid, profitability rather than usage defines all levels. Second, the lower levels actually articulate classes of customers who require a different sort of attention. The firm must work either to change the customer behavior—to make them more profitable through increase in revenue—or to change the firms cost structure to make them more profitable through decrease in costs.



Once a system for categorising customers is established, the various tiers may be identified, motivated, served, and expected to generate profit. Companies benefit from increased sales by clients that either have the highest need for services or are most loyal to a single provider. Companies may enhance customer potential through building customer relationships, increasing sales with existing customers, and enhancing profitability on each sales opportunity.

❖ View of Customer for Profitability Tier :

Customers are not always understanding or grateful to be placed in a less desirable category. Customers are aware of this unfairness and often dislike it. Customers are frequently dissatisfied with the quality

of service they receive. Customers need to know what they can anticipate in terms of service and what they need to do or pay to get it faster or more personalized.

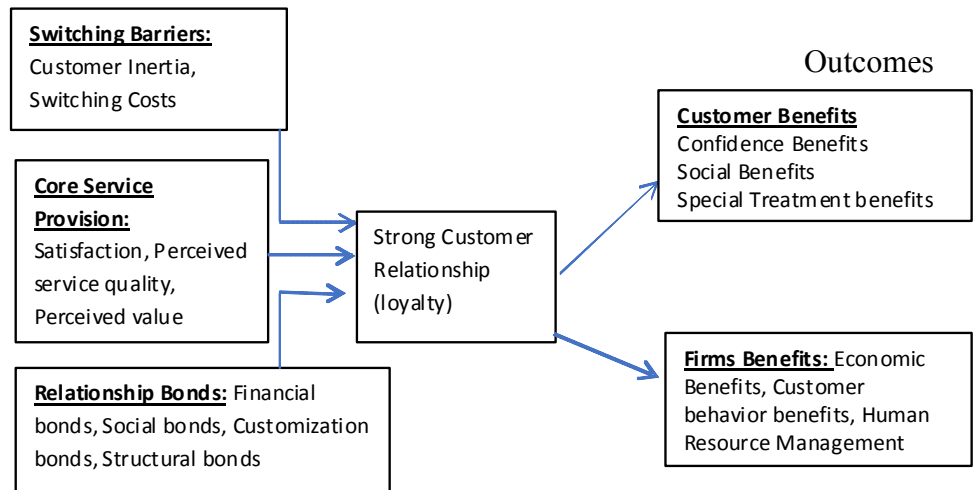
Check Your Progress – 3 :

1. In what are the ways customer differ in terms of profit ?
 - a. Platinum Tier
 - b. Iron Tier
 - c. Gold Tier
 - d. All of them.

4.7 Relationship Development Strategies :

The customer's overall appraisal of a firm's services, the firm's ties with customers, and the customer's barriers to quitting a relationship all influence the establishment of strong customer relationships. The criteria listed below justify various measures used by businesses to retain existing consumers.

Relationship Drivers



Core Service Provision : Clearly, a company must begin the relationship-building process by delivering a good core service that, at the very least, matches customer expectations and provides customers with perceived value. It is not acceptable to design relationship strategies for subpar services. If a company delivers a solid foundation of service quality, only customers will be satisfied, and the company will be able to implement a retention plan for long-term success.

Switching Barriers : A customer may face a number of barriers that make it difficult to leave one service provider and begin a relationship with another.

1. **Customer Inertia :** Customers commit to developing ties with businesses for a variety of reasons, one of which is the difficulty of moving businesses. Switching providers is frequently cited as "simply not worth it" by consumers. Inertia may explain the loyalty of some dissatisfied clients. People stay in unpleasant relationships, according to researchers, because leaving them would require them to restructure their lives, adopt new habits, refashion current

friendships, and find new ones. All of these necessitate effort and a change in behaviour. A company may consider making transferring service providers more difficult in order to retain consumers. Customers who believe transferring firms will be difficult are more inclined to stay with their current provider..

- 2. Switching Cost :** Part of a customer's loyalty to an organisation is due to the expense of switching firms. Switching costs are monetary and non-monetary costs, both actual and imagined. Switching costs include time, money, and effort invested by the consumer, such as setup, learning, and contractual fees. Firms might try boosting switching costs to make it tough for customers to leave. Many companies actually include such expenses in the contracts they ask customers to sign. To attract new consumers, a service provider may explore lowering the switching costs of existing customers.

Relationship Bonds :

Switching barriers retain customers in connections with companies because they "have to." Firms can, however, engage in activities that encourage customers to stay in relationships because they want to. Relationship Marketing is a multi-level technique that involves tying the client closer to the organisation. **Four Types of retention strategy.**

Level 1 : Financial Bonds

Level 2 : Social Bonds

Level 3 : Customization Bonds

Level 4 : Structural Bonds

Level 1 : Financial Bonds : The client is bound to the firm via a level 1 financial bond where prices are lower for larger purchases or for loyal/long-term customers. These financial incentive programmes thrive because they are easy to start and often result in short-term economic improvements. Financial incentives do not provide long-term advantages to a firm because they are easily imitated by competitors. Other types of retention tactics that rely on financial rewards are centered on bundling and cross-selling of services.

For Example : McDonald's has employed bundling tactics to successfully generate value meals. This is a wonderful value proposition for customers because they get a full meal (drink, fries, and sandwich) at a much lower price. Customers that are price sensitive purchase bundle meals and frequently spend more money as a result of getting greater value for their money. It's a smart approach for McDonald's to entice customers and cross-sell high-margin items while maintaining profits and increasing sales. They've succeeded in developing a number of value pack meals, each of which caters to different customer categories.

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Level 2 : Social Bond : These tactics strive to establish long-term social, interpersonal, and financial links. Customers are now "Clients" whose needs and desires the firm seeks to understand. Professional services provider (e.g. lawyers, accountants, and teachers) and their clients, as well as personal care providers (hairdressers, counsellors, and health-care professionals) and their clients, form social inter-personal ties.

For Example : Before entering the exam room, a dentist who spends a few minutes reviewing his patient's file might refresh his recollection on personal details about the patient (occupation, family details, interests, dental health history). The dentist demonstrates genuine interest in the patient as an individual and establishes social ties by bringing this personal information into the discourse. Customers form ties with salespeople and/or relationship managers who work for their companies, and interpersonal attachments are also frequent in business-to-business transactions.

Level 3 : Customization Bonds : Mass customization and client intimacy are two terms that are widely used to describe the customization bonding strategy. Both of these ideas propose that customer loyalty can be bolstered by gaining a deep understanding of individual customers and developing one-to-one solutions tailored to their specific needs. The use of flexible processes and organizational structures to develop alternatives has been termed as mass customization. However, supplying clients with an infinite number of options or choices does not imply that they will be forced to work harder. Rather, it means providing customers with personalized services to meet their specific needs with little effort on their side. Knowing your customers' habits and wants and meeting, or even predicting, their needs is what customer intimacy entails. Customers' motivation to move to a competing provider is greatly reduced when customer loyalty is increased, resulting in severe competitive barriers.

Level 4 : Structural Bonds : Level 4 methods are the most difficult to duplicate since they entail structural, financial, social, and cultural ties between the customer and the company. Structural bond are formed when clients receive services that are built straight into the service delivery systems. Providing personalized services to clients that are technology-based and help them be more productive is a common way to form structural bond.

Check Your Progress – 4 :

1. Which is not retention Strategy ?
 - a. Financial Bond
 - b. Social Bond
 - c. Customer inertia
 - d. Structural Bond

4.8 Relationship Challenges :

Here discussion will be focused on firm; which might actually end the relationship and how that might occur.

(A) The customer in not always right :

It is not correct to say that customers are always right. In some cases it may be preferable for the firm to not continue its relationship with a customer. Not every relationship is helpful, and not every customer is right.

(1) The Wrong Segment : A company can't target all clients; some sectors are better than others. It serves neither the company nor the customer to create a connection with a customer whose requirements are unmet.

(2) Non Profitable in Long Run : As long as there are no ethical or legal obligations, organizations will avoid unprofitable customers. Some consumer segments will not be profitable for the organizations even if their wants can be addressed.

For Example : When there are not enough customers in the segment to make it profitable to serve, when the segment cannot afford to pay the cost to the service and when the projected revenue flows from the segment would not cover the cost incurred to originate and maintain their business. It may not be profitable for a firm to engage in relationship with a customer who has bad credit or who is a poor risk for some other reason.

For Example : Retailers, mortgage lenders, banks, and credit card firms often refuse to do business with people with bad credit. Defensively, the partnership is unwise due to the long-term possibility of non-payment.

- Everyone has had the experience of waiting in bank, retail store or even an educational setting while a particularly demanding customers seems to use more than his share of the service providers time.

In B2B relationship, the variability in time commitment to customers is even more apparent. Some customers may use considerable resources of service provider through inordinate numbers of phone calls, excessive requests for information and other time consuming activities.

For Example : In the legal Profession, clients are billed for every hour of the firm time that they use because the time is only resources the firm has.

(3) Difficult Customer : Service contacts frequently fail as a result of dissatisfied consumers. Customers' actions that actively (deliberately) or accidentally disturb otherwise functional service encounters are referred to as dysfunctional customer behaviour.

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Customers like these have been dubbed "customers from hell," "problem customers," and "jay customers."

(B) Ending Business Relationship : Firms may identify clients that are not in their target market, are not lucrative, or are difficult to work with. A company may not wish to keep every customer. Managers should be able to develop and terminate relationships effectively. Not everyone can gracefully end a relationship. If a company seeks to break ties, customers may feel disappointed, puzzled, or harmed.

(1) Relationship Ending :

- In some cases, a relationship is formed for a specific reason/time period and ends when that purpose or time period has passed.
- Some relationships end naturally. Piano lessons for youngsters, for example, often discontinue when the child grows older and develop interest in other musical disciplines (such as singing or playing the saxophone).
- In other situations, an event may occur that forces the relationship to end, a provider who relocates to other side of town may force some customers to select a different company or an ending may occur because the customer is not fulfilling his obligations.

For Example : A bank may choose to terminate a customer's account if there are insufficient money. Whatever the reason for discontinuing the relationship, firms should express it clearly to customers so they understand what is happening and why.

(2) Should firms fire the customer :

- Firm should seek to get rid of unsuitable customers. Many businesses believe that troubled clients are less profitable and less loyal, and that keeping them as customers may be unproductive. Another reason to fire a customer is the impact on employee happiness and morale. The relationship can be saved by negotiating expectations or discovering more efficient ways to serve the client. If not, both parties may need to agree to separate ways.

Check Your Progress – 5 :

1. Which is not the relationship challenge ?
 - a. The customer is always right
 - b. Ending Business Relations
 - c. Non Profitable in Long Run
 - d. Difficult Customer

4.9 Let Us Sum Up :

We know that to develop the relations with the customer is very essential for any organization to sustain and grow in the market, hence in this unit we have studied Relationship Marketing, Traditional Marketing, How to develop customer relationship, various types of customer profitability segments, relationship strategies, relationship Challenges.

4.10 Answer for Check Your Progress :

Check Your Progress – 1 :

1. d

Check Your Progress – 2 :

1. a

Check Your Progress – 3 :

1. d

Check Your Progress – 4 :

1. c

Check Your Progress – 5 :

1. a

4.11 Glossary :

1. **Relationship Marketing :** Relationship marketing focuses on maintaining and improving relationships with current customers rather than acquiring new customers.

4.12 Assignment :

1. Elaborate, How relationship marketing or retention marketing is different from the traditional emphasis in marketing.
2. Write in brief about various types of retention strategy.

4.13 Activity :

1. In a small group in class, debate the question "Is the customer always right ?" In other words, are there times when the customer may be the wrong customer for the organization ?

4.14 Case Study :

Art of understanding buyers' business

Over the past 50 years so, production organizations have gradually been metamorphosing into marketing organization. While a production organization sells what it produces, a marketing organization tries to

Service Marketing

understand its customers' needs and preferences, and produces according to their requirements. In a marketing organization, all departments are focused on satisfying the customer. CRM or Customer Relationship Management is a buzzword for a set of software tools designed to gather more information about the customer. It is the information technology wing of a business strategy that aligns the organisation around the customer, sharing information across all arms of business, and leveraging data from disparate sources to understand the customer and maximize profitability by anticipating his or her needs. At Air India, for example, CRM is rather non-technical and focuses on quality of service. The airline has introduced reclining seats, established a call center to handle customer queries, and sources food from the best restaurants. It has introduced a frequent flyer programme in economy class, a maharaja club in first-class and a leading edge club in executive class to attract customers. It also offers free travel for a companion to encourage the use of first-class seats. All this seems to have paid off. Nearly 30percent of west-bound passengers in Air India have been added in the last year itself. However, the airline hasn't invested in expensive CRM, relying instead on made at home software. Clearly, CRM at Air India is about warm customer relations and good service rather than number-crunching technology. CRM involves getting information about the customer from customer contact point. These contact points could be call centres, help-desks, e-mail or sales invoices. This customer data is stored, retrieved and analyzed for performance management. Information is extracted from the data by trying to discover patterns or trends connecting data. This information is used to extract intelligence for making business decisions. CRM can thus help create an appropriate marketing mix for each customer. By understanding the customer, an organization can create a product that she wants, sell it at a price the customer can afford, design and interesting promotion strategy and distribute it in a manner that she find convenient.

Shopper Stop is one organization that's very customer-focused. Every one of its employees, apart from his or her regular designation, has an additional ubiquitous designation of "customer Care Associate". Vikas Prabhu, senior manager, information systems, Shopper Stop explains that the customer focus has pervaded the IT segment as well. Out of the almost Rs. 300 crore turnover, around Rs. 150 crore comes from Shoppers Stops first Citizen's club of 2.2 lakh regular buyers. Points are given based on Recency Frequency Monetary value, which means people

who purchase recently, frequently and more often get higher points. These points are used to determine discounts applicable on goods sold, or benefits under various schemes. Shopper Stop currently uses Microsoft based technologies for data warehousing and data mining. However, plans are afoot to shift to Business Objects. Shoppers Stop also uses its software to keep track of fast-and slow moving goods and can thus predict demand, plan purchase and stock goods accordingly. On being queried why CRM is not catching up fast enough in India, Prabhu says that for CRM to succeed, the data warehouse needs to contain data of at least the past two years, and this is possible only if the organization is focused on understanding customers to start with. Often, changing business conditions compel organization to implement CRM. Vivek Kale, CEO, Essar Information Technology, explains that earlier steel demand and prices, and route its production to the most profitable distribution channel. CRM is important because understanding customers helps to get repeat business by changing organizational products and services in tune with the customers' needs and requirements. It's a philosophy born out of the understanding that it costs less to grow with an existing customer than to acquire a new one. One just needs to look at the revenues of Indian software companies come from existing customers. Moreover, the sales cycle in software is rather long—it takes six months to a year from the cold-call stage to closing the deal. Hence ,many software companies lay stress on account mangement of existing customers as much as efforts to acquire new ones. One would expect banks—which constantly interact with customers—to be pioneers in implementing CRM. However, VK Khanna general manager, department of information technology, Union Bank of India, explains that most bank have just implemented central banking solutions and are only beginning to consider data warehousing and data mining. Obviously, banks that lead in the process of utilizing technology to get more information about customers will steer head of the competition. Once the preferences of customers are well-understood, separate marketing strategies for disparate customer group can easily be designed. Thus, by focusing on customer satisfaction, organisations can take on the competition and increase revenues and profits.

Source : prabhakar.despande@timesgroup.com Art of understanding buyers business 29th August 2003, 0029 hrs IST, Prabhakar Deshpande, TNN

4.15 Further Readings :

1. Valarie A Zeithaml, Mary Jo Bitner, Dwayne D. Gremler, Ajay Pandit, (2013), Services Marketing (Integrating Customer Focus Across the Firm), Tata McGraw Hill Education, 6th Edition
2. R. Srinivasan, (2014) Service Marketing (The Indian Context), PHI Learning, 4th Edition
3. Vasanti Venugopal, Raghu V. N. (2001), Service Marketing, Himalaya Publishing House, 1st Edition
4. Rajendra Nargundkar, (2010), Service Marketing, Text and Cases, Tata McGraw Hill Education, 3rd Edition
5. C. Bhattecharjee (2006), Service Marketing, Concept, Planning and Implementation, Excel Books, 1st Edition.

BLOCK SUMMARY

In this block you have studied about the Fundamentals of Services, Service Quality, Gap Model of Service Quality, Customer Expectation and Perception of the Service, Customer Relationship Management

BLOCK ASSIGNMENT

Short Questions :

1. Write a note on Service Marketing Mix
2. Differentiate between Goods and Services
3. Briefly describe about the importance of services
4. What is service encounter and its types ?
5. Note on Traditional vs Relationship Marketing

Long Questions :

1. Elaborate four broad categories of services—A process perspective
2. Describe in detail Gap Model of Service Quality by giving various examples
3. What is customer expectation ? Describe various types of customer expectation
4. Define Relationship Marketing. Elaborate various types of relationship development strategies

❖ **Enrolment No. :**

1. How many hours did you need for studying the units ?

Unit No.	1	2	3	4
No. of Hrs.				

2. Please give your reactions to the following items based on your reading of the block :

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3. Any other Comments

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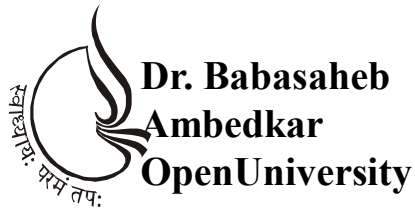
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BBAR-403

Service Marketing

BLOCK-2 SERVICE RECOVERY, INNOVATION, DESIGN & STANDARDS AND PHYSICAL EVIDENCE

UNIT 1

SERVICE RECOVERY

UNIT 2

SERVICE INNOVATION AND DESIGN

UNIT 3

CUSTOMER DEFINED SERVICE STANDARDS

UNIT 4

PHYSICAL EVIDENCE AND SERVICESCAPE

BLOCK 2 : SERVICE RECOVERY, INNOVATION, DESIGN & STANDARDS AND PHYSICAL EVIDENCE

Block Introduction

Failures in customer service are inescapable. If it remains unresolved, the service failure will implant disappointed customers – who will multiply when they will spread their not-so-good experience. You will learn, on how to build a successful customer service recovery program.

You will also be introduced to Service Design Innovation and why it is gaining importance.

The companies make distinctive brand strategies – the "servicescape", or the physical environment where the service is delivered.

Block Objectives

After learning this block you will be able to understand :

- What are services shortcomings felt by the customers ?
- What factors are necessary for appropriate service standards ?
- The types of Customer as defined by Service Standards.
- How the physical evidence affect the customer experience.

Block Structure

Unit 1 : Service Recovery

Unit 2 : Service Innovation and Design

Unit 3 : Customer Defined Service Standards

Unit 4 : Physical Evidence and Servicescape



: UNIT STRUCTURE :

1.0 Learning Objectives

1.1 Introduction

1.2 Service Failure

1.3 Service Recovery

1.4 The Service Recovery Paradox

1.5 How Customers Respond to Service Failure

Why People Do (An Do Not) Complain

Types of Customer Complain Actions

Types of Complainers

1.6 Service Recovery Strategies : Fixing The Customer

1.7 Service Recovery Strategies : Fixing The Problem

1.8 Service Guarantees

Characteristic of Effective Guarantees

Type of Service Guarantee

Benefits of Service Guarantee

Reason Behind Switching Services

1.9 Let Us Sum Up

1.10 Answer to Check Your Progress

1.11 Glossary

1.12 Assignment

1.13 Activity

1.14 Case Study

1.15 Further Readings

1.0 Learning Objectives :

After completion of this unit, you will learn :

- To understand the Service Recovery and its strategies
- To understand Customer responds towards Service Failure
- To understand Service Guarantee

1.1 Introduction :

A service failure can occur due to a problem in any phase of the delivery process. Unless the supplier is obsessed about service quality and takes numerous measures, services are prone to failure. Some service

Service Marketing

failures, such as aviation or railway mishaps, are caused by reasons outside the control of management, such as severe weather or sabotage. However, in many circumstances, the service failure might be avoided, or at the very least, the responsible organisations could attempt a recovery. For example, if a hotel discovers that a visitor is dissatisfied with the service he has gotten, it has several options for retaining him. It might offer him a free stay, a free lunch, or a promise of improved treatment if he returns. Similarly, an airline that cancels a flight owing to a late arrival of its plane can offer to transfer a passenger to another airline in order to get him to his destination on time. So, in this we have highlighted about the service failure, service recovery strategies and service guarantees.

1.2 Service Failure :

Service Failure is commonly defined as service performance that falls short of client expectations, causing dissatisfaction. Failure occurs for the following reasons.

1. the service may be unavailable when promised,
2. it may be delivered late or too slowly,
3. the outcome may be incorrect or poorly executed or employee may be rude or uncaring.
4. Service failure left unfixed can result in customers leaving, telling other customers about the negative experiences and even challenging the organization through consumer rights organization or legal channels.

1.3 Service Recovery :

Service Recovery is a company's response to a service failure or service recovery programme is designed to help a company recover from a service failure and maintain customer loyalty. Service recovery is critical to customer happiness and loyalty. Things can happen in any organisations that harm consumer relationships. The true test of a company's dedication to customer satisfaction and service excellence is how it responds when things go wrong for the consumer. Effective service recovery needs thoughtful problem-solving and customer-handling procedures.

If a company responds swiftly and correctly to a complaint, it can result in consumer satisfaction and goodwill. The service recovery is a term used to describe this process. To improve service recovery, a service provider can consider the following factors:

Measure the Costs : It's important to weigh the costs of losing customers and the rewards of keeping existing clients versus pursuing new ones.

Encourage Complaints : Customer satisfaction can be ensured during the service encounter by encouraging complaints from customer survey focus groups and monitoring the service delivery process.

Anticipation : Critical instances in which the client and the service provider interact make up services. The service provider should anticipate faults in the service delivery process and make every effort to prevent them.

Quick Response : When a service failure occurs, the company should respond fast. This is where the recovery effort will be successful.

Employee Training : Employees should be taught how to respond to customer requests and assist with service recovery efforts.

Empowerment : Instead than waiting for management clearance, frontline service staff must have sufficient autonomy to handle consumer complaints.

Close the Loop : Provide the customer with feedback on his complaints and reassure him that a similar failure will not occur again.

Check Your Progress – 1 :

1. Which factor should the service provider should consider in–order to improve service recovery ?
 - a. Measure the cost
 - b. Anticipation
 - c. Quick Response
 - d. All of them

1.4 The Service Recovery Paradox :

According to the Service Recovery Paradox, consumers who have a service breakdown and then have it resolved are sometimes more satisfied than those who never had it.

For Example : When a rent–a–bike customer arrives to check in, no vehicles of the requested size or price are available. An agent promptly upgraded this customer to a far nicer vehicle at the original price. The delighted consumer expresses her gratitude for the compensation and pledges to remain loyal to the firm in the future. The recovery paradox states that a dissatisfied client who receives good service may become even more satisfied and loyal as a result.

The satisfaction of a client after a service recovery depends on the severity and recoverability of the failure. No one can make up for lost wedding photographs, wrecked vacations, or devastating injuries caused by service equipment. Even a professional service recovery can't make anyone happy in such a situation. In compare this to a lost host reservation that is recovered by upgrading to a better room or even a suite. When a bad service is made up for by a great product, you are usually pleased and hope for another lost reservation in the future.

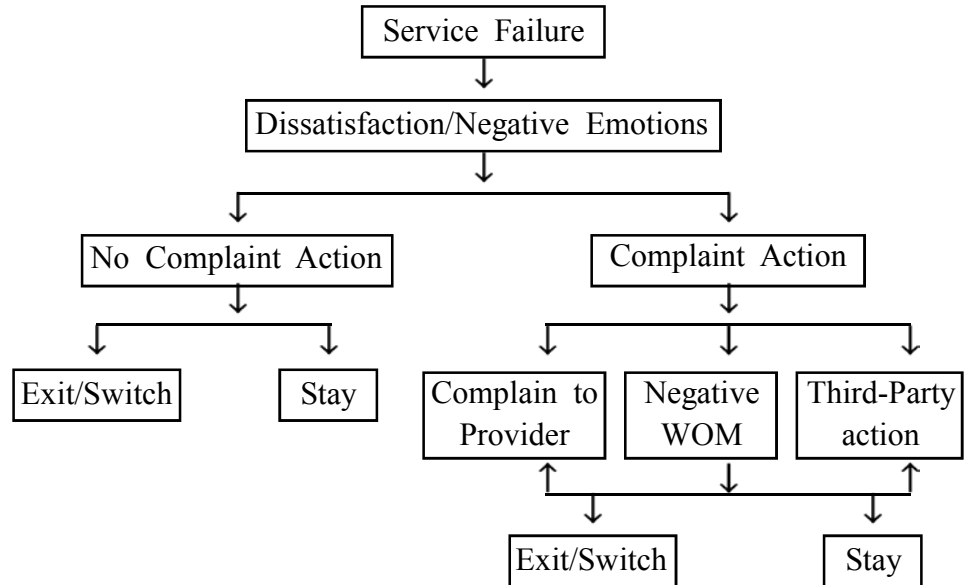
1.5 How Customers Respond to Service Failure :

Anger, dissatisfaction, sadness, self–pity, worry, and regret are just some of the negative feelings that might arise as a result of a service failure. Customers' perceptions of the service recovery attempt, and probably their final decision to return to the provider, will be influenced by these first negative comments.

Check Your Progress – 2 :

1. Customer may response to the service failure by NOT _____
 - a. Anger
 - b. Dissatisfaction
 - c. Happy
 - d. self-pity

❖ **Customer Complaint Actions following Service Failures :**



Many clients are fairly passive when it comes to discontent, either expressing or doing nothing. Whether or not they take action, the customer will eventually decide whether or not to stay with that supplier or switch to a competitor. Customers who do not protest are unlikely to return, posing a risk to future success.

❖ **Why People Do (An Do Not) Complain :**

Don't Complain :

- They believe that complaining is a waste of time and effort
- They do not believe that anything beneficial will happen to them
- They do not know how to complain
- They do not grasp the procedure or are unaware that they have options for voicing their grievances
- They believe failure was their fault and they don't deserve redress

Do Complain :

- The customer believes that positive outcomes will occur.
- Their personal conventions encourage them to complain.
- They believe that they should and will be compensated in some way for the service failure.
- They feel that they are entitled to fair treatment and good service, and that in the event of a service failure, someone should make amends.

- They believe it is their societal responsibility to complain, either to assist others in avoiding a similar circumstance or to punish the service provider.
- A small percentage of clients have complainer tendencies, who enjoy whining or causing difficulties.
- Customers that have a high level of ego engagement in the service experience are more prone to complain.
- Customers are more likely to complain about costly, high-risk services (such as vacation packages and airline trips) than about less costly, regularly purchased ones (Fast food drive-through service, cab ride etc.)

❖ **Types of Customer Complain Actions :**

A disgruntled consumer might opt to complain to the service provider on the spot, allowing the organisation to reply quickly. This is frequently the best case situation for the firm because it has a second chance to satisfy the consumer, keep his or her business in the future, and possibly avoid any unfavourable word of mouth right then and there.

Customers who do not file a complaint right away may do so later by calling, writing, or using the internet to contact the provider. The company has a chance to recover once more.

Voice responses or seeking redress are terms used to describe this proactive sort of complaining activity.

Some clients prefer to disseminate unfavourable word of mouth about the firm to friends, relatives, and coworkers rather than openly complain to the supplier. This poor word of mouth can be exceedingly harmful because it reinforces the customer's unfavourable feelings and spreads that negative impression to others. Furthermore, unless the unfavourable word of mouth is backed by a direct complaint to the company, the company has no hope of recovering.

Customers nowadays utilise the internet to vent their frustrations. A variety of websites, including web-based consumer opinion forums, blogs, and social media (including Twitter and Facebook), have been built to facilitate customer complaints and offer customers with the opportunity to propagate unfavourable word of mouth communication to a much larger audience. Customers who are disappointed with a product or service failure may create webpages aimed at the company's present and potential customers. On these sites, enraged customers air their grievances against the company in a way that is intended to persuade other customers of the company's incompetence, and evil customers may choose to file a complaint with a third party such as "Grahak Suraksha Kendra," the government's consumer affairs arm, the licencing authority, a professional association, or a private attorney. Customers eventually decide whether to patronise the service provider again or switch to another provider, regardless of the action (or inaction).

❖ **Types of Complainers :**

According to the research there are four categories of complainers

- Passives
- Voicers
- Irates
- Activists

1. Passives :

- Is the least likely to take any action
- Is unlikely to say anything to the provider
- Is less likely than others to propagate negative WOM
- Is unlikely to complain to a third party
- Often doubt the effectiveness of complaining thinking that the consequences will not merit the time and effort they will expend
- Sometimes their personal values or norms argue against complaining.

2. Voicers :

- Actively complain to the service provider, but are less likely to spread unfavourable word of mouth, transfer patronage, or take grievances to third parties.
- They are the finest buddies of service providers.
- They provide a second opportunity to a corporation.
- They believe that complaining to the supplier can have a really favourable outcome.
- Complaining is in line with personal conventions.

3. Irates :

- These customers are more inclined than others to spread unfavourable word of mouth among friends and family, as well as switch providers.
- They have a propensity (a tendency to behave in a certain way) that is about average, and they are unlikely to complain to third parties.
- They are more enraged with the provider, despite the fact that they believe that complaining to the provider can have societal benefits.
- They are less likely to give the service provider another chance and will instead switch to a competitor, spreading the word to friends and family.
- This type of consumer is more prone than others to go to the trouble of developing blogs on the Internet to air their grievances.

4. Activists :

- These customers are characterized by above average propensity to complain on all dimensions.
- They will complain to the provider

- They will tell others
- They are more likely than any other group to complain to third parties
- Complaining fits with their personal norms
- They have a very optimistic sense of the potential positive consequence of all types of complaining.

Check Your Progress – 3 :

1. Which is NOT the type of Complainers ?
a. Passives b. Voicers c. Resister d. Activists

1.6 Service Recovery Strategies : Fixing The Customer :

Service Recovery Strategies Falls under Two Types :

- (1) The actions taken by the firm to store the relationship with the customer—that is "to fix the customer"
- (2) The actions taken to correct the problem and ideally to prevent it from recurring—fix the problem.

When customer takes the time and effort to complain, customers generally have high expectations. They not only expect a response but also expect the firm to be accountable. They expect helped quickly. They expect to be compensated for their grief and or the hassle of being inconvenienced. They expect to be treated nicely in the process.

(1) Respond Quickly :

- As we know that complaining customer want quick response hence company shall be prepared to act on them quickly.
- There should be sound system and procedure that allow quick action.
- Empowered Employee : To solve problem as they occur
- Employee should be trained
- If a problem is not solved can quickly escalate.

For Example : The Taj Hotel—insist that the first person to hear a complaint from customer "owns" that complaint until the employee is sure it is resolved. If a maintenance employer hears a complaint from a customer while the employee is in the middle of fixing a light in the hotel corridor, he owns that complaint and is charged with making sure that the problem is handled appropriately before returning to his work.

- Another strategy to swiftly resolve an issue or complaint is to create systems that allow customers to solve their own service demands and solve their own problems. Technology is used to fix the problem. Customers connect directly with firm technology to provide their own customer service, which provides them with immediate responses. **For example :** FedEx parcel tracking service use this method.

(2) Provide Appropriate Communication :

- (a) Display understanding accountability :** Customers do not expect companies to take drastic measures in the event of a large number of service failures. They do, however, want to know what happened and hold the companies accountable for their conduct (or inactions). Customer car alliance picked the top eight cures after conducting study.

Customers seek remedies when they have a serious problem. Three of these remedies are having the product or service repaired, being reimbursed for the inconvenience of having had a defect, and receiving a future free goods or service.

The other **five** remedies—a firm explanation of what happened, assurance that the situation will not occur again, a thank you for the customer's business, an apology from the firm, and a chance for the customer to vent his or her frustrations to the firm—cost the firm very little to deliver.

Five Non-Monetary Remedies :

- Providing opportunities for employees to interact with customers.
- Many customers value understanding and accountability following a service failure because they believe someone is to blame if they believe an injustice has occurred.
- When things go wrong, customers want an apology, and a firm that gives one exhibits decency and respect. Customers also want to know what the company will do to prevent the situation from happening again.

- (b) Supply Adequate Explanations :** Customers try to figure out why something went wrong. A service provider's explanation can help to decrease or soften unfavourable reactions while also demonstrating respect for the consumer. To be considered adequate, an explanation must possess two fundamental characteristics.

- (i) The explanation's content must be appropriate; relevant facts and information are critical in assisting the client in comprehending what occurred.
- (ii) The manner in which an explanation is presented, or how the explanation is delivered, can also help to lessen customer discontent. The personal traits of the explanation givers, such as their reliability and sincerity, are included in their style.

Customer-perceived explanations that are honest, sincere, and non-manipulative are often the most effective.

- (3) Treat Customers Fairly :** Customers also want justice and fairness when it comes to processing complaints. Following their complaints, customers are asking for three types of justice.

- (1) Outcomes Fairness :** Concerns the results that customers receive from their complaints

- (2) **Procedural Fairness** : refers to the policies, rules and timeliness of the complaint process.
- (3) **Interactional Fairness** : focuses on the interpersonal treatment received during the complaint process.

Outcome Fairness : Customers should receive outcomes or payments that are commensurate with their level of discontent. This compensation can take the form of cash, an apology, future free service, reduced prices, repairs, or replacements. Customers want equity in the transaction, which means they want to believe that the company has "paid for" its mistakes in a way that is at least equivalent to the damage done to the customer. The firm believes that "punishment should be proportional to the offence." Customers want equality, which means they want to be reimbursed in the same way as other customers who have had similar service failures. They also like it when a company offers them compensation options.

For Example : Domino's Pizza offered to not charge for a pizza if the delivery took longer than the guaranteed 30 minutes. Many customers were hesitant to demand such a large sum of money, especially if the driver was just a few minutes late. "The penalty was greater than the offence" in this case. For a time, Domino's lowered the compensation for late deliveries to a more realistic \$ 3 off, but the time guarantee was subsequently withdrawn entirely because to issues with employees who were driving too quickly to make their deliveries.

Procedural Fairness : Customers should be treated equally by the company in terms of policies, rules, and the timeliness of the complaint process. Customers desire speedy access to the complaint procedure and for their concerns to be addressed by the first person they contact. Companies actually ask customers in B2B services, "What can we do to compensate you for our failure?" Frequently, the customer's request is less than what the companies had anticipated.

Fair processes are distinguished by their clarity, quickness, and lack of complications. Customers also believe that having to prove their argument is unjust. Until they can prove otherwise, the company's assumptions appear to be incorrect or deceptive.

Interactional Fairness : During the service recovery process, customers must be treated with respect, compassion, and honesty. This sort of fairness can take precedence over the others if customers perceive the organisation and its personnel are apathetic and have done little to try to solve the problem. Because of a lack of training and empowerment, employees may treat customers harshly or uncaringly. For example, an unhappy frontline employee who lacks the authority to compensate the customer may easily act distant or disinterested, especially if the customer is furious and/or abusive.

- (4) **Cultivate Relationships with Customers :** Another advantage of relationship marketing is that if the company fails to supply service, customers with a close relationship with the company are generally more tolerant of service failures and more open to the company's service recovery attempts. That is, if the company has built a good relationship with the consumer, it may be easier to fix the problem. Strong customer–firm ties can protect a company from the negative consequences of consumer dissatisfaction.

Check Your Progress – 4 :

1. Customer are asking for _____ types of justice.
 - a. Outcome fairness
 - b. Interactional
 - c. Procedural fairness
 - d. All of them

1.7 Service Recovery Strategies : Fixing The Problem :

This section highlights strategies that can be used to help the fix "*fix the problem*" both in the short term and in the long term.

❖ **Encourage and Track Complaints :**

Complaints can be promoted and tracked in a variety of ways by businesses. Toll–free call centres, email, and a variety of social media platforms are being used to manage complaints. Companies that use software can automatically review, categorise, respond to, and track complaints. In some cases, technology can foresee problems and complaints before they happen, allowing service professionals to diagnose problems before the customer even realises they exist. **For Example :** Information systems have been implemented at companies like IBM, Caterpillar, and John Deere to predict equipment failures and send out an electronic alert to the local field technician with the nature of the problem as well as which parts and tools will be required to make the repair—a repair that the customer is unaware of.

❖ **Learn from Recovery Experience :**

Problem–solving situations are about more than just fixing broken services and strengthening client connections. They're also a good source of diagnostic and prescriptive data for improving customer service, which is typically missed or ignored. By tracking service recovery efforts and solutions, managers can often learn about systemic flaws in the delivery system. Root–cause analysis can help businesses find the source of problems and alert processes, reducing the need for recovery. **For Example :** At Ritz–Carlton Hotels, all personnel carry "instant action forms" with them at all times to record service faults and recommend ways to solve them. Each employee "owns" any complaint that comes in and is in charge of seeing that it is resolved. Employees then report the causes of service failure as well as the solutions to management.

❖ **Learn from Host Customer :**

Another strategy is to take notes from departing clients. Formal marketing research to determine why clients have left can assist you in avoiding future failure. Customers are questioned extensively in order to determine the true reasons for their leaving. A skill interviewer who is knowledgeable with the industry should conduct an in-depth interview (senior people of the company). This type of in-depth examination typically involves a succession of why inquiries or "explain me more about that queries" to get to the true, basic reason for the customer's desertion. For Example: In order to undertake this type of study, a corporation must concentrate on essential or profitable customers who have gone, rather than everyone who has departed. This type of research was once undertaken by an Australian insurance company in order to learn more about their lost customers, only to discover that the customers who were being lost were, in any case, their least profitable customers. They rapidly realized that conducting extensive study into how to retain these unproductive consumers would be a waste of time.

❖ **Make the Service Fail-Safe-Do it Right the First Time :**

The first guideline of providing excellent service is to get it right the first time. Customers get what they expect, and they avoid the costs of repeating services and paying for faults. According to Dick Chase suggestion that services adopt the quality notion of poka yokes to improve service reliability. Poka Yoke are automobile warnings or controls in place to ensure that mistake are not made, essentially, they are quality control mechanisms, typically used on assembly lines. Poka Yokes can be devised in service settings to "mistake proof" the service ,ensure that essential procedure are followed, service steps are carried on in an timely manner.

For Example : Several poka yokes in a medical context ensure that protocols are followed to avoid potentially life-threatening errors. Surgical instrument trays include indentations for certain instruments, and each instrument is nested in the correct location. As a result, surgeons and their colleagues may be confident that all instruments are in their proper locations before deciding on a patient incision.

Employee behaviour can also be influenced by Poka Yokes (checklists, role-playing and practise, and a reminder sign). Consider the following scenario: A restaurant waiter keeps several forms of tea coasters at each client table to identify which customers have ordered coffee, decaffeinated coffee, and so on. order:

In order for customers to perform well, the following steps should be taken:

- Sending the balance for the dental appointment
- Printing customer care guidelines (Please have your account and pin number ready before calling our service representative)
- At ATMs, use a beeper to remind customers to take their card.

1.8 Service Guarantees :

A guarantee in the context of business is a promise or assurance that a firm's product will perform as promised, and that if it doesn't, the company will make some sort of repair. Guarantees are common in the manufacturing industry, but they have only recently been used in the service industry. In actuality, a growing number of organisations are offering clients a service guarantee, which states that if service delivery falls short of preset standards, the customer will be entitled to one or more forms of compensation, such as an easy-to-claim replacement, refund, or credit. A well-designed service guarantee not only facilitates effective service recovery, but it also helps to institutionalize learning from service failures and subsequent system improvements. For the following reasons, service guarantees are effective instruments for both promoting and achieving service quality.

❖ The Power of Service Guarantees :

1. They force businesses to focus on what their customers want and expect from each service element.
2. They establish clear standards, informing both customers and employees of the company's values. Payouts to compensate customers for unsatisfactory service encourage management to take guarantees seriously by emphasizing the financial consequences of quality failures.
3. They necessitate the creation of processes for gathering and acting on significant client input.
4. They compel service organizations to comprehend why they fail and to identify and eliminate possible failure points.
5. By lowering the risk of a purchase choice and fostering long-term loyalty, they develop "marketing muscle."

❖ Characteristic of Effective Guarantees :

1. **Unconditional** : Whatever is promised in the guarantee must be totally unconditional and there should not be any element of surprise for the customer.
2. **Easy to understand and communicate** : To the customer so that he is clearly aware of the benefit that can be gained from the guarantee.
3. **Meaningful to the customer** in that the guarantee is for something important to the customer, and the compensation should be more than adequate to cover the service failure.
4. **Easy to invoke** : It should be easy for the customer to invoke the guarantee.
5. **Easy to collect on** : If a service failure occurs, the customer should be able to easily collect on the guarantee without any problems.
6. **Credible** : The guarantee should be believable.

1. Which is not the characteristic of the service guarantee ?
 - a. Easy to revoke
 - b. Unconditional
 - c. Easy to collect on
 - d. Easy to understand and communicate.

❖ **Type of Service Guarantee :**

- (1) **Single Attribute Specific Guarantee :** One key attribute of the service is covered by the guarantee.

For Example : Dominios Pizza Guarantee. Delivery of the pizza within 30 minutes or the pizza is free (Hart, 1993)

- (2) **Multi-Attribute Specific Guarantee :** A few important attributes of the service are covered by the guarantee.

For Example : Minneapolis Marriot's guarantee : "Our quality commitment to you is to provide :

- A friendly, efficient check-in
- A Clean, comfortable room, where everything works
- A friendly check out

If we, in your opinion, do not deliver on this commitment, we will give you \$20 in cash. No questions asked. It is your interpretation. (Hart, 1993)

- (3) **Full Satisfaction Guarantee :** All aspects of the service are covered by the guarantee. There are no exceptions.

For Example : Lands End guarantee (taken from the 1999 Land's End Catalogue) : "If you are not completely satisfied with any item you buy from us, at any time during your use of it, return it and we will refund your full purchase price. We mean every word of it. Whatever, Whenever, Always. But to make sure this is perfectly clear, we have decided to simplify it further. Guaranteed Period"

- (4) **Combined Guarantee :** All aspects of the service are covered by the full satisfaction promise of the guarantee. Explicit minimum performance standards on important attribute are included in the guarantee to reduce uncertainty.

For Example : If you are not 100% satisfied with any element of our service, simply inform us and we will provide:

- Alternative tour arrangements for you within 12 hours, and
- 20% refund of the tour price
- **For example,** you can invoke our guarantee, should you not find :

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- Accommodation in centrally located first class hotels of international standard
- A wide variety of delicious meals

❖ **Benefits of Service Guarantees :**

The benefits to the company of an effective service guarantee are numerous.

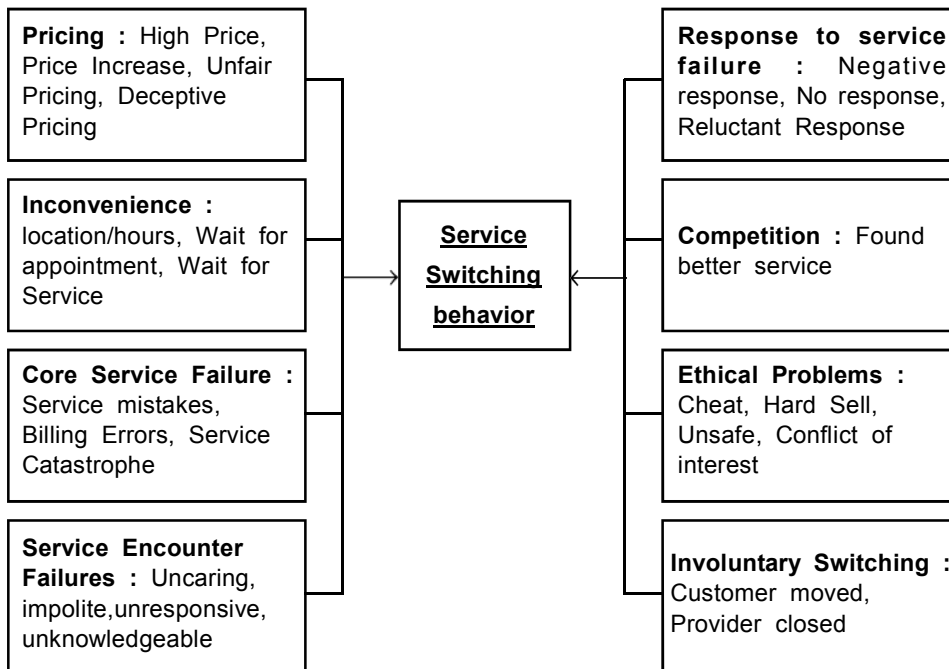
- (1) A strong guarantee compels a company to concentrate on its clients.
- (2) An effective guarantee establishes a clear standard for the business
- (3) A good guarantee creates immediate and meaningful feedback from customers
- (4) There is an immediate opportunity to recover when the guarantee is invoked
- (5) Data gathered as a result of the assurance can be tracked and incorporated into ongoing improvement initiatives.
- (6) The guarantee minimises the customer's sense of risk and increases their trust in the company.

A guarantee is probably not the right strategy when :

- The company's current service quality is terrible.
- A guarantee is incompatible with the company's image.
- Service quality is actually uncontrollable: For example, because of the unpredictability and uncontrollability of the weather, an airline flying out of Chicago in the winter would probably not guarantee on-time departure.
- There's a chance that customers will take advantage of the assurance.
- Fear of opportunistic client conduct, such as customer cheating or fraudulent service guarantee invocation, is a major reason why businesses are hesitant to provide guarantees.
- The cost of the guarantee outweighs the advantages: As with any good investment, the corporation should carefully compare the projected expenses (payouts for failures and costs of improvement) against the expected benefits (Customer loyalty, quality improvements, attraction of new customers, word of mouth advertising)

❖ Reason Behind Switching Services :

Service Recovery



Source : S. Keaveney, "Customer Switching Behaviour in Service Industries : An Exploratory Study," *Journal of Marketing* 59 (April 1995), pp. 71–82

1.9 Let Us Sum Up :

We have studied that services are intangible and perishable, so it cannot be returned or resold which also implies a need for strong recovery strategies when things do go wrong, hence it is important to study service recovery and we have covered Service Failure, Service Recovery, The Service Recovery Paradox, How customers respond to service failure, Service Recovery strategies: Fixing the customer, Service Recovery strategies: Fixing the problem, Service Guarantees, Reason behind switching services in this unit.

1.10 Answer to Check Your Progress :

Check Your Progress – 1 :

1. d

Check Your Progress – 2 :

1. c

Check Your Progress – 3 :

1. c

Check Your Progress – 4 :

1. d

Check Your Progress – 5 :

1. a

1.11 Glossary :

1. **Service Failure :** is commonly defined as service performance that falls short of client expectations, causing dissatisfaction.
2. **Service Recovery :** is a company's response to a service failure or service recovery programme is designed to help a company recover from a service failure and maintain customer loyalty.
3. **Guarantee :** A guarantee in the context of business is a promise or assurance that a firm's product will perform as promised, and that if it doesn't, the company will make some sort of repair. Guarantees are common in the manufacturing industry, but they have only recently been used in the service industry. In actuality, a growing number of organisations are offering clients a service guarantee, which states that if service delivery falls short of preset standards, the customer will be entitled to one or more forms of compensation, such as an easy-to-claim replacement, refund, or credit.

1.12 Assignment :

1. What are the different types of service failures and how can they be avoided ?
2. What is service recovery ? What are the methods which can be adopted by the firm for this purpose ?

1.13 Activity :

1. Interview a manager about service recovery strategies used in his or her firm. Use the strategies to frame your questions.

1.14 Case Study :

Customer Complaints and Snowball Effects :

Complaint recognition and service recovery are important customer service issues for any type of firm regardless of whether it's a traditional goods manufacturer or a high-tech service operation. Failing to respond to customer complaints can become disastrous, E.g. Mitsubishi Motors. For decades, Mitsubishi employees have apparently been going to great lengths to hide consumer complaints. Letters have been hidden in boxes, in changing rooms, behind lockers and stashed in secret computer files. The primary reason for the cover up appears to be cultural. On August 22, 2000, the company's president stood before the world press, took a deep sigh and an even deeper bow of apology and confessed to the company's systematic and deliberate attempts to avoid the recall of more than 800000 of its defective vehicle. "We were ashamed of reporting recalls", said the company's president, katsuhiko Kawasoe.

The cost of the recall to the company is estimated to be in tens of millions; however, the damage to its reputation and brand name may be much worse. Daimler Chrysler Corporation, which recently agreed to

a 34% stake is Mitsubishi, is carefully watching how the company responds to its admission of guilt.

Analysts blame the problem on the company's corporate culture of arrogance. Others note that Japan's reputation for excellence is quickly eroding because of its political leadership and that the country is losing its confidence, strength and momentum. Several other Japanese companies have also recently experienced difficulties with the quality of their products, including Japan's Bridgestone corp. and its subsidiary Firestone, which produced defective tyres in the United States; Snow Brand milk, which poisoned more than 15000 of its customers; kirin Beverage Company, which recently recalled more than 600000 cans of tomato juice; and the Tokiamura nuclear reactor, at which careless accidents occurred.

1.15 Further Readings :

1. Adapted from Jochen Wirtz and Dorren Kom, "Designing service Guarantees—is full satisfaction the Best you can Guarantee ? Journal of Service Marketing 15, no 4 (2001) : 282–299.
2. Mark Magneir and John O'Dell Mitsubishi Admits to Complaint Cover-up, Coloradoan, August 23, 2000 oo. A1–A2.
3. S. Keaveney. "Customer switching Behaviour in Service Industries: An Exploratory Study", Journal of Marketing 59 (April 1995), pp 71–82
4. Valarie A Zeithaml, Mary Jo Bitner, Dwayne D. Gremler, Ajay Pandit, (2013), Services Marketing (Integrating Customer Focus Across the Firm), Tata McGraw Hill Education, 6th Edition
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: UNIT STRUCTURE :

- 2.0 Learning Objectives**
- 2.1 Introduction**
- 2.2 Service Design**
- 2.3 Challenges of Service Innovation and Design**
- 2.4 Important Consideration for Service Innovation**
- 2.5 Types of Service Innovation**
- 2.6 Stages in Service Innovation and Development**
- 2.7 Service Blue Printing : A Technique for Service Innovation and Design**
- 2.8 Building a Blueprint**
- 2.9 Let Us Sum Up**
- 2.10 Answer to Check Your Progress**
- 2.11 Glossary**
- 2.12 Assignment**
- 2.13 Activity**
- 2.14 Case Study**
- 2.15 Further Readings**

2.0 Learning Objective :

After studying this unit, you will able to understand :

- To understand the Service Innovation and Design
- To understand Service Blueprinting

2.1 Introduction :

We know that success of the service depends upon various factors like service characteristics that includes product meeting customer needs, product advantage over competing products, technological sophistication), Strategy characteristics includes dedicated human resource to support the initiative, dedicated research and development focused on the new product initiative, Process characteristic (market potential). Along with the service success, we have also seen that many services turns out to be failure because of many Causes include a lack of distinctive features, a lack of demand, unrealistic ambitions for the new product/service, and a bad fit. between the new service and others within the organization portfolio, poor location, insufficient financial backing, or failure to take the necessary time to develop and introduce the product. A good service

idea frequently fails due to problems in development, design, and specification. The challenges and opportunities for developing and delivering service products are becoming increasingly obvious as more companies across industries turn to services as a development strategy.

2.2 Service Design :

The process of designing and arranging people, infrastructure, communication, and material components of a service to increase its quality is known as service design and the interaction between service provider and user.

In other words, From the perspective of the client, Service Design aims to make service interfaces usable and appealing, and efficient and distinctive from the suppliers point of view—Birgit Mager, professor of service design, university of cologne, Germany.

A set of five principles has been identified as important to service design thinking, given the interdisciplinary and interactional character of service design and its focus on customer experiences.

User-Centered : Services should be experienced and designed through the customer's eyes

Co-Creative : All stakeholders should be included in the service design process

Sequencing : A service should be visualized as a sequence of interrelated actions

Evidencing : Intangible services should be visualized in terms of physical artifacts

Holistic : The entire environment of a service should be considered.

Service designers who adhere to these principles are engaged visualizing, formulating, and choreographing solutions that are not yet available. They watch and interpret needs and behaviours and transform them into potential future services. Designing, innovating and improving service experiences based on these principles has resulted in a number of new terms, techniques and methods being developed and applied, specifically for service innovations.

For Example : Consider the last time you went to the airport and took a flight. You may have checked in online and then brought your boarding pass with you to the airport. Then you may have used a kiosk to inquire about an upgrade and make arrangements to check your luggage. After that, you went through check-in and checked your ticket to see where you'd be seated. Consider how the flight attendants welcomed you, how your boarding was managed, and the scripts they read over to greet you before you eventually boarded the plane. The core of the service-design discipline is that design is all around you. The check-in process at an airline, the way you order at a restaurant, and the way doctors manage their patients are all examples of service design.

2.3 Challenges of Service Innovation and Design :

Because services are mostly intangible and process-oriented, they are difficult to describe and communicate.

When services are delivered or co-created with the customer—their complexity increases, and they become even more difficult to define and describe.

Services are delivered by employees to customers, they are variable. Rarely are two services alike or experienced in the same way.

Service Offerings typically cannot be touched, examined, or easily tried out, people have historically resorted to words in their efforts to describe them— there are a number of risks inherent in attempting to describe services in words alone. The risks are oversimplification, incompleteness, subjectivity and biased interpretation.

- **Oversimplification** : Words are simply inadequate to describe a complex service system
- **Incompleteness** : In describing the services people tend to omit the details or elements of the service with which they are not familiar with.
- **Subjectivity** : Any person describing a service in words will be influenced by personal experiences and the degree to which the service has been exposed.
- **Biased Interpretation** : No two people will define "Responsive, Quick or Flexible in exactly the same way.

When firms attempt to design complicated services never before experienced by customers or to update current services, all of these risks and challenges become extremely obvious in the innovation and service creation process.

Check Your Progress – 1 :

1. There are a number of risks inherent in attempting to describe services in words alone.
 - a. Biased Interpretation
 - b. Subjectivity
 - c. Incompleteness
 - d. All of them

2.4 Important Consideration for Service Innovation :

We know that services are intangible and it is process based which requires huge interaction between customers and employees at various level hence it is important to involve both customer and employee in the innovation process so that their input can be incorporated in the service design.

Involve both Customer and Employee : Because services are developed, consumed, and co-created in real time, and because they typically include interaction between and among employees and customers,

it is critical that both employees and customers engage in the development of new services. Employees are frequently the service, or at the very least perform or deliver the service, thus their input into deciding which new services to develop and how they should be developed and implemented may be extremely valuable. Customers are psychologically and physically close to contact employees, and research has shown that they can be very useful in identifying customer needs for innovative new services. Employee participation in service innovation and design enhanced the likelihood of new service success by allowing employees to identify organisational challenges that must be addressed in order to enable the delivery of the service to customers.

Customers should be involved in the new service development process since they frequently participate actively in service delivery and co-creation. Customers can help create the service idea and delivery process, in addition to providing input on their own needs, especially in circumstances when the client personally performs part of the service process.

Employ Service Design Thinking and Techniques : One of the difficulties in service innovation and design is that services are processes that occur over time and are experiential. The time necessary to deliver the service may be as little as a few minutes in certain circumstances, but in others, such as a university degree programme or a service outsourcing contract, the service experience may span hours, days, weeks, or even years. Services are frequently delivered in the form of a series of interconnected actions and activities involving a variety of people, processes, and material components.

2.5 Types of Service Innovation :

Following are the types of service innovations.

1. Service offering innovation
2. Innovating around customer roles.
3. Innovation through service solutions

1. Service Offering Innovations :

Not all services innovations are "new" to the same degree. New services run the gamut from major or radical introductions to minor style changes, described below.

- Major or radical innovations are new services for the market yet undefined.
- Start-up businesses consist of new services for a market already served by existing products that meet the same generic needs.

For Example :

- o Creation of health maintenance organisations to provide an alternative form of health care delivery.

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- o Online banking for financial transactions
- o Door to Door airport shuttle services that compete with traditional taxis and limousine services. Many new mobile phone applications fit in this category.
- o New services for currently served market—represent attempts to offer existing customer of the organization a service not previously available from the company(although it may be available from other companies)
 - Retailers adding a coffee bare or children play area
 - A health club offering nutrition classes.
 - Airlines offering phone and internet service during flights.
- o Service line extension represents augmentations of the existing service line

For Example : Restaurant adding new menu items

- An airline offering new routes
- A university adding new course or degree

Service improvement represent perhaps the most common type of service innovation changes in features of service already offered might involve faster execution of an existing service process.

For Example :

- Extended hours of services
- Augmentations such as added amenities in a hotel room (**For Example :** The addition of wireless internet connections)

Style change : Represents the most modest service innovations, although they are often highly visible and can have significant effects on customer perceptions, emotions, and attitude.

For Example :

- Changing the colour scheme of a restaurant
- Revising the logo for an organization
- Redesigning a website
- Painting aircraft a different colour all represent style change.

2. Innovating Around Customer Roles :

Innovation occurs when a service offering is altered or expanded in some way—either radically on one extreme or stylistically at the other extreme.

It is also possible that service innovation may come about when the customer usage or co—creations role is redefined. **For Example :** Assuming the customer plays the roles of user, buyer or payer in a service context new services can result when the previous role is redefined. Many radically innovations effectively redefine the customer role in these ways.

For Example : Netflix totally redefined the customer role of movie rentals. While customers used to visit their local Blockbuster store to rent one or more movies for predetermined period of time and pay for them on a per movie basis.

3. Innovation Through Service Solutions :

Many organization realize that customer are not looking for one stand-alone product or service but rather, innovative solutions to their problems. According to Lance Bettencourt, suggests that service innovation is the result of understanding customer problems and the jobs they are trying to get done, then developing solutions to help them reach those goals.

When companies begin to think in terms of solutions for customers, they start to spend more time with customers, listening to and observing their problems and identifying pain points that can be addressed through innovative solutions. In business to business contexts this often translates into companies moving away from their traditional product offerings into activities such as business process outsourcing, consulting around areas of expertise and managed service.

For Example : Xerox provides a document management service, whereby it can take over the management of all documents (digital+paper) within an organization to expand their service and solution expertise, many technology companies have partnered with or purchased service businesses.

For Example :

- IBM purchased price waterhouse coopers.
- Hewlett-Packard acquired Electronic Data System
- Dell acquired Perot System.

For customer. Examples are

- Pet Smarts's move into cradle-to-grave solutions for pets and their parents
- Kodak Gallary offers all kinds of service online to enhance customers sharing of memories through photography.

Check Your Progress – 2 :

1. Which is NOT the type of service innovations ?
 - a. Service Offering Innovation
 - b. Innovating around customer roles
 - c. Innovation through service solutions
 - d. Service Offering Encounters

2.6 Stages in Service Innovation and Development :

There are two sections

- (1) Front End Planning which determines what service concept will be developed.
- (2) Back End–implement the service concept.

The front end is called "fuzzy" because of its relative abstractness, which is even more apparent with tangible, complex and variable services than with manufactured products.

1. Front End Planning :

- (a) **Business Strategy Development and Review :** Reviewing the organization's mission and vision is the first step in developing new services. The new service strategy must be consistent with the organization's overall strategic objective and vision.
- (b) **New Service Strategy Development :** The type of additional services that are appropriate will be determined by the organization's goals, vision, capabilities, and expansion plans. The organisation will be in a better position to start creating particular ideas if it defines a new service innovation strategy (perhaps in terms of markets, types of services, development time horizon, profit criteria, or other relevant elements).

For Example : It may choose to concentrate its expansion efforts on new services at a specific point along the described continuum, from major innovations to style shifts, or it may define its new service strategy even more narrowly in terms of specific markets or market segments, or in terms of a specific profit generation goal.

New service strategy matrix for identifying growth opportunities

Offerings	Market	
	Current Customers	New Customers
Existing Service	Share building	Market Development
New Service	Service Development	Diversification

Source : Adapted from H. I. Ansoff, Corporate Strategy (New York : McGrew Hill, 1965)

For Example : KFC has grown by expanding its service outside of the United States, which is a sort of market development (existing service, new customers). The corporation has expanded into China and Africa as new markets.

- Another example of a diversification plan is Procter and Gamble's entry into services with Tide Dry Cleaners and Mr. Clean Car Washes (New Services, New Customers)

- (c) **Idea Generation :** Some of the most typical ways include Formal brainstorming, eliciting ideas from employees and customers,

conducting user research, and knowing about competitors' services. In order to tap into all conceivable sources of fresh ideas, some organisations are engaging with outsiders such as (competitors, vendors, alliance partners) or forming license agreements and joint ventures.

Observing customers and how they use the company's products and services can also lead to new product and service ideas. In circumstances where customers may not be able to understand or communicate their demands, observation is especially useful. Contact workers, who supply services and interact directly with customers, can be particularly good sources of alternative services and methods to improve present products in service businesses.

Regardless of whether new ideas emerge from within or outside the firm, a framework should be in place to ensure a constant flow of new service possibilities. A formal service innovation or service R&D department or function in charge of coming up with new ideas, employee and customer suggestion boxes, new service development teams that meet on a regular basis, surveys and focus groups with customers and employees, or formal competitive analysis to identify new services are all examples of this mechanism.

- (d) Service Concept Development and Evaluation :** When a concept emerges that is thought to be a good fit for both the business and new service plans, it is ready to be developed further. Because of the fundamental qualities of service, this stage of the business involves a lot of expectations.

It's tough to draw visuals and describe an intangible service in concrete words, especially when the service isn't standardised and may be co-created in real time with clients.

As a result, it's critical to establish an agreement at this point on exactly what the concept is and what client need it fulfills. When numerous parties are involved in refining the idea definition, it is frequently revealed that individual perspectives on the concepts differ.

Following a clear definition of the concept, it's vital to produce a service description that accurately portrays the service's distinctive traits, and then evaluate initial consumer and employee reactions to the concept. The service design document should identify the problem that the service solves, discuss the reasons for introducing new services, describe the service process and its benefits, and justify why the service should be purchased. Customers' and workers' involvement in the delivery process are also discussed. At this stage in the innovation process, it may also be beneficial to build a concept level blueprint. The service concept is then assessed by asking staff and customers if they comprehend the concept of the proposed service, if they approve of it, and if they believe it meets an unmet need.

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(e) **Business Analysis** : At this stage, demand analysis, revenue projections, cost studies, and operational feasibility are evaluated. This stage will contain preliminary assumptions about the costs of staff hire and training, delivery system enhancement, building changes, and any other predicted operations costs, because service concept creation is so directly tied to the organization's operational system. The results of the business analysis will be run through the organization's profitability and feasibility screen to see if the new service proposal meets the basic standards.

(2) **Implementation** :

(a) **Service Prototype Development and Testing** : Customers and contact employees, as well as functional representatives from marketing, operations, and human resources, should be involved at this stage of service development. During this phase, the concept is polished to the point where a detailed service blueprint depicting the customer experience and a service implementation plan may be created. On the basis of feedback from all parties concerned, the blueprint is expected to evolve across a number of iterations.

The final phase is for each area participating in the service delivery process to adapt the final blueprint and prototypes into detailed implementation plans for their part of the process. Because the activities of service development, design, and delivery, as well as co-creation, are so linked, all parties participating in any component of the new service must collaborate at this stage to define the new service's details. If not, seemingly insignificant operational elements can derail an otherwise promising new service concept.

(b) **Market Testing** : New service offerings are frequently entangled with existing service delivery systems, making it difficult to test new services in isolation. In other circumstances, because the organisation only has one point of delivery, it may not be possible to introduce the service to a remote market. For a limited time, the new service may be offered to company employees and their families to see how they react to changes in the marketing mix. It's also critical to conduct a pilot run of the service at this point in the development phase to ensure that all of the operational elements are working properly.

(c) **Commercialization** : The service goes live and is made available to the public. There are two main goals for this level.

(1) To gain and sustain widespread acceptance of the new service among a large number of service delivery personnel who will be responsible for service quality on a day-to-day basis. This task is made easier if service delivery personnel have been included as a major group in the design and development process from the beginning.

(2) To keep track of all aspects of the services during their introduction and throughout their life cycle. If the consumer requires six months

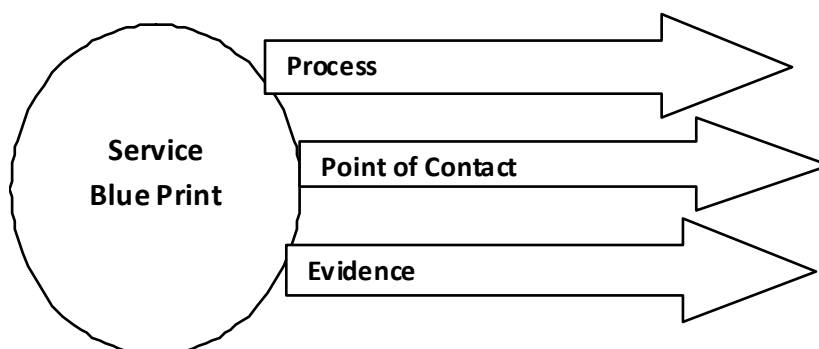
to fully appreciate the service, careful monitoring must be maintained for at least six months. Every aspect of the service should be scrutinized, including phone calls, in-person transactions, billing, complaints, and delivery issues. It's also a good idea to keep track of your operating efficiency and costs.

- (d) **Post Introduction Evaluation** : On the basis of actual market response to the offering, Information gathered during the service's commercialization can be analysed, and changes to the delivery process, staffing, or marketing mix variables can be made. There will never be a service that is the same twice. Change will always happen, whether it is planned or unforeseen. As a result, formalizing the review process in order to make adjustments that improve service quality from the customer's perspective is crucial.

2.7 Service Blue Printing : A Technique for Service Innovation and Design :

A service blueprint is a chart or map that objectively shows the customer experience and the service system so that all employees involved in providing the service, regardless of their job functions, can understand it. A service blueprint visually depicts the service by illustrating the service delivery process, customer interaction points, customer and employee responsibilities, and the visible parts of the service all at the same time.

It allows you to break down a service into its logical components and see the phases or tasks in the process, the methods by which the tasks are carried out, and the evidence of service as it is experienced by the client. The term "blueprint of service" refers to how a service process should be built, and it contains specifics such as what is visible to the client and where potential fail points exist in the process.



Check Your Progress – 3 :

1. Service Blueprint is NOT
 - a. Process
 - b. Point of Contact
 - c. Procedure
 - d. Evidence

❖ **Blue Components :**

The key components of the Blue Print are :

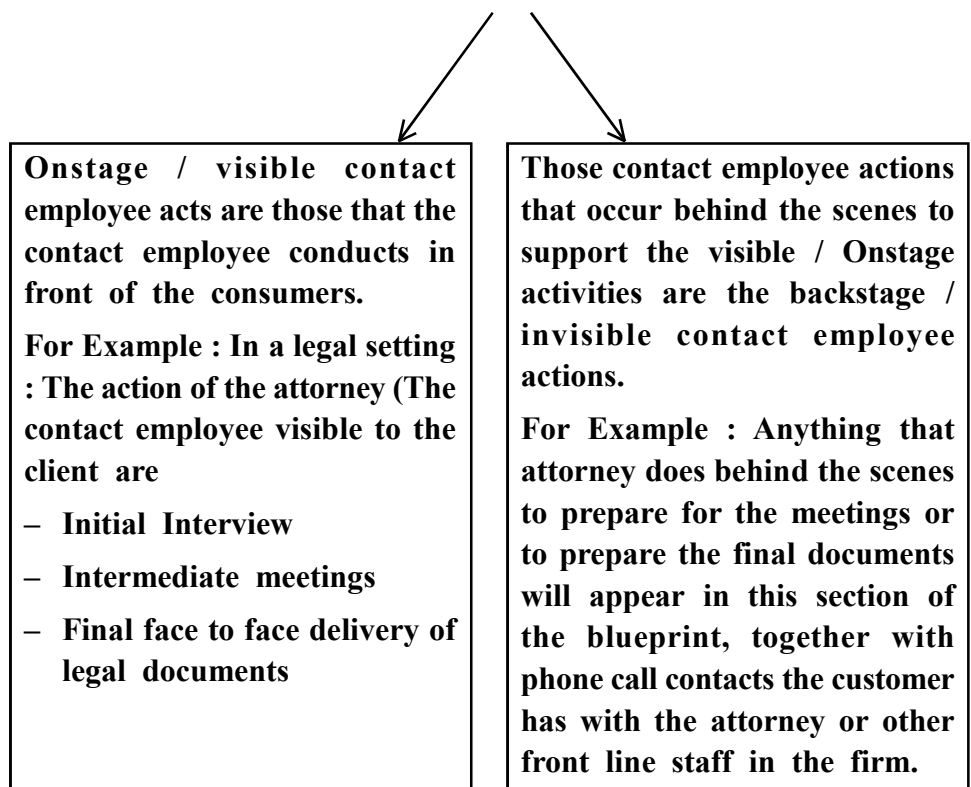
- (1) Customer Action
- (2) One Stage/Visible contact employee actions
- (3) Backstage/Invisible contact employee actions
- (4) Support Process

Blue Prints aren't set in stone. The symbol used and the amount of horizontal lines in the design vary depending on the intricacy of the blueprint being described. Variations aren't a problem as long as you remember Blueprint's objective and see it as a tool rather than a set of fixed rules for designing services.

(1) The customer action area : In the process of purchasing, experiencing, and reviewing a service, the consumer goes through a series of processes, decisions, activities, and interactions. This section of the plan clearly shows the whole customer experience.

For Example : In a legal service—Customer might include a decision to contact an attorney, phone calls to attorney, face to face meetings, and receipts of document and receipt of a bill.

Paralleling the customer actions are **two areas** of contact employee actions



– The support process covers the internal service, steps and interactions that take place to support the contact employees in delivering the services.

For Example : legal research by staff, Preparation of documents, Secretarial support to set up meetings.

- At the very top there is a **Physical Evidence** : Physical evidence of service is listed

For Example : Attorney office décor, Written documents, Lawyers clothing's etc.

- The four key action area are separated by **3** horizontal lines

- (1) Line of interaction
- (2) Line of visibility
- (3) Line of interaction.

(1) Line of interaction : It represents the customer's direct engagement with the organisation. A direct contact between the consumer and the company or a service encounter has happened when the vertical line crosses the horizontal lines of interaction.

(2) Line of visibility : Distinguishes between customer–visible and non–visible service tasks. This line also distinguishes between what the contact employee does onstage and what they do behind the scenes.

For Example : In a medical examination situation, the doctor would do the exam and answer the patient's questions above the line of visibility, or onstage, whereas she would read the patient's charts ahead of time and dictate notes after the exam, below the line of visibility, or backstage.

(3) Line of internal interaction : Separate staff activities involving customer contact from those involving other service support activities and persons. Internal service encounters are represented by a vertical line that cuts over the line of internal interactions.

The major focus on consumers and their experience with the service process distinguishes service blueprints from other process flow diagrams.

It is advised that while creating a good service blueprint, the diagramming begin with the customer experience and their input into the delivery system. Steps completed or experienced by the actors at that level are depicted in the boxes within each action area.

Check Your Progress – 4 :

1. The key components of the Blueprint are :
 - a. Customer Action
 - b. One Stage/Visible contact employee actions
 - c. Backstage/Invisible contact employee actions
 - d. All of them

2.8 Building a Blueprint :

The basic steps in building a blueprint.

Step 1 : Identify the process to be blueprinted

Step 2 : Identify the customer or customer segment

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Step 3 : Map the process from the customers point of view

Step 4 : Map contact employee actions and/or technology actions

Step 5 : Link contact activities to needed support functions

Step 6 : Add evidence of service at each customer action step

Step 1 : Determine the service procedure that will serve as a blueprint : Blueprints can be created at many levels, but the beginning point must be agreed upon.

Step 2 : Determine who the customer or customer segment is who is receiving the service : A typical justification for market segmentation is that each segment's needs are distinct, necessitating differences in service or product attributes. As a result, blueprints are most beneficial when created for a specific client or customer segment; however, if the service process differs between segments at a very abstract or conceptual level, it may be conceivable to merge customer segments on a single blueprint. Separate blueprints should be created if practically any degree of detail is reached to avoid confusion and maximise their utility.

Step 3 : From the customer's perspective, diagram the service process : Involves tracing a series of decisions and behaviours that identify the service from the customer's perspective. First, you'll be able to avoid focusing on processes and steps that have little bearing on customers. This phase compels agreement on who the client is, and it may include a lot of research and observation to figure out how the consumer actually uses the service. From the customer's perspective, the beginning and finish of the service are not always evident.

Step 4 : Contact employee and/or technology actions on a map : After drawing the boundaries of interaction and visibility, the process is mapped from the perspective of the customer contact person, distinguishing visible onstage actions from unseen backstage activities. This stage entails interrogating or monitoring frontline operation employees to discover what they do and which activities are carried out in full view of the customer versus which actions are carried out behind the scenes for existing services.

The required actions to technology interface are mapped above the line of visibility for technology delivered services or those that combine technology and human delivery. If no employees are involved in the service, the area can be renamed "onstage technology actions." If both human and technology interactions are involved, an additional horizontal line can be used to separate visible contact employee actions from visible technology actions. Reading and interpreting the service plan using the additional line facilities.

Step 5 : Connect contact activities to support functions that are required : The line of internal interactions may then be drawn, and connections between contact activities and internal support functions can

be found. The direct and indirect influence of internal activities on customers becomes obvious during this phase. When evaluated in the context of their relationship with the client, internal service procedures take on a new level of significance. Alternatively, if there is no apparent link between the client experience or a critical internal support service, certain steps in the process may be considered as redundant.

Step 6 : At each customer action stage, add evidence of service :

Finally, evidence of service can be included to the blueprint to show what the client sees and experiences as concrete proof of service at each stage of the process. At this step, a photographic blueprint of the process, including images, slides, or video, can be very valuable in examining the impact of tangible evidence and its coherence with the overall strategy and service positioning.

Check Your Progress – 5 :

1. Which is NOT the basic steps in building a blueprint ?
 - a. Identify the process to be blueprinted
 - b. Identify the market
 - c. Map the process from the customers point of view
 - d. Map contact employee actions and/or technology actions

2.9 Let Us Sum Up :

Customers' expectations must be properly matched to new service innovations and actual service process designs by service providers. However, because of the intangibility, variability, and co-creation features inherent in services, the design and development of service offers is complex and difficult. This unit outlines the Challenges of Service Innovation and Design, Various types of service innovation and its importance, stages in Service Innovation and Development. Service Design is to identify areas where businesses have customer service issues and how services can benefit both customers and businesses, and then create solutions that bring actual value.

Service Blueprinting is a useful technique for service innovation and design is also described in this unit. A blueprint can make a complex service concrete through its visual depiction of all the steps, actors, processes, and physical evidence of the service. The key feature of service blueprints is the focus on the customer—the customer's experience is documented first and is kept fully in view as the other features of the blueprint are develop.

2.10 Answer for Check Your Progress :

Check Your Progress – 1 :

1. d

Check Your Progress – 2 :

1. d

Check Your Progress – 3 :

1. c

Check Your Progress – 4 :

1. d

Check Your Progress – 5 :

1. b

2.11 Glossary :

1. **Service Design :** aim to ensure service interfaces are useable and desirable from the client point of view and efficient and distinctive from the suppliers point of view–Birgit Mager, professor of service design, university of cologne, Germany.
2. **Service Blue Printing :** A service blueprint is a graphic or map that depicts the customer experience and the service system objectively so that all of the employees involved in providing the service, regardless of their jobs, can understand it. A service blueprint visually depicts the service by illustrating the service delivery process, customer interaction points, customer and employee responsibilities, and the visible parts of the service all at the same time.

2.12 Assignment :

1. Describe various types of service Innovation.
2. What are the various stages of Innovation and Development ?

2.13 Activity :

1. Think of a new service you would like to develop if you were an entrepreneur. How would you go about it ? Describe what you would do and where you would get your information.

2.14 Case Study :

GenNext 'Smart Basics Hotel–Ginger Innovation in Hospitality

Roots Corporation, a subsidiary of Indian Hotels Company Ltd(IHCL),which operates Taj Hotel launched the Smart Basics budget hotel chain called Ginger Hotels in June,2004.Ginger Hotel is a GenNext category hotel signifying simplicity, convenience, informality, style, warmth, modernity and affordability. The concept was developed in association with renowned corporate strategy thinker, Dr. C.K. Prahalad, and the hotels have been indigenously designed and developed by IHCL.

To test market the concept, the first Smart Basics hotel was launched in Bangalore (now Bengaluru).After completing the test marketing and incorporating the changes in the hotel facilities and services, the concept was launched throughout India with a new name–Ginger Hotel–harmonizing with the fresh, simple–yet stylish and warm world of Smart Basics.

The Ginger Hotels are built around a unique concept that provides facilities to meet the key needs of today's traveller, at surprisingly affordable rates of around Rs.1000. They have created a new category in the domestic hospitality landscape, which giving a major fillip of Indian Tourism and other ancillary industries. The primary objective behind the launch of these hotels is to provide a superior product offering and consistent experience to travelers, beyond the present offerings in the industry.

Smart Basic is much more than catchy phrase. It is a philosophy of providing intelligent, thought-out innovation facilities and service at a value pricing. Smart Basics reflects the new sprint in which people live and work today. Essentially, Smart Basics signifies simplicity, convenience, informality, style, warmth, modernity and affordability. This implies simplicity and convenience in ease of doing business (awareness, booking channels, payment gateways); informality, style, warmth and modernity in its approach to product design, service philosophy and affordability in pricing.

The hotel rooms are air-conditioned and provided with electronic locks, comfortable beds, a work area, a 17-inch flat screen colour television with satellite channels, direct-dial telephone including STD facility, mini-fridge, tea or coffee maker, 24 hours hot and cold water and toiletries.

Other guest facilities at Ginger hotels include a restaurant, meeting room, gymnasium facilities, a cyber café, 24 hour reception, automatic check in kiosk, digital safe deposit boxes, 100 percent power back up, as well as Wi-Fi connectivity in the public areas and individual rooms.

2.15 Further Readings :

1. www.gingerhotels.com (accessed on January 14, 2013) Business Standard, May 29, 2007 Deccan Herald November 10, 2006
2. Valarie A. Zeithaml, Mary Jo Bitner, Dwayne D. Gremler, Ajay Pandit, (2013), Services Marketing (Integrating Customer Focus Across the Firm), Tata McGraw Hill Education, 6th Edition
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UNIT STRUCTURE :

- 3.0 Learning Objectives**
- 3.1 Introduction**
- 3.2 What is Customer defined Service Standards ?**
- 3.3 Difference between Standardization and Customization**
- 3.4 Factors for Proper Service Standard**
- 3.5 Type of Customer Defined Service Standard**
- 3.6 General Process for Setting Customer Defined Service Standard**
- 3.7 Let Us Sum Up**
- 3.8 Answer to Check Your Progress**
- 3.9 Glossary**
- 3.10 Assignment**
- 3.11 Activity**
- 3.12 Case Study**
- 3.13 Further Readings**

3.0 Learning Objectives :

After completion of this unit, you will understand :

- To understand, what are customer defined service standards
- To understand various types of service standards and its process

3.1 Introduction :

Understanding the customer's needs is the first step. Managers of service businesses must use this knowledge to develop service quality standards and goals for the organisation. Service organisations often struggle to define standards that meet or exceed consumer expectations, in part because marketing and operations teams must work together. In most service firms, marketing and operations work separately, creating and attaining their own internal goals, rather than working together to develop operations standards that best fulfill client expectations.

Most organisations do not create service standards that address customer expectations. This typically means changing the way work is done, which is engrained in many companies. Change often necessitates new technology. Change also involves synchronizing executives from all departments to comprehend the customer's perspective on service excellence. Almost always, change demands openness to new approaches of organizing, calibrating, and monitoring service delivery.

3.2 What is Customer defined Service Standards ?

A company's customer service standards are a collection of policies and expectations that it has developed and implemented. All points of contact between the business and the client are covered by the standards. They are, in a way, the expectations or norms for customer behaviour in any transaction, as well as how you want customers to feel about their interaction with your firm. Customers, after all, buy based on feelings rather than logic or reason. More than statistics and facts, exceptional customer service motivates future purchasing behaviour.

Customer service standards include more than just sales and after-sales help. At all important points of contact with the client, a comprehensive set of standards must cover the company's customer service policies and practises. Customer service is an important aspect of every company's operations. The value of customer service to the firm and its brand development activities is the same whether the company sells its products to individual consumers or to other enterprises.

3.3 Difference between Standardization and Customization :

Standardization	Customization
Standardization usually refers to a non-variable sequential process, similar to mass manufacturing of commodities, in which each step is laid out in sequence and all results are consistent.	Customization usually refers to some level of adaptation or tailoring of the process to the individual.
Standardization is to ensure that a service firm's service product is consistent from one transaction to the next.	The goal of customization for the service firm is to develop a service that meets each customer's individual needs.
Some managers believes that services cannot be standardized.	Some managers believe that customization is essential for providing high quality service.
Managers also feel that standardizing tasks is inconsistent with employee empowerment-that employees will feel controlled by the company if tasks are standardized.	

Check Your Progress – 1 :

1. The goal of _____ for the service firm is to develop a service that meets each customer's individual needs.
 - a. Customization
 - b. standardization
 - c. Customer Standards
 - d. None of them

3.4 Factors for Proper Service Standard :

1. Standardization of service behaviors and actions :

Standardization of service can take three forms :

- (a) Substitution of technology for personal contact and human efforts
- (b) Improvement in work methods
- (c) Combinations of these two methods

Example of Technology substitution includes

- o ATM
- o Automatic car washes
- o Airport X ray machines

Improvement in work methods is illustrated by :

- o home cleaning methods by maid service like (urban claps, The Maids)
- o Accounting services developed by firms

Workplace improvement and technology solutions make it easier to standardise services and provide consistent service to customers. Technology allows businesses to calibrate service standards such as the amount of time it takes to complete a transaction, the precision with which activities are conducted, and the number of problems that arise by breaking jobs down and providing them quickly. In generating work enhancements, businesses gain a thorough understanding of the service delivery process. Gap-2 is reduced through standardisation, whether achieved through technology or improvements in work procedures.

2. Formal Service Targets and Goals :

Companies that regularly provide high-quality service are known for establishing formal standards to assist their employees in providing service. These companies are aware of how well they are performing in terms of services that are important to their customers, such as how long transactions take, how frequently service fails, and how quickly they resolve customer complaints, and they strive to improve by setting goals that lead them to meet or exceed customer expectations.

One example of formal goal setting relevant to Specific target for Individual behaviour or action is

To employee : "Call the customer back quickly"—Very Vague Statement

Employee—may call after 10 Minutes/1 hours/3 days after.

On the other hand

To employee—call back customer within 4 hours than employee have a specific, unambiguous guideline about how quickly they should execute the action.

3. Customer–Not Company–Defined Standards :

The typical practice of voice activated telephone assistance systems that do not allow customers to speak to humans is an example of a company–defined norm that frequently fails to satisfy customer expectations. Many corporations have converted from the labor–intensive habit of employing client representatives to using this "automated" technique since it saves them money. To reduce the second gap, firms' standards must be focused on customer needs and expectations rather than internal company goals. Customer–defined standards must be established by the company, including operational standards based on key customer criteria stated by the customer. These standards were purposefully designed to align with consumer expectations and to be matched to the customer's perceptions and expressions. The rest of this chapter focuses on customer–defined standards because they are critical to providing outstanding service.

For Example : Customer expects waiting time should be reduced from 1 hour to 30 minutes. If it is done result will be impressive.

Check Your Progress – 2 :

1. Which are the factors for appropriate standards ?
 - a. Standarization of service behaviors and actions
 - b. Formal Service Targets and Goals
 - c. Customer–Not Company–Defined Standards
 - d. All of them

3.5 Type of Customer Defined Service Standard :

1. Hard Customer – Defined Standard :

Auditable items that can be tallied, tweaked, or monitored. Companies that have strict customer–defined criteria based on their needs and perspectives. Companies can implement a "get it right the first time" and an hour your promises value system by setting reliability standards to meet customer expectations for reliability. "Do it properly the first time" refers to completing a service correctly the first time, based on the customer's feedback.

One of the best examples of customer defined hard standards in the internet context is the set of summary metrics used by Dell Computer for fulfillment

- o **Ship to target (STT) :** the percentage of orders delivered on time with complete accuracy.
- o **Initial field incident rate (IFIR) :** the frequency of customer problems
- o **On time first time fix (OTFTF) :** the percentage of problems fixed on the first visit by a service representative arriving at the time period.

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Dell tracks its performance to these standards and rewards employees on the basis of its "Met promises" or reliability which is often greater than 98%

Hard Service responsiveness standards are established to ensure that enterprises provide products (within two working days), process complaints (by sundown each day), answer queries, answer the phone, and arrive for service calls in a timely manner. Companies must have well-staffed customer service divisions in addition to defining standards that stipulate response times. Customers' impressions of responsiveness deteriorate when they are unable to reach the company via phone, are placed on hold, or are routed to voicemail.

When it comes to providing service across cultures and continents, service providers must understand that customer-defined standards are frequently modified.

2. Soft Customer – Defined Standard :

Soft Standards and Metrics are subjective metrics that cannot be immediately observed. They can only be accessed by talking to a customer's staff or other third parties. Soft Standards give employees direction, guidance, and feedback in order to improve customer happiness, and they may be measured by measuring customer perceptions and beliefs. Soft standards are particularly significant in person-to-person interactions, such as the selling and delivering processes for professional services. Soft service standards, unlike hard service standards, are difficult to quantify; nonetheless, a firm's performance on these standards can be measured by surveys and other methods that record consumer views of how the firm is performing on the standards.

3. One Time Fixes :

One-time fixes are changes to technological policies or procedures that, once implemented, fulfill consumer needs. One-time fixes are defined as company standards that can be reached by a franchisee (outlet) making a one-time change that does not involve employees and so does not necessitate motivation or monitoring to assure compliance. When a company has many locations, these standards must be explicitly defined to ensure uniformity.

For Example : Hertz's rental car express check-in customers expressed a desire to serve in ways different from the past. Hertz customers had clearly indicated their frustration at waiting in long lines. Hertz used technology to create express checkout a one-time fix that also resulted in productivity improvements and cost reductions. The company also pioneered a similar one time fix for hotel express check-in, again in response to customers expressed desires.

Technology is frequently used to perform one-time fixes. Customer service can be simplified and improved using technology, especially when it frees up company workers by handling routines, repetitive duties, and

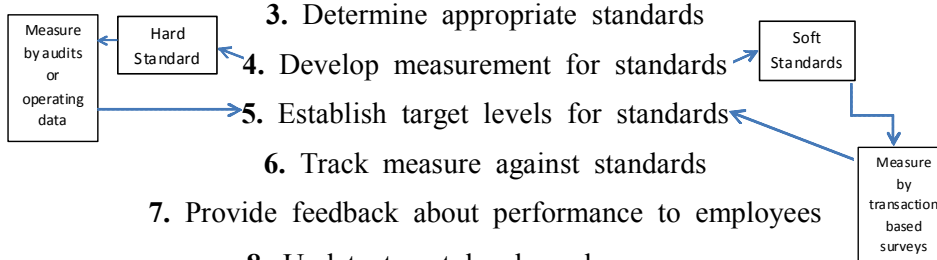
transactions. Employees who provide customer service can thus devote more time to the more personal and potentially more important aspects of their jobs. Some hospital emergency rooms have incorporated check-in kiosks in recent years to allow patients who are not experiencing a true emergency to enter personal information, decreasing the time spent waiting in lines to register and explain symptoms.

Check Your Progress – 3 :

1. Which is not the types of customer defined service standards ?
 - a. Hard Customer defined service standard
 - b. Soft Customer defined service standards
 - c. Two times fixes service standards
 - d. One time fixes

3.6 General Process for Setting Customer Defined Service Standard :

1. Identify existing or desired service encounter sequence
2. Translate customer expectation in behavior/actions
3. Determine appropriate standards
4. Develop measurement for standards
5. Establish target levels for standards
6. Track measure against standards
7. Provide feedback about performance to employees
8. Update target levels and measures.



1. Determine the sequence of service encounters that are currently in place or that are desired :

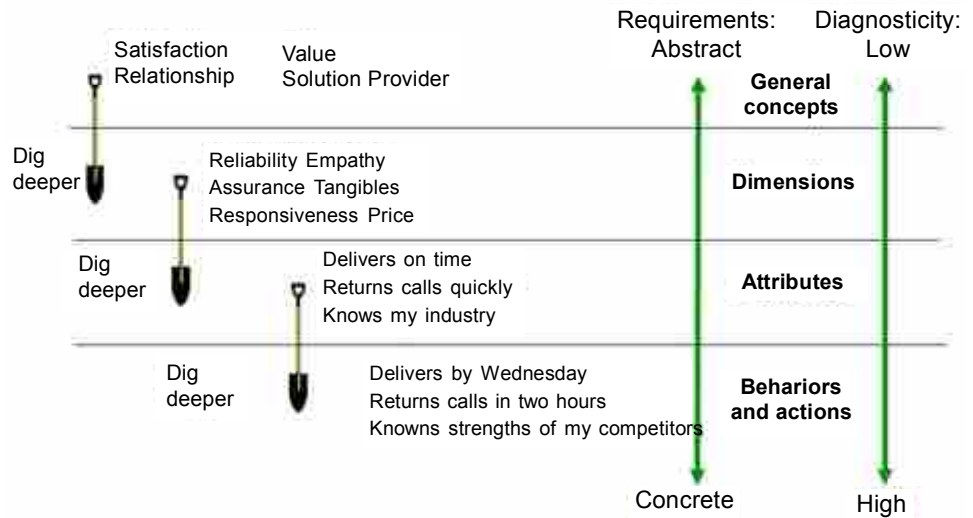
The component elements required to set service standards in an organisation are known as service encounters. Firms are concerned with the quality of service encounters when defining standards, therefore they want to know the precise requirements and objectives of the client for each service encounter. As a result, defining the service encounter sequence is the first step in developing customer-defined standards. List the sequential actions and activities that the customer goes through when receiving the service to identify the sequence. In an ideal world, the organisation would be open to learning about consumers' preferred service encounter sequences and investigating how they want to conduct business with them.

2. Convert customer expectations into particular activities and behavior :

Setting a broad standard, such as "increase corporate skills," is counterproductive since standards are difficult to understand, assess, and attain. When a company collects data, it frequently captures client needs in very general terms. In general, contact or field personnel believe that such data are too wide and vague to be diagnostic. Such research does not tell them explicitly what is wrong and right in their customer

connection, nor does it assist them in determining which activities can be removed in order to focus on the most critical tasks. In most cases, field personnel require assistance in translating data into particular actions in order to provide better customer care.

What Customers Expect: Getting to Actionable Steps



An objective source, such as a research firm or an internal department with no stake in the final decisions, should acquire and analyse data on behaviours and activities. If information is filtered by company managers or frontline employees who have an internal bias, the result is likely to be company-defined standards rather than customer-defined standards. In-depth customer interviews, focus group interviews, and other forms of research such as partnership are all important research methodologies for eliciting behaviours and activities.

Step 3 : Determine Appropriate Standards :

The next stage is to determine whether hard or soft criteria should be used to capture a specific behaviour or action. Hard standards are quantitative assessments of employee behaviour and actions, whereas soft standards are more abstract criteria or issues that are impossible to define and are usually significantly more subjective. One of the most common mistakes businesses make during this process is choosing a hard standard too quickly. Operational measurements are commonplace in businesses, and they often have a bias in favour of them. However, it is not customer defined until the hard standard sufficiently reflects the desired behaviour and action. The easiest technique to assess whether a hard standard is appropriate is to first construct a soft standard using trailer calls, and then analyse which operational element most closely connects to these soft measurements over time.

The following are the most important criteria for creation of appropriate service standards.

1. The standards are based on behaviours and actions that are very important to customers.
2. The standards cover performance that needs to improve on maintained.
3. The standards cover behavior and actions employee have control over and can improve
4. The standards are understood and accepted by employees
5. The standards are predictive rather than reactive based on current and future customer expectations rather than past complaints.
6. The Standard are challenging but realistic

Step 4 : Develop Measurement for Standards :

Companies must establish feedback measures that appropriately capture the standards after determining if hard or soft standards are suitable and which individual standards best capture consumer requirements. Hard measurements and soft measurements are the two sorts of measurements.

Hard measurement : Typically, mechanical counts or technology-enabled time or error measurements are used. These measurements are distinct from soft measurements in that they can be taken continually and operationally without involving the consumer.

Actual measurements of hard standards of the FedEx express SQI

Missing Packages : the number of packages that do not have a final disposition determined for two consecutive business days.

Damaged Packages : the number of claims for cost of contents for packages with visible or concealed damage

Wrong day or late deliveries : the number of packages delivered after the commitment date.

In these and other hard measurements, assessment involves a count of the number and type of actions or behavior that are correct or incorrect. Somewhere in the operations system these actions and behavior are tabulated, frequently through information technology.

Other gauges of hard standard includes

- (1) **Service guarantee lapses :** (the number of times a service guarantee is invoked because the service did not meet the promise)
- (2) **Amount of time :** (as in the number of hours or days to respond to a question or complaint or minutes waited in lines)
- (3) **Frequencies associated with relevant standards :** (such as the number of visits made to customers or the numbers of abandoned telephone inquiries)

The right hard measure to meet consumer needs isn't always intuitive or evident, and there's always the risk of counting or measuring something that doesn't matter. As a result, it's common to combine operational

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performance indicators with soft measures (gathered through surveys or trailer calls) to ensure that they're closely associated.

Soft measurements are based on customer perceptions that are difficult to observe directly.

Customers' perceptions on whether performance has fulfilled the stated requirements can be documented using two research methods: relationship surveys and trailer calls. Surveys of relationships and phone calls to trailers Connection and SERQUAL surveys include all aspects of a customer's relationship with the company, are usually described in characteristics, and are conducted once a year. Trailer calls are associated with specific service interactions and are given as near to the time of the service encounter as possible. Annual relationship surveys can document customer perceptions on a regular basis for requirements that are longer term and at a higher degree of abstraction (such as at the attribute levels). When a consumer has a service encounter of the type being contemplated, a trailers call can be administered continually to provide data on a continuous manner.

Step 5 : Establish Target levels for the standards : Standard target levels are established by businesses. The company would be unable to quantify if the criteria are being met without this step. The company might also inquire about each customer's pleasure.

The company might also inquire about each customer's satisfaction with the service provided in resolving the issue. The information from each complaint may then be plotted to see how well the company is functioning and where it wants to be in the future. A simple perception–action correlation research was carried out. Companies can link levels of client satisfaction to actual completion of a behaviour or activity when the service consists of a recurring process.

Customers were intercepted by a flight attendant as they approached the ticket desk in one airline's experiment. The attendant stamped the customer's entry time on a ticket (using a machine similar to those found in parking lots) and handed the stamped ticket to the customer. The flight attendant restamps the ticket with the exit time when the customer exits the line at the end of the transaction and asks the consumer three or four questions about the stay in line and satisfaction with the transaction. By combining the individual customer data, the organisation was able to create a graph that allowed them to assess the influence of varying levels of line delays on consumer perceptions.

Check Your Progress – 4 :

1. The component elements required to set service standards in an organisation are known as _____.
 - a. service encounters
 - b. Servicescape
 - c. service standards
 - d. Service quality

2. Identify most important criteria for creation of appropriate service standards ?
 - (a) It should be based on behaviour and actions that are very important to customers
 - (b) The standard covers performance that needs to improve or maintained
 - (c) The standard are challenging but realistic
 - (d) All of them

3.7 Let Us Sum Up :

In this unit, we have outlined the customer defined standards and make students aware about the basic difference between standardization and customization, appropriate factors for service standards, we have described two types of services standards hard and soft standards which is followed by general process for setting customer defined service standard.

3.8 Answer to Check Your Progress :

Check Your Progress – 1 :

1. a

Check Your Progress – 2 :

1. d

Check Your Progress – 3 :

1. c

Check Your Progress – 4 :

1. a 2. d

3.9 Glossary :

1. **Standardization** : generally refers to a non-variable sequential process, akin to mass production of commodities, in which each step is put out in sequence and all outcomes are consistent.
2. **Customization** : usually refers to some level of adaptation or tailoring of the process to the individual

3.10 Assignment :

1. Distinguish between company defined and customer defined service standards
2. Explain the process of developing customer defined standards

3.11 Activity :

From your area select a local service firm. Visit the firm and ascertain the service measurements that the company tracks. What hard measures does it monitor ? Soft measures ? On the basis of what you find, develop a service performance index.

3.12 Case Study :

Blue Dart: Customer Defined service standards

Blue Dart Competencies

Blue Dart is South Asia's leading integrated air express carrier and premium logistics–services provider with extensive domestic network covering over 33734 locations. It services more than 220 countries and territories worldwide jointly with its group company DHL.

Blue Dart is linked by one of the most advanced communication systems and is positioned to offer a consistent, premium, standardized quality of service. A dedicated aviation system supports Blue Dart's services with its own bonded warehouse, ground handling and maintenance capability.

Blue Dart offers a spectrum of services including customized solutions. They relentlessly monitor their services to deliver a net service level of 99.96 percent.

Committed, diverse and over 8,038 strong team with winning attitude delivers world class services to their customers.

Delivering customer defined service standards

A major multinational bank was involved in a large scale merger, the first of its kind in India. It was necessary to transfer the complete loan base to the new owner, with the customers' consent .The bank required a receipt of every customer's authorization in order to fulfill legal requirements, and a very short time frame in which to complete the activity. It had a large database and required absolute precision.

Blue Dart offered its expertise in database management and provided Domestic Priority service to track each document, ensuring it was delivered to the customer and return to the bank within the required time frame. The entire exercise was planned and executed meticulously. Since then the new owner has continued the relationship with Blue Dart, using its services for all their distribution needs.

3.13 Further Readings :

1. www.bluedart.com (accessed on January, 14, 2013)
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PHYSICAL EVIDENCE AND SERVICESCAPE

: UNIT STRUCTURE :

- 4.0 Learning objective
- 4.1 Introduction
- 4.2 What is Physical Evidence ?
- 4.3 Types of Servicescape
- 4.4 Strategic Role of Servicescape
- 4.5 Framework of understanding Servicescape Effect on Behavior
- 4.6 Guidelines for Physical Evidence Strategy
- 4.7 Let Us Sum Up
- 4.8 Answer to Check Your Progress
- 4.9 Glossary
- 4.10 Assignment
- 4.11 Activity
- 4.12 Case Study
- 4.13 Further Readings

4.0 Learning Objective :

After completion of this unit, you will understand :

- To understand servicescape and its types
 - To understand the framework of servicescape effect on behavior
-

4.1 Introduction :

Physical evidence includes anything tangible, such as physical facilities, brochures, business cards, and staff. Throughout the service contact, physical evidence has an impact on the customer's experience. Consider the case of a customer attempting to assess the services of a well-known Ahmedabad restaurant, such as the Choice Tiffin Room (CTR). Even before entering the restaurant, the customer finds it difficult to find a parking spot. When the customer enters the restaurant, he or she notices a person standing there taking down his or her name and the number of individuals in his or her party since seats are not available.

The customer is then seated on a bench. It can take anything from 30 minutes to an hour for the consumer's turn to arrive. When the customer enters, he or she discovers that the menu is limited. The consumer places the identical order and enjoys the flavour of the food. He also has the opportunity to walk into the restaurant's kitchen, which is maintained immaculately clean. Despite all of the setbacks, the project

was successful in the end. "Well, it was worth the effort," the customer may conclude.

4.2 What is Physical Evidence ?

Physical evidence, particularly in the servicescape, plays a critical role and has a significant impact on the client experience. Customer happiness, as well as their emotional connections with the organisation that delivers the experience, will be influenced by physical evidence of the service.

For Example :

- Experience in Bus and Metro
- Destination wedding experience
- Week long travel adventure
- Operation Theatre in Hospital

4.3 Types of Servicescape :

1. Servicescape Usage
2. Servicescape Complexity

1. **Servicescape Usage :** There are three types of Service Organizations based on variations in form and use of the servicescape.

1. **Self Service Environment :** Customers execute the majority of the actions in this type of workplace, with few, if any, employees involved. For Example: ATMs, Movie Theaters, Check-in Kiosks at airports, self-service entertainment such as golf and theme parks and online services. In these predominantly self-service environments, the company can design the servicescape to focus solely on marketing objectives such as attracting the proper market segment, making the facility appealing and easy to use, and providing the desired customer service experience.

2. **Remote Service :** Customers have little or no interaction with the servicescape when using remote service. Services such as telecommunications, utilities, financial consulting, editing, and mail order are examples of services that can be supplied without the customer ever seeing the service site. Because customers will never see or visit the servicescape, the facility can be structured to keep personnel engaged and to support productivity, teamwork, operational efficiency, or whatever organisational behaviour goal is required in remote services.

3. **Interpersonal Service :** In the servicescape, both the customer and the employee are present. Hotels, restaurants, and other such establishments are examples. Customers and employees' actions must be concurrently attracted, satisfied, and facilitated by the servicescape.

2. **Servicescape complexity :**

1. Service environments are straightforward, with few elements, limited space, and limited equipment. Lean environments are what they're called. Shopping centre information kiosks, for example, are considered lean environments since they offer services from a single, simple structure. Design options for lean servicescape are very simple, especially in self-service or remote service situations when personnel and customer do not engage.
2. Other servicescapes are quite complex, with several aspects and shapes. Extensive habitats are what they're called. For instance, a hospital with multiple levels and rooms, sophisticated equipment, and a wide range of functions done within the physical structure is a good example.

Check Your Progress – 1 :

1. _____ are the types of Servicescape.
 - a. Servicescape Usage
 - b. Servicescape Complexity
 - c. None of them
 - d. Both of them
2. Customers have little or no interaction with the servicescape when using _____ service.
 - a. Remote Service
 - b. Interpersonal
 - c. Self Service
 - d. None of them

4.4 Strategic Role of Servicescape :

Servicescape is frequently one of the most important elements used in positioning a service organization.

Package : When it comes to physical proof, packaging is crucial. It is essential not only for practical reasons, but also to add value to the service and to project a positive image. A positive image might lower the perceived risk of making a transaction. The package is made up of the firm's appearance, interior features, and other tangibles. Physical facilities give customers their initial impression of the quality and type of service provided, as well as setting expectations.

For Example : Smart Companies like Apple Stores, Starbucks, Fed Ex and Marriott spend a lot of time and money relating their servicescape design to their brand, providing their customer with strong visual metaphors and "service packaging" that convey the brand positioning.

Facilitator : Servicescape can also help people perform better in their environments by acting as a facilitator. The design of the environment can help or hinder the effective flow of activities in the service setting, making it easier or more difficult for customers and staff to achieve their objectives. A well-designed, functional building may make service enjoyable for customers and enjoyable for personnel to provide. Poor

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and inefficient design, on the other hand, may frustrate both customers and employees.

For Example : An international air traveller who arrives at a badly constructed airport with few signage, poor ventilation, and few places to sit or eat will be dissatisfied, and the employees who work there will most likely be unmotivated. The same foreign traveller will enjoy aeroplane seats that allow him or her to work and sleep comfortably. The seating, which is an element of the physical environment of the service, has been improved over time to better accommodate airline passengers' sleeping demands.

Socializer : In the sense that it helps transmit anticipated roles, behaviours, and relationships, Servicescape aids in the socialisation of both staff and customers. For example, a new employee at a professional services firm might learn about her place in the hierarchy by noticing her office assignment, the quality of her office furniture, and her location in relation to others.

Customers can be told what their position is in relation to employees, what portions of the servicescape they are welcome in and which are solely for employees, how they should behave while in the environment, and what types of interactions are encouraged by the facility's design. For example, many Starbucks stores have moved to a more classic coffeehouse environment, where customers spend social time rather than stopping in for a quick cup of coffee on the go. To encourage customers to converse and stay longer, some Starbucks shops feature comfortable lounge seats, tables, and WI-FI set up to encourage them to do so. The goal is to become the customers' "third location," a place where they consider spending time when they are not at work or at home.

Differentiator : Differentiating the service from other service providers might be as simple as managing physical evidence effectively. To give an example, airlines are now exploring increasing the amount of legroom given to customers on long-haul flights. Airlines assume that well-designed facilities would be perceived differently by customers, giving the company's service a competitive advantage over badly built alternatives.

Upgrades to a company's facilities can improve the company's image in the eyes of customers and help it attract new market segments.

Check Your Progress – 2 :

1. Various Strategic Role of the Servicescape are _____.
a. Packages b. Facilitator c. Socializer d. All of them
2. All good behaviour aimed at a specific location, such as a desire to stay, explore, work, or affiliate is considered as _____.
a. Approach Behaviour b. Avoidance Behaviour
c. Complex Behaviour d. Arrogant Behaviour

4.5 Framework of understanding Servicescape Effect on Behavior :

The multidimensional environment is the stimulus in the framework, customers and employees are the organisms that respond to stimuli, and environmental behaviour is the response. The premise is that servicescape dimensions will have an impact on consumers and employees, and that they will behave and respond differently depending on their internal reactions to the servicescape.

For Example : Outside your university, there is a "PaniPuri" cart. The cart's design is bright and whimsical, and the aroma of "Panipuri" wafts from it. The servicescape's design and fragrance are two elements that will have an impact on clients in some way. Assume you're a hungry student who just finished a coaching class and has another class in 30 minutes. The cart's colourful design draws your attention, and you can smell "Panipuri" at the same time. The bright colours and delicious aroma make you feel cheerful, calm, and hungry all at the same time. Because you have another class to attend before lunch, you are drawn to the carts and opt to purchase "Panipuri." Behaviors directed at the servicescape include moving towards the cart and purchasing a "Panipuri." You may choose to speak with the vendor or other customers standing and chewing "Panipuris" or engage in other sorts of activity geared at the servicescape, depending on how much time you have.

Stimulus : Multiple types of internal responses (cognitive, emotional, and physiological) and a variety of individual and social behaviour that can result from an organism's response model that recognises complex dimensions of the environment, impacts on multiple parties (customers, employees, and their interactions), and multiple types of internal responses (cognitive, emotional, and physiological).

A. Behaviour : Human Behaviour is influenced by the physical setting in which it occurs is essentially a truism.

Individual Behaviour :

Individuals respond to places in one of two ways : **Approach or Avoidance.**

- **Approach Behaviour :** All good behaviour aimed at a specific location, such as a desire to stay, explore, work, or affiliate, is considered approach behaviour.
- **Avoidance Behaviour :** Avoidance Behaviour reflect the opposite – a desire not to stay, to explore, to work or to affiliate.

Consumers and employees' levels of success in carrying out their goals once inside can be influenced by Servicescape. Each person comes to a specific service organisation with a goal or objective in mind, which may or may not be supported or hindered by the environment. The servicescape has an impact on employees' capacity to conduct their jobs effectively. Ample space, sufficient equipment, and a decent temperature and air quality all contribute to an employee's comfort and job satisfaction,

leading him or her to be more productive, remain longer, and form excellent client relationships.

❖ **Social Interaction :**

In interpersonal services, the servicescape has the greatest direct impact on the nature and quality of customer and employee contact. "All social connection is affected by the physical container in which it occurs," it has been said. In terms of time and actual event progression, the physical container might influence the nature of social interaction. In various service settings, a company may want to ensure a specific sequence of events (called "standard scripts") and limit the service's duration. Physical proximity, seating arrangements, size, and flexibility can all influence the possibilities and limits of social episodes involving customers and personnel, as well as consumers and other customers.

B. Internal Responses to the Servicescape :

People's perceptions of the servicescape do not immediately influence their behaviour. Although the internal responses are treated separately here, they are clearly interdependent: a person's views about a place, or their cognitive response, can impact their emotional response, and vice versa. Patients who enter a dentist's office with the intention of calming and soothing their anxieties (emotional response) may assume that the dentist is caring and competent as a result (Cognitive response).

❖ **Environment and Cognition :**

The perceived servicescape can have an effect on peoples belief about a place and their beliefs about the people and product found in that place. In a sense, the servicescape can be viewed as a form of nonverbal communication, imparting meaning through what is called "object language".

For Example : Particular environmental cues such as the type of office furniture and décor and the apparel worn by the lawyer may influence potential clients beliefs about whether the lawyer is successful, expensive and trustworthy.

For Example : Travel agents office décor affected customer attributions and beliefs about the travel agents behaviour. Travel agents whose facilities were more organized and professional were viewed more positively and professional were viewed more positively than were those whose facilities were more organized and professional were viewed more positively than were those whose facilities were disorganized and unprofessional.

Environment and Emotion : Emotional responses to the servicescape can be elicited directly, which can impact behaviour. Simply being in one location can make one feel cheerful, lighthearted, and relaxed, but being in another location can make one feel sad, depressed, and dismal. Colors, décor, music, and other aspects of the environment can have unexplained and sometimes unconscious effects on the moods of those

who enter the space. Certain environmental stimuli (noises, scents) found in a dental office might trigger feelings of fear and anxiety in certain people.

Emotions can be captured in two basic dimensions in every setting, whether natural or manufactured.

(1) Arousal level and (2) Pleasure/Displeasure (amount of Stimulation or excitement)

Exciting servicescapes are those that are both nice and stimulating, whilst relaxing servicescapes are those that are pleasant but not arousing or sleepy. Distressing servicescapes are unpleasant and arousing, whereas grommy servicescapes are unpleasant and sleepy. These basic emotional reactions would be depressing. These basic emotional responses to settings can be utilised to forecast the expected behaviours of customers and employees who find themselves in a specific setting.

Environment and Physiology : People's perceptions of the servicescape may have essentially physiological effects. Noise that is overly loud can create physical discomfort, while a room's temperature can make individuals shiver or sweat, the air quality can make it difficult to breathe, and lighting glare can impair vision and induce physical pain. All of these physical responses may have an impact on whether or not people stay in and like a certain place. It is commonly recognised that the comfort of a restaurant's seating has an impact on how long people remain. Hard seats in fast food restaurants have historically caused most customers to leave after a certain amount of time, whereas soft, warm chairs in select Starbucks coffee shops had the reverse effect, encouraging customers to stay. Employees' ability to perform their work functions is also influenced by environmental design and corresponding physiological responses.

❖ **Variations in Individual Responses :**

People, in general, respond to the environment in the manner just described—cognitively, emotionally, and physiologically—and their responses determine how they behave in it. The response, on the other hand, will not be the same for every person, every time. Variations in how people respond to the servicescape can be caused by personality differences as well as transient variables such as moods or the reason for being there. Arousal seeking is a personality trait that has been demonstrated to influence how people respond to their surroundings. Arousal seekers like high levels of stimulation and seek them out, whereas arousal avoiders prefer lower levels of stimulus.

For example, an arousal avoider could despise the environment in a noisy, bright dance club with flashing lights, whereas an arousal seeker would be overjoyed.

Some people are better at detecting stimuli in the environment than others. Stimulus screeners would be able to experience high levels of stimulation while still being influenced by it. Non—screeners would be

severely affected, and even moderate amounts of stimulation could cause dramatic reactions.

For example, a passenger on a 1-hour journey will be less impacted by the plane's atmosphere than a passenger on a 14-hour flight from Los Angeles to Shanghai.

For example, a Day Surgery patient will be less sensitive to and demanding of the hospital environment than a patient who will be in the hospital for two weeks.

A individual staying at a resort hotel for a business meeting, For example, will react to the setting differently from a couple on their honeymoon.

People's responses to external cues can also be affected by temporary emotional changes. After a hard day at work, a person who is frustrated and tired is likely to react differently to a highly arousing restaurant than someone who has just returned from a peaceful three-day weekend.

❖ **Environmental Dimensions of the Servicescape :**

Environmental factors have an impact on responses and behaviour. The environmental dimensions of the physical environment can include all objective physical factors that businesses can alter to improve employee and consumer behaviour. Lighting, colour, signage, texture, material quality, type of furnishings, arrangement, wall décor, temperature, and so on are all possibilities.

We've gone over each of the three dimensions independently. Environmental psychology explains how people react to their surroundings as a whole. Individuals detect discrete stimuli such as noise level, colour, and décor, among other things. Their reactions to a place are determined by the whole configuration of stimuli.

❖ **Ambient Conditions :**

The term "ambient circumstances" refers to aspects of the environment that affect your five senses. Even if they go unnoticed, they can have an impact on a person's mental well-being, perceptions, and even attitude and behaviour. They are made up of hundreds of design components and features that must all work together to produce the desired atmosphere. The ensuing atmosphere produces a mood that the customer perceives and interprets. Music, sound and noise, aromas and smells, colour schemes and lighting, and temperature and air movement are all examples of ambient conditions that are perceived singly as well as holistically. These settings can be cleverly designed to elicit desirable behavioural responses from customers.

Music : Even if played at barely audible volumes, music can have a significant impact on perceptions and behaviours in service environments. The impact of various structural characteristics of music, such as tempo, volume, and harmony, on internal and behavioural responses is moderated by respondent characteristics (e.g., younger people tend to like different

music and thus respond differently to the same piece of music than older people).

Numerous studies have demonstrated that listening to fast-paced, high-volume music increases arousal levels, which can lead to customers speeding up their behaviour. People tend to adapt their pace to fit the tempo of music, either intentionally or automatically. This means that a restaurant can boost table turnover by increasing the tempo and loudness of the music and serve more diners during the busy lunch hour, or slow down diners with slow beat music and softer volume to keep nighttime customers in the restaurant longer and enhance beverage earnings. Customers who dined in a slow-music setting spent more time in the restaurant than those who dined in a fast-music environment, according to an 8-week restaurant research. As a result, when slow-beat music was played, beverage sales climbed significantly. Similarly, when slow music is playing, shoppers stroll slower and make more impulse purchases. Playing familiar music in a store can agitate customers and minimise their browsing time, but playing unexpected but pleasant music can encourage customers to spend longer time in the store. In situations when customers must wait for service, effective music utilisation can reduce the perceived wait time and improve customer happiness. In a hospital operation waiting room, relaxing music was found to be useful in reducing stress levels. Customers' impressions of service employees have been demonstrated to improve when pleasant music is played.

Scent : The third significant environmental dimension is scent. Customers may or may not be aware of the scent or smell that pervades a space, and it is unrelated to any specific product. Scent has a significant impact on mood, feelings, and appraisals, as well as buys intentions and in-store behaviour. When we're hungry, we notice the power of smell and catch a whiff of freshly baked cookies long before we pass a bakery. This odour alerts us to our hunger and leads us to the answer (i.e., walk into the bakery and get some food). It is widely established in aromatherapy that fragrances have unique properties and can be used to elicit specific emotional, physiological, and behavioural responses. For example, when people tried on Nike sneakers in a floral-scented environment, they were more ready to buy them and pay more for them—an average of 500 Rs. more each pair. When the aroma was so faint that people couldn't detect it, the same impact was observed, indicating that the scent was perceived unconsciously. Despite abundant evidence of the potentially tremendous influence smell can have on customer experiences and behavior, it should be used with prudence. The ambient aroma must be appropriate for the service environment and target audience. Furthermore, simple scents appear to be preferable to complicated scents. Managers must carefully match their odours to their surroundings, and simpler aromas should be preferred over more complicated scents. In this situation, doing field tests, tracking sales, and observing shopper behaviour and impressions would be a fantastic method to improve the ambient smell in any given servicescape.

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Color : This is employed in interiors, stationery, glow signs, buildings, and other servicescapes. Their corporate colours are used in their logo as well as other business communication materials. Color communicates the firm's opinion in a unique and subtle way; for example, IBM is known as "Big Blue," after the colour of its renowned logo.

❖ **Spatial layout and functionality :**

The floor plan, size and shape of furnishings, counters, and prospective machinery and equipment, as well as the methods in which they are arranged, are all examples of spatial layout. Functionality refers to the ability of such goods to support the performance of service transactions. Both dimensions have an impact on the facility's user–friendliness and ability to provide excellent customer service. Tables that are too close together in a cafe, counters that lack privacy in a bank, uncomfortable chairs in a lecture theatre, and a lack of parking space can all leave a negative impression on customers, affecting their service experience and purchasing behaviour, and thus the service facility's business performance.

❖ **Sign, Symbols and Artifacts :**

Signage : Signs are a kind of ongoing communication. There is continuous communication and a compelling reminder to the constituents about the presence of the service organisation, whether in the form of glow signs, posters, or luminous hoardings. The firm's name, logo, mascot, corporate colour, and phrases will be displayed on signs. Neon signs continue to communicate through their glow, brightness, and movement, catching people's attention.

Many things in the service environment serve as explicit or implicit signals to express a company's image, assist customers in finding their way (for example, to certain service counters, departments, or the exit), and convey the service script (e.g. for a queuing system). First–time clients, in particular, will try to deduce meaning from their surroundings in order to help them through the service process.

Signs are an example of explicit signals. They can be used (1) as labels (e.g., to identify the name of a department or counter), and (2) to give directions (e.g. to certain service encounter, entrances, exits, way to lifts and toilets) (3) for transmitting the service script (e.g., take a queue number and wait for it to be called, or clean your tray after your meal) and (4) for behavioural rule reminders (e.g. turn your mobile devices to silent mode during a performance). Unambiguous and plain signage, such as floor markings, minimizes stress and improves customer satisfaction, especially in large, complicated, and unfamiliar service locations.

The goal for servicescape designers is to employ signs, symbols, and artefacts to clearly lead clients through the service delivery process and teach the service script in the most intuitive way possible. This role is especially important in scenarios with a high proportion of new or infrequent clients (e.g., an airport or a hospital) and/or a high degree of self–service with no or few service workers accessible to help consumers

through the process (e.g., an airport or a hospital) (e.g., a self-service bank branch)

When customers are unable to deduce clear messages from servicescape, they become bewildered, causing anxiety and ambiguity about how to proceed and obtain the required service. Customers might easily become frustrated and angry when they are lost in a complex atmosphere.

4.6 Guidelines for Physical Evidence Strategy :

- (1) **Recognize physical evidence's strategic importance :** A good physical evidence plan must be linked to the organization's overall objectives and vision. As a result, planners must first determine what their objectives are before evaluating how the physical evidence technique might assist them in achieving them. At the absolute least, the core service concept must be defined, as well as the target market (both internal and external) and the company's long-term purpose. Many evidence decisions, particularly servicescape decisions, must be properly planned and executed because they are permanent and costly.
- (2) **Blueprint the physical evidence of service :** The service process and current physical evidence parts should be visible to everyone in the organisation. The service blueprint is a useful technique to display service proof. Although service blueprints serve a variety of functions, they are especially valuable for visually documenting physical evidence opportunities. Opportunities for people, processes, and physical evidence The blueprint depicts people, processes, and physical evidence. The acts involved in service delivery, as well as the process's complexity, points of human interaction that provide evidentiary chances, and tangible representations present at each stage, are all apparent. Photographs or videos of the process can be added to the blueprint to create a photographic blueprint that provides a clear picture of tangible evidence from the customer's perspective.
- (3) **Clarify Strategic role of the servicescape :** The Day Care Center would be located in the "elaborate, interpersonal" cell of the table, and it would quickly become apparent that its servicescape decisions would be relatively complex, and that the servicescape strategy would have to consider both the needs of the children and the needs of the service providers, potentially affecting marketing, organisational behaviour, and consumer satisfaction goals. In some cases, such as in telecommunications or utilities, the servicescape plays no role in service delivery or marketing from the customer's perspective. Clarifying the servicescape's position in a given situation will aid in finding opportunities and determining who should be considered when facility design decisions are made. Clarifying the servicescape's

strategic role also forces understanding of the servicescape's importance in developing customer experiences.

- (4) **Assess and Identify Physical Evidence opportunities** : Possible modifications and enhancements can be found if current types of evidence and the functions of the servicescape are understood. Is there any opportunity to give service evidence that has gone unnoticed ? For instance, a restaurant may discover that its high-price menu cues are incompatible with the establishment's appearance, which signals "family dining" to its target market segment. Depending on the restaurant's overall strategy, either the pricing or the facility design would need to be changed.
- (5) **Update and Modernize the Evidence** : Some areas of the evidence, particularly the servicescape, need to be updated and modernised on a regular basis, if not daily. Even if the company's vision, aims, and objectives do not alter, physical evidence deteriorates over time, demanding reform and modernization. Clearly, there is a fashion factor at play, and different colours, designs, and styles may come to transmit different ideas over time. When it comes to advertising strategy, organisations clearly comprehend this concept, but they sometimes miss the different pieces of physical proof.
- (6) **Work Cross Functionally** : A service firm's goal in presenting itself to a customer is to communicate a desired image, deliver consistent and compatible signals through all forms of evidence, and provide the types of service evidence that the target customers want and comprehend. Various functions inside the company make physical evidence determinations. Consider the following scenario : HR is in charge of employee uniforms. The marketing department is in charge of advertising and pricing.

Check Your Progress – 3 :

1. Which are the guideline for the Physical Evidence Strategy ?
 - a. Work Cross Functionally
 - b. Update and Modernize the Evidence
 - c. Assess and Identify Physical Evidence opportunities
 - d. All of them

4.7 Let Us Sum Up :

In this unit, we have studied about Physical Evidence, Various Types of Servicescape, Strategic Role of Servicescape, Framework of understanding Servicescape effect on behavior, Guidelines for physical evidence strategy

4.8 Answer to Check Your Progress :

Check Your Progress – 1 :

1. d
2. a

Check Your Progress – 2 :

1. d 2. a

Check Your Progress – 3 :

1. d

4.9 Glossary :

1. **Physical Evidence :** The environment in which the service is provided and where the firm and customer interact, as well as any tangible components that aid in the service's performance or communication.

4.10 Assignment :

1. Would you choose a college which had a better physical evidence and mediocre faculty, or mediocre physical evidence and good faculty ? Why ?
2. What are the different components of the servicescape model ? Describe each one of them in detail as it pertains to a service of your choice.

4.11 Activity :

1. Visit two shopping malls or theatre in your area. Compare the two on physical surroundings, parking ambience, etc.

4.12 Case Study :

Air India Boeing 787 Dreamliner–Servicescape Redefining Passenger Experience.

On 8th September 2012, Air India added into its fleet. The Boeing 787 Dreamliner, redefining passenger experience, environmental performance, lower operating cost and better economic performance. With its sophisticated, futuristic design, the Boeing 787 Dreamliner is the most refined aircraft in the sky. The Dreamliners spacious architecture, stowage space, cleaner, healthier air, lower cabin altitude and dimmable–windows ensure a smoother and unrivalled passenger experience.

The aircraft interior is configured to accommodate 256 seats, comprising 18 Business Class flat–bed seats at 74 inch pitch and 238 Economy Class seats at 33 inch pitch, with 6 inch recline. The state–of–the–art In Flight Entertainment system capable of Audio Video on Demand with large LCD display screens is designed to provide advanced features and enhancements to the passengers. A USB port is provided in all cabins capable of connecting Passengers Electronic Devices, e.g. Digital Camera, keyboard, MP3 Player, Mobile phone charging. Also, an overhead video broadcast is provided on the 15.4 inch LCD monitors throughout the cabin.

The Boeing 787 cabin is pressured to a maximum of 6000 feet/ 1800 meter, compared to as high as 8000 feet/2400 meter for other

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aircraft. Testing shows that passengers experience fewer headaches and lesser fatigue at 6000 feet/1800 meter than at higher altitudes. The Boeing 787 cabin environment allows more oxygen to be absorbed into the blood reducing headaches and dizziness. Passengers will feel more refreshed about be ready to go, when they arrive on Boeing 787 Dreamliner.

The Boeing 787 system includes a High Efficiency Particulate Air (HEPA) filter to remove bacteria, viruses and fungi. An additional new gaseous filtration system also removes odors, irritants and gaseous contaminants. This creates a cabin environment with fewer complaints of headaches, dizziness, or throat and eye irritation, due to dryness. Modern cabin noise control system prevents noise and vibrations to enter the cabin.

Passengers aboard the Boeing 787 will benefit from a smoother ride. The airplane is equipped with a system that senses turbulence and commands wing control surfaces to counter it, greatly smoothing out the ride. The Boeing 787 Dreamliner flies faster than any other commercial airliner, except the Boeing 747. The Boeing 787 and the Boeing 747 share the distinction of being the world's fastest jetliner.

It's an airplane that has redefined the air travel experience through its unique servicescape architecture.

4.13 Further Readings :

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2. Valarie A. Zeithaml, Mary Jo Bitner, Dwayne D. Gremler, Ajay Pandit, (2013), Services Marketing (Integrating Customer Focus Across the Firm), Tata McGraw Hill Education, 6th Edition
3. R. Srinivasan, (2014) Service Marketing (The Indian context), PHI Learning, 4th Edition
4. Vasanti Venugopal, Raghu V. N. (2001), Service Marketing, Himalaya Publishing House, 1st Edition
5. Rajendra Nargundkar, (2010), Service Marketing, Text and Cases, Tata McGraw Hill Education, 3rd Edition
6. C. Bhattecharjee (2006), Service Marketing, Concept, Planning and Implementation, Excel Books, 1st Edition.

BLOCK SUMMARY

In this block you have studied about the Service Recovery, Service Innovation and Design, Customer Defined Service Standards, Physical Evidence and Servicescape.

BLOCK ASSIGNMENT

Short Questions :

1. Briefly describe various types of complainers
2. Characteristic of effective guarantees
3. Note on type of service innovation
4. Difference between standardization and customization
5. What is Physical Evidence ?

Long Questions :

1. Explain in detail service recovery strategies : fixing the customer and fixing the problem.
2. Define service blueprinting. Explain Service Blueprinting with reference to service innovation and design.
3. What is Customer Defined Service Standard ? Explain types and General process of setting Customer Defined Services Standard.
4. Explain framework of understanding servicescape effect on behaviour.

❖ **Enrolment No. :**

1. How many hours did you need for studying the units ?

Unit No.	1	2	3	4
No. of Hrs.				

2. Please give your reactions to the following items based on your reading of the block :

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3. Any other Comments

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BBAR-403

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BLOCK-3 DELIVERING AND PERFORMING SERVICE

UNIT 1

EMPLOYEES' ROLES IN SERVICE DELIVERY

UNIT 2

CUSTOMER'S ROLE IN SERVICE DELIVERY

UNIT 3

MANAGING DEMAND AND CAPACITY

BLOCK 3 : DELIVERING AND PERFORMING SERVICE

Block Introduction

Employees have a critical role to play in creating and maintaining dependence, assurance, and faith in customers.

At times, the customers are unclear on information their roles and precisely how they must act in given circumstances. As clients are found in service production, clients can share or devalue the shipping of the service. You will also learn, in service industries the matching of capacity and demand is tough. There is either too much demand for the capacity, stressing resources, or too little demand, leaving capacity unused. The factor is known as the perishability. Thus, there is vital need to develop and understand demand patterns.

Block Objectives

After learning this block you will be able to understand :

- Employees' role
- Customer's roles
- Importance of co-creation and delivery and their shortcomings felt by the customers.
- Strategies for enhancing customer participation

Block Structure

Unit 1 : Employees' Roles in Service Delivery

Unit 2 : Customer's Role in Service Delivery

Unit 3 : Managing Demand and Capacity



EMPLOYEES' ROLES IN SERVICE DELIVERY

: UNIT STRUCTURE :

- 1.0 Learning objectives
- 1.1 Introduction
- 1.2 Service Culture
- 1.3 The Service Triangle
- 1.4 Boundary–Spanning Roles
- 1.5 Strategies for Delivering Service Quality Through People
- 1.6 Customer–Oriented Service Delivery
- 1.7 Let Us Sum Up
- 1.8 Answers to Check Your Progress
- 1.9 Glossary
- 1.10 Assignment
- 1.11 Activity
- 1.12 Case Study
- 1.13 Further Readings

1.0 Learning Objectives :

After completion of this unit, you will learn :

- Role of Employees in Service Delivery
- Employees as contributors to quality, satisfaction and value
- Role of Customers in Service Delivery
- Customers' roles in service experiences

1.1 Introduction :

The interface between a service organization and the market are its employees. The employees are the only face between the marketer and the customer till the time the service delivery is completed. A brand created by a service organization will heavily depend on their employees to enhance the brand value. At the competitive marketplace, it will eventually be the employee who delivers service that will keep the customers satisfied.

Also, the customers too are part of creating and delivering of services.

1.2 Service Culture :

❖ Service Culture Definition :

The following definitions of service culture set the backdrop for our reflection:

"A service culture exists when you motivate the employees in your organization to take a customer–centric approach to their regular duties and work activities."

Service culture is *"a shared purpose where everyone is focused on creating value for others inside and outside the organization."*

Service culture is a prerequisite for great service. We can safely say that service culture is *"where employees are obsessed with customer service."*

After from the front–line staff, employees at every level are called upon to hold close and represent the concept of service excellence.

A total customer focus can be achieved by building your business, around service excellence, and treating it as a way of life. It gives the power to give employees a sense of belonging.

Jeff Toister's use of the word "obsessed" highlights the fact that a service culture shapes employees' thinking – (Service culture where *employees are **obsessed** with customer service*). It is a mentality that contributes to brand identity and provides a basis for decision–making in everyday operations.

Service culture sets the tone for staff to instinctively make the right calls, choose appropriate wording and take the best action and interact with everybody – outside guests or employees on the principle of customer–orientation.

"Corporate culture is the way an organization's members think, act, and understand the world around them."

In an organization, the service culture the employees:

- think about providing outstanding service
- act to provide it, and
- understand how and why they do it

❖ Exhibiting Service Leadership :

"Leaders can't just tell people to serve; every day they must show people how to serve and teach them why it's so important". Leaders must exhibit a passion for service excellence – not by a set of commands, but by regular and consistent demonstration of values. They must walk the talk.

❖ **Developing a Service Culture :**

Developing a service culture requires time and consistency.

- (a) The first step in developing a service culture is to show genuine interest in finding out what your customers want from your company, products and services.
- (b) Communicate and Establish Consistency.
- (c) Reward and Recognize.
- (d) Set Policies and Train.

❖ **Transporting a Service Culture :**

It is extremely difficult to transport a service culture to another country. It has additional issues at the global marketplace – legal, cultural, and language barrier. It is even more challenging as the services that depend on human interaction.

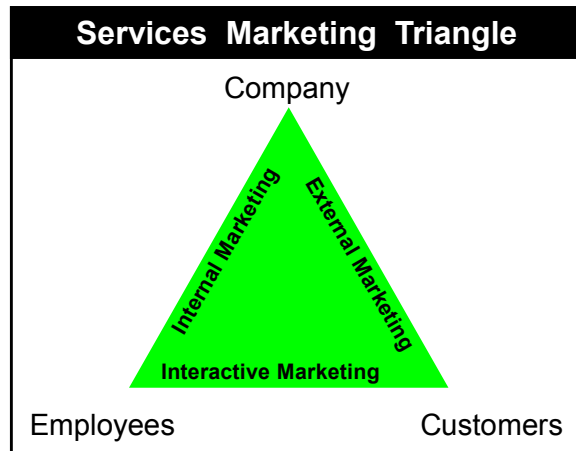
Few examples of words that companies use to describe their company culture (positively describe) :

- **Friendly** : Shows that personnel interact with each other in a fantastic manner at some stage in the workday. Some different words that may be used to explain this kind of culture include "warm," "sociable," or "amicable."
- **Challenging** : Indicates that personnel are encouraged to discover the total ability in their talent sets, and that they're probable to develop through the activity experience. You also can use phrases like "stretching," "exacting," or "resilient."
- **Motivating** : Implies that the company is inspiring, and personnel will sense forced to paintings hard. You also can describe a motivating company tradition through calling it "exciting," "activating," or "driven."
- **Engaging** : Suggests that personnel will sense invested of their paintings as it speaks to their interests. You also can say the culture is "enriching," "stimulating," or "energizing."
- **Nurturing** : Conveys that the company is invested in personnel' increase and development. A culture like this will additionally be called "caring," "fostering," or "supportive."
- **Collaborative** : Signifies that personnel and groups will work properly collectively cross–functionally to perform their goals. In addition to "collaborative," you may additionally say "group–focused," "cooperative," or "united."
- **Autonomous** : Expresses that employees are trusted to have possession over their work and that they've the man or woman strength to enhance results. Other phrases you may use include "independent," "individualistic," or "flexible."

1.3 The Service Triangle :

The Services Marketing Triangle

The Services Marketing Triangle has the marketing activities that happen between the key actors within services businesses.



Source : expertprogrammanagement.com

Let us look at each of these interactions in *detail*, and also read on how to market to your customer based on the interaction.

Each actor works together to develop, promote, and deliver a company's service.

The 3 actors in the diagram refer to as :

- **Company** : the leadership team – the management of a company. It includes full-time marketers and sales personnel. This is facilitates through continuous development and internal marketing with their employees.
- **Employees** : all employees – including subcontractors who deliver the company's service. They play an integral role within the interactive marketing of service marketing.
- **Customers** : all customers – including potential customers – anyone that purchases the service of a company.

For marketing to be successful, a marketer should ensure that there is positive interaction between these three players.

Three types of marketing must be conducted for success :

- (a) External Marketing is all about making promises through external communication directed towards their consumers. The company offers their services, and set the expectation of service quality that the client can expect. In service marketing this pays particular attention to physical evidence, such as the appearance of the place of business or presentation of staff.
- (b) Interactive Marketing is about keeping the promises made. Interactive marketing is revolved around the communication that occurs between the client and the service delivery personnel. It is important part

of successfully utilising the services marketing triangle, as it is the only time that the client will have face-to-face experience with the company, via the providers.

- (c) Internal Marketing is about enabling promises made. A more modern addition to the services marketing triangle, internal marketing centres on training employees to the highest standards so they can deliver exceptional service. Without internal marketing, the client may receive sub-standard service.

Therefore, all departments of a company must work together to deliver the highest quality of service for implementing the service marketing triangle successfully. All employees must be aware of their specific role in delivering service quality.

Moreover, with the advent of internet and other technological advancements, allows companies to communicate with customers virtually. This effectively means that all the three services marketing triangle factors can be bought together at the same time.

However, it has been observed that the slide in the service marketing triangle is that when the company focuses on one point of the triangle, while neglecting others, especially internal marketing. This is done as the employees are assumed to pass through into the external environment if internally they are treated well. However, this may not lead to desired results. All the three points are woven together, and influence by each other, enabling organisations to conduct their marketing skilfully.

1.4 Boundary-Spanning Roles :

Boundary spanning roles **allow a company to bring innovation information from other businesses.** In boundary spanning, the information can be acquired by all employees and the management. It is useful to gain insight from other organizations that may be absolutely new.

Boundary spanners enterprise to gain the right stability of salience (relevance of the science to users' needs), credibility (the perceived reliability and adequacy of the science employed), and legitimacy of information (the belief that the production procedure has been respectful of stakeholders' values and beliefs) through 3 principal functions: communication, translation, and mediation.

1.5 Strategies for Delivering Service Quality Through People :

The objective is to able to deliver quality services through employees ensuring that they live encouraged to carry out in customer-oriented, service-minded ways. Thus basic strategies and specific sub-strategies are required to make sure that employee achieve the goal.

- **Recruit the right people :** It is worthwhile to invest time and effort to find the right people and hire the best performers. Hiring the right people is important for the success of business, which is why entrepreneurs have a formal hiring process when new recruits. The endeavour ensures avoiding costly mistakes.

Service Marketing

- **Develop people to deliver service quality :** Employees have to be regularly trained for the technical skills, and interactive skills. The skills and understanding of working will have to be in all spheres of business – from accounting systems, billings, cash counters, to operational procedures.
- **Give essential guide system :** To be efficient and powerful of their jobs, service employees require inner guide system which are aligned with their want to be customer focused
- **Retain the best people :** Holding on of employee is of utmost importance. If key employees leave, it creates organizational issues. The remaining employees feel insecure and get extra jobs to perform. The employer has to spend time in recruiting and training a new employee.

1.6 Customer–Oriented Service Delivery :

The companies make all their marketing strategies keeping the customers at top of the mind. It effectively means that the company gives immense importance to its customers.

It also means adding value to the products. The *customer service serves the customer and ensuring that they have applicable experience at the time of interaction with the company. Apart from the customer service, all the intersection between the customer and the company, such as – company's website, user interface, and even the delivery man carrying goods to the customer should have consistent and noticeable experience.*

The focus on customers gives fruitful results :

(a) Enhanced Repeat Customers' List :

When the customers are treated pleasantly, they would like to repeat the experience and make it unforgettable experiences. If there are issues, they must be resolved quickly. The team should be willing to raise the level to more meaningful than just plain business.

The basics of any customer service – is that it should be fast and convenient. If the customer has to wait long, any friendly answer will not be satisfying to him. It is surprising that the customer service provides an edge over the competition. The customer may ignore flaws, if any, provided he gets great service.

(b) Word of Mouth :

Everybody trusts recommendations from the people they know. The loyal customers can reward the business by spreading (word-of-mouth) about the great service experience that they had with the company. It works out better than many advertisements on the social media to promote your service. This proves to be extremely beneficial for the business.

The delicate part is that the loyal customer's endorsement has to be willingly done. It will happen if the experience they had is genuine.

(c) Good Reviews :

When the customer has had a memorable experience, he will be leaving a good review. Most of the time, the good rating is given regarding the service rather than any other thing.

It make an impact on prospective customers who would read the positive reviews and do business with the company leading to more sales and revenue. Many a times, the reader of reviews are willing to spend more if the reviews are excellent. The customer service are trained to request the customers to mention their reviews specifically.

Individuals hoping to get a job at Harley Davidson need to show that they have got know-how and expertise of the internal workings of the motorcycle itself. However they're additionally examined on their knowledge of Harley Davidson motorcycles in general. The employer hires those who have used their products and who in all likelihood will recognize and be capable of provide an explanation for what potential clients discover meaningful and valuable.

Check Your Progress :

1. Who is NOT the frontline service provider ?
 - a. Sales person
 - b. Front office staff
 - c. Delivery boys
 - d. Accountant
2. Service Marketing Triangle does NOT include :
 - a. Employee
 - b. Vendor
 - c. Company
 - d. Customer
3. Challenges faced by 'transporting service culture' to another country are :
 - a. Company's culture
 - b. Legalities
 - c. Language
 - d. All the above
4. Which of the following is NOT TRUE in developing a service culture ?
 - a. Can be developed immediately
 - b. It takes many small factors
 - c. It is no magic
 - d. It does not need finance.
5. Boundary-spanning roles encompass :
 - a. allows a company to bring innovation information from other businesses
 - b. allows a company to bring innovation information from other employees
 - c. allows a company to bring innovation information from other managers
 - d. allows a company to bring innovation information from other departments

1.7 Let Us Sum Up :

In the process of Service delivery the employees and the customers play a significant role. Employees are the face of the Service organization. They are trained to be empathetic to the needs of the customers and offer to meet the customers' expectations. They consistently meet and exceed the needs of the customers.

The successful execution of such techniques starts with the improvement and nurturing of a real service way-of-life all through the organization.

1.8 Answers to Check Your Progress :

- | | | | | |
|------|------|------|------|------|
| 1. d | 2. b | 3. d | 4. a | 5. a |
|------|------|------|------|------|
-

1.9 Glossary :

1. **Word of mouth :** the passing of information from person to person using oral communication
 2. **Interface :** place where independent systems meet and act on or communicate with each other.
-

1.10 Assignment :

1. What do you understand by Service Delivery ? Describe the factors that affect Service Delivery ?
-

1.11 Activity :

1. Visit a Company and draw the Service marketing triangle, indicating approx numbers at all the three points of the triangle.
-

1.12 Case Study :

SEC Ltd. had 600 employees across India. The Company wanted to expand to 10 countries. The company acknowledges that those firms that tend to retain higher levels of employee, reduce the significant costs associated with employee turnover.

However, at present the company has not done too well in managing / retaining its employees. The Company wants a reliable criterion for evaluating their managers' capability to create loyal employees. They also want employees to gel well as a team.

The Company decided to get feedback from all employees about their managers and other employees. Relying on this method the Company significantly increased its manager confidence.

Listen and Act On Employee Feedback

❖ **Discuss :**

- (a) The method adapted to get feedback from the employees.
- (b) What can the managers do to develop a service culture ?
- (c) What are the challenges the Company will face in 'transporting a service culture' to other countries ?

1.13 Further Readings :

1. Lovelock, C. (1994) Product Plus. New York : McGraw–Hill.
2. Kurtz, D. L. and Clow, K. E. (1998) Services Marketing. New York : John Wiley and Sons.
3. Zeithaml, V. A. and Bitner, M. J. (2003) Service Marketing. New York : McGraw–Hill

**Employees' Roles in
Service Delivery**



: UNIT STRUCTURE :

- 2.0 Learning Objectives**
- 2.1 Introduction**
- 2.2 Self Service Technology (SST)**
- 2.3 Participation in Service Delivery**
- 2.4 Let Us Sum Up**
- 2.5 Answers to Check Your Progress**
- 2.6 Glossary**
- 2.7 Assignments**
- 2.8 Activity**
- 2.9 Case Study**
- 2.10 Further Readings**

2.0 Learning Objectives :

- Participation in service delivery
- Importance of customers in service delivery and co-creation of service
- Customer's roles, including as a competitor
- Strategies for enhancing customer participation

2.1 Introduction :

Service delivery for clients may be visible as in a factory. In a in a education situation, students (clients) are sitting in the classroom (factory) interacting with the trainer and others as they consume the instructional services. Since those clients are physically present at the orientation, clients can make contributions to or detract from the successful delivery to their own satisfaction.

In service delivery, customer participation is certain. In many situations, employees, clients and even others in the service environment interact to provide the final service outcome.

There are varied roles played by clients in service delivery and co-creation.

2.2 Self Service Technology (SST) :

SST is a technological interface that permits clients to supply a service unbiased of direct service employee involvement. Many organizations are increasing the use of technology to provide competitive

services in order to attract more customers and stay ahead in their market. SST interfaces such that it enables customers to produce and consume services without direct assistance from firm employees.

There are many kinds of examples about SST: booking tickets to watch a film through the internet rather than going into the ticket counter; fueling the car by self at the petrol station and paying through digital payment rather than calling staff to fill the tank and take payment.

Although there are many examples of SST, the most classic example is Automatic Teller Machine (ATM).

Those businesses which are not embracing the power of automation in self-service are missing out on what could be a distinct competitive edge for others in your sector.

- (i) **Automatic Telling Machines (ATMs)** : ATMs are an established form of self-service technology which people have become used to. They are not simply restricted to bank branches, or a particular location, but also at events, relying on high-tech wireless data communications.
- (ii) **Self-Service Kiosks** : A great deal of versatility is available because they rely on a robust multi-touch screen technology which allows users to navigate to the information or service they require for themselves. One can use them to issue tickets, provide sales information, access web-based service or order food.
- (iii) **Supermarket Barcode Scanners** : Supermarket managers and other retail store owners have a significant amount of expenditure in the day-to-day costs of retailers is spent on customer service staffing. Now it is commonplace for shops to allow customer to walk around a store, scanning the barcode of every product they pick up as they go. It means that fewer customer service staff is required to achieve the same level of turnover. These days, such technology is as intuitive to use as well designed smart-phone app and often the preferred choice of shoppers.
- (iv) **Online Banking Services** : The self-service version of telephone banking is, of course, online banking. More secure than it has ever been, self-service online banking puts the customer in charge of their finances, whether they want to alter standing order, make payments or settle their bills. As a result of the success of such self-service automation, many people do not bother to visit their bank's local branch.

2.3 Participation in Service Delivery :

❖ Levels of Customer Participation Across Different Services :

Low : Consumer Presence Required during Service Delivery	Moderate : Consumer Inputs Required for Service Creation	High : Customer Cocreates the Service
Service is standardized.	Client inputs (information, materials) help customize a standard service.	Active client participation guides the customized service.
Service is provided regardless of any individual purchase.	Provision of service requires customer purchase.	Service cannot be created apart from the customer's purchase and active participation.
Payment may be the only required customer input.	Customer inputs are necessary for an adequate outcome, but the service firm provides the service.	Customer inputs, choices, and actions cocreate the outcome.
Consumer Examples		
Airline travel	Haircut	Marriage counseling
Motel stay	Annual physical exam	Personal training
Fast-food restaurant	Full-service restaurant	Weight reduction program
Business-to-Business Customer Examples		
Uniform cleaning service	Agency-created advertising campaign	Management consulting
Pest control	Payroll service	Executive management seminar
Interior greenery maintenance service	Freight transportation	Installation of computer network

Source : Adapted from A. R. Hurbert, "Customer Co-creation of Service outcomes : Effects of Causality Attributions," doctoral dissertations, Arizona State University, Tempe, Arizona, 1995.

The level of participation – low, medium, high – varies across different services.

(a) Low level of participation : In a few cases, it requires the customer's presence.

E.g., In a musical concert, with the employees of the firm doing all the servicing work, the listeners must be physically present to get hold of the entertainment.

E.g., For a Banking service at any Bank, the consumer is only present in a buying situation but is not much involved in the process.

E.g., In the regular maintenance services of office equipment, the business customers' involvement is very less and very little is required from the organization.

(b) Moderate level of participation : Consumer inputs are required to help the service organization in developing the services – in form of information, effort or physical possessions.

E.g. Accounting services in getting ready a client's earnings for tax return, all three customers' inputs are required. Information: tax history, marital status, and dependent details. Effort : setting the information collectively in a beneficial manner. Physical possessions: includes receipts vouchers and past tax returns.

E.g. For developing advertising through an Advertising agency, the necessary inputs like – desired positioning, description of the Brand etc. are to be provided for the desired story line.

(c) High level of participation : In case of long-term consulting engagements as they co- create the service.

E.g., The Gym instructor will be able to deliver service if the client is involved at every step.

E.g., If an HR training firm is hired to conduct a skill enhancement programme, it is mandatory for the target employees to actively participate for it to be conducted.

Because clients are participants in service production and delivery, they are able to make contributions to the widening of gap three. That is, clients themselves can have an effect on whether or not the service meets consumer described specifications. Sometimes clients make contributions to gap three due to the fact they lack expertise in their roles and precisely what they are supposed to do in a given situation. Since those clients are present in the course of the service production, clients can contribute to or detract from the successful delivery of the service and to their very own satisfaction.

Focal Points right here are :

1. Importance of clients in service delivery and co-creation of service
2. Customer's roles, which includes as a competitor
3. Strategies for reinforcing consumer participation

(1) The significance of clients in service co-creation and delivery
In many situations' employees, clients or even others in the service environment, engage to supply the remaining service outcome.

If the clients are unprepared in terms of what they want to order, or how they want to pay (searching for a credit card) etc., will eat up the customer service representative's time.

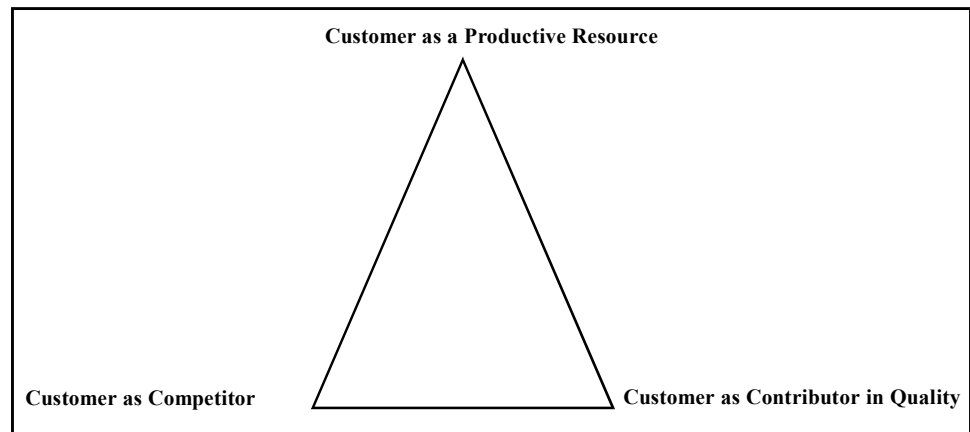
During this time, different clients are left unattended, inflicting longer waiting time and potential dissatisfaction.

Customer Receiving Service : As the clients take part in the service delivery process, their behaviour – whether or not suitable or inappropriate, effective or ineffective, productive or unproductive, will make contributions to the gap.

Fellow Customers : Many times, clients get hold of the service concurrently with different clients or need to wait their turn whilst other clients are being served. In each cases, "fellow clients" are gift in the service environment and may have an effect on the nature of the service final results. Fellow customers can either enhance or distract from customer satisfaction and perception of quality.

(2) Customer's Roles :

Role of Customer in Service Creation



There are 3 fundamental roles performed via way of means of clients in service co-creation and shipping:

- (a) Customers as a productive process.
- (b) Customers as contributor to quality and
- (c) Customers as competitors

(a) Customers as a productive process : When clients make a contribution effort, time or different resources to the service production process, they may be taken into consideration as a part of the business enterprise. The client inputs can have an effect on the business enterprise's productivity through both quality and amount of output. E.g., for IT consulting:

- o Clients who are clear at the preferred result.
- o Provide well timed information.
- o Communicate openly.
- o Gain the commitment of key stakeholders.
- o Sort out complications, for the duration of the process with out delay.

(b) Customers as quality contributors to service delivery and satisfaction : Another position clients' play in provider delivery is that of the contributor to their personal pride and the final quality of the services they receive. Customers do now no longer care that they have got elevated the productivity of the business enterprise through their participation. However, they in all likelihood to take good care while their needs are fulfilled. Effective client participation can increase the chance of service delivery that their desires are met and that advantages the client seeks are attained.

In Services such as fitness care, education, personal fitness, and weight loss, the service final results is especially depending on the client's participation. In such services unless the clients carry out their roles effectively, the preferred service results cannot be achieved. Research has proven that during education, energetic participation by students – rather than passive listening – will increase learning the desired service output significantly.

Many times, involvement with a lawyer for a case, may lead to a new learning for the lawyer thereby facilitating him in some future

situation. This is the role played by the customer as a contributor in value and satisfaction of the service purchased.

(c) Customers as competitors : A very last position performed via way of means of service clients is that of a potential competitor. If self-service clients may be regarded as sources of the firm, or as "partial employees," they may in a few cases in part carry out the service for themselves or now no longer want the provider at all.

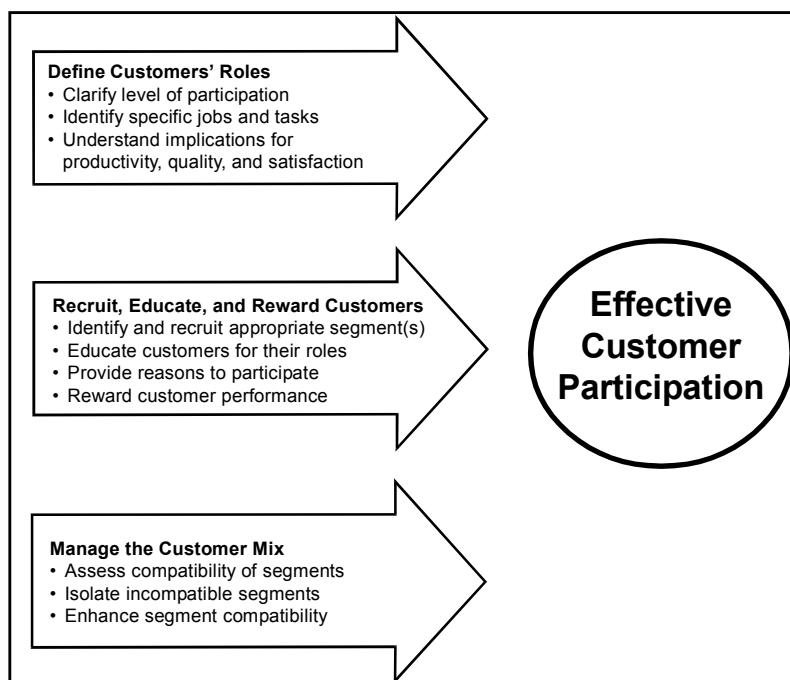
Customers here are competitors of the companies that deliver the service. To produce a service for them (inner change) – child care, domestic maintenance – has to have a person else offer domestic services for them (external exchange).

Similar internal versus external exchange choices are made via way of means of organizations. Firms regularly pick to outsource service activities along with payroll, information processing, research, accounting, maintenance, and centers management. They find that it's far effective to focus on their core organizations and do away those services to others with greater expertise. Alternatively, a firm may also decide to prevent purchasing services externally and convey the service production method in-house.

Here, the customer may become a potential threat to the service provider by opting to do the given task himself. Thus, a customer may play the role of a competitor in these situations.

(3) Strategies for enhancing customer participation :

❖ **Strategies for Enhancing Customer Participation :**



Source : Adapted from M. L. Meuter and M. J. Bitner, "Self service Technologies : Extending Service Framework and Identifying Issues for Research," in *Marketing Theory Applications*, ed. D. Grewal and C. Pechmann (American Association Winter Educators' Conference, 1998), pp. 12–19.

Service Marketing

The degree and nature of customer participation in the service process are strategic choices which can effect an organizations' productivity, its positioning relative to competitors, its service quality, and its customer participation.

- (a) **Define Customer's Position :** In growing techniques for addressing customer involvement in service co-creation and delivery, the employer first determines what sort of participation is perfect from clients and the way the customer needs to participate.

Helping Oneself : In many instances the employer can also additionally decide to increase the extent of customer involvement in service delivery via active participation. In such situations, the customer becomes a productive resource, performing aspects of service previously finished with the aid of using employees or others.

E.g., Touch screen kiosks permit human beings to get admission to certain premises. Helping others: The customer plays efficient functions for the employer; growing customer satisfaction and retention. E.g., acting as a mentor in an academic class; long term retired residents welcoming new residents.

Promoting the Company : In a few cases, the clients' activity consists of factors like – "sales or promotions." Service clients depend closely on word-of-mouth endorsement in identifying which company to try. They are more comfortable getting a advice from a person who has skilled the service than from advertising or different types of non-personal communication.

E.g., Credit card organizations give frequent flyer points whenever the card is used. Individual differences: In defining customer's role it is vital to recall that now no longer everyone will want to participate. Some clients enjoy self-service, while others choose to have the service finished totally for them.

- (b) **Recruit, Train and Reward Clients :** Once the customer's role is actually defined, the employer can suppose in terms of facilitating that role. In a sense, the customer turns into a partial employee of the organization, and strategies for coping with customer behaviour in service production and delivery can copy to a few degree the efforts geared toward service employees.

Recruit The Right Clients : Before the company begins the method of instructing and socializing clients for his or her roles, it need to entice the proper customer to fill those roles. E.g., A child-care centre calls for parent participation once every week on the website online before the child is enrolled.

Educate and Train Customers to Carry Out Effectively : Customers need to be knowledgeable through socialization process;service customers gain an appreciation of specific organisational value, and develop necessary function. E.g., handbooks

E.g., McDonalds taught Britishers to pick up their used tray and throw them in dustbins. This was done by engaging paid customers to frequent the trips to the dustbins.

Reward Customers for Their Contributions : Customers are more likely to perform their role more effectively, or to participate effectively if they are rewarded for doing so. Rewards are likely to come in the form of increased control over the delivery process, time savings, monetary savings and psychological or physical benefits. E.g., Airlines booking through online with a discount; ATM access through a wide region.

(c) Manage the Customer Mix : The process of handling multiple and sometimes conflicting segments is called compatibility management. Compatibility control could be critically crucial for a few businesses, including fitness clubs, transportation and hospitals.

E.g. A restaurant serving a college going singles in the same area as families with children who want a quiet atmosphere.

To manage multiple segments, organisations adopt a variety of strategies. E.g. It could be through careful positioning, like Ritz Hotel for their upscale customers or other strategies like regulation of smoking and dress codes.

Training of personnel to observe client-to-client interactions and to be sensitive to potential conflicts is any other approach for growing compatibility amongst segments.

Check Your Progress :

1. Full form of SST is:
 - a. Self-Servicing Technology b. Self-Summing Technology
 - c. Self-Service Technology d. Self-Service Technique
2. Online ticketing system service is a high customer _____ service.
 - a. Unique b. Participation
 - c. Self d. None of the above
3. The _____ decides the level of customer participation.
 - a. Authorities b. Intermediaries
 - c. Employees d. Service provider
4. With consumer participation in the service delivery process, the service firm gets both benefits and _____.
 - a. Profit b. Turnover c. Challenges d. Yield
5. The level of participation varies across different services from _____.
 - a. low, medium, high b. nil, low, high
 - c. non-existent, existent d. low, significant, maximum

2.4 Let Us Sum Up :

The role of all three variables – the service systems, service employees and the service buyer – are important in improving the quality of service delivered to satisfy the needs of the customers. The important factor in the level of satisfaction with the service delivery is the customer himself. The customer can have varying degree of participation in the service delivery situation starting from low involvement to high involvement, resulting in as a productive resource, as a contributor to quality and satisfaction and as a potential competitor.

The resultant level of service quality and the level of customer satisfaction depend upon both the employees and the customers themselves.

2.5 Answers to Check Your Progress :

- | | | | | |
|------|------|------|------|------|
| 1. c | 2. b | 3. d | 4. c | 5. a |
|------|------|------|------|------|
-

2.6 Glossary :

1. **Customer Participation** : Consumers are directly or indirectly involved in the Service buying situations.
 2. **Customers as a productive process** : When customers contribute effort, time or other resources to the service production
-

2.7 Assignments :

1. Give two examples of how the customers can also be a competitor in a service industry. Elaborate on his / her contribution.
-

2.8 Activity :

1. Visit a ATM centre of a bank and a kiosk. Describe how effective they are in Self Service Technology ?
-

2.9 Case Study :

Bandhan started in 2001 as a not-for-profit enterprise providing microloans to the underprivileged sections of the society. It focused on financial inclusion and women empowerment through sustainable livelihood creation. In 2006, Bandhan acquired an NBFC to scale up its microfinance activities. It turned into an NBFC-MFI to further its core objective of financial inclusion. In 2010, Bandhan was recognised as the largest MFI in the country.

On April 2, 2014, Bandhan received an in-principle approval for setting up a universal bank. On June 17, 2015, the Reserve Bank of India granted the universal banking licence to Bandhan Bank.

On March 27, 2018, Bandhan Bank got listed in BSE / NSE and became the 8th largest bank in India by market capital.

In January 2019, Bandhan Bank initiated the process of acquisition of GRUH Finance. In July 2019, bank received the approval of its

shareholders for the proposed acquisition of GRUH Finance, which was officially merged into Bandhan Bank on October 17, 2019.

1. What can Bandan Bank do to achieve through the SST (cost savings, revenue growth, and competitive advantage) ?
2. What are the benefits to the customers of producing the service on its own through the SST ?
3. What styles of customer schooling might be needed to inspire adoption ?

2.10 Further Readings :

1. Services Marketing : Integrating Customer Focus Across the Firm, Valarie A. Zeithmal, Mary J. O. Bitner, Dwayne D. Gremler, Ajay Pandit – Special Indian Edition
2. Christopher H. Lovelock, Services Marketing, Third Edition, Prentice Hall, US
3. Online Links

Customers' Role in Service Delivery



: UNIT STRUCTURE :

- 3.0 Learning Objectives**
- 3.1 Introduction**
- 3.2 Lack of Inventory Capability**
- 3.3 Capacity Constraints**
- 3.4 Demand Patterns**
- 3.5 Strategies for Matching Capacity and Demand**
- 3.6 Yield Management (or Revenue Management)**
- 3.7 Yield Measurement**
- 3.8 Waiting Line Strategy**
- 3.9 Let Us Sum Up**
- 3.10 Answers to Check Your Progress**
- 3.11 Glossary**
- 3.12 Assignment**
- 3.13 Activity**
- 3.14 Case Study**
- 3.15 Further Readings**

3.0 Learning Objectives :

After learning this unit you will be able to understand :

- Lack of inventory capability
- Capacity constraints
- Demand patterns
- Strategies for matching capacity and demand
 - (a) Shifting demand and capacity
 - (b) Reduce Demand during peak times
 - (c) Increase demand to match capacity
 - (d) Adjusting capacity to meet demand
- Yield Management
- Waiting Line Strategy

3.1 Introduction :

Managing demand and using the hotels' fixed capacity of rooms, restaurants, and assembly facility may be seasonal, weekly, daily. Overuse

or under use of service can without delay make contributions to hole 3 : failure to deliver what was designed and specified.

3.2 Lack of Inventory Capability :

The perishability is the primary issue in the supply and demand management of services. Thus, the inventory cannot be built up, stored for later consumption. An airline seat not sold on a flight cannot be stored as inventory and resold later. The product capacity of the seat on that flight perishes as the flight takes off. Also, service can not be transported from one area to another or transferred from individual to individual.

The loss of inventory capability blended with fluctuating call for leads to a whole lot of outcomes. There are essentially 4 eventualities that end result from distinction in combination of capacity and demand:

Excess Demand : In this example a few clients may be turned away, ensuing in the lost enterprise opportunity.

- **Demand Exceeds Optimum Ability :** No one is being turned away, however the best of service may still suffer due to overuse, crowding, or team of workers being driven beyond their competencies to supply consistent best.
- **Demand and Supply are Balanced at The Extent of Optimal Ability :** Staff and facilities are occupied at an concept level. No one is over worked, facilities may be maintained, and clients are receiving best service with out unwanted delays.
- **Excess Capacity :** Demand is below the optimal ability. Productive assets in the shape of labour, equipment, and facilities are underutilized, ensuing in low productivity and lower profile.

3.3 Capacity Constraints :

For many firms, service capacity is fixed. Depending at the kind of service, vital fixed–capacity factors may be – time, labour, equipment, facility, or a mixture of these.

Time, Labour, Equipment and Facility : For some business, the primary constraint on service production in time.

Time : a lawyer, a hairdresser, a plumber, and a psychology counsellor – all normally promote their time. In such contexts, if the service employee isn't available or if his or her time isn't used productively, earnings is lost.

Equipment : air–freight deliveries – airplanes, trucking – trucks, network service providers – bandwidth represent the perishable capacity.

Facilities : Limited seats are available in airlines, educational institutes, restaurants – restrictions are brought by their limited capacity.

❖ Capacity Planning :

What is the resource capacity of a firm that will needed to meet its demand ?

Service Marketing

The capacity is measured by the maximum output level in a period of time, being different for services and manufacturing firms, due to the fact that most services are perishable and cannot be inventoried. Demand for services is often unpredictable as the demand variations are typically more severe and frequent.

There are two types of Capacity Planning :

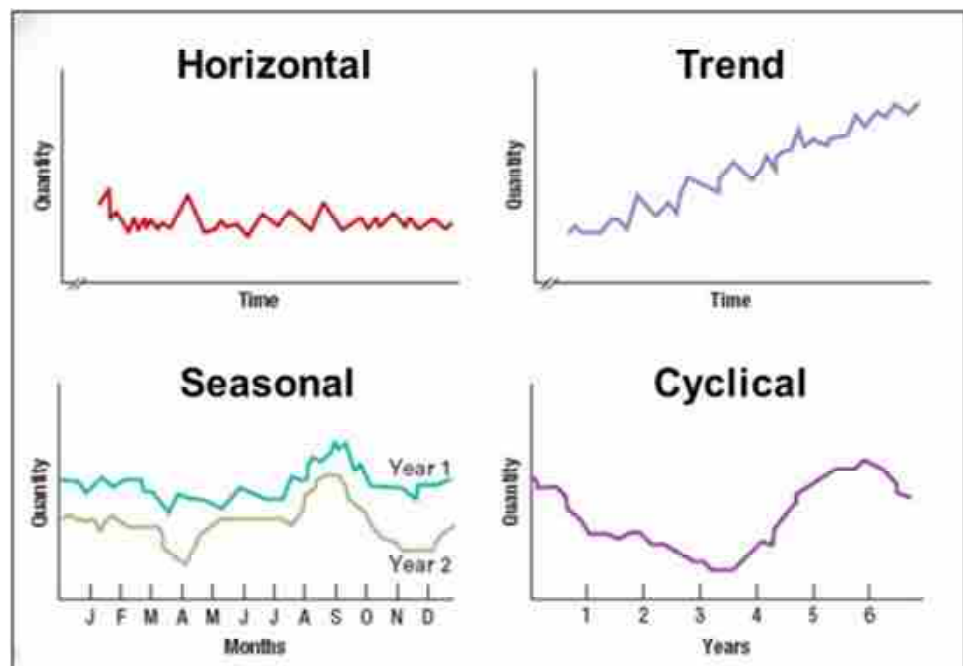
- (1) **Long-Term Capacity Planning :** These are strategic decisions relating to capital investments in buildings, equipment, and to human resources.
- (2) **Short-Term Capacity Planning :** These decisions relate to striving to equal supply of resources and demand. The options are: to try and adjust resources to meet demand or to try to manage demand so that resources do not need to be adjusted.

Optimal Versus Maximum use of Capacity : To fully understand capacity issues, it is important to know the difference between optimal and maximum use of potential.

Using capacity at optimal level, signifies that sources are completely hired but not overused and that customers are receiving quality service in a timely manner. E.g., Full stadium with spectators complements value.

Maximum capacity, on the other hand, represents absolutely the restriction of service availability. E.g., Every seat in classroom is not desirable both by students and lecturers.

3.4 Demand Patterns :



Source : slideplayer.com

- To control fluctuating demand in a carrier business, it is vital to have a clear understanding of demand patterns, their variance, and the market segments that comprise call for at different factors in time.

- **Charting Demand Patterns** : First, the employer needs to chart the extent of demand over relevant time periods with a good and accurate customer information system. The others may need to chart demand patterns more informally.
- **Predictable Cycles** : Looking at the graphic representation of demand levels, one can observe, if there is a predictable cycle Daily (versions arise through hours), Weekly (versions arise through day), Monthly (versions arise through the month), and/or Yearly (versions arise consistent with months or seasons).

Example : In a sales organization, the predictability of sales is focused on very basic factors:

1. Make an X–amount of phone calls to obtain Y–amount of meetings.
2. Agree on the Y–amount of meetings, and close Z–amount of sales.

The sales will vary a lot on a monthly basis, depending on phone calls made and agreed meetings. It can give an insight if you are heading towards the right direction and how much deals will be closed during the next few days, weeks and months.

Of course the correlations between different subjects are stronger or weaker, depending on the business, but the basics are always the same. The same problems will emerge, no matter what type of business we are talking about.

- On a predictable cycle, what are the fundamental causes ? This can help a service provider in dealing with the customers in a much better way.
- **Random Demand Fluctuations** : Sometimes the styles of demand look like random – there may be no obvious predictable cycle. Yet reasons can frequently be identified.

Example : Daily changes in climate may also have an effect on use of recreational, shopping, or leisure facilities.

- **Health–Associated Activities** : also cannot be predicted. Accidents, coronary heart attacks, and births all growth demand for medical institution, however the degree of demand cannot usually be decided in advance. Natural disasters along with floods, fires, and hurricanes can dramatically increase the want for such offerings as insurance, telecommunications, and fitness care. Acts of war and terrorism instantaneously increase the need for fitness offerings that cannot be predicted.
- **Demand Patterns by Market Segment** : If a company has distinctive records on purchaser transactions, it could be capable of are expecting demand through marketplace segment, revealing numerous styles. Or the analysis may also display distinctive demand patterns from different segments.

Example : In a bank, there may be a daily visit of a commercial account holder, but a personal account holder may visit the bank at

random intervals only. Knowing this pattern, banks would assign employee department in that context.

3.5 Strategies for Matching Capacity and Demand :

When an business enterprise has a clean grasp of its capability constraints and an expertise of demand patterns, it is in a very good position to increase techniques for matching supply and demand.

- (a) **Shifting Demand and Capacity :** Based on the pattern, organization tries to shift demand and capacity by convincing customers to use services during the slow down period (away when demand exceeds capacity).

Business travellers may not be able to shifts dates, whereas pleasure travellers can adjust timings.

Example : Ski resort offers facilities for training programs during summer when snow skiing is not possible. Hospital rents its facilities for film production.

- (b) **Reduce Demand Throughout Peak :** One strategic technique to matching capacity and demand for a service company specializes in decreasing demand throughout instances whilst client demand is at its height for service.

Example : If a building draws 1000 kW during the peak demand, and 50 kW of that power was being consumed by inefficient linear fluorescent lighting, the operator could replace the existing lighting system with a system of LED panels. This could bring the lighting load down to 25 kW and reduce the peak demand load down to 975 kW.

- (c) **Increase Demand to Match Capacity :** Service vendors can also additionally remember in matching capacity and demand focus, by increasing demand for service throughout times whilst the service is working at much less than complete capacity.

Example : It helps to shift demand and capacity by communicating with the customers. It may be to let them know at Banks and Post Offices, the times of peak demand so that they can choose to use the service at alternative times and avoid crowding or delays.

- (d) **Adjusting Capacity to Fulfill Demand :** Another strategic technique to matching deliver and demand specializes in adjusting capacity, stretch, and align capacity to match client demand.

Example : Pleasure travellers can shift the timing of their trips away from the peak demand timing. On the other hand business travellers will not be able to do so..

Examples : The organisations modify timing of their services. Banking hours from 10 am to 3 pm are stretched to late evenings and are also open on Sundays. Movie theatres offering low ticket price for morning shows.

3.6 Yield Management (or Revenue Management) :

Definition : Yield management is defined as 'the process of allocating the right type of capacity to the right kind of customer at the right price so as to maximize revenue or yield'. Using yield management models organizations find the best balance at a particular point in time among the prices charged, the segments sold to and the capacity used.

Where can yield management be applied ?

Yield management's application will be most successful in services that have the following characteristics:

- Relative Fixed Capacity – e.g. once a hotel has rented out all its rooms further demand cannot be met without substantial capital investment
- Perishable Inventory – time during which a unit of capacity is available e.g. If a hotel room (unit of capacity) is not sold for a particular date the revenue is lost
- Segmented Markets – where the market for a service can be segmented according to certain criteria, e.g. price sensitivity
- Fluctuating Demand – where the variable pricing enables in reducing fluctuating demand i.e. more effective utilization of capacity
- Services that can be sold in advance through reservation systems – allows for better use of capacity
- Low variable to fixed cost ratio – in service pricing some contribution must be made towards fixed cost. The low level of variable cost, e.g. cleaning a hotel room, coupled with discretion in pricing means that the revenue expected from selling it is invariably greater than if it was not sold.

That is why yield management is usually regarded as a profit-enhancing strategy.

Users of yield management fall broadly into three categories :

1. **Sophisticated :** Airlines and large hotel chains have information systems and computer models for analysing and predicting consumer demand patterns.
2. **Moderate :** theatres, trains, hairdressers, small / medium hotels use less advanced systems and technologies in the deployment of classic yield management techniques.
3. **Potential :** restaurants and golf courses have services ready for yield management were there is variability and unpredictability over the duration of service.

For yield management to work there must be a fixed length of time within which the service is consumed.

3.7 Yield Measurement :

The basic yield statistic is a straightforward measure. It is expressed as follows:

$$\text{Yield} = \text{Actual revenue} / \text{Potential or Maximum revenue}$$

Revenue potential is the revenue that could be secured if 100 per cent of capacity is sold at the maximum price possible. Yield is a function of capacity used and price efficiency.

$$\text{Capacity utilization} \times \text{Price efficiency}$$

where

$$\text{Capacity utilization} = \text{Units of capacity sold} / \text{Total units of capacity}$$

and

$$\text{Price efficiency} = \text{Actual price} / \text{Maximum price}$$

If we consider the hotel industry, yield would be found from – Rooms sold, Rooms available for sale, Rate of rooms sold etc.

$$\text{Yield} = (\text{Rooms sold} / \text{Rooms available for sale}) \times (\text{Rate of rooms sold} / \text{Rate potential})$$

Example :

If a 280 room hotel that has maximum rate of Rs 20,000, sells 140 rooms at the rate of Rs 8,000 and 70 rooms at the rate of Rs 20,000; the yield would be:

$$\begin{aligned} \text{Yield} &= (140/280 \times 8000/20000) + (70/280 \times 20000/20000) \\ &= 0.2 + 0.25 \\ &= 0.45 \text{ or } 45\% \end{aligned}$$

$$\begin{aligned} \text{Max Yield} &= 280 \times 20000 \\ &= \text{Rs } 5600000 \end{aligned}$$

$$\begin{aligned} \text{Actual Yield} &= \text{Rs } 5600000 \times 45\% \\ &= \text{Rs } 2520000. \end{aligned}$$

In reality, a hotel's capacity comprises of a mix of rooms at varying prices as well as the capacity utilization across categories will be varying too.

3.8 Waiting Line Strategy :

When a customer may be waiting in line to purchase a movie ticket or deposit a cheque, or a package is in line at a warehouse to be shipped, it is known as a waiting line queuing system.

There are two levels of service for a waiting line : *a low level*, is inexpensive to the company. Eg., a customer waiting in line to return an item to a store without a receipt, where there is a 'no return policy.'; *a high level*, which is expensive to the company. A store may seek higher customer satisfaction, would be offering a high level of service.

Sometimes it isn't always feasible to control capacity to suit demand, or vice versa. E.g. fitness clinics may not discover it economical possible to add facility or physician during peak demand in, say, winter flu. Or demand may be unpredictable. It may be possible that patients may have to wait due to the fact in advance sufferers take longer time than allotted.

For services, ready clients are a reality of life. Waiting can arise at the telephone, in person, inspite of provider transaction through mail.

In today's beyond paced society households have little time together. To deal correctly with waits, companies can make use of kind of strategies :

❖ **Employee Operational Logic :**

If customer–waits are common, the first step is to analyse operational processes to remove inefficiencies – redesigning system through computers.

When que is unavoidable, organizations face operational decision regarding queuing system or configure the que. In single que alternative, fairness of waiting time is ensured. However, customer may leave if they feel that the line is too long.

❖ **Establish a Reservation Process :**

Here, the concept of reservation device is to assure that the service will be available whilst the customer arrives. When predications are inaccurate, however, clients may still have to wait and sometimes not served at all. Eg., airline overbooking of seats in a flight.

❖ **Differentiate Waiting Customers :**

The most popular discipline is the *first come first served*. Differentiation factors can be :

Importance of customer : those who spends large amounts to be given priority

Urgency of job : customers with most urgent need e.g. AC repair

Duration of service transaction : the shorter service job get priority

Payment of premium price : who pays extra e.g. business class in airlines get priority in line

Check Your Progress :

1. _____ can be defined as the ability of a service organization to meet its demand.
a. Capacity b. Strategy c. Challenges d. Management
2. A courier service may not be able to deliver documents to a specific location due to lack of distribution service. This is a constraint related to _____.
a. Employees b. Facility c. Equipment d. Capacity

Service Marketing

3. A bank cannot handle more than one customer for loan as the branch has only one employee to handle that department. This is a constraint related to _____.
a. Demand b. Technology c. Time d. Inefficiency
4. When a Visiting faculty is asked to take lectures, an educational institute is altering capacity to match _____.
a. Fluctuations b. Patterns c. Segments d. Demand
5. The number of customers in waiting line often affects the _____ of service delivery.
a. Shift b. Price c. Quality d. All the above

3.9 Let Us Sum Up :

Demand management and Capacity utilization for the Service providers face a particular problem that the output cannot be stored awaiting demand to materialize.

Demand for services can fluctuate in such an unpredictable way that capacity is either unable to cope, or it is under-utilized.

Equating demand and capacity is an extremely difficult task. A number of options are available for making capacity more flexible, like using customers as productive resources, and outsourcing. Demand represents more of a challenge. Among the options here, variable pricing remains attractive.

A technique attracting attention is that of yield management. By applying a number of key elements you will have gathered a basic understanding of how this technique works. No matter how successful yield management is, there still remains the residual matter of customers having to wait and queue. This is simply a feature of service for which there appears to be no available solution. However, attending to the behavioural principles governing queuing and waiting should be focussed on how to make this phenomenon as comfortable and fair as possible for customers.

3.10 Answers to Check Your Progress :

- | | | | | |
|------|------|------|------|------|
| 1. a | 2. b | 3. c | 4. d | 5. c |
|------|------|------|------|------|
-

3.11 Glossary :

1. **Perishable Inventory** : Unpreserved – that which cannot be stored for future use
 2. **Demand Pattern** : Stipulated outline or prototype
-

3.12 Assignment :

1. Where all the yield management be applied ? What are the characteristics required for successful implementation of yield management ?

3.13 Activity :

1. From the annual report of a company, calculate the 'yield' , 'max yield' and 'actual yield'
-

3.14 Case Study :

When the demand for a particular service is higher than its capacity at a given point in time, the organizations adopt the demand shift strategy wherein they shift their customers to use their services at a later period when the demand is low.

A good quality restaurant in your city is operating at its full capacity. It cannot accommodate more people due to overcrowding. These prospective diners may go somewhere else, which means lost business for your restaurant.

As a head of the restaurant, you are trying harder to attract customers during periods of low demand, in order to operate at its full capacity. At the same time the restaurant tries hard not to send away their customers.

❖ **Discuss :**

The various methods to increase or shift demand in order to meet their capacity, using the methods :

- (a) Variation in the original service offer
 - (b) Communicating with customers
 - (c) Altering the timings of service delivery
-

3.15 Further Readings :

1. Lovelock, C. (1994) Product Plus. New York : McGraw–Hill.
2. Kurtz, D. L. and Clow, K. E. (1998) Services Marketing. New York : John Wiley and Sons.
3. Zeithaml, V. A. and Bitner, M. J. (2003) Service Marketing. New York : McGraw–Hill
4. www.nscpolteksby.ac.id/ebook/files/Ebook/Business

BLOCK SUMMARY

In this block you have learned how the employee, customer and the company all three put together Service Marketing Triangle. Information for innovation can be acquired by all employees and the management called boundary spanning.

You have been through strategies essential for delivering service quality through people.

You have also learned in this block about how the Self Service Technological interface enables customers to produce service independent of direct service employee involvement.

You have also learned in this block how using capacity at optimal level means that resources are fully employed – neither overuse or underuse will yield desired results.

BLOCK ASSIGNMENT

Short Questions :

1. How can the Employees be crucial to the process of Service Delivery ?
2. Give few examples of different levels of customer's involvement in buying situations.
3. Mention the roles played by a customer in service delivery.
4. What are the possible capacity constraints in the education sector that the service firms can face ?
5. Understanding and sketching a pattern of demand variation is very important in services. Discuss.
6. Why do service businesses lack the capability to stock their services ?

Long Questions :

1. Why are the boundary–spanning roles important for service delivery ?
2. Why should you shift your focus to being customer service oriented ?
3. Is it true that has role to play in delivery of Services ? Explain how.
4. Explain the levels of customer involvement in a buying situation.
5. Give examples of different levels of customers' involvement in buying situations.
6. How will the yield management apply in (a) a consulting firm and (b) a premium hotel ?
7. Discuss the common constraints – time, labour, facilities, and equipment – faced by service organizations.
8. How does a optimal capacity utilization differ from maximum capacity utilization ?

❖ **Enrolment No. :**

1. How many hours did you need for studying the units ?

Unit No.	1	2	3
No. of Hrs.			

2. Please give your reactions to the following items based on your reading of the block :

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3. Any other Comments

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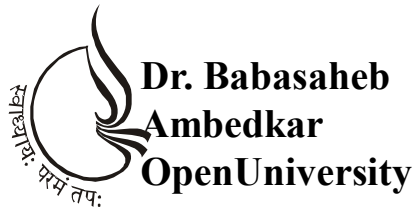
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BBAR-403

Service Marketing

BLOCK-4 MANAGING SERVICE PROMISES

UNIT 1

INTEGRATED SERVICE MARKETING COMMUNICATIONS

UNIT 2

PRICING OF SERVICES

UNIT 3

THE FINANCIAL AND ECONOMIC IMPACT OF SERVICE

UNIT 4

DELIVERING SERVICE THROUGH INTERMEDIARIES AND
ELECTRONIC CHANNELS

BLOCK 4 : MANAGING SERVICE PROMISES

Block Introduction

In this block you will learn about the commitments made by Service Company through various media. For the unmet commitments, reasoning will have to be put forth. The following chapters will cover the integration of the organisation's external and internal communication channels.

Pricing matrix has to be developed on the characteristics of services. The organisation has to manage communications to convey pricing in accordance to customers expectations.

You will also receive inputs on the effect of service on profit. Evidently, the financial and economical impact has basis on attracting the new customers and maintaining performance for scoring well on evaluation.

You will also learn about the delivery of service through various intermediaries like franchises, retailers, agents etc.

Block Objectives

After learning this block you will be able to understand :

- Service communication and its challenges
- Pricing for services and its derivations
- Financial and economic impact on service
- Various channels used for service delivery

Block Structure

Unit 1 : Integrated Service Marketing Communications

Unit 2 : Pricing of Services

Unit 3 : The Financial And Economic Impact Of Service

Unit 4 : Delivering Service Through Intermediaries and Electronic Channels



INTEGRATED SERVICE MARKETING COMMUNICATIONS

: UNIT STRUCTURE :

1.0 Learning Objectives

1.1 Introduction

1.2 Need for Coordination in Marketing Communication

1.3 Planning Integrated Marketing Communications

1.4 Key Service Communication Challenges and Strategies

1.5 Let Us Sum Up

1.6 Answers to Check Your Progress

1.7 Glossary

1.8 Assignments

1.9 Activity

1.10 Case Study

1.11 Further Readings

1.0 Learning Objectives :

After completion of this unit, you will learn :

- How an integrated communication program is developed ?
- What are the guidelines for service communication ?
- What is the relevance of elements of service communication mix ?
- What are the Response Hierarchy Models ?
- What are the major approaches to overcome Service Communication Channels ?

1.1 Introduction :

This unit includes study of how integrated communications program is developed and how service-scapes are designed.

Service Promotion is a tool that service marketers have used to great advantage in positioning their service, adding tangibility and value to their offer.

A primary motive of poorly anticipated service is the distinction what an organization guarantees and what it finally deliver. Customer expectation is fashioned with the aid of using each uncontrollable and company-managed factor.

Controllable elements together with organization advertising, one-to-one selling, and guarantees made through service employees affect customer expectation.

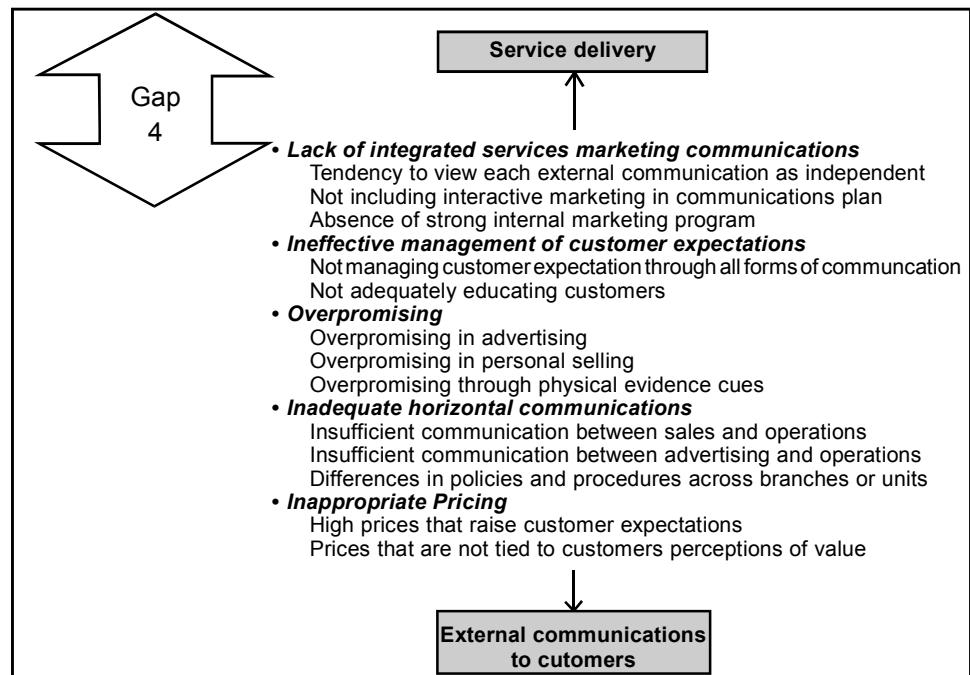
Service Marketing

Word-of-mouth verbal exchange, social media, publicity, client-generated media, customer studies with different service providers, and customer needs are key things that affect customer expectations and are hardly ever managed through the firm.

By coordinating conversation inside and outside the organization, corporations can decrease the scale of this gap, in order that clients obtain the identical communication from all departments of the commercial enterprise which fit the service idea and its real delivery.

This will create the proper expectations about the provider of their minds, matching with the delivery, and maintaining clients happy with the feeling that the service is reliable.

Factors Leading to Provider Gap 4 : The Communication Gap



1.2 Need for Coordination in Marketing Communication :

There are several reasons for the shift to integrated marketing communications :

- By coordinating marketing communication efforts, organizations can *avoid duplication*, take advantage of *synergy* across communication tools, and develop more efficient and effective *marketing communication programs*.
- The *shift of marketing communication spends from media advertising to other forms of promotion*.
- The *movement away from relying on advertising-focused approaches*, which emphasize mass media such as network television and national newspapers and magazines, to solve communication problems.
- The *fragmentation of media markets*, which has resulted in less emphasis on mass media and more attention to smaller, targeted media alternatives.

- e. The rapid growth and *development of database* marketing which has prompted many marketers to target consumers through direct mail, direct response advertising etc.
- f. The growth of the *Internet* especially digital / on–line marketing has changed the nature of the way organizations communicate and interact with target audiences.
- g. Demands for greater *accountability from advertising agencies* and changes in the way they are compensated.
- h. *Internal marketing communication* is an important tool. The employees and business partners with customers and prospects, so it is important that they communicate the same marketing and product messages as done through external promotional campaigns.
- i. The communication gap is in all likelihood to happen as clients acquire a service inconsistent with what was promised or communicated earlier than they acquired the service. There are 4 motives why this type of gap may form :
 - i. **Puffery** : The company over–promises its delivery primarily based on competitors offering, increases customer expectancies, later failing to keep it up.
 - ii. **Customer Learning Failure** : Customers aren't knowledgeable for their performance in the process. E.g. clients can count on full–service in a self–service restaurant.
 - iii. **Internal Conversation Failure** : It takes place when advertisements are released. However the sales and operations are unaware on the information released through the advertisement. E.g. Customer may demand an extra night free–of–charge on a 2–day stay at a hotel. The staff would take this as surprise as they are uninformed of the offer.
 - iv. **Encounter Conversation Failure** : Service employees do not talk sufficiently to clients concerning what they're anticipated to do. E.g. Medical drugstore may fail to instruct patients on the medicine consumption.

Service marketers need to design an effective communications strategy by using the **Integrated Service Communications Model** as a guiding framework which is organized around the Ws model:

- Who is our target audience ? Are they prospects, users, or employees ?
- What do we need to communicate and achieve ?
- How should we communicate this ?
- Where should we communicate this ?
- When to communicate ?

1.3 Planning Integrated Marketing Communications :

Integrated Marketing Communications can be planned using the **6 Ms** model – Market, Mission, Message, Media, Money and Measurement.

1. **Market** : Target customers qualified for receiving the communication.
2. **Mission** : Objective to be fulfilled by speaking to the audience.
3. **Message** : Content to be communicated to the audience to satisfy the communication objectives.
4. **Media** : Media consumption habits of the audience in order that they may be reached effortlessly and effectively.
5. **Money** : Budget assigned for the communication programme. The pragmatic approach is to work out the above 4 Ms and estimate the cost of the annual communication planned.
6. **Measurement** : This involves finding out how much of the communication investment was effective in attaining the objectives and adjusting the communication programme for greater effectiveness.

❖ **Response Hierarchy Models :**

The **Response Hierarchy Models** explains the consumer responses and behaviour to the advertising process. The Models provide a complete understanding of the responses of a customer through all stages of his path from unaware of the product to the purchase action.

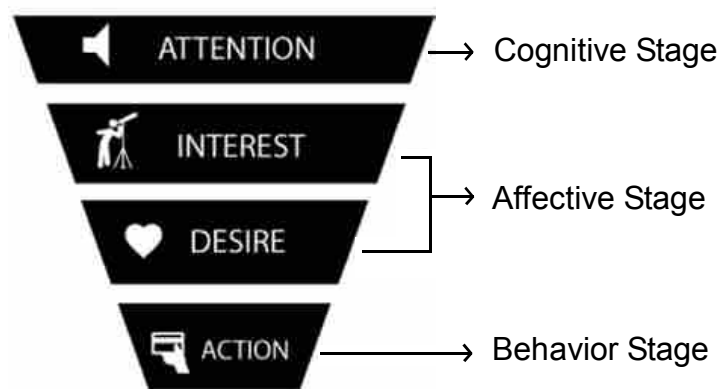
❖ **AIDA MODEL :**

The phrase **AIDA** stands for **A**ttention, **I**nterest, **D**esire, and **A**ction. The AIDA model is used in advertising to define the stages that exist from the time when the consumer first becomes aware of the product or the brand, to when the consumer purchases a product.

The AIDA model is one of the most established models amongst all the Response Hierarchy Models. The organizations employ the AIDA Model to obtain the necessary response from the targeted consumers through advertisements.

This model can be operated successfully to stimulate the different emotions of the customers.

AIDA MODEL



❖ **Attention :**

In awareness stage of the model, the consumer becomes aware of a brand or a product mostly through advertisements.

❖ **Interest :**

In this stage the consumer shows some interest in the product after understanding its benefits and learns and how well the product actually fits into his lifestyle.

❖ **Desire :**

In the third stage of the AIDA model, the consumer desires to own the product. He develops a favourable disposition towards the product.

❖ **Action :**

In the final step of the model, the consumer finally takes favorable to satisfy his desire – taking a purchase decision and buys the product advertised.

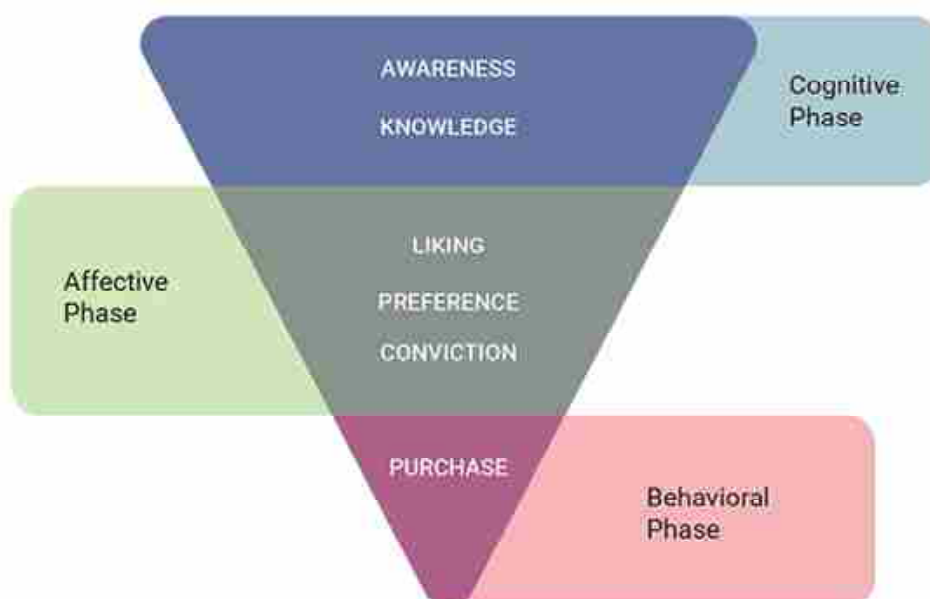
In the AIDA model, the awareness of a brand or a product takes place in the Cognitive stage, the potential consumers develop an interest and desire to purchase the product in the Affective stage, and the purchase action actually materializes in the last stage called the Behavioral stage.

❖ **Hierarchy of Effects Model (HEM) :**

The first three Ms may be decided via way the means of the usage of the Hierarchy of Effects Model (Professors Lavidge and Steiner).

This advertising communication model describes that there are **6 phases** – from the phase where the customer views the product to the purchase phase. The job of an advertisement is to prompt the customer to undergo all the six stages of the Hierarchy-of-Effects Model – **Awareness, Knowledge, Liking, Preference, Conviction, and Purchase.**

Hierarchy of Effects Model



❖ **Awareness (Cognitive Stage) :**

It is the elementary stage of the model when the customer becomes aware of the product or a brand. Consumers may view various advertisements, but the chance of a customer registering the advertisement in his mind depends upon the intensity and the impact your advertisement made on the target consumers.

❖ **Knowledge (Cognitive Stage) :**

The customer starts collecting the required information about the product in this phase. He slowly tries to understand the benefits associated with the product through the internet, retail advisors or through people who have already used the product. Consumers may easily switch to the competitors brand when they are unable to collect the required information. Therefore, it is the responsibility of the advertiser to make sure that the product information is easily available.

❖ **Liking (Affective Stage) :**

This is a stage when the customer develops a liking for the product. Here the advertiser's responsibility is to highlight the product features to further promote the brand or a product.

❖ **Preference (Affective Stage) :**

In the fourth phase of the Hierarchy-of-Effects Model, the customer is clear about the product qualifications and he is sure about his brand choices. Here the advertisers need to constantly reinforce the positive aspects of their brand.

❖ **Conviction (Affective Stage) :**

In this stage, the customer would have made up his mind to buy the product. The advertiser's responsibility here is to guide the customers to choose their brand.

❖ **Purchase (Behavioral Stage) :**

This is the last stage of the hierarchy of effects model in which the actual purchase of the product takes place.

Based on HEM model, potential customers and present clients in a given location are surveyed to check the share of population in each of the six consumer stages. The gaps within the organization's communication and the target market can now be identified without difficulty.

This looks after the marketplace condition of the six Ms model. Now the goal of the subsequent communication may be identified. The goal (Mission) may be now written in an innovative way and given to the advertising agency.

The innovative brief is given to the ad agency for further work (Message). The Message can also additionally have a rational content material giving the specific benefits that clients or emotional appeals to persuade for the service. This would take care of the third M – Mission.

The ad agency now recommends the media for use for communicating the message relying at the options of the target segment. This looks after the 4th and the 5th M – Media and Money of the communication model.

❖ **Advantages and Disadvantages of Media :**

Medium	Advantages	Disadvantages
Newspapers	High coverage	Short life, poor production quality
Television	Appealing to senses, high attention and reach	High cost
Direct mail	Select audience, personalization, no competition	High cost
Radio	Mass broadcast, select audience, low cost	Audio presentation only
Magazines	High quality production, selectivity, credibility and prestige	Long ad purchase lead time
Outdoor	Repeat exposure, low cost, low competition	Limited to travelers on the way
Yellow pages	Wide reach, low cost, effective database for customers	High competition, creative limitation
Newsletters	High selectivity, interactive opportunity, low cost	Costs may suddenly rise
Brochures	Full control of presentation, interactive	Costs may suddenly rise
Telephone	Opportunity to give personal touch	High cost
Internet	Interactive, low cost	Only computer users

Once the communication has been released, the overall performance of the verbal exchange have to be Measured towards the goals in line with the sixth M of the communication model. The assessment may be undertaken through advertising and marketing research.

1.4 Key Service Communication Challenges and Strategies :

Discrepancies among what's communicated about a service and what a consumer receives – or perceives that she receives – can powerfully have an effect on customer reviews of service quality. This purpose of the service enterprise must be to deliver offerings at a degree identical to or extra than the guarantees which are communicated to the consumer.

This may be accomplished through techniques mentioned below. The elements that make a contribution to those communication demanding situations include

- Service intangibility
- Management of service promises

Service Marketing

Management of consumer expectations

Customer education

Internal advertising and marketing communication

Five Major Approaches to Overcome Service Communication Channels



Source : Services Marketing, Valerie A. Zeithami, Dwayne D. Gremier, Mary Jo Bitner, Ajay Pandit. Tata McGraw Hill, New Delhi

Service Intangibility : In case of physical products, consumers can see and touch goods. They know exactly what they are buying. However, this portability is not with the services. The effects of services may not be apparent immediately, and what is done is not always obvious. E.g. Results of a management consultant, may come after months or years.

Physical proof and artifacts may be related to the service. As service personnel are the face, they should be featured in communication messages. Simultaneously, the service clients need to be featured in conjunction with testimonials they enjoy with the service. Service communication may be funny and witty, thereby turning into a topic of people's discussion. It is critical to make constant communication the use of diverse factors of the communication mix, such that every one messages are constant with every other.

Finally, service communication need to make guarantees that the service commercial enterprise is prepared to fulfil and all personnel of the organization realize what has been promised and what they should do to fulfil them.

Other manner to make significant guarantees to clients is to provide service guarantees and fulfil them. This could assist clients understand service enterprise as fair, honest, sincere and beautify its credibility. Effective marketing could encompass narrating tales about the service and developing a clean intellectual image of the service technique and outcome.

Services are intangibles. Thus, the service final results should be sincerely exhibited with the proper associations.

Service benefits are abstract, like fun, security, health, etc. Hence, the communication should display how human beings are taking advantage of the service.

Services are described usually through saying 'awesome service', 'complete consumer satisfaction', etc. with out pinpointing the specifics. The service overall performance episode displaying service employees at work should be exhibited with system documentation and overall performance facts which includes certificate of recognition, etc.

Services can not be searched and previewed earlier than purchase. Performance documentation and consumer testimonials need to be exhibited. Service sampling may be supplied to potential clients via trial, go to to the carrier facility, etc. E.g. academic institute can also permit students attend for preview.

Services be stricken with intellectual impalpability, i.e. they may be a set of complicated procedures. This call for communication about the service system and beyond tales about what the firm did for clients.

Management of Service Guarantees : An extreme trouble happens while organizations fail to manage service advertising communications – the vows made via way of means of salespeople, advertising, and service personnel – and service falls short of what was promised.

As stated earlier, insufficient service guarantees may be triggered both because of puffery or the incapability of the enterprise to fulfil the guarantees. Also, the incapability of the enterprise can be because of loss of instruction or due to the fact that the different departments of an enterprise have been instructed differently.

Management of Customer Promises : A extreme trouble happens while organizations fail to control service personnel – and service falls short of what's promised. This occasionally arise due to the fact the a part of the company making the promise lacks the facts essential to make correct statement.

The sales and advertising branch make promises about what different personnel within the organisation will fulfil. As what personnel do can't be standardized, splendid coordination and control of promises are required. This coordination may be achieved via way of means of developing a sturdy service brand and via way of means of coordinating all of the company's marketing communications.

Service Marketing

Management of Customer Expectancies : Appropriate and correct communication offerings are the responsibility of each advertising and operations. Marketing should as it should be mirror what takes place in real service encounters; operations should supply what's promised in communications.

It is viable to be sensible in conversation that builds up the proper expectancies in the mind of clients. Customers may be presented exclusive carrier outcomes, at exclusive ranges for numerous prices. E.g. mobile phone service exclusive plans.

When clients pick an alternative, they're clean approximately what they could anticipate from the service they're about to receive. At times, clients negotiate the rate of a carrier to minimal ranges; service employees need to communicate the particular benefits and fee might be derived from the ranges of service.

Customer Education or Improve Customer Expectations : Service companies must *educate their customers*. Customers should be knowledgeable about their position in the service business. They should receive clean step–via way of means of–step steering as to what they ought to be doing as a part of the subsequent step. If clients are doubtful about how offerings might be provided, what their role in delivery involves, and a way to compare services they've by no means used before, they may be disappointed.

Service deliveries should capture that if the patron fails to play his/her position in the service process, the service stays undelivered and unsold.

Therefore, patron schooling should make sure that clients know and do not forget while and a way to discharge their actions. Since clients dislike waiting, they may be taught about the perquisite they can get during 'happy hours.' The commercial enterprise should now no longer anticipate that clients know about their role in the service process to the service transport.

Next, clients should be communicated about service requirements and ensured that the commercial enterprise adheres to. It should additionally talk to the customer while the service is over and talk how the service has been introduced as in keeping with the same old and any ensures about the permanence of the outcomes. This continues clients up to date concerning what to anticipate from the service enterprise. The customer could additionally unfold this by word of mouth publicity, thereby growing huge understanding about the delivery requirements of the company.

Other major category of strategies necessary to match service delivery with promises is managing internal marketing communications

Internal Advertising Communication : Multiply feature in the organization, including advertising and operations, need to be coordinated to gain the purpose of quality service provision. In fact, all concerned

in the organization have to be aware about advertising promises and tasks that need to be fulfilled for customers.

Internal marketing communications may be each vertical and horizontal. Vertical communication is both downward – from management to employees, and upward – from employees to management.

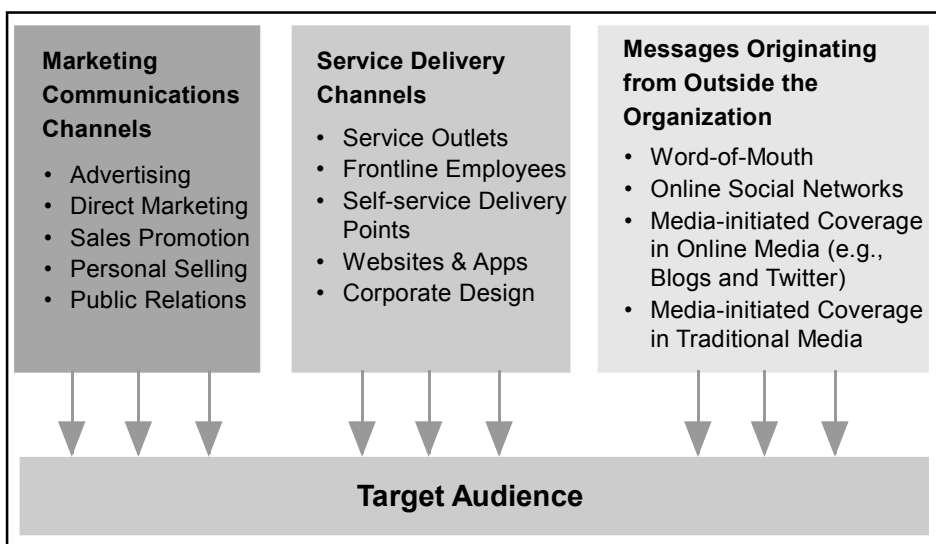
Horizontal communications are those throughout functional boundaries in an organization.

A third approach in inner branding includes numerous techniques to promote the brand in the organization.

Several companies work with the idea of making zone-wise or product-wise contact individual or account executive, which's the one-point contact for the customer. He/she elicits customer expectations and communicates the same to the applicable service employees, in order that the service is introduced via way of means of a cross-functional team.

Marketing Communication Mix for Services

Three Key Sources of Messages Received by the Target Audience



Check Your Progress :

1. The first step in designing an IMC programme is to _____.
 - a. Identifying cost
 - b. Identifying target audience
 - c. Identifying media
 - d. Identifying price
2. Service marketer has three promotional goals: to inform, to persuade and _____.
 - a. to remind
 - b. to lure
 - c. to grab
 - d. to Identifying
3. AIDA stands for Attention, Interest, Desire and _____.
 - a. Alert
 - b. Allure
 - c. Action
 - d. Attract
4. HEM stands for Hierarchy of _____ Model.
 - a. Effect
 - b. Elective
 - c. End product
 - d. Element

5. 'Management of customer promises' poses a serious problem when
 - a. Company fails in facilities provided
 - b. Company fails to manage employees
 - c. Company fails in branding products
 - d. Company fails to make quality products

1.5 Let Us Sum Up :

Service marketers have used promotions to great advantage in positioning their service, adding tangibility and value to their offer.

To develop an integrated communications program, the marketer has to first take care of – identifying target audience, determining promotion objectives, developing message, selecting communication mix, selecting media, and set up systems for feedback.

Advertising goals are necessary not only to justify the advertising expenditure, but also to justify the art and science bases of advertising.

Achievement of the goals would confirm the effectiveness of advertising as a communication tool.

The inherent intangibility of services makes physical evidence an important tool. Facility design, office equipments, signage, employee dress, business cards and statements make physical evidence for a service firm.

1.6 Answers to Check Your Progress :

1. b	2. a	3. c	4. a	5. b
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1.7 Glossary :

1. **Advertising** : paid form of non–personal communication
 2. **Facility Design** : buildings, furniture, layout, décor, etc.
 3. **Logo** : name, symbol, or trademark designed for easy and definite recognition
 4. **Personal Selling** : involves personal meeting of customers and salesmen
 5. **Fragmentation of Media Markets** : focus on small and breakup of mass media into smaller, targeted media alternatives.
 6. **Puffery** : Over promises or false and exaggerated promise by a firm (and then fails to meet the promise).
-

1.8 Assignments :

1. Identify a Company in India that uses Interactive Marketing Communications effectively. Discuss its consequences.
 2. Differentiate the terms *promotion and marketing communications*, and list the primary tools of marketing communications.
-

1.9 Activity :

1. What are the Ws around which the IMC Model acts as a guiding framework ?
2. What is the AIDA model, the well established models amongst all the Response Hierarchy Models ?

1.10 Case Study :

Emirates started with two leased aircraft in 1985 and have never looked back since then. The airline company currently operates 265 aircraft to over 155 destinations.

Emirates' Integrated Marketing Communication Approach:

Traditional Media : Emirates' commercials and print advertisements in significant media highlight the airline's new products, flying routes, and aircraft.

Event Sponsorship : The airline actively sponsors a bunch of sports events like soccer, horse racing, tennis and a sponsorship deal with large football clubs like Arsenal. Its presence in the Asian Football Confederation has also ensured a high level of visibility across Asia.

Owned Media : The company publishes two in-flight magazines to reach its customers. A brilliant in-flight entertainment system allows the airline to publicize its latest offers, partners, and services. Furthermore, the company's official retail website enables customers to purchase branded merchandise.

Millennial Appeal : The airline is adopting a sustainable environmental strategy to protect natural resources and reduce air pollution. Being a step ahead and ensuring that their fleet is up-to-date with the latest, most fuel-efficient aircraft

Emirates' IMC Channels : TV commercials, Print advertisements, Sponsorships, Charitable foundations, In-plane advertisements, Internet marketing, Trade Promotions.

An example of one of their IMCs – print media :



Emirates' *Hello Tomorrow* Television Campaign

Service Marketing

Discuss the following :

1. Variety of marketing communication tools used in an integrated way to deliver a unified message.
2. The high quality of its airline services as an underlying theme as used for all its marketing activities
3. Which segment of market did Emirates appeal to all over the world ?

Adopted from: www.paperflite.com/integrated-marketing-communication-case-studies

1.11 Further Readings :

1. C. Bhattacharjee, *Services Marketing*, Excel Books, New Delhi
2. Christopher H. Lovelock, *Services Marketing*, third edition, Prentice Hall, US
3. Valarie A Zeithmal and Mary J. O. Bitner, *Services Marketing : Integrating Customer*
4. *Focus across the Firm*, Tata McGraw Hill, New Delhi



: UNIT STRUCTURE :

2.0 Learning Objectives

2.1 Introduction

2.2 Meaning of Price

2.3 What is Pricing ?

2.4 Why is Pricing Strategizing for Price is Important ? Reasons

2.5 Three Factors of Consumer Assessment of Service Pricing

2.6 Approaches to Pricing Service

2.7 Pricing Strategies that Link to the Four-Value Definition (Customers' Point of View)

2.8 Factors that help to Choose the Right Service Pricing Strategy

2.9 Let Us Sum Up

2.10 Answers to Check Your Progress

2.11 Glossary

2.12 Assignment

2.13 Activity

2.14 Case Study

2.11 Further Readings

2.0 Learning Objectives :

After learning this unit you will be able to understand :

- A firm approaches its target market with a tailor-made marketing mix of variables.
- The strategy (or its combination of price, promotion, and place) will vary from one market segment to another.
- This necessitates the firm to develop several pricing objectives – short and long term.
- Various pricing objectives of the firms could be :
 - o Survival Price
 - o Service quality leadership
 - o Current Maximization price
 - o Market Share price.

2.1 Introduction :

Pricing plays an important role in the marketing mix of service as it attracts sales proceeds that have direct impact on profits and business. Pricing reflects the value attached to the service by the service provider.

The pricing has to match up with the customer's perception of value – if the service is priced too high it may be seen as poor value for money, and if the price is low, the service may be understood to be of inferior quality.

Pricing is a dynamic tool for meeting competition. In simple terms price is the exchange value for a product or service, expressed in terms of money.

2.2 Meaning of Price :

Price is the amount we pay for goods, services, or ideas. The term price is known by a variety of names in different sectors of the economy. For example, price is known as fare in the transport sector; fee in education; rent in real estate and in certain services it is known as charge. The price is the exchange value between the seller and buyer. So, price is the money charged by a marketer for his product or service. For the marketer, price covers the total market offering. The ultimate user considers price as a sacrifice of his purchasing power. For the buyer, it stands for quality and quantity of the service bought.

Price is the source of revenue and a prime determinant of profit for the service provider. In the service sector. Price reflects the nature of relationship between customer and provider.

2.3 What is Pricing ?

Pricing is equivalent to the total service offering. Pricing includes the brand name, delivery, and other benefits. Pricing translates the qualitative offering into quantitative terms.

❖ Pricing of Services :

Price is the sole and an important element in the marketing mix of a firm that brings revenue to the business. Organizations should use a sophisticated approach to pricing. While pricing the services, due regard should be given to shifts in demand, the charge at which supply may be expanded, charges of to be had substitutes, the price – volume relationship and the availability of future substitutes. Service companies must understand how customers perceive prices of services.

❖ How do Customers Perceive ?

The price charged by the service provider must be acceptable to the target customers. It should coordinate well with the other components of the marketing mix. Pricing decisions have an impact on all – suppliers, sales force, distributors, competitors, and customers. Price also indicates to the customers the kind of quality of the service that they are likely

to receive. E.g. the menu card in a restaurant indicates the quality of its food and service in terms of price.

2.4 Why is Pricing Strategizing for Price is Important ? Reasons :

Direct impact on sales and profits : Good pricing strategy doesnot necessarily mean offering the lowest price. Instead, it involves setting a price that is aligned to the value provided.

Shape prospects' view of service quality : A low price may lead customers to believe that service quality is poor.

Tool to help you achieve business' objectives : The most common objective is maximizing profit, along with the growth in market share, edging out the competition, or building lasting relationships with customers. The best pricing strategy is the one that aligns with the business objectives.

2.5 Three Factors of Consumer Assessment of Service Pricing :

- I. Customers regularly have erroneous or limited reference price for services.
- II. Monetary fee isn't the most effective fee applicable to service customers.
- III. Price is a key sign of best in service.

I. Customers knowledge about prices of Services :

- To what extent do customers consider price as a criterion in selecting services ?
- Also, how much do consumers know about the costs of services ?
- Does one feel uncertain about the information of the prices of services ?
- Are the reference prices in memory for services are not as accurate as those for goods ?

There are many reasons for evaluation of service pricing. These factors can have major impact on company's strategies used to set and administered price for services.

(a) Service Heterogeneity Limits Knowledge :

Services are intangible and not created on the store floor. So, service companies have remarkable flexibility in the composition of the offerings. There may be a limitless form of such preparations in Services which can cause multifaceted pricing structures.

E.g. while purchasing life insurance, there are various types of features and dissimilarities offered by different companies that it becomes extremely difficult to understand comparison. Whole life vs Term; Smoking or Non –smoking; Tac should be Tax etc. give complexity to the purchase.

(b) Providers are Unwilling to Estimate Prices :

Another motive customer lack correct reference charges for offerings is that many providers are not able or unwilling to estimate price earlier.

E.g. Medical or Legal services. The services providers here are unwilling or maybe not able to estimate a rate earlier with out completely examining the affected person till the process of service delivery (an operation in a hospital or trial in court) unfolds.

(c) Individual Customer Needs Vary :

Inaccuracy of reference charges is that the man or woman client desires vary. E.g. Hairstylists' service charges are primarily based totally on length of hair, kind of haircut, and numerous remedy and fashion wished by customers. Similarly, hotel room have prices as per facilities provided, time of the year and individual versus group rate.

(d) Price Information is Overwhelming in Services :

In case of most products, retail stores display the products that allows customers to compare the prices of different brands and sizes. But in case of Services there is no single outlet displaying prices provided by various services. Therefore, the customer feels it cumbersome to undertake the task of comparing.

E.g. If clients need to evaluate prices (example : for dry cleaning), they need to check with the outlets.

(e) Prices are Not Visible :

One more reason is that the customer reference prices is price hidden, invisible or implicit (not clearly visible). E.g. In monetary services, maximum clients realize most effective rate of interest they have to pay. to the provider. Also, in emergency, such as in accident or illness, customers make decision to take services without considering costs.

Thus, if charge is unknown to the purchaser earlier than buy, it can't be used as a key principle for buy as is seen often in product buy. However, price is likely to be a very important criterion in repurchase.

II. Monetary charge isn't the most effective charge pertinent to service customers. (Role of Non-monetary Costs) :

When a customer buys a product, he is not only spending money, but also non-monetary costs – in the form of time, convenience, effort, and psychology. Thus, demand is determined by monetary and non-monetary price, which is an important concept in social marketing.

❖ Types of Non-Monetary Costs :

(a) Time Costs :

One is expending time to see a physician or watch a concert, besides paying money to receive these services. The service providers can't absolutely manage the range of clients or the duration of time it will take for each customer.

(b) Search Costs :

When a consumer decides to buy a product/ service, he makes effort in searching for the best one among all the choices. As expenses for services aren't displayed in service organisations for clients to examine, they may be known only whilst a purchaser has determined to relate to the service. Another element that will increase costs is that every service organisation gives one "brand" of a service, so a client has to touch numerous organizations to get information across sellers.

(c) Convenience Costs :

Convenience (or inconvenience) costs of services is the cost a person undergoes to avail a product/ service. E.g. If customers has to move to a service centre, they incur a cost. For an old person the travel may be difficult.

If the service providing timings do not match with the customers' available time, they must reschedule to correspond to the company's timings. This causes much inconvenience.

Another example : if consumers makes empties a room in preparation for a termite spraying, they make additional efforts.

(d) Psychological Costs :

Often the maximum painful and non-financial costs are the mental costs incurred in receiving a few services, like – worry of not understanding (insurance), worry of rejection (financial institution loans), and worry of uncertainty (excessive cost). All change, even positive change, brings psychological costs that purchasers build into the acquisition of services.

A firm needs to find the perfect balance of monetary and non-monetary costs to sell its product. This balance can be achieved by the firm – for example, a coffee shop may offer its customer an option to choose – the price increase for payment convenience (credit card) or pay less money in return for extra efforts.

III. Price as Indicator of Service Quality :

One of the interesting elements of pricing is that consumers are see price as a hallmark of each service expenses and service quality-price is an appeal as well as a resistant.

Customers' use of price as an indicator of quality relies upon on numerous elements.

The elements are : when the information will be available; when the marketing communicates the company's perception of the brand; while quality or price varies with the deal in that category of services; and the danger is related to the service.

Pricing too low can result in wrong assumption about the quality of the service. Pricing too excessive can set expectancies that can be tough to match in carrier delivery.

2.6 Approaches to Pricing Service :

For every service, a company must choose a price. The price setting can be through many ways. Moreover, it should follow a predetermined strategy. The pricing strategy is closely related to the overall marketing strategy.

Three major pricing strategies can be identified : (*Service providers point of view*)

- (a) Cost based pricing
- (b) Competition based pricing
- (c) Demand based pricing

(a) Cost Based Pricing :

The cost-based pricing includes putting fees primarily based at the expenses for producing, distributing, and promoting the product. Costs set the ground for the price that the organisation can charge. Some companies, like Ryanair or Walmart, observe a low-cost method and the intention is to provide the bottom prices, accepting smaller margins but with high volumes. Other companies, like Apple or BMW, compete on higher prices and margins as they follow a advanced client value-primarily based pricing method.

(b) Competition Based Pricing :

Competition-based pricing includes putting charges primarily based totally on competitor's strategies, costs, charges, and marketplace offerings. In incredibly aggressive markets, customers will base their judgments of a product's cost at the charges that competition fee for comparable products. However, it needs to be remembered that every commercial enterprise is unique. E.g. in the fuel industry, competition-primarily based totally pricing is applied.

(c) Demand Based Pricing :

Demand Based Pricing technique is primarily based at the customer's demand and the perceived cost of the product. In this technique the customer's responsiveness to buy the product at unique prices is compared after which a suitable price is set. It is one of the most appropriate ways that the companies pursue – discussing the various features or components of the service being purchased.

2.7 Pricing Strategies that Link to the Four-Value Definition (Customers' Point of View) :

Customers define value in four ways. What constitutes value to customer, is highly personal.

- (a) Value is Low Price
- (b) Value is Everything I want in a product or a service
- (c) Value is the Quality I get for the price I pay
- (d) Value is what I get for what I give

(a) **Pricing techniques whilst the customer means "Value is Low Price"** When monetary issue is the most crucial basis of cost to a customer, the corporation focuses specifically on price. This consciousness does not no longer imply that the quality level and intrinsic attributes are irrelevant; it's far simple that monetary price dominates in importance.

- **Discounting** : Service vendors provide discount to talk to price-sensitive customers.
- **Odd / Psychological Pricing** : It is the pricing service simply beneath the precise rounded amount to make customers understand that they're getting a decrease fee. E.g. it's believed that price Rs 999 is extra appealing than spherical numbers like Rs 1000
- **Synchro-Pricing** : It is using price to manipulate demand for a provider via way of means of capitalizing on customer sensitivity fee.
- **Penetration Pricing** : It is a approach wherein new offerings are delivered at low fee to stimulate trial and larger use. Also, used for growing market share. Later, the price can be increased, which may not be easy as some customers may associate the lower price with an inferior level of service and it will be hard to cover the costs.
- **Economy Pricing** : There may be cases that set low prices because overheads are low when the software used works out to be cheaper than hiring assistants; or the selected supplier allows gives lower rates.
- **Cost-Plus Pricing** : The cost is calculated and a margin for a profit is added. This is a straightforward the pricing strategy. However, the price so derived may end up setting a lower price than what customers are actually willing to pay.

(b) **Pricing strategies while the purchaser means "Value is everything I need in a service"** When the purchaser is commonly worried at the proper intrinsic features in every service, rather than monetary price. The highly valued service is in all likelihood to be and better the fee the marketplace can set.

- **Prestige Pricing or Image Pricing** : It is a special form of demand-primarily based on pricing through provider marketers who provide outstanding or reputed services. Marketing method wherein expenses are set higher than regular due to the fact lower prices will harm in preference to helping sales, inclusive of for excessive-stop perfumes, jewellery, clothing, cars, etc.
- **Skimming Pricing** : Price skimming is a pricing strategy wherein a marketer sets an excessive preliminary price for

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a service or product at first, then lowers the fee over time. The advantage is maximizing profits upfront and grow; while the disadvantage is that if the price cannot be justified, there will be a struggle to set the momentum for the business.

- **Tiered Pricing :** Offer clients the option of choosing between different levels of service or packages. E.g. Packages such as haircutting, plus washing plus dyeing. Each package offers incrementally more value, and the difference in price gives the consumer a chance to consider what they are willing to spend.

(c) **Pricing techniques while the consumer method "Value is the Quality I get for the price I pay"** Some clients normally bear in mind each exceptional and economic rate. The challenge of the marketer is to recognize what exceptional method to the consumer after which to in shape exceptional degree with rate degree.

Specific Techniques are :

- **Value Pricing :** Value-based pricing method placing a rate consumer is inclined to pay primarily at the perceived value to him of product or carrier – now no longer at the price of offering it. The simple concept is to set a rate this is primarily based totally on what your clients are inclined to pay.
- **Market Segmentation Pricing :** A service marketer charges different prices to groups of clients for what are gave the impression to be distinctive quality of service, despite the fact that there won't be corresponding differences in the services. This form of pricing is based on the segments, different price, and movement of demand and choice of distinctive quality.

(d) **Pricing strategies while the purchaser means "Value is all that I get for all that I give"** Some clients outline cost as including not simply the benefits they get hold of however additionally the time, money, and effort they placed right into a provider.

- **Price Framing :** Many clients do now no longer own correct reference price for offerings, for this reason offerings arrange rate infiltration for customer, in order that they understand the way to view it. Customers certainly search for rate anchor in addition to familiar services in opposition to which to choose focal offerings.
- **Price Building :** Price building is a valuation approach that truly appears on the difficult facts: property, leases, actual estate, and goodwill (i.e., the cost of the business's desirable call and recognition and tested capacity to constantly flip a income). It is the quantity over and above the marketplace cost of the tangible assets that a client must be expected to pay for the business.

- **Complementary or Bundled Pricing :** Method wherein one of the complementary products (E.g. shaving razor) is priced to reap most sales volume, (without price or income considerations) to stimulate the demand for the other product (razor blades). The goal is to generate a degree of income that adequately covers losses sustained via way of means of the primary product. Bundled offerings are normally less expensive than if clients buy every service individually.
- **Results–Based Pricing :** In service industries wherein final results may be very vital however uncertainty is high, the maximum applicable factor of cost is the end result of the service.
- **Premium Pricing :** Charge higher prices because you have something that makes you unique. For example, do you offer a warranty or service guarantee that your competitors do not ? Do you use exclusive tools or technology that makes your business easier to work with and deliver results that stand out ?
- **Value–Based Pricing :** Charge a flat fee based on the value / benefits the service provides. Value, for example, could mean saving the customer time or giving them peace of mind. Charging for the services based on value lets one charge a premium that protects from the price bargaining that occurs with some customers.
- **Hourly–Based Pricing :** The price could be when an estimate of how long a job will take is multiplied it by hourly rate. The downside of this price is that one is not rewarded for better and faster work or the customer may feel that the provider is deliberately taking more time on the job to earn more.

2.8 Factors that help to Choose the Right Service Pricing Strategy :

- **Costs :** If the overheads are low, more competitive prices can be offered. These include your fixed costs (the expenses that will come in every month regardless of sales) and your direct costs (the expenses you incur by producing and delivering your products and services).
- **Customers :** Know what your customers desire from your products and services. Are they driven by the cheapest price or by the value they receive ? What part does price play in their purchase decision? Your current customers are buying high–end or low–end products and services ? This information will help you determine if your price is right, what level of service or inclusions you should be offering and lastly if you are targeting the right market.

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- **Competitors** : What are they charging for different products and services ? What level of service are they offerings ? What customers are they attracting with their pricing ? And how are they positioned in the marketplace ?
- **Your Goals** : If a new business looking to get customers fast, it is recommended for market penetration strategy to achieve rapid adoption.
- **Years of Establishment** : If the business is well established for some years, offering packages is a good option.

The Bottom Line on Pricing Strategies for Service Businesses

The word 'pricing' instils fear into many service business owners.

Pricing for services is generally harder than pricing for products as each job is different, and one has to grapple with ones' own experience, insecurities, and specifics of each job. On top of that, pricing is complex with many different pricing strategies to choose from.

Check Your Progress :

1. The three key elements to price setting are: costs, competitors' prices, and perception of _____ for the product's value.
a. Customer b. Seller c. Manager d. Employee
2. Sales _____ minus cost is equal to profit.
a. Loss b. Revenue c. Product d. Cost
3. Under which conditions would market skimming be likely to be a viable strategy ?
a. No competitors
b. Insufficient market capacity and competitors
c. Demand of products
d. All of the above
4. Which of the following is not a market-based pricing method ?
a. customer value pricing b. psychological price barriers
c. contribution pricing d. going-rate pricing
5. Rahul opens a sandwich shop. The customers tell him, that the most that they would pay for a sandwich is Rs 50. He sets the price at Rs 50. What kind of pricing is he using ?
a. customer value pricing b. psychological price barriers
c. contribution pricing d. going-rate pricing

2.9 Let Us Sum Up :

Many service-based businesses struggle to come up with a fair and profitable pricing strategy. Unlike product pricing, you cannot exactly quantify all the costs that go into providing a service.

The expenses that go into providing a service are more subjective than the expenses that go into making a product. How much you charge customers does not always directly correlate with the amount you pay to perform services.

Customer assessment of service pricing regularly have erroneous or restricted reference price for services. It is also proper that price isn't always the only charge this is applicable to service a customer. Also, price is a key signal of quality in service.

The service provider therefore works out :

1. What is the customer willing to pay for my product ?
2. What kind of customer do I want to target ?
3. How should I react to my competitor's prices ?

2.10 Answers to Check Your Progress :

1. a 2. b 3. d 4. c 5. b

2.11 Glossary :

1. **Bundled Pricing** : When one of the complementary merchandise is priced to gain most sales volume. Another product is attached to the first, without additional cost to stimulating demand for the second product
 2. **Convenience Costs** : is the cost a person undergoes to avail a service. E.g. If customers must travel to a service, they incur a cost.
-

2.12 Assignment :

1. Give two examples of companies that have used 'Skimming pricing' and 'Tiered pricing.'
 2. How will you differentiate between 'price framing' and 'price building' ?
-

2.13 Activity :

1. Identify two companies in India that are using major pricing strategies for their product line.
-

2.14 Case Study :

There are four cases given below. Identify what kind of pricing will be applied in each case. Justify with reasons :

- (1) I might only be willing to pay Rs 20 for tea, while someone else might be prepared to pay up to Rs 100. However, not many people will be willing to pay Rs 500 for a cup of tea.
- (2) If you want to buy a certain book as a gift for a friend and it is available for Rs 200 on Amazon and Rs 275 on Flipkart, then you'll probably buy it from Amazon.

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- (3) A company sell backpacks that cost them Rs 1000. They then simply apply a 25% mark-up and sell the backpacks for Rs 1250 each. The focus of the business is thus simply to make sure that they cover their costs.
- (4) If we are selling sand to the building trade, there is not much we can do to make our sand more appealing than sand from competitors. At the end of the day, sand is sand.

❖ **Hint :**

- (a) Cost advantage
- (b) Perceived Pricing
- (c) Cost based pricing
- (d) Competitive Pricing

2.11 Further Readings :

1. C. Bhattacharjee, Services Marketing, Excel Books, New Delhi
2. Christopher H. Lovelock, Services Marketing, third edition, Prentice Hall, US
3. Zeithaml, V A and Bitner, M. J. (2003) Service Marketing. New York : McGraw-Hill
4. Online link : madaboutgrowth/pricing-of-services-8293f855da1f

: UNIT STRUCTURE :

3.0 Learning Objectives**3.1 Introduction****3.2 Service and Profitability****3.3 Defensive Marketing Effects of Service (Customer Retention)****3.4 The Key Drivers of Service Quality, Customer Retention, and Profits****3.5 Company Performs Measurement (The Balanced Performance Scorecard)****3.6 Strategy Maps to Enhance Balanced Scorecard****3.7 Let Us Sum Up****3.8 Answers to Check Your Progress****3.9 Glossary****3.10 Assignment****3.11 Activity****3.12 Case Study****3.13 Further Readings**

3.0 Learning Objectives :

Earlier, expenditures on quality have now no longer been explicitly related to income due to the fact expenses and savings have been the simplest variables on which information was available. Now, evidence about the earnings effects of service quality stemming from different sources has been found.

In this unit, latest evidence that identifies relationships among service quality and income are examined.

The unit has six categories :

- (1) Direct effects of service quality on income
- (2) Offensive outcomes
- (3) Defensive outcomes
- (4) Link between perceived service quality and buy intentions
- (5) Customer and segment profitability
- (6) Key service drivers of service quality, customer retention, and profitability.

3.1 Introduction :

All organizations are keen to discover evidence and tools to determine and monitor the prices and returns of latest funding in service.

Similar to the marketing results, the Service quality's consequences are cumulative, and consequently evidence of the link may not be at once apparent.

Many variables influence profits, like – pricing, advertising, efficiency, and image. Likewise Service quality is one of such variables.

- I. Service and profitability
- II. Defensive marketing effects of service
- III. Key drivers of service quality, customer retention, and profits
- IV. Company performs measurement (The balanced performance scorecard)
- V. Strategy maps to enhance balanced scorecards

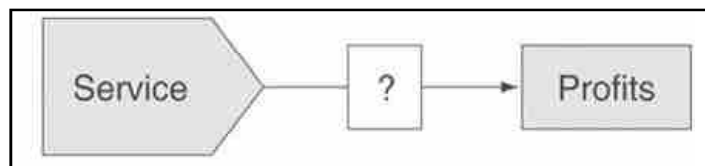
3.2 Service and Profitability :

Sales have traditionally been a numbers game. A better profit margin was just a matter of selling as many units as possible. However, now customers want to have a deeper relationship with businesses.

Every customer knows how frustrating it is to call a company can be, especially true if the call is transferred to multiple departments. Therefore, dedicated customer service can provide consistency for the customer. That means fewer transfers and quicker resolution of problems. This establishes the business as one that cares about *customer satisfaction*. Satisfied customers are much likelier to *return to do more business*. This helps *build brand and grow profits*.

The customer service seems expensive as equipment and applications have to be acquired, people have to be trained, and other resources that are all relegated to deal with unexpected but desperate and urgent needs from customers.

Direct Relationship between Service and Profit



3.3 Defensive Marketing Effects of Service (Customer Retention) :

Defensive marketing strategies refer to the actions of a market leader to protect its market share, profitability, product positioning, and mind share against an emerging competitor. If not undertaken, some amount of customers will leave the established business in favor of the competitor.

What are the customer retention drivers ?

New clients are regularly unprofitable for a period of time after acquisition. Acquiring customers from other companies is also an expensive proposition.

The money company makes from retention comes from four sources:

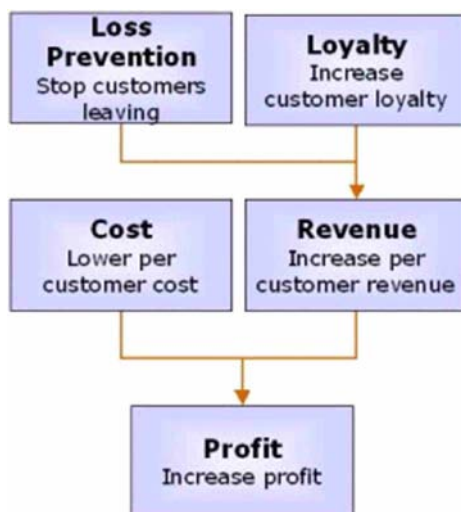
Identifying drivers always starts with outcomes, in this case profit. Profit increases are driven by both increasing revenue (assuming positive gross margin) and lowering overall costs (assuming no loss in revenue). This seems simple, and it is, but it gives us the first two retention drivers: Increased revenue per customer and lowered cost per customer.

Examining each of these primary drivers we also discover two secondary drivers.

It is reasonably obvious that preventing customer loss drives increased revenue. However, it is also true that improving customer loyalty drives both increased revenue and lower costs through the ability to get to know the customer better and align your company business processes to their needs.

This leaves us with four fundamental drivers of customer retention :

1. Improving Customer Loyalty
2. Preventing Customer Loss
3. Lowering Overall Costs
4. Increasing Total Revenue



So, with identification of the drivers, how can they be affected ?

a. Improving Customer Loyalty :

Improvement in loyalty significantly increases in profit as customers stay longer with the company and it becomes more difficult for your competitors to tempt them.

Customer loyalty is driven mainly by a combination of *delighting customers, educating them, having effective complaint resolution and high service quality.*

Service Marketing

From a company perspective, it means to *deliver promises*. This can be done by exceeding customers' expectations and occasionally rewarding them for their continued patronage.

b. Loss Prevention :

Loss prevention is a critical element that is driven by attrition management. Attrition management entails anticipating when customers are likely to defect and managing proactively to stop the defection. This has a direct impact on preventing revenue loss.

c. Cost Reduction :

Organisations that successfully manage touchpoints know when and how to contact the customers so that they maximise each contact opportunity. As a result money is not wasted on unnecessary contacts and the lowest cost applicable media is used.

d. Increase Revenue :

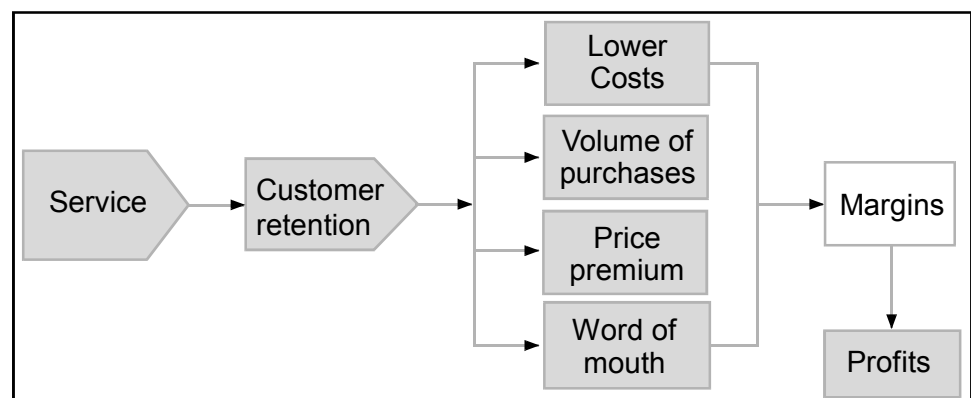
Finally, there are the drivers that increase revenue. These are upsell and cross sell. When customers are encouraged to take up more products through cross sell, or upgrade their current product plans, revenue from these customers will increase.

As the drivers for retention are identified, one can start to examine how to improve them and the outcome; customer retention. At this point, we have returned full circle to where we started; we've identified ways to help improve customer retention and thus increase profits.

Now, the implementation :

- a. Lower Costs
- b. Volume of purchases
- c. Price premium
- d. Word-of-mouth communication

Defensive Marketing : Effect on profit



- a. **Lower Costs :** The market leader may have to reduce its own prices (and profits) in order to prevent customers from defecting to the competition. This is particularly important when the threat comes from a lower-priced product.

- b. **Volume of Purchases** : Customers who are satisfied with a enterprise's service are probable to increase the quantity of cash they spend with that enterprise or the kinds of service offered. A customer satisfied with the broker's services, for example, is probable to make more investments.
- c. **Price Premium** : Most of the service excellent leaders in enterprise command better prices than their competitors: FedEx collects more for in a single day shipping than the U.S Postal Service; Hertz rental motors value is greater than Avis motors, and staying on the Ritz–Carlton is costlier than staying on the Hyatt. Therefore, supplying high service often can pay for itself in price charged.
- d. **Word–of–Mouth Communication** : Because word–of–mouth communication is taken into consideration greater credible than different source of information, the quality kind of advertising for a service might also additionally come from different clients who strongly recommend the service provided.

Guidelines for a company to retain customers could be :

*A Customer is the **most important person** ever in this office (in person, by mail or email).*

A Customer is not dependent on us—we are dependent on him.

A Customer is not an interruption of our work—he is the purpose of it. We are not doing him a favour by serving him—he is doing us a favour by giving us the opportunity to do so.

A Customer is not an outsider to our business—he is part of it.

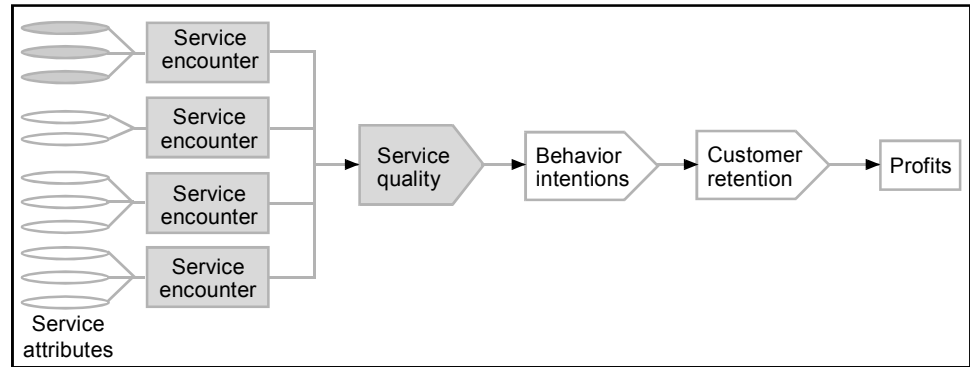
A Customer is not a cold statistic—he is a flesh–and–blood human being with feelings and emotions like your own, and with biases and prejudices.

*A Customer is **not someone to argue** or match wits with. Nobody ever won an argument with a customer.*

A Customer is a person who brings us his wants. It is our job to handle them profitably to him and to ourselves.

3.4 The Key Drivers of Service Quality, Customer Retention, and Profits :

Understanding the connection among universal service quality and profitability is important, however it is possibly more useful to managers to pick out precise drivers of service quality that most relate to profitability. Doing so will assist companies apprehend what factors of service quality to change to steer the connection and, therefore, where to make investments.



The Key Drivers of Service Quality, Customer Retention, and Profits
 § Company Performance Measurement: The Balanced Performance Scorecard Mc. Graw–Hill/Irwin by The McGraw–Hill Companies, Inc.

Most proof for this issue has come from analyzing the impact of unique elements of service on normal service quality, customer satisfaction, and buy intentions as opposed to on economic outcomes like retention or profitability.

3.5 Company Performs Measurement (The Balanced Performance Scorecard) :

Traditionally, organizations have measured their performance almost completely on the basis of financial indicators such as profit, sales, and return on investment. This approach leads to emphasis on financials to the exclusion of other performance indicators. Today's corporate strategists' recognition came when many companies' strong financial records deteriorated because of an unnoticed decline in *operational processes, quality, or customer satisfaction*.

Changes to Financial Measurement : One way that service leaders are changing financial measurement is to calibrate the defensive effect of retaining and losing customers. The monetary value of retaining customer can be projected through the use of *average revenues over the lifetime*.

Customer Perceptual Measures : Customer perceptual measures are leading indicators of financial performance. Customers who are not happy with the company will defect and will tell others about their dissatisfaction. Perceptual measures reflect customer beliefs and feelings about the company and its product and services and can predict *how the customer can behave in future*.

Operational Measures : Operational measures involve the translation of customer perceptual measures into the standard or actions that must be set internally to meet customer's expectation. Although virtually all companies count or calculate operational measures in some form, the *balanced scorecard* requires that these measures stem from *the business process that have the greatest effect on customer satisfaction*.

Innovation and Learning : The final area of measurement involves a company's ability to innovate, improve, and learn by launching new

products, creating more value for customers, and improving operating efficiencies. For e.g. a company can set a goal of launching ten new products in a year and then measure the percentage of goals achieved, which can then be compared with subsequent years.

3.6 Strategy Maps to Enhance Balanced Scorecard :

Recently developed strategy map concept is to help companies deploy the balanced scorecard more effectively. A strategy map provides a single page visual representation of a firm's strategy that links the four perspectives of the balanced scorecard and thereby shows the cause and effect relationships among them.

Effective Non–Financial Performance Measurement : *Many companies do not identify and act on the correct non–financial measures.* One example involves a bank that bank managers increased their scores by offering free food at all customers, including online banking service users. According to the authors of the study, *companies make four major mistakes :*

1. Not linking measures to strategy
2. Not validating the links
3. Not setting the right performance strategy
4. Measuring incorrectly

Why should companies track non–financial performance measures ?

Companies need to track non–financial performance measures, besides the financial KPIs, when **managing performance.**

Help capture strengths and weaknesses. Suppose a company has great customer service but it has long waiting period in queues, then such non–financial KPI will show in feedback survey. These measures can reveal the core competencies and highlight other areas that were not realized.

Affect business performance. Suppose the HR expense suddenly shoots up, it may be because of the high employee turnover rate and recruiting cost of hiring. Over– or underperformance eventually shows up in your bottom line, and you can trace it back to the source with non–financial performance measures.

Give employees better feedback on how to meet strategic objectives. Staff members are able to see exactly what they need to do to achieve targets. They also understand how their attendance rates lead to productivity. There is a clear connection between daily tasks and strategic direction.

Are better at adjusting for external factors. Recessions, War, and Acts of God are unavoidable and unpredictable. The financial KPIs in these situations, would give a grim picture of company's performance. But the non–financial performance measures are largely controllable and

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can provide a different, more holistic perspective. If the company's scores high marks on company culture and customer satisfaction during a trade war, then that should pay off in the long term.

Check Your Progress :

1. What is not an example of activity for retaining customers ?
 - a. Loyalty program
 - b. Customer birthday communications
 - c. Reward Programs
 - d. Complimentary business cards
2. To reduce customer turnover, can a company adopt (from the following) ?
 - a. Corporate hospitality
 - b. Frequent flyers' program
 - c. Loyalty card
 - d. All the above
3. Mistakes made by Companies in not identify and acting on the correct non-financial measures is :
 - a. Not linking measures to strategy
 - b. Measuring incorrectly
 - c. Not setting the right performance strategy
 - d. All of the above
4. If Human Resource expense suddenly shoots up, it may be due to :
 - a. High Employee turnover
 - b. Recruiting cost of hiring
 - c. Under performance of employees
 - d. All of the above
5. One of the evidence of examining the effect of identifying specific driver of service quality related to profitability is :
 - a. Customer satisfaction
 - b. Immediate purchase
 - c. Financial outcomes
 - d. Loss in the deal

3.7 Let Us Sum Up :

In this unit we are needed to understand the relationships among service quality, profitability, and the economic worth of customers.

1. In direct relationship among service quality and profits, is that both effective and negative relationships have been confirmed. Our gaining knowledge of curve is what marketing and managerial variables moderate the relationship.
2. The offensive effects of service quality require considerable research for most of what is currently known comes from the data base with its inherent limitation of no direct measure of perceived service quality.

3. For the protective effects of service great, what we know is that retention positively affects profits(through lowered costs, increased purchases, willingness to pay a price premium, and positive word of mouth), however we additionally find out how service quality variables influence retention and its financial outcomes.
4. The relationship among service great and purchase intentions has sparked sufficient research linking perceptual measures of service quality and purchase intentions. Also, some insights into tying purchase intentions to purchase behaviours.
5. In terms of individual customer and segment profitability, what we realize is that every one customers are not similarly profitable. Our learning curve here is to identify, to reach, and to reply to customersat distinctive stages of profitability.
6. For key drivers of provider great, patron retentionand profits, we realize the important thing drivers of service great however in depth study is required for the key driversof behavioural intentions, buy, customer retention, and economic outcomes.

Though development has been made in the investigation of service, great, profitability, and the economics worth of customers, the managers are nonetheless in the gaining knowledge of curve, that would assist them make information decisions above the service quality investment.

❖ **Conceptual Model of Service Quality and Profitability :**

Earlier, expenditures on quality had been related to profits due to the fact prices and financial savings have been the only variables on which information was available. More recently, the profit results stemming from different sources has been found.

There are relationships among service quality and profits have been found. These are in six categories :

- (1) direct outcomes of service quality on profits.
- (2) offensive outcomes;
- (3) protective outcomes;
- (4) the link among perceived service quality and buy intentions;
- (5) customer and segment profitability; and
- (6) key service drivers of service quality, customer retention, and profitability.

The figure indicates a conceptual framework linking the six categories.

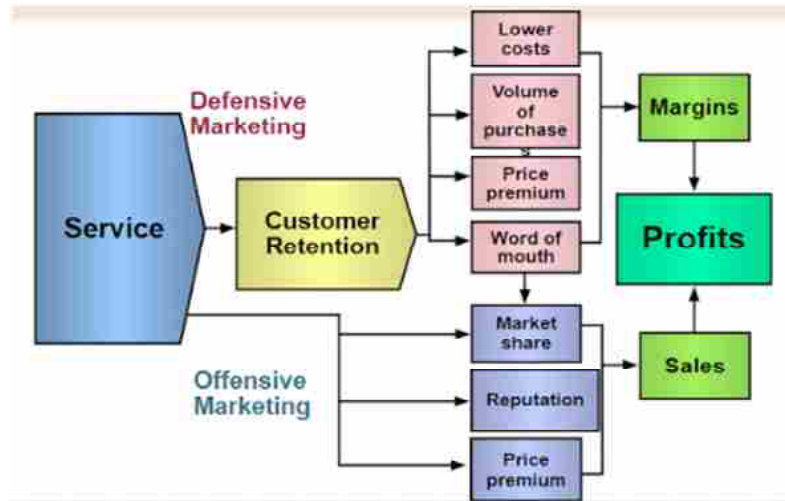


Figure Source : by Valarie A. Zeithaml

3.8 Answers for Check Your Progress :

1. d 2. d 3. d 4. d 5. a

3.9 Glossary :

- KPI :** Key Performance Indicators. A quantifiable measure used to evaluate the success of an organization, employee, etc. in meeting objectives for performance.
- Retain :** Manage to hold

3.10 Assignment :

- "We are not doing him (customer) a favour by serving him – he is doing us a favour by giving us the opportunity to do so." Justify by conducting a small survey of nearby shops to justify this statement..

3.11 Activity :

- What activities you can site for keeping your customers loyal ? Find out by asking questions to nearby shopkeepers.

3.12 Case Study :

Customer Profitability Analysis – Federal Express

Companies have been using improved information technology and large databases to help in targeting individual customers to determine whether or not a customer spends enough to warrant the marketing effort.

At Federal Express, customers who spend a lot of money but demand little customer service and marketing investment are treated differently than those who spend just as much but cost more to maintain. Also, the company no longer markets aggressively to those customers who spend little and show few signs of spending more in the future.

This change in strategy has substantially reduced costs.

Fed Ex also analysed the profitability of the 30 large customers that generated about 10% of the total sales volume. The company found that certain customers, including some that required a lot of residential deliveries, were not bringing in much revenue as they had agreed to initially when they negotiated discounted rates. The company increased the rates for some customers and lost those who would not agree to the rate hikes.

Here, the focus is not merely on customers, but on profitable customers.

With customer profitability analysis, increasingly companies like Fed Ex are saying that they do want to satisfy customers, but they want to do it profitably.

They are also anticipating and creating new customers for their products and services; for example Federal Express created the overnight package delivery market and is now creating another market for same-day delivery. This is another way that Fed Ex satisfies customer demand and maintains profitability

1. Do you think that the company has benefited from customer profitability ?
2. Does your analysis say that the company was focused on customers, but was not paying attention to the profitability of each customer ?

*Case adopted from: GOOD PRACTICE GUIDELINE No 37
Customer profitability analysis.*

The Institute of Chartered Accountants in England & Wales, Faculty of Finance and Management.

3.13 Further Readings :

1. 'Service Quality, Profitability, and the Economic Worth of Customers: What We Know and What We Need to Learn' Valarie A. Zeithaml, University of North Carolina at Chapel Hill
2. Christopher H. Lovelock, Services Marketing, third edition, Prentice Hall, US
3. 'Service Marketing, Integrated Customer Focus Across The Firm', Valarie A. Zeithaml, Mary Jo Bitner, Dwayne D. Gremler, Ajay Pandit.



**Unit
4**

**DELIVERING SERVICE THROUGH
INTERMEDIARIES AND
ELECTRONIC CHANNELS**

UNIT STRUCTURE :

- 4.0 Learning Objectives**
- 4.1 Introduction**
- 4.2 Service Distribution**
- 4.3 Channel Functions and Flows**
- 4.4 Management of Channel Systems**
- 4.5 Marketing Facilitators**
- 4.6 Communications and the Purchase Process**
- 4.7 Service Communication Problems**
- 4.8 Benefits of Electronic Channels**
- 4.9 Barriers in Distributing Services through Electronic Channels**
- 4.10 Let Us Sum Up**
- 4.11 Answers to Check Your Progress**
- 4.12 Glossary**
- 4.13 Assignments**
- 4.14 Activity**
- 4.15 Case Study**
- 4.16 Further Readings**

4.0 Learning Objectives :

After learning this unit you will be able to understand :

- Primary channels through which services are delivered
- Difference between distribution of core and supplementary services
- perspective from view point of service provider and service deliverer
- Various modes of distribution for services and benefits
- Roleplayed by intermediaries
- Delivering services through both physical and electronic channels

4.1 Introduction :

The focus in service distribution is on identifying waysThere are four forms of distribution in service – franchisees, agents / brokers, and direct and electronic channels.

4.2 Service Distribution :

I. Direct delivery of Service

II. Delivery of Service through Intermediaries

I. Direct delivery of Service :

❖ Advantages of Direct Distribution Method of Services (Company–Owned) :

1. The company has complete control over its outlets. This direct control enables the company to maintain consistency in service provision – like hiring, training and motivating employees.
2. The customers develop loyalty for the individual service employee or for the company. For example, loyalty to certain hairstylists.
3. These channels are suited for local service providers such as doctors, dry cleaners, consultants, interior decorators, etc., whose area of distribution is limited.
4. The companies can understand how the perceptions of the customers towards offerings are changing through direct feedback.
5. Greater confidentiality and trust can be maintained with information relating to the customer. For example, in banking services.
6. Direct channels have lower distribution costs as the middlemen are eliminated; hence the saving on commission, brokerage etc. and increase in profit.
7. As the service provider is in regular and direct contact with customers, two way communications becomes effective.
8. Direct sale is accomplished by the customer going to the service provider (hair stylists, tourist information centre) or by the provider going to the customer (plumbing, house cleaning, building repair etc).

Personal and business services like beauty parlours, photographic studios, shoe repair shops, car rentals etc., are very much benefited from direct channels of marketing.

❖ Disadvantages of Direct Distribution :

1. The company has to bear all the financial risks; especially while expanding, the company has to invest in stores, advertising, service quality or new service developments.
2. When companies expand into foreign countries, they are not able to adapt their business formats to suit local needs. In such situations, joint venturing is preferable.
3. When two or more companies want to offer a service and neither has the full financial capability and expertise, they undertake service partnerships. Partnerships are common in areas such as telecommunication, high–technology areas and internet–based services.

II. Indirect Distribution | Roles of Service Intermediaries :

❖ Delivery of Services Through Intermediaries :

Nowadays, many services are delivered by intermediaries. Two service marketers are involved in indirect distribution; the service principal and the service deliverer.

The service principal is the originator, an entity which creates the service concept. The service deliverer is the intermediary, an entity which deals with the customers during the execution of the service.

Thus, in the indirect channel, both the service supplier and the intermediaries play an important role.

❖ Role of Service Intermediaries in Indirect Distribution :

Service intermediaries discharge many important functions for the service principal.

1. Service intermediaries co-produce the service and make the service available to customers at a place and time of their choice, thus fulfilling the promises made by the service firms to customers.
2. The Franchisee uses the process developed by the service principal and renders satisfying service to customers.
3. Service intermediaries also make service locally available.
4. Intermediaries act as multiple service principals. Intermediaries such as travel agents and insurance agents provide retailing functions to customers.
5. In many financial or professional services, intermediaries build a relationship based on trust which is essential in a complex service offering.
6. Services are intangibles and perishables and inventories do not exist. Service intermediaries such as franchisees, agents, brokers, act as a connecting link between the service firm and customers.
7. Service intermediaries deliver services according to the specifications of the principals.
8. As the Service intermediaries are in direct contact with the customers, they are in a position to determine the way customers perceive the quality of the service.
9. Service intermediaries advise the customers on the choice of the service which satisfies their needs.
10. Intermediaries provide after sales support to the customers. For example, an insurance agent guides the policy holder in making a claim and goes through the procedural claim formalities.
11. An intermediary, as a co-producer of a service, shares the risks of providing services by contributing their own capital to acquire the equipment needed for the delivery of service.

12. A service provider sells only his own services. But consumers prefer to buy service from an intermediary who offers a wide variety of services including these offered by competing and different service principals at single location.
13. Intermediaries relieve the service principal hassle of creating large funding on his own. As intermediaries function at distinct places, a service principal can make investments his finances in core services

Marketing Intermediaries the Distribution Channel : Many service principals do now no longer offer offerings immediately to customers and as a substitute use advertising intermediaries to perform an collection of important features to provide the service to the very last user. These intermediaries, consisting of middlemen (wholesalers, retailers, agents, and brokers), distributors, or financial intermediaries, have long-time period agreements with the service producer and are referred to as the marketing channel, or the channel of distribution.

4.3 Channel Functions and Flows :

Many a times, the producers allocate a number of their tasks to intermediaries. The ordinary tasks are series and distribution of marketing studies information (information), distribution of communications (promotion), settlement on terms for switch of possession (negotiation), intentions to buy (ordering), acquisition and allocation of funds (financing), assumption of risks (risk taking), storage and movement of product (physical possession), customers paying sellers (payment), and switch of possession (title).

Producers delegate those flows for benefits, like – financial resources, earn better return on the capital, superior efficiency in wide distribution (especially overseas markets), specialization, experience, and scale of operation.

4.4 Management of Channel Systems :

Middlemen ought to constantly be prompted to carry out better. In order to take advantage one of these high level of performance, producers have prominent 5 bases of power: coercive (threats if the middlemen do now no longer comply), reward (more advantages for compliance), legitimate (power via way of means of position–rank or contract), expert (unique knowledge), and referent (producer is respected by the middlemen).

Over a period of time, distribution channels change and evolve. No matter how well the channel is designed and managed, conflict is inevitable. For example, franchisers want their franchisees to maximize sales as they receive a percentage of sales; while the franchisees want to maximize their profits, not sales.

The conflict that arises may be vertical, horizontal, or multichannel in nature. When the Honda Company comes into conflict with its dealers,

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it is a vertical channel conflict; when a franchisee in a neighbouring territory feels the other franchisee has infringed his territory it is a horizontal conflict; when a manufacturer has established two or more channels that compete against each other in selling to the same market it is multichannel conflict Landmark Honda and Emerald Honda at Ahmedabad.

Wholesalers Wholesaling consists of all activities required to promote items or offerings to different firms, both for resale or for commercial enterprise use, usually in bulk portions and at lower-than-retail prices. Wholesalers, additionally known as distributors, are unbiased traders running any wide variety of wholesale establishments. Wholesalers are commonly labeled into 3 groups: merchant wholesalers, brokers and agents, manufacturers' and retailers' branches and offices.

Merchant wholesalers; Merchant wholesalers, additionally referred to as distributors, or supply houses, are independently owned and operated corporations that accumulate title possession of the products that they handle. There are kinds of service provider wholesalers : (a) full-service and (b) limited-service.

- (a) **Full-Service Wholesalers :** Full-service wholesalers typically manage large income volumes; they will carry out a huge variety of offerings for his or her clients, providing credit, using salespeople to help clients.
- (b) **Limited-Service Wholesalers :** Limited-service wholesalers, provide fewer services to their clients and suppliers, and decrease the charges of service.

Brokers and Agents : In the Services industry, brokers are mostly in the real estate, and insurance industries, may represent either a buyer or a seller. Brokers often can represent several companies on a commission basis. They do not carry inventory or assume risk.

Manufacturers' and Retailers' Branches and Offices : Wholesaling operations conducted by the sellers or buyers themselves rather than by independent wholesalers comprise the third major type of wholesaling. This allows the service provider to improve the sales and promotions.

Retailers : Retailing, includes all activities required to sell directly to consumers for their personal, non-business use. Retailing can take many forms: services may be sold in person, by mail, telephone, television, or the Internet, or even through vending machines.

Franchise Organizations : Franchise arrangements are characterized by a contractual relationship between a franchisor (service organization) and franchisees (independent entrepreneurs who purchase the right to own and operate any number of units in the franchise systems). Typified by a unique product, service, business method, trade name, or patent, franchises have been prominent in many industries, including fast foods, video stores, health and fitness centres, hair salons, auto rentals, motels, and travel

agencies. McDonald's Corporation is a prominent example of a franchise retail organization, with franchises all over the world.

4.5 Marketing Facilitators :

Marketing functions require significant expertise that often requires efficiency and effectiveness for the organization which calls for assistance of independent marketing facilitators. Independent contractors often are more motivated to perform at high standards, because competition in the facilitator market is usually aggressive, and poor performance could mean lost business.

There are *four* major types of marketing facilitators : (a) advertising agencies, (b) market research firms, (c) transportation firms, and (d) warehousing firms.

- a. Advertising Agencies :** Advertising agencies are responsible for initiating, managing, and implementing paid marketing communications. In addition, some agencies have diversified into other types of marketing communications, including *public relations, sales promotion, interactive media, and direct marketing*. Agencies generally have four departments : *account management, a creative division, a research group, and a media planning department*.

Account management acts as liaisons between the client and the agency, ensuring that client needs are communicated to the agency and that agency recommendations are clearly understood by the client. Also, it manages the flow of work making sure that projects proceed according to schedule. *Creative department* is where advertisements are conceived, developed, and produced by artists, writers, and producers working together to craft a message that meets agency and client objectives. In this department, slogans, jingles, and logos are developed. *Research department* gathers and processes data about the target market and consumers providing a foundation for the work of the creative department and account management. *Media planning* personnel specialize in selecting and placing advertisements in print and broadcast media.

- b. Market Research Firms :** Market research firms gather and analyze data about customers, competitors, distributors, and other forces in the marketplace for particular purposes. However, some firms also routinely collect a wide range of data and then sell it to companies that may benefit from such information.

Marketing research may be quantitative, qualitative, or a combination of both. *Quantitative research* is numerically oriented involving statistical analysis. *Qualitative research* focuses on descriptive words usually involving and observing consumers in a marketing setting or questioning them about their product or service consumption experiences.

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- c. **Transportation Firms** : As a product moves from producer to consumer, it often travels long distances. Also, if the channel of distribution includes several firms, the product must be moved a number of times before it becomes accessible to consumers. Service providers such as Postal Services and Courier Services, Railway system are common examples.
- d. **Warehousing Firms** : Products usually require storage facilities for either to hold goods for longer periods of time, and serve as stations for goods as they pass from one location to the next. Service operations within warehouses usually require inspecting goods, tracking inventories, repackaging goods, shipping, and invoicing.

❖ **Electronic Channels in Service Marketing :**

Contents :

1. What are Electronic Channels ?
2. Communications in Services
3. Service Communication Problems
4. Benefits of Electronic Channels
5. Barriers in Distributing Services through Electronic Channels

1. What are Electronic Channels ?

Through telephone, television channels, internet, web and many such other electronic devices – the consumer and business services are made possible – including movies on demand, interactive news and music, banking and financial services, multimedia libraries, and databases, distance learning, desktop video–conferencing, remote health services, and interactive, network–based games. As the service relies on technology and / or equipment for service production, it relies less on personal contact with service providers.

Many financial and information services are currently distributed through electronic media – banking, bill paying, education.

2. Communications in Services :

The purpose of communications is to inform, persuade, or influence consumer behaviour. Developing an effective communications program begins with an understanding of the role of communications within the service organisation. However, the specific role of communications will vary depending on the purchase phase.

4.6 Communications and the Purchase Process :

The purchase process consists of three phases – *the pre–purchase phase, the consumption phase, and the post–purchase phase*. Communication is a critical component of each phase. Communications may influence these customers to buy the service sooner than when he had planned to buy a particular service. For consumers who are not brand loyal, communications can impact the choice of service firms.

- (i) **Pre–Purchase Phase** : Communications can be used to accomplish different objectives (reduce purchase risk, develop a specific corporate image, to build brand equity, or to increase awareness).

For some services, such as restaurants, being part of a consumer's evoked set is important. To get into consumers' evoked sets, awareness communications are needed.

- (ii) **Consumption Phase** : In this phase, communications can be used to accomplish by enhancing customer satisfaction, and increasing repeat purchase behaviour. A sign at a petrol pump station that engine oil change is also available.
- (iii) **Post–Purchase Phase** : Cognitive dissonance can be reduced by reassuring customers they have made a good purchase, through advertisements, or a personal contact with a company representative. A service firm can stimulate word–of–mouth communications by offering customers incentives.
- (iv) **Building Firm Image** : Firm's image is based on how consumers view a firm, especially on consumer's comparison with other firms. The image consumers have of a service firm is closely tied to the concept brand equity and the customer value package.
- (v) **Image Analysis** : The company finds out other competing firms, and decide what position the firm wishes to occupy in the buyers' minds, by developing a specific firm image in the promotions.

4.7 Service Communication Problems :

- (i) **Elevated Customer Expectations** : In selling and differentiating the service the organization can not have the funds for to elevate expectations above the level at which it may perform. If unrealistic expectations are set up through advertising, or personal selling, actual encounters will disappoint customers. Service firms often over promise in selling, advertising, and other company communications.
- (ii) **Inadequate Management of Service Promises** : A discrepancy between service delivery and promises happen when companies are unsuccessful in managing service promises made by salespeople, advertising, and service personnel due to discrepancy in information and integration needed.

The traditional functional structure in many companies obscures the entire process that allows the company to project the exact date when the work will be completed and the service delivered as promised.

- (iii) **Inadequate Internal Marketing Communications** : Sometimes the more than one features within the organisation, together with marketing and operations, ought to be coordinated to reap the goal of service, this is horizontal communication is critical. To supply tremendous consumer service, companies ought to be positive to

tell and encourage personnel to supply what their clients expect. A very last shape of inner coordination valuable to offering service quality is consistency in regulations and strategies throughout departments and branches, or even franchised or business enterprise owned outlets.

- (iv) **Inadequate Customer Education** : If clients are uncertain approximately how the service may be provided, what their function in delivery involves, and the way to examine services they have never experienced before, they may be disenchanted and regularly maintain the service business enterprise, not themselves, responsible. Thus, the corporation ought to count on responsibility for instructing clients; otherwise the churn rate (defection of clients) is high. For high-involvement services, together with long-time period medical remedy or buy of a first home, clients also are not likely to realize and assume the service process.

4.8 Benefits of Electronic Channels :

Electronic channels such as television and telecommunication do not alter the service, as channels with human interaction tend to do. Unlike delivery from a personal provider, electronic delivery does not interpret the service and execute it according to that interpretation. Distribution of television programming from networks through affiliate television and radio stations illustrates standardised electronic distribution.

Generally, the local stations deliver what is fed to them (news, sports) through the networks. Local stations can decide not to carry a particular show (low ratings or lack of fit), or refuse to carry advertising spots (controversial). Except for these situations, which are uncommon, what is distributed through electronic channels is what the service creator sends.

- (i) **Customer Choice and Ability to Customise** : Dell computer, a physical product, allows customers to configure entire products to their own particular needs and desires; the renovation of kitchen is now possible to customise through internet sites.
- (ii) **Low Cost** : Electronic media offer more efficient means of delivery than does interpersonal distribution.
- (iii) **Customer Convenience** : With electronic channels, customers are able to access a firm's services when and where they want. My place, my time is the new mantra of consumers everywhere. The forward-thinking companies recognised an underserved market—e-commerce for the way people now shop.
- (iv) **Wide Distribution** : Electronic channels allows the service provider to interact with a large number of end users. They also allow the service provider to interact (often simultaneously) with a large number of intermediaries. The costs and effort to inform, select, and motivate the activities are low with electronic channels.

- (v) **Quick Customer Feedback :** Companies can find out immediately, what customers think of services and of their transactions and can gain far higher participation from customers in surveys. With quick customer feedback, changes can be made rapidly to service assortments and the problems can be addressed immediately.

4.9 Barriers in Distributing Services through Electronic Channels :

- (a) **Lack of Consistency :** Many times, the customer produces the service himself using the technology, leading to errors or frustration unless the technology is highly user-friendly.
- (b) **Competition from Widening Geographies :** Many services were somewhat protected from competition because customers had limited choice among the providers they could physically drive to. With electronic channels, virtually all financial services can be procured from institutions far from the local area.
- (c) **Change in Consumer Behaviour :** A consumer procuring a service through electronic channels engages in very different behaviour from a consumer entering a retail store and talking to a salesperson. The consumers use electronic channels in search for information, and perform some aspects of the services themselves – this is the acceptance of different levels of service. The behaviour changes are difficult, therefore marketers wishing to motivate consumers to alter long-established patterns will be challenged.
- (d) **Price Competition :** The price comparison websites allow customers to compare features and prices of services with each other and even name their price for a service and wait until the service provider accepts it. Never has the customer had such ability to bid on prices for services.
- (e) **Lack of Control of the Electronic Environment :** The internet faces the challenges of unregulated media. With the network becoming popular, pornographic and other controversial material started to appear. When a service's advertising or information appears in proximity to such material, the result can be a negative spill-over effect.
- (f) **Security Concerns :** Many problems confront marketers using electronic channels – lack of security of information, particularly health and financial information; penetration, vandalism, eavesdropping, and impersonation; stealing passwords and exploiting unprotected modems and connections.

With vandalism, hackers crash corporate and other computers. To combat these problems, firewalls and other software scan for unusual activity. With eavesdropping, hackers snoop on information as it passes through multiple computers to the Internet. The typical solution is encryption software that scrambles electronic mail and other data to make it unintelligible to eavesdroppers.

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- (g) **Customers are Active, Not Passive, and Must be Enticed :** Traditional advertising media such as magazines and television consider the customer a passive receiver of their messages. The user of the web, however, is different – they want the choice to click or not, to view or not, and anything more than the gentlest form of persuasion from an advertiser is likely to be construed as an intrusion.

The advertising must educate, entertain, and draw the customer in.

- (h) **Inability to Customise with Highly Standardised Electronic Services :** In electronic classes and video–conferences, the quality of the service can also hamper procurement the way the audience reacts (or doesn't react) in those situations. People talk among themselves, leave in mid–session, laugh, and criticise, among other behaviours.

Check Your Progress :

1. Direct distribution advantage is *does not have* :
 - a. Complete control
 - b. Loyal customers
 - c. Customers' insight
 - d. Self–Service Technique
2. Two service marketers are involved in indirect distribution are :
 - a. Wholesaler and distributor
 - b. Distributor and dealer
 - c. Service principal and service deliverer
 - d. Distributor and Franchisee
3. Who is *not* an intermediary ?
 - a. Wholesaler
 - b. Consumer
 - c. Broker
 - d. Distributor
4. Brokers generally represent :
 - a. One company
 - b. Group sellers
 - c. Several companies
 - d. Individuals
5. One of the following is *not* a department in a typical advertising agency :
 - a. Public relation
 - b. Account management
 - c. Shop floor
 - d. Creative department

4.10 Let Us Sum Up :

Distribution relates to both core and supplementary services and embraces three interrelated elements. They are *Information and promotion flow, negotiation flow, product flow*.

Channel preferences vary among customers, options include – Customers visit the service site, or Service providers go to their customers, or the Service transactions are conducted remotely.

Place and time decisions include where services should be delivered in bricks-and-mortar context, when it should be delivered.

Delivery in cyberspace is facilitated by technology and e-commerce allows round-the-clock delivery, saving time and effort

Intermediaries play roles in distributing services.

Franchising brings both advantages and disadvantages to the firm

4.11 Answers for Check Your Progress :

1. d 2. c 3. b 4. c 5. c

4.12 Glossary :

1. **Intermediaries** : they are third parties and fill a function that is needed by two other parties to make a deal or to execute a task.
 2. **Channels** : (Distribution) channel is a chain of businesses or intermediaries through which a good or service passes until it reaches the final end consumer. Distribution channels can include wholesalers, retailers, distributors, and even the Internet.
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4.13 Assignments :

1. Find out how a distribution of service is different from distribution of goods ?
 2. Can you identify a manufacturer who has allocated some of their tasks to intermediaries ?
-

4.14 Activity :

1. Find both types of merchant wholesalers : (a) full-service and (b) limited-service. Provide their names and contact details
-

4.15 Case Study :

Narrow vs. Wide Reach :

The extent to which a firm seeks narrow (exclusive) vs. wide (intense) distribution depends on a number of factors.

Most consumers are likely to switch soft drink brands rather than walk away from a vending machine to a convenience store to buy a soft drink of their choice. So intensity of distribution is essential in this case.

In a second example, for a refrigerator, consumers are expected to go to a department or discount store. If the white good is a premium brand, it may have more credibility if it is carried only in full *service* specialty stores.

Retailers involved in a more exclusive distribution arrangement are likely to :

- Recommend the product to the customer and thus sell large quantities;

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- Carry larger inventories and selections;
 - Provide more services
1. Take a case of laptop of a Multi-national company. What do you think will be its policy to sell computers and its related services?
 - (a) Will it be through retailers? (and sell in larger units).
 - (b) Will the MNC sell laptops directly to large companies? (and save the commission of retailers).

Case Study from Notes by : Lars Perner, Ph.D., Assistant Professor of Clinical Marketing, Department of Marketing, Marshall School of Business, University of Southern California

4.16 Further Reading :

1. Services Marketing : 6th edition, 2007 by Christopher Lovelock and JochenWirtz
2. Services Marketing : Integrating Customer Focus Across the Firm, Valarie A Zeithmal, Mary JO Bitner, Dwayne D Gremler, Ajay Pandit – Special Indian Edition
3. Online link : consumerpsychologist.com/intro_Distribution.html

BLOCK SUMMARY

In this block you have learned how a Service Company integrates all its communications and how the service-scapes are designed. In planning for the external communication, there are various models involved like AIDA and HEM.

You have also learned in this block about how the companies come up with pricing – tailor made out of the marketing mix and all the factors that affect price.

You have been through Service linking the quality with costs, profits along with the offensive and defensive marketing effects of service – customer retention.

You have also learned in this block on the distribution of core and supplementary services from both the points of view – service provider and service deliverer. You now would also know the modes of distribution for services and their benefits.

BLOCK ASSIGNMENT

Short Questions :

1. What are the reasons for the shift to IMC ?
2. What is the AIDA model, the well established models amongst all the Response Hierarchy Models ?
3. Compare the terms *promotion* and *marketing communications*, and list the primary tools of marketing communications.
4. What is Skimming pricing and Tiered pricing ?
5. Distinguish between 'premium pricing' and 'value-based pricing.'
6. Why 'word-of-mouth communication' is considered more credible than other source of messages provided by the company ?
7. What are the main sources of profit in 'defensive marketing ?
8. How does a distribution of service differ from distribution of goods ?
9. What is the role of service intermediaries in Indirect distribution.
10. Briefly describe the benefits of Electronic Channels.

Long Questions :

1. Find an example of an advertising campaign being used by a company and analyze their campaign in terms of the IMC.
2. The first 3 Ms can be determined by using the Hierarchy of Effects Model (Lavidge and Steiner). Explain.
3. This advertising communication model describes that there are six phases – from the phase where the customer views the product to the purchase phase. Discuss.
4. From the Service providers' point of view, what are the three major pricing strategies that can be identified ?
5. From the Customers point of view, what are the pricing strategies that link to the four-value definition ?
6. To what extent do customers consider price as a criterion in selecting services ?
7. Does retaining your customers give a competitive advantage ?
8. What is the difference between offensive and defensive marketing ?
9. How will the balanced service scorecard help in understanding and document the information ?
10. Describe the four major marketing facilitators : (a) advertising agencies, (b) market research firms, (c) transportation firms, and (d) warehousing firms.

❖ **Enrolment No. :**

1. How many hours did you need for studying the units ?

Unit No.	1	2	3	4
No. of Hrs.				

2. Please give your reactions to the following items based on your reading of the block :

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____

3. Any other Comments

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