

SERVICE MARKETING

PGDM-202

BLOCK 1: CONCEPT OF SERVICE MARKETING



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SERVICE MARKETING



Knowledge Management and
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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 students' 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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BLOCK 1: CONCEPT OF SERVICE MARKETING

Block Introduction

As India moves increasingly toward a services economy, marketers need to know more about marketing service products. On a simplistic note, one can say that services are activities or benefits that one party can offer to another that are essentially intangible and do not result in the ownership of anything. While the share of services in India's GDP increased by 21 per cent in the 50 years between 1950 and 2000, nearly 40 per cent of that increase was concentrated in the nineties. Service Sector in India today accounts for more than half of India's GDP. The fact, which the service sector now accounts for more than half the GDP, it marks a watershed in the evolution of the Indian economy and takes it closer to the fundamentals of a developed economy.

This block explains us the concept of service marketing. It mentions the characteristics of services, its impact and the result of services on economy in terms of employment, rise in GDP, etc. The boom in the services sector has been relatively "jobless". The rise in services share in GDP has not accompanied by proportionate increase in the sector's share of national employment. Some economists have also cautioned that service sector growth must be supported by proportionate growth of the industrial sector; otherwise the service sector grown will not be sustainable. The current economic scenario shows that the boom in the services sector is here to stay as India is fast emerging as global services hub.

Unit one explains us the service phenomenon and the role of services in the economy. It differentiates goods and services and classifies services based upon theories proposed by many theorists. Specifically it mentions the Indian and international scenario of services and explains the role of service in tourism, financial health and information technology sector.

Unit two explains about the service characteristics and housing and financial intermediation and how private sectors have taken the initiative to boost their services. It also shows us the implications of service characteristics while operating it in housing and financial sector.

Unit three explains about the traditional marketing mix of price, product, place, promotion and extension of it in services sector with three additional elements of people, process and physical evidence.

Block Objective

After learning this block, you will be able to understand:

- Explain the concept of service phenomenon.
- Know about the characteristics of services.
- What is the result of the marketing implications of services and its characteristics?
- Explain the marketing planning process.

Block Structure

Unit 1: Understanding Service Phenomenon and Role of Services in Economy

Unit 2: Service Characteristics and Housing and Financial Intermediation

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UNIT 1: UNDERSTANDING SERVICE PHENOMENON AND ROLE OF SERVICES IN ECONOMY

Unit Structure

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1.0 Learning Objectives

After learning this unit, you will be able to understand

- How services are different from goods.
- What is the result of the marketing implications of services and its characteristics?
- How is international scenario in services sector?
- The service sectors where growth has been significantly higher.

1.1 Introduction

As India moves increasingly toward a services economy, marketers need to know more about marketing service products. On a simplistic note, one can say that services are activities or benefits that one party can offer to another that are essentially intangible and do not result in the ownership of anything. Thus we see how services are different from goods.

During the past decade services have increasingly assumed an important role in the Indian economy. Ever since this trend was set in the nineties, services have gained dominance. The competition, simultaneously, in service organizations, is becoming intense and severe. As a result these organizations have to have a more professional approach to managing their businesses. 'Perhaps it is in this context that the role of marketing is gaining importance in service organizations.

Services are widely used by people today in practically all aspects of life. From education to entertainment, finance to fast food, travel to telephone, advertisement to amusement parks, market research to maintenance services, retailing to recreation and so on, services now-a-days are increasingly being used by the corporate as well as the household sector.

1.2 Myths about Service Industries

There are certain myths about services sector. It is because of these myths that people are unable to relate the role and contribution of the services sector in the economy.

The first myth is that a service economy produces services at the expense of other sectors. The fact is that many service industries are major purchasers of manufactured goods. Take the example of airlines, fast food outlets, educational institutions, etc. which buy so much of manufactured products.

The second myth is that service production is primarily labour intensive. In fact, a number of service sectors like health care, hospitality, etc. are capital intensive. Productivity are therefore equally important in service organizations as returns on capital employed will be one of the major determinants of success.

The third myth about services is that people satisfy their product needs before the need for services. This is also not true. Research findings of a study revealed that people value services as much as products however, they may buy services in a less cyclical way, as compared to goods.

The fourth myth about the services sector is that service businesses are 'cottage industries' and service jobs are low paying. If you check the list of Fortune 500 companies you will be surprised to see the number of service companies figuring in this list.

The other myth about the service sector is that services are only offered by the government sector. The fact is that on the one hand public services, like telephones, health care, power generation and distribution, etc. are being privatized and on the other hand large enterprises are entering into services sector. Take the example of Escorts into health care, Tata's in power distribution, etc. In fact the service organizations are quite varied and different from each other and can be put into four categories.

First category includes the public agency sector for example post offices, police and fire departments, water and electricity authorities, etc. The second group is made up of the private non-profit sector running charities, foundations, old age homes or various societies involved in issues related to women, literacy, family welfare, etc. Next comes the business sector comprising banks, hotels, airlines, travel agencies, tour operators, courier services, insurance, consultancy – legal management or medical. Lastly, it is the sector, which provides services to those involved in manufacturing. This includes those firms providing security personnel, accountants and auditors, computer operators and software consultants that help manufacturing firms in their operations.

Service Sector in India

The present scenario of services sector is that it occupies more than 50% of the GDP and strives to make the country a developed country. Tertiary sector or

services sector of the economy covers a wide gamut of activities like trading, banking and finance, infotainment, real estate, transportation, security, management and technical consultancy among several others. The various sectors that combines together to constitute service industry in India are:

- Trade
- Hotels and Restaurants
- Railways
- Other Transport and Storage
- Communication (Post, Telecom)
- Banking
- Insurance
- Dwellings
- Real Estate
- Business Services
- Public Administration
- Defense
- Personal Services
- Community Services
- Other Services

Services sector showed marked acceleration in the eighties and nineties, especially in the nineties. While the share of services in India's GDP increased by 21 per cent points in the 50 years between 1950 and 2000, nearly 40 per cent of that increase was concentrated in the nineties only. Almost all service sectors participated in this boom, growth was observed fastest in communications, banking, hotels and restaurants, community services, trade and business services. One of the reasons for the sudden growth in the services sector in India in the nineties was the liberalization in the regulatory framework that gave rise to innovation and higher exports from the services sector.

The services imperative mentions about the intangible nature of it which makes it different from product and goods. There is no such service called as pure

service but services are divided into two categories that is core services and supplementary services

Check your progress 1

1. The _____ reflects the view that the intangible aspects of products are becoming key features that differentiate the product in the marketplace.
 - a. Services marketing
 - b. Servuction model
 - c. Service imperative
 - d. Benefit concept
2. Which of the following businesses would be characterized as a pure service?
 - a. insurance
 - b. Farming
 - c. Mining
 - d. There is no such thing as a pure service
3. Which of the following are the categories of services :
 - a. Core services
 - b. Supplementary services
 - c. Both a and b
 - d. Only b

1.3 Reasons for Growth and Current Status

It is obvious that the growth in the services sector has been substantive. The reasons for this growth are quite a few, some of which are summarised as follows:

- **Affluence:** The increase in per capita income (from Rupees 238.8 in 1950 to Rupees 11,934.5 in 1998) is an indicator of the increase in general affluence level. This increase in affluence has given rise to services like pest-control, personal security, interior designer, etc.
- **Leisure Time:** There are many who take time out from their busy schedule to travel and holiday and therefore there is a need for travel agencies,

resorts, hotels and entertainment. There are others who utilize this time to improve their career prospects and hence there is a need for adult education/ distance learning/ part-time courses.

- **Life Expectancy:** The health programmes have significantly contributed to an increase in life expectancy, giving rise to services like old age homes, nursing homes, health care, etc.
- **Working Wives:** As more and more women have started working, the need for day care for children has increased and so is the case with packed food and home delivery.
- **Product Complexity:** A large number of products are now serviced only by specialized persons like water purifiers, microwave ovens, home computers, etc. This has led to rise for services like ‘after sales service’ agents for durables, maintenance services providers, etc.
- **Life’s Complexity:** As the daily routine gets busier, individuals find it difficult to manage things on their own. This leads to an obvious need for tax consultants, legal advisors, property advisors, etc.
- **Resource Scarcity and Ecology:** Depleting natural resources is increasing the need for conservation of resources. We have seen the mushrooming of service providers like pollution control agencies, car pools, water management, etc.
- **New Products:** The development in information technology has given rise to services like PCOs, pager services providers, web shopper, etc.

In short, today one can find a large variety of services being offered in the market by service providers. These services are extremely heterogeneous and varied. GATS (General Agreement on Trade in Services) identified as many as 155 activities as services and classified them in the following 11 major categories:

- | | |
|---------------------------------|----------------|
| 1. Business services | 7. Finance |
| 2. Communication | 8. Health |
| 3. Construction and engineering | 9. Tourism |
| 4. Distribution | 10. Recreation |
| 5. Education | 11. Transport |
| 6. Environment | |

The above discussion portrays the spectrum of services. If services are so varied, the marketing challenges should also be just as complex. Therefore, let us proceed systematically and develop clarity on what is a service.

Check Your Progress 2

1. The reasons for the growth of service sector is due to :
 - a. affluence
 - b. leisure time
 - c. product complexity
 - d. all of the above

1.4 Differentiating Services from Goods

Levitt has suggested, “There are no such things as service industries. There are only service industries whose service components are greater or less than those of other industries. Everybody is in service.” The point that Levitt was trying to put across is that with almost every tangible core physical product, an intangible service component is associated. Therefore, everybody is in service.

It was as early as 1977 when Ms. G Lynn Shostack, the Vice-President of Citibank, suggested that marketing ‘entities’ are combinations of intangible and tangible elements that are distinct and discrete. If these absolute tangible and intangible elements are taken to the two ends of a continuum, we can observe that all goods and services don’t fall at one place. There is a range that varies from absolute tangible goods like salt to an absolute intangible service like education.

Theodore Levitt’ proposed the other approach of distinction between various goods. According to him, goods can be put into two categories, namely, search goods and experienced goods. Search goods are generally those goods, which are packaged goods, and the customer can see, evaluate and try them prior to purchase like soap or shampoo. Experience goods, on the other hand, are those, which one can see or evaluate after purchase like holidays, travel, etc. Some persons call search goods as tangible goods and the others as intangibles. There is a range between the two extremes and there could be certain products falling in this range.

First, it is the pure tangible goods, which are like a commodity where it's rather difficult to distinguish between the goods supplied by two suppliers and these goods look identical. There is absolutely no service or intangibles associated with either of the goods. Second, it is the tangible good with accompanying service. In this case the offer consists of a tangible good with service(s) associated with it. Here an effort is made to distinguish the product from competing products based on service. An example could be two brands of refrigerators – one with a five-year guarantee while the other with a seven-year guarantee; based on the guarantee the manufacturer is trying to differentiate the product. Third, it is a major service with accompanying minor goods or service. In this case the manufacturer or supplier is primarily offering a service to the market and along with it minor goods or services may or may not be associated. For example, an airline is primarily offering the passenger transportation service. However airlines also offer food and entertainment on board. The primary item, in this case, still remains transportation and food, entertainment, etc. remain secondary. Lastly, it is the pure service where the offer is only a service. The example could be telecommunication, psychotherapy, health club, etc.

Table Differences between Physical Goods and Services

Basis	Services	Could be Either	Goods
Intangibility	Fully intangible may be physical evidence	Partially tangible	Fully tangible
Inseparability of Buyer and Provider	Both must be present	Remote transactions possible	Remote transactions easy
Ease of Inventory	Cannot store or ware-house the service		Easily inventoried
Sensitivity to Time	Needed on demand, or sale is lost		Can usually wait to receive the product
Difficulty in Measuring and	Measure and control people and	Measure and control people,	Measure and control product

Controlling Quality	processes instead of products	processes and products	quality only
High Degree of Risk/Difficulty of Experimentation	Cost of failure very high; may not be possible make whole or replace the service	Partial replacement is possible	Product can be replaced
Consumption of the Offering	Customization likely to enhance customer perception of perceived quality	Customization has peripheral effect on perceived quality	Customization increases costs, but unlikely to affect perceived product quality
Personalization of Buyer Relationship	Relationship can be as important as service.	Relationship can play an important role	Product is the focus of the transaction

Check your progress 3

1. Theodore Levitt' proposed the other approach of distinction between various goods. According to him, goods can be put into which of the following categories
 - a. search goods
 - b. experienced goods
 - c. both a and b
 - d. only a

1.5 Defining Services Phenomenon

As we have noticed from the preceding discussion, a service is quite a complicated phenomenon. To develop clarity on service as a concept it is desirable that we look at how various researchers have defined it over the last three decades.

American Marketing Association was one of the first to define services, as early as in 1960. It defined services as “activities, benefits, or satisfactions which are offered for sale, or provided in connection with the sale of goods”. Since it proposed that services are offered only in connection with the sale of goods, the definition took a very limited view on services. Regan in 1963 proposed definition as, “Services represent either intangibles yielding satisfaction directly (transportation, housing), or intangibles yielding satisfaction jointly when purchased either with commodities or other services (credit, delivery)”. For the first time services were considered as pure intangibles capable of providing satisfaction to the customer which could be marketed like tangible products.”

Robert Judd’s definition of service means “A market transaction by an enterprise or entrepreneur where the object of the market transaction is other than the transfer of ownership of a tangible commodity”. The definition recognized three broad areas of services that are as follows:

- The right to possess and use a product (rented goods services);
- The custom creation, repair, or improvement of a product (owned goods services); and
- No product elements but rather an experience or what might be termed experiential possession (non-goods services).

In 1974, Rathmell’ suggested the exclusion of the following three activities from the scope of the term services:

- **First**, the non-economic transactions. These include the current wave of political, religious, social and ecological causes, which the consumer is urged to accept, support or join.
- **Second**, the voluntary contributions. It is in a sense market transaction, in that funds are transferred and, presumably, some service is purchased. However, the “price” (i.e. how much to contribute is decided by the buyer and not the seller, the amount varies from buyer to buyer and the nature of intangible purchased is difficult to identify. Does the voluntary contribution to apolitical party mean purchase of their support? Does the voluntary contribution to a religious organization mean purchase of their blessings?
- **Third**, those services which are supported exclusively through various forms of local, state and central taxation. The services of policemen, firemen, army men, school teachers, etc. are so categorized. A sort of transaction does take place and a service is definitely rendered. However,

the transaction is non-voluntary and the value of the service is not determined in the market-place. Thus, any service offered by a public institution wherein there is no direct relationship between price paid and service rendered is excluded. Services rendered by public utilities, government owned museums and stadiums are included because admission is charged even though tax subsidies are also present.

About the same time when Rathmell was defining the distinct features of services, three more definitions were proposed.

Bessom in 1973 proposed that “For the consumer, services are activities offered for sale that provide valuable benefits or satisfactions; activities that he cannot perform for himself or that he chooses not to perform for himself”.

The second definition was given by Blois’ in 1974. According to him, “a service is an activity offered for sale which yields benefits and satisfactions without leading to a physical change in the form of a good.”

In the year 1974, Stanton defined services as “Separately identifiable, intangible activities which provide want satisfaction when marketed to consumers and/or industrial users and which are not necessarily tied to the sale of a product or’ another service.”

A decade later, a significantly different set of definitions was proposed based on which the present workable definition has been given.

Lehtinen in 1983, defined services as “An activity or a series of activities which take place in interactions with a contact person or a physical machine and which provides consumer satisfaction”.

In the year 1984, Kotler and Bloom defined services 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.”

Gummesson highlighted that the intangible nature of services defined “Services is something which can be bought and sold but which you cannot drop on your foot”. This definition also pointed out one basic characteristic that the services can be exchanged even though they are not tangible.

Taking a lead from the last three definitions proposed by Lehtinen, Kotler and Bloom and Gummesson, in 1990 Grönroos proposed a working definition. According to Grönroos, “A service is an activity or series of activities of more or less intangible nature that normally, not necessarily, takes place in interactions

between the customer and service employees and/or physical resources or goods and/or system of the service provider, which are provided as solution to customer problems“.

This definition takes into account the following important features of services:

- Services are by and large “activities” or they are series of activities rather than things.
- As a result services are intangible.
- They take place in the interaction between the customer and the service provider, which means that services are produced and consumed simultaneously.

Customer has a role to play in the production process as the services are provided in response to the problems of customers as solution.

Check your progress 4

1. According to Blois’ a service is defined as
 - a. an activity offered for sale which yields benefits
 - b. gives satisfactions without leading to a physical change in the form of a good
 - c. both a and b
 - d. only b
2. According to Gonroos the following are the important features of services:
 - a. Services are by and large “activities” or they are series of activities rather than things
 - b. As a result services are intangible
 - c. They take place in the interaction between the customer and the service provider, which means that services are produced and consumed simultaneously
 - d. all of the above

1.6 Classification of Services

Ever since marketing researches started defining services, they also proposed their classifications. The first one was proposed as early as 1964 and the last, as late as 1989. Summary of these classifications has been given in the table.

Table Summary of Proposed Schemes for Classifying Services (1964-1980)

Author	Proposed Classification	Comment
Judd (1964)	<ol style="list-style-type: none"> 1. Rented goods services (right to own and use a good for a defined time period) 2. Owned goods service (custom creation, repair or improvement of goods owned by the customer) 3. Non-goods services (personal, experience or “experiential possession”) 	First two are (1964) fairly specific but third category is very broad and ignores services such as insurance, banking, legal advice and accounting.
Rathmell (1974)	<ol style="list-style-type: none"> 1. Type of seller 2. Type of buyer 3. Buying motives 4. Buying practice 5. Degree of regulation 	No specific application to services could apply equally well to goods.
Shostack (1977) Sasser et al. (1978)	Proportion of physical goods and intangible services contained within each product “package”	Offers opportunities for multi-attribute modelling. Emphasizes that there are few pure goods or pure services.
Hill (1977)	<ol style="list-style-type: none"> 1. Services affecting persons vs. those affecting goods 2. Permanent vs. temporary effects of the service 3. Reversibility vs. non-reversibility of 	Emphasizes nature of service benefits and (in 5) variations in the service delivery/ consumption

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	<p>these effects</p> <p>4. Physical effects vs. mental effects</p> <p>5. Individual vs. collective services</p>	environment
Thomas (1978)	<p>1. Primarily equipment based</p> <ul style="list-style-type: none"> • Automated (e.g., car wash) • Monitored by unskilled operators (e.g., movie theatre) • Operated by skilled personnel (e.g., airline) 	Although operational rather than marketing in orientation, provides a useful way of understanding product attributes.
Chase (1978)	<p>1. Primarily equipment based a. automated (e.g., car wash)</p> <p>2. monitored by unskilled operators (e.g., movie theatre)</p> <p>3. operated by skilled personnel (e.g., airline)</p>	<p>Primarily people-based</p> <p>a) 'unskilled labour (e.g., lawn care)</p> <p>b) skilled labour (e.g., repair work)</p> <p>c) professional staff (e.g., lawyers, dentists)</p>
Kotler (1980)	<p>Extent of customer contact required in service delivery</p> <ul style="list-style-type: none"> • high contact (e.g., health care, hotels, restaurants) • low contact (e.g., postal service, wholesaling) 	Recognizes that product variability is harder to control in high contact services because customers exert more influence on timing of demand and service features due to their greater involvement in the service process.

<p>Lovelock (1980)</p>	<ol style="list-style-type: none"> 1. People based vs. equipment-based 2. Extent to which client's presence necessary 3. Meets personal needs vs. business needs 4. Public vs. private, for-profit vs. non-profit 5. Basic demand characteristics <ul style="list-style-type: none"> • object served (persons vs. property) • extent of demand/supply • discrete vs. continuous relationships between customers and providers 6. Service content and benefits <ul style="list-style-type: none"> • extent of physical goods content • extent of personal service content • single service vs. bundle of services • timing and duration of benefits 7. Service delivery procedures <ul style="list-style-type: none"> • multi-site vs. single site delivery • allocation of capacity (reservations vs. first come, first served) • Independent vs. collective consumption • time defined vs. task defined vs. transactions • extent to which customers must be present during service delivery 	<p>Synthesizes previous classification and adds several new schemes. Proposes several categories within each classification. Concludes that defining object served is most fundamental classification scheme. Suggests that valuable marketing insights would come from combining two or more classification schemes in a matrix.</p>
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Understanding Service Phenomenon and Role of Services in Economy

Table Summary of Proposed Schemes for Classifying Services (1983-1989)

Author	Proposed Classification	Comment
Lovelock (1983)	<ol style="list-style-type: none"> 1. The nature of the service act <ul style="list-style-type: none"> • The tangible actions to people or things • Intangible actions to people or things 2. Relationship with customers <ul style="list-style-type: none"> • Continuous delivery • Discrete transactions • “Membership” relationships • No formal relationships 3. Customization and judgment in service delivery <ul style="list-style-type: none"> • Judgment exercised by customer contact persons • Customization of services 4. Nature of demand in relation to supply <ul style="list-style-type: none"> • Extent to which supply is constrained • Extent of demand fluctuations 5. Methods of service delivery <ul style="list-style-type: none"> • Single or multi-site delivery • Service delivered on providers or customer’s premises 	Provides a series of classification, which together illustrates the complete nature of services, and provide useful background information for managerial purposes.
Schmenner (1986)	<ol style="list-style-type: none"> 1. Degree of interaction and Customization <ul style="list-style-type: none"> • Low • High 	Recognizes that some services may be more customized and involve a higher degree of labour

	<p>2. Degree of Labour intensity</p> <ul style="list-style-type: none"> • Low • High 	<p>intensity and may help the reader to understand the strategic and tactical options available.</p>
<p>Vandermerwe and Chadwick (1989)</p>	<p>1. Degree of consumer/producer interaction</p> <ul style="list-style-type: none"> • Lower • Higher <p>2. Relative involvement of goods</p> <ul style="list-style-type: none"> • “Pure” services • Services with some goods or delivered through goods • Services embodied in goods 	<p>Recognizes the importance and role of goods components in service business</p>

These classifications not only demonstrate the diversity of services but also suggest how important it is in a specific situation to carefully analyze the detailed nature of the service operation. The general characteristics of services remain unchanged irrespective of the nature of service business where the customer is always a person or group of persons; the service is perceived more or less intangibly, some kind of interaction between the customer and some parts of the production system of the service provider—including personnel, technology, or both – always occurs and some kind of input from the customer is always required in the process.

These classifications do not suggest that a specific service is so unique that the basic fundamentals of managing services do not apply to them. However, they do lay emphasis on various aspects of service operation, types of resources to be used and how to manage the process depending on the nature of service and the interface with the customers. Such implications are also discussed in other units of this part of the book.

1.6.1 International Scenario

The tremendous growth of services sector, due to various reasons outlined earlier has resulted in its increased importance to the world economies. As early as in 1948, 54% of the GDP of United States was generated by services, which have increased to 80% in year 2006.

In 2006, the services sector in the US accounted for 73% of total employment, up from 55% in 1950. Almost all of the absolute growth in number of jobs in US in recent years is in service industries. One study reported the “25 Hottest Careers in USA” for 1993 as being in one of the five major segments of information technology, education and training, health care, management and small (service) business opportunities — all services (Working Woman, July 1993, p 41-51). In fact, while the US balance of trade in goods has remained in the red for the last many years, it has a trade surplus in services throughout these years.

The US is not unique in its conversion to a service economy. Similar changes have taken place internationally. Today, services sector dominates the economies of other developed nations as well. As countries develop, the role of agriculture in the economy declines and that of services rises. Highly developed countries all have more than 50% of GDP and employment derived from services. A particular characteristic of the development of service employment over time is that it is less sensitive to business cycle fluctuations than other types of employment. In *The Economist* of May 20, 1995, it is shown that service output declined less than industrial output in the recession of the early 1990's.

The large and rapidly growing service sector in most nations has resulted in the emergence of a new breed of larger, more sophisticated service companies. *Fortune* magazine annually compiles a ranking of the world's leading service companies, separated into eight categories — diversified services, commercial banks, diversified financials, commercial banks, savings institutions, life insurance, retailers, transportation and utilities. These major service firms are now increasingly looking to international markets in the search for future profitability. Globalization, as a strategy, for service firms is becoming even more important, especially where domestic markets have reached a mature stage of development. Globalization is likely to assist the process of diffusing new service developments across national boundaries and as interest in globalization intensifies, service firms are making efforts to establish and maintain their international networks and brands.

According to WTO's data, the world export of commercial services in the year 2006 was US \$2,350 billion. This accounts for 19.6% of total world trade. North America and western Europe exported commercial services worth US \$488 billion and 840 billion respectively; thereby accounting for more than two-third of the total export in services.

Besides the US, most of the West European countries as well as Mediterranean countries are net exporters of services. Elsewhere, Singapore is one of the few net exporters. Germany, Japan, most of South-east Asian countries and Canada are net importers. The third world countries are net service importers too. As per 2006 figures, India ranked 25th in export of commercial services valued at US\$23.9 billion and ranked 21st in imports, valued at US\$27.2 billion. The composition of service exports is very different from country to country. Michael Porter, in his work. The Competitive Advantages of Nations has suggested that nations exhibit strikingly different patterns of national competitive advantages in services as they do in manufactured goods.

Trade in services is comparatively more difficult to measure than merchandise trade. The statistics available today on service trade, though, far better than available earlier, still lacks in coverage, specify, uniformity and comparability among different service industries. Although all countries, as part of their BOP statistics, record services, comparison between countries and between types of services is difficult.

For a greater number of developed countries, service industries have grown to a level of definite competitiveness in international trade whereas their competitive advantage in merchandise has started to recede. However, for most developing countries service industries are at various stages of development ranging from low to intermediate. For most of these countries service sectors are recognized as strategic to their development and consequently, are subjected to intensive regulations.

Ranging from architecture to telecommunications, financial to health services and beyond, services today are the largest and most dynamic component of both developed and developing economies. Their inclusion in the Uruguay round of trade negotiations led to the 'General Agreement on Trade in Services' (GATS). Since January 2000, they have become the subject of multilateral trade negotiations.

1.6.2 Indian Scenario

The service sector is also assuming increasing importance in the Indian economy. The share of agriculture sector, which constituted over 50 per cent of GDP in 1960s, has now come down to around 24 per cent in 2005 - 2006. There has been substantial increase in the manufacturing sector but the bulk transformation has been in the service sector. The weight age of service sector is an indication that in future, India's GDP growth will be influenced considerably by the service sector.

According to a report published by IMF, the services sector in India has consistently outperformed the rest of the economy in the recent years and by a wide margin, since the 1980s in response to the reform programmes undertaken and since 1991 in response to the various liberalization and stabilization measures. The report indicates that within the overall growth picture since the 1991-92 crisis, sectorial performance has diverged markedly with industrial growth falling below long-term trends till 1993-94 after which it recovered broadly, with output having increased by 9% in 1994-95. Against this, agriculture and services grew more steadily. In fact, the response to liberalisation has probably been more in service sector, partly because of lower fixed investment requirements.

The Indian economy is majorly dominated by the service sector today, contributing more than half of our national income. It is also the fastest growing sector, with an annual growth rate of 8% per year. The data available of the 90s decade shows that one in every two Indians earns his livelihood by providing services.

An India Today — ORG — MARL poll showed that a majority of middle-class families want their children to work in the service sector. With best jobs, best incomes and best talents, the service sector is now the showcase of the Indian economy. (India Today, Feb. 19, 2001).

Moreover, technological advances have made it possible for India to compete on a global basis in areas such as software development and information services (some of the other potential areas for India include accountancy, health, education and banking services). Reduced restrictions on private sector involvement have also played an important role in the growth of this sector as a result of which the real annual growth rates in services have generally outperformed the overall GDP growth rates and the trend is likely to continue in future.

From Aug 15, 1996, Bombay Stock Exchange (BSE) has given the service sector a dominant place in the revised 30-share index. As many as six new scrip (Paper money issued for temporary emergency use.) — Mahanagar Telephone Nigam Ltd (MTNL), State Bank of India (SBI), Industrial. This shows that the service sector in India is increasing considerably and is acknowledged by the stock markets as well.

Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI), Indian Hotels and GE Shipping accounting for close to 25% market capitalisation of new Sensex scripts — belong to the service sector. Similarly, Delhi Stock Exchange (DSE) has adopted a new index in April 1997 in order to give a balanced representation to different segments of industry keeping in view the changing economic conditions. While 18 companies dropped from the index, only one belongs to the service sector, the 18 new companies added include seven companies from the service sector viz. — MTNL, IFCI, BSES, ICICI, SBI, Essar Shipping and Oriental Bank of Commerce. NSE-50 today also has a dozen scrips belonging to companies from service sector. In a survey of top 500 firms by Business Today (Sept 7-12, 1996) the industry wise analysis shows that the net profit margins have been highest for hotels, info-tech and financial services — all three belonging to service sector.

Though service sector is India's number one sector contributing more than 40% of the GDP, yet it contributes less than one per cent of the gross tax structure. Since no taxes are imposed on agriculture, most of the tax revenues are coming from manufacturing sector in which taxes are considered to be on the higher side. With economic reforms, the tax structure in the manufacturing sector is being rationalized and in order to widen the tax base, service sector is being increasingly included in the tax net. Since the budget presented in 1994, more and more services are being taxed. While services such as insurance, advertising, brokerage, telephones, paging and couriers have been taxed in budgets prior to 1997, six more broad categories have been included in the tax net in the 1997 budget. Service tax proposals estimates to yield revenue of Rs. 1,200 crore in a fiscal year. Finance minister of India, in his budget speech on Feb. 28, 1997, had mentioned that the service sector contributes nearly 40% to the GDP. Services are products like manufactured goods, hence, it is proposed to extend the service tax to cover a number of well-known services, like:

- Transportation of goods by road
- Consulting engineers
- Custom houses, steamer and clearing and forwarding agents

- Air travel agents, tour operators and car rental agencies
- Outdoor caterers, pandal contractors and mandap keepers
- Manpower recruitment agencies.

Service tax is fast turning out to be an important tool of revenue collection for the central government. The directorate of service tax, which began with a modest collection of Rs 410 crores in 1994-95, expects to mop up nearly Rs 5,000 crore in 2001-2002, twice the amount collected in 2000-2001. Interestingly 83% of the total revenue is contributed by only five sectors. Of this, telecom services have contributed 51% of the total revenue during 2000-2001. Insurance, advertising agencies, courier services and stock brokers are the other major contributors.

The export import policy of 1997, on the other hand, has extended certain benefits to service sector, which were earlier available only to manufacturing sector. One of the significant provisions included is to extend the zero duty Export Promotion Capital Goods (EPCG) concessions to the service industry including hospitals, air cargo, hotels and tourism related services.

New employment opportunities have been recorded more in the service sector. Hence, the importance of service sector in Indian economy is praised.

The higher growth of employment in service sector is partly because with the growth of economy and technological developments, a smaller proportion of work force is needed by the manufacturing sector. The total employment in the organized sector in the last 25 years has increased by around 57%, the increase in employment in service sector in the corresponding period has been around 70%. With the changing pattern of Indian economy, a shift in employment pattern is bound to happen. The demand for specialized services and professionals like bankers, accountants and lawyers is bound to increase.

1.6.3 Tourism and Travel

Tourism has become the world's largest employer and this sector is one of the world's largest economic forces with more than 200 trillion dollars yearly. The leader in the industry, USA, earned \$58.37 billion in 1995 through international tourism receipts. This sector is today the second largest foreign exchange earner for India. Further, the largest tourist travel for business and leisure is also showing increasing trends. As per Department of Tourism's

statistics, the leisure domestic travel has increased from 6.69 crore in 1991 to 20 crore in 2006 and it is continuously showing the trends in growth.

1.6.4 Financial Services

The role of financial services in stimulating and sustaining economic growth is well-known. A distinct feature of the Indian financial system is the dominance of public sector institutions in practically all areas like banking, term lending and insurance. One of the most important segments of the financial system is commercial banking. This segment has come a long way and grown substantially from a deposit base of Rs 59 billion in 1971 to Rs 9003 billion in 1999-2000. The response of the Indian banking system to reforms in the sector since 1992 has been creditable. Also, a number of banks from private sector have come in inducing greater competition. This growing competition coupled with higher customer expectations and greater use of technology is bound to give a totally new shape to the banking system in India.

For overall economic growth, other financial markets should be developed, apart from the banking system, to intermediate between savers and investors. In this context, the main financial markets are:

- The organised credit market (dominated mainly by commercial banks)
- The money market
- Capital market
- Debt market
- Gilt-edged market for government securities
- Housing finance market
- Hire purchase and lease finance market
- Insurance market

Telecommunication sector has witnessed a total transformation throughout the world in the last two decades due to rapid technological advances. Today, an advanced telecom system is a necessity for a nation's manufacturing as well as service industries. Consider, for example, the growing use of telecom in services like banking, retailing, trading, health, education and transportation. At the beginning of the seventh five year plan, in 1985, the then government decided to focus on improving the telecommunication sector and constituted the Telecommunication Board and the Department of Telecommunication (DOT)

within the ministry of commerce to oversee operations, maintenance and development of telecom services. The emphasis on this sector increased further with the liberalization initiative taken by the government in the current decade. The plan outlay for telecom sector, which was 2.5 per cent of national plan outlay during the sixth plan, was increased substantially to 11.9 per cent in the eighth plan amounting to a whopping Rs 406 billion.

The number of main lines has increased from 5.8 million in 1991-92 to 12.8 million in 2004-05, raising the telephone revenues from Rs 49.7 billion to Rs 203.5 billion. However, we are still at the bottom of the table as far as telephone density is concerned, highlighting and scope and need for huge expansion in the future. Apart from basic telephone, other services included in this sector are telex communication, data communication and fax and value added services like cellular, paging, e-mail, etc. The private sector is going to play an increasingly important role in this sector.

1.6.5 Health Services

India's targets of "Health for All" by year 2000, was out of reach, yet it showed growth in activities taking place in this sector. Indian health care market has primarily been a seller's market with demand far outstripping supply. However, a number of changes in the last few years like increasing consumer awareness, increased purchasing powers and especially setting up of corporate hospital with huge capital investment has led to more competition and marketing efforts. With growing population and other factors cited above, health services are going to increase at a fast pace with more participation coming from the private sector.

1.6.6 Information Technology

Within this sector, the software industry has emerged as one of the major area in which India has international competitive advantage and can very well become a world leader.

Software exports are expected to be of the order of Rs 40,000 crore in 2001-02. This represents a 41 per cent growth over 2000- 2001 wherein exports were of the tune of Rs 28,350 crore. The IT enabled service sector is expected to witness a growth of 54 per cent with revenues estimated to touch Rs 630 crore in 2001-2002. Growth of call centres and business process outsourcing has reaffirmed the

fact that IT-enabled services sector would be the next major growth driver of the industry. Internet services are one of the major areas witnessing dramatic growth in India. It was introduced in mid 90's and the growth in internet connections and users has been phenomenal

Check your progress 5

1. According to JUDD, the classification of services is based on
 - a. Rented goods services (right to own and use a good for a defined time period)
 - b. Owned goods service (custom creation, repair or improvement of goods owned by the customer)
 - c. Non-goods services (personal, experience or “experiential possession”)
 - d. all of the above
2. According to Kotler, the extent of customer contact required for services is classified as
 - a. high contact (e.g., health care, hotels, restaurants)
 - b. low contact (e.g., postal service, wholesaling)
 - c. only a
 - d. Both a and b
3. It is proposed to extend the service tax to cover a number of well-known services, like:
 - a. Transportation of goods by road and Consulting engineers
 - b. Air travel agents, tour operators and car rental agencies
 - c. Outdoor caterers, pandal contractors and mandap keepers
 - e. all of the above

1.7 Let Us Sum Up

In this unit we studied about the service as a phenomenon and role of services in the economy. The role of services in boosting the economy has been explained.

Certain myths have been clarified by accompanying them with facts which shows that services sector is a tertiary sector which is dependent on manufacturing and is labour intensive, valued by people and offered by government as well as private sector.

Reasons for the growth of service sector are cited. They are economic affluence, spare time availability, increased life expectancy; working couple, etc. The phenomenon for services is also explained stating that service is a market transaction in connection with the sale of products wherein transfer of ownership of goods happens.

The classification of services is done by many theorists based upon their parameters like goods, type of sellers and buyers, temporary and permanent, etc. International scenario has also been explained wherein the role of IMF, GATT with respect to services as a trade has been referred to. As far as Indian scenario has been described, the evolution of service sector has been tracked .The trend of services in health, Information technology, travel and tourism and financial services is also mentioned.

The unit has helped us in confirming that service industry now dominate almost all the sectors of industry and has been contributing almost half of profits in boosting the global economy.

1.8 Answers for Check Your Progress

Check your progress 1

Answers: (1-c), (2-d), (3-c)

Check your progress 2

Answers: (1-d)

Check your progress 3

Answers: (1-c), (2-c)

Check your progress 4

Answers: (1-c), (2-d)

Check your progress 5

Answers: (1-d), (2-d), (3-d)

1.9 Glossary

1. **Service model** - an integrative statement that specifies the nature of the service concept (what the firm offers, to whom, and through what processes), the service blueprint (how the concept is delivered to target customers), and the accompanying business model (how revenues will be generated sufficient to cover costs and ensure financial viability).
2. **Intangible** - something that is experienced and that cannot be touched or preserved integrated.
3. **Market segmentation** - process of dividing a market into distinct groups within each of which all customers share relevant characteristics that distinguish them from customers in other segments, and respond in similar ways to a given set of marketing efforts.
4. **Marketing communications mix** - full set of communication tools (both paid and unpaid) available to marketers, including advertising, sales promotion, events, public relations and publicity, direct marketing, and personal selling.
5. **Marketing implementation** - process that turns marketing plans into projects and ensures that such projects are executed in a way that accomplishes the plan's stated objectives.

1.10 Assignment

1. Discuss the difference between physical goods and services with the help of seven Ps of services.
2. Discuss the growth of the service industry in the developing countries.

1.11 Activities

Write 500 words on the future of information technology and the 'IT' scene in 2010 after reading relevant books available in the Internet

1.12 Case Study

Aeroflot - A Dogfight for International Passengers

In stark contrast to British Airways, Aeroflot-Russian Airlines is new to the skies of international commercial airlines. Aeroflot's 114 planes transported 3.8 million passengers in 1996 compared to British Airlines' 25.35 million passengers. Aeroflot's figures are down considerably from 1991, the year before the dissolution of the Soviet Union, when its 5,400 planes carried 138 million passengers. Since 1991 the airline has had trouble adjusting from a monopoly to a competitive marketplace as the rival private Russian airline, Transaero, built passenger loyalty by stressing good service and on-time flights.

Aeroflot's attempt to become a world class airline has been hampered by a poor safety record, bad food, surly service, dilapidated cabins and frequently cancelled or late flights. At less than 60%, Aeroflot's load factor (the percentage of seats on each flight occupied by paying customers), is the lowest in the international airline industry.

In order to expand its business in this highly competitive industry Aeroflot has copied many of the strategies the leading airlines. In January 1997, the airline announced a marketing alliance with Continental Airlines to allow Continental flights from Newark, NJ to Moscow's Sheremetyeva International Airport. Aeroflot has renovated its training academy to include a curriculum that focuses on image and marketing, and includes the slogan, "the customer is always right." The airline launched Telephone Confidential, a customer complaint line, and in an effort to modernise its fleet ordered 10 Boeing 737s.

Marketing has been a big part of Aeroflot's fight to gain back passengers. The image the airline has selected for itself in its first multimedia advertising campaign attempts to convince sceptical consumers that the airline has solved its safety and service problems. The campaign uses magazine, billboard and TV commercials, and features a flying elephant with a slogan that translates into "light on its feet." The not so subtle message means that if elephants can fly, so can Aeroflot.

Aeroflot's web page (<http://www.aeroflot.org>), exhibits a decidedly western influence. The home page has links to pages that describe its airplane fleet, a graphic presentation and description of Moscow's Sheremetyeva airport, flight schedule, news, information, cargo, routeway, charter, and travel office. Judging from the neat, professional appearance of the Web page, Aeroflot's competitors need to be prepared for a dogfight to keep this airline from cutting into their business.

Questions:

1. What are the advertising objectives for Aeroflot's Flying Elephant campaign?
2. Design a multimedia advertising campaign to position Aeroflot head-to-head with British Airways.

1.13 Further Readings

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4. Fitzsimmons, James A. and Mona J. Fitzsimmons (2001), *Service Management: Operations, Strategy and Information Technology* (3rd Edition), Irwin/McGraw-Hill,(???) Pages, I.S.B.N. Number = 0-07-231267-

UNIT 2: SERVICE CHARACTERISTICS AND HOUSING AND FINANCIAL INTERMEDIATION

Unit Structure

- 2.0 Learning Objectives**
- 2.1 Introduction**
- 2.2 Marketing Implications of Services Characteristics**
- 2.3 Housing and Financial Intermediation: Operational Link and Private Sector Initiatives in the Indian Context**
- 2.4 Policy Perspectives: The Concept of Networking**
- 2.5 Let Us Sum Up**
- 2.6 Answers for Check Your Progress**
- 2.7 Glossary**
- 2.8 Assignment**
- 2.9 Activities**
- 2.10 Case Study**
- 2.11 Further Readings**

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- Mention Marketing Implications of Services Characteristics.
- Discuss Operational Link and Private Sector Initiatives in the Indian Context.
- Point out Housing Finance Issues.
- State Supply Constraints.
- Draw inference to Policy Perspectives.

2.1 Introduction

As our knowledge of the characteristics of services grows, proportionately even our ability to deal with them from both an economic and marketing perspective also grows. Services are intangible, inseparable, variable and perishable. Each characteristic poses problems and requires strategies to deal with those problems. Services are typically produced and consumed at the same interval. Hence the relationship between production and consumption dictates that production and marketing are highly integrated processes. The telephone company produces telephone service while the telephone user consumes it.

Generally, goods are produced, then sold and then consumed. Services, on the other hand, are usually sold first, then produced and consumed simultaneously.

The service provider and the client are often physically present when consumption takes place. Sesser observed that the firm is unable to store or transport services that only direct distribution, thereby potentially limiting the number of markets the firm can cover. Apart from the stress laid on 'right place' and 'right time' in case of distributing goods, there is additional importance given to the performance of service in the 'right way' as well.

Therefore, a need was felt to discuss services characteristics and their marketing implications in detail, in this unit. Also it has been seen that marketing myopia is a narrow observation and it is difficult to fit services into it as services are much broader concept.

2.2 Marketing Implications of Services Characteristics

Services are relatively intangible, produced and consumed simultaneously and often less standardized than goods. These unique characteristics of services have specific marketing implications and accordingly service marketer must adopt appropriate marketing strategies. Although service industries are quite heterogeneous (ranging from beauty salons to utilities), Berry' identified some significant characteristics of services, which are shown in the following diagram:

Service Characteristics	Marketing Implications	Strategies
Intangibility	<ul style="list-style-type: none"> • Cannot be stored • No patents • No ready display • Communication problem • Pricing difficulties 	<ul style="list-style-type: none"> • Tangible Clues • Personal sources • WHOM • Organizational image • Cost accounting for prices • Post purchase comm.
Inseparability	<ul style="list-style-type: none"> • Consumer involved in production • No mass production • Supply demand match 	<ul style="list-style-type: none"> • Selection and training of contact person • Manage consumer • Multi-site location
Heterogeneity	<ul style="list-style-type: none"> • Standardization difficult • Quality control difficult 	<ul style="list-style-type: none"> • Industrialize • Customize
Perish ability	<ul style="list-style-type: none"> • No inventorisation 	<ul style="list-style-type: none"> • Cope with fluctuating demand • Better match through process

More Intangible than Tangible

A good is an object, a device, a thing. A service is a deed, a performance, an effort. When a good is purchased, something tangible is acquired; something that can be seen, touched, perhaps smelled or worn. When a service is purchased, there is generally nothing tangible to show for it. Services are consumed but not possessed, therefore the absence of tangible features means that it is difficult for the seller to demonstrate or display services and for buyers to sample, test or make a thorough evaluation. To reduce uncertainty, buyers look for signs or evidence of service quality. Therefore the service provider's task, according to Levitt, 2 is to "manage the evidence" and to "tangibles the intangible". Shostack even

summarised that most market offerings are a combination of tangible and intangible elements. It is whether the essence of what is being bought is tangible or intangible that determines its classification as a good or a service. Also molecular model gives a proper relationship between the tangible and intangible elements of the firm.

Simultaneous Production and Consumption

Services are typically produced and consumed at the same interval. Hence, the relationship between production and consumption dictates that production and marketing are highly integrated processes. For example, the telephone company produces telephone service while the telephone user consumes it.

Generally, goods are produced, then sold and then consumed. Services, on the other hand, are usually sold first, then produced and consumed simultaneously.

When consumption takes place, the service provider and the client both are often physically present. Sesser's observation is that the firm is unable to store or transport services which cannot be directly distributed, thereby potentially limiting the number of markets the firm can cover. Apart from the stress laid on 'right place' and 'right time' in case of distributing goods, there is additional importance given to the performance of service in the 'right way' as well.

Less Standardized and Uniform

It is argued that it is often impossible to assure consistency in the services provided by a seller or to standardize offerings among sellers of the same service, while it is possible to offer consistency and uniformity of products. Levitt' argues that due to such a distinction it has limited the value because it is a production oriented approach as even an identical generic product will be differentiated when it is viewed as offered product for sale. Thus, while the core product may be uniform, the process will always be differentiated.

Secondly, Levitt states that owing to the industrialization of services, their production can no longer be viewed as being heterogeneous. Several attempts have been made to improve productivity in the service sector by the way of introducing technology. By substituting equipment and machinery for labour, uniformity can be achieved. Hostage' suggested that service firms could also reduce variability by training the service providers in appropriate responses to each customer situation. They can also monitor customer satisfaction through suggestion and compliant system so that poor service can be detected and corrected.

Perishability

As per Kurtz and Boone's observation, the utility of most services is short-lived; therefore they cannot be produced ahead of time and stored for periods of peak demand. The perishability of services is not a problem when demand is steady because it is easy to staff for the services in advance. There should be a highly flexible production system or idle productive capacity, when there are wide fluctuations in demand

Sassier has explained several ways for producing a better match between demand and supply in a service business. On the demand side, the firm can make use of differential pricing, cultivating non-peak demand and developing complementary services. While on the supply side, for effective matching with demand, the firm may hire part-time employees to serve peak demand peak-time efficiency routines can be introduced, facilities for future expansion can be developed and increased consumer participation can be encouraged.

Check your progress 1

1. _____ results in the practice of too narrowly defining one's business:
 - a. Services marketing
 - b. Marketing management
 - c. Marketing myopia
 - d. Scale of market entities
2. _____ involves a pictorial representation of the relationship between the tangible and intangible elements of a firm's operation.
 - a. Molecular Model
 - b. Servuction Model
 - c. Benefit concept
 - d. Market-focused Model

2.3 Housing and Financial Intermediation: Operational Link and Private Sector Initiatives in the Indian Context

Given the importance of asset transfer for the finance of housing investments as well as the prominence of housing investments as a component of a household's wealth holding portfolio, it would seem that housing is financed despite the absence of formal credit institutions in the sector. World Bank estimates indicate that the average ratio of mortgage credit supplied by the formal sector to housing investment was 28 per cent and in India in particular it was around 10 per cent'. Conversely average household gold holdings are equal to around 70 per cent of real estate holdings. In other words "affordability" of housing must be placed in the context of (a) the extent to which housing acquisition is an investment good (a wealth portfolio asset switch) and (b) the extent to which it is a consumer goods which yields services over time and hence financed by the present value of a future income stream. The argument for a formal housing finance system must rest on its ability to help a household make a portfolio switch in line with its own preference patterns as soon as possible: it is an argument for bringing affordability closer in time and thus enabling a more efficient restructuring of resources in the economy as a whole. When the financial institutions for the sector are underdeveloped, or the regulatory systems inflexible, the cost of basic housing remains unaffordable, policies for the sector are thus critical for housing development.

India's progress towards a strategy for housing development may be measured by institutional processes that began in the 1970s. Initially, the concern for the lowest income urban households (less than the 40th percentile of the distribution of income) resulted in the establishment of a network of state level housing boards entrusted with the task of parceling and harnessing available publicly owned land resources for the development of residential housing for these target households. An apex financial institution, the Housing and Urban Development Corporation (HUDCO), was entrusted with financing these efforts through a techno-financial link with these various house building agencies.

The second pillar of the initial strategy was the cooperative movement catering largely to the private sector. Households were encouraged to form cooperative societies, invest initial capital for land purchase and then were financed through state level apex co-operative housing finance societies, which in

turn were funded through the Life Insurance Corporation (LIC), which set aside a particular quantum of their annual investible resources for this purpose.

The third pillar was the House Building Advance (HBA) made to employees of public sector corporations and financial institutions as well as to civil servants. Capital formation in housing for the rest of the private sector was left almost entirely to market forces. It is estimated (very roughly) that about Rs 7,000 crores has been the total formal sector's finance for housing which, after netting out inter sectorial flows, works out to roughly half the gross figure i.e., Rs 3,500 crores. A schematic representation of the flow of funds to housing through a select network of major financial institutions is indicated in Figure. The flow of funds through public institutions is illustrated more in detail in Figure.

Housing finance, as a financial intermediation process, commenced only in 1978, with the establishment of Housing Development Finance Corporation (HDFC) as a specialized lender to households and corporate entities specifically for housing purposes. Since then the sector has grown to encompass three major regional institutions and others as well.

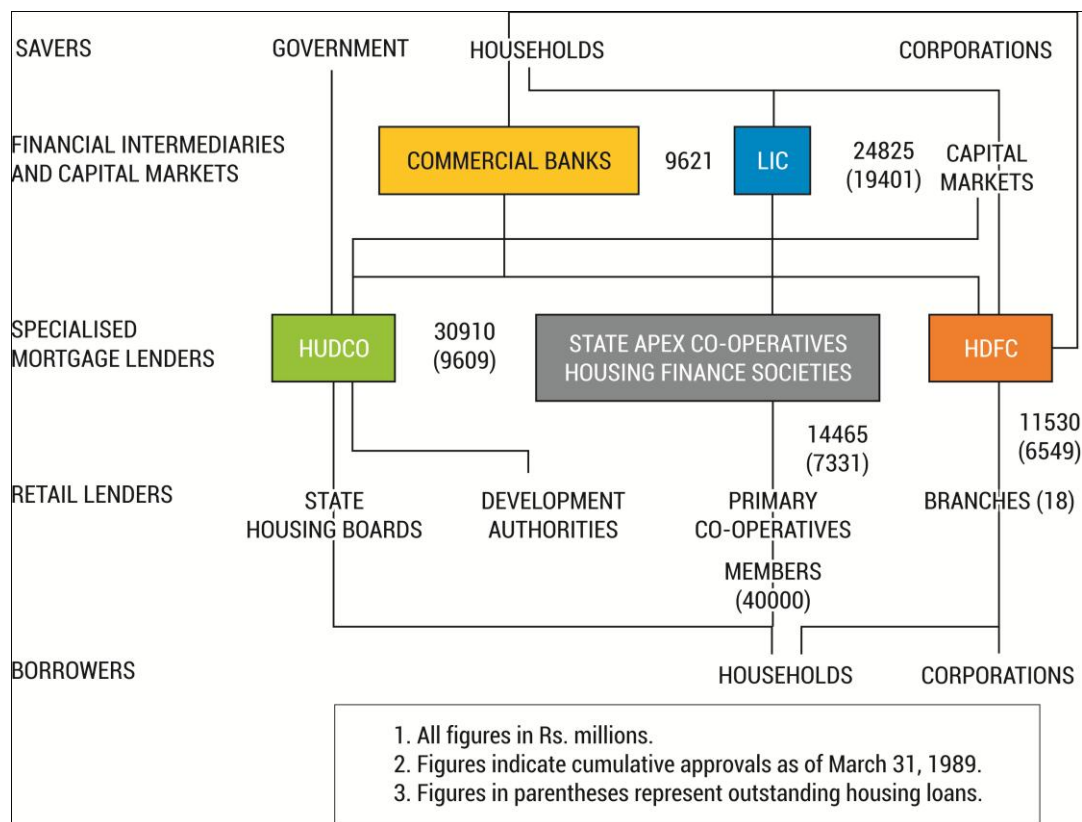


Fig 2.1 Schematic Representation of Formal Housing Financial Intermediation in India as of March 1988

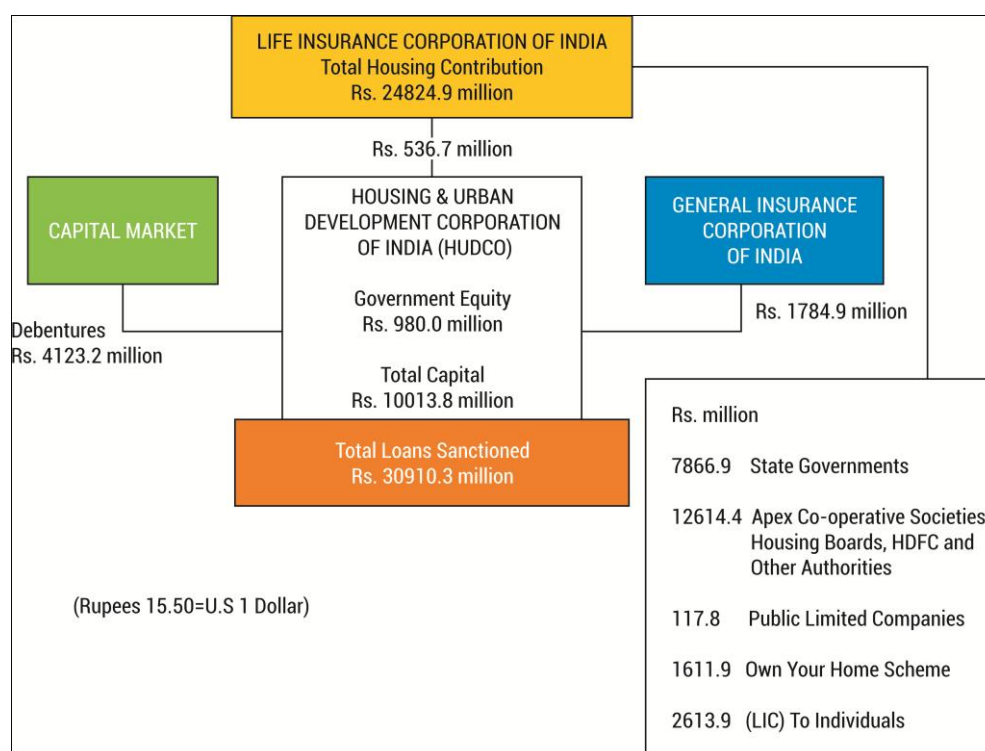


Fig 2.2 Flows of Fund through Public Institutions for Housing

Spurred by the United Nations declaration of 1987 as the 'International Year of Shelter' and combined with the resolve of the Government of India to initiate processes which would relocate resources to housing and urban development, a number of initiatives were taken which in 1988, led to the creation of a policy framework for the sector. These can be listed as follows:

- The formulation of a National Housing Policy Document.
- The publication of the final report of the National Commission for Urbanization.
- The establishment of the National Housing Bank as a wholly owned subsidiary of the Reserve Bank of India.

Despite these initiatives, the future role of the public and private sectors, the constraints faced at present and an operational strategy for the future have not been analytically tackled for the sector as a whole. The National Housing Policy document makes only two references to this issue, one in the preamble:

“There is obviously a need to recognize and rely on multiplicity of actors including the Government in the production and improvement of housing on the scale required Government will need to devise and implement coherent and well set out shelter strategies which will enable all the various actors to complement

one another and to ensure most efficient utilization of resources” and the other in the objective statement:

“To create an enabling environment by eliminating constraints and developing an efficient and accessible system for the delivery of inputs to maximize housing efforts”.

The document does not illustrate how this might be achieved. The creation of the National Housing Bank ostensibly to “be the principal agency to promote housing finance institutions and provide financial and other support to them” will be of great operational significance to the future growth and development of the emerging housing finance system as it evolves in the years ahead. It is to this aspect that the remainder of this unit will be addressed.

Check Your Progress 2

1. The United Nations declaration announce in 1987 as for the housing and development
 - a. the ‘International Year of Shelter’
 - b. the ‘International Year of Housing
 - c. the ‘International Year of urban development
 - d. none of the above
2. In 1988 Indian Government created a policy framework for the housing sector as follows:
 - a. The formulation of a National Housing Policy Document.
 - b. The publication of the final report of the National Commission for Urbanization.
 - c. The establishment of the National Housing Bank as a wholly owned subsidiary of the Reserve Bank of India
 - d. all of the above

2.4 Policy Perspectives: The Concept of Networking

In a developing country context, it is particularly important that scarce institutional resources are utilized in the most effective manner possible to leverage private initiatives that are taking place as a matter of course.

While housing finance remains a primary activity, years of experience suggest that a housing finance institution would require keeping in mind a critical attribute of this business: real estate information. (Banking failures in the US have illustrated that buoyant lending in this market masks severe underlying risks). An individual household, in a developing country, is likely to be a participator in the market only once and hence requires a critical spectrum of information on the market e.g. credentials of the developer, his technical and business bonafides, clear legal titles to the property, comparative real estate values in different locations and so forth. A housing finance institution, likewise, would need to ensure, that if exposure were to be high to a limited range of developers, than a more detailed scrutiny will have to be undertaken. HDFC, through its technical service division, ensures that this information is continuously available and updated and offered as a properly related service to its clients. Developers can also have their projects approved for individual financing thus helping to market a project while, at the same time saving transactions costs in originating loans.

The second major link between developers and financial institutions is in the field of short-term bridging finance. With the high cost of initial land development and infrastructure provision, developers require access to construction finance. This link is ideally forged with commercial bank networks as the nature of funding is short-term. Housing finance institutions could contribute in a small way, in particular instances, rather than offer this type of financial service as a major part of their operations. Indeed, in India, under new guidelines issued by the central bank (Reserve Bank of India), commercial banks have been encouraged to provide finance on commercial terms (16 per cent per annum for a maximum period of 18 months) to private builders so long as they adopt professional working practices and refrain from speculative ventures. Commercial banks have also been directed to lend to housing finance institutions, directly to individuals for housing finance, as well as to public agencies for the purchase of land. 'Construction and Housing Finance' for the commercial banking system is likely to be a significant proportion of the formal institutional flow of funds to the housing sector in the years ahead. At present, it constitutes about Rs 300 crore annually.

While private developers are major suppliers of housing in most major urban centre housing for the poor remains outside the formal private delivery system. Much remains to be done in designing and financing low income housing. A recent evaluation of sites and service projects by the World Bank concluded that while the concept was a valid one, replication remained elusive largely owing to erroneous judgments on appropriate affordability estimates. This would seem to highlight the need to link low income housing or shelter projects much more closely to the perceived needs of the beneficiaries backed by their willingness to pay for the service stream of benefits over time. Links between formal financial institutions and informal local level networks would seem to be critical to future policy in this area.

Our experience in India is that the potential for these links can be extremely effective in understanding local problems and designing specific approaches for their solution. HDFC recently promoted the Gujarat Rural Housing Finance Corporation (GRUH) specifically to deal with some of these issues. It finances the acquisition or upgrading of housing in rural areas and small towns with a population below 50,000. It reaches out to local level networks in order to administer and disseminate housing finance e.g., dairy and cotton cooperatives, non-government organizations and those networks in turn have positive incentives to utilise GRUH's financial services. GRUH is experimenting with new methods of credit appraisal and training programmes are being planned jointly with GRUH staff as well as local level organizations to help jointly administer operating systems more effectively. A bridge between formal and informal organizations is thus being gradually cemented.

Resource mobilizations, combined with efficient intermediation, have become the key ingredients of an effective financial system. The rationale for specialized institutions lies precisely in the development of specialized human resources, technological systems and managerial techniques to deal with very specific forms of activity in the most efficient (cost effective) manner possible. India is now fortunate that these skills have been gradually developed and are being embodied in the emerging housing finance system. Their future evolution, however, will require a framework, which will permit these institutions to fit into the financial system at large. As the urban minister emphasised, "Housing finance would need to be integrated into the financial system as a whole if it is to assume the proportions that will be required to finance projected needs". This, in turn, would suggest that the operational links between institutions and government policy, especially financial policy, would be critical for future development.

Check your progress 3

1. Following two elements have become the key ingredients of an effective financial system
 - a. Resource mobilizations
 - b. efficient intermediation
 - c. both a and b
 - d. only b
2. Commercial banks have also been directed to lend to housing finance institutions to which of the following
 - a. directly to individuals for housing finance
 - b. public agencies for the purchase of land
 - c. both a and b
 - d. only b

2.5 Let Us Sum Up

In this unit we have studied about the market implications of service characteristics in housing and financial sector. The service characteristics like intangibility, inseparability, heterogeneity, perishability are mentioned along with their implications and strategies.

Housing and financial intermediation is also discussed as housing investments have gained importance and financing is easily available with banks.

Under the concept of networking, the policy perspective is given in which it is mentioned that though housing finance remains a primary activity, the information related to real estate becomes necessary.

The emphasis is given on the central banks like RBI to have good policies and guidelines with respect to financial provisions for housing particularly in India. The unit has helped us in encouraging knowing about the policy initiatives related to finances in India.

2.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-c), (2-a)

Check your progress 2

Answers: (1-a), (2-d)

Check your progress 3

Answers: (1-c), (2-c)

2.7 Glossary

- 1 **Servuction model** - components include other customers, contact personnel/service providers, service scape, and organization and systems (the rules, regulations, schedules and all other behind the scenes activities that influence the customer's service experience). The first three components are visible to the consumer, the invisible organization and systems are not.
- 2 **Standardizatio** - reducing variation in service operations and delivery.

2.8 Assignment

1. Discuss about the myths of the service sector.
2. Discuss the difference between physical goods and services.
3. Mention the definition of service given by Grönroos and the important features of services, which it takes into account.

2.9 Activities

1. Explain in your own words about the service sector in India.
2. At this point, how do you think services differ from goods? Both a product like butter and service like airline are vulnerable of becoming perishable, but in different ways. What essential elements differentiate goods from services?

3. Identify the major elements to be considered when defining a service. In your own words, describe some of the issues that arise from defining services too broadly or too narrowly.

2.10 Case Study

Ford's Drive To Be A Global Car Company

Since its inception in 1903, the Ford Motor Company has grown to employ more than 3,38,000 workers and market its products in over 200 countries. It has more than 10,500 dealers worldwide and holds a 13% market share of the world car market. It was clear that one of the world's oldest automakers also planned to become the largest when Alex Trotman became Chairman and CEO of Ford in 1993. Trotman initiated Ford 2000, a program that consolidated the North American and European operations. He also created a global management team that would eliminate duplication, initiate the best practices, and use common components and designs. The results have been overwhelming as Ford solidified its position and became the second largest automaker in the world with revenues of \$128 billion.

A product of Ford 2000 was the first genuine global car, the CDW27. The car was a result of a need in Europe for a mid-sized family car. However, the market potential for such a car was only 250,000 units a year. The CDW27 was designed to sell an additional 100,000 units around the world so the cost of its development and production could be spread over more units. In Europe the car was called Mondeo, and it was called the Ford Contour and Mercury Mystique in the U.S. The car cost \$6 billion to develop and is being sold in 59 countries.

Ford's Web page (<http://www.ford.com>) connects the browser to Showroom Boulevard, a history of Ford, financial and investment services, Ford news briefs, the global home page, Electric Vehicle, and a dealer locator. The Vintage Vehicles section gives a short history of some of Ford's classic cars, including the Model T, Model A, Mustang, Thunderbird and Edsel. One of the most interesting features is a link that allows customers to fill out a questionnaire and to register as an "on-call" team member. The questionnaire contains questions related to frequency of driving, how a vehicle was acquired and a number of demographic questions. A member of the Ford World Wide Web Customer Focus Team receives information from Ford via e-mail about incentive programs and announcements of new products and services.

Questions:

1. How does Ford ensure that it is sensitive to changes in the cultural environment of a country?
2. Do you think Ford will be successful in its drive to be a global car company? Why or why not?

2.11 Further Readings

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UNIT 3: MARKETING MIX SERVICES: THE TRADITIONAL 4PS AND EXTENDED MARKETING MIX FOR SERVICE

Unit Structure

3.0 Learning Objectives

3.1 Introduction

3.2 The Marketing Mix in Services

3.2.1 The First P: Service Product or Service Package

3.2.2 The Second P: Pricing

3.2.3 The Third P: Place or Distribution

3.2.4 The Fourth P: Promotion

3.2.5 The Fifth P: People or Internal Marketing

3.2.6 The Sixth P: Physical Evidence

3.2.7 The Seventh P: Process Management

3.3 Let Us Sum Up

3.4 Answers for Check Your Progress

3.5 Glossary

3.6 Assignment

3.7 Activities

3.8 Case Study

3.9 Further Readings

3.0 Learning Objectives

After learning this Unit, you will be able to understand:

- The marketing planning process.
- How the traditional marketing mix is equally relevant in service organizations?

- Promotional strategies for service organizations.
- The extended marketing mix of services.
- The fifth 'P' of the marketing mix called 'People' and emphasis on the need for internal marketing in a service organization. Discuss the relevance of 'physical evidence' in service marketing.

3.1 Introduction

In practice, the core of marketing is considered to be the marketing mix. Neil Borden', while quoting from an article by James Culliton wrote that a marketer is viewed as a 'decider', or an 'artist' or a 'mixer of ingredients' who plans various means of competition — "He may follow a recipe prepared by others, or prepare his own as he goes along, or adopt a recipe to the ingredients immediately available, or experiment with or invent ingredients no one else has tried." If a marketer was a 'mixer of ingredients', what he designed was a marketing mix.

Borden further wrote that "it was logical to proceed from a realization of the existence of a variety of marketing mixes to the development of a concept that would comprehend not only this variety, but also the market forces that cause managements to produce a variety of mixes. It is the problems raised by these forces that lead marketing managers to exercise their wits in devising 'mixes or programmes 'to fight competition'.

For service industries, it was observed that the traditional marketing mix was inadequate because of three main reasons. The first reason was that the original marketing mix was developed for manufacturing industries, which implies that the services offered by service companies ought to be changed to a more product like manner so that the existing marketing tools can be applied. This was practically difficult.

The second reason was that the marketing practitioners in the service sector found that the marketing mix does not address their needs. They observed that the services have certain basic characteristics, which, in turn, have marketing implications. For example there is a problem as regard to maintaining the quality due to lack of standardization. Also services can't be inventoried, patented or transferred.

The third reason was that since services are basically different in comparison to physical products, the marketing models and concepts have, therefore, to be developed in direction of the service sector.

The above three criticisms suggest that a revised framework for service marketing mix is required and dimensions of each of the mix elements should be redefined. It was also observed that on the lines of Borden's empirical work, more research is needed before the elements of services marketing mix are established.

The marketing mix has extended beyond the 4Ps for marketing of services. These additional Ps are added to meet the marketing challenges posed by the characteristics of services.

The Four Ps

In the early 1960s, Professor Neil Borden at Harvard Business School identified a number of company performance actions that can influence the consumer decision to purchase goods or services. Borden suggested that all those actions of the company represented a "Marketing Mix". Professor E. Jerome McCarthy, at the Michigan State University in the early 1960s, suggested that the Marketing Mix contained 4 elements: product, price, place and promotion.

- **Product:**

The product aspects of marketing deals with the specifications of the actual goods or services and how it relates to the end-user's needs and wants. The scope of a product generally includes supporting elements such as warranties, guarantees and support.

- **Pricing:**

This refers to the process of setting a price for a product, including discounts. The price need not be monetary; it can simply be what is exchanged for the product or services, e.g. time, energy or attention. Methods of setting prices optimally are in the domain of pricing science.

- **Placement (or distribution):**

This refers to how the product gets to the customer; for example, point-of-sale placement or retailing. This third P has also sometimes been called Place, referring to the channel by which a product or service is sold (e.g. online vs. retail), which geographic region or industry, to which segment (young adults, families, business people), etc. also referring to how the environment in which the product is sold in can affect sales.

- **Promotion:**

This includes advertising, sales promotion, including promotional education, publicity and personal selling. Branding refers to the various methods of promoting the product, brand or company.

These four elements are often referred to as the marketing mix, which a marketer can use to craft a marketing plan.

The four Ps model is most useful when marketing low value consumer products. Industrial products, services, high value consumer products require adjustments to this model. Services marketing must account for the unique nature of services.

Booms and Bitner suggest a '7P' marketing mix model arising out of the above three observations. Grönroos emphasized on the need for internal marketing. Magrath and others endorsed such an approach and a number of marketing research studies supplements the relevance of each of the '7 Ps'.

Extended Marketing Mix

There have been attempts to develop an 'extended marketing mix' to better accommodate specific aspects of marketing.

For example, in the 1970s, Nickels and Jolson suggested the inclusion of packaging.

3.2 The Marketing Mix in Services

Kotler in the 1980s proposed public opinion and political power and Booms and Bitner included three additional 'Ps' to accommodate trends towards a service or knowledge based economy. They are people, process and physical evidence.

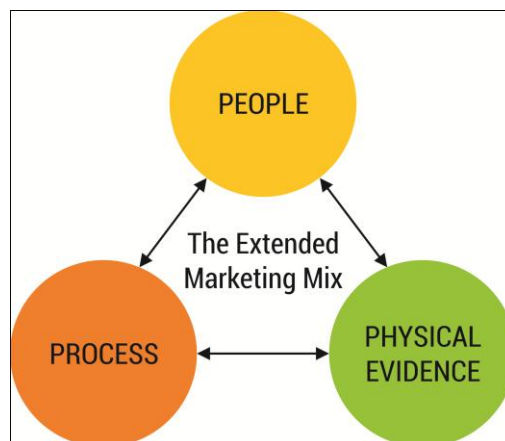


Fig 3.1 Extended Marketing Mix

- **People:** People who directly or indirectly influence the perceived value of the product or service, including knowledge workers, employees, management and consumers.
- **Process:** Procedures, mechanisms and flow of activities, which leads to an exchange of value.
- **Physical evidence:** The direct sensory experience of a product or service that allows a customer to measure whether he or she has received value. Examples might include the way a customer is treated by a staff member, or the length of time a customer has to wait, or a cover letter from an insurance company, or the environment in which a product or service is delivered.

3.2.1 The First P: Service Product or Service Package

In the marketing context, Product is anything, which is offered to the market for exchange or consumption. In goods marketing, always say that there is a tangible component to which some intangibles like style, after-sales-service, credit, etc. are integrated. In the case of services, on the contrary, the tangible component is nil or minimal.

Conventionally, we describe a product as an object, which is developed, produced, delivered and consumed. However, in services there is no or only a little tangible element because of which they are considered as benefits which are offered to the target market. There are two important things to note. Firstly, service is a bundle of features and benefits and secondly, these benefits and features have relevance for a specific target market. Therefore, while developing a service product it is important that the package of benefits in the service offer must have a customer's perspective.

Kotler has identified five levels of a product, taking the example of the hotel industry. It is the core and the basic, which might be the same for most of the competing products while it is the other levels, which make them different. These five levels and their meanings are as follows:

The Service Package

As per the 'package' concept of service product suggests that what you offer to the market is a bundle of different services, tangible and intangible, but there is a main or substantive or 'core' service and around it are built the auxiliary or peripheral or facilitator services. Hence, it is important to note that facilitating services are mandatory and if these are left out, the entire service would collapse.

In the service package there are yet other types of services called ‘supporting services.’ The basic difference between core and auxiliary service is that, the two are supporting services and do not facilitate the consumption of core services, but are used to increase the value and, thus, differentiate it from competition.

For example, the core service in a 500-room hotel is lodging and room service. Here, bell boy services are facilitating the services and health club, car rental which are support services. However, it may not always be possible to draw a line of distinction between facilitating and support services. For example, in a typical city hotel, business centre might be the support service, but in a business and convention hotel, the same service would be facilitating service.

Nevertheless, it is important to consider all the three levels of service: core, facilitating and supporting, while developing the service product package,

The Augmented Service Offering

It is said that the basic service package is not equivalent to the service product the customer perceives, which is, in fact, based on customer’s experience and evaluation. Hence, there is a need to involve the customer in the production of service offering and thereby reinforcing that the basic service package has to be expanded to a more holistic model of augmented service offering.

Here, the suggestion is that issues related to the accessibility of the service, interaction with the service organization and consumer participation are also integral elements of the service product. Grönroos identified the relevance of these issues in relation to the augmented services offering. The details are summarized in table below:

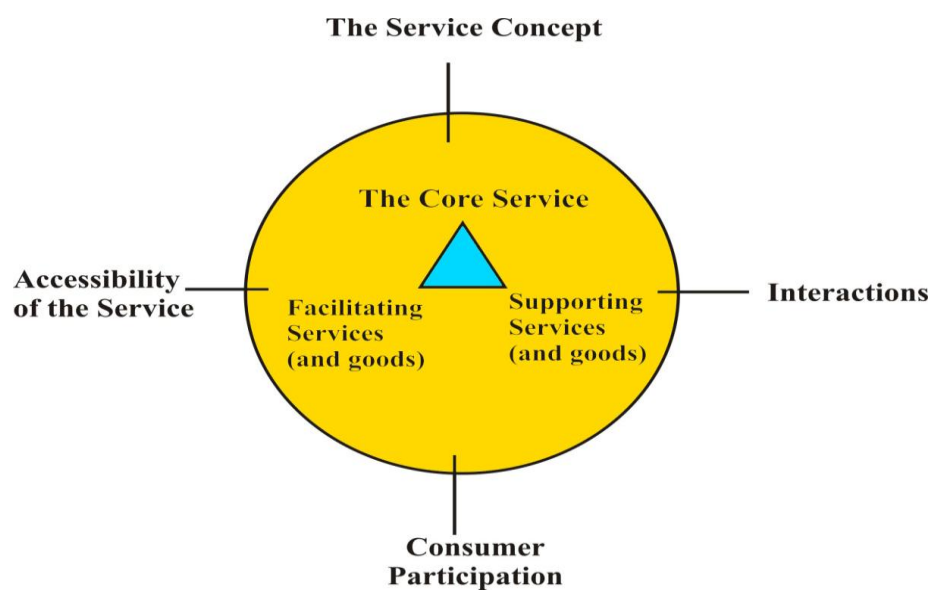


Fig 3.2 Augmented Services Offering

It is true that a favourable image enhances the service experience and a bad image may even destroy it. In such a scenario, the issue of management of image through communication becomes an integral part of developing the service product. (A detailed account is given in this unit under the head: Promotion). We should not forget that apart from the conventional methods of promotion, corporate image and word of mouth are if, not more, equally important. A negative comment from a fellow customer is more than adequate to neutralize the effect of your efforts of mass media advertising, media blitz and direct promotions.

Developing New Service Offering

In light of the discussion on service product, if a new service offer is to be developed, then the following five steps should be systematically followed in a sequence.

Assessing customer's benefits is the first step while developing a new service offering. It is said that people don't buy products because of their attributes, rather they buy for their own benefits. Therefore, it is important to identify what benefits the prospective customer would seek from your service offer. Proper market research and available appropriate information should provide the necessary knowledge of what qualities customers expect so that the corresponding features are taken care of in the service package.

Thereafter, the service organization should develop the service concept. Consumer benefits have to be translated into core, facilitating and support services with a view to defining what general benefits the service organization would offer to its customers.

Thirdly, we need to develop an augmented service offer. Obviously the service production and service delivery system are to be developed so that the service package is not only made accessible but the customer is also involved in the delivery process itself.

Utmost care is needed while planning at this stage is necessary because if the right service in the right type and in the right quality and quantity is not delivered, the whole customer oriented plan would fail. Therefore, the delivery of the service offer is an inseparable part of development of any service offer.

Lastly, the appropriate market communication strategy should be prepared and its implementation plan should be defined not only to inform and persuade the customers but also to enhance the desired image.

3.2.2 The Second P: Pricing

Pricing is an important variable of the marketing mix. A particular product or service is acceptable to the customer at a particular price and if the price is increased, it is likely that the same product or service might become less acceptable to the customer. The other issue, which is related to pricing, is that of perceptions about quality. Generally, to most of the customers, high price means high quality. However, some customers don't need the highest quality at the maximum price. Detergents are one such example where average quality detergents at moderate prices are market leaders.

Service pricing follows the principles and practices of pricing of goods and, therefore, they are either cost based or market based

Within these categories prices may be profit oriented, government controlled, competitive or customer oriented. However, the characteristics of services do influence the pricing and, therefore, different methods of pricing are to be followed.

Guidelines of Service Pricing:

These basic guidelines for pricing of services may help in developing an appreciation of the framework for service pricing.

- For services, the pricing strategy should be such that demand fluctuations are successfully handled. Since, services are perishable, they cannot be inventoried. In such a situation pricing strategy should be such that it should encourage the customers to delay their use of services till the period of low demand.
- Service prices should be necessarily based on costs so as to take into account the cost of tangible clues of intangible services. For the first time users of services the "Services offer-package" is less understood, if it is primarily dominated by intangibles. Therefore, the tangible and material content of the service product should be integrated in the 'service-offer package', which has definite cost implications.
- The service pricing should provide value addition and quality indication to the customers. In situations of "homogeneous" services, the pricing strategy may be market oriented or customer oriented. But in heterogeneous services, the price may be used as a quality indicator.
- The pricing strategy should be such as to cope-up with the degree of competition operating within a certain geographic and time zone. Services

are inseparable from the person who provides them and the service providers have both geographic and time limits or markets, which can be served by them.

Pricing Objectives

As discussed above, the pricing of services is greatly influenced by the basic service characteristics. However, in setting price objectives, several factors in relation to the overall marketing strategy of the corporation should be considered.

First is the planned market position for the service product. Gitlow suggests that the price not only influences the market position but also significantly affects customers' perceptual positioning. It is, therefore, important to keep market/customer position in mind while deciding on pricing strategy.

Secondly, the stage of the life cycle of the service product is important. For example, at the introductory stage if there is no competition and the demand is high, you may opt for high price to make maximum gains in the short-term (skimming policy). However, in a similar situation but with low demand you may opt for low prices to penetrate into the market. Also, you have to consider the elasticity of demand, i.e., whether the demand is sensitive to the change in price or not.

Thirdly, you have to study the competitive situation both from the point of inter brand and also from the point of view of the brand, which provides the same, need satisfaction. Take for example, a private airline is facing competition from the national airlines and other private airlines but also from the railways that provides faster trains on the same routes during convenient timings. Therefore, while pricing services, competition should be understood in greater detail and depth.

Lastly, you have to see what strategic role the pricing can play in your overall marketing strategy. For example, a hotel chain might offer a package of low price or discount with a view to making people try out their services. It is likely that in the short run it might be a losing proposition, but in the long run this may give more customer satisfaction and thereby better utilization of services.

Keeping in view the above four objectives, the pricing strategy for services should be decided. In addition, a service marketer also uses certain price tactics for specific short-term marketing objectives.

3.2.3 The Third P: Place or Distribution

Because of intangibility (from production to sales) of services, they cannot be stored, transported and inventoried. Hence, traditional distribution channels available for product marketing like wholesalers and other intermediaries cannot be used. Even the retailing cannot be an independent activity. Similarly, because of the inseparability, i.e., in case of services production cannot be separated from selling, services must be created and sold at the same time.

These two characteristics make the channel very short and direct. Most services are distributed through direct sales. Like in case of insurance, travel agent, courier service, one agent or middleman can be added to it.

So, there is a little controversy regarding the distribution of services. For example, there is one school, which says that since the service cannot be separated from the producer of the service, direct selling sales channel are the only method of distribution available for services. The sole advantage of direct selling is that the service can be offered to the customer at a lower cost. The other school partially disagrees with this theory of services cannot be separated and suggests that it is possible to have intermediaries but the channel of distribution would be rather short and simple as compared to tangible goods.

Keeping in view the characteristics of services and the potential management problems in retailing of services, there are distinct channel configurations, which one can notice in services sector. Rathmell has suggested the dominant channel of configuration in the service sector is where agents and broker play a key role in distribution of services.

The major function of both, agents and brokers is like any other intermediary — to bring the producer of service and the user or consumer together.

For certain services, agents can be identified and deployed with selling as the chief function to be performed by them. These agents can be compared with the agents of goods and they are classified as brokers or sales agents. The example of this kind of channel is transportation (travel agents) and office or factory workers (employment agencies). However, in some cases, the agents may be trained in the creation and production of service and then franchised to sell it (e.g. Shahnaz Hussain Beauty Parlours).

In case of certain services, actual product is nontransferable and therefore, tangible representations are created and transferred. This type of channel is mainly

used for marketing insurance services where a contact document exists as a physical and tangible representation of the service.

Another important characteristic of services is that they are generally not delivered to the buyer and the creation of time and place utilities is a vital function in the service marketing. Irrespective of whether, one uses agents or middlemen or direct sales channel, the factor of location keeping in view the potential markets will be the most significant in channel selection decision. Duane David is of the view that location considerations along with personal sources of information are two critical factors in final purchase decision of many services.

The problem of standardization and uniformity restrains the service organization to use middlemen to any great extent and limits the geographical area, which the service organisations propose to reach and cover. This lays emphasis on the significance of good selection to attain maximum coverage at the market-place. Of late banking organisations have started realizing this fact and have introduced extension counters and mobile banking apart from opening branches in rural areas.

Logistics in Services

The field of logistics is still not recognized as an area of consideration for effective distribution of services whether it is the question of locating a site for a new branch of a bank, delivering health care facilities, location of educational institutions, hotels, etc. In India, logistical problems like this are always overshadowed by government policy or interventions.”⁶ There are certain guidelines suggesting that to open a single branch in any urban area, a nationalized bank has to first open a fixed number of branches in rural areas. For promoting the concept of a small family and immunization, a number of primary health centers have been opened but they neither have the required staff nor the infrastructure.

As the field of logistics gains importance in manufacturing, it is expected that in the service sector also its significance would be felt.

3.2.4 The Fourth P: Promotion

It is now established that there are clear differences in information and good usage of services. First, the difference is that consumers of services are less likely to purchase without information of goods. Second, the consumer of services will prefer personal sources over impersonal sources of information. And third, the

basic characteristics of services have implications for communication strategy. For example, in hospitality industry, the intangible service offer is tangibilised and represented in the promotional material and customers decide to buy or not to buy on the strength of the description and representation of the service offer in the promotional material.

Therefore, the above three differences influence the decisions regarding the (a) communications objectives, (b) target audiences and (c) planning of each of the sub elements in the promotion mix objectives.

Although, there could be variety of objectives to promote, but the basic objectives of the promotion mix for services may fall under one of the following:

- Developing personal relations with client (might result in satisfaction, more than their service offer)
- Make a strong impression of competency, honesty and sincerity so as to win buyer's confidence in seller's abilities to deliver the service
- Should be able to use indirect selling techniques to create demand or act as a buying consultant
- Maintaining a fine image by positive word of mouth.
- Packaging and customization.

Target Audience

While you define the objectives of your communication campaign, you should be clear about the target audience. In services sector, there is a direct contact between the person who provides the service and the customers. Therefore, some amount of promotion should be aimed at the employees that motivate them to serve the customer better. In such communications the objective can also be to educate the employees about how to handle operational problems so as to increase their performance level.

The other set of target audience is similar to that of goods where the target audience may not necessarily be the buyer or user but also the influencer, decider or user of the buying cycle.

Planning the Promotion Mix

George and Berry," Keeping in view the intangibility of services, in the case of services a customer is buying the performance of the service personnel and therefore the advertising in service industries should not only restrict itself to

encouraging consumption, but also it should encourage employees to perform well.

They proposed the following six basic guidelines to help design effective advertising programmes.

- The advertising should have positive effects on contact personnel.
- It should capitalize on the word of mouth.
- It should provide tangible clues to the customers.
- It should make the service offering easily understood.
- It should contribute to the continuity.
- It should promise only what is possible.

Consumer Promotions in Service Marketing

Lovelock and Quelch have emphasised that in execution of any type of consumer scheme, one should carefully consider the six basic elements, namely, product scope, market scope, value, timing, identification of the beneficiary and protection against competition. They further suggested that unlike physical goods, the different types of schemes available as consumer sales promotion schemes are highly limited. For example:

- Sampling cannot be used frequently because of the cost of service.
- Premiums are frequently used to give an element of tangibility.
- Price/Quantity promotion can help in generating long-term commitment from consumers, e.g., group rates for hotels.
- Coupons are not used much.
- Refunds and future discounts are also not much in practice.
- Prize promotions can be used effectively and add excitement and involvement.

Guidelines for Selling Services

Much has been written on sales management, primarily in the context of product marketing. Johnson²⁷ observed that service sales personnel should follow the following do's and don'ts.

First, the service salesperson should develop a personal relationship with the client. Quite often it is the personal relationship rather than the service itself that results in satisfaction or dissatisfaction with the service. If there is a distinct need

for a high quality personalised service, then one must pay more attention to its organisational structure.

Second, it is suggested that one must adopt a professional orientation as the key to most service transactions is the buyer's confidence in the seller's ability to deliver the desired results. It is, therefore, important that a service salesperson must make a strong impression of competency, honesty and sincerity.

Third, service sales personnel have to use indirect selling techniques as what he/she is promoting is intangible. This can be done either by creating a derived demand or by playing the role of buying consultant. Most hotels first sell the location and then their hotel to the customer.

Fourth, they have to build and maintain a favorable image. The public opinion plays a very important role in marketing a service; therefore, managing word-of-mouth publicity is important.

And lastly, a service seller sells services and not a service. At any given point of time, a service seller is dealing with a host of services rather than one. Their thoroughness on each and ability to package them to suit each customer's needs would determine the success. In other words, the ability of seller to customize the service offering is very important.

Guidelines for Public Relations and Publicity

In certain service industries it is not possible to use the conventional promotion tools with success. For example, in advertising industry mass media advertising is really rare. There are some services where the size of the operation is not large enough that one can afford heavy promotional budgets. There are others who cannot afford to cope up with their existing workload. There are still others who find it difficult to advertise or promote as it might lead to a bad taste. For example, a hospital might find it very difficult to promote abortion services. Similar could be the case for open-heart surgery or other services.

Arising out of these reasons, the conventional promotional tools have a limited use. Duncan suggested that the services sector industries have to think about other promotional tools like public relations and publicity.

Successful examples like a medical doctor specializing in eye care runs his own clinic-cum-nursing home and organizes free eye camps all over the region. This community service not only spreads his name but also proves his competence. The local newspapers might carry stories about such health checkup camps to give further boost to the promotion.

Therefore, promotional activities like community relations, event management and media blitz, corporate identity programmes have relevance and they should be used effectively and innovatively.

Suggestions for Communication Strategy

To conclude the above discussion, one should attempt to reflect a consistent and attractive personality in all manifestations of the organization that reach the public. Also one should aim for a recognizable human personality to compensate for intangible/diverse product and incorporate the staff as a key Target Audience (T.A.). In addition, use any other technique, which is unused/under used. Their impact is greater because of parity. At the end stress on specialization rather than on all things for all people; this would help in creating a unique positioning.

3.2.5 The Fifth P: People or Internal Marketing

Judd, in 1987, came out with yet another P', People. Judd argues that it is the employees of an organization, which represent the organization to the customers. If these employees are not given proper training in how to go about face-to-face customer contact, the entire marketing effort may prove to be ineffective. He even went further by recommending that people-power should be formalized, institutionalized and managed like the other 4Ps as a distinctive component of the market mix and, consequently, as an element of the organization marketing or business plan.

In a service organization, employees are essentially the contact personnel with the customer. Therefore, an employee plays an important role in the marketing operations of a service organization. Although, the discussion on significance of employees in the business activity started in mid-seventies, the concept of internal marketing was introduced only afterwards.

One school of advocates of this concept initially suggested that the employer should apply market research, market segmentation and traditional marketing activities like advertising in order to attract employees and make them perform in the desired way. Such traditional marketing efforts should be used internally.

It was Grönroos who suggested that internal marketing should be broader than traditional marketing. He also suggested that internal marketing should be viewed as a managerial philosophy.

According to Gronroos, “The internal marketing concept states that the internal market of employees is best motivated for service-mindedness and customer-oriented performance by an active marketing like approach where a variety of activities are used internally in an active, marketing like and coordinated way.” The starting point in internal marketing is that the employees are the first internal market for the organization.

Grönroos clarified that the basic objective of internal marketing is to develop motivated and customer conscious employees. If this is the case, then it has strategic as well tactical implications. His point of view has been summarized in Table 3,4.

As per Parsuraman and Berry’, a service company can be only as good as its people. A service is a performance and it is usually difficult to separate the performance from the people.

To realize its potential in services marketing, a firm must realize its potential in internal marketing — the attraction, development, motivation and retention of qualified employee-customer through need-meeting job-products, are some of the factors which needs to be considered. Internal marketing paves the way for external marketing of services.

The companies that practise internal marketing most effectively will (1) Compete aggressively for talent market share, (2) Offer a vision that brings purpose and meaning to the workplace, (3) Equip people with the required skills and knowledge to perform their service roles excellently, (4) Bring people together to benefit from the fruits of team play, (5) Leverage the freedom factor, (6) Nurture achievement through measurement and rewards and (7) Base job-product design decisions on research.

Table Action Checklist on Internal Marketing

1.	Do we compete as hard for employees as we do for end-customers? Are we imaginative in how we compete for talent? Are we bold? Do we experiment and try new strategies? Do we use a variety of media? Do We use the right people to recruit and interview people who will make a strong impression, people who can sell?
----	---

2.	Does our company stand for something worthwhile? Do we offer our employees vision that they can grab hold of and believe in? Do we have a reason for being that makes our company a special place to work? Do we communicate our vision well? Do we weave it into our company culture at every opportunity?
3.	Do we prepare our people to perform excellently? Do we view skill and knowledge development as an investment rather than an expense? Do we view it as an ongoing process rather than an event? Do we view it as a confidence builder and a motivator? Do we teach our people “why” and not just “how?” Do we go beyond training and educate as well?
4.	Do we stress team play? Does our organizational structure, physical work environment, training and educational efforts foster team work? Do we measure performance and reward systems? Do our employees understand where they fit in the company team? Do they understand the big picture?
5.	Do we allow our employees the freedom to come through for their customers? Do we make rules that fit the aspirations of our best employees rather than protect us from our worst employees? Do we work at keeping our policy and procedure manuals thin? Do we work at building empowerment into our culture?
6.	Do we measure and reward that which is important? Do we measure and reward employee performance that contributes most to our vision? Do we use multiple methods to measure and to reward? Do we emphasize fairness in the methods we use? Do we give all employees the opportunity to be recognised for their excellence?
7.	Do we listen to our employees? Do we use formal and informal research techniques to investigate their attitudes, concerns and needs? Do we proactively solicit their input? Do we act on what We learn? Do we use the data to improve the job- product?

3.2.6 The Sixth P: Physical Evidence

G Lynn Shostack once observed, “A physical object is self-defining; a service is not” and therefore the marketing task in service industries are “defining for the service what the service cannot define for itself”.

A customer cannot see a service, but he can definitely see various tangible clues of the service offer like facilities, communication material, objects, employees, other customers, price, etc. On the basis of his perceptions about the tangible clues, the customer makes the decision of purchasing. These clues might be both intended and unintended ones and, therefore, managing evidence is integral to the service marketing mix. Even Shostack observed that the management of evidence comes first for service marketers.

The argument here is that the physical environment, facilities and atmosphere; gives enough physical evidence to help shape customer perceptions. Many service marketers have neglected this aspect while the others gave great emphasis on issues like exterior of buildings, office furniture, layout, colour of interiors and even carry-bags, tickets, cash memos, labels, etc. The advocates of public relations have even coined a specific term called 'corporate identity' and suggested that such tools can create a visual identity that the public as customers can recognize. The corporate identity media can successfully contribute towards the marketing objectives provided they are attractive, distinctive and memorable.

In services marketing, both peripheral and essential evidences are significant as they tangibilise the service. Peripheral evidence can be possessed as a part of the service purchased. They have little value but they significantly supplement the core service sought. In hotel marketing town-guides, notepads, book-matches, etc. are the peripheral evidences. Essential evidences, on the other hand, are those, which cannot be possessed. For car rental service, type of car by make and model is essential evidence.

McGrath, while acknowledging the role people or personnel can play in the marketing effort of an organization, added two more Ps: Physical facilities and Process management. His argument in support of these additional Ps was that physical facilities are important in facilitating the delivery of services. A customer must experience a service and this experience is greatly affected by the setting that is visible to customers and the physical assets hidden from view but critical to providing the service.

Berry and Parsuraman observed that most existing literature on service marketing focuses on service facilities constituting the service evidence. In their scheme of thinking the physical environment is one of the three elements. The other two elements of evidence are communication and price.

These three elements of service evidence are not mutually exclusive, rather they influence each other and, therefore, they are shown linked to each other.

What is important to note is that the service organisations need to manage the evidence they use in a planned and systematic way to overcome the marketing challenges created by the intangible characteristic of services. To manage the evidence it is suggested that one should attempt to make the service more tangible. However, Majaro has suggested that before a service organisation translates intangibles into more concrete clues, it must ensure that it knows its target audience precisely and the effect being sought by the use of such tangible clues and also that it has defined the USP, which should be incorporated into the service to meet the needs of the target market.

Julie Baker, in her doctoral work, theorised that the physical environment is a composite impression of ambience, design and social relationships. She, accordingly, termed these three factors into ambient factors, design factors and social factors. Ambient factors relate to the background conditions below the level of a customer's immediate awareness. The design factors, on the contrary, are those visual stimuli that exist at the forefront of a customer's awareness. The social factors relate to interactive environment comprising of people.

Doswell and Gamble described the service environment in the following ways:

- An environment surrounds, enfolds and engulfs and one can only participate in it.
- Environment has a definite impact on the senses in more than one way.
- It is impossible to build an environment, which does not have any impact.
- Peripheral and central information is always present in the environment.
- The environment always provides more information than what can actually be processed.
- Environments imply purpose and action.
- Environments contain meanings and motivational messages.
- Environments imply aesthetic, social and systemic qualities.

All the above characteristics of environment suggest its importance and thus a need to create an ideal environment.

Creating an ideal environment is a difficult task, nonetheless the role that the environment can play in marketing the service product cannot be ruled out. The service environment has a definite impact, not only on customers but the employees too.

Role of Physical Evidence

Obviously the primary role of evidence management is to support the organisation's marketing programme by making it possible to manage both intended and unintended clues, which can give adequate evidence to a customer and thereby influence this perception interestingly; the physical evidence also influences employees who ultimately interact with customers during the service delivery. Parsuraman et al. identified six specific roles of evidence.

Depending on the competitive situation, marketing objective and the resources, an organisation can use evidence for some or all of the above roles, though these roles are not mutually exclusive.

Arising out of the above reasons, services organisations are expected to have two pronged marketing communication strategy aimed at not only tangibilising the message but also the service.

Tangibilising the service implies that tangibles associated with the service are emphasised in communication as if they themselves form the service. For example, DHL courier service is advertised with a visual of an airport showing a fleet of their aircrafts and Benz trucks. Alternately, you create tangible representations of the service to symbolise. For example, 'comfort' in air travel can be tangibilised using comfortable seats with extra leg-space. This can also be emphasised in advertising.

The second step of marketing communication tools aims at tangibilising the message by creative use of evidence in messages, by guaranteeing the service and by encouraging positive word of mouth.

By tangibilising the message, the service organisation makes the advertising message less abstract and more credible through the use of physical evidence. For example, "Personal Point" is giving physical evidences as regards the weight loss of their customers.

The other method of tangibilising the message is to guarantee the service. For example, some private airlines emphasize on a higher percentage of on time arrivals and departures.

Hart²² suggested that though warranties are effectively used in manufacturing goods quite successfully, they can equally be applicable in service industries. If the quality of service and the service delivery of an organisation are excellent, the service organisation can possibly guarantee its service to gain competitive advantage.

The third method of tangibilising the message is to create and encourage a favorable word of mouth. In the services sector, the consequences of selecting a wrong service supplier are invariably higher and as others. It is a result; customers invariably seek the opinion of in this context that word of mouth is important in giving tangible clues to customers.

3.2.7 The Seventh P: Process Management

Flow of activities: All the major activities of banks follow RBI guidelines. It is mandatory to adhere certain rules and principles in the banking operations. The activities have been segregated into various departments accordingly. Standardization: Banks have got standardized procedures for typical transactions. In fact not only all the branches of a single-bank, but all the banks have some standardization in them. This is because of the rules they are subject to. Standardization saves a lot of time behind individual transaction. Customization: There are special counters at each branch to deal with customers of a particular scheme. Besides this the customers can select their deposit period among the available alternatives. Number of stores: numbers of steps are usually specified and a specific pattern is followed to minimize time taken. Simplicity: in banks various functions are segregated. Separate counters exist with clear indication. Thus, a customer wanting to deposit money goes to 'deposits' counter and does not mingle elsewhere. This makes procedures not only simple but consume less time. Besides instruction boards in in national and regional language helps the customers further. Customer involvement: ATM does not involve any bank employees. Besides, during usual bank transactions, there is a definite customer involvement at some or the other place because of the money matters and where signature is required.

Check your progress 1

1. Doswell and Gamble described the service environment in the following ways:
 - a. An environment surrounds, enfolds and engulfs and one can only participate in it.
 - b. Environment has a definite impact on the senses in more than one way.
 - c. Peripheral and central information is always present in the environment.
 - d. all of the above

2. The core service has which of the following elements:
 - a. facilitating services
 - b. supporting services
 - c. both a and b
 - d. only b
3. The integral elements of the service product are as
 - a. accessibility of the service
 - b. interaction with the service organization
 - c. consumer participation
 - d. all of the above

3.3 Let Us Sum Up

In this unit we have studied about the marketing mix and expansion of it as service marketing mix. It is explained that traditionally there were four elements of marketing mix such as price, product promotion and place. They were also known as four Ps of marketing. They are described in detail. But with the advent of service sectors and observing its characteristics, this mix was expanded and three more “Ps” was added such as people, process and physical evidence.

These three Ps have also been described in detail. It is also mentioned that one more “P” was suggested to be added which would mean packaging but that becomes the part of physical evidence so it was not added. The service concept is explained under the heading augmented service offering wherein facilitating services and core services are identified and other issues like accessibility of the service, consumer participation and interactions have been mentioned as integral part of the service. The extended services marketing mix and all the P’s of it have been described in detail. This unit has helped us in understanding the services marketing mix and its operative principles.

3.4 Answers for Check Your Progress

Check your progress 1

Answers: (1-d), (2-c), (3-d)

3.5 Glossary

1. **Service concept** - what the firm offers, to whom, and through what processes.
2. **Service delivery system** - that part of the total service system during which final “assembly” of the elements takes place and the product is delivered to the customer; it includes the visible elements of the service operation.
3. **Service encounter** - a period of time during which customers interact directly with a service.
4. **Service encounter stage** - the second stage in the service purchase process, in which the required service is delivered through interactions between customers and the service provider.
5. **Service factory** - a physical site where service operations take place.

3.6 Assignment

Physical evidence as an element of marketing mix.

3.7 Activities

1. What are the basic differences between pricing of goods and pricing of services? Do characteristics of services influence their pricing? Discuss taking each service characteristic one by one.
2. What do you think are the main reasons for including the element of people in the marketing mix for services?

3.8 Case Study

Indian Refrigerator Market

India's Refrigerator market estimated at Rs. 2750 Cr. is catered mainly by 10 brands. The annual capacity is estimated at around 4.15 million units is running head of demand of 1.5 million. As there is a demand and a surplus supply, all the manufacturers are trying out for new strategies in the market. Times have changed and also the buying behaviour of the customer. Earlier it was cash and carry system. Now dealers play an important role in selling; now the systems are exchange for old "bring your old refrigerator and take a new one with many gifts". A new company by name Electrolux has entered the market which has acquired Allwyn, Kelvinator and Voltas brand. Researchers have revealed that urban and city sales are declining and hence all manufacturers are trying to concentrate on rural markets. Electrolux strategy is customization of market, with special attention to the Northern and Southern India markets, while Godrej the main player thinks that dealer network in rural market for sales and service will be beneficial and is trying to give more emphasis on dealer network, whereas Whirlpool has adopted the strategy of increasing the dealer network by 30%. The market shares of the major players are as follows:

- Godrej 30%
- Videocon 13%
- Kelvinator 12%
- Allwyn 10% • Voltas 5%
- Whirlpool 27%
- Daewoo 1%
- L.G 1%
- Others 1%

Questions

1. Could the refrigerator market be segmented on geographical base planned by Electrolux?
2. What would be the marketing mix for rural market?
3. Would 125 L and 150 L models be an ideal choice to launch in rural market?

3.9 Further Readings

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Marketing Mix
Services: The
Traditional 4ps
and Extended
Marketing Mix
For Service

Block Summary

In this block we studied about the service marketing and its related concepts. The block introduces us with the phenomenon of service and the role players by services in the economy. Certain myths about the services sector have been clarified in the beginning itself. So it is clear that services are the tertiary sector and its relevancy is applicable in all the other sectors. The reasons for the growth of this sector is increased financial capacity, life expectancy, working families. The services are classified based upon several parameters ranging from variety of products to types of customers and sellers.

The role of services in the international scenario and the views of IMF, GATT for services have been referred and adopted many times. The trends in sectors like health, tourism, IT is also minutely observed. The market implications of service characteristics of intangibility, inseparability, heterogeneity, perishability in the sectors like housing and finance are discussed along with the strategies to be practiced.

The need for networking between the housing organizations and banking or finance institutions is expressed. The role of RBI is also given importance as it will draft the policies and interest rates for the same. While explaining the role of service sector, the elements of marketing have also been taken into considerations. The marketing mix with its elements of price, promotion product and place are discussed in great detail along with their role in boosting the services. Also for service sector there is an expansion done for this concept by adding three more elements of process, Physical evidence and people. Thus service marketing mix in total consists of seven P's of marketing. The entire block has stressed the importance of service sector as a dominant one since it has helped in boosting the global economy.

Block Assignment

Short Answer Questions

1. Discuss the objectives behind the pricing of services.
2. Explain the meaning of place or distribution in service sector.
3. Discuss the significance of logistics in services.
4. What are the guidelines for selling services?
5. What are the Guidelines for Public Relations and Publicity ?

Long Answer Questions

1. Write 500 words on the future of information technology and the 'IT' scene in 2010 after reading relevant books available in the Internet.
2. Do you think that classification of services can help you in developing the marketing strategy better? Explain.
3. With tangibility and intangibility on either ends of a continuum, can you identify services, which can be classified along this continuum? Select one of those services utilized by you as an individual, as a family and as an organization.
4. Identify three reasons for growth in the services sector apart from those detailed in this unit.

Enrolment No.

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

Unit No	1	2	3	4
Nos 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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*Education is something
which ought to be
brought within
the reach of every one.*

”

- Dr. B. R. Ambedkar



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SERVICE MARKETING

PGDM-202

BLOCK 2: PLANNING FOR SERVICE MARKETING



**Dr. Babasaheb Ambedkar Open University
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SERVICE MARKETING



Knowledge Management and
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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 students' 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!



SERVICE MARKETING

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SERVICE MARKETING

BLOCK 2: PLANNING FOR SERVICE MARKETING

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BLOCK 2: PLANNING FOR SERVICE MARKETING

Block Introduction

Pricing is one of the key elements of the marketing mix, along with product, place and promotion. Pricing strategy is important for companies who wish to achieve success by finding the price point where they can maximize sales and profits.

Depending on their unique marketing goals and objectives, companies may use a variety of pricing strategies. In microeconomics, pricing depends on how much market power a company has. A series of charts and formulas will lead to a point of profit maximization. Another approach to pricing is found in marketing and is based on the 4 P's of the Marketing Mix: Product, Promotion, Place, and Price.

In this block we will study how pricing is an integral part of the marketing mix of both products and services and it can be changed very quickly. After the marketing and pricing objectives have been decided, pricing has to then consider factors like costs, competition, customers and controls.

Unit one explains about the pricing strategies for services. It tells us about the service pricing and what is the basis of pricing objectives. How to put these objectives into practice is also the main lesson from this unit.

Unit two explains us about the role of communication and its implications in service promotion. Amongst the four P's of marketing, the importance of "promotion" is stressed here.

Unit three describes us about the planning the service delivery with respect to price, cyberspace and time. It also mentions the role of intermediaries in delivering the services.

Unit four explains about the strategic context of marketing planning. How to do review of the situation and allocate resources accordingly is taught in it.

Block Objective

After learning this unit, you will be able to understand:

- The different pricing strategies.
- What value means to the customers.
- The role of communication in services.
- Planning process of marketing.
- Process of formulation of strategy.

Block Structure

Unit 1: Pricing Strategies for Services

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UNIT 1: PRICING STRATEGIES FOR SERVICES

Unit Structure

1.0 Learning Objectives

1.1 Introduction

1.2 Service Pricing

1.2.1 Establishing Monetary Pricing Objectives

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1.9 Activities

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1.0 Learning Objectives

After learning this unit, you will be able to understand:

- Basics of pricing
- Factors contributing to pricing
- Relationship between demand and pricing.

1.1 Introduction

Pricing strategies can be defined as the amount to be fixed for a particular product or a service in order to gain profits. It is also a plan used to defend a new entrant in the market or increase the market share. Pricing factors constitutes: manufacturing cost, market place, competition, market condition, and quality of the product. Pricing is an integral part of the marketing mix of both products and services and it can be changed very quickly. After the marketing and pricing objectives have been decided, pricing has to consider important factors like costs, competition, customers and controls.

In the long-run, prices must at least match all costs if profits are to be made, but sometimes exceeding marginal costs and relevant costs will be sufficient. Competition can be based on price or it can be non-price competition. In non-price competition, the company is in some way differentiating its products or services so that price is not the only factor influencing purchasing decisions. Consumers will always react to prices and price changes. For example, luxury goods are likely to be extra sensitive to price changes than necessities. Price discrimination can allow different prices to be charged for the same product in different markets. Control over prices can be set by governments and regulators. The basic calculation of the selling price can be based on various factors such as cost plus. However, unless a company is very lucky, it is unlikely to have full information about the demand that will be generated by any price and a 'reality check' is needed. There are a number of strategic approaches to pricing such as price-skimming, related product pricing and demand manipulation.

1.2 Service Pricing

The service pricing can be defined as: It is defined as a pricing strategy which is the value of service or a product wherein certain unavoidable factors like account segments, market conditions, paying ability of the buyer, competitors actions trade margins are taken into consideration. There are various ways to ascertain the value of the service. It is explained in the following ways

There are three pricing structures:

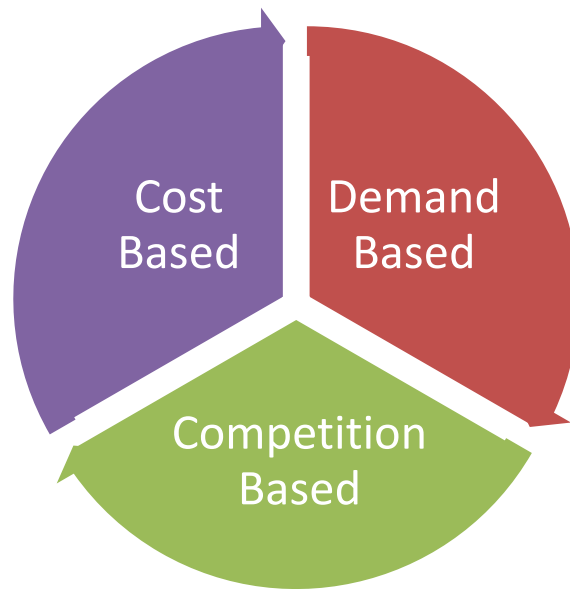


Fig 1.1 Service Pricing Structure

Cost Based Pricing:

It is defined as calculating the cost of the product, and then adding a percentage mark-up to determine price. It is used mainly because it is easy to calculate and requires little information.

Competition Based Pricing:

It is defined as situation where a firm does not have a pricing policy that relates to its product, but reflects the pricing decisions of competitors. Competitor-based pricing is purely reactive

Demand Based Pricing:

This can be known as customer-based pricing, is any pricing method that uses consumer demand-based on perceived value as the central element.

It includes: price skimming, price discrimination, psychological pricing, bundle pricing, penetration pricing, and value-based pricing.

1.2.1 Establishing Monetary Pricing Objectives

In establishing Monetary Pricing objectives several factors mentioned below should be considered. The main objective of pricing is profit maximization for those following factors should be taken into consideration:

1. **Planned Market position:** Price not only influences market position but also the customer's perception.
2. **Stage of Life cycle:** Stage of life cycle of a service or product is very important. If it is at introductory stage then prices should be accordingly designed
3. **Competitive Situation:** Pricing has to be decided from the point of view of rival's strategy.
4. **Strategic Role:** Pricing should be decided taken into consideration the brand projection in the market

Check your progress 1

1. Pricing factors constitutes
 - a. Manufacturing cost
 - b. Market place,
 - c. Competition,
 - d. Size of the product
2. Which of the following is not the pricing structure :
 - a. Cost Based
 - b. Supply based
 - c. Demand Based
 - d. Competition Based
3. For profit maximization one of the following factor is not considered
 - a. Planned Market position:
 - b. Strategic Role:
 - c. Emergency declared in the country
 - d. Stage of Life cycle

1.3 Foundations of Pricing Objectives

Price is a vital component of a marketing mix. It is a major supporting element which drives the profits of the organization. Prices are supposed to be flexible. So it has direct and indirect impact on profits. Although supply and demand drive the pricing decisions, the following diagram also explain the objectives responsible for pricing decisions.



Fig 1.2 Pricing Objectives

From the above figure we can judge the factors involved as pricing objectives:

Profit Maximization:

a. **To achieve a targeted return on investment:**

Many service firms work on a target on sales or on its investment as an objective. Thus, if crossword they would appropriate add an amount called mark-up to its cost of the book

b. **To maximize profit:**

Service firms require profit in order to enable them to pay dividend to its investors pay rent and other utility bills pay salaries and wages to its staff and also investment in new technologies and other expansion plans. but to maximize profits the service firm requires data

on its segments possible sale in each segment at different prices as also estimates of fixed and variable cost

Increase in Sales Volume:

A service firm pursues this pricing objective to grow rapidly and discourage new entrant. The goal is usually described as a percentage increase in volume sales over a certain' period of years.

Status Quo Oriented Objectives:

Prices are set only to maintain the firm previous position the modest passive of all pricing goals the firm really seeks avoid a price war

- a. Competition rendezvous
- b. Pricing stabilization

Society Oriented Objectives:

Certain service firms set price not for profit sales or beating the competition. Their objective is social responsibility make losses but the objective is the general benefit of society at large most metro railway ticket price, public library memberships and postal services follow societal pricing goals

1.3.1 Pricing and Demand

Demand based pricing would involve setting prices which are consistent to with customer's perception of value. It will also involve non monetary cost and benefits mentioned in the following diagram like: Need, Income, Preferences, Habit, Price of substitutes, Price of compliments, Expectations.

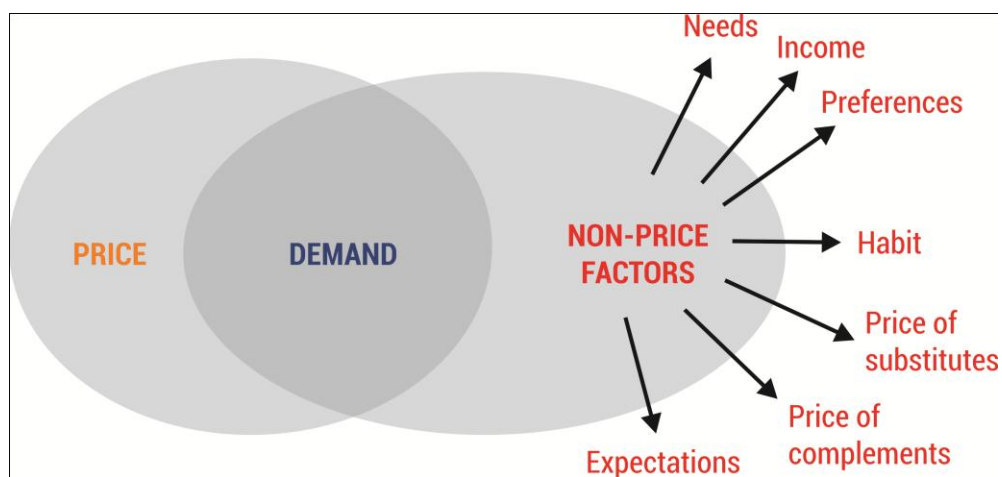


Fig 1.3 Pricing and Demand

We have studied in economics, that the law of demand states that, all else being equal, as the price of product increases, quantity demanded falls (likewise, as the price of a product decreases quantity demanded increases there is a negative relationship between the quantity demanded of a good and its price. The factors held constant in this relationship are the prices of other goods and the consumer's income.

Demand Curve: If demand increases (decreases) and supply is unchanged, then it leads to a higher (lower) equilibrium price and quantity. If supply increases (decreases) and demand is unchanged, then it leads to a lower (higher) equilibrium price and higher (lower) quantity.

If a price for a particular product goes up and the customer is aware of all relevant information, demand will be reduced for that product.

Demand Oriented Pricing mainly focuses on the nature of the demand curve for the product or service being priced. The nature of the demand curve is influenced largely by the structure of the industry in which a firm competes. That is, if a firm operates in an industry that is extremely competitive, price may be used to some strategic advantage in acquiring and maintaining the market share. On the other hand, if the firm operates in an environment with a few dominant players, the range in which price can vary may be minimal.

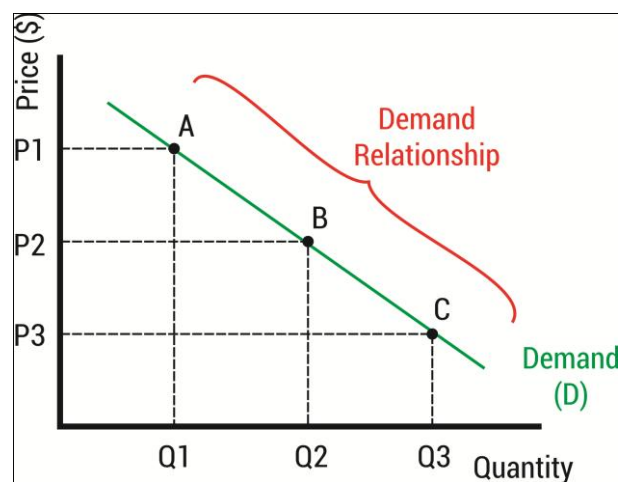


Fig 1.4 Pricing and Demand

Factors affecting demand

The demand for the products or services may be elastic or inelastic:

- Change in pricing has a significant effect on the demand if the demand is elastic. (i.e. after a price rise customers may choose not to buy the product).

- Price change has a little effect on demand if the demand is inelastic (i.e. customers will still buy the item, regardless of the price).

Elasticity is dependent on a factors including:

- Is the product a necessity or a luxury? (medications v/s fine dining)
- Are there any substitutes available? (For example, if rice is not available, customers could buy potatoes instead)
- Are there any complementary products? (When the price of one product goes down; demand for another product goes up, i.e. razors and shaving cream).

Common pricing strategies

Skimming pricing

- It is often used for new products and services, especially technology.
- The initial price is set high and attracts 'early-adopters' who want the product or service now and are willing to pay.
- When this group has been satisfied, the price is reduced to appeal to more price-sensitive customers.

Penetration pricing

- Aims for high sales through low price.
- Often used for products and services that would not attract an initial elite market.
- Discourages competitors because of the low profit margin.
- A large target market and a high volume of sales are needed to meet profit goals.

Image pricing

- The perceived image is more important to a customer than the actual price (e.g. a luxury car that sells for as much as a house).
- Marketing should target the high end of the market and communicate the luxury on offer.
- Customers are willing to pay in dollars because of the value they place on the product.

Discount pricing

- It is aimed at the end of the budget market where customers are willing to forgo some quality or service for a lower price.
- Discounting is a difficult strategy to use, long-term - sales volumes must be consistently high to maintain good profit levels.

Loss leaders

- A product or service sold at a low price where you make little profit - or in some cases, a loss.
- This heavily discounted item should entice customers to visit your business again.
- While they buy the loss leader, they may also purchase other products or services with a higher profit margin (e.g. accessories, supplementary items, impulse buys).

Flexible pricing

The pricing strategy should be flexible. If you sell to multiple markets (e.g. you export to different countries), you do not need to set a single price across the board. However, remember that if you sell via the internet, customers will be able to buy at your online price wherever they are (provided you ship to their area).

Learn more about the advantages of selling online.

Another example of flexible pricing is offering discounts on bulk-buying or returning customers. This rewards customer's loyalty, it encourages positive word-of-mouth and increases sales in the long term.

Check your progress 2

1. NON Monetary costs in pricing and demand would be
 - a. Expectations
 - b. Demand Elasticity
 - c. Pricing stabilization
 - d. Supply elasticity

2. Skimming pricing does not consists of
 - a. Often used for new products and services, especially technology.
 - b. The initial price is set high and attracts 'early-adopters' who wants the product or service now and are willing to pay.
 - c. When this group has been satisfied, the price is reduced to appeal to more price-sensitive customers
 - d. Aim for high sales through a lower price.
3. Image pricing consists of
 - a. The perceived image is more important to a customer than the actual price (e.g. a luxury car that sells for as much as a house).
 - b. Marketing should target the high end of the market and communicate the luxury on offer.
 - c. Aims for high sales through a low price
 - d. Customers are willing to pay top dollar because of the value they place on the product.
 - e. All of the above

1.4 Putting Service Pricing Strategies into Practice

Learning to how to price a product or service correctly is vital if you're going to maximize your company's profitability. There is a general consensus that marketing strategies must not infringe on values like honesty, transparency, and autonomy. The basis of pricing ethics concerns the establishment of a balance of power (through information) between the producer and the consumer. Of late a new attitude towards pricing has emerged. Deregulation and international free trade agreements have led to rise in competition. Price promotion has eroded the power of brand loyalty. Pricing has assumed greater importance to most businesses. As markets increasingly assume a global dimension, customers can more easily compare prices between one region or country and another, using the Internet surfing through e - commerce websites.

Dolan identifies four characteristics by which businesses can transform their profitability through pricing.

Adequate Resources:

The three profit drivers to resources are sales volume, price and costs. Sales volume is often seen as the controllable outcome of a company's actions, and costs have been the focus of attention by many companies in recent years. Pricing infrastructure and processes have often been neglected and inadequately resourced.

Information:

Pricing needs information that is more specific, timely and relevant to competitors.

Product life cycle:

Long-term life cycle profitability for individual products or product groups should be fully evaluated. Break-even and contribution calculations, market simulations and controlled price experimentation should be used to calculate the advisability of increase or decrease in price. The likely evolution of a product life cycle can be mapped, with an understanding that when low prices are used to build market share they might undermine the future profitability of that product or category of products.

Teamwork:

Since, pricing is a team-based activity, sales personnel, market researchers, buyers, financial analysts and product champions work together in a more coordinated way. Pricing goals will vary according to the stage reached in a product's life cycle. They should be clearly understood, and holders of pricing authority should have incentives aligned to those objectives.

Managing Competitors: Smart pricing strategies should be adopted, in order to attract the competitors. Following things should be considered,:

- aim for profitability
- have internal mechanisms to avoid price wars
- shape competitors' reactions
- build a power base using market participation, product differentiation, competitor information and tight cost control
- maintain flexibility

Managing competitors should always be the priority. Price wars rarely reduce capacity in an industry. Low-priced suppliers seldom achieve market domination. Growing market share and maximizing profit are not synonymous.

But we must not forget that complex pricing confuses customers which further leads to loss in business. In practice, most suppliers restrict themselves to two or three price tiers. Fighter brands need to be thoroughly evaluated before launching any product.

Check your progress 3

1. Dolan identifies few characteristics by which businesses can transform their profitability through pricing:
 - a. Adequate Resources
 - b. Information
 - c. Product life cycle
 - d. all of the above
2. In order to attract the competitors, smart pricing strategies should be adopted by taking into consideration following things:
 - a. Aim for profitability
 - b. Have internal mechanisms to avoid price wars
 - c. Shape competitors' reactions
 - d. all of the above

1.5 Let Us Sum Up

In this unit we studied that pricing is one of the key four elements of the marketing mix, along with product, place and promotion. It is explained how Pricing strategy is important for the companies who wish to achieve success by finding the price point where they can maximize sales and profits. The three types of pricing structures are explained. Apart from that pricing objective like profit, sales volume, market share, society, and survival are mentioned.

Pricing and demand are mentioned wherein non price factors like needs, income, preferences, habit, price of substitutes price of complements, expectations is explained in detail. Few characteristics are given wherein service pricing can be put into the practice.

1.6 Answer for Check Your Progress

Check your progress 1

Answers: (1-d), (2-b), (3-c)

Check your progress 2

Answers: (1-a), (2-d), (3-e)

Check your progress 3

Answers: (1-d), (2-d)

1.7 Glossary

1. **Price Skimming** - It is a pricing strategy wherein a marketer sets a relatively high price for a product or service at first, then lowers the price over a period of time. The objective of a price skimming strategy is to capture the consumer surplus.
2. **Price Discrimination** - Price discrimination exists when sales of identical goods or services are transacted at different prices from the same provider.
3. **Psychological Pricing** - This type of a marketing practice is based on the theory that certain prices have a psychological impact. The retail prices are often expressed as "odd prices."
4. **Penetration Pricing** - Penetration pricing is a pricing technique of setting a relatively low initial entry price, often lower than the eventual market price, to attract new customers.
5. **Value-based Pricing** - Value based pricing sets prices primarily, but not exclusively, on the value, perceived or estimated, to the customer rather than on the cost of the product or historical prices. This type of is most successful when products are sold based on emotions (fashion), in niche markets.

1.8 Assignment

Describe Strategy that companies use to price services.

1.9 Activities

Discuss three major ways that service prices are perceived differently from goods prices by customers.

1.10 Case Study

Stockholm, Sweden tried pricing approach, which is called “Cordon Pricing” for the first half of 2006. The impact on public opinion as a result of the trail is impressive. Before the trail, only 31 percent of the residents were in favour of the strategy. After a 15 % reduction in traffic and a 10 to 14 percent drop in CO2 emissions, however, voters were far more favorable and they passed a referendum to reinstate the charge. A recent poll says 67 % of respondents now agree that it is good that the government introduced the system.

[Congestion pricing or cordon pricing is a system of surcharging users of public goods that are subject to congestion through excess demand such as higher peak charges for use of bus services, electricity, metros, railways, telephones, and road pricing to reduce traffic congestion; airlines and shipping companies may be charged higher fees for slots at airports and through canals at busy times. This pricing strategy regulates demand, making it possible to manage congestion without increasing supply. Market economics theory, which encompasses the congestion pricing concept, postulates that users will be forced to pay for the negative externalities they create, making them conscious of the costs they impose upon each other when consuming during the peak demand, and more aware of their impact on the environment.]

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UNIT 2: SERVICE PROMOTION

Unit Structure

2.0 Learning Objectives

2.1 Introduction

2.2 The Role of Marketing Communication

2.2.1 Implication for Communication Strategies

2.3 Setting Communication Objectives

2.4 Marketing Communication Mix

2.5 Let Us Sum Up

2.6 Answer for Check Your Progress

2.7 Glossary

2.8 Assignment

2.9 Activities

2.10 Case Study

2.11 Further Readings

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- The role of marketing communication in services sector.
- What is the implication of communication strategies?
- Marketing communication models.

2.1 Introduction

Communication is an effective tool to build up relationship between the customers and an organization with the help of various marketing channels. It holds together the channel distribution of products and services. Creating and maintaining effective communication is the need of the hour for addressing the intensity of competition of services. Marketing communications can be defined as the science and art of communicating in sequence that the company wants to reveal to the public.

2.2 The Role of Marketing Communication

Marketing communications is an audience-centred activity and uses five traditional elements of the promotional mix: advertising, sales promotion, public relations, direct marketing, and personal selling. Each has its strengths and weaknesses, and these tools are now beginning to be used in different ways to develop relationships with customers, whether they are consumers or organizational buyers. Marketing Communications is a part of the marketing mix. The marketing mix defines the 4Ps of marketing and Promotion is what marketing communications is all about.

Marketing communication models are designed on the basis of various studies that explain how communications work in marketing a product. They act as important tools in understanding how communications work in real life marketing situations and for developing a communication strategy. Communication strategies can make or break a brand by creating an image or perception in the minds of customers positively or negatively where they may take the decision on purchasing.

Below are the following models of marketing communication namely:-

- 1) AIDAS Model
- 2) Dagmar Model
- 3) Heightened Appreciation Model
- 4) Advertising Exposure Model
- 5) Model Of Joyee
- 6) Levidge And Steiner Model

1) AIDAS Model

AIDAS Model is one of the oldest and the most popular models of marketing communications. This was first proposed by St. Elmo Lewis in the year 1900 for personal selling with stages like attract attention, maintain interest, create desire and get the consumer to act.

It was revised by in the year 1911, when Arthur Fredrick Sheldon by changing the first step to 'favourable attention' and adding a fifth step, 'permanent satisfaction'. The revised model was called **AIDAS**–favourable Attention, Interest, Desire, Action and permanent Satisfaction.

Below are the various stages in the buying process of the AIDAS model are:

- a. **Attention:** To attract attention of the target customer.
- b. **Interest:** To create interest in the product by giving product information (or special features) and how it can help satisfy the needs and wants of the individual customer.
- c. **Outcome:** Whether the potential buyer develops a favourable or unfavorable opinion about the product.
- d. **Desire:** Create a desire in the customer's mind to possess the product. This is done by emphasizing the benefits of the product and how it will satisfy the needs and wants.
- e. **Action:** Convince the customer to purchase a product. A simple method to get action from the customer is to provide a toll free number or contact person for more information. This way a consumer is confident about buying.
- f. **Satisfaction:** The customer is satisfied after the purchase.

Example: A popular airline company, Air Deccan was successful in its marketing campaign by using AIDAS model's theory.

2) Dagmar Model

Russel H Coney in 1961 defined DAGMAR Model as, 'Defining Advertising Goals for Measured Advertising Results.' (DAGMAR) Coney suggested that achievement of a hierarchy-of-communication objectives leads to actual purchase. He further suggested that the marketing goals and advertising goals were different. Marketing goals are measured in terms of sales while advertising goals

are measured in terms of the customers' movement along the hierarchy. The various stages in this model are as below :

- a. **Awareness:** The customer becomes aware of the product.
- b. **Comprehension:** The customer is aware of characteristics of the product and also its uses. He is also familiar with the brand name and brand logo.
- c. **Conviction:** Conviction stage is generally referred to the emotional decision of preferring one brand to another.
- d. **Action:** In this stage the purchase is made.

The DAGMAR model assumes a high-involvement "learn-feel-do" hierarchy. Advertising and marketing goals are deemed to be distinct, where advertising goals can be specifically tracked and measured. As per the DAGMAR model, the effectiveness of the advertisement can be measured in terms of its ability to move the customer along the hierarchy. DAGMAR model enabled marketers to define the target market or audience for the commercial. As the advertisement had to be based on the objectives and creative people involved in the process of designing tend to feel that their creativity was being stifled. To implement DAGMAR model is very expensive, as it requires extensive research is needed to set quantitative targets and measuring them. Example:- General Motors (GM) used the DAGMAR model to find advertising goals.

3) Heightened Appreciation Model

The heightened appreciation model helps the marketer to arrive at an advertising strategy. This model suggests that an important attribute of the product's category should be identified and the advertisement should convey the link between the brand and that particular attribute. Advertising campaigns that are based on the heightened appreciation model are said to be successful only if they result in increased usage and have created positive image of the brand in the customer's perception towards buying a product.

For example:-Advertising strategy of Colgate in its advertisement highlighted two attributes strength of teeth and prevention of decay of gums. Hindustan Lever Limited, a competitor of Colgate launched its two brands of toothpaste- Close Up and Pepsodent. The Close Up toothpaste with mouthwash was targeted at youth and focused on freshness, while Pepsodent brand was targeted at kids and the attribute used in advertisements were its ability to fight against germs for long periods. These attributes of toothpaste, though important,

had never been highlighted or given importance till then. But the launch of these toothpastes changed the outlook towards the use of toothpaste, which further led to purchasing of the product. After the launch of Close Up and Pepsodent, the market share of Colgate decreased significantly.

4) Advertising Exposure Model

A message creates awareness, conveys information about benefits attributes or features, builds a brand image and personality, vests the brand with certain feelings, links the brand with group norms and peers/experts and induces purchase behaviour. Personal selling is not the effective way of communicating the brand message.

Exposure to an ad can initiate any of these processes. These five effects create an attitude in us towards the brand, which if favourable leads to purchasing action. In addition, certain ads just remind us about the product or brand or lead an assault on those reasons which prevent a consumer from buying or using the brand. It is a direct inducement to action.

5) Model of JOYEE

In the year 1991, T Joyee suggested a new model for marketing communication. The Joyee model concentrates on three important areas, mainly, advertising, purchasing behaviour and consumer attitudes. It is assumed that there is a continuous cycle of events in all the three areas, where change in any one area can affect the other area. Consumer's attitude refers to the positive or negative feeling of an individual towards a product or service. The attitudes are developed by personal experiences in the past or the experiences of the others. Attitude is a psychographic characteristic and mainly depends on age, gender, social class, regional and cultural too. It is also assumed that if the attitude towards a product is favourable, then the person is most likely to buy the product. The advertisement is deemed effective if it is capable of changing the viewer's attitude in the favour of the product that is advertised. This makes the task time consuming and difficult to change consumer attitude. Market research can identify the drivers for change. Commercial Focusing on the drivers can be conceptualized. It has to be kept in mind here that there is a change that the customer may view an advertisement in some other context also.

With websites emerging as a major medium for advertisements, research has been done to study their effect. Stevenson, Burner and Kumar have applied the hierarchy of effects model to Web advertisements. They found that they too follow the same pattern.

6) Levidge And Steiner Model

In the year 1961, Robert J Lavidge and Gary A. Steiner together proposed a new model for marketing communications, which made use of hierarchy of effects but also included persuasion as an important factor in the model. This model considered the long-term effects of advertising too. According to the Lavidge and Steiner Model*, 'A customer who is totally unaware of the product goes through the following six steps before making a purchase.'

Below are the steps:

- a. **Awareness:** Awareness about the existence of the product.
- b. **Knowledge:** Customer is introduced with the features and uses of the product.
- c. **Liking:** A customer develops a favourable attitude towards the product.
- d. **Preference:** Preference towards a said brand over other competitive products or substitutes is developed.
- e. **Conviction:** This step involves a desire to buy the product. The customer is convinced of a good purchase.
- f. **Purchase:** The customer makes the actual purchase.

Example: Hyundai Motors Limited was successful while launching its small segment car, Santro, in India.

2.2.1 Implications for Communication Strategies

The marketing communication process identifies where the investments are being done and what is bringing more return on investment. Elements of marketing communication include senders transmitting messages to receiver's via media. The business is often the sender and consumers are the receivers; messages sent from consumers back to the business are known as feedback. It creates competitive advantage, boosts sales and profits, while saving money, time and stress. It also wraps communications around customers and helps them to move through the various stages of the buying process. It makes messages more consistent and credible. It shortens the search process and helps to dictate the outcome of brand comparisons. This kind of 'Relationship Marketing' cements a bond of loyalty with customers, which protects them from the inevitable onslaught

of competition. The ability to keep a customer for life is a powerful competitive advantage a seller always has

Check your progress 1

1. Marketing mix consists of four Ps. They are
 - a. Product
 - b. Process
 - c. Price
 - d. Promotion
2. The brand message cannot be delivered via communication channels such as:
 - a. Direct mail
 - b. Radio
 - c. Television
 - d. Personal Selling
3. Levidge And Steiner Model includes the following :
 - a. Preference
 - b. Conviction
 - c. Process
 - d. Purchase

2.3 Setting Communication Objectives

It is important to have a focused strategy for marketing communication as it helps for the defined purpose in service marketing. marketing communication can then use all its elements to design the plan aimed to communicate about the product or service to the target customer group.

Marketing communication has following objectives.

Creating Preference

Creating preference is a long term effort that aims at using communication tools to help position your product or company in the minds of the target customer.

Positioning and building a brand takes time and requires a certain consistency regards to the core elements of product, pricing, and therefore represents a significant commitment for the company.

Shortening The Sales Cycle

Shortening of the sales cycle means assisting your sales and channel partners in their efforts to identify, engage and deliver a customer. Understanding the customer's buying process can bring critical insight into how one can shorten the sales cycle.

Create Brand Awareness For Your Company:

To increase the brand awareness of your company, it basically means to inform your target audience about your brand, which would either be your product or service. Creating brand awareness does not necessarily apply to a new brand (product or service), but often applies to an existing brand which might be trying to penetrate into new markets. Myriad uses of communication medium can be used to deliver brand messages, such as such as direct mail, radio, television advertising, environmental advertising (billboards, bus stop signage, and vehicle wraps), or online video and social media. Your delivery method is going to be contingent upon your budget, target region, and product or service, just to name a few communication channels.

Defining A Need The Product Or A Service Can Fulfill:

Creative strategy is required for positioning your company, product, or service in the target audiences mind in order to convince them to use your product/service. There are several methods a company can use to persuade and define a fulfilling need for their product few of them are listed below:

- Provide a money-back guarantee
- Competitive pricing
- Low interest rates
- Easy qualifying
- Easy return policy

- How the product or service will make life easier for the purchaser
- Bundling services and products at a savings when the competition is not doing it
- A buy one get one free
- Show how the product or service will save the purchaser time

Encouraging an Action From The Target Customers.

While encouraging the target audience may seem similar to persuading them to make a purchase, it goes further. It's certainly true that using a buy one, get one FREE offer is encouragement, however, if only it advertises using online communication channel and only for a brief period, for example a one week period, you will certainly see a drop off in interest and purchases. Remember, out of sight, out of mind. If the target audience does not know you exist or is reminded often about your product, then chances are they will not remember to use your services.

Check your progress 2

1. What are the Communication Objectives of marketing?
 - a. Creating preference
 - b. Shortening the sales cycle
 - c. Action from Target customer
 - d. Speedy Services
2. The several methods a company can use to persuade a customer to buy a product are
 - a. Provide a money-back guarantee
 - b. Low interest rates
 - c. Heavy pricing
 - d. Easy return policy

3. Environmental advertising does not constitute :

- a. Billboards
- b. E-Mails
- c. Bus stop signage
- d. Vehicle wraps

2.4 Marketing Communication Mix

Marketing is a broad business function that includes product research and development, merchandising and distribution processes and pricing, as well as communication or promotion. The communication mix is majorly referred to specific methods that are used to promote the company or its products towards targeted customers. Some depictions of the promotional mix includes five elements, while others add a sixth -- event sponsorship.



Fig 2.1 Marketing Communication Mix

Advertising

Advertising is the most prominent element of the communication mix. In fact, marketing and advertising are often misconstrued as the same thing. Advertising includes all messages a business pays to deliver through a medium to

reach towards a targeted audience. Since it involves the majority of paid messages, companies often allocate significant amounts of the marketing budget to the advertising function. The advertiser has an ultimate control over the message that is delivered, since it pays the television or radio station, print publication or website for placement despite being a costly medium.

Personal Selling

Personal selling is sometimes integrated with the direct marketing element. However, many companies make extensive use of sales force that it is important to consider this component distinctly. Distribution suppliers generally use salespeople to promote products for resale to trade buyers. Retail salespeople promote the value of goods and services to consumers in retail businesses. Companies selling higher end products and services emphasize more on selling. It requires more assertive efforts to persuade customers to buy.

Discounts and Promotions

Sales promotions or discounts are similar to advertising wherein they are often promoted through paid communication. But a sales promotion actually involves offering a discounted price to a buyer. It defers from seller to seller. This may include coupons, percent-off deals and rebates. Along with advertisements to promote deals and coupon mailers, companies often use exterior signs and in-store signages to attract customer's attention towards the discounts. Goals of this type of communication tools increases revenue and cash flow, attracts new customers and clears out extra inventory.

Public Relations

Public Relations is an effort taken by the company to appoint a relevant authority or a firm to represent an organization. The major difference is you don't pay for the time or space for the message. The downside of PR is that you don't always control the messages. Press Conference and Press Note area part of PR strategy.

Direct Marketing

Direct Marketing includes some aspects of both sales promotions and personal selling. It is an interactive communication method with customers where the company's message seeks or implores a response from the targeted customers. E-mail and direct mails are common formats used by most of the companies. These messages are sent to customers with special offers or calls to action, often promoting limited-time deals or new product launches. Mail-order clubs, online or

print surveys and infomercials are other examples of direct marketing communication.

Event Sponsorship

Event sponsorship is the element sometimes ignored out of the five-element communication mix by the company. Many models include it as a part of advertising. Event sponsorship occurs with a company where it pays to have a presence at a sports, entertainment, nonprofit or community events. The sponsorship may include a mix of benefits including booth representation during the event to hand out samples, gifts and literature, name mention during the event and ad spots connected to the event. This helps in creating a brand image.

Check your progress 3

1. Discounts and Promotions does not include
 - a. coupons
 - b. spam mails of lottery
 - c. percent-off deals
 - d. rebates.
2. Which of the following is part of the PR strategy
 - a. Press Conference
 - b. Press Note area
 - c. TV sponsored programme for product
 - d. none of the above
3. Advertiser has the ultimate control over the promotion through all of the following except
 - a. TV
 - b. Radio
 - c. Newspaper
 - d. word of mouth

2.5 Let Us Sum Up

In this unit we studied that marketing is a broad business function that includes product research and development, merchandising and distribution processes and pricing, as well as communication or promotion. It is also explained that marketing communications is an audience-centric activity and it uses five traditional elements of the promotional mix, namely; advertising, sales promotions, public relations, direct marketing, and personal selling.

The role of marketing communication is explained with the help of aida, dagmar heightened appreciation, advertising exposure model of Joyee and Levidge and Steiner model. The implications of marketing communication are explained with the help of communication process. Communication Objectives are explained with the help of points like crating preferences, shortening of the sales cycle, creating brand awareness for your company and defining need for a product or a service. The detailed explanation is given about the marketing communication mix.

2.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-b), (2-d), (3-c)

Check your progress 2

Answers: (1-d), (2-c), (3-b)

Check your progress 3

Answers: (1-b), (2-c), (3-d)

2.7 Glossary

1. **Brand** - A name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers.
2. **Channel of distribution** - An organized network of agencies and institutions which in combination perform all the functions required to link producers with end customers to accomplish the marketing task.

3. **Consumer** - The ultimate user of goods, ideas or services.
4. **Market area** - A geographical area containing the customers.

2.8 Assignment

Discuss the key service communication challenges.

2.9 Activities

Find five effective advertisements in newspaper. Analyze their effectiveness.

2.10 Case Study

The London Eye, a part of British Airways, wanted to attract new visitors. It's annual marketing budget was \$1.5 million. It was used to increase passenger numbers via focused advertising and other promotional activities. Londoners were encouraged to take the additional flights with the sale of joint tickets offering of a trip together with a champagne meal at a nearby restaurant.

Overseas visitors were targeted with an online campaign combined with advertisements at key entry points to the UK. Students were offered joint tickets with Tate Britain for the Turner Prize exhibition. This was promoted through student bars and student union mailings. Other initiatives included a 45 minute Thames Cruise, the production of guide books, the introduction of trained capsule hosts and the re-launch of website www.londoneye.com.

The overseas campaign led to a 5% increase in passenger numbers. Within three months 7800 Londoners had taken up the 'flight and meal' deal and there were 300 redemptions of the student tickets. Overall it saw an *% growth in visitor numbers to more than 4 billion, and an increase in gross profit of 23%.

2.11 Further Readings

- 1 Bateson, John E. G. and K. Douglas Hoffman (1999), *Managing Services Marketing Text and Readings* (Fourth ed.). Fort Worth: The Dryden Press. (471 Pages; I.S.B.N. Number = 0-03-022519-1).
- 1 Cooper, Robert G. and Scott J. Edgett (1999), *Product Development for the Service Sector: Lessons for Market Leaders*. Cambridge, MA: Perseus Books. (256 Pages; I.S.B.N. Number = 07382-0105-7).
- 2 Fisk, Raymond P., Stephen J. Grove and Joby John (2000), *Interactive Services Marketing*. Boston: Houghton Mifflin Company. (250 Pages; I.S.B.N. Number = 0-395-76916-7).
- 3 Fitzsimmons, James A. and Mona J. Fitzsimmons (2001), *Service Management: Operations, Strategy and Information Technology* (3rd Edition), Irwin/McGraw-Hill.
- 4 Vlarie A Zeithaml, Mary Jo Bitner, Dwayne D Gremler Ajay Pandit, *SERVICES MARKETING, integrating Customer Focus across the Firm* [Fifth Edition]. Tata Mcgraw Hill Education Private Limited [ISBN number 0-07-070099-0]

UNIT 3: PLANNING AND MANAGING SERVICE DELIVERY

Unit Structure

3.0 Learning Objectives

3.1 Introduction

3.2 Creating Delivery Systems in Price

3.2.1 Cyberspace and Time

3.3 The Physical Evidence of the Service Space

3.3.1 The Role of Intermediaries

3.4 Enhancing Value by Improving Quality and Productivity

3.5 Let Us Sum Up

3.6 Answer for Check Your Progress

3.7 Glossary

3.8 Assignment

3.9 Activities

3.10 Case Study

3.11 Further Readings

3.0 Learning Objectives

After learning this unit, you will be able to understand:

- Planning required for delivery of services.
- More about the role of intermediaries.
- Service delivery systems.

3.1 Introduction

Customers are demanding more convenience, and they expect services to be delivered where and when they want them. Distribution of services impacts the typical sales cycle in three ways:

1. Information and promotion flow
2. Negotiation flow
3. Product flow

Service Delivery processes assist staff in tailoring services to meet the specific business needs at a price the business can afford. Service Delivery processes help define services so that they may be provisioned with internal staff and resources or via external vendors with equal ease and results. Service Delivery processes assist in defining how to measure service results with meaningful metrics and using the metrics to drive continuous service improvement. Through Service Delivery processes, it can:

- Clearly define the content of services.
- Clearly define the roles and responsibilities of customers (those who pay for the services), users (those who use the services) and Service Providers.
- Set expectations of service quality, availability and timeliness.

The components of Service Delivery are:

- **Service Level Management:** Service Level Management (SLM) processes provide a framework by which services are defined. Levels of service are required to support business processes agreed upon, Service Level Agreements (SLAs) and Operational Level Agreements (OLAs) are developed to satisfy the agreements, and costs for the service developed.
- **Financial Management:** Where Service Level Management defines and manages the services, Financial Management determines the costs of those services and provides financial accounting support to ensure expenditures fall within approved plans and that funds are well-spent.
- **Capacity Management:** Capacity Management (CM) is responsible for ensuring that infrastructure resources are in place to satisfy planned business needs and that those infrastructure assets are effectively used. CM is responsible for building the annual infrastructure growth plan.

- **Availability Management:** Availability Management is responsible for ensuring application systems are up and available for use in accordance with the conditions of the respective Service Level Agreements (SLAs). The process reviews business process availability requirements and ensures the most cost effective contingency plans are put in place and tested on a regular basis to ensure business needs are met.

3.2 Creating Delivery Systems in Price

Service distribution does not always mean moving of items through a chain of firms that would begin with a manufacturer and end with a customer. Sometimes services are delivered directly to customers E.g. Airline service or consulting service sometimes need the help of intermediaries. The primary types of intermediaries are: Franchisees, Agent, and Brokers, etc.

Electronic channels also play a major role in service deliveries. They differ from rest of the intermediaries as they do not have direct human interaction. They need a predesigned programming such as information uploading or other software programming to facilitate services to customers. They are advantageous because:

- They deliver standardized services consistently
- They are lower in cost
- They are convenient to customers
- Quick customer feedback is received to improvise

There disadvantages are:

- There is a lot of competition
- Inability to customize
- There are security concerns as website or account hacking is a big threat

Following diagram is an example of use of websites for service delivery and its advantages:

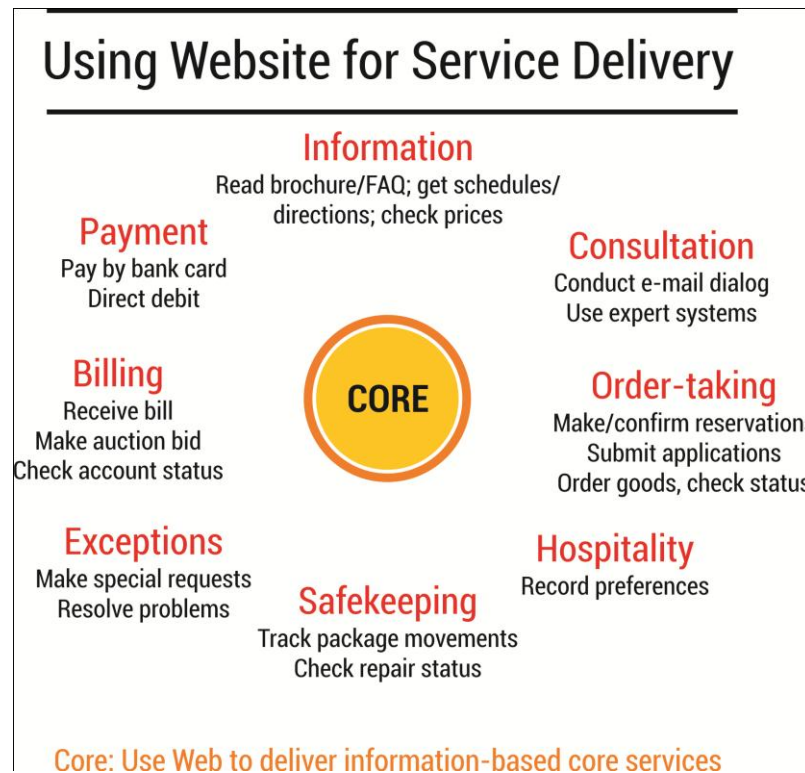


Fig 3.1 using website for service Delivery

From the diagram we can say that:

- Internet facilitates 5 categories of “flow”
 1. Information
 2. Negotiation
 3. Service
 4. Transactions
 5. Promotion
- Electronic channels offer complement/alternative to traditional physical channels.
- There is a lot of Convenience (24-hour availability, save time, effort).
- There is ease of obtaining information online and searching for desired items.
- Better prices are quoted than in many bricks-and-mortar stores.
- Broad selection due to lot of variety for display.

- Technological Innovations are frequent and more user friendly.
 - a) Development of “smart” mobile telephones as well as Wi-Fi high-speed Internet technology that links users to Internet from almost anywhere makes it more comfortable.
 - b) Voice-recognition technology
 - c) Websites
 - d) Smart cards
- It stores detailed information about customer.
- It acts as electronic purse containing digital money.
- It increases accessibility of services.
- It delivers right information or interaction at right time.
- It creates and maintains up-to-date real-time information.

3.2.1 Cyberspace and Time

Cyberspace is defined as a notional environment in which communication happens through computer network. As an example, individuals can interact, exchange ideas, share information, provide social support, conduct business, direct actions, create artistic media, play games and engage in political discussions too. Cyber space is a primitive version of digital marketing. Many businesses have found the benefits of cyberspace when it comes to marketing of their products and services. With Internet sales at an all-time high, one can maximize profits and presence by turning to the web to help promote your small business.

There are many benefits of cyberspace marketing, which includes:

- Online presence of business is expected. Since most of the business firms use some form of internet marketing, in many ways it is expected that you at least have a website.
- Cyberspace marketing is cost effective. Unlike many other promotional strategies and does not require a large amount of capital to start. Not only that, but it's also cheaper than printing and mailing promotional items.
- It reaches more potential customers.

- Cyberspace marketing reaches a larger, more global audience than other forms of marketing, immediately.

Making of cyberspace marketing strategies with the help of following tips:

- Create a website. Almost all reputed companies have websites because they know the consumers spend maximum time in cyberspace. In case a company is organizing an event, publicizing it in cyberspace is a good idea. It helps in getting registration and process of obtaining information is easier.
- Promote your website: Cyberspace these days has become a great promotional tool. Your small business's URL should be found on all the marketing materials you put out for your company. For example, brochures, flyers, and business cards. If you are writing press releases, you should mention the URL or use it as a reference point within a press release. URL should be very simple to recall.
- Maintain the website site by updating it frequently
- Use of meta tags proves to be useful to those while browsing cyberspace to find about a particular organization.
- These tags lead people to websites they may or may not have been looking for. Ask for email addresses. When people visit your website, have a space where they can enter their own email addresses for further information.
- Always include a link with an option to unsubscribe, and make sure you list a privacy policy.

Cyberspace marketing is an excellent way to reach to your customers and promote your small business. It is not difficult to use the internet for marketing your small business, and these are just a few things you can do.

Check your progress 1

1. Distribution of services impacts the typical sales cycle in the following ways:

- a. Information and promotion flow
- b. Negotiation flow
- c. Product flow
- d. all of the above

2. Service Delivery processes can help in :
 - a. Clearly define the content of services
 - b. Clearly define the roles and responsibilities of customers
 - c. Set expectations of service quality, availability and timeliness
 - d. all of the above
3. The components of Service Delivery are:
 - a. Service Level Management
 - b. Financial Management
 - c. Capacity Management
 - d. all of the above

3.3 The Physical Evidence Of Service Space

Physical evidence is an environment where the service is delivered Here, the firm and the customer interact and any tangible commodities facilitate performance or communication of the service. Physical evidence includes the Servicescape, it is a term used to describe the physical facility where the service is produced and/or delivered. For e.g.

- Elegant decor of a shop to cater to upscale market
- Cafe near a college
- Ambience and cleanliness of a cinema hall
- Physical backdrops surrounding the service (Servicescape)

Servicescape	Other Tangibles
Facility exterior	Business cards
Exterior design	Stationery
Signage	Billing statements
Parking	Reports
Landscape	Employee dress
Surrounding environment	Uniforms
Facility interior	Brochures
Interior design	Web pages
Equipment	Virtual servicescape
Signage	
Layout	
Air quality/temperature	
Sound/music/scent/lighting	

Fig 3.2 Elements of Physical Evidence

Servicescape' or 'Atmospherics' creates mood, longing, and attraction or desire to visit / recommend service provider by tangibilisation. It includes every tangible touch point i.e. brochure, building, dress of the people, furniture, wall décor, etc.

Role of Physical Evidence is:

- Facilitate the flow of the service delivery process
- Provide information
- Facilitate the ordering process
- Socialize employees and customers
- Facilitate perceptions of consistent performance

3.3.1 The Role of Intermediaries

Marketing intermediaries are also known as middlemen or distribution intermediaries. They are an important part of the product - distribution channel. Intermediaries are individuals or businesses that make it possible for the product to make it from the manufacturer to the end user. This in turn facilitates the sales process.

Marketing intermediaries provide distribution services in transactional, logistical, and facilitational functions, which are as below

- **Transactional:** Marketing contact, marketing promotion, negotiating, risk-taking through ownership (e.g., retailers) and inventory storage.
- **Logistical:** Transportation, product storage and other time and space problems.
- **Facilitation:** An agent or broker who delivers, for a fee or commission, a product to consumers, such as stockbrokers and insurance or real estate agents.

As defined in Business Dictionary, the four basic types of marketing intermediaries are agents, wholesalers, distributors and retailers.

Agents

As a marketing intermediary, agent is an independent individual or a company whose main function is to act as the primary selling arm of the producer and represent the producer to users. Agents do not actually own products they take

possession. Agents generally make profits from commissions or fees paid for the services they provide to the producer and users.

Wholesalers

Wholesalers are independently owned firms that take title to the merchandise they handle. In other words, the wholesalers own the products they sell. Wholesalers purchase product in bulk quantity and store it until they can resell it. Wholesalers generally sell the products they have purchased, usually to retailers, to earn profit.

Distributors

Distributors are similar to wholesalers, but with one major difference. Wholesalers will carry a variety of competing products, for instance Pepsi and Coke products, whereas distributors only carry complementary product lines, either Pepsi or Coke products. Distributors usually maintain close relationships with their suppliers and customers. Distributors will take title to products and store them until they are sold.

Retailers

A retailer takes title to, or purchases, products from other market intermediaries. Retailers can be independently owned and operated, like small “mom and pop” stores, or they can be a part of a large chain, like Walmart. The retailer will sell the products it has purchased directly to the end user for earning profit.

Role of Marketing Intermediaries in the Marketing Process

The marketing intermediary includes distributors, agents, wholesalers, retailers, etc. The role of intermediaries becomes very important in distribution of goods or services in marketing process. Their role can be seen as follows:

1. **Search for Potential Buyers:** Marketing intermediaries search for prospective buyers of the goods or services.
2. **Title of Ownership:** The role of intermediaries becomes very important in marketing process as they make producers free from worrying about sale of their products by taking ownership of the product.
3. **Communication Link:** Marketing intermediaries establishes communication link between firms and market, viz producer and consumers.
4. **Wide Range of Product:** Marketing intermediaries collect different goods or services from different producers and supply them to the consumers.

5. **Economy:** Marketing Intermediaries purchase in bulk and supply to different customers. This minimizes distribution cost, as a result, the goods or services become comparatively cheap in price.
6. **Feedback:** Marketing intermediaries receives regular reactions and experience of consumers about the products. Feedback is given to the producers about the reactions and experience of the consumers. This gives chance to the producers to make necessary improvement in the quality of the product.

Check your progress 2

1. Role of Physical Evidence is :
 - a. Facilitate the flow of the service delivery process
 - b. Provide information
 - c. Facilitate the ordering process
 - d. all of the above
2. Marketing intermediaries provide distribution services in
 - a. transactional
 - b. logistical
 - c. facilitational functions
 - d. all of the above
3. The types of marketing intermediary includes
 - a. distributors and agents
 - b. wholesalers and retailers
 - c. both a and b
 - d. only b

3.4 Enhancing Value by Improving Quality and Productivity

Quality and productivity are twin paths to creating value for both customers and companies'. Quality - focuses on the benefits created for customers Productivity - addresses financial costs incurred by firm deliver quality experience to customers more efficiently achieve long term profitability integrating service quality and productivity strategies. Service quality can be defined as comparison of expectations with performance. Customer satisfaction is one of the major components of balance scorecard. There are two models which should be studied to understand the customer to enhance productivity and quality.

They are:

1. **The Disconfirmation Model**
2. **Perception Model**

1. The Disconfirmation Model:

The Disconfirmation Model is based on the comparison of customers' [expectations] and their [perceived performance] ratings. Specifically, an individual's expectations are confirmed when a product performs as expected. It is negatively confirmed when a product performs more poorly than expected. The disconfirmation is positive when a product performs over the expectations. There are four constructs to describe the traditional disconfirmation paradigm mentioned as expectations, performance, disconfirmation and satisfaction.

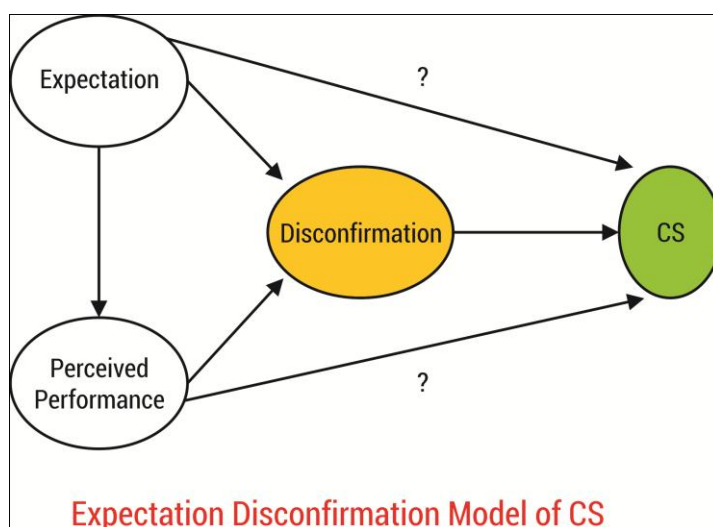


Fig 3.3 Expectation Disconfirmation Model of CS

2. The Perception Model :

Our perception is an approximation of reality. The perceptions of consumers have of a business and its products or services have a dramatic effect on buying behaviour. Consumer perception applies the concept of sensory perception to marketing and advertising. Perception establishes the meaning about a product or brand when a consumer makes initial contact. In marketing terminologies it is described as consumer information processing. At this stage all of the senses are engaged in receiving brand marketing communication messages. In marketing literature, four distinct stages of perception occur during information processing of a consumer, namely; sensation, attention, interpretation and retention.

Sensation

Sensation occurs when a person's senses are initially exposed to the external stimulus of a product or brand marketing. The sensory receptors of a consumer are engaged by a product or brand cue through sight, sound, smell, taste and texture. For example, Starbucks engages all the senses in its sensory brand marketing. A customer who enters a Starbucks coffee shop may hear the sounds and smell the aroma of the grinding of fresh coffee in the store.

Attention

Attention occurs when a person lingers and gives mental processing capacity to the external stimulus from a product or brand. Selective perception is when a consumer pays attention to messages that are consistent with attitudes, beliefs and needs.

Interpretation

Interpretation occurs when a person assigns a meaning to the sensory stimulus from a product or brand marketing. A consumer scans his memory to retrieve previous experiences with the brand or a similar brand. Store-brand marketing frequently capitalizes on the interpretation stage when product packaging design contains logos, colors and other elements that are similar to national brands that consumers are generally more familiar with.

Retention

The conclusion of the consumer perception process is the retention stage. This is marked by the storage of product or brand information in short-term and long-term memory. The marketer's goal is to provide positive stimuli in the proceeding stages that translate into consumers storing the information about the product or brand into long-term memory. This is the last stage.

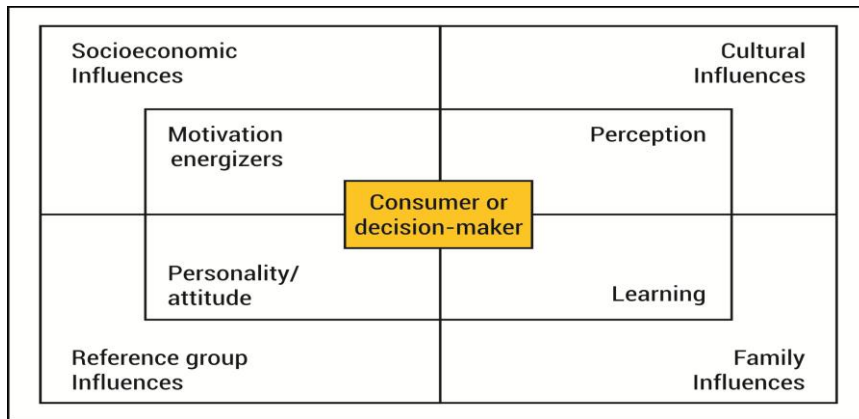


Fig 3.4 Consumer or Decision Maker

The role of perception in consumer behaviour and other influential factors.

Dimensions of quality:

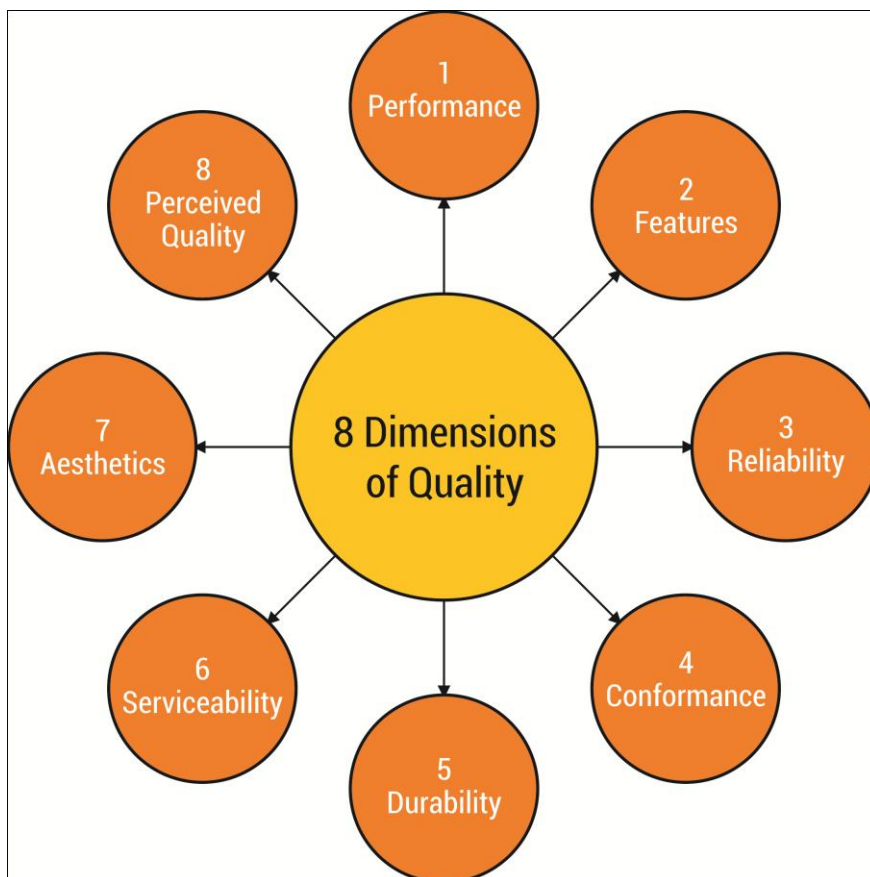


Fig 3.5 Dimensions of Quality

Measures to improve the quality: there are two dimensions to improve the quality:

Soft Measures: These measures are not easily observed and they must be collected by talking to customers, employees and others. It can be quantified by measuring customer perceptions and beliefs with the help of surveys, customer

feedback, etc. They provide direction, guidance, and feedback to employees on ways to achieve customer satisfaction.

Hard Measures: These measures can be counted through audits. They involve typical operational processes or outcomes. The use of control charts is useful for displaying performance over time against specific quality standards. Measuring and Improving Service Quality is achieved. Standards are often set with reference to percentage of occasions.

Total Quality Management: TQM describes a management approach to long-term success through customer satisfaction. In a TQM effort, all members of an organization participate in improving processes, products, services, and the culture in which they work.

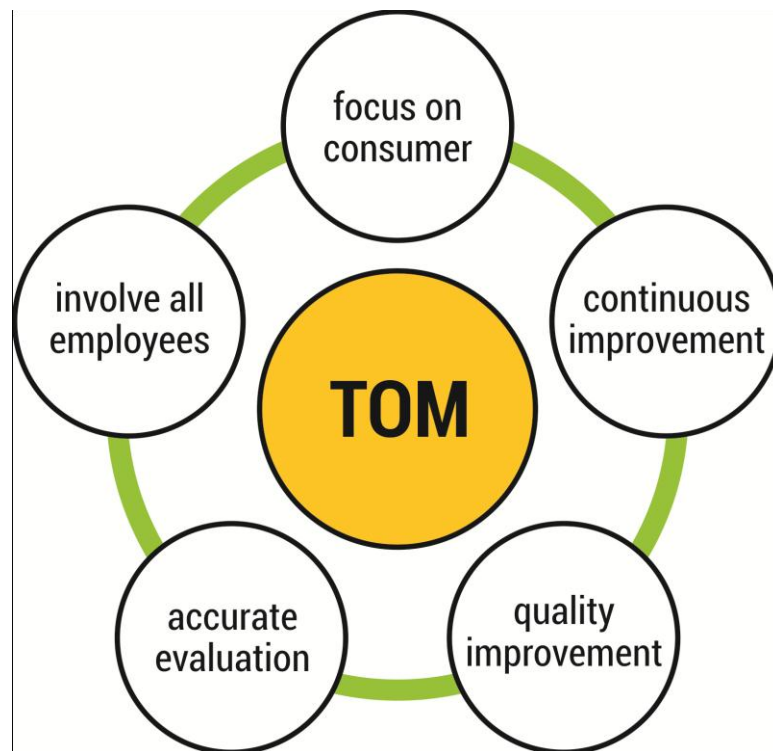


Fig 3.6 TQM

Originated in the 1950s, Total Quality Management (TQM) is a management approach and it has steadily become more popular since the early 1980s. It is a description of the culture, attitude and organization of a company that strives hard to provide customers with products and services to satisfy their needs. The culture requires quality in all aspects of the company's operations, with processes being done right the first time and defects and waste eradicated from its operations.

Total Quality Management, (TQM), is a method by which management and employees can involve in the continuous improvement of the production of goods

and services. It is a great combination of quality and management tools aimed at increasing business and reducing losses due to wasteful practices.

Some of the renowned companies who have implemented TQM include Ford Motor Company, Phillips Semiconductor, SGL Carbon, Motorola and Toyota Motor Company.

Total Quality Management views an organization as a collection of processes. It maintains the fact that organizations must strive to continuously improve these processes by incorporating the knowledge and experiences of workers. Objective of TQM is “Do the right things, at the first time, every time.” TQM is substantially variable and adaptable. Although, TQM was originally applied to manufacturing operations, it is now becoming recognized as a generic management tool, just as applicable in service and public sector organizations. There are a number of evolutionary strands, with different sectors creating their own versions from the common ancestor.

TQM is the foundation for activities, which include:

- Commitment by senior management and all employees
- Meeting customer requirements
- Reducing development cycle times
- Just in time/demand flow manufacturing
- Improvement teams
- Reducing product and service costs
- Systems to facilitate improvement
- Line management ownership
- Employee involvement and empowerment
- Recognition and celebration
- Challenging quantified goals and benchmarking
- Focus on processes / improvement plans
- Specific incorporation in strategic planning

Principles of TQM

The key principles of TQM are as following:-

Management Commitment

- Plan (drive, direct)
- Do (deploy, support, participate)
- Check (review)
- Act (recognize, communicate, revise)

Employee Empowerment

- Training
- Suggestion scheme
- Measurement and recognition
- Excellence teams

Fact Based Decision Making

- SPC (statistical process control)
- DOE, FMEA
- The 7 statistical tools
- TOPS (Ford 8D – team-oriented problem solving)

Continuous Improvement

- Systematic measurement and focus on CONQ
- Excellence teams
- Cross-functional process management
- Attain, maintain, improve standards

Customer Focus

- Supplier partnership
- Service relationship with internal customers
- Never compromise quality
- Customer driven standards

Check your progress 3

1. There are four constructs to describe the traditional disconfirmation paradigm mentioned as
 - a. expectations and performance
 - b. Disconfirmation and satisfaction.
 - c. both a and b
 - d. only b
2. Following distinct stages of perception occur during information processing of a consumer
 - a. sensation and attention
 - b. interpretation and retention
 - c. both a and b
 - d. only a

3.5 Let Us Sum Up

In this unit we studied about the planning and managing service delivery. It is mentioned that distribution is the major concern of services sector as it causes impact on sales cycle in ways like information and promotion flow, negotiation flow and product flow.

The components of service delivery are explained in detail. they are service level management, Financial management, Capacity management and availability management. Various ways of service delivery are mentioned. For eg through website or electronic channels.

The concept of cyberspace is also defined and explained as it leads to digital marketin.

Physical evidence of servicescape has also been given importance. The role of intermediaries is also emphasized.

The need for quality and productivity is stressed as they are the twin paths for value creation. The two models of quality and productivity are mentioned they are Disconfirmation Model and Perception Model. Dimensions of quality and total quality management is also explained in detail.

3.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-d), (2-d), (3-d)

Check your progress 2

Answers: (1-d), (2-d), (3-c)

Check your progress 3

Answers: (1-c), (2-c)

3.7 Glossary

1. **Servicescape** - It is a term used to describe the physical facility where the - service is produced and/or delivered.
2. **Penetrated market** - Actual set of users actually consuming the product/service.
3. **Product life cycle** - The four stages products go through from birth to death: introductory, growth, maturity, and decline.

3.8 Assignment

Go to the Google Website and select tab called “Business Solutions”. It is the section which describes the types of advertising that Google offers. Study it carefully. review this advertising type and state its advantages and disadvantages.

3.9 Activities

What should be the nature of contact between the service provider and its customers! Should customers ome to the provider or the other way around?

3.10 Case Study

Apple Stores at New York

In designing its store in New York's Soho District, Apple Computers brought together architects, graphic designer's product developers merchandising people and CEO Steve Jobs to create a retail space that would both convey the company's philosophy and sell computers. The result is clean, open, and spacious store that displays only a few computers to create the ambience of museum. The company establishes a modern feel using a glass staircase white walls and a large skylight. A second floor area encourages children to play with software and offers a large conference room for Apple product demonstrations. As one judge puts it, "The Store, Like Apple is all about information, interaction and access. Apples 5th Avenue store in New York City, its highest volume store was also an award winner in the competition later. This cube shaped Store is free-of structural steel and it relies on a taut glass skin and glass beams to create a sense of free floating structure that sits above the actual retail space. Similar to the Soho store the "Cube" is highly effective at drawing the customers in, and its cleanly designed interior provides an inviting atmosphere to experiment with innovative and futuristic Apple products. The store has very high sales per square foot and the space is beautiful, functional and very profitable.

3.11 Further Readings

- 1 Bateson, John E. G. and K. Douglas Hoffman (1999), *Managing Services Marketing Text and Readings* (Fourth ed.). Fort Worth: The Dryden Press.
- 2 Cooper, Robert G. and Scott J. Edgett (1999), *Product Development for the Service Sector: Lessons for Market Leaders*. Cambridge, MA: Perseus Books.
- 3 Fisk, Raymond P., Stephen J. Grove and Joby John (2000), *Interactive Services Marketing*. Boston: Houghton Mifflin Company.
- 4 Fitzsimmons, James A. and Mona J. Fitzsimmons (2001), *Service Management: Operations, Strategy and Information Technology* (3rd Edition).

UNIT 4: MARKETING PLANS FOR SERVICES

Unit Structure

4.0 Learning Objectives

4.1 Introduction

4.2 The Marketing Planning Process

4.2.1 Strategic Context

4.3 Situation Review Marketing Strategy Formulation

4.3.1 Resource Allocations

4.4 Monitory Marketing Planning and Services

4.5 Let Us Sum Up

4.6 Answers for Check Your Progress

4.7 Glossary

4.8 Assignment

4.9 Activities

4.10 Case Study

4.11 Further Readings

4.0 Learning Objectives

After learning this unit, you will be able to understand:

- Marketing planning process.
- Strategy formulation process.
- How Resource allocations takes place.

4.1 Introduction

Marketing is defined as a process of developing and implementing plans to identify and satisfy customer's needs and wants with the objective of customer satisfaction and profit making. The main elements of marketing planning includes market research to identify and anticipate customer's needs and wants; and planning of appropriate marketing mix to meet market requirements/demands.

The process of developing marketing plan, incorporating overall marketing objectives, strategies, and programs of actions designed to achieve these objectives is known as Marketing Planning

It also involves setting objectives and targets, and communicating these targets to people responsible to achieve them. It is careful examination of all strategic issues, including the business environment, the market itself, the corporate mission statement, competitors, and organizational capabilities.

4.2 The Marketing Planning Process

Marketing planning process is a series of stages that are usually followed in a sequence. Organizations can adapt their marketing plan to suit the circumstances and their requirements. It involves both the development of objectives and specifications for how to achieve the objectives. Below are the steps involved while designing a marketing plan.

1) Mission

Mission is the reason for which an organization exists. Mission statement is a straightforward statement that shows why an organization is in business. It provides basic guidelines for further planning, and establishes broad parameters for the future. Many of the useful mission statements of the company motivate staff and its customers.

2) Corporate Objectives

Objectives are set of goals to be achieved within a specific period of time. Corporate objectives are the most important goals the organization as a whole wishes to achieve within a specified period of time, say one or five years.

All the departments of an organization including marketing department, works in harmony to achieve the corporate objectives of the organization.

Marketing department must appreciate the corporate objectives and ensure its actions and decisions support the overall objectives of the organisation.

Mission statement and corporate objectives are mainly determined by the top level management (including Board of Directors) of the organisation. The rest of the steps of marketing planning process are performed solely by marketing department. All the actions and decisions of the marketing department must be directed to achieve organisation mission and its corporate objectives.

3) **Marketing Audit**

It helps in analyzing and evaluating the marketing strategies, activities, problems, goals, and results. It is done to check all aspects of business directly related to marketing department. It is done not only at the beginning of the marketing planning process but, also at a series of points during the implementation of marketing plan. The marketing audit clarifies opportunities and threats, so that required alterations can be done to the plan if necessary.

4) **SWOT Analysis**

The information gathered through the marketing audit process is used in development of SWOT Analysis. It is a look at organization's marketing efforts, and its main attributes like strengths, weaknesses, opportunities, and threats related to marketing functions.

- **Strengths and Weaknesses** - are factors inside the organisation that can be controlled by the organisation. USP of a product can be one of the examples of strength, whereas lack of innovation can be the example of weakness.
- **Opportunities and Threats** - are factors outside the organisation which are beyond the direct control of an organisation. Festive season can be an example of opportunity to make maximum sales, whereas increasing Foreign Direct Investment (FDI) in a nation can be the example of threat to domestic players of that nation.

5) **Marketing Assumptions**

A good marketing plan is based on deep customer understanding and knowledge, but it is not possible to know everything about the customer, so a lot of different things are assumed about customer.

For example:

- **Target Buyer Assumptions** - Who the target buyers are.
- **Messaging/Offering Assumptions** - What customers think are the most important features of product to be offered.

6) **Marketing Objectives and Strategies**

After identifying opportunities and challenges, the next step is to develop marketing objectives that indicate the end state to achieve. Marketing objective reflects what an organization can accomplish through marketing in the coming years.

Objectives identify the end point to achieve. Marketing strategies are formed to achieve the marketing objectives determine how to achieve those end points. Strategies are broad statements of activities to be performed to achieve those end points.

7) **Forecast the Expected Results**

Marketing managers have to forecast the expected results, the future numbers, characteristics, and trends in the target market. Without proper forecasting, the marketing plan could have unrealistic goals or they might fall short on what is promised to deliver.

- **Forecasting Customer Response** - Marketing managers have to forecast the response generated through the customers feedback towards marketing efforts. Without this the marketing will not have any idea and, managers can't accurately plan the promotions.
- **Forecasting Marketing cost** - Accurate forecast of marketing cost is required to be done to make marketing plan stronger.
- **Forecasting the Market** - Marketing managers have to gain an intimate understanding of customers, their buying behaviour, and tendencies.
- **Forecasting the Competition** - Forecast of competitors like - what they market, how they market, what incentives they use in their marketing can help to counter what they are doing.

8) **Create Alternative Plan**

An alternate marketing plan is created and kept ready to be implemented at the place of primary marketing plan the whole or some part of the primary marketing plan is dropped.

9) Marketing Budget

It is the process of documenting the expected costs of the proposed marketing plan. One of the common methods to allocate marketing budgeting is based on a percentage of revenue. Other methods are comparative, all you can afford, and task method.

10) Implementation and Evaluation

At this stage the marketing team is ready to actually start putting their plans into action. This may involve spending money on advertising, launching new products, interacting with potential new customers, opening new retail outlets, etc.

The marketing planning process is required to be evaluated and updated regular. Regular evaluation of marketing efforts helps in achieving marketing goals.

Stages Of The Marketing Planning Process:

THE SOSTAC MODEL Defines the Process in the Following Manner

- S** Situation: Where are we now?
- O** Objectives where do we want to go?
- S** Strategy how do we get there?
- T** Tactics what tools do we use to implement the strategy?
- A** Action Detailed Action Plan for each tool/tactic?
- C** Control How do we track our progress and know when we have achieved our goals?

Representation of a typical marketing plan:

1. Executive summary
2. Current marketing situation
3. SWOT analysis
4. Objectives and issues
5. Target market
6. Marketing Strategy
7. Marketing programmes
8. Financial plans
9. Implementation controls

4.2.1 Strategic Context

In today's very competitive market environment, a strategy that insures a consistent approach to offering your product or service in a way that will outsell the competition is critical.

In the process of creating a marketing strategy following factors must be considered.

There are two major components to your marketing strategy:

- How your enterprise will address the competitive marketplace
- How you will implement and support your day to day operations.

One should begin with the creation of the strategy by deciding what the overall objective of enterprise should be. There are four categories to it:

- If the market is very attractive and your enterprise is one of the strongest in the industry you will want to invest your best resources in support of your offering.
- If the market is very attractive but your enterprise is one of the weaker ones in the industry you must concentrate on strengthening the enterprise, using your offering as a stepping stone toward this objective.
- If the market is not especially attractive, but your enterprise is one of the strongest in the industry then an effective marketing and sales effort for your offering will be good for generating near term profits.
- If the market is not especially attractive and your enterprise is one of the weaker ones in the industry you should promote this offering only if it supports a more profitable part of your business (for instance, if this segment completes a product line range) or if it absorbs some of the overhead costs of a more profitable segment. Otherwise, you should determine the most cost effective way to divest your enterprise of this offering.

Michael Porter in his work, Competitive Advantage states following strategies

- **A Cost Leadership Strategy:** Cost Leadership Strategy is based on the concept that you can produce and market a good quality product or service at a lower cost than your competitors. These low costs should mandatorily translate to profit margins that are higher than the industry average. Some of the conditions that should exist to support a cost leadership strategy include an on-going availability of operating capital, good process engineering

skills, and close management of labor, products designed for ease of manufacturing and low cost distribution.

- **A Differentiation Strategy:** is creating a product or service that is perceived as being unique "throughout the industry". The emphasis can be put on attributes like brand image, proprietary technology, special features, superior service, a strong distributor network or other aspects that might be specific to your industry. This uniqueness should also translate to profit margins that are higher than the industry average. In addition, some of the conditions that should exist to support a differentiation strategy include strong marketing abilities, effective product engineering, creative personnel, the ability to perform basic research and a good reputation.
- **A Focus Strategy:** It may be the most sophisticated of the generic strategies, in that it is a more 'intense' form of either the cost leadership or differentiation strategy. A Focus Strategy is designed to address a "focused" segment of the marketplace, product form or cost management process and is usually employed when it isn't appropriate to attempt an 'across the board' application of cost leadership or differentiation. It is also based on the concept of serving a particular target in an exceptional manner that others cannot compete. Usually this means addressing a substantially smaller market segment than others in the industry, but due to minimal competition, profit margins can be very high.

Check your progress 1

1. SOSTAC Model has the following stages :Strike the odd one out
 - a. Situation
 - b. Strategy
 - c. Control
 - d. Technology
2. Michael Porter in his work, Competitive Advantage states following strategies :
 - a. Cost Leadership Strategy
 - b. Differentiation Strategy
 - c. Focus Strategy
 - d. all of the above

4.3 Situation Review Marketing Strategy Formulation

As a part of strategic management, strategy formulation comprises of three phases: diagnosis, formulation, and implementation. Strategic management is an ongoing process to develop and revise future-oriented strategies that allows an organization to achieve its objectives, considering its capabilities, constraints, and the environment in which it operates.

1. **Diagnosis includes:** Performing a situation analysis (analysis of the internal environment of the organization), including identification and evaluation of current mission, strategic objectives, strategies, and results, plus major strengths and weaknesses;
 - Analyzing the organization's external environment, including major opportunities and threats; and
 - Identifying the major critical issues, which are a small set, typically two to five of major problems, threats, weaknesses, and/or opportunities that requires particularly high priority attention by the management.
2. **Formulation:** This phase produces a clear set of recommendations, with supporting justification, that revise as necessary the mission and objectives of the organization, and supply the strategies for accomplishing them. In formulation, we are trying to modify the current objectives and strategies in ways to make the organization more successful. This includes trying to create "sustainable" competitive advantages although most competitive advantages are eroded steadily by the efforts of competitors.
3. **Implementation:** It is the final stage in the strategic management process involves developing an implementation plan and then doing whatever it takes to make the new strategy operational and effective in achieving the organization's objectives

Three Aspects of Strategy Formulation

The following three aspects or levels of strategy formulation, each with a different focus, needs to be dealt with the formulation phase of strategic management. In the given order the three sets of recommendations must be

internally consistent and fit together in a mutually supportive manner that forms an integrated hierarchy of strategy.

- **Corporate Level Strategy:** Here we are concerned with broad decisions about the total organization's scope and direction. Basically, we consider what changes should be made in our growth objective and strategy for achieving it, the lines of business we are in, and how these lines of business fit together. It is very useful to think of these three components of corporate level strategy: (a) Growth or directional strategy (what should be our growth objective, ranging from retrenchment through stability to varying degrees of growth - and how do we accomplish this), (b) Portfolio strategy (what should be our portfolio of lines of business, which implicitly requires reconsidering how much concentration or diversification we should have), and (c) Parenting strategy (how we allocate resources and manage capabilities and activities across the portfolio -- where do we put special emphasis, and how much do we integrate our various lines of business).
- **Competitive Strategy (often called Business Level Strategy):** Competitive Strategy involves deciding how the company will compete within each line of business (LOB) or strategic business unit (SBU).
- **Functional Strategy:** Functional Strategy is more localized and shorter-horizon strategy which deals with how each functional area and unit will carry out its functional activities to be effective and maximize resource productivity.

4.3.1 Resource Allocations

Marketing is essential for the organic growth of a company. Allocating marketing resources is a complex decision in a constantly evolving environment. The emergence of new media such as online search and display advertising, video games, virtual worlds, social networking, online user-generated content, and word of mouth marketing is creating both new opportunities and challenges for companies. Marketing resource allocation decisions are important to be made at several levels – across countries, across products, across marketing mix elements, across different vehicles within a marketing mix element.

Approaches for Resource Allocation:

Resource allocation of marketing has two stages. In stage one, a model of demand is estimated. This model empirically assesses the impact of marketing actions on consumer demand of a company's product. In stage two, estimates

from the demand model are used as input in an optimization model that attempts to assess the economic impact of marketing actions. This stage takes into account costs as well as firm, objectives and constraints.

Check your progress 2

1. A cohesive marketing mix consists of product, price, promotion and
 - a. Place
 - b. Advertising
 - c. Press note
 - d. Email
2. As a part of strategic management, strategy formulation comprises of following phases:
 - a. diagnosis
 - b. formulation
 - c. implementation
 - d. all of the above
3. Components of corporate level strategy:
 - a. Growth or directional strategy
 - b. Portfolio strategy
 - c. Parenting strategy
 - d. all of the above

4.4 Monitory Marketing Planning and Services

Marketing plan can be defined as, “A written document that outlines in detail what the organization hopes to accomplish by following the plan. The plan should have specific strategies when implemented and should help the organization achieve its goals.”

Marketing Plan Definition

A marketing plan is nothing but a business document written for the purpose of describing the current market position of a business and its marketing strategy

for the period covered by the marketing plan. Marketing plans usually cover a period of 1-5 years.

Purpose of a Marketing Plan

The main aim of a marketing plan is to clearly show what steps or actions will be taken to achieve the planned goals. For example, a marketing plan might have a strategy to increase the organization's market share by ten percent. The plan would then outline the goals that need to be achieved to reach a ten percent increase in the market share.

Marketing Plan Outline

Marketing plan outline should be based on where the organization needs to be at some point in the future. Below are the most important things that should be considered while designing a marketing plan:

- **Market Research:** Collecting and organizing data about the market, the organization is currently in. Factors that need to be considered while market research include look at market dynamics, patterns, customers, and the current sales volume for the industry as a whole.
- **Competition:** The marketing plan should describe the organization's competition and how the organization will stand out from its competition, and what it will do to become a market leader.
- **Market Plan Strategies:** Market plan strategies develop the marketing and promotion strategies that the organization will use. Strategies to be considered are things like advertising, direct marketing, training programs, trade shows, website, etc.
- **Marketing Plan Budget:** While assigning the budget for the marketing the plan, strategies can be based on the budget. Top managers need to review what they want to accomplish with the marketing plan, review their current financial situation, and then allocate funding for the marketing plan
- **Marketing Goals:** The marketing plan should include quantifiable marketing goals. For example, one goal might be to increase your client base by 500 over a 6-month period.
- **Monitor the Marketing Plan Results:** At some point the marketing plan should call for analyzing the current position of the organization. The organization needs to identify the strategies that are working and those that are not working.

To maximize the return on a marketing plan, there needs to be control in place to monitor the plan's progress. As a marketing plan moves along, the controls are constantly analyzed to determine how the plan's actual performance compares to the projections. Any changes that need to be made are done on the basis of analysis of marketing controls. Performance measurement indicators of marketing plan are as below:

Target Market Sales

Sales can be measured in units sold, revenue generated or profit amount. Each marketing plan sets out to determine the effect of the plan on the target market. Once again, this is done through market surveys or at the point of sale with the assistance of retail partners.

Budgeting

It is a balance between the cost of generating the advertising materials and the revenue created by the marketing plan. There are several controls in place that can be used to monitor a marketing budget. Such as print advertising expenses, travel expenses for trade shows, the cost of market research studies and internal personnel costs for the company's marketing department.

Market Share

Market share is that percentage of consumer sales dominated by your product. For example, you may have several competitors in a particular industry, with your product sales making up 15 percent of all products sold into that marketplace.

Check your progress 3

1. Which of the following is true about the marketing plan?
 - a. A marketing plan is nothing but a business document written for the purpose of describing the current market position of a business
 - b. its marketing strategy for the period covered by the marketing plan
 - c. Marketing plans usually cover a period of 1-5 years
 - d. all of the above

4.5 Let Us Sum Up

In this unit we studied about the marketing which is a process of developing and implementing plans to identify and satisfy customer needs and wants with the objective of customer satisfaction and profit making. It describes about the marketing plans for services. It has mentioned that marketing planning process has following steps like Mission, Corporate objectives, marketing audit swot analysis and marketing assumptions, etc. Sostac model is explained as a stage of marketing planning process.

Michael Porters competitive advantage strategy is explained in detail. The three stages of strategy formulation are given as diagnosis, formulation, and implementation. Resource allocation is also described in detail. Monetary marketing planning and services is also mentioned.

4.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-d), (2-d), (3-c)

Check your progress 2

Answers: (1-a), (2-d), (3-d)

Check your progress 3

Answers: (1-d), (2-d)

4.7 Glossary

1. **Advertising** - The placement and purchase of announcements and persuasive messages in time or space in any of the mass media by business firms, nonprofit organizations.
2. **Consumer behavior** - The behavior of the consumer or decision maker in the market place of products and services.
3. **Consumer characteristics** - The demographic, lifestyle and personality characteristics of the consumer.

4. **Market development** - Expanding the total market served by 1) entering new segments, 2) converting nonusers, 3) increasing use by present users.
5. **Market positioning** - refers to the user's perceptions of the place a product or brand occupies in a market segment.
6. **Marketing plan** - A document composed of an analysis of the current marketing situation.

4.8 Assignment

Prepare a marketing plan for a business venture of a vehicle showroom in Pune area.

4.9 Activities

1. Write a letter of complaint to a service organization from which you have experienced less than desired service. What do you expect the organization to do to recover?
2. Interview a Manager about the service recover strategies used in his/her firm.

4.10 Case Study

Marketing and Distribution of Mushroom

Vijay and Chirag are two enterprising youth. They have passed out from top management institute. They thought instead of doing a job, they will launch fresh vegetables in Indian markets. Having learnt of the future conventional foods, they decided to venture into cultivation of mushrooms. Mushrooms are known to be the best alternative food for vegetarians. For Vijay and Chirag fund raising was a serious handicap for mass production. However, the first trial batch of mushrooms that they produced was bought by Star Hotel in Bangalore. Further, the hotel placed orders for supply of 20 kgs every day. Now mushroom industry is run by small entrepreneurs, like Vijay and Chirag. Another big player M/s Ashtavinayak Mushrooms, equipped with cold storage facility was more interested in the export market. Vijay and Chirag have set their sights high. They aim to sell mushrooms in a very big way all over India. Mushrooms have a great market potential and is a perishable food.

Questions

- A. How will you advise Vijay and Chirag, as how to increase the consumer awareness about this new food?
- B. What would be your suggestions for distribution channel and marketing strategy for mushrooms?

4.11 Further Readings

1. Bateson, John E. G. and K. Douglas Hoffman (1999), *Managing Services Marketing Text and Readings* (Fourth ed.). Fort Worth: The Dryden Press.
2. Cooper, Robert G. and Scott J. Edgett (1999), *Product Development for the Service Sector: Lessons for Market Leaders*. Cambridge, MA: Perseus Books.
3. Fisk, Raymond P., Stephen J. Grove and Joby John (2000), *Interactive Services Marketing*. Boston: Houghton Mifflin Company.
4. Fitzsimmons, James A. and Mona J. Fitzsimmons (2001), *Service Management: Operations, Strategy and Information Technology* (3rd Edition).

Block Summary

In this block we studied about the planning for service marketing. the block discusses about how pricing is integral part of service.

The types of service pricing structure like cost, demand and competition based are mentioned. Factors while establishing monetary pricing objectives are mentioned. The relation between pricing and demand is elaborated.

How to put strategies into practice is also explained in detail. The service promotion is explained from the point of view of marketing communication with the help of different models like aida, dagmar, heightened appreciation, model of Joyee and levidge and steiner models.

The impact of these models and strategies is also discussed. The methods of communication objectives are set.

Marketing communication mix is also explained in detail. Components of service delivery are also given. Cyberspace is also explained in detail. Physical evidence is also mentioned and role of intermediaries is also explained.

The need for quality and productivity is also described. The steps of designing marketing plan are also stated along with its stages using Sostac model. Michael Porters competitive advantage theories like cost leadership, differentiation strategy and focus strategy are explained. Strategy formulation comprises of three phases diagnosis, formulation, and implementation are given.

Block Assignment

Short Answer Questions

1. What should be the sequencing of the various steps in the service delivery process?
2. Which market segments should be developed by the company and what priorities should be set for the individual segments?
3. How should the marketing resources be allocated for developing existing customers and acquiring new ones?
4. What marketing objectives related to potential should be achieved for all market segments and by what particular point in time?
5. What marketing objectives related to market success should be achieved for all market segments and by what particular point in time?

Long Answer Questions

1. What price positioning should the company strive for in relation to the competition?
2. When setting prices, how should costs, competitor prices and customer benefits be prioritized?
3. To what extent and by means of which criteria should the company pursue price differentiation?
4. What marketing objectives related to financial success should be achieved for all market segments and by what particular point in time?
5. Should the products be directly or indirectly sold?

Enrolment No.

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

Unit No	1	2	3	4
Nos 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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“

*Education is something
which ought to be
brought within
the reach of every one.*

”

- Dr. B. R. Ambedkar



Dr. Babasaheb Ambedkar Open University
'Jyotirmay Parisar', Opp. Shri Balaji Temple, Sarkhej-Gandhinagar Highway, Chharodi,
Ahmedabad-382 481.

SERVICE MARKETING

PGDM-202

BLOCK 3: SERVICE QUALITY

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SERVICE MARKETING



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Pune



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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 students' 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!



SERVICE MARKETING

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SERVICE MARKETING

BLOCK 3: SERVICE QUALITY

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BLOCK 3: SERVICE QUALITY

Block Introduction

In this block we will study about the service quality which is an important element for marketing in services sector. The need is felt for value creation while delivering services as they help in retaining the customers.

Unit one discusses about the Service Marketing Mix involves Product, Price, Place, Promotion, People, Process and Physical Evidence. With the help of GAPS model it tries to focus on customers' expectations with respect to perceived gaps in service quality. It also informs about quality standards and how service performance gap restricts it. Firms marketing a service need to get each of these elements correct. The marketing mix for a service has additional elements because the characteristics of a service are different to the characteristics of a product. The marketing mix for a service has additional elements because the characteristics of a service are different to the characteristics of a product. The Characteristics of a service are Lack of ownership, Intangibility, Inseparability, Perishability, Heterogeneity

Unit two discusses about the impact of service failure and product failure. It explains complaint resolution index and about service recovery process. A service is a type of economic activity that is intangible; it is not stored and does not result in ownership. A service is consumed at the point of sale. the new P's were added to the existing four Ps of marketing mix. The new P's added to the model gain new importance. It also gives us the information about the challenges faced while giving the service guarantee.

Unit three informs us about the four I's of services. They are Intangibility, Inconsistency, Inseparability and Inventory, It also gives us the differentiation of services from product marketing. All the products are bundle of goods and services. The few points mentioned below would tell us the difference between services and product marketing.

Tangibility, Relationship and Value, One versus Many, Comparing Quality, Return Factor

Consumer decision making is based on following steps:

Need Discovery, Information Search, Proof Devices, Post-Purchase Evaluation

It describes how consumer behaves while taking services. It also explains integrated GAPS model of services quality.

Block Objective

After learning this block, you will be able to understand:

- The Impact of Service Failure
- Complaint solution index
- Strategies for effective service recovery
- The service marketing mix

Block Structure

Unit 1: Delivering Quality Services

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UNIT 1: DELIVERING QUALITY SERVICES

Unit Structure

1.0 Learning Objectives

1.1 Introduction

1.2 Delivering Quality Services

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1.2.3 Factors and Techniques to Resolve this Gap

1.3 Gaps In Services: Quality Standards Factors and Solutions

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1.3.2 Key Factors and Strategies for Closing the Gap

1.4 External Communication to the Customers

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1.5 Let Us Sum Up

1.6 Answers For Check Your Progress

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1.9 Activities

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1.0 Learning Objectives

After learning this unit, you will be able to understand:

- The importance of delivering quality services.
- The reason for gaps while delivering services.
- Effective methods to overcome those gaps.

1.1 Introduction

A service failure is a service performance that falls short of customer's expectations in such a way that it leads to customer dissatisfaction. Failure can be for various reasons like:

- Unavailability when promised
- Delay In delivery
- Incorrect or undesired outcome
- Employees' rude or inefficient way of handling the situation.

Service quality is undoubtedly a significant element of service product design process, as it influences the volume of demand for a given service product, as well as customer profile of this service product. It is believed that service quality represents the most significant positioning tool of service providers and their offer on the contemporary service market.

1.2 Delivering Quality Services

Service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service such as reliability, responsiveness, assurance, empathy and tangibles. Satisfaction, on other hand, is more inclusive: it is mainly influenced by the perceptions of service quality, product quality, and price as well as situational factors and personal factors.

Service quality affects customer satisfaction by providing performance (real benefits).

The creation of customer satisfaction can provide benefits like, the relationship between companies and consumers is harmonious, it provides a good basis for the purchase and re-creation of customer loyalty, and forms a recommendation by word of mouth that can benefit the company.

It is very important in services marketing to understand the impact of quality service on profit and financial indicators of business performance. Service quality must be viewed as a strategic force, but also as the key problem of service marketing management. One must bear in mind that service quality is a significant source of sustainable competitive advantage, as it affects the constant improvement of service performance by increasing market share and profit growth. Service quality is defined and attained by the service providers, while

consumers perceive quality during the service delivery process. Quality-based service company management should especially focus on four key areas important for achieving quality:

- Service encounters (moments of truth);
- Service design;
- Service productivity; and
- Service provider's corporate culture.

1.2.1 Causes of Services Quality Gaps

The customer's mind simultaneously assesses quality of products that are created and delivered. The customer's level of satisfaction is largely influenced by the difference between customer's expectation and perception of service performance, when the delivered service is perceived to be better than expected, the outcome is that the customer is satisfied and vice-versa.

The gap between expected service and delivered services has its origin at different points:

Gap 1: Customer's Expectation (Not knowing what customers expect):

It is simply not known what the customers expect. The intangible nature of service makes it difficult to define customer's expectations quantitatively.

Even the customer sometimes is not articulate enough to explain as to what are his/her specific expectations. It is also observed that some service quality dimensions are difficult to qualify.

As a result, marketers have to depend upon their own judgment, which sometimes is at a variance with the customer expectations.

Gap 2: Management Perception of Customers Expectation (Not selecting the right service design standard):

The customer's expectation needs to be translated into appropriate performance standards. Many a time a service firm has a good idea as to what customers expect but it fails to develop them into appropriate service specifications. There are many reasons responsible for it. Such as inadequate commitment to quality, lack of inclination to specify quality standards and measure quality are some of the reasons, perception of unfeasibility, perception that services cannot be standardized, etc.

Gap 3: Service Delivery (Not delivering to service standards):

Service delivery reflects variation of the actual performance from the standard performance i.e. failure to conform to established standards. This happens when the employees are unable to or unwilling to perform at desired level. There are certain reasons responsible for this behavior. They are role ambiguity; role conflict, poor employee-job fit, lack of training, absence of proper motivation system, etc.

Gap 4: External Marketing Communication (Not matching performance to promises):

Company's external communication efforts i.e. advertising, publicity, personal selling and public relations may over-promise and that logically results into this gap to occur. The marketers find it very hard to resist the temptation of making big promises. Otherwise they know that if they don't make tall promises their appeal to the customers won't be that exciting and the entire promotion exercise may fail.

Gap 5: Actual Service Performance (The customer gap):

This gap occurs when the customers' perception of delivered service is at a different level with the expected service. The customers' experience of the service can be a conflict upon many factors and sometimes the service may need customers' expectations and yet perceived otherwise.

The key to providing good service quality is meeting and exceeding customers' expectations. This gap is the end result of earlier four gaps.

1.2.2 The Customer Expectations Versus Perceived Service Gap

Zeithaml summarized by stating that, "Service quality is a subjective assessment that customers arrive at by comparing the service level they believe an organization is ought to deliver to the service level they perceive is being delivered".

A team of researchers belonging to Zeithaml state that the gap between customer expectations and perceptions is caused by a series of organizational gaps.

They are:

1. **Marketing Information Gap:** In this the management is either misperceived or is not fully aware of its customer's service expectation.
2. **Standard Gap:** When a firm's service quality specification does not match with the customer's expectation, then the standard gap occurs.
3. **Service Performance Gap:** The difference between the service quality specification and the service delivered causes the service performance gap.
4. **Communication Gap:** This occurs when there is a discrepancy between communication to customers, describing the service offers and the service actually delivered.

1.2.3 Factors and Techniques to Resolve this Gap.

Customers have developed the tendency to compare the services and any gap found in it affects the value of services. If the expectations are not met, the gap between the promise and delivery raises a lot. Following techniques will help in building the bridge and covering the gaps.

Following steps will help in resolving the service quality gaps.

- Increase direct interactions between managers and customers to improve understanding.
- Improve upward communication from contact personnel to management and reduce the number of levels between the two.
- Turn information and insights into action.
- Ensure that top management displays ongoing commitment to quality as defined from the customer's point of view.
- Get middle management to set, communicate, and reinforce customer-oriented service standards for their work units.
- Train managers in the skills needed to lead employees to deliver quality service.
- Become receptive to new ways of doing business that overcome barriers to delivering quality service.
- Clarify employee roles.

Service Quality

- Ensure that all employees understand how their jobs contribute to customer satisfaction.
- Match employees to jobs by selecting for the abilities and skills needed to perform each job well.
- Provide employees with the technical training needed to perform their assigned tasks effectively.
- Develop innovative recruitment and retention methods to attract the best people and build loyalty.
- Seek inputs from operations personnel when new advertising programmes are being created.
- Develop advertising that features real employees performing their jobs.
- Allow service providers to preview advertisements before customers are exposed to them.
- Get sales staff to involve operations staff in face-to-face meetings with customers.
- Manage customers' expectations by letting them know what is and is not possible – and the reasons why.
- Identify and explain uncontrollable reasons for shortcomings in service performance Offer customers different levels of service at different prices, explaining the differences between these levels.

Check your progress 1

1. The perceptions is caused by a series of organizational gaps They are:
 - a. Standard Gap and Marketing Information Gap
 - b. Service Performance Gap and Communication Gap
 - c. both a and b
 - d. only a

2. Following steps will help in resolving the service quality gaps.
 - a. Increase direct interactions between managers and customers to improve understanding
 - b. Improve upward communication from contact personnel to management and reduce the number of levels between the two
 - c. Turn information and insights into action.
 - d. all of the above
3. The lack of service delivery happens many times due to certain reasons responsible for this behaviour they are
 - a. role ambiguity and conflict
 - b. poor employee-job fit
 - c. lack of training and absence of proper motivation system
 - d. all of the above

1.3 Gaps in Services: Quality Standards Factors and Solutions

Quality standards are one major parameter on which entire service delivery vests upon. The lack of customer's expectations and customers driven standards are widen sometimes. To fix up the gaps certain steps are supposed to be taken.

Following steps will ensure that gaps in services quality standards are fixed:

- Build teamwork so that employees work well together, and use team rewards as incentives.
- Treat customers as “partial employees” clarify their roles in service delivery, train and motivate them to perform well in their roles as co-producers.
- Increase direct interactions between managers and customers to improve understanding.
- Improve upward communication from contact personnel to management and reduce the number of levels between the two.
- Turn information and insights into action.

1.3.1 The Service Performance Gap

The service performance gap arises because there is failure either on the part of technology or human resource. If the technology fails to respond in a programmed manner it is likely to cause a failure. If the staff delivering the services is not up to the mark it will cause the performance gap.

Following actions will help in fixing the service performance gap

- Enhance employee performance by selecting the most appropriate and reliable technology and equipment.
- Teach employees about customer expectations, perceptions and problems.
- Train employee's interpersonal skills, especially for dealing with customers under stressful conditions.
- Eliminate role conflict among employees by involving them in the process of setting standards.
- Train employees in priority setting and time management.
- Measure employee's performance and tie compensation and recognition of delivery of quality service.
- Develop reward systems that are meaningful, timely, simple, accurate, and fair.
- Empower managers and employees in the field by pushing decision-making power down the organization: allow them greater discretion in the methods they use to reach goals.
- Ensure that employees working at internal support jobs provide good service to customer contact personnel.

1.3.2 Key Factors and Strategies for Closing the Gap

In order to ensure closing of gap, strategy which can be implemented is having service quality audit: A quality audit is a process by which one can review and evaluate an element of the business to ensure that they meeting certain standards. The standards vary from industry to industry.

Significance of performing quality audit

Performing quality audits are important for a few key reasons. For one, it ensures that the business is offering a value to the public. For instance, selling a

high-quality product or employing high-quality customer service personnel can fuel future sales. It's also useful for advertising the business—informing the public that the company is committed to quality standards and performs these regular audits may help increase consumer confidence in the business. Finally, regular quality audits help protect the business from issues that could arise from selling a poor quality product.

ISO

Some companies seek ISO 9001 certification, which requires a set of strict standards of quality established by the International Organization for Standardization. Others seek Six Sigma training and certification to help improve the business and ensure quality. The business must study and meet the standards set by the organization to become certified. The specific requirements vary by industry and the certification can help keep the business competitive.

Check your progress 2

1. Following steps will ensure that gaps in services quality standards are fixed
 - a. Build teamwork so that employees work well together, and use team rewards as incentives
 - b. Treat customers as “partial employees” clarify their roles in service delivery, train and motivate them to perform well in their roles as co-producers.
 - c. Increase direct interactions between managers and customers to improve understanding
 - d. all of the above
2. Following actions will help in fixing the service performance gap
 - a. Enhance employee performance by selecting the most appropriate and reliable technology and equipment
 - b. Teach employees about customer expectations, perceptions , and problems
 - c. Train employees interpersonal skills, especially for dealing with customers under stressful conditions
 - d. all of the above

4. Performing quality audits are important for a few key reasons
- a. it ensures that the business is offering a value to the public
 - b. useful for advertising the business informing the public that the company is committed to quality standards and performs regular audits
 - c. both a and b
 - d. only b

1.4 External Communication to the Customers

Focus of external communication is on audiences outside the organization such as consumers, investors, regulatory bodies, etc. Examples of tactics by external communication include factsheets, press kits, newsletters, magazines, brochures, news releases and annual reports.

External communication also includes email, brochures, newsletters, posters, advertisements and other forms of multimedia marketing designed to attract customers, partners and suppliers to conduct profitable business transactions. Unlike internal communications, directed at employees to explain policies and procedures, an external communication device generally promotes sales and publicity, generates sponsorship, announce events, products or services and supports branding. Marketing professionals use persuasive techniques to influence others in their external communication strategies.

1.4.1 The Promise Versus Delivery Gap

The service marketing and its delivery has a prime intention of giving what is expected by the customer. The promise if not fulfilled leads to dissatisfaction which affects customer loyalty in return. So the value for the services has to be maintained by efficient and expected delivery

In order to ensure that delivery matches the Promises following steps can be taken

- Seek inputs from operations personnel when new advertising programmes are being created.
- Develop advertising that features real employees performing their jobs.
- Allow service providers to preview advertisements before customers are exposed to them.

- Get sales staff to involve operations staff in face-to-face meetings with customers.
- Develop internal education, motivational, and advertising campaigns to strengthen links between marketing, operations, and human resource departments.
- Ensure that consistent standards of service are delivered across multiple locations.
- Ensure that advertising content accurately reflects those service characteristics that are most important to customers in their encounters with the organization.
- Manage customers' expectations by letting them know what is and is not possible – and the reasons why.
- Identify and explain uncontrollable reasons for shortcomings in service performance Offer customers different levels of service at different prices, explaining the differences between these levels.

1.4.2 Developing Appropriate and Effective Communication about Service Quality

Effective communication is considered as a critical component of quality customer service for small organizations. Quality Customer Service efforts are designed to ensure, prompt and efficient delivery of quality products and services to customers, as well as the effective recovery from any service-related issues that may arise. In dealing with customers, communication is always essential, whether it is face-to-face, over the phone, via email or, increasingly, through online channels.

Communication is Critical

For those in customer service positions, strong communication and effective problem-solving skills are must-haves. Call center representatives must be able to listen well and communicate effectively verbally. Those who respond to customers via written channels must also have strong typing, spelling and grammar skills and the ability to convey information effectively. Communication also comes into play when dealing with customer's questions and complaints, a reality of this type of work.

Customer Feedback Can Provide Direction

Effective communication in customer service requires a thorough understanding of the needs and perspectives of customers--what is important to them and their expectations in terms of service, product quality, and communication and follow through. Many companies conduct surveys to determine what customers expect and how well they are doing at meeting those expectations. This kind of overall feedback can be helpful, but customer service employees also benefit from the one-on-one feedback they receive from their interactions with customer.

Check your progress 3

1. Focus of external communication is on audiences outside the organization such as consumers, investors, regulatory bodies through
 - a. External communication includes email, brochures, newsletters, posters, advertisements
 - b. multimedia marketing designed to attract customers, partners and suppliers to conduct profitable business transactions
 - c. both a and b
 - d. only b
2. Order to ensure that delivery matches the Promises following steps can be taken
 - a. Seek inputs from operations personnel when new advertising programmes are being created
 - b. Develop advertising that features real employees performing their jobs
 - c. Allow service providers to preview advertisements before customers are exposed to them
 - d. all of the above

1.5 Let Us Sum Up

In this unit we studied about the Delivering quality services wherein it is mentioned that service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service like reliability, responsiveness assurance, etc.

It is said it affects customer satisfaction by giving benefits of performances. It is said that Quality-based service company management should especially focus on four key areas important for achieving quality: service encounters (moments of truth), service design, service productivity and service provider's corporate culture.

Causes of service quality gap are also mentioned along with the techniques to resolve these gaps. Key factors and strategies are mentioned to fix the gaps in service quality and performance with the help of quality audits and ISO.

The emphasis is given on external communication with the customers.

1.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-c), (2-d), (3-d)

Check your progress 2

Answers: (1-d), (2-d), (3-c)

Check your progress 3

Answers: (1-c), (2-d)

1.7 Glossary

1. **Focus group** - Is a group, typically consisting of six to eight people and carefully preselected on certain characteristics (e.g., demographics, psychographics, or product ownership), who are convened by researchers for in-depth, moderator-led discussion of specific topics.

2. **Franchise** - A contractual association between a franchiser (typically a manufacturer, wholesaler, or service organization) and independent businesspeople (franchisees), who buy the right to own and operate one or more units in the franchise system.
3. **Moment of truth** - a point in service delivery at which customers interact with service employees or self-service equipment and the outcome may affect perceptions of service quality.

1.8 Assignment

1. What is customer satisfaction and why it is so important?
2. List and define your five dimensions of service quality with respect to banking sector.

1.9 Activities

Assume that you are a manager of a health club. Plan the strategies you might design to increase the customer.

1.10 Case Study

Market Research Companies Run Out Of Information

A ready supply of information about customers, actual and potential, is vital to marketing managers. Consumers have increasingly become fragmented and sophisticated in their buying habits, while the growth in size of business units calls for information which can be easily analysed and acted upon. Gone are the days when most market research could be done simply by the owner/manager of a business by listening to their customers.

Specialised data collection companies have emerged to play an important role in the task of data collection about buyers. Organizations such as Experian, CACI and Claritas have developed a role in providing socio-economic and lifestyle data which is sold to companies to make their targeting more effective. With the growth in direct marketing, it is important to many clients to have specific information about each individual customer, rather than a general aggregate for the whole market. This applies to information about new prospects, additional information from people already on their databases, which is important

because people's change. Need for this type of information about consumers for commercial purposes showed remarkable growth by the end of the 1990s. The market research industry has been concerned for a number of years about falling response rates to quantitative surveys. A Market Research Society report published in the year 1997 pointed out that the public rarely distinguishes between anonymous research, database building, or telephone calls that start off asking for information but end up with a hard sell. The Future Foundation's report prepared in 1998 found that only 50% of consumers were happy to provide personal information to firms with which they deal, down from over 60% in 1995. A team of people surveyed appeared to be not interested in taking part in data collection exercises at all, and won't fill in questionnaires. TUK Census of Population of 2001 – a foundation for many research exercises – appears to have fallen short of its claim to be a universal survey of the entire UK population, with reports of up to 2 million “missing” people. For marketers, this is a worrying development. Marketer's life becomes difficult if the public does not offer any information about their needs, wants, attitudes and behaviour.

There are a number of factors that may explain this trend. The first being is that many companies are now seeking to obtain information from buyers. Globally, ESOMAR's monitoring of the industry shows that the total market for market research worldwide in 2001 was US\$ 15,890 million, with The USA accounting for 39% of this total and the EU 37%. The Market Research society estimated that in the year 2000 the size of the UK Market Research Industry was £955 million, with one of the biggest growth areas being opinion research about social or moral issues. In addition, there are direct marketing companies who are building marketing databases of their own customers. This also made evident that saturation appeared to be setting in. The result is that we can hardly visit a restaurant, buy a new item of electrical equipment or take an aeroplane journey without being invited to give our comments. Sometimes we are approached unsolicited for our views, whether in the street or by telephone. Information is a key element of a firms' competitive advantage, so they are putting more and more effort into collecting information about customers.

Secondly, consumers are increasingly becoming aware that information which only they can reveal about them has commercial value. A research published from the Future Foundation suggested that the majority of people were happy to provide personal details if the result was better products or services. However, the public's experience of how well this data is used often falls short of their expectations in terms of how it benefits them personally.

But with so much information gathering going on, there is a constant fear of “survey fatigue” setting in? Just how many times can a company ask customers questions about what they think of the company, before the whole process of carrying out a survey becomes an irritation in itself? Do customers think that their comments will ever be taken notice of by management? Careful organisation of surveys can improve response rates. Stopping people when they are in a hurry to catch a train will not make an interviewer popular, but approaching them when they are captive with nothing else to do (e.g. waiting for baggage at an airport following a flight) may be more successful.

It is important to develop some form of meaningful relationship with a recipient prior to receiving a questionnaire seems to be important. At its simplest level, an individual would receive a very simple first form. If they complete and return this, it is followed a couple of months later with a reward pack of money of vouchers and samples, plus a second, more-detailed questionnaire. For example, research completed by Air Miles concluded that the company gets much better, more robust data if it saves detailed questions until members have had some experience of its services, rather than asking detailed questions of new recruits. And drinks retailer Bottoms Up was able to persuade 10,000 members of its loyalty programme, the Imbibers Club, to agree to telephone interviews on their drinking habits, something that would be very difficult to do out of the blue.

Conso data used a more sophisticated approach which has a contract to collect, manage and analyse household data for the “Jigsaw” Consumer needs Consortium (Kimberly-Clark, Unilever, and Cadbury Schweppes). The chosen medium is a magazine with special offers, which over time is tailored to the individual needs of respondents as more is learned about them. As an incentive, everybody gets a reward, instead of being offered a minuscule chance of winning a jackpot. Industry sources suggested that the response rate to the first issue of the Jigsaw Consortium's magazine was 30 % - 35 %, in line with the results sometimes claimed for similar, data-collecting surveys undertaken via customer magazines. Again, the point is very clear that consumers are freer with their information while dealing with the organizations they already know and trust.

Bigger bribes to encourage people to provide data are part of the researcher's armoury. This ploy has reached new heights in the US with reports of home shopping companies offering free computers and internet access in return for household data and the acceptance of advertising on their screen. But we must not forget that large bribes can lead to another problem of samples being biased towards a new breed of professional market research respondent. There have been

reports that focus groups are increasingly being dominated by a small circle of individuals who can make a reasonable living off the fee paid to participants. For the research companies, such people may be readily available and need less training and instruction than a novice. But is the information that they yield of any great value? Answers to such questions are still not known.

Adapted from “Data firm react to survey fatigue”, *Marketing*, 29 April 1999, pp29-30.

Case Study Review Questions

1. Suggest additional ways which companies can use to improve the effectiveness of their consumer data collection. What examples have you encountered?
2. Discuss the limitations of statistically based consumer databases of the type discussed here. Do qualitative approaches based on small groups offer any advantages?
3. What effects do you expect the development of interactive electronic media will have on the collection of marketing research information from consumers?

1.11 Further Readings

1. Bateson, John E. G. and K. Douglas Hoffman (1999), *Managing Services Marketing Text and Readings* (Fourth ed.). Fort Worth: The Dryden Press. (471 Pages; I.S.B.N. Number = 0-03-022519-1).
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UNIT 2: SERVICE RECOVERY

Unit Structure

2.0 Learning Objectives

2.1 Introduction

2.2 Impact of Service Failures Versus Product Failures

2.2.1 Nature of Complaining Behaviour

2.3 Complaint Resolution Index

2.3.1 Service Recovery Process

2.4 The Challenge of Service Guarantee

2.5 Let Us Sum Up

2.6 Answers For Check Your Progress

2.7 Glossary

2.8 Assignment

2.9 Activities

2.10 Case Study

2.11 Further Readings

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- The methods to resolve service failure.
- Present strategies for effective service recovery.

2.1 Introduction

Service recovery is about the combination of a variety of strategies to solve the specific context of the problem. A service failure is a service performance that falls short of customer's expectations in such a way that it leads to customer dissatisfaction.

These experiences such as unavailability when promised, delay in delivery, incorrect or undesired outcome or employees rude or inefficient way of handling the situation bring about the negative perception about the organization.

Resolving a customer's problem effectively always has a strong impact on customer loyalty. So, service recovery is a must phenomenon.

Service recovery practically involves taking proactive and reactive actions by the service organization to get things right for the affected customers following a service failure.

One must understand the implications of service recovery and take specific set of actions to conduct effective service recovery tactics and strategies in order to conduct an effective service recovery from the perspective of organization

When a service failure occurs, service recovery strategies are needed to be implemented by service organizations. This long-term strategy will be embedded as part of organization's overall service strategy.

Implications to Service Marketing

The implication for service recovery affects service organization in many folds. We can infer the first two implications from Lovelock et al. equation on customer satisfaction as follows:

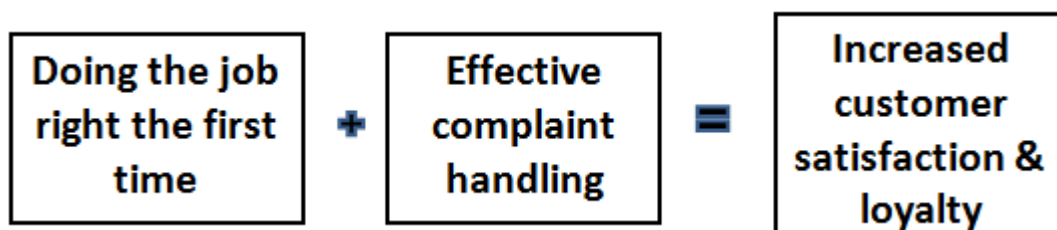


Fig 2.1 Implications to Service Marketing

- Consumer research has shown that resolving a service failure effectively has strong impact on customer satisfaction level, loyalty, positive word-of-mouth and organization performance. Customers who have experienced initial service failures and then experienced high level of excellent service recovery will lead to more satisfaction and loyalty towards the service

organization, labeling as a service recovery paradox effect. (Zeithaml, Bitner, and Gremler 2009).

- A well-designed, well-documented service recovery strategy will aid in the improvement effort for service output, which correlates to ‘Doing the job right the first time’ that contributes to the increased customer satisfaction and loyalty towards the organization. (Zeithaml, Bitner, and Gremler 2009).
- If the service failure is not handled effectively or just left ignored, customers would be enraged as they are not served their due justice and become ‘Irates’. These customers are more likely than others to engage in negative word-of-mouth and switch provider. They believe that complaining to the provider can provide social benefits and go through troubles to create blogs and stuffs on internet to share their frustrations with others. Research has found that customers who are dissatisfied will talk to about 18.5 people about it, damaging reputation in the process.

Service Recovery Strategies

The proposed eight strategies by Zeithaml et al. are as below:

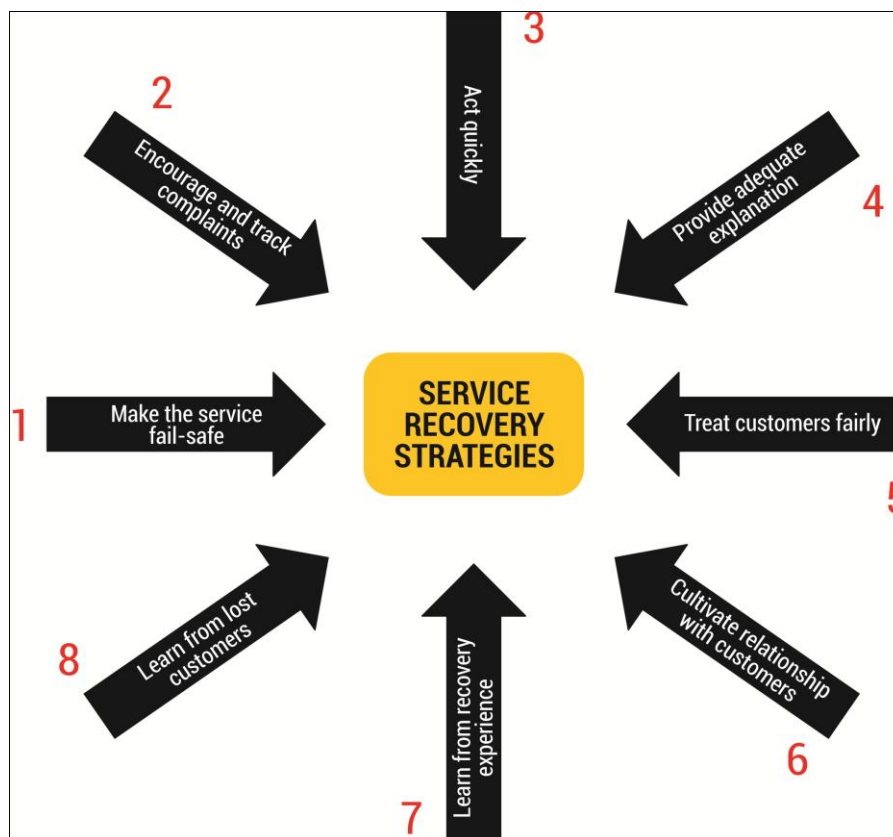


Fig 2.2 Service Recovery Strategies

1. The first strategy is to make the service fail-safe by doing it right the first time
2. The second strategy is to encourage and keep a track of complaints.
3. The third strategy is to act quickly.
4. The fourth strategy is to provide adequate explanations to customers about services.
5. The fifth strategy is to treat customers fairly.
6. The sixth strategy is to cultivate relationship with customers.
7. The seventh strategy is to learn from recovery experience.

2.2 Impact of Service Failures Versus Product Failures

No matter how successful the organisation is, it is bound to fail at some point of time. A Service failure isn't necessarily a disaster for a company. If the service recovery – the actions taken in response to the failure are handled well, then customer satisfaction, trust and loyalty can actually increase. Service failures are always occurring now and then but what matters more are the actions taken to recover from the failure, which have multi-dimensional impacts on the company. Service recovery is the acid test for customer orientation if a company does not excel in this, then it is not customer oriented. Better service recovery can build commitment and trust between the company and the customer, which increases customer satisfaction and loyalty. Customers are likely to talk positively about the company, which enhances its image. Even though it may seem like a paradox, but it can generate more goodwill for the company than if nothing had gone wrong in the first place.

The basic difference between the service failure and product failure is customer's presence. While enjoying services there are chances that customers may experience some discrepancies, but with product it can fail during launch as sometimes the customers might not exist for a product.

2.2.1 Nature of Complaining Behaviour

In spite of all the attempts by an organization to maintain positive customer satisfaction, mistakes might happen on occasion. These mistakes or service failures can make or break a firm. A customer may accidentally be overcharged for an item, a product may fail to operate to the customer's expectations, a restaurant may deliver poor service or food quality – and the customer complaints are few of the common mistakes which tend to occur. While service recovery is proactive, complaint handling is reactive in outcome

There are four types of dissatisfied customers:

Passive

These types of customers never complain for any mistake encountered by them from a company's side. They may or may not switch towards a new brand for that particular service/product but most likely to switch.

Voices

These are the type of customers who raise their voice against the company's service/ product if they encounter any mistake from the company's side. They actively complain because they care for the brand or company. They may or may not switch towards a new brand, most unlikely to switch to a new brand.

Irate

These types of customers are mainly engaged in a negative word of mouth. After voicing ferociously if no action is taken by the company to rectify its mistake for a long period of time then they mostly switch to a new brand.

Activist

These are the type of customers who would actively complain to a third party i.e. law enforcing bodies when they encounter any mistake from the companies side. Activists are the type of customers who would surely switch to a new brand.

Following diagram represents the reaction of the customers if the service fails to deliver:

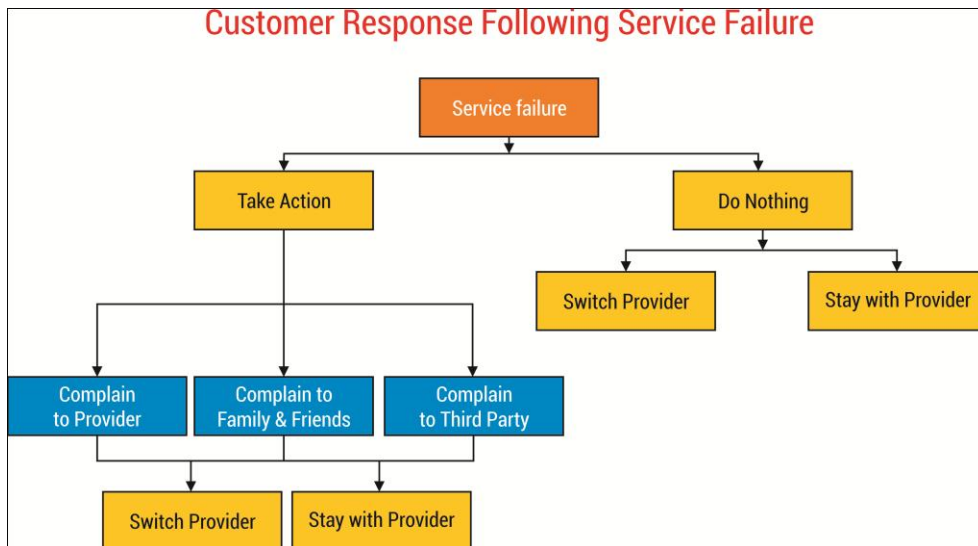


Fig 2.3 Customer Response Following Service Failure

From the diagram it is clear that most of the times customers will not take any action and switch to another service provider. In case if they take action, then also there are less chances that they will be loyal to the service provider. Most of them prefer to change the service provider.

Companies need to understand that service recovery is not only complaints management, but it is much broader and more proactive process. Service recovery will address service failures before any complaints are made. Customer complaints can occur only if the organisation misses the first opportunity to recover

From the customer's point of view, good service recovery focuses on fairness and justice. This has three dimensions:

- **Distributive justice** – the outcome of a recovery situation (such as an apology, refund or product replacement).
- **Procedural justice** – how the recovery process works.
- **Interactional justice** – how customers are treated Customers are often dissatisfied with the recovery effort because managers overemphasize the distributive justice but underestimate the importance of process and interactional justice.

Check your progress 1

1. Service Failure can be for various reasons like :
 - a. Unavailability when promised and Delay In delivery
 - b. Incorrect or undesired outcome
 - c. Employees rude or inefficient way of handling the situation
 - d. all of the above
2. Justice considerations have which of the following steps?
 - a. Procedure
 - b. Interaction
 - c. Outcome
 - d. all of the above
3. There are following types of dissatisfied customers
 - a. Passive and voices
 - b. Irate and activists
 - c. both a and b
 - d. only b
4. From the customer's point of view, good service recovery focuses on fairness and justice. it has following dimensions:
 - a. Distributive justice
 - b. Procedural justice
 - c. Interactional justice
 - d. all of the above

2.3 Complaint Resolution Index

A customer complaint resolution process is a formal procedure to log, investigate, and resolve any customer's dissatisfaction or problems. The overarching aim of such a process is to turn around an unsatisfied customer into a satisfied one.

Factors you should take into account when dealing with a Customer Complaint.

- Past history with the customer
- Organizational policy
- Level at which you can make decisions
- Immediate or anticipated future business or losses
- Whether this would set a precedent
- Whether other customers will witness what is going on
- Whether the customer can be isolated from other customers if necessary
- Support available and its reliability

Dr. Robert Ramsey (1998, 2003) an educator and writer for many popular American journals identifies that people may complain for almost any reason at all - sometimes even for no reason! However, Dr. Robert Ramsey believes that customers who do complain, (whether considered legitimate by the organization or not), feel that they have been wronged and are looking for help not trouble. He notes that no facet of an organization is 'complaint proof' with customer complaints being about such things as:

- Product quality or safety
- Service
- Workmanship
- Timing
- Color
- Size
- The way they have been treated
- Costs

Service Quality

- Shipping errors
- Employee attitudes
- Broken promises
- Misleading advertising, etc.

Ramsey is clear that, “The secret to successful complaint handling is to take every complaint seriously. Even if it's simply a misunderstanding or a mistake on the part of the customer, every complaint deserves your whole-hearted attention and personal handling” and “What appears petty to you may seem significant to others. If a complaint is important to the customer, it's important. Period!” UK government’s initiative regarding customer satisfaction identified ten key areas that make customers mad. (Anonymous, 2001a):

- Being kept on hold for excessive lengths of time - while being told repeatedly how much the organization values their custom.
- Organizations which ignore basic consumer rights such as taking back faulty goods and being refused a refund and told to change it for another product.
- Battling bureaucracy to resolve a problem - staff should be empowered to tackle complaints immediately.
- Both extreme rude or over-friendly staff can make customers feel uncomfortable.
- Anonymous staffs who refuses to give their names.
- Businesses should not make broken promises to customers which they cannot honour.
- Inflexible delivery times - businesses which refuse to deliver beyond a narrow, fixed time, or at weekends when most customers are at home.
- Lack of customer-friendly complaints handling systems - if it is difficult to complain, most people will not bother and will simply take their business elsewhere.
- Having to pay premium rates to call advice telephone numbers, rather than free-phone or low-cost calling numbers.
- No human voices on the telephone - mechanized systems that take customers through a lengthy process only to deliver them back to the beginning.

Kevin Lawrence (2000) author, speaker, and business building coach cite a study by the Strategic Planning Institute:

- The average business does not receive complaints from 96% of its unhappy customers.
- At least 9 out of 10 non-complainers will not do business with the company again - they are gone forever.
- Of the 4% of unhappy customers that do complain, 7 out of 10 will do business again with the company so long as their concern is handled properly, and 19 out of 20 if the grievance is dealt with swiftly.
- Michael Michelson Jr. (2003) writing for The American Salesman Journal identifies similar figures.
- 96% of dissatisfied customers don't complain.
- 63% of these silent dissatisfied customers will not buy from you again.
- 15% of all customers who switch product brands do so because a complaint was not handled to their satisfaction.

A clear process and a coordinated response to customer complaints aim to ensure that:

- Any problem notified by the customer (or that is discovered) is documented and reported to the appropriate person for resolution.
- There is one point of customer contact to resolve a dispute e.g. there is a complaint owner.
- Customers receive a response to their complaint within a specified period of time e.g. contact is made with the customer within 24 hours and a plan is established to resolve the complaint within 72 hours.
- Issues are resolved to the customer's satisfaction.
- Consistent behavior and actions are taken by all employees managing complaints.
- Required reporting occurs and recommendations to prevent future complaints are developed and process changes implemented to ensure the problem does not re-occur.
- Cases are not closed until the root cause of the problem has been identified and the problem is resolved.

Service Quality

- Customers are retained and a deeper relationship is developed.

Ramsey and Lawrence identify the following tips to boost the chances of effectively resolving complaints:

- Respond quickly and personally - Response time is critical and no complaint should go unattended for more than 24 hours. Failure to return calls or answer letters and the like not only compounds the original issue, but can also become an additional source of frustration, anger and dissatisfaction.
- Assume that the complaint is bonafide - do not try to deny responsibility or wrongdoing, belittle the complaint, argue or try to convince the customer they are wrong, give excuses or try to blame others. It may be that the problem has been a misunderstanding of what was to be expected from the service or product.
- Listen - do not interrupt, don't hurry the explanation of the complaint, and don't be afraid of pauses in the conversation. Venting is seen as an important part of the healing processes and customers can be patient, understanding and forgiving if they feel that someone is listening, with listening sometimes being all it takes to restore their confidence.
- Ask questions - and probe to insure that all information and facts have been gathered. Try to avoid jargon and other organizational specific language that could confuse or anger the customer.
- Take notes - to ensure an accurate record of the complaint and the conversation.
- Paraphrase your understanding of the situation - this confirms that you understand what the customers complaint is and ensures that they feel as though they have been heard and their complaint acknowledged.
- Accept blame where appropriate, apologize - even if there is uncertainty about fault, remain civil no matter how angry or abusive the customer becomes.
- Respond promptly, never promise what is unable to be delivered - and if necessary refer the customer to someone who can provide satisfaction or a solution if you are unable to. If it is likely that a resolution will take some time, ensure that the customer is informed of the time frame.
- Try to give the customer a number of solutions, wherever possible do more than what the customer expects - ensure that the solutions offered are not 'token' remedies. Where possible ask the customer to say what solution they

would recommend or like. Lawrence notes that “In most cases, people actually demand less than you would expect. They usually just want you to take responsibility and apologies for any inconvenience”.

- Implement the remedies as soon as possible.
- Thank the customer - for their feedback and for taking the time and energy to raise their complaint with you.
- Follow up - via phone call, e-mail or letter to check on the customer's continued satisfaction.

In many organizations Service Level Agreements (a performance agreement or contract between a service or product provider and a customer) are used to provide the parameters and agree to the expectations for the organization/customer relationship. In other organizations, documents stating 'duties and obligations of the provider' and 'rights and responsibilities of consumers' are used. Such agreements and documents generally specify the terms of the supplier's responsibility to the customer (usually in measurable terms), what services or products the provider will deliver, the quality measures and indicators that must be met, etc. Most often they are used with external providers/customers, however, they are also being used more and more regularly in-house between internal customer/provider groups.

A Service Level Agreement (or right, responsibilities and duties statements) is likely to contain information related to:

- Product/service quality levels e.g. performance indicators and measures;
- Specific performance benchmarks e.g. benchmarks to which actual performance will periodically be compared.
- Customer service expectations.
- Availability of products and services e.g. delivery times, management of urgent deliveries.
- Delays e.g. minimum and maximum delay times, actions to be taken if delays are likely to occur, notification methods and times.
- Throughput e.g. volumes expected.
- Cost e.g. per unit, for delivery, for repair.
- Extent of remuneration if responsibilities are not met.
- What percentage of the time services will be available?

- Statistics and data that will be provided e.g. delivery times, faults, complaints.

Such agreements can reduce the incidents of complaints and/or allow for easier remedy if a disagreement arises as discussion and agreement on customer needs, wants and expectations, and what the organisation can provide as compared to these, have already been stipulated and agreed.

A key factor that is often left out of a customer complaints resolution process is a feedback loop. Such a loop facilitates individual and organisational learning to occur from the handling of a complaint. Where changes are made to policies and/or procedures, expected behaviour and levels of authority and accountability; staff should be informed and educated regarding these. The sharing of stories regarding complaints including what worked and what did not in particular situations also helps in the development of new skills and understanding, but also ensures a continued focus on improvement of customer service;

2.3.1 Service Recovery Process

Service recovery is defined as an action taken by a service provider takes in response to service failure. It is trying to do something right from what went wrong. Some businesses have customers who are totally dissatisfied with the current service experience and post service recovery they are extremely satisfied with it. And more likely to repurchase the services thus leading to customer loyalty. Service recovery is a well thought-out, planned, process of returning aggrieved/dissatisfied customers to a state of satisfaction with a company/service. There are three types of recovery strategies:

- Customer recovery is aiming at satisfied customers
- Process recovery tries to improve processes and
- Employee recovery as an internal marketing strategy to help employees coping with failure and recovery situations

Service recovery is the primary process of a firm that can retain its customers and minimize the costs associated with customer defection and negative word of mouth for harming organizations' reputation.

- **Degree of primary service failure:** Understanding the degree of failure will help service providers to develop efficient and effective service recovery programme to their customers.

- Degree of service failure is defined as the importance of customer service and measure of service failure severity. There are four crucial factors are explained the degree of service failure.
- **Cost:** The more costs customers spend on a service, the more expectations for recovery when failure has been occurred will be. For example, a customer will have a greater expectation for recovery at an expensive steakhouse of an over-cooked steak than if he received the same service in an inexpensive fast food restaurant.
- **Product and brand image:** A customer who consumes a product service that has high brand awareness, a reputation of reliability and high performance will have greater expectations for recovery than he or she would with a general product brand Criticality
- Customer's expectation regarding service recovery on a more important service will result a higher expectation. For instance, a customer will have higher expectation for recovery when a service failure in a wedding banquet reception than a dinner reservation in hotel restaurant.
- **Inconvenience:** The more inconvenient a failure is it is more inconvenient to resolve that failure since customer's expectations for service recovery are greater.

Elements of the service recovery system

- **Psychological elements:** Psychological elements try to expressing concern for the customers and their needs when resolving service failures.
- An apology for the failure and showing empathy towards the customers are the most commonly recommended psychological techniques in recovery process. These techniques show to the customers that service provider cares about the problem, willing to fix the problem and mitigating the inconvenience caused to the customers Tangible elements.
- **Tangible elements:** Tangible elements are the techniques that intend to correct or complete failure of service. Completing the primary service, performing again the service, exchanging the product, or refunding the cost are the common tangible techniques of a service recovery system (Lewis and McCann, 2004).
- **Process of service recovery:** A successful service recovery procedure, companies are recommended to implement a matrix of operational strategies and possibilities. This helps organizations to understand their customers complains, and provides an effective action to resolve the situation.

Check your progress 2

1. A customer complaint resolution process is a formal procedure for customer's dissatisfaction or problems. It is done by following acts.
 - a. to log
 - b. investigate
 - c. resolve
 - d. all of the above
2. A Service Level Agreement (or 'right, responsibilities and duties' statements) is likely to contain information related to:
 - a. Product/service quality levels and Specific performance benchmarks
 - b. Customer service expectations and Availability of products and services
 - c. both a and b
 - d. only b
3. There are following types of recovery strategies:
 - a. Customer recovery is aiming at satisfied customers,
 - b. Process recovery tries to improve processes and
 - c. Employee recovery as an internal marketing strategy to help employees coping with failure and recovery situations
 - d. all of the above
4. There are following types of recovery strategies:
 - a. Customer recovery is aiming at satisfied customers,
 - b. Process recovery tries to improve processes and
 - c. Employee recovery as an internal marketing strategy to help employees coping with failure and recovery situations
 - d. all of the above

2.4 The Challenge of Service Guarantee

Guarantee is defined as a pledge or assurance that an offered service or a product by an organisation will perform as a promise. It is a recovery tool the service guarantees offered can complement the company's service recovery strategy.

A good service guarantee is:

- Unconditional
- Meaningful
- Easy to understand and communicate
- Easy and painless to invoke
- Easy and quick to collect
- Credible

What does a Guarantee do:

- Service guarantee forces an organization to explicitly define its customer's needs.
- A service guarantee forces an organization to understand all the elements of its service-delivery process.
- A service guarantee forces an organization to determine the root causes of its operational problems.
- A service guarantee forces a sense of urgency on an organization.
- A service guarantee forces an examination of vendor quality.

The benefit of a service guarantee is higher when

- The price of the service is high.
- The customer ego is on the line.
- The level of the customer expertise with the service is low.
- The negative consequences of service failure are high.
- Customer's image of service quality in the industry is low.

- The company depends on a high rate of customer repurchase.

Check Your Progress 3

1. A good service guarantee is:
 - a. Unconditional and Meaningful
 - b. Easy to understand and communicate and Easy and painless to invoke
 - c. both a and b
 - d. only b
2. What does a Guarantee do :
 - a. Service guarantee forces an organization to explicitly define its customers needs
 - b. A service guarantee forces an organization to understand all the elements of its service-delivery process
 - c. A service guarantee forces an organization to determine the root causes of its operational problems
 - d. all of the above
3. The benefit of a service guarantee is higher when
 - a. The price of the service is high
 - b. The customer ego is on the line
 - c. The level of the customer expertise with the service is low
 - d. all of the above

2.5 Let Us Sum Up

In Unit two we studied about the a service failure that is defined as a service performance that falls short of customer's expectations in such a way that it leads to customer dissatisfaction. Failure can be for various reasons like unavailability when promised, delay in delivery, incorrect or undesired outcome and employee's rude or inefficient way of handling the situation. The different strategies are given for service recovery.

The topic will help you understand the different ways to tackle with service recovery.

The first strategy is mentioned to make the service fail-safe by doing it right the first time. It helps in avoiding negativities of failures and it is the most important dimension of service quality.

The second strategy is given to encourage and track complaints. A research says that almost 50% of customers encountered problems by do not complain.

The third strategy is drafted to act quickly.

The fourth strategy is mentioned to provide adequate explanations.

The fifth strategy is designed to treat customers fairly. Customers want justice in their complaint-handling process, which involves a procedure (speed, convenience, follow-up, etc.), interaction (behavior of service representatives) and outcome.

The sixth strategy is given to cultivate relationship with customers. Long term relationship will allow customers to be more forgiving and open to the recovery process.

The seventh strategy is given to learn from recovery experience. Organizations can learn through using tools to help evaluate experiences.

The benefit of a service guarantee are given that are proved higher when the price of the service is high and the customer ego is on the line also when the level of the customer expertise with the service is low and the negative consequences of service failure are high also when the Customer's image of service quality in the industry is low. The company depends on a high rate of customer repurchase. It also stated that in many organisations Service Level Agreements which is a performance agreement or contract between a services or product provider and a customer are used to provide the parameters and agree to the expectations for the organisation/customer relationship. Most often they are used with external providers/customers; however, they are also being used more and more regularly in in-house between internal customer/provider groups.

The Service guarantee is also explained as a pledge or assurance that an offered service or a product by an organization will perform as a promise.

2.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-d), (2-d), (3-c), (4-d)

Check your progress 2

Answers :(1-d), (2-c), (3-d)

Check your progress 3

Answers: (1-c), (2-d), (3-d)

2.7 Glossary

1. **Market segmentation** - process of dividing a market into distinct groups within each of which all customers share relevant characteristics that distinguish them from customers in other segments, and respond in similar ways to a given set of marketing efforts.
2. **Marketing communications mix** - full set of communication tools (both paid and unpaid) available to marketers, including advertising, sales promotion, events, public relations and publicity, direct marketing, and personal selling.
3. **Marketing implementation** - process that turns marketing plans into projects and ensures that such projects are executed in a way that accomplishes the plan's stated objectives.
4. **Repositioning** - changing the position a firm holds in a consumer's mind relative to competing services.

2.8 Assignment

1. Why it is important for a service firm to have a recovery strategy?
2. Discuss the benefits of the company who have strong service recovery strategy

2.9 Activities

Describe three service guarantees that are offered by organizations analyse the benefit of the services.

2.10 Case Study

Aeroflot - A Dogfight for International Passengers

In stark contrast to British Airways, Aeroflot-Russian Airlines is new to the skies of international commercial airlines. Aeroflot's 114 planes transported 3.8 million passengers in 1996 compared to British Airlines' 25.35 million passengers. Aeroflot's figures are down considerably from 1991, the year before the dissolution of the Soviet Union, when its 5,400 planes carried 138 million passengers. Since 1991 the airline has had trouble adjusting from a monopoly to a competitive marketplace as the rival private Russian airline, Transaero, built passenger loyalty by giving stress on good service and on-time flights.

Aeroflot's attempt to become a world class airline has been hampered by a poor safety record, bad food, surly service, dilapidated cabins and frequently cancelled or late flights. At less than 60%, Aeroflot's load factor (the percentage of seats on each flight occupied by paying customers), is the lowest in the international airline industry.

In order to expand its business in this highly competitive industry Aeroflot has copied many of the strategies the leading airlines. In January 1997, the airline announced a marketing alliance with Continental Airlines to allow Continental flights from Newark, NJ to Moscow's Sheremetyeva International Airport. Aeroflot has renovated its training academy to include a curriculum that focuses on image and marketing, and includes the slogan, "the customer is always right." The airline launched Telephone Confidential, a customer complaint line, and in an effort to modernize its fleet ordered 10 Boeing 737s.

Marketing has been a big part of Aeroflot's fight to gain back passengers. The image the airline has selected for itself in its first multimedia advertising campaign attempts to convince sceptical consumers that the airline has solved its safety and service problems. The campaign uses magazine, billboard and TV commercials, and features a flying elephant with a slogan that translates into "light on its feet." The not so subtle message means that if elephants can fly, so can Aeroflot.

Aeroflot's web page (<http://www.aeroflot.org>), exhibits a decidedly western influence. The home page has links to pages that describe its airplane fleet, a graphic presentation and description of Moscow's Sheremetyeva airport, flight schedule, news, information, cargo, routeway, charter, and travel office. Judging from the neat, professional appearance of the Web page, Aeroflot's competitors need to be prepared for a dogfight to keep this airline from cutting into their business.

Questions:

1. What are the advertising objectives for Aeroflot's Flying Elephant campaign?
2. Design a multimedia advertising campaign to position Aeroflot head-to-head with British Airways.

2.11 Further Readings

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UNIT 3: THE SERVICES MARKETING MIX

Unit Structure

3.0 Learning Objectives

3.1 Introduction

3.2 Four I's of Services

3.2.1 Services are Different from Products Marketing

3.3 Consumer Behaviour in Services

3.3.1 Service Quality

3.4 Integrated Gaps Model of Service Quality

3.5 Let Us Sum Up

3.6 Answers For Check Your Progress

3.7 Glossary

3.8 Assignment

3.9 Activities

3.10 Case Study

3.11 Further Readings

3.0 Learning Objectives

After learning this unit, you will be able to understand:

- Seven Ps of service marketing.
- Four I's of marketing.
- Consumer behavior in services.

3.1 Introduction

A service is a type of an intangible economic activity which it is not stored and does not result in ownership. A service is consumed at the point of sale. The new P's were added to the existing four P's of marketing mix. The new P's added to the model gain new importance. Since the service cannot be owned and is consumed at the point of delivery, the process through which it is delivered, the person who delivers it, and the environment in which it is delivered become an indicator of whether a customer leaves satisfied and if they will want to return. There are seven P's in the Service Marketing Mix. They are Product, Price, Place, Promotion, People, Process and Physical Evidence. For marketing of a service, every organization should get these elements in correct quantity. The additional three Ps of people, process and physical evidence are added because characteristics of service are different than the characteristics of a product. Managing services becomes a complicated task to a certain extent as to standardize a service is more difficult than to standardize a product.

Service Marketing Mix consists of following P's:

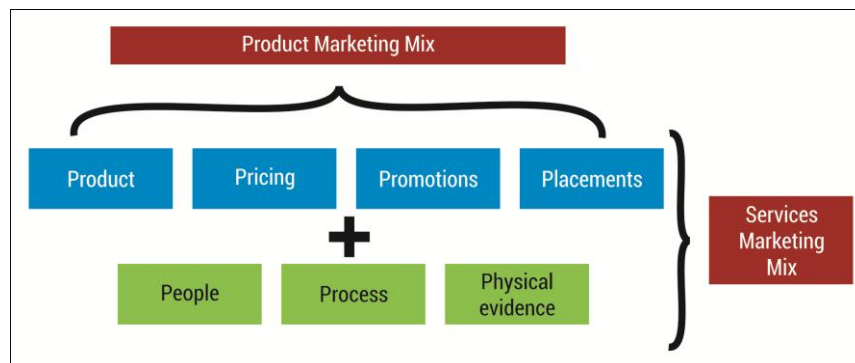


Fig 3.1 Product Marketing Mix

The Traditional Elements of marketing along with the expanded elements are explained as follows:

1. Product

In the service industry, the production and consumption of the product are simultaneous and the product is intangible, diverse and perishable. The nature of this 'product' allows for on the spot customization. This also means that the point at which this activity is occurring becomes very important. Ideally, to ensure repeat experiences of similar quality and a consistently good user experience, most service providers aim to give some customization within an overall standardized mode of delivery.

2. Pricing

Since a service cannot be measured by what material goes into its creation nor is the actual tangible cost of production measurable, it can be challenging to put a price tag on it. There are some tangibles of course, such as the labor costs and overheads. But additionally, the ambiance, the experience and the brand name also factor into the final price offering.

3. Place

As mentioned, the service is produced and consumed in the same place. It cannot be owned and taken away from the location. This is why the place at which this transaction occurs is of vital importance. The location of the service provision is carefully analyzed to allow ease of access and the desire to make the effort to reach it. Fast food restaurants and sales and service centres may be located in busy main streets to allow walk in customers, while a fine dining restaurant may be located in a quiet street to maintain exclusivity and privacy.

4. Promotion

Promotion fulfills the same role as it does in any other marketing context. A service may be more easily replicated than a physical product. To prevent a service becoming interchangeable with its competitors, it becomes vital to create a desirable brand image and name in the market. Differentiation becomes a key goal in order to attract both new and repeat customers.

5. People

This is a vitally important element of the service marketing mix. When a service is being delivered, the person delivering it is not unique from the service itself. When dining at a restaurant, if a rude waiter is encountered, the entire experience will be labelled as bad service. This is why many businesses invest in defining the right kind of person to fill their service role and then making efforts to find or train people to fit this definition.

6. Process

Since service provision needs to strike a balance between customization and standardization, the processes involved in the activity require special mention and attention. A process needs to be clearly defined for the service provider. This basic process should ensure the same level of service delivery to every customer, at any time of day, on any day. Within this process, there should be defined areas where a customer preference can be accommodated to provide a unique experience.

7. Physical Evidence

The location of the service delivery also takes on significance. The level of comfort and attractiveness of a service location may make a lot of difference to the user experience. A calm and soothing environment with thoughtful comfort measures may provide a sense of security to a new customer which will make them return.

3.2 Four I's of Services

The characteristics of services are defined from the 7 Ps of marketing. Services have four major characteristics that greatly affect the marketing strategies

1. Intangibility:

Unlike products, services cannot be held, touched, or seen before the purchase decision thus, they should be made tangible to a certain extent. Marketers should “tangibilize the intangible” to communicate service nature and quality. This can be done through:

Environment

Uniforms

Paperwork

Brochures

2. Inconsistency:

Service quality is often inconsistent. This is because service personnel have different capabilities, which vary in performance from day to day. This problem of inconsistency in service quality can be reduced through standardization, training and mechanization.

3. Inseparability:

Services are produced and consumed simultaneously. Consumers cannot and do not separate the deliverer of the service from the service itself. Interaction between consumer and the service provider varies based on whether consumer must be physically present to receive the service.

4. Inventory:

No inventory can be maintained for services. Inventory carrying costs are more subjective and lead to idle production capacity. When the service is

available but there is no demand, cost rises as, cost of paying the people and overhead remains constant even though the people are not required to provide services due to lack of demand.

3.2.1 Services are Different from Products Marketing

The entire product is bundle of goods and services. For e.g, if a customer purchases a car [product], he also purchases a guarantee with him, so it is difficult to separate a product and its service from each other. We have already discussed the characteristics and four is of services. The few points mentioned below would tell us the difference between services and product marketing:

Tangibility

Products are described as tangible, which can be touched, felt or experienced whereas services are intangible and unseen.

Relationship and Value

Products tend to fill a customer's need or want, so companies can use this to sell a product. A service is more about selling a relationship and the value of the relationship between the buyer and seller of the service. For example, a car is something a buyer can touch and see as well as use. A service, such as lifestyle coaching, for example, is not tangible. Therefore, the client needs to perceive the value of the service, which can be harder to get across.

One Versus Many

Marketing products tends to involve multiple products that make up the line. Services, on the other hand, typically have a single option. It can be harder to promote and sell the reputation of one single service over the benefits of many different products.

Comparing Quality

Measuring the quality of a product is easier than measuring that of a service. If a customer buys a cleaning product to clean to house and it doesn't do the job, the customer knows the value of the product is zero. On the other hand, it is harder to measure the quality of a service.

Return Factor

If a customer purchases a product and it doesn't work as it is supposed to, the customer can return the product for her money back or at least to receive a store credit. A service is consumed as it is offered, so it lacks the return factor that

a product has. Some service providers overcome this by offering money-back guarantees.

Check your progress 1

1. which of the following is not an traditional element of P's of marketing?
 - a. process
 - b. Product
 - c. price
 - d. promotion
2. Which is not a latest addition to P's of marketing?
 - a. people
 - b. promotion
 - c. Process
 - d. physical evidence
3. Services are intangible as they?
 - a. cannot be held
 - b. touched
 - c. seen before the purchase decision
 - d. all of the above

1.3 Consumer Behavior in Services

Consumer behavior is the one which includes the processes and motives that drive consumer buying activities. Consumers make purchases in a systematic way, with the time frame and nature of the process dependent on the type of purchase. The standard consumer buying process with a service has some specific differences from a product-based purchase situation.

Consumer decision making is based on following steps:

Need Discovery

The first step in the consumer decision-making process is need discovery. This stage is where a consumer realizes he has a functional or emotional need or want. In engaging in a service scenario, consumers recognize several common needs. One is expertise. A consumer might hire a plumber or electrician for their service expertise, for instance. Time savings, more valuable ways to spend time and simply not liking to perform a certain activity are among needs or motives for a service purchase.

Information Search

The second phase of the buying process is information search. During this stage, the buyer looks for information and evaluates providers on certain criteria. Services are intangible, so buyers often need to consult company websites and talk with sales reps to evaluate options. Additionally, services are often highly involved purchases for buyers because of the costs and importance. To get someone to hire your roofing company, you must provide significant information about the value of your materials and service relative to competitors.

Proof Devices

Buyers typically want to see proof of benefits before making a product or service purchase. With products, you can show buyers how the product works and demonstrate the benefits. With intangible services, you can't. You can, however, provide customer testimonials emphasizing the quality, reliability and value of your service. It is also important to connect with customers' emotions by communicating the value of your expertise or the time that you save them.

Post-Purchase Evaluation

Following a purchase, customers compare what they experience with what they expected. This point makes follow-up and follow-through on commitments important to customer satisfaction, repeat business and referrals. What makes a service experience distinct is that the people that provide it are especially key to the customer's perception of the experience. Getting customer feedback on the quality of service provided by all employees involved in the sale and delivery of the service is helpful in making any necessary improvements.

3.3.1 Service Quality

Service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service: reliability, responsiveness, assurance, Empathy, tangibles. Satisfaction, on other hand, is more inclusive: it is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors.

Service quality affects customer satisfaction by providing performance (real benefits).

The creation of customer satisfaction can provide several benefits, including the relationship between companies and consumers are harmonious, providing a good basis for the purchase and re-creation of customer loyalty, and form a recommendation by word of mouth that can benefit the company”

Service quality is undoubtedly a significant element of service product design process, as it influences the volume of demand for a given service product, as well as customer profile of this service product. Is believed that service quality represents the most significant positioning tool of service providers and their offer on the contemporary service market

It is very important in services marketing to understand the impact of quality service on profit and financial indicators of business performance. Service quality must be viewed as a strategic force, but also as the key problem of service marketing management. One must bear in mind that service quality is a significant source of sustainable competitive advantage, as it affects the constant improvement of service performance by increasing market share and profit growth. Service quality is defined and attained by the service providers, while consumers perceive equality during the service delivery process. Quality-based service company management should especially focus on four key areas important for achieving quality:

- Service encounters (moments of truth);
- Service design;
- Service productivity; and
- Service provider's corporate culture.

Seroquel Model of Service Quality:

Seroquel - was developed in the mid-1980s by Zeithaml, Parasuraman & Berry to measure quality in the service sector. It originally identified ten elements of service quality, but later was reduced to five factors and was called as Rater.

The ten determinants that may influence the appearance of a gap are:

1. **Competence** : It is the possession of the required skills and knowledge to perform the service.
2. **Courtesy**: It is the consideration for the customer's property and a clean and neat appearance of contact personnel, manifesting as politeness, respect, and friendliness.
3. **Credibility**: It includes factors such as trustworthiness, belief and honesty. It involves having the customer's best interests at prime position. It may be influenced by company name, company reputation and the personal characteristics of the contact personnel.
4. **Security**: It enables the customer to feel free from danger, risk or doubt including physical safety, financial security and confidentiality.
5. **Access**: It is approachability and ease of contact. For example, convenient office operation hours and locations.
6. **Communication**: It means both informing customers in a language they are able to understand and also listening to customers. A company may need to adjust its language for the varying needs of its customers.
7. **Knowing the customer**: It means making an effort to understand the customer's individual needs, providing individualized attention, recognizing the customer when they arrive and so on. This in turn helps to delight the customers by rising above their expectations.
8. **Tangibles**: They are the physical evidence of the service, for instance, the appearance of the physical facilities, tools and equipment used to provide the service; the appearance of personnel and communication materials and the presence of other customers in the service facility.
9. **Reliability**: It is the ability to perform the promised service in a dependable and accurate manner. The service is performed correctly on the first occasion, the accounting is correct, records are up to date and schedules are kept.

10. **Responsiveness:** It is the readiness and willingness of employees to help customers by providing prompt timely services, for example, mailing a transaction slip immediately or setting up appointments quickly.

The redefined model with five elements consists of:

1. **Reliability:** It is the ability to perform the promised service dependably and accurately.
2. **Assurance:** It is the knowledge and courtesy of employees and their ability to convey trust and confidence.
3. **Tangibles:** It is the appearance of physical facilities, equipment, personnel and communication materials.
4. **Empathy:** It is the provision of caring, individualized attention to customers.
5. **Responsiveness:** It is the willingness to help customers and to provide prompt service.

Check your progress 2

1. Consumer decision making is based on following steps
 - a. need discovery and Information Search
 - b. proof devices and Post-Purchase Evaluation
 - c. both a and b
 - d. only b
2. Quality-based service company management should especially focus on four key areas important for achieving quality:
 - a. service encounters and service design
 - b. service productivity and service provider's corporate culture
 - c. both a and b
 - d. only a

3.4 Integrated Gaps Model of Service Quality

The Service Quality Model, also known as the GAP Model, was developed in 1985. It highlights the main requirements for delivering a high level of service quality by identifying five 'gaps' that can lead to unsuccessful delivery of service.

Customers generally have a tendency to compare the service they 'experience' with the service they 'expect' to receive; thus, when the experience does not match the expectation, a gap arises.

GAP 1:

Gap between consumer expectation and management perception: This gap arises when the management or service provider does not correctly perceive what the customer wants or needs. For instance – hotel administrators may think guests want better food or in-house restaurant facilities, but guests may be more concerned with the responsiveness of the staff or the cleanliness of their rooms.

Factors that affect the size of the knowledge gap include:

Market research

Before introducing a new product or service into the market, a company must conduct market research to understand whether there would be any demand for the product, and what features should be incorporated. The better this process is conducted, the smaller the knowledge gap will be.

There are methods of ensuring that customer desires are taken on board. These include: comprehensive studies, gauging satisfaction after individual transactions (surveys immediately after a purchase is made), customer panels and interviews, and through customer complaints.

Communication channels

The fewer the layers between management and customer contact personnel, the more likely that customer preferences will be incorporated into higher-level decision making on the product.

GAP 2:

Gap between management perception and service quality specification: This is when the management or service provider might correctly perceive what the customer wants, but may not set a performance standard. An example here would be that hospital administrators may tell the nurse to respond to a request 'fast', but may not specify 'how fast'.

GAP 3:

Gap between service quality specification and service delivery: This gap may arise in situations pertaining to the service personnel. It could happen due to poor training, incapability or unwillingness to meet the set service standard. An example would be when a doctor's office has very specific standards of hygiene communicated but the hired staff may have been poorly trained on the need to follow these strict protocols.

GAP 4:

Gap between service delivery and external communication: Consumer expectations are highly influenced by statements made by company representatives and advertisements. The gap arises when these assumed expectations are not fulfilled at the time of delivery of the service. For example – a hospital printed on its brochure may have clean and furnished rooms but in reality, it may be poorly maintained – in this case the patient's expectations are not met.

GAP 5:

Gap between expected service and experienced service: This gap arises when the consumer misinterprets the service quality. The physician may keep visiting the patient to show and ensure care, but the patient may interpret this as an indication that something is really wrong.

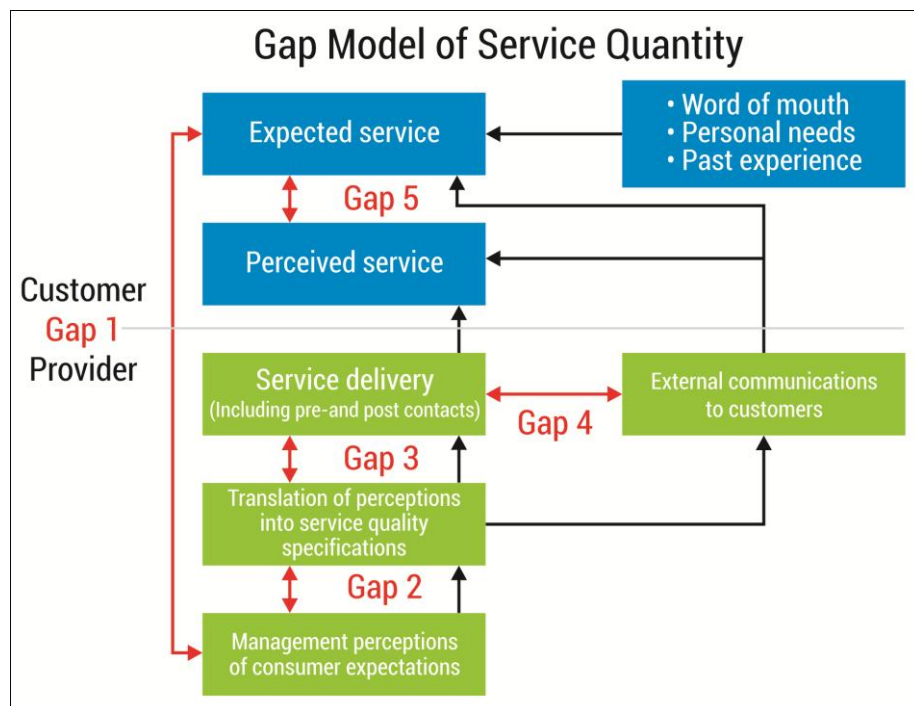


Fig 3.2 Gap Model of Service Quantity

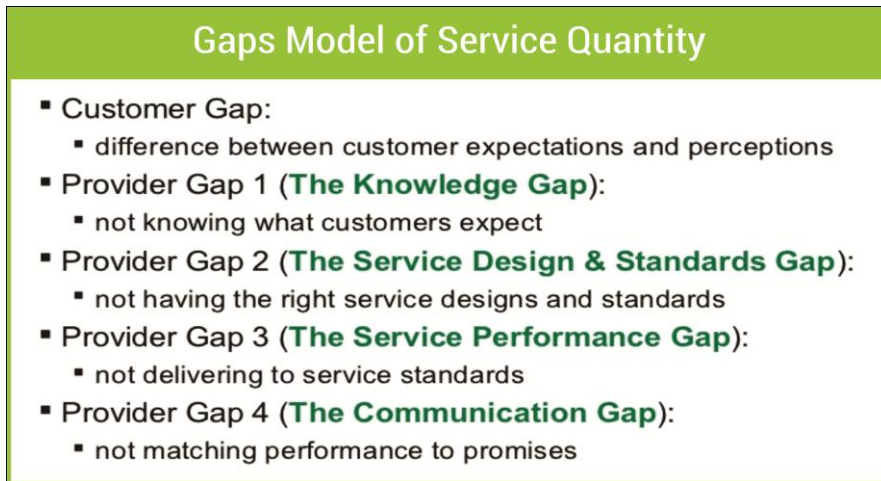


Fig 3.3 Gap Model of Service Quantity

Check your progress 3

1. Expected service GAPS has following elements
 - a. word of mouth
 - b. personal needs
 - c. past experience
 - d. all of the above
2. Provider Gap 3 is known as
 - a. knowledge Gap
 - b. Service performance Gap
 - c. communication gap
 - d. none of the above
3. Provider Gap 4 is known as
 - a. Service performance Gap
 - b. communication gap
 - c. Service design and standards gap
 - d. none of the above

3.5 Let Us Sum Up

In this unit we studied about the Service Marketing Mix involves Product, Price, Place, Promotion, People, Process and Physical Evidence.it has been stressed that firms marketing a service need to get each of these elements correct.. The Characteristics of a service are described as Lack of ownership, Intangibility, Inseparability, Perishability and Heterogeneity

A service is explained and defined as a type of economic activity that is intangible, it is not stored and does not result in ownership. It is said that a service is consumed at the point of sale. The new P's was added to the existing four Ps of marketing mix gained new importance.

Services have four major characteristics that greatly affect the marketing strategies Intangibility, Inconsistency, Inseparability and Inventory.

Since all the products are bundle of goods and services, the mentioned points below inform us the difference between services and product marketing:

Tangibility, Relationship and Value, One Versus Many, Comparing Quality, Return Factor.

The Need Discovery ,information Search,Proof Devices and Post-Purchase Evaluation are the parameters on which consumer decision making is based.The integrated model of Service quality is also explained in detail.

3.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-a), (2-b), (3-d)

Check your progress 2

Answers: (1-c), (2-c)

Check your progress 3

Answers: (1-d), (2-b)

3.7 Glossary

1. **Service guarantee** - a promise that if service delivery fails to meet predefined standards, the customer is entitled to one or more forms of compensation.
2. **Service marketing system** - that part of the total service system in which the firm has any form of contact with its customers, from advertising to billing; it includes contacts made at the point of delivery
3. **Word of mouth** - positive or negative comments about a service made by one individual (usually a current or former customer) to another.

3.8 Assignment

Browse the websites of an entertainment company, hospitality company and study and find out if they have identified any service gaps. If so how have they closed it?

3.9 Activities

Choose an organization to interview and use the integrated gaps model of service quality as a framework. Ask the manager about the strategy to close the identified gaps.

3.10 Case Study

Fuji: using knowledge of consumers to snap up sales with new photographic equipment

Fuji Photo's development of the Advanced Photo System (APS) is a classic example of how a company makes use of the way their customers behave. As part of the APS Fuji target the advanced amateur when it introduced SmartFilm™. SmartFilm™ is housed in the unique APS cartridge. The APS is designed to make photography easier, more enjoyable and more exciting by allowing the photographer to switch in mid-roll from slide to print film. The SmartFilm™ comes in ISO 100, 200 and 400 speeds.

The APS also allows the photographer to select between three different picture formats at any time; C (Classic with the same proportions as normal

35mm prints; H (HDTV with a wider view); and P (Panorama for extra wide landscapes). The latest extension of SmartFilm™ is Fujichrome 100ix Slide Film. The film produces slides imprinted with data and shooting information, such as frame title, shoot data (aperture and shutter speed), shoot date and time, film ID number, frame number and photofinisher's ID number.

As an extension of its APS, the company introduced to the mass market in late 1996 a digital camera, the DS-7. The DS-7 has a built-in LCD screen and a 2 megabyte solid-state floppy disk card. It allows the photographer to store between 30 to 60 images and play them back on the camera's LCD monitor, a TV, or download the images to a PC. The disk card may be erased and reused.

Fuji's Web site (<http://www.fujifilm.com>), provides information about Fujicolor Smart Film, Smart Cameras, Fujicolor Smart QuickSnaps, Smart Minilabs and Smart Imaging Devices. Also included on the site is a list of answers to the most frequently asked questions? Browsers may link to another page by clicking on a titled building or the Fujifilm blimp.

Questions:

1. Is the purchase of Fuji's Advanced Photo System a high involvement or low involvement decision?
2. What elements of the social environment might influence the purchase decision of the Advanced Photo System?
3. How could Fuji anticipate cognitive dissonance associated with its Advanced Photo System and what should it do to reduce it?

3.11 Further Readings

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Block Summary

In this block we have studied about the service quality. It forms an important part of service and its delivery. If service quality falls short to fulfill customer's expectations, it is said that it lacks quality.

Unit one discusses about the service quality it mentions that service quality represents the most significant positioning tool of service providers and their offer on the contemporary service market. It is mentioned that a company which is based on quality delivery of services should focus on four key areas important for achieving it service encounters (moments of truth), service design, service productivity and service provider's corporate culture. The causes of service quality gaps are also mentioned. The customer's perception versus perceived service gap is also explained in detail. The resolution to solve this gap is also given. The gaps in services quality standards and a solution is also described along with the service performance gap.

The key factors like quality audits and ISO has been mentioned to bridge the gaps.

The focus on external communication of customers is also mentioned.

Unit two discusses about the service recovery. It describes service failure and reasons for it as A service failure is a service performance that falls short of customer's expectations in such a way that it leads to customer dissatisfaction. Failure can be for various reasons like:

Unavailability when promised, Delay In delivery, Incorrect or undesired outcome and Employees rude or inefficient way of handling the situation

The theorist named Lovelock has mentioned that doing the job right for the first time and effective complaint handling is equal to increased customer satisfaction and loyalty. Another theorist names S. Tax and SW Brown says that justice considerations have three elements : Procedure, Interaction and outcome.

The nature of complaining behaviour is mentioned with four types of unsatisfied customers like passive, voices, irate and activists.

In complaint resolution Index the factors which should be taken into account when dealing with customer complaints are given.

Service Level Agreements is defined as a performance agreement or contract between a service or product provider and a customer service recovery Customer recovery is aiming at satisfied customers, Process recovery tries to

Service Quality

improve processes and Employee recovery as an internal marketing strategy to help employees coping with failure and recovery situations

Service Guarantee is explained as a pledge or assurance that an offered service or a product by an organisation will perform as a promise. It is a recovery tool the service guarantees offered can complement the company's service recovery strategy.

Unit three describes about the Service marketing mix which involves Product, Price, Place, Promotion, People, Process and Physical Evidence are explained in detail.

There are five characteristics to a service are mentioned as Lack of ownership, Intangibility, Inseparability, Perishability and Heterogeneity

Four I's of services like intangibility, inconsistency, inseparability and inventory are also explained in detail. How services are different from product marketing is also mentioned.

Servqual model of service quality is also explained in detail.

Gap model of service quality is described in detail. The overall block has emphasised the importance of delivering quality based services and measures have been given to ensure the delivery as per the customer's expectations.

Block Assignment

Short Answer Questions

1. Explain GAPS model in detail
2. Explain consumer behaviour in detail.
3. Differentiate between functional quality, technical quality and perceived quality.

Long Answer Questions

1. Choose an NGO organization to interview and use the integrated gaps model of service quality as a framework. Ask the manager about the strategy to close the identified gaps.
2. What are the implications of the customers' involvement in service Performance?
3. What do you think is meant by the term 'service quality'? In what ways can an airline attempt to measure the quality of its services?
4. In order to measure service quality, what are the points that you would need to consider? Why is quality important in services? Discuss the strategy any service organisation may adopt to achieve it.

Enrolment No.

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

Unit No	1	2	3	4
Nos 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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*Education is something
which ought to be
brought within
the reach of every one.*

”

- Dr. B. R. Ambedkar



Dr. Babasaheb Ambedkar Open University
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SERVICE MARKETING

PGDM-202

BLOCK 4: SERVICE STRATEGIES

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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 students' 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!



SERVICE MARKETING

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SERVICE MARKETING

BLOCK 4: SERVICE STRATEGIES

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BLOCK 4: SERVICE STRATEGIES

Block Introduction

Services permeate every aspect of our lives; consequently, the need for services marketing knowledge is greater today than ever before. When defining services, the distinction between goods and services is often not clear. In general, goods are defined as objects, devices, or things, whereas services are defined as deeds, efforts, or performances.

This block informs us about the number of reasons why the study of services marketing is important like Consumers evaluate services differently than goods and service marketers must effectively manage the experiential aspects of the service product. Services can be effectively used as a differential advantage for tangible-dominant products. The growth of the global service workforce has also increased accordingly. The emergence of technologically based e-services has transformed many service industries. Knowledge is needed in the area of developing sustainable services marketing business practices.

Unit one explains us about the basics of services. It informs us about the role of service in boosting the economy as the growth of the global service economy in terms of contributions to Gross Domestic Products (GDP) has increased dramatically.

Unit two explains us about the marketing implications of services. In the field of housing and finance how services have played a major role is mentioned in it.

Unit three describes about the marketing mix in services. Along with the four conventional Ps of marketing how newly added three Ps of services make a good combination and better impact on delivery of services.

Block Objective

After learning this block, you will be able to understand:

- The concepts of service marketing
- Different service strategies for various sectors
- The positioning in services
- Financial institutions in India

Service
Strategies

Block Structure

Unit 1: Basics of Service Strategies

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UNIT 1: BASICS OF SERVICE STRATEGIES

Unit Structure

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1.3 Strategies for Different Sectors

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1.4 Let Us Sum Up

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1.0 Learning Objectives

After learning this unit, you will be able to understand:

- Service marketing
- Different strategies implemented in various sectors

1.1 Introduction

Services are those economic activities that create value and provide benefits for customers at specific times and places, as a result of bringing about a desired change in or on behalf of the recipient of the service. Services have played a crucial role in this highly mechanized and competitive world. There are a number of reasons why the study of services marketing is important:

- (1) Services are evaluated by consumers differently than goods. Marketing of Services must effectively manage for the experiential aspects of the service product.
- (2) Services are perceived as an advantage for tangible-dominant products.
- (3) There is a good amount of increase in the Gross Domestic Products (GDP).
- (4) Global service workforce has increased tremendously.
- (5) E – based services emerged due to technological advancement and have transformed service industries.
- (6) Sustainable services marketing business practices are also developing.

The defining characteristics of a service are:

Intangibility: Services cannot be touched, held, tasted or smelt. Because they are intangible and do not have any physical existence. This is the most defining feature of a service and that which primarily differentiates it from a product. Also, it poses a unique challenge to those engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.

1. **Heterogeneity/Variability:** Each service offering is unique and cannot be exactly repeated even by the same service provider. While products can be mass produced and be homogenous the same is not true of services. E.g. all burgers of a particular flavor at McDonalds are almost identical. However, the same is not true of the service rendered by the same counter staff consecutively to two customers.
2. **Perishability:** Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer. eg: A customer dissatisfied with the services of a barber cannot return the service of the haircut that was rendered to him. At the most he may decide not to visit that particular barber in the future.

3. **Inseparability/Simultaneity of production and consumption:** Services are generated and consumed within the same time frame. E.g. a haircut is delivered to and consumed by a customer simultaneously unlike, say, a takeaway burger which the customer may consume even after a few hours of purchase. Moreover, it is very difficult to separate a service from the service provider. E.g. the barber is necessarily a part of the service of a haircut that he is delivering to his customer.

Types of Services

1. **Core Services:** A service that is the primary purpose of the transaction. Eg: a saloon / spa or the services of lawyer or teacher.
2. **Supplementary Services:** Services that are rendered as a corollary to the sale of a tangible product. E.g. Home delivery options offered by restaurants above a minimum bill value.

1.2 Service Marketing

Service Marketing Strategy

Helps to design, develop and implement service management as organizational capabilities and strategic assets as well. It also enables a service provider to consistently outperform competitive alternatives over time, across business cycles, industry disruptions and changes in leadership.

Service strategy comprises of the following key concepts:

- Value creation
- Service Assets
- Service Provider types
- Service structures
- Defining the service market
- Developing service offerings
- Financial management
- Service portfolios
- Demand management
- Return on investment

Strategic Assessment

Before designing any service strategy a provider should first take a careful look at what it already means. The following questions can help expose a service provider’s distinctive capabilities:

- Which of our services or service varieties are the most distinctive?
- Which of our services or service varieties are the most profitable?
- Which of our activities in our value chain or value network are the most different and effective?

Important Factors in Strategic Assessment

The key factors that play important role in strategic assessment are:

Sr.No.	Description
1.	<p>Strengths and weaknesses</p> <p>The attributes of the organization. For example resources and capabilities, service quality, skills, cost structures, product knowledge, customer relationship, etc.</p>
2.	<p>Business strategy</p> <p>The perspective, position, plans and patterns are received from a business strategy.</p>
3.	<p>Critical Success factors</p> <p>How will the service provider know when it is successful?</p>
4.	<p>Threats and opportunities</p> <p>Threats and opportunities include competitive thinking. For example, is the service provider vulnerable to substitution?, or Is there a means to outperform competing alternatives?</p>

Value Creation

Service strategy defines a unique approach for delivering better value. According to customers service consist of two elements:

- Utility
- Warranty

Utility

It is perceived by the customer from the attributes of the service that have positive effect on the performance of task associated with the desired business outcomes. This is for a purpose.

Utility is generally stated in terms of:

- Outcomes supported
- Ownership costs and risks avoided

Warranty

It ensures the utility of the service that is available as needed with sufficient capacity, continuity, and security. Value of warranty is communicated in terms of level of certainty.

Warranty is defined in terms of availability, capacity, continuity, and security of the utilization of the services.

Availability

It assures the customer that the services will be available for use, under agreed terms and conditions.

Capacity

Capacity assures that the service will support a specified level of business activity or demand at a specified level.

Continuity

Continuity assures that the service will continue to support the business through Major Failures.

Security

It assures that the service provided by the service provider will be secure.

Service Assets

There are two types of service assets as listed below:

- Resources
- Capabilities

Resources

The resources are transformed by management, organization, people and knowledge. They are the inputs for production.

Capabilities

The skills are based on knowledge, experience and information. It refers to skills to develop and control the resources for production.

Capabilities		Resources	
A1	Management	Financial capital	A6
A2	Organization	Infrastructure	A7
A3	Processes	Applications	A8
A4	Knowledge	Information	A9
	People	A5	People

Fig 1.1 Capabilities

Service Provider Types

Service Provider are classified into three types

1. Type I – Internal Service Provider
2. Type II – Shared Service Provider
3. Type III – External Service Provider

Type I Internal Service Provider

Internal Service provider refers to the business functions within an organization. Administration, finance, human resources, and IT service providers all comes under internal service providers.

Type II Shared Service Provider

In this, business functions such as IT, human resources, and logistics are consolidated into an autonomous special unit called a Shared Service Unit (SSU).

Type III External Service Provider

External service provider refers to the third party service providers. It can offer competitive prices and drive down unit cost by consolidating demand.

The Four Ps of strategy

The below mentioned Four Ps identify the different forms of a service strategy and are considered as entry points to service strategy.

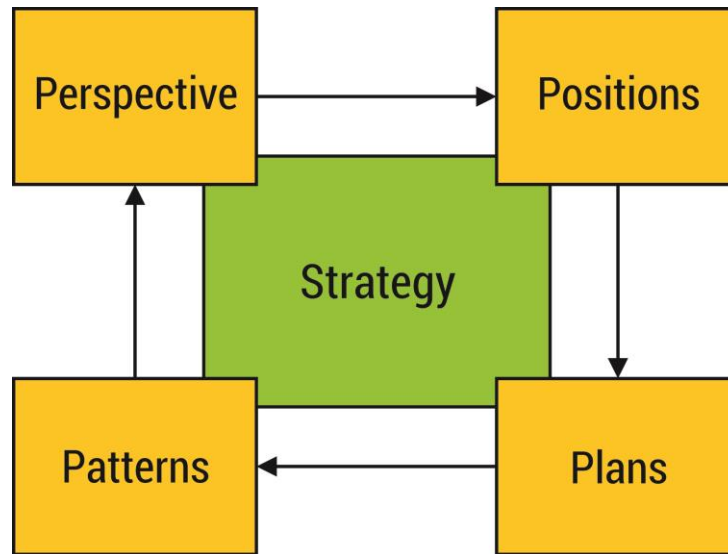


Fig 1.2 Strategy

Perspective

It describes a vision & direction and articulates the business philosophy of interacting with customer.

Positions

It describes the decision to adopt a well-defined stance. It is expressed as distinctiveness in the minds of customers. This means competing in the same space as others but with differentiated value proposition that is attractive to the customer. Whether it is about offering a wide range of services to a particular type of customer or being the lowest cost option, it is a strategic position.

Plan

A plan is described as, “How do we offer high value or low cost services?” or “How do we achieve and offer our specialized services?”

Pattern

It describes the organization’s fundamental way of doing things.

Services strategy processes

The following diagram expresses the different processes and their relationship in service strategy:

Service Strategy ITIL

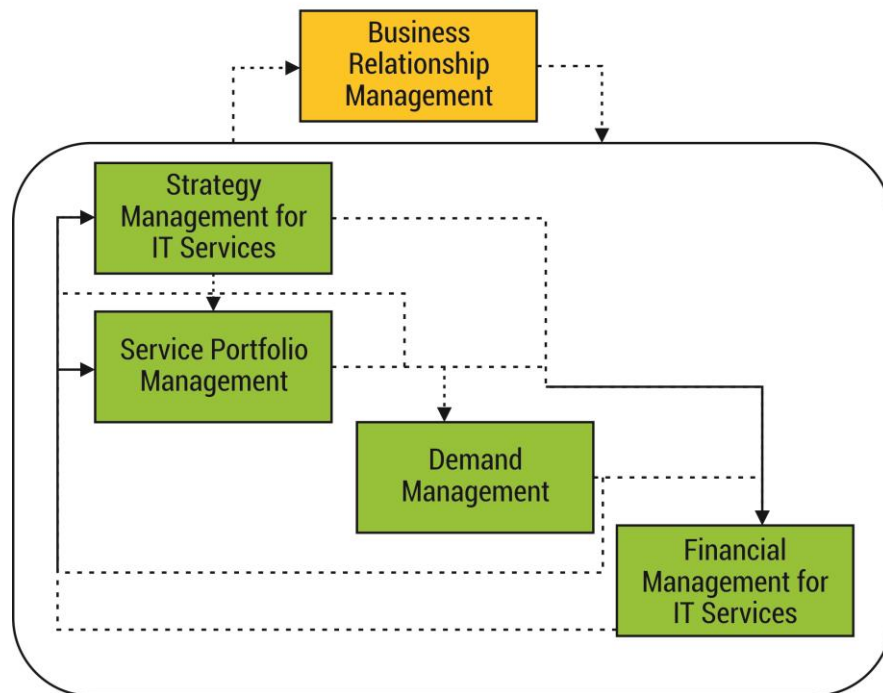


Fig 1.3 Service Strategies ITIL

Strategy Management

This process involves four activities: Definition of market, development of offering, development of strategic assets, and preparation for the implementation of the strategy.

Service Portfolio Management

Service portfolio defines all services that a service provider can provide. It helps to control service management investments throughout an enterprise and actively managing their value.

Business Relationship Management

This process deals with establishing good relationship between service provider and customers by ensuring that appropriate services are developed to meet customer's needs.

Demand Management

This process maintains balance between consumption of services and their delivery.

It helps to determine all the costs of IT organization. It can serve as a strategic tool for all three kinds of service provider types: internal, external and shared service provider.

Check your progress 1

1. Service strategy comprises of the following key concepts:
 - a. Value creation
 - b. Service Assets
 - c. Service Provider types
 - d. All of the above

1.3 Strategies for Different Sectors

The following sub points will give us the information about the services sector and how each sector will need a different strategy. The sectors for which we are going to discuss the strategies are health, hospitality, tourism, financial logistics, educational, entertainment and public utility technique service.

1.3.1 Strategies for Health

Healthcare is India's one of the largest sector in terms of revenue and employment and the sector is rapidly expanding. One of the major reasons for the booming of health care is India's vast population.

Increase in Women workforce [resulting in increasing PPP] is changing the composition of healthcare sector. Fast lifestyle is leading to many diseases. Pollution and other hazards are contributing to infectious diseases. Also, advanced treatments are resulting in high cost per treatment.

If we have to boost the health sector benefits to many, good marketing mix should be adopted like:

- **Price:** Government should use price control for generic drugs and make them affordable
- **Physical environment:** Infrastructure should be built in terms of hospitals

- **Place:** The facilities should be built at various places for people to take benefit of it. These places should be teleconnected so that expert opinion is available.
- **Processes:** Advanced technologies should be accessible to all.
- **Promotion:** India as a destination of medical tourism should be well advertised and promoted.

1.3.2 Strategies for Hospitality

The service marketing strategy for Hospitality sector should communicate their brand values, working relationships with the customers and suppliers and to identify the needs of the guests /clients in an effective manner.

Hospitality is a place that offers its facilities and services for sale. The services in hospitality can vary from just one to various combinations that can all be thought of as a part of the total market concept of the hotel. The basic total market concept consists of five elements as shown in figure below.



Fig 1.4 Strategies for Hospitality

1. **Location:** is usually the main element in hospitality, thus being in the center of the market concept circle, that the visitor takes into account while choosing a hotel.

2. **Facilities:** of a hotel include the bedrooms, restaurants, bars, function halls and meeting rooms or conference rooms and recreation facilities such as a gym, tennis court and swimming pool.
3. **The hotel services:** comprise the availability as well as the quality in which they are provided to the customers in the hotel facilities
4. **The image:** of the hotel can be defined as how the hotel portrays itself to people and how the people perceive the hotel. It plays an important role.
5. **The price:** comprises the values that are given to the hotel through its location, facilities and image.

Apart from these the type of hotel should be classified:

For e.g.

1. Resort
2. Commercial hotels
3. Transit hotels
4. Residential hotels

In the hospitality industry the products are primarily designed to satisfy the needs and wants of business and leisure travelers. The place of business is many times the key to success and it influences demand and helps in increasing profitability.

SWOT analysis of the organization should come to a inclusion where the efforts are needed to be taken. For e.g.

Riverwood hotels had their SWOT analysis in the following way:

Strengths

- **Strategy:** Established differentiation strategy.
- **Structure:** Flat, decentralized structure.
- **Skills:** Diverse range of service skills within management and staff.
- **Style:** Strong, participative culture.
- **Staff:** Specialized and experienced staff that is motivated and highly skilled. A well trained team who is proud of their hotel and has respect and promotes the brand values.
- **Shared Values:** Clear and well communicated.

- **Brand Strength:** A brand value is well represented engendering brand loyalty amongst existing and new guests.
- **Reputation:** A strong reputation within the local market and corporate and travel trade markets for reliability, exemplary service and quality.

Weaknesses

- **Strategy:** Differentiation strategy needs to be more clearly communicated externally, within local and national markets.
- **Systems:** Formal systems result from the detail oriented work and environment. Interdepartmental communications could be improved.
- **Staff:** Seasonal turnover requires ongoing training and orientation of new staff.
- **Facilities:** Certain rooms require renovation and upgrade as regards to technical as well as electrical equipment, such as high speed Internet access and laptop links, maintenance of air conditioners, water geasers, etc.

Opportunities

- **Market:** Returning growth after a period of slump.
- **Competitors:** No direct competition exists at present, in terms of the five star 'boutique business property' niche.
- **Suppliers:** Strong, long-term relationships established with suppliers.
- **Guest Dependency:** Repeat corporate business based on personal service and quality, in a small but luxurious environment.

Threats

- **Market Entry:** Potential for a competitive, global brand to enter the market with a similar product.
- **Substitutes:** Fully furnished and serviced business apartments offering lower daily rates.
- **Economy:** Recovery from slight recession may take time.

Market needs, trend analysis, market demographics should be studied in detail so as to identify the customer.

- Macro environment has to be studied so that the awareness related to government policies, legal norms and technological advancements is acquired.

- Also the moves of competitors should be closely observed and actions should be taken in order to prevail the position in the market.

The strategy should aim at setting up marketing objectives with following dimensions:

Financial Objectives

- Increase overall room revenue by specific percentage every year.
- Accomplish the estimated growth.
- Increase corporate contracted rates to reflect the return of confidence in the corporate travel market.
- Keep payroll expenses down and reduce the level of overtime within the workforce.

Marketing Objectives:

- To continue to communicate the strategic objectives to our target markets effectively.
- Provide a positive hotel experience to all our guests.
- Accomplish growth targets within the given time and budget.
- Expansion of markets and identify new markets for our product and services.

1.3.3 Strategies for Tourism

Tourism Industry is rapidly growing as one of the prime player in the service sector tourism is a service.

If we go by characteristics of services then tourism strategy can be explained as follows:-

- **Intangibility:** Most tourism products are mixture of tangible and intangible.
- **Inseparability:** Services are produced and consumed at the same time: restaurant and its food. [service and provider are not separate]
- **Perishability:** Services cannot be saved. E.g. Airline Seat, National Park Safari.
- **Heterogeneous:** Standardization is difficult to achieve as it's a people based service.

- **Ownership:** No. Services can be accessed only once or for a specific time.
E.g. Hotel room.

1.3.4 Strategies for Financial

Financial services or products are all about planning as value of it lies in controlling its own future. The services should move according to the mission statement. The strategy should be moved on the basis of Ansoffs model wherein market penetration, Market development, Product development and diversification happen as per the planning. Pestle analysis also would help because Banking Laws, regulations, Political attitude, economic condition, demography and technology, everything would matter a lot.

1.3.5 Strategies for Logistics

A strategy for a logistics business generally begins by identifying target market and business model. The review of the price rates of the organization are compared with another. Investing in marketing material is also must.

Target Customers

For any marketing plan to be effective, one must identify a target audience. Start by looking at current customers and identify those providing the most business. Define the demographics of your target market, such as corporation size, industry, location and revenue. Identify the common characteristics of company decision-makers, including title, age, gender and background.

Business Benefits

Marketing plans should define why corporate should do business with you. Since, logistics companies offer the same basic service of freight management; you must rely on the benefits of doing business with your company instead of the competition. These factors make you unique in the marketplace.

Price Points

The next piece of most marketing plans is price, which should be based on your target market and the benefits of your business model. With competitive pricing, your goal is to match the rates of your competitors.

Marketing Budget

Marketing should be treated like any other part of your business and you should allocate funds during the planning stage. Common allocation methods include a fixed sum per year, a percentage of revenue and a percentage of the overall budget.

Marketing Collateral

The development of marketing collateral is the nitty-gritty of your marketing plan. First, take a look at what materials already exist and how well they worked in the past. Identify which materials must be updated as well as any gaps in your marketing efforts. A new website, brochures or mailers can make a difference. Set up accounts on popular social media platforms. Focus on how you plan to reach both existing and potential customers.

Logistics companies are responsible for transporting goods from one place to another. Tasks of marketing logistics are as follows:

- Choosing of places for exhibitions and displays to show product's functional-useful features.
- Creating proper conditions for displays (tracks, lights, rotating platforms, company gadgets.
- Screens and equipment for multimedia, posters, seats for audiences, sanitation, etc.)
- Supplying a necessary amount of products (with needed features).
- Taking on qualified employees and ensuring them proper conditions.
- Realization of potential customer service.
- Assessment of exhibition in terms of logistic processes and making conclusions letting.
- Improve such activities in the future.

1.3.6 Strategies for Educational

Education as a service product has never needed so much of promotion as there is and will always be a demand and supply for the same. It will be an intangible service. Education as a service cannot be patented. There are limits on

scale of operations. In marketing mix, the education would have adult education, vocational education, and primary secondary education.

1.3.7 Strategies for Entertainment

Entertainment strategy should consist of pestle analysis along with right combination of marketing mix. Government reforms are as follows:

Government Reform policies for Indian Entertainment Industry

The Government has introduced some reform policies to trigger the growth of entertainment industry in India.

They are:

1. Allowing 100% FDI on advertising and film industry through regular channels.
2. Authorizing 49% foreign stake in DTH and cable TV.
3. Allowing establishment of unlinking destinations to private TV broadcasters for satellite unlinking from India.
4. Certifying the repute of an industry to the movie sector.
5. It has given its consent on the guidelines for Head end-in-the-Sky (HITS) operators, an equipment that will offer electronic cable content to Indian viewers
6. Permitting Foreign Direct Investment (FDI) in FM radio industry with a 20% restriction
7. Paving way for FM Radio functioning to the private sector
8. Including development projects of film industry in its five-year plans and allocating US\$ 50.13 million to it.

So strategy should be aligned as per the reforms. Also technologically use of digital marketing should be done.

1.3.8 Strategies for Public Utility Information Technique Services

Public utility Information technique services would mean postal services, BSNL, VSNL, etc. These are the services which are performed under the government rules and legislations. The PESTLE analysis and right blend of

Marketing Mix is already considered while preparing the operations methodology for the same. Profit making is not the ultimate aim of them they strive to ensure that the remotest part of the country gets access to their services.

Check your progress 2

1. The characteristics of services are:
 - a. Heterogeneity
 - b. Perishability
 - c. Inseparability
 - d. all of the above
2. Marketing Budget includes allocation methods
 - a. a fixed sum per year
 - b. a percentage of revenue
 - c. a percentage of the overall budget
 - d. all of the above
3. Logistics companies are responsible for transporting goods from one place to another. Tasks of marketing logistics are as follows:
 - a. Choosing of places for exhibitions and displays to show product's functional-useful features
 - b. Creating proper conditions for displays (tracks, lights, rotating platforms, company gadgets)
 - c. Screens and equipment for multimedia
 - d. all of the above
4. A strategy for a logistics business generally begins by
 - a. identifying target market
 - b. knowing the business model
 - c. both a and b
 - d. only b

1.4 Let Us Sum Up

In this unit we have learnt, about the basic of services. It is mentioned that service is an economic activity which creates value and provide benefits to customers. The quality of services has also been mentioned like intangibility, heterogeneity, perishability and inseparability.

Service marketing strategy is described in detail with respect to its value creation, utility and its strategic assessment. Different strategies are given with respect to sectors like health, hospitality, tourism, logistics, education, entertainment, information technique services.

This unit has helped us to understand that different strategy has to be implemented for different sector based upon its style of service and technology and target customer.

1.5 Answers for Check Your Progress

Check your progress 1

Answers: (1-d)

Check your progress 2

Answers: (1-d), (2-d), (3-d), (4-c)

1.6 Glossary

1. **Perception** - process by which individuals select, organize, and interpret information to form a meaningful picture of the world.
2. **Physical intangibility** - service elements that are not accessible to examination by any of the five senses; (more narrowly) elements that cannot be touched or preserved by customer.
3. **Quality** - the degree to which a service satisfies customers by consistently meeting their needs, wants, and expectations.
4. **Retail Displays** - presentations in store windows and other locations of merchandise, service experiences, and benefits.

1.7 Assignment

Compare the two services on internet. Discuss the design of each in terms of whether it meets your expectations, if not then how could the design or process be changed to make it more effective.

1.8 Activities

Try the service on Internet you have never tried before. Analyze the benefits of this service. Was the information enough to be provided to make the service easy? Compare between two such services

1.9 Case Study

Managing Crisis

If you or your company is in a crisis, what do you do? How would you respond? This case describes a sudden event at a petrol pump and the response of the employees.

Industry: Retail

Location: Busy petrol pump, name ABC, having four vending machines for petrol and four for diesel. The busiest filling line is for motorcycles with around ten to fifteen motorcycles waiting in queue at any time of the day. **Situation:** You are the petrol pump manager Mr. X and responsible for smooth functioning of the entire pump station for variety of services offered. In addition to the transactions at the eight refill machines there are customer services like air filling, pollution checking, puncture repair, vehicle spares and consumables, washing centre, florist, etc. Each refill station is manned by two attendants and they have to ask the volume, set the machine, fill fuel, take money, gives balance and bill if asked for.

Time: It's a very warm April afternoon and all are in an irritated mood, inspite of the pump having good shade and shadow.

Incident: It happens at the busiest motorcycle queue. A heavy motorcycle with strong rider, Mr. D and pillion rider Mr. C, come in charging. Not caring for the queue discipline, they rush straight to the filling point. Mr. D orders the attendant Mr. B to fill his tank at once. The attendant boy refuses and asks Mr. B to come by the queue. The pillion rider, Mr., uses some bad words, the attendant losing his

cool replies back. Now the rider Mr. D gets down and slaps Mr. B, point blank on his ear and cheek, while he is filling the tank of the vehicle in queue and while both his hands are on the petrol pipe. The attendant becomes furious and twirling the fuel pipe, hits the rider Mr. D with the steel part of pipe. A person waiting for bill, shouts at both of them and asks them to behave. All other pump attendants now stop work and start watching. The rider Mr. D and Mr. C both start the vehicle, go and wait outside the pump station, shouting threatening words. Situation goes real 'hot', other attendants start shouting threatening words, could lead to a street fight or a riot. Mr. B runs to the manager Mr. X, explains the drama.

The Savior: Getting the seriousness, Mr. X rushes to the spot, sends back Mr. B to attend the waiting customers. He requests and orders all other attendants to keep cool and attend customers. He then goes out to listen to Mr. D, cools him down. Mr. D and Mr. C both drive away. Prima facie the crisis is over. Situation is under control.

Case Study Questions

1. Analyze the case carefully and list at least three communication issues.
2. Is the crisis over? If you think otherwise, make a list of possible outcomes and steps to prevent them.
3. You are Mr. X - List the key elements of a crisis management plan you develop to handle such a crisis quickly and effectively in future.

1.10 Further Readings

1. Bateson, John E. G. and K. Douglas Hoffman (1999), *Managing Services Marketing Text and Readings* (Fourth ed.). Fort Worth: The Dryden Press.
2. Cooper, Robert G. and Scott J. Edgett (1999), *Product Development for the Service Sector: Lessons for Market Leaders*. Cambridge, MA: Perseus Books.
3. Fisk, Raymond P., Stephen J. Grove and Joby John (2000), *Interactive Services Marketing*. Boston: Houghton Mifflin Company.
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UNIT 2: SERVICE STRATEGY PLANNING

Unit Structure

- 2.0 Learning Objectives**
- 2.1 Introduction**
- 2.2 Understanding the Customer and Competition**
- 2.3 Positioning of Services**
- 2.4 Service Triangle Concept**
- 2.5 Let Us Sum Up**
- 2.6 Answers for Check Your Progress**
- 2.7 Glossary**
- 2.8 Assignment**
- 2.9 Activities**
- 2.10 Case Study**
- 2.11 Further Readings**

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- The customer expectations of services
- The positioning of services
- The service triangle concept

2.1 Introduction

Marketing of Services has emerged as an important sub discipline of marketing in its own right. It has evolved phenomenally to emerge as a major field of study with far reaching implications in today's increasingly service driven economies. It is then, only natural, to wonder what is the future course of action that this field of study is most likely to take. Marketing of services has become important in order to reach till its customers. Given the intangibility of services marketing them becomes a particularly challenging and yet extremely important task.

Importance of Marketing of Services

- **A key differentiator:** Due to the increasing homogeneity in product offerings, the attendant services provided are emerging as a key differentiator in the mind of the consumers. E.g. In case of two fast food chains serving a similar product (Pizza Hut and Domino's), more than the product it is the service quality that distinguishes the two brands from each other. Hence, marketers can leverage on the service offering to differentiate them from the competition and attract consumers.
- **Importance of relationships:** Since the product is intangible, a large part of the customers' buying decision will depend on the degree to which he trusts the seller. Hence, the need to listen to the needs of the customer and fulfill them through the appropriate service offering and build a long lasting relationship which would lead to repeat sales and positive word of mouth is necessary. Relationships are a key factor when it comes to the marketing of services.
- **Customer Retention:** Retaining customers is more important than attracting new ones in this highly competitive scenario where multiple providers are vying limited pool of customers. Since services are usually generated and consumed at the same time, they actually involve the customer in service delivery process by taking into consideration his requirements and feedback. Thus, they offer greater scope for customization according to customer requirements thus offering increased satisfaction leading to higher customer retention.

2.2 Understanding the Customer And Competition

In this ultra-competitive business environment merely meeting customer's expectations is not enough. In order to effectively differentiate themselves from the competition, service providers need to focus on exceeding customer's expectations to create customer delight and create a pool of loyal customers. Therefore, when deciding on a service delivery design, it is imperative for the service provider to consider the targeted customer base and their needs and expectations. This will further help the provider to effectively manage customer's expectations leading to customer delight.

Customer needs comprises the basic reason or requirement that prompts a customer to approach a service provider. For instance, a person visits a restaurant primarily for the food it serves. That is the customer's need. However, the customer expects polite staff, attentive yet non-intrusive service and a pleasant ambience. If these expectations are not properly met the guest would leave the restaurant dissatisfied even if his basic requirement of a meal being served has been met. Thus, knowing and understanding guest expectations is important for any service provider.

Customer Satisfaction, Dissatisfaction and Delight

Knowing a customer's expectation is instrumental in developing a strategy for meeting and exceeding customer expectations. Based on the quality of the service experience, a customer will either be satisfied, dissatisfied or delighted.

1. **Customer Dissatisfaction:** This is a situation when the service delivery fails to match up to the customer's expectations. The customer does not perceive any value for money. It's a moment of misery for the customer.
2. **Customer Satisfaction:** In this case, the service provider is able to match the customer's expectations and deliver a satisfactory experience. However, such a customer is not strongly attached to the brand and may easily shift to a competing brand for considerations of price or discounts and freebies.
3. **Customer Delight:** This is an ideal situation where the service provider is able to exceed the customer's expectations creating a Moment of Magic for the customer. Such customers bond with the brand, are regular and loyal and will not easily shift to other brands.

Exceeding customer's expectations is all about creating that extra value for the customer. The hospitality industry specializes in creating customer delight.

For Example, most 5 star hotels maintain customer databases details of the rooms, choices of their guests. So, if a guest has asked for say orange juice to be kept in the mini bar in his room, the next time that he makes a reservation at the hotel, the staff ensures that the juices already kept in the room. Such small gestures go a long way in making customers feel important and creating customer delight.

Another novel way of exceeding guest expectations is often demonstrated by travel companies. Since, they usually have details on their customers' birthdays, they often send out an email greeting to their guests to wish them. This not only makes an impact on the guest but also helps to keep the company acquire 'top of the mind recall' with the guest.

Check your progress 1

1. Importance of Marketing of Services is_____.
 - a. A key differentiator
 - b. Importance of relationships
 - c. Customer Retention
 - d. all of the above
2. In order to effectively differentiate themselves from the competition, service providers need to focus.
 - a. on exceeding customer's expectations to create customer delight
 - b. create a pool of loyal customers
 - c. both a and b
 - d. only a

2.3 Positioning of Services

Positioning, in a marketing context, is the process of identifying an appropriate market niche for a product, service or brand and getting it established in that area. The endeavor is further broken down into those three categories. Product positioning, for example, seeks to find a unique niche within the market for a particular product, in which, ideally, it addresses a consumer need that no

other product satisfies. Brand positioning and service positioning both work in a similar way.

Variations on positioning include repositioning, which is the process of making changes to a product, brand or service's perceived identity in the marketplace. Depositioning, another variation, is the practice of attempting to erode a competitor's brand (or product or service) identity in contrast to your own.

Positioning a product involves creating a positioning concept, which is an expression of the benefits a customer will receive from the product. The next stage is coming to an understanding of differentiation, which is what sets the product apart from its competitors. Those elements of positioning are formalized in a positioning statement, which articulates how the product could serve the customer in some way that the competition cannot or does not.

Positioning of services links market analysis and competitive analysis to internal corporate analysis. A position statement can be developed that enables the service organization to answer the questions:

- What is our product (or service concept)?
- What do we want to become?
- What actions must an organization take to get there?

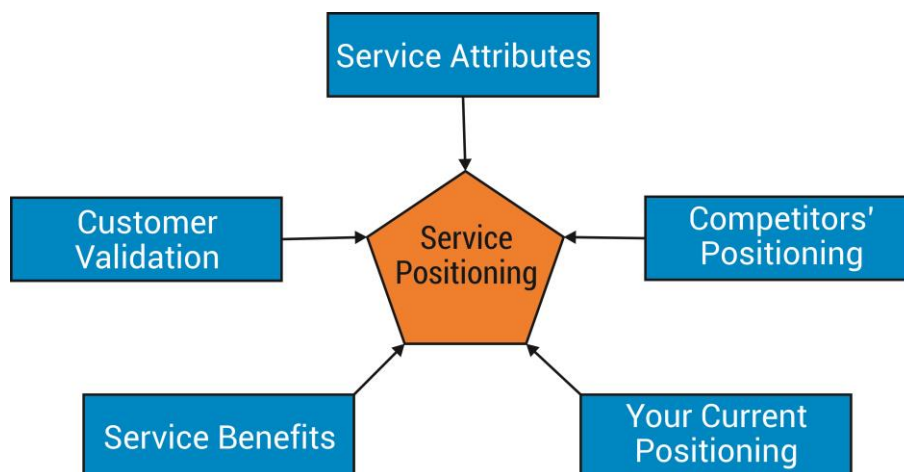


Fig 2.1 Benefits of positioning

- Benefit positioning is generally a stronger basis for positioning because it answers the consumer question: What will this product/service do for me?
- Miller Lite offers software that can be used as a social organizer.
- On the Valvoline motor oil site, visitors can send greeting cards, download racing screensavers, and sign up for newsletters.

User category

- User category positioning relies on customer segments.
- Kellogg's has an interactive site for children.
- Yahoo! Groups hosts forums organized by specific interests.
- Eons is a social network for baby boomers.

Competitor positioning

- Many firms position by benefits that provide advantages over their competitors.
- Companies may position themselves against:
 - An entire industry.
 - A particular firm.
 - Relative industry position.
- "I Can't Believe It's Not Butter" margarine positions itself against other margarine

Integrator positioning

- We can expect to see more integrator positioning in the real estate, lending, jewelry, and hospitality industries.
- Zip Realty uses software that reduces the agents' work.
- Lending Tree and HomeGain.com help brokers find clients more cheaply and quickly.
- Blue Nile sells an estimated \$129 million of jewelry that would require 116 retail stores.
- Web travel agencies can move market share to hotels that give them discounts.

Product positioning

- May include features such as size, color, ingredients, speed, etc.
- Amazon's 1-click checkout process is an example of a positioning attribute.
- iVillage allows users to build personalized menu menus.
- Tylenol does not sell online, but provides useful one-to-one features for pain relief and health information and Tylenol greeting cards.

Repositioning

- Repositioning is the process of creating a new or modified brand, company, or product position.
- A company may enhance or modify a position, based on market feedback.
- Yahoo! repositioned from online guide to Web portal.
- Amazon repositioned from world's largest bookstore to "Earth's biggest selection."
- Facebook now hosts many business page profiles and third-party application.

Check your progress 2

1. A position statement can be developed that enables the service organization to answer the questions:
 - a. What is our product
 - b. What do we want to become
 - c. What actions must an organization take to get there
 - d. all of the above
2. Positioning, in a marketing context, is the process of identifying an appropriate market niche for a product, service or brand and getting it established in that area is broken in which of the following categories:
 - a. brand positioning
 - b. product positioning
 - c. service positioning
 - d. all of the above
3. Variations in positioning include following categories like
 - a. repositioning
 - b. depositioning
 - c. both a and b
 - d. only b

2.4 Service Triangle Concept

The marketing and selling of services requires a special set of strategy and priorities compared with selling physical products. Marketing challenges faced by service marketers revolve around issues such as:

1. Understanding customer's needs and expectations of services.
2. Making services tangible to customers and
3. Keeping and dealing with the promises made to the customers.

The service marketing triangle breaks the marketing tasks of your business down into three types.

Each side of the service marketing triangle represents a type of marketing, and the types of interaction between the entities on the points where the sides meet.

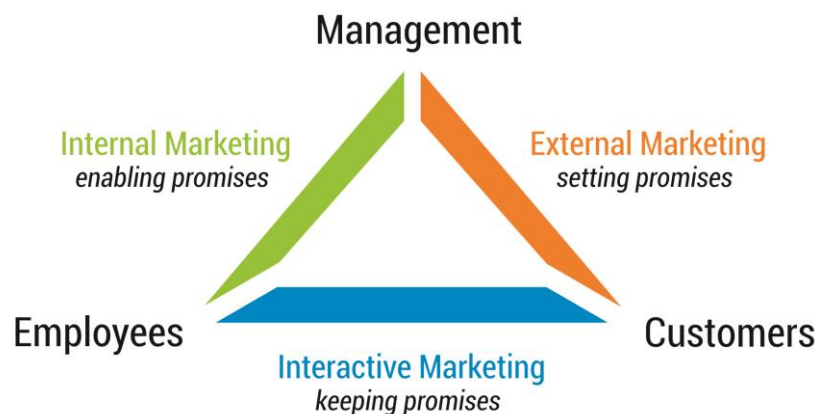


Fig 2.2 Management

The services marketing triangle showed in the figure helps service marketers to address these challenges. The three points of the service triangle represent the organization, the customers and the employees. Between these three points of triangle different marketing processes such as external marketing, interactive marketing and internal marketing must be successfully carried out for service processes to succeed and to build and maintain relationships with the internal and external customers.

External marketing: It is the link between an organization and its customers. It represents the promises which organizations make to their customers with reference to products or services they offer the external communication activities of the service provider play a key role in the formation of customer's expectations

Interactive Marketing: It is a process about keeping the promises made by the organization to the customer along with the delivering a quality service to the customer. It is the actual contact between the service employees and the customers. It is also called as “moment of truth “or service encounter. It is the decisive moment in the service process where organizations actually show what they can do and how they meet the set expectations. It is decisive moment where everything about the service process can succeed or fail. The success or failure can be temporary complete or final but the interaction can never be restaged or controlled.

Internal Marketing: It is the process that enables service marketers to deliver promises to customer’s. In an organization the individuals and departments are customers to each other internal marketing hinges on the assumption that employee satisfaction and customer satisfaction are interlinked.

The success of services relies on the three marketing activities to be carried out successfully and to be aligned with each other.

Service Marketing Triangle and Technology:

The impact of technology on all the dimensions of service delivery has brought about the expansion of the service triangle to include technology. This pyramid suggests relationships of all the elements with technology. It can be used to create a new service, which enable the organization to serve customers better and distinguishes themselves from their competitors. Fax, internet, emails, digital marketing, etc. are some of the services which are introduced due to technology.

Check your progress 3

1. Marketing challenges faced by service marketers revolve around issues such as:
 - a. Understanding customer’s needs and expectations of services
 - b. Making services tangible to customers and
 - c. Keeping and dealing with the promises made to the customers
 - d. all of the above

2.5 Let Us Sum Up

In this unit we have learnt about the relevance of services planning strategy. The importance of marketing of services is mentioned. The emphasis is given on understanding the customer, their parameters of satisfaction and dissatisfaction and delight. The need for availability of niche market for a product is expressed as it would help in positioning of services. The concept of service triangle is explained in detail wherein the three points of a triangle would represent the organization, customers and employees and in between them the important processes such as external marketing, interactive marketing and internal marketing are carried out. The element of technology is also added to it.

2.6 Answers for Check Your Progress

Check Your Progress 1

Answers: (1-d), (2-c)

Check Your Progress 2

Answers: (1-d), (2-d), (3-c)

Check Your Progress 3

Answers: (1-d)

2.7 Glossary

1. **Brand** - It is a name, phrase, design, symbol, or some combination of these elements that identifies a company's services and differentiates it from competitors.
2. **Business model** - Business model means by which an organization generates income from sales and other sources through choice of pricing mechanisms and payers (e.g. user, advertiser or sponsor, other third parties), ideally sufficient to cover costs and create value for its owners.

3. **Delivery Channels** - Delivery channel means a form of physical and electronic means by which a service firm (sometimes assisted by intermediaries) delivers one or more product elements to its customers.
4. **Market focus** - Extent to which a firm serves few or many markets at a once or differently.
5. **Market segmentation** - Market segmentation is a process of dividing a market into distinct groups within each of which all customers share relevant characteristics that distinguish them from customers in other segments, and respond in similar ways to a given set of marketing efforts.

2.8 Assignment

1. Think of a new service that you would like to develop as an Entrepreneur. How would you go about it?
2. Find a new and interesting service in your local area or a service offered on your campus.

2.9 Activities

Visit two local service providers that you believe are positioned very differently [e.g. Marriott and McDonalds] from your own observations, compare their strategies on the elements of services marketing mix.

2.10 Case Study

Amazon.com

Amazon.com likes to describe itself as Earth's Biggest Bookstore, yet it has no physical bookshops. Instead it's a virtual bookshop doing business on the Web and accessible 24 hours a day to anyone in the world who has a computer capable of connecting to the Internet. It opened its 'virtual doors' in the US in July 1995 and grew at an extraordinary rate. By mid-1998 it had made sales to more than 3 million customers in 160 countries, claiming it was by then the leading online shopping site. In addition to books, the company offered 125 000 music titles, ten times the number offered by the average music store. Ten years later Amazon.com had 88 million customers, sales of \$25 billion and a net income of \$9.2 million. In

In addition to books, the company offers a wide range of music, electronics and other goods and it operates retail websites for other major retailers. In 2007 Amazon launched a cheap electronic reading device, the Kindle, on which owners can buy and download electronic books. Through its website, Amazon customers could search for books by author, title, subject or keyword or browse for books in 28 subject areas. The software at its user-friendly website simulates a knowledgeable bookshop assistant. By indicating your mood, your preferences and other authors or artists you like, you can get recommendations for new books or music that you might enjoy. Customers are invited to send in their own reviews of books or music, to which visitors to the website can then compare with reviews by professional reviewers. When a customer places an order through the website, the company arranges for physical items such as books, CDs or other products to be shipped directly from a warehouse. Customers selecting MP3 music or e-books can download the material onto the relevant product.

Explain how technological innovation and internationalization, two of the twelve forces for change in service management, contributed to the competitive advantage of Amazon.com.

2.11 Further Readings

1. Bateson, John E. G. and K. Douglas Hoffman (1999), *Managing Services Marketing Text and Readings* (Fourth ed.). Fort Worth: The Dryden Press.
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UNIT 3: FINANCIAL SERVICES

Unit Structure

3.0 Learning Objectives

3.1 Introduction

3.2 Marketing of Insurance Services

3.2.1 Reforms and Implications

3.2.2 Mix in the Insurance Services

3.2.3 Types of Non-Life Insurance Products

3.2.4 Pricing

3.2.5 Distribution

3.2.6 Process

3.2.7 People

3.3 Bank Marketing – Market Research and Indian Banks

3.3.1 Market Research

3.3.2 Market Research In Indian Banks

3.3.3 Areas of Future Market Research

3.4 Mutual Funds Marketing

3.4.1 Elements of Mutual Fund Marketing

3.4.2 Marketing and Market Research

3.4.3 Strategic Marketing Plan

3.5 Let Us Sum Up

3.6 Answers for Check Your Progress

3.7 Glossary

3.8 Assignment

3.9 Activities

3.10 Case Study

3.11 Further Readings

3.0 Learning Objectives

After learning this unit, you will be able to understand:

- The concept of bank marketing.
- The relevance of marketing in India.
- The supply constraints in the availability of finance and the need for networking.
- Various management issues and marketing issues faced by an organization offering factoring services to their clients.
- The trends of growth in saving markets.
- The role of market research in effective market planning.

3.1 Introduction

India has about 300 million people who can afford to buy life, health and pension plan products. Out of this, only 20% have insurance — and that too covers only 25% of their needs and financial capacity. The remaining 80% have no insurance cover. The life insurance market of India, therefore, has tremendous growth potential. Indian banking sector historically passed through five stages: pre-independence, post-independence, pre-nationalization, nationalization and post-liberalization stages.

This unit discusses about how marketing relates to banks and what marketing techniques are being used by Indian banks. The competitive climate in the Indian financial market has changed dramatically over the last few years. At the same time, changes have been also taking place in the government regulations and technology. The expectations of the customers are also changing. Business houses are entering into financial service activities. The government has permitted public sector banks to start mutual fund trusts and other financial service subsidiaries. These subsidiaries have introduced many new products in the market, which have competitive advantages over the products of private sector banks, and foreign banks have also introduced some new innovative services. Few Indian banks initiated experimenting with new innovative services by offering Automatic Teller Machine (ATM) which provides 24 hours service. The Reserve Bank of India (RBI) has fixed the minimum floor rate for lending with no upper limit for corporate customers. More and more corporate customers

prefer to raise money directly from the market than from the banks. Many household customers now prefer to take consumer durable loans or buy on installment credit rather than save for few years for buying the consumer durable. As a result of this growing level of competition and the rapid pace of change, marketing is emerging as an important element in bank's activities.

The objective of this unit is to indicate the relevance and application of marketing to Indian banking and to discuss the result of the study undertaken to ascertain the market research activities conducted by the Indian banks. The unit first discusses the concept of bank marketing. After that, the result of the study on market research activities undertaken by the Indian banks is discussed. The unit ends with identifying the areas for future market researched activities by the Indian banks and suggests what is required to be done regarding adoption of marketing by the Indian banks.

Housing has been identified as a priority sector by the Indian Government. A number of schemes, particularly for weaker sections, were introduced from time to time. In addition, establishment of a "National Housing Bank", to support the financing of housing activities is another proof of such a realization. In this unit, marketing of housing financial services is discussed.

Almost all governments, with differing political persuasions, in the developing as well as developed countries, have a similar objective for their citizens: "to ensure that all families have a decent house in a suitable living environment". As a result, all governments, at all levels; (national, state or local) are deeply involved in housing markets in a manner, which differs markedly from interventions in other product markets. Housing is somehow "special", a fundamental need, which involves "specific egalitarianism" or "entitlements", a commodity, which requires a minimum standard which society, regards as somehow acceptable to civilized life.

The finance of housing, thus, assumes a greater importance for households for wealth creation and tends to be a major motivation for household thrift. The history of all major housing finance systems can be traced back to extremely small groups of households, rarely over a hundred, forming rotating credit societies bidding for funds from the pool of community savings through various mechanisms. These informal networks are indeed the major source of finance of household wealth creation especially with respect to housing investments in developing economies. Very little formal work is available to show to what extent informal networks do contribute to housing.

Portfolio services are those services offered to investors with a general responsibility to maximize returns. None-the-less these services have a variety. In this unit, not only PMS “product” is discussed but how to do their marketing is also suggested. The unit looks into the gamut of Portfolio Management Services (PMS), which is a rising star in the financial sector. It begins with a description of Portfolio Management Services from the point of view of the effort and the processes involved in this area. Subsequently, it tries to describe the marketing implications with regard to Portfolio Management Services. It ends with a note that in the wake of a high perceived risk in the services, it is necessary that a financial service firm develop a robust system along with an equally good service packages to get better mileage.

With the growth in savings market, mutual funds got a boost that there are over 50 schemes, which are available to an investor. Although, all such schemes can be classified under six or seven heads, but to an investor the differences between these schemes may not be obvious. How various promoters are marketing their mutual funds is discussed in this unit.

3.2 Marketing of Insurance Services

An estimated existing insurance market in India, in terms of premium income, reveals that out of an insurable population of 300 million, 50 million have the capacity to pay a premium of Rs 10,000 per year, 100 million have the capacity to pay Rs 7000 per year and 150 million can pay Rs 3500 per year. On this basis, the total annual insurance premium would be Rs 1750bn. The NCAER has also estimated an insurable population of 240 million.

3.2.1 Reforms and Implications

There has been a heated debate for some years due to the liberalization of the Indian insurance sector. The insurance is sector now finally set, to open up to private competitors. The Insurance Regulatory and Development Authority bill will clear the way for private companies to enter into Insurance as the government is keen to invite private sector participation into insurance. To address those concerns, the bill requires direct insurers to have a minimum paid-up capital of Rs 1 billion; to invest policyholders’ funds only in India; and to restrict international companies to a minority equity holding of 26 per cent in any new company.

Indian promoters will also have to dilute their equity holdings to 26 per cent over a 10 year period.

In the last three years, around 30 companies have expressed interest in entering the sector and many foreign and Indian companies have arranged alliances. Whether the insurer is old or new, private or public, expanding the market will present challenges. Foreign insurance companies have set up representative offices in India and have also tied up with various asset management companies. They either have signed MOUs with Indian companies or are trying to do the same. Some participants have carried out extensive research on the Indian insurance sector. Others have set up liaison offices. Most potential entrants are keen to access financial organisations with a strong infrastructure, good customer base and brand equity. These entrants must understand their own capabilities before looking into company structures or alliances.

3.2.2 Mix in the Insurance Services

Product

Life Insurance is a contract for payment of a sum of money to the person assured (or failing him/her, to the person entitled to receive the same) on the happening of the event insured against. Usually the insurance contract provides for the payment of an amount on the date of maturity or at specified dates at periodic intervals or at unfortunate death if it occurs earlier. Obviously, there is a price to be paid for this benefit. Among other things, the contract also provides for the payment of premiums by the assured.

Life Insurance is universally acknowledged as a tool to eliminate risk, substitute certainty for uncertainty and ensure timely aid for the family in the unfortunate event of the death of the breadwinner. In other words, it is the civilized world's partial solution to the problems caused by death. In a nutshell, life insurance helps in two ways: dealing with premature death, which leaves dependent families to fend for themselves and old age without visible means of support.

Product Benefits:

- **Superior to any other Savings Plan:** A life insurance policy affords full protection against risk of death. In the event of death of a policyholder, the insurance company makes available the full sum assured to the

policyholders' near and dear ones. In comparison, any other savings plan would amount to only the total savings accumulated till date. If the death occurs prematurely, such savings can be much less than the sum assured, which means that the potential financial loss to the family is sizable.

- **Encourages and Forces Thrift:** A savings deposit can easily be withdrawn. The payment of life insurance premiums, however, is considered sacrosanct and is viewed with the same seriousness as the payment of interest on a mortgage. Thus, a life insurance policy in effect brings about compulsory savings.
- **Easy Settlement and Protection against Creditors:** A life insurance policy is the only financial instrument the proceeds of which can be protected against the claims of a creditor of the assured by effecting a valid assignment of the policy.
- **Administering the Legacy for Beneficiaries:** Speculative or unwise expenses can quickly cause the proceeds to be squandered. Several policies have foreseen this possibility and provide for payments over a period of years or in a combination of installments and lump sum amounts.
- **Ready Marketability and Suitability for Quick Borrowing:** A life insurance policy can, after a certain time period (generally three years), be surrendered for a cash value. The policy is also acceptable as a Security for a commercial loan, for example, a student loan. It is particularly advisable for housing loans when an acceptable LIC policy may also cause the lending institution to give loan at lower interest rates.
- **Disability Benefits:** Death is not the only hazard that is insured; many policies also include disability benefits. Typically, these provide for waiver of future premiums and payment of monthly installments spread over a certain period of time.
- **Accidental Death Benefits:** Many policies can also provide for an extra sum to be paid (typically equal to the sum assured) if death Occurs as a result of accident.

3.2.3 Types of Non-Life Insurance Products

The general insurance products are of two types. The first are those policies which are optional i.e. at the behest of the insured. The other policies are mandatory, for example, motor insurance and public liability (for corporate class). These policies include:

Fire Insurance	Building or Flat, Furniture fixtures and other items, Loss of profit, i.e., consequential loss
Motor Insurance	Various types of car, trucks, two wheelers, three wheelers.
Miscellaneous Insurance	Personal accident, Burglary, theft, Workmen's compensation, Fidelity guarantee, Cancer, Medi-claim, Comprehensive package policy for jewellery, TV, VCR, Furniture, etc. Videsh Yatra Policy: a personal accident insurance for overseas travellers.
Marine Cargo Insurance	Cargo in transit, Cargo declaration policy
Marine Hull Insurance	Inland vessels, ocean going vessels, fishing and sailing vessels, freight at risk, construction of ships, voyage insurance of various vessels, ship breaking, insurance awaiting breakup, Insurance oil and energy in respect of onshore and offshore risks including construction risk.
Non-traditional/Rural	Cattle/hens, Crop, Water pump for agriculture, Hut, Other livestock.

Broadening the benefit

With the Indian insurance sector opening to private players it is said that it might impact on a greater scale and may swamp the market. International insurers often derive a part of their business from multinational operations. Multinational insurers have shown keen interest due to several reasons such as saturation in home markets, while emerging countries have low insurance penetrations and

provide high growth rates. A small share of a large and growing market can be profitable and attractive.

However, the experiences of some other countries are different as foreign insurers took only a small share of an individual country's market. In Taiwan, for example, foreign companies took only a 3% share even seven years after opening up. In Korea, their share was 1% after 20 years. In China, which is a large and complex market like India, private insurers have not made much headway. The Korean insurance market, for example, was only the 30th largest market in the world by premium volume in 1971. It moved up to 6th largest in 1996. In any case, in India multinational insurers will be restricted to a minority shareholding in new companies. The new entrants will be Indian private sector companies. Therefore, potential private entrants expect to score in the areas of customer service, speed and flexibility and better product choice. These entrants may also concentrate on affluent urban customers, as foreign banks did until recently.

This might seem a logical strategy, as the start-up costs, like distribution network, are high, in the initial stages it offers better returns.

However, we believe that the middle market offers the greatest potential. Although, this may still be an urban market, it goes beyond the affluent segment.

Insurance, even more than banking, is a volume game. A very exclusive approach is likely to provide meaningful numbers. Therefore, private insurers would be best served by a middle-market approach, targeting customer segments that are currently untapped.

We anticipate that many new players will indeed take this approach, extending the benefits of a free market place to a wide base of customers. Faced with competition, we believe that the nationalized insurers will improve their game, as they are already trying to do. In any case, the customer will be the initial beneficiary.

3.2.4 Pricing

On the nationalization of Life Insurance in 1956, the premium ratings of Oriental Government Security Life Assurance Company were adopted by LIC with a reduction of 5 % of the tabular premium or Re 1 per thousand sum assured, whichever was less? This reduction was made in anticipation of economies of scale that would emerge on the merger of different insurers into a single entity.

LIC made several downward revisions in its premium rating in order to benefit the substandard lives and also substantially reduced the number of vocations that were classified as hazardous. The additional premium being charged for granting accident benefit was reduced from Rs 2 to Re 1 per thousand sum assured. The charging of extra premium in respect of policies on female lives was also discontinued.

The earliest mortality table of assured lives constructed in India related to the period 1905-25. This mortality was based on the experience of Oriental Government Security Life Assurance Company. The next investigation was conducted during the period 1925-35 and a new mortality table was published in 1938. This formed the basis of the premium rates of most insurance companies in India. In 1954, after about a decade and a half, aided by experience, some downward adjustments were made in this table. The revised table was known as the Modified Oriental Mortality table. Today, the non-profit' premium rates in use are based on the latest mortality table constructed during the period 1975-79 and the 'Inclusive of profit' premium rates are based on the earlier mortality table published in 1970-73.

One needs to consider the practical problems that are likely to crop up, while examining the desirability of revision of premium rating of with profit' policies. The most obvious one being that any such revision will lead to inequity between different generations of policyholders. This can be set right only by adopting a differential bonus system, i.e. the rates of bonus to be declared in respect of policies taken before revision of premiums have to be different from the rates declared in respect of policies taken after revision. Therefore, the corollary problem is that of administrative acrobatics – even large-scale rewriting of business. Small wonder – insurers desist from revisions of 'with profit' premium rates and prefer to pass on to policyholders the benefit of any improvements in the form of additional bonus. In respect of 'without profit' plans, there is no such difficulty in revising the premium rates. As and when there is a significant departure of experience from past assumptions, these rates are revised with little or no discomfort.

The three main factors used for determining the premium rates under a life insurance plan are mortality, expense and interest. Any significant change in any of these factors normally entails revision of premium rates.

- **Mortality:** The average rate of mortality is one of the main considerations when deciding upon the pricing strategy. In a country like South Africa, which is unfortunately plagued by a host of diseases especially like AIDS,

the threat to life is very common. The price of the installments, its frequency and its premium charges are all decided accordingly.

- **Expenses:** The cost of processing, the kind of infrastructure costs involved and the payment made to the agents, reinsurance companies as well as the registration, etc. are all incorporated into the costs of the installments and premium sum and forms the integral part of the pricing strategy.
- **Interest:** The interest rate is one of the major factors, which determines people's willingness to invest in insurance issues. If the interest rate provided by the banks of other financial instruments is much greater than the perceived returns from the insurance premiums then people would not be willing to put their funds in this sector. The financial climate in South Africa is favorable to the insurance sector. The interest rate in South Africa is not very high. In fact, for the past few years, it has fluctuated and this, compared to the interest rate in the other countries is relatively low. Hence, we can safely say that the market is conducive to the perusal of insurance services in our chosen destination.

3.2.5 Distribution

Distribution is a key determinant of success for all insurance companies and the nationalized insurers currently have a large reach and presence. New entrants cannot and do not expect to supplant or duplicate such a network. Building a distribution network is expensive and time consuming. Yet, if insurers are to take advantage of India's large population and reach a profitable mass of customers, new distribution avenues and alliances will be imperative. This is also true for the nationalized corporations, which must find fresh avenues to reach existing and new customers.

Some potential Indian players hope that their anticipated technology advantage will allow them to increase their reach, partly by using remote channels. However, financial services companies, globally and in India, have found that customers are making the shift to such channels slowly and only for less complex transactions. In India, Insurance, especially life insurance, is still considered as a service product. Thus, even the successful international direct insurers are focusing on standard covers such as motor insurance. We believe that, in India technology will not replace a distribution network, though it will offer advantages like better customer service.

Banks and finance companies are emerging as an attractive distribution channel for insurance. This trend will be led by two factors, which already apply in other world markets. First banking, insurance, fund management and other financial services will all form a set of services rather than disparate ones. Second, banks and finance companies are being driven to increase their profitability and provide maximum value to their customers. Therefore, they are themselves looking for a range of products to distribute.

In India too, banks hope to maximize expensive existing networks by selling a range of products. We anticipate that rather than formal ownership arrangements, a loose network of alliance between insurers and banks will emerge. In the US, banks lease space to insurers within their bank branches or retail products for multiple insurers.

Another innovative distribution channel that could be used in the non-financial organizations. For example, insurance for consumer items such as refrigerators can be offered at the point of sale. This piggybacks on an existing distribution channel and increases the likelihood of insurance sales. Alliances with manufacturers or retailers of consumer goods will be possible. With increasing competition, they are wooing customers with various incentives, of which insurance can be one.

Another potential channel that reduces the need for an owned distribution network is worksite marketing. Insurers will be able to market pensions, health insurance and even other general covers through employers to their employees. These products may be purchased by the employer or simply marketed at the workplace with the employer's cooperation.

Companies will have to ensure a strong brand identity. Distribution through third parties it is companies' third parties means that it is those companies rather than the insurers who often reap the benefits of customer loyalty. This accelerates the shift of insurance to a commodity product. Since many new companies already offer other financial services products, they will be tempted to sell only their own products. They must balance this against the advantages of offering customers a wide product range. This is especially important because we anticipate the rise of pure financial service retailers who do not have any owned products and offer a broad range of products from different providers to consumers.

3.2.6 Process

The processes involved in the insurance industry should be customer friendly. The speed and accuracy of payment is of vital importance. The processing methodology should be such that it provides total ease and convenience to the customers. Installment schemes should also be streamlined to cater to growing demands of the customers and keep pace with the competition in the market. The new developments, which will smoothen the process flow, are IT and data warehousing. Firstly, information technology will help in servicing large numbers of customers efficiently and bring down overheads. Technology can complement or supplement distribution channels cost effectively. It can also help improve customer service levels considerably. Secondly, the use of data warehousing, management and mining will help to gauge the profitability and potential of various customer and product segments. Understanding the customer better will allow insurance companies to design appropriate products, determine pricing correctly and increase profitability.

3.2.7 People

Being a service industry involving a high level of people interaction, it is important to use this resource efficiently in order to satisfy customers as also to have a competitive edge in the market. The two key areas, which need to be kept under consideration, are training and development and strong relationships with intermediaries.

Training the employees to introduce them to new products, use of information technology for efficiency, both at the staff and the agent's level or the distribution organizations is one of the key areas to look into. Also building strong relationships with intermediaries, such as agents, will help in meeting customers' needs and serve them effectively.

Check your progress 1

1. Factoring is defined as a financial service that which is
 - a. Covering the financing and collection of receivables in domestic as well as international trade.
 - b. an arrangement in which receivables on account of sale of goods or services are sold to the factor at a certain discount
 - c. both a and b
 - d. only b
2. Indian banking sector historically passed through following stages:
 - a. pre-independence and post-independence
 - b. pre-nationalization and nationalization
 - c. post-liberalization stages
 - d. all of the above
3. The advantages of savings are :
 - a. The rapid growth of East Asia's 'tiger economies' is mainly due to the high rate of saving.
 - b. Savings provide resources for high levels of investment, which in turn acts as a fuel for overall growth.
 - c. both a and b
 - d. only b

3.3 Bank Marketing – Market Research and Indian Banks

We define bank marketing as follows: “Bank marketing is the aggregate of functions, directed at providing services to satisfy customers’ financial (and other related) needs and wants, more effectively and efficiently than the competitors keeping in view the organizational objectives of the bank.” Bank marketing is the ‘aggregate of functions’, which signifies the totality of the marketing activity. This aggregate of functions is the sum total of all individual activities consisting of an integrated effort to discover, create, arouse and satisfy customer needs. This

means that each individual working in the bank is a marketing person. He or she contributes to the total satisfaction to the customers and that the bank should ultimately develop customer orientation among all the personnel of the bank.

Marketing helps in achieving the organizational objectives of the bank. This further explains that marketing is equally applicable to achieve commercial and social objectives of the banks. Indian banks have dual organizational objectives — commercial objective to make profit and social objective which is a developmental role, particularly in the rural areas. Service area approach adopted recently by the Indian banks is a marketing approach whereby a specific target market is assigned to each bank branch and after identification of the needs of the customers all efforts of the bank are required to be concentrated to satisfy the customers to achieve the bank's social objectives.

Below are few points which are one of the great contributors in a bank's success: The bank cannot exist without the customers.

- The purpose of the bank is to create, win and keep a customer. Central focus of the bank being a customer. It is also a way of organizing the bank. The starting point for organizational design should be the customer and the bank should ensure that the services are performed and delivered in the most effective way. Service facilities also should be designed for customers' convenience.
- Delivering total satisfaction to the customer should be the ultimate aim of a bank. Customer satisfaction is affected by the performance of all the personnel of the bank.

All the techniques and strategies of marketing are used so that ultimately they induce the people to do business with a particular bank. To create and keep a customer means doing all those things so that people would like to do business and continue to do it with a particular bank rather than with the competitors. It cannot stay in business if it does not attract and hold enough customers, no matter how efficiently it operates'.

Marketing is an organizational philosophy. This philosophy demands the satisfaction of customers' (consumers) needs as the prerequisite for the existence and survival of the bank. Marketing is so basic that it cannot be considered as a separate function. It is the whole business seen from the point of view of its final result, which is the customer's point of view.

Marketing for service industry like banks is a philosophy to be understood by the whole organization — from the chief executive to the person working at

the counter. The first and most important step in applying the marketing concept is to have a whole hearted commitment to customer orientation by all the employees. Marketing is an attitude of mind. This means that the central focus of all the activities of a bank is customer. Marketing is not a separate function for banks. The marketing function in Indian bank is required to be integrated with operation.

A traditional marketing department (and officers with marketing designations) usually cannot be responsible for the total marketing function of a service organization like banks. Introduction of such marketing department may easily influence the bank in an unfavorable direction. Personnel working in other departments like operations and back of the counters stop worrying about their customer-related responsibilities and totally concentrate on just handling operations and other duties mechanically.

The reason for this is clear. They feel that the bank now has marketing specialists and hence they need not bother about customer related responsibilities any longer. Some Indian banks have started marketing department, which takes care of deposit services (deposit mobilization) function only. In most of the cases it is a new name given to the old deposit mobilization department. Functions remain the same with somewhat more promotional activities. One bank appointed about 50 marketing officers at branch level for deposit mobilization. The experiment is not successful and they are withdrawn from the branches and position is abolished. Banks may not require this type of separate positions. Branch manager and counter clerks themselves are the marketing persons.

What is required for the bank is the market orientation and customer consciousness among all the personnel of the bank. For developing marketing philosophy and marketing culture, a bank may require a marketing coordinator or integrator at the head office reporting directly to the Chief Executive for effective coordination of different functions, such as marketed research, training, public relations, advertising and business development, to ensure customer satisfaction. The Executive Director (ED) is the most suitable person to do this coordination work effectively in the Indian public sector banks, though ultimately the Chief Executive is responsible for the total marketing function. Hence, the total marketing function involves the following:

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Market research	i.e., identifying customers' financial needs and wants and forecasting and researching future financial market needs and competitors' activities.
Product development	i.e., appropriate products should be introduced so that they meet consumers' financial needs.
Pricing of the service	i.e., promotional activities and distribution system in accordance with the guidelines and rules of the Reserve Bank of India and at the same time looking for opportunities to satisfy the customers better.
Developing market orientation	i.e., marketing culture — among all the customer-consciousness `Personnel' of the bank through training.

Thus, it is important to recognize the fundamentally different functions that bank marketing has to perform. Since the banks have to attract deposits and attract users of funds and other services, marketing problems are more complex in banks than in other commercial concerns.

3.3.1 Market Research

Marketing begins with information about the market in which the bank operates. To say that a bank is market oriented simply means that a bank's decisions are made through the eyes of the customers of the bank. The bank which really practices marketing or which is market oriented, while thinking of introducing a new type of cheque system or a new service for example, will not make a decision on the alternatives until it has found out what its customers want. A non-market oriented bank when faced with the same problem would mostly do what is the easiest way out for its operations, systems and costs considerations without any regard for what its customers might prefer.

The main problem in marketing is discovering what needs the customers have and determining how the bank can meet these needs. There are two main requirements. First, knowing as much as possible about each of the bank's markets/customers and secondly, knowing as much as possible about the plans of the bank's competitors in their attempts to exploit these markets.

Banking business decisions, which are related to opportunities available in the market, are generally taken on the basis of experience or intuition of the

decision maker. With the forces affecting the market environment becoming more and more complex, decisions based only on experience and on intuition without any support from information are likely to prove costly and unreliable while introducing a new service or while taking marketing and business decisions. Hence, we define market research as follows: “Market research is the study of consumers’ attitudes, habits and behavior towards satisfying their needs and wants on the one side and the study of competitor’s activities on the other to help the management to take better marketing and business decisions”. To put it in simple words, market research is a systematic process of collecting, recording, analyzing and interpreting information for the decision making process related to marketing function. Market research in banking is an essential tool of marketing for effective planning. Market research can detect the future changes, which can be adjusted in the planning process.

Marketing research can be used to gather more knowledge about the market in which the bank is operating. With the information, new services can be developed and existing services can be improved. Better and more effective promotion programmes can be designed which can be accepted by the customers. Market research serves as a communication channel between the market and the bank. The single most important reason for undertaking market research is to improve the quality of managerial decision making.

3.3.2 Market Research in Indian Banks

We inquired with all the public and 14 private sector banks whether they had undertaken any market research studies. The following broad areas of market research were considered for the study:

- New service development
- New service product acceptance
- Research and development of existing financial service
- Bank image study
- Measuring bank’s advertising effectiveness
- Measurement of market potentials
- Market research of competitive service products
- Customer’s opinion study

- Customer profile study and
- Market share analysis.

In response to our inquiry we received information from 17 banks. Out of these banks, 14 are public sector banks and 3 are private sector banks. Two nationalized banks and two private sector banks informed that they have not conducted any market research studies. Table shows the information about market research activities conducted by various Indian banks.

The most important subject for market research in terms of the number of studies conducted is the customer service/customer profile/opinion studies. Few banks have conducted even more than one customer service/ opinion studies.

In case of most of the consumer products and industrial products industries in India, market research activities are initiated and concentrated in the area of new product development and acceptance. But in the case of Indian banking industry, it appears from Table that only one bank—Canara Bank—has conducted market research in the area of new services development and that also in the latter part of 1989.

Table Market research in banks

Banks	Title of the Market Research Study	Remarks
1. Allahabad Bank	a. Survey on customer service	Not formal report prepared
2. Bank of Baroda	a. Marketing of deposits and allied services to non-residents customers opinion (1985)	MP Ranade: BMP Thesis
3. Canara Bank	a. Marketing research study for two new deposit schemes (1989)	For internal use only
4. Central Bank of India	a. Market survey of customer service b. Marketing deposits (customers)	Conducted by the students of BITS, Pilani. For internal use only service (1986)

5. Indian Overseas Bank	a. Potential areas for future business expansion	For internal use only
6. Oriental Bank of Commerce	a. Study of customer service in OBC with special reference to metropolitan branches (1989)	R Upendran MBP Thesis
7. Punjab National Bank	a. Sample survey on customer's responses (1987)	For internal use only
	b. Sample survey on customer service (1988)	For internal use only
	c. Study on deposit linked housing loan scheme 1982	Formal Report
8. Punjab and Sind Bank	a. Study on customer turnover (mail questionnaire based study of customers who have closed their accounts) (1989)	For internal use only
	b. Changing Profile of Punjab and Sind Bank's customers and their expectations, a survey based study (1988)	J S Kalra: BMP Thesis
9. State Bank of Bikaner	a. A survey on customer service, level of customer satisfaction and customers' expectations (1988)	For internal use only
10. Syndicate Bank	a. Evaluation study on the	For internal use only

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	quality of customer service (1989)	
	b. Marketing of bank service with special reference to branches in Bombay city of Syndicate Bank- customer service (1979)	K M Kanath BMP Thesis
11. Union Bank of India	a. Customer responses (opinion) survey (1988)	For internal use only
12. UCO Bank	a. Customers' opinion study (1989)	For internal use only
13. United Bank of India	a. Report of the survey on customer opinion (1987)	For internal use only
	b. Improvement of customer service in metropolitan branch (1979)	K P Ramesh Rao; BNP Thesis
14. Vijaya Bank	a. Report of the customer service survey (1988)	Formal Report
15. Karur Vysya Bank	a. Study on the image of the bank (1989)	Undertaken by a Consultant

On market share analysis, the research at macro level is conducted by almost all the banks. Indian Banks Association (IBA) analyses and publishes comparative data on market share for all public and private sector banks at micro level. But the analysis at micro level, district and centre level is conducted by very few banks. Only three banks have informed that market share analysis at micro level is being researched. These banks are Central Bank of India, Indian Overseas Bank and State Bank of Bikaner and Jaipur. Besides these, two more banks, viz., State Bank of India and Indian Bank also appear to have undertaken market share analysis at micro level.

Further there is also a study on All India Savings and Deposit Trends and Patterns: a national level survey sponsored by the IBA and conducted by the NIBM. This appears to be the largest market research study conducted in Indian financial market with one hundred thousand sample size. The findings of the above study are brought out (for restricted circulation) in the form of monographs, under the following titles: (a) Urban Bank Savers (b) Urban Non-Bank Savers (c) Urban Institutional Savers (d) Urban Customer service (e) Rural Bank Savers (f) Rural Non-Bank Savers (g) Rural Institutional Savers (h) Rural Customer Service (i) Institutional Customer Service (1) Executive Summary and (k) Highlights’.

In the area of ‘measuring bank’s advertising effectiveness’, the IBA had carried out a market research of impact created by publicity programmes of the banks in 1988. The findings of this study may be of use in planning banks’ advertising campaigns more effectively.

One of the earliest known market research studies on customer service conducted for the banking industry is Customer Service in Banks 1977 (Working Group on Customer Service in Banks appointed by the Government of India). Most of the recommendations based on this study were accepted for implementation by the Government of India.

Indian Market Research Bureau (IMRB), one of the largest market research consultancy organisations in India, has conducted market research studies in the field of banking. The details of some of the studies undertaken by IMRB in the recent past are given below:

- “Bank’s Advertising and Publicity and its Image among Consumers”. A large scale study was conducted to assess the utility and effectiveness of the communication programme of one of the largest nationalized banks in the country. The research evaluated the bank’s advertising and publicity and its image among the people. The study entailed more than 4000 structured interviews between both the account holders of the bank as well as non-account holders, spread over 34 centers.
- The IMRB has recently undertaken a large scale survey on personal finance and banking among 8,800 businessmen, executives and professionals. The study determines the ownership of financial assets (e.g., shares, units, long-term government bonds, etc.), the banks used for personal banking, credit card ownership and the extent of participation in the stock market. Media linkage reports (i.e. readership of publications and viewership of television) are also available in this survey.

3.3.3 Areas of Future Market Research

The information about the market research activities undertaken by the Indian banks show that they have not really paid adequate attention to market research. There is a need by the banks to keep pace with their competitors in the financial market by using market research techniques for decision making process for business growth.

As not much has been done in the area of market research by Indian banks, future market research should be undertaken in all the areas as per the priority of the individual banks. We would like to list down the following priority for market research by Indian banks.

- No new service or product should be introduced in the market without conducting market research and ascertaining its acceptance or preference.
- Similarly in the case of existing products, customer acceptance and preferences should be ascertained before extending the existing services.
- Market share of other institutions products and banks subsidiaries products should be researched in the financial market.
- Customers profile/opinion study should be conducted at micro-branch level more frequently than at present.
- Measurement of market potentials, measurement of success in promotional exercises, image of the bank, market segmentation, etc. has to be also researched.

Adoption of marketing strategy demands a revised approach and many Indian banks have perhaps still not fully understood the implications of this. Many banks have not even understood that marketing is applicable to all the three major functions of banks—deposit, advance and other services. Marketing approach requires:

- A detailed understanding of marketing principles and activities by the top management.
- Adoption and demonstrated commitment to marketing at the top management of the bank.
- Conducting appropriate market research to understand the market/consumer better.
- More emphasis to product development and the process of product development to the needs of the consumer.

- Exploitation and adoption of new technology, systems and procedures for marketing advantages for customers' convenience and not for only cost advantage.
- A commitment to customer orientation marketing (need satisfaction) culture throughout the bank including that staffs that are not in direct contact with the customers.

To be successful in the long run the bank must adapt to the changing customers financial needs, wants and preferences and should keep pace with new services offered by the competitors in the financial market.

The bank with a convenient retail outlets—branch network—and most efficient service will tie the ultimate winner in the growing and competitive financial market in the future

Check your progress 2

1. The general insurance products are of following types :
 - a. The first are those policies which are optional at the behest of the insured
 - b. The other policies are mandatory, for example, motor insurance and public liability
 - c. both a and b
 - d. only b
2. The main factors used for determining the premium rates under a life insurance plan are
 - a. mortality
 - b. expense
 - c. interest
 - d. all of the above
3. The following broad areas of market research were considered for the study:
 - a. New service development
 - b. New service product acceptance
 - c. Research and development of existing financial service
 - d. all of the above

3.4 Mutual Funds Marketing

Over protection, direct control and regulations are making way for competition and market based instruments in the emerging free market economy and marketing mutual fund services in such a heterogeneous market would be a real challenge. However, before discussing the marketing challenges, let us see the scope of mutual funds in view of the changing profile of domestic savings market in India.

Growing Savings Market

Indian economy, during the last four decades, has witnessed significant structural changes and relative increase in contribution of services sector to GDP from 28.5% in 1950-51 to 39.4% in 1989-90. However, a relatively higher growth was noted in respect of contribution of financial services industry (banking and insurance) –from 2.8% to 4.7% during the same period. Net value added to GDP in 1989-90 was 4.5%. Growth of financial services sector is closely related to the growth of domestic savings rate and India is one of those countries of the world, which have maintained a steady growth in savings rate. Gross domestic savings as a percentage of GDP increased from 10.4% in 1950-51 to 22.2% in 1990-91.2. In the savings market, household sector has always played the dominant role, its share in gross domestic savings increased to 82.3% in 1989-90.

The Mutual Fund Services

The above discussion signifies that Indian savings market has been expanding with time and there is a steady increase in the flow of household savings to the capital market. Many small investors in rural and semi-urban areas are also investing in the capital market. Moreover, general profile of investors is changing and the young investors are more interested in growth than safety. All these factors have necessitated the need for a sophisticated investment instrument that allows for growth with safety – mutual funds – as they offer an alternative savings avenue with a better rate of return linked to stock market movement. The entry of mutual funds in India in the late 1980s was at the time when stock market was ready for explosive growth.

Though Unit Trust of India (UTI) has been operating in the Indian financial market since 1964, it was the late 1980s, which actually witnessed the entry of mutual funds as an alternate to the existing savings media. Public sector, commercial banks and financial institutions took a lead in establishing mutual funds as trusts. State Bank of India (SBI) and Canara Bank set up mutual funds in 1987. Life Insurance Corporation (LIC) and Indian Bank set up their mutual funds

in 1989 while Punjab National Bank (PNB) and Bank of India set up theirs in 1990.

General Insurance Corporation (GIC) established its mutual fund in 1991. Therefore, by November 1992, there were quite a few mutual funds (including UTI) operating in the Indian financial market.

Types of Mutual Fund Services

Mutual fund schemes are broadly classified as open ended and close ended. Open ended schemes are launched without indicating the date of redemption while close ended schemes have a fixed target amount or subscription period. Target oriented schemes are closed immediately after the mobilisation of target amount while the schemes oriented to subscription period (say 2 or 3 months) are closed after the targeted closing date. Most of the schemes launched by Indian mutual funds are close ended schemes.

Mutual fund schemes have been further classified on the basis of the benefits they offer to investors (which, however, are determined by the underlying investment objectives of the funds. Thus, the schemes are classified according to specified benefits as growth schemes, income schemes, income plus growth schemes, tax saving schemes and others. There are very few pure growth schemes in India. Most schemes offer the benefit of monthly or yearly income while some offer tax benefits to the investors. Theoretically speaking, Indian mutual funds are yet to enter equity business in a big way as the mutual funds in USA or UK. The slow equity orientation of mutual funds in India is probably due to the psychology of bulk of Indian investors who are yet not fully prepared to take risks in equity investment.

In India, different mutual funds have launched more than 110 schemes of various natures: growth schemes, income schemes, income-cum growth schemes, tax planning schemes, offshore and other schemes.’ Details of most of the scheme are provided in annexure.

Indian mutual funds have made tremendous progress in mobilising savings. It was estimated that the collection of mutual funds (including UTI) increased from about Rs 3,000 crores in 1988-89 to about Rs 10,000 crores in 1991-92. It has been further estimated that the total unit holders in the country would be around 2 crores. This signifies tremendous faith and response of Indian investing public in the mutual funds.

Table Types of mutual funds

Aggressive Growth Funds	Funds invested in stocks of fledgling companies / industries; goal is maximum price rise; current income is very low; safety is very low.
Growth Funds	Funds invested in stocks of settled companies/ industries; goal is high capital appreciation; current income and safety is low
Growth and Income Funds	Funds invested in companies with solid track record; goal is price rise and moderate current income; safety is low to moderate.
Fixed Income and Equity Income Funds	Investment is made in high yielding stocks and bonds; goal is high current income; safety is low to moderate.
General Money Market Funds	Funds invested in short-term debt instruments; goal is moderate to high current income; safety is very high.
Balanced Funds	Funds invested in mixture of bonds, preference and common stocks; goal is current income and long-term growth; safety is high.
Tax Saving Funds	Funds invested in permissible stocks/ debentures; goal is tax benefits and growth; current income is moderate and safety is high.

Mutual funds industry is now going to be well organised, diversified and more competitive in the years to come. Securities Exchange Board of India (SERI), the regulatory authority for the mutual funds, has already issued a series of guidelines to put the industry in the right direction, particularly in view of proposed entry of private sector mutual funds.

3.4.1 Elements of Mutual Fund Marketing

Marketing of services has been considered the most vital area of operation of mutual fund industry in view of keen competition of similar/alternative products. In a newly developed market like India, where investor awareness is yet to take shape, mutual funds have an important role to play in educating investors (particularly those who are located in rural and semi-urban areas) about the manifold advantages of investment in the same. Therefore a well-planned marketing strategy to mobilize savings by educating investors and creating confidence about safety and return needs to be designed.

The Institute of Marketing has defined it as ‘the management process responsible for identifying, anticipating and satisfying customers’ requirements profitably.’ These definitions of marketing, places immense importance on customer’s satisfaction and attempts marketing as a customization strategy.

According to Donald Cowell, “The purpose of an organization is to create, to win and to keep a customer. The customer is and should be central to everything the organization does.” Therefore, customer should be the focal point of any marketing strategy of Mutual Fund.

Discussed below are the important elements of marketing mix, which should be a part of the marketing strategy to be adopted for achieving corporate goals.

Product Design and Pricing

Mutual funds provide financial services, which are intangible like any other financial service, and the quality of service depends not only on the product but also on its performance. These services can also be performed like many other financial services. Mutual funds have to operate under a very volatile situation of the stock market and their performance is closely scrutinised by taking stock market performance as an index. Moreover, mutual funds are treated as managers of individual savings to ensure safety of investment and, very often, to fulfill high expectation of investors in respect of returns. As a result, mutual funds have to shoulder more responsibility and accountability than banks, insurance companies, etc. which have more operational freedom.

Mutual funds products (i.e. schemes) are basically investment oriented and the savings mobilized by them invariably need to be invested in the instruments (shares, debentures, etc.) projected in the schemes – there is little scope of flexibility. Therefore a lot of care needs to be taken while designing particular product (scheme). While expected changes in capital/stock market must be kept in view for future investment return, the changing profile of customers (investors in

units) must be taken into account to identify the segment of savings market likely to be tapped. Therefore it becomes an important function for product designers to integrate the market segments and investment instruments while designing new products (schemes).

Various segments of potential savings market have varied expectations out of their investment – long-term growth, regular income, tax benefits, etc. New products, therefore, must be aimed at satisfying one or more objectives. Tax laws and other related regulations play an important role in the design of a new product because many benefits can be offered to investors within the existing framework of tax regulation.

Another important function of product development is the selection of brand name and pricing of the product. Brand name very often signifies the market segments, inherent benefits, investment objectives and also customers' loyalty. More often than not, brand names (scheme's name) of Indian Mutual Funds are usually linked to the respective mutual funds like Dhan series of LIC mutual funds, Magnum series of SBI Mutual Funds, etc.

Pricing is also very important for servicing products. According to Donald Cowell, "the price of a service should be related to the achievement of marketing and organization goals and should be appropriate for the service organization marketing strategy". Prices of mutual fund products are inextricably linked with returns. In India, the face value of units of most mutual funds is Rs 10. However, while deciding prices, incentives, brokerage agency commission also need to be decided in advance because the expenses towards these will affect the ultimate returns to the investors.

Promotion and Distribution of Products

Any new product of any mutual fund may be having all the desired qualities but that does not ensure spontaneous acceptance by the customers. Success would greatly depend on the appropriate distribution and promotion strategy. Identification of right market segments of the product, selection of appropriate distribution channel and promotional aids will help in marketing the products.

Communication is important and communication through advertisement is the most important promotional aid for any mutual fund. Once target groups and their characteristics, value tastes, etc. are identified, appropriate advertisement mix (TV, radio, financial/ general newspapers, leaflets, etc.) is decided in order to reach maximum number of potential customers. Relative importance and intensity

of the campaign would depend on the nature of the product (for example, any scheme for working ladies would focus more on women's magazines).

Customer Service

Marketing of services is significantly influenced by the quality of service and interpersonal relationship between customers and service organization. Servicing has great significance in mutual funds like any other financial service industry. Market orientation of the product and customer orientation of servicing are the two key factors in the competitive world of financial services. Customers are usually better informed and more aware of their rights and privileges. Prompt and timely service in issuing certificates/ cheques and attending other requests would make a distinct difference. We have mentioned that expected rate of return remaining more or less same; it is service quality, which will differentiate one from the other. Services can be provided through external agencies or internally through service department. In India most of the mutual funds provide after sales services through a mix of external agencies and internal service department, though basic reliance is on the external agencies (Transfer and Registrar Agents) who are specialists in the job. Sometimes there are complaints that after sales servicing is not up to the expectation. This is probably due to the absence of sufficient number of such agencies, with trained and qualified staff. However, it will be better if mutual funds can develop their in-house expertise to render after sales services in a cost-effective manner.

In order to ensure quality service to the customers, "service audit" would be of great help in monitoring a range of services usually rendered by mutual funds. These services are sales related services, complaint related services and suggestions related services. Service standard can be fixed on the basis of expectation level of customers, which can be found through market survey.

It must be remembered that marketing is a dynamic process and aims to not only 'sale' but also 'resale' by establishing an enduring relationship with the customer through a life cycle of customer relations. Customers go through the first, second, third stages of relationships and arrive at the fourth stage only after being satisfied in earlier three stages. If they are satisfied at the fourth stage, such relations will continue; if not, they will switch over to other firms. Therefore efforts must be made to keep them happy and satisfied.

3.4.2 Marketing and Market Research

In the previous section we have attempted to identify important elements of market plan like product design, pricing distribution, promotion and customer satisfaction. However, before any exercise is undertaken on the above elements, mutual funds should examine the opportunities that exist in the market. What are the needs and wants and what are the costs involved to create and distribute the required products to satisfy the wants? These can be known through careful market analysis and the most scientific and widely used method of market analysis is market research, which are a continuous process involving systematic collection, analysis and interpretation of data for pre-marketing and post-marketing decisions. Findings of market research will greatly help in taking the right decision in respect of marketing elements and deciding proper marketing strategy.

Essential marketing research in a mutual fund can broadly be categorized as 'Industry Related' and 'Product Related'. Industry related marketing research takes a broader view of opportunities and alternatives of the mutual fund industry as a whole, while product related research pays exclusive attention to marketing elements of a specific product.

It can be mentioned here that research requires a lot of data relating to external and internal environment of an organization. While it may be difficult to gather external data, huge internal data are usually available within the organization lying unnoticed, underutilized and unstructured. Careful analysis of these data may give important and valuable information. It is therefore necessary to pay due attention to the internal data at the same time as we search for external data.

3.4.3 Strategic Marketing Plan

In the beginning of this unit, a reference was made to the ongoing structural change, deregulation and globalization of the Indian economy and financial market. As a consequence of these changes, financial market, particularly mutual fund market, is going to be more competitive and marketing of mutual funds will be more complex in a heterogeneous market environment. At present, public sector mutual funds are operating in a near protective environment and enjoying a sort of oligopoly. But in the emerging situation, private mutual funds are likely to enter the market hitting up competition. Moreover, more and more new products are likely to emerge and offer more alternatives to investors. In the savings

market, growing awareness among the customers due to easy accessibility of information and presence of competing alternative savings instruments will make their decision more selective. Consumers, in future, are thus going to be sovereign and more powerful in dictating the market. Therefore, future market for mutual funds is going to be different from the present. In order to grow and service in that market, managers of mutual funds should have the ability to identify and prepare them to manage the changes. This calls for drawing a strategic market plan (strategic plan) which is defined as “a process of deciding the objectives and the policy which are to govern the acquisition, use and disposition of resources”. Traditional strategic plan aims at achieving product/market efficiency by achieving external and internal efficiency.

Check your progress 3

1. The key factors in the competitive world of financial services are
 - a. Market orientation of the product
 - b. customer orientation of servicing
 - c. both a and b
 - d. only b
2. Essential marketing research in a mutual fund can broadly be categorized as
 - a. Industry Related
 - b. Product Related
 - c. both a and b
 - d. only b
3. The service audit would be of great help in monitoring a range of services usually rendered by mutual funds. These services are
 - a. sales related services
 - b. complaint related services
 - c. suggestions related services
 - d. all of the above

3.5 Let Us Sum Up

In this unit we have learnt about the financial services as a part of service sector.

It gives us information about the portfolio management services of insurance, mutual funds and banking sector. The evolution of bank marketing has also been explained in detail.

The unit helps us in understanding how promotion strategy has to be designed even for financial services in order to reach the niche segment and targeted customers. The insistence is given on excellent customer service

3.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-c), (2-d), (3-c)

Check your progress 2

Answers: (1-c), (2-d), (3-d)

Check your progress 3

Answers: (1-c), (2-c), (3-b)

3.7 Glossary

1. **Service guarantee** - When a service delivery fails to meet predefined standards, the customer is entitled to one or more forms of compensation.
2. **Service marketing system** - The firm has any form of contact with its customers, from advertising to billing; it includes contacts made at the point of delivery.
3. **Word of mouth** - Word of mouth publicity as it's called is nothing but positive or negative comments about a service made by one individual (usually a current or former customer) to another.

3.8 Assignment

1. Discuss briefly the characteristics of Indian insurance market and suggest why so many foreign players want to come to India.
2. What is the 'insurance product'? Discuss in the context of case benefits and other benefits. Give suitable examples in support of your answer.
3. What are the areas in which marketing research can help an Indian banking organization?
4. What are the major issues before any housing finance institution?

3.9 Activities

Write short note on:

- a. Savings Market
- b. PMS Industry
- c. Factoring Services
- d. Indian Banking Sector
- e. Competition in Hotel Industry

3.10 Case Study

Cucina Pasta

Company Overview

Leitrim Foods is the only Irish manufacturer of fresh pasta that is sold under the brand name 'Cucina Pasta'. Despite being a very small company, the founder decided to adopt a branding strategy rather than supply own-label. The lack of competitors in the market enabled the founder, Kieran O' Donohoe, to enter a niche market and build a brand with little or no advertising.

Kieran O'Donohoe is a chef by profession and he spotted a gap in the market while working in the flour import business. Secondary data indicated that sales of fresh pasta had been growing steadily in both the US and the UK. He felt that the Irish market was ripe for the same product. Furthermore, the "Dolmio" brand was the only fresh pasta brand on sale in Ireland. However, Dolmio was experiencing logistical problems since the product was not an easy one to handle.

The need for temperature control made transportation and handling of the product in retail shops difficult. Delays in delivery from the UK meant that the optimum shelf-life of the product was only 7 to 10 days. Immediately O' Donohoe recognised the opportunity for a local supplier that could improve distribution and cut delivery time, thus winning the vital edge over multi-nationals.

The consumer

The product was aimed at the buyer who does not always have the willingness, or ability, to prepare meals. It was positioned as a high quality convenience food that was nourishing, healthy and tasty. The market was mainly comprised of young, affluent professionals with busy lifestyles, well-traveled, who eat alone - even if they live as families. Chilled pasta is partially an impulse buy. As a result, the attractiveness of the product, the impression of freshness, the assortment of products, all help stimulate and maintain consumer interest.

Product and branding

The product is made from natural ingredients such as durum wheat and fresh eggs, and is instantly distinguishable from dried pasta, being soft, moist and easy to cook. O' Donohoe was able to offer retailers a fresh pasta product with a shelf life of 21 to 28 days. In the first year of operation, the number of products consisted of seven pastas including three tagliatelles. The founder was able to use his training as a chef to develop new products. He extended the product line by offering two home-made sauces (Palermo and Pomodoro) which were sold as an accompaniment to the main pasta dish.

The brand name 'Cucina' (the Italian for kitchen) was chosen to emphasize the Italian origins of the product. O' Donoghue claimed that the word caught his attention when he was leafing through a cookery book one day. Considerable thought has gone into the packaging design, so that it stands out in display areas and communicates the product's quality. The product was vacuum-packed for freshness, and the package was vibrant and colourful, with yellow, green and scarlet cleverly incorporating the colours of the Italian flag.

Price

The founder of the company decided to use a premium pricing strategy. He knew that retailers would be willing to stock a high margin product and felt that consumers would be willing to pay a high price for a high quality product.

Promotion

Leitrim Foods is a small company with no capacity to build a brand through intensive advertising. However this is not considered to be a major disadvantage due to the lack of competitors in the market. The company relied mainly on in-store testing, product presentation and word-of-mouth advertising to attract consumers.

Distribution

Cucina Pasta sells to multiple stores with fast turnover (such as Quinnsworth, Superquinn, Tesco, Roches, SuperValue, SPAR, Mace, Londis, L&N and Petitts). The convenient nature of the product means that it is generally an impulse purchase and it fits the store image of city centre convenience stores and garage forecourts. Small, independent grocers do not have sufficient turnover or sophisticated enough distribution systems to overcome problems of short shelf-life and difficulties of temperature control which together would result in high wastage levels.

The future?

The founder managed to attract funding necessary for expansion. The company's share of the fresh pasta market was estimated at 40% in 1997. The future challenge for the business is in keeping the product range fresh. Consumers tire of eating the same products on a regular basis and expect novelty products. Mindful of this fact, the company introduced three new lines during 1997 (Chicken & Bacon Ravioli, Mushroom Sauce Tagliatelle and Spinach Tagliatelle). Tesco entered the Irish fresh pasta market in 1998 and launched its own range of competitively priced fresh pasta and sauces. Kevin Blessing, the marketing manager of Leitrim Foods, was undeterred by this new challenge:

“When we became aware that Tesco was coming into the market it was a nervous time for us because we didn't know what was going to happen. But although we lost shelf space, we weren't de-listed, and we're now beginning to fight back. Tesco has a big product range and this will be good for the market because I believe that a greater presence of fresh products will grow the category over all.”

Questions

1. To what would you attribute Leitrim Food's initial success?
2. Perform a SWOT analysis of the firm and/or the fresh pasta market.
3. Where does Leitrim Foods go from here?

3.11 Further Readings

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UNIT 4: INFORMATION TECHNOLOGY AND COMMUNICATION SERVICES

Unit Structure

4.0 Learning Objectives

4.1 Introduction

4.2 Information Technology Services Marketing

4.2.1 The Three Landmarks

4.2.2 Marketing IT: Some Issues

4.2.3 Bridging The Ccommunication Gap

4.2.4 Niche Markets: The Only Option

4.3 Computer Networking Services: The Internet Experience

4.3.1 The Anatomy

4.3.2 The Bazaar

4.3.3 The New Frontier

4.3.4 Creating a Website

4.4 Media Services Marketing

4.4.1 Media Evolution

4.4.2 Media Services Marketing

4.5 Let Us Sum Up

4.6 Answer For Check Your Progress

4.7 Glossary

4.8 Assignment

4.9 Activities

4.10 Case Study

4.11 Further Readings

4.0 Learning Objectives

After learning this unit, you will be able to understand:

- Some of the management issues in IT industry.
- How one can market the IT services better, using the marketing principles.
- Develop marketing plan for each service by identifying product features to be included, pricing to be adopted and promotional strategies required for a promotional of product.
- How internet can be used for marketing and advertising, in a way marketing the internet to advertisers.
- The marketing tool which can be used to gain higher circulation and thereby higher advertising revenue also.

4.1 Introduction

The growth in Information Technology (IT) industry is perhaps the fastest of all that within a span of a decade or so it has become a multi-billion dollar industry. There are small and big players in this industry, each one is trying to carve a niche for itself. How marketing is of help in such organizations, the unit relates to the same.

There has been a recent spurt, both globally as well as in India, in the use, demand and implementation of Information Technology (IT). This new technology, which has found its uses in industry, offices and homes, is seen to be a multi-billion dollar industry in the years to come. MTNL is constantly trying to provide more and better telecom services required by the business community and public administration. These services include Cellular Mobile 'Radio Telephone, Radio Paging, Facsimile, Videotex, Teletex, Electronic Mail, etc. which are being launched by MTNL in a phased manner. Radio paging was introduced in Delhi in 1989 on an experimental basis. Around 835 radio pagers were sold and around 75 subscribers are on the waiting list. Electronic mail and voice mail are new technologies to India. The marketing strategies for these two services have been arrived at, based on the research undertaken. The research study was based on interviews and response of prospective customers, experts and present users.

Specific areas, dealt with in this unit regarding all the four services, are as follows:

- Marketing plan for each service by identifying product features to be included, pricing to be adopted and promotional strategies required for promotion of the product.
- The organization required for marketing these services to be proposed.

Though many presume the Internet to be a fairly recent phenomenon, it actually started in the late 1960's. In 1969, a US defense department agency, the Defense Advanced Research Projects Agency realized that it needed to develop an easy way to exchange military information between scientists and researchers at different locations. This led to rise of a simple network of four computers which was known as DARPA NET. The system caught on, although the name did not. It was soon changed to Arpanet and by 1972, it included 37 computers. By 1983 ARPANET had grown to such an extent, its research component was moved to a separate network called NILNET. In 1984 the National Science Foundation, another US Federal Agency established NSFNET. This linked together five Super Computer centers and made the information stored on them accessible to educational facilitators.

But until the early 1990's few people actually used the Internet for anything even remotely resembling business. In 1993, things changed a lot with the introduction of a new technology called the World Wide Web. Actually this technology was not really new - it just bound together existing technologies into a new firm. But the Web (as it is referred to today) made a startling difference to the usage of Internet. It was "human compatible" and could be used by just about anyone without any formal training.

One of the Super Computer Centers proved to be remarkably successful. Indeed, by 1987 there were so many people using the NSFNET and so many sites connected to it, and that a massive overhaul of the infrastructure was required just to keep it. The system was opened to many educational facility, academic researchers, Government employees, International Research Organizations who wanted to use it, provided they were from a country that was allied with the US.

It is being said that the media scene in India has changed; in fact, it is changing overtime. On one hand, newer media are emerging and affecting others, to some extent; on the other hand media habits of media consumers is showing signs of great change.

4.2 Information Technology Services Marketing

The early 1970s saw large computer organizations like IBM and ICL as the dominant players in the industry. The trend then was not to sell but install the hardware, lease it and provide a range of services to users. Soon, in the early eighties, three major trends started emerging, which revolutionized the industry.

4.2.1 The Three Landmarks

The first, an increasingly smaller size of hardware became available due to a technology called large-scale integration of circuits or what is commonly now known as ‘chips’. It is now commonly known that the power of hardware of the seventies, which was as large as an office room, is now down to the power of a personal computer.

The second very noticeable trend that emerged was that the size and cost of hardware became irrelevant when compared to the software development around the hardware. This made software increasingly powerful and a far more influential tool in the development and use of systems. The early eighties saw the emergence of powerful hardware and a large variety of software. This industry witnessed a growing number of hardware vendors and software companies. The traditional monopolies were broken. The most notable of these new companies was Microsoft, which, due to creative development and increasing popularity of software, in only a decade, has become one of the largest companies globally.

The third major development that took place towards the eighties, which had an impact on the hardware and the software industry, was the speed and use of satellite communication. It became evident that if users were to use powerful hardware it was not necessary to own it or even be physically close to it. The software resting on the hardware at distant locations or even other countries could be reached by satellite telecommunication through PCs or dumb terminals. This made it possible for users to access a variety of hardware or software anywhere around the world on ordinary telephone lines.

Providing IT services has become more important. Information Technology emerged, in the late eighties, as a combination of several facets; hardware, software and communications. It became evident then that information technology had a wide range and scope — covered a variety of hardware, several operating systems, innumerable application software that facilitates development and easier interface with the user. IT specializations have facilitated working in many sectors

such as banking, finance, mining, steel, transportation, government and what not. Communication networks have also developed that allow users either a local area network (LAN), which allows access on computers within a building or a wide area network (WAN) which is remotely and geographically distributed.

4.2.2 Marketing IT: Some Issues

Information technology has suffered from a lack of infrastructure. Hardware has not always been available, especially in India, as it required licensing and other government approvals before installation. Communication facilities were not forthcoming with the kind of efficiency seen today especially where telephone lines are used for data communication. Until the mid-eighties, data communication did not exist in the country. Finally there was a tremendous resistance to accepting computers in organizations. Even simple applications like word processing took considerable time before users discarded their typewriters to accept the new technology. The resistance apparently was because of the fear that information technology would mean fewer jobs. Marketers of information technology failed to emphasize that services use has actually improved productivity and did not replace jobs.

A Multi-faceted Product

Being a product and service of recent origin, Information Technology is perhaps still adjusting in the world of traditional marketing. It has, in itself, a complete range of marketing possibilities where we see product marketing through wholesale and retail outlets in the case of software packages on the one end and large turnkey projects encompassing huge geographical spreads, different systems, communication lines and hardware products, at the other. Needless to add, turnkey jobs in this industry are custom built to suit the requirements of the user. In a sense, therefore, several norms and practices have evolved which do not necessarily conform to traditional marketing practices used for marketing other known services. A part of the problem that emerges from such a young industry is the fact that information technology is still not fully understood by its users — it is being marketed in a world where users and decision-makers are not yet familiar with the technology being supplied. This results in a lot of indecision and hesitation in making buying decisions. It does not help matters when a highly visible and aggressive marketing is being done by an educated and elite group of marketing persons in a fast changing technology.

Large Product Range

Marketing of IT is further complicated by the exceptionally large product range it encompasses, such as, educational games targeted towards children, business tools used by office executives and offices, executive tools used increasingly for those who need to manage time and small amounts of information and data, very large complex energy and environmental systems which help monitor transmission of energy and use a census for managing the environment and feeding data into computers, areas of artificial intelligence have found their way into robotics which are increasingly being used to manufacture, financial applications and banking applications and in India we see, more recently, use of information technology in the stock market to help make the market more user sensitive. These are but just a few of the applications that are being used in the world of information technology. This range is expected to grow. Such a large product range having come up in an industry, which is relatively new, market methodologies are still being evolved and debated amongst those who increasingly try to penetrate new areas.

Software Dominance

As mentioned earlier, we had indicated the role of hardware vendors, who still dominate the industry, in directing the manner in which information technology was to be marketed. This implies that if IBM was to sell a machine, it was expected that software and services would be woven around the machine and users took essentially what was given to them. This resulted in a fairly complicated situation where machines were not really user friendly and it was left to the users and the computer departments to be trained to use these machines for the benefit of the users. Some pioneering effort in the early 80s resulted in making machines more users friendly. Steve Jobs of APPLE, who took upon the mission, needs a special mention. With this kind of approach, the hardware driven marketing practice soon fell into the background and users began to realise that what was more important was not which machine did their work but what software or application they used so that it could be used on any range of machines. Very good example of this is the IBM PC or the Compatible PCs, which have come up, and today it really does not matter whether you are using the original IBM or what is commonly known as a clone. What does matter is that the application you wish to use is available on the PC that you propose to use it on.

Emerging Marketing Mix

Given the present growth of the industry, it has become necessary to classify the major market segments in focus. These are not necessarily isolated and often

one segment overlaps into another. This results in a situation where it becomes very difficult to focus on narrow niches if one wishes to penetrate certain user markets.

Application Software

Application software belongs to the segment of the market which merges IT applications with specific sector segments. This has been very successfully done in segments such as banking, financial services, mining, power, steel, transportation and ports where the IT specialist has taken the expertise of the concerned sector and, with the help of sector specialists, designed systems to help improve productivity of that particular sector. A good example of such an application is the use of information technology in the power sector where generation and transmission of power was previously being done manually. Now it is being done through a series of software programs that help monitor and make effective decisions. Such an application requires a thorough understanding of the concerned industry segment in which the IT specialist is operating and, most often; it is difficult to penetrate the sector without the help of such specialists. It also involves major changes in organizations and power structures. A good marketing strategy, once an application is implemented, is to generate repeat orders from an existing application. An existing reference site is available for the marketing person and a set of users lend confidence to the application. This has been applied very successfully and implemented in India where different sector segments, especially at state level organizations, having once experienced the benefits of a system in another state or another sector, have readily agreed to adopt such a system for their own use.

1. Professional Services

This has largely been an export oriented activity. Professional services involve offering a variety of skills, specific to an individual, which can be utilized on projects either at overseas sites or offshore. The manner in which such an activity operates is due to the tremendous price advantage available to an industry currently in short supply of software personnel. The skills are firstly not easily available in overseas locations and, if available, are at prices thrice those available from offshore suppliers. This has led to an expansion in export services. The manners in which such services are sold are unique; regularly updated computer databases of individual skills are maintained which are then accessed by users, often at different parts of the globe. Business is done by matching this demand with available skills at the appropriate price. The logical extension of professional service would be sub-contracting, not of individual skills, but perhaps to

companies with groups of professionals who can undertake segments of large IT projects and implement them at competitive costs in different parts of the globe. We can expect to see the nineties having a much larger share of such activity.

2. Systems Integration

A specialized segment of the industry comprises integrating systems and provides what are commonly known as turnkey solutions. This activity stems from the fact that there are multiple hardware vendors, multiple database choices, multiple applications software vendors, multiple database choices, and multiple applications software available for different industry segments. A user then has to rely on experts to make the correct choice while selecting hardware for a particular job and looking at all facets of available vendors and solutions before final implementation. An in depth study of the manufacturer's capabilities, the software, the communication skills and industry knowledge is required to provide such solutions. In addition, such an activity includes the training of the personnel and warranty of the system or its maintenance long after it has been established. Users increasingly resort to buying solutions and some major software companies attribute their growth to this activity. Systems integration means "A one stop shop" approach and requires a marketing capability and marketing profile, which is vendor independent. The user is, thus, assured of such services as they are not identified with or biased towards any specific hardware vendor.

3. Maintenance Services

This again is a rapidly growing segment of the activity. It entails providing services for maintaining existing hardware and software. As users become dependent on computers and communication, maintenance services ensure the availability of maximum machine time. More recently, large users have resorted to sub-contracting out portions of their computer centers jointly known as facilities; a combination of hardware, software and communications. The reason for the growth of this activity was twofold. Firstly, it became increasingly difficult for users to maintain a large profile of skills available at any one time to ensure that systems ran smoothly. Secondly, users found that their computer centers or the computing facilities they used took up too much of management time. They saw this as a complex, independent activity best managed by others allowing them to concentrate on their businesses. General Motors, for example, took the decision to give up its facilities to a services company and focused their abilities on the production of better cars. It took the decision and rightly so, to define its own activity as a user of computer services and not a manager of computer services. Such services are time critical and require considerable planning. Often, real time

systems such as an airline reservation system requires round the clock attention. Maintenance services would ensure that hardware, software and communication lines function appropriately so that at no stage is a passenger denied a seat at a reservation counter because the computer system is not functioning. In the case of an international airline, this implies that the system should be able to respond at any global reservation offices irrespective of where the computer system is physically placed. For example, the Air India computer may be located in Mumbai but should be in a position to update its reservation chart regardless of whether a reservation is made in Athens or in Melbourne.

4. Education and Training

Quite naturally, shortages in the IT industry have made manpower critical. Training has become a very crucial component of the product mix. With emphasis on skills, training is not only at the entry level but enables constant updation of skills requiring either familiarity with a particular hardware, a particular operating system or may be an application. Training institutions, having a reservoir of manpower, integrate forward into 'professional services and systems integrators'.

5. Technology Oriented Applications

Technology applications add another facet of complexity to the IT industry. The industry has had a history of very rapid advancements into different technologies. Such advancements could be in the type of hardware, the operating system, new databases or technology covering from artificial intelligence, robotics, imaging and so forth. The explosion of technology in different fields makes it extremely difficult for any vendor to keep track of and invest in all technologies. Information technology companies have realized that it remains in their best interest to enter niche markets and concentrate on a few basic technologies. It is becoming clear that few companies can afford to keep up R and D investments required to keep abreast of technology. This has resulted in companies taking on an approach of focusing on a few technologies they fell comfortable with and discarding the rest.

6. Software Packages

The software packages are mostly well-known to most users and they cater to that end of the market, which is most familiar to people in the industry or in marketing. This segment includes commonly known software packages such as DBase, Lotus 1-2-3 and Microsoft Windows. There tends to be the normal marketing thrust given to these packages not dissimilar to those that we see in advertising campaigns or distribution strategies of consumer products.. Software

packages have been the largest in the software industry, but strategic alliances have been crucial to this growth. It has required alliances with the major PC vendors, without which such growth would not have been possible. The most familiar alliance this industry has witnessed has been the one between Microsoft and the IBM PC which saw the exclusive use of MS DOS (Microsoft Disk Operating System) developed by Microsoft did not stop there. It has developed a range of products, which have been successively easier for the user to access and use. Microsoft developed Windows, which saw the use of graphics for the first time; users who felt uncomfortable with computer commands could look into a screen with graphic figures and access them with a pointer.

4.2.3 Bridging the Communication Gap

One of the biggest setbacks in the industry has been the existing communication gap between those who use software and systems and those who market them. The early growth of software saw aggressive, intelligent and educated IT persons marketing systems around with a lot of jargon, many terms were still new to the users of such technology. Managers, who would need to decide on the large investments in IT, were equally unaware. This led to a very uncomfortable situation where senior managers were not familiar with the technology or the jargon. Further, they could not associate the costs and benefits of a product, which was largely intangible in nature. For example, if one had to replace a typewriter with a word processor on a PC it was extremely difficult in financial terms to indicate the enhancement in productivity, which in normal buying decisions would find its way or would at least be possible for someone to accept.

As the communication gap was bridged the users began to appreciate the need for IT. Decision makers as well as IT experts decided that it was futile to examine in too much detail the cost benefit analysis. Familiarity with IT was more important than actually understanding the applications. Once few simple applications were understood, the use of IT would automatically spread through the organization. This is what happened in the eighties. Today, having gained some familiarity with IT organizations, users are far more confident to absorb higher levels of information technology.

4.2.4 Niche Markets: The only Option

Because of the constraint on resources and the specialization mentioned earlier, it became virtually necessary for IT companies to identify, in a very focused manner, in the niche market. All marketing strategies would be associated with these niches. It was not enough to say that niche markets could be defined by geographical markets — greater detail would have to indicate a series of factors in these niches including the sector or industry segment, the kind of geographical location and specialization desired, the hardware platforms, strengths of vendors in specific markets, the operating systems they wish to develop their application around, the databases that they-wish to tap or recommend as part of the solutions and so on. These are some of the niches that need to be identified before taking a decision into the market you wish to enter.

Barring software packages, which cater to a much broader range of applications, or other applications and products, information technology caters to a very specific niche market. It is normally seen that advertising is not extensively used in promoting these niche markets. Being so narrow, often, word of mouth for a successful implementation within the niche is sufficient promotion.

Check your Progress 1

1. Communication networks have also developed that allow users
 - a. local area network (LAN), which allows access on computers within a building or
 - b. A wide area network (WAN) which is remotely and geographically distributed.
 - c. both a and b
 - d. only b
2. Training institutions are perceived as of having a reservoir of manpower as they
 - a. integrate forward into professional services and systems integrators
 - b. has become a very crucial component of the product mix
 - c. both a and b
 - d. only a

4.3 Computer Networking Services: The Internet Experience

Internet as a communication medium and as a repository of information has caught the imagination of computer users. This has fuelled an unparalleled growth in the number of Internet users.

Internet is the new buzz word in the lexicon of the corporate and advertising whiz kids but the fact is that it is still in its infancy in our country. There is more hype than substance and still, more ignorance than knowledge. It is new and quick – dwelling on the lofty concept of a global village. Internet and advertising on the Net cuts across time and distance.

4.3.1 The Anatomy

The Internet works by means of a network of computers linked together to share information. Computers may be located in different parts of the world. Connections are provided with the help of telephone lines.

Let us see what Internet means to you as a user. It is, for one thing, a tool that lets you send messages you have typed on your computer directly to other users of the Internet. It is the network's job to see to it that the message you have sent reaches the computer of the recipient. The recipient views the message on his computer screen using software dedicated to that purpose – this is called E-mail.

The Internet also lets you “browse the web”. People or organizations type up the information that they want to make visible to other users of the Internet in the form of electronic pages of text and pictures and put these pages on a computer running software that makes the information available to the other users. These pages are called “web pages”. The computer that makes the pages available is called a “server” and the software you use to view the pages while sitting halfway across the world from the server, at your computer, is called a “browser”. Every page on the Internet has a unique address so you can ask your browser for any page you want to see.

Various parts of Internet

The Internet is made up of terminal computers through which subscribers access the Net; gateway servers, which connect the users to the rest of the network (of computers); servers, which host information in them; and, the communication network over which data actually flows.

What is possible on the Internet?

Internet offers its users a variety of services. The subscribers may have access to all or any of the following services depending upon the type of connection that one has subscribed for.

E-Mail

Messages can be transferred electronically through computers. The sender and the recipient need special software for this purpose, which enables them to compose, send and receive messages. Each e-Mail subscriber has a unique address.

World Wide Web (WWW)

This was invented by Tim Berners-Lee. Some people often equate WWW with Internet. However, this is not correct — it is just a part of Internet. WWW is a web of interconnected locations or sites, as they are called, over which a subscriber can “surf” in search of information. Each site has a unique address, which is registered with a regulating authority. A special browser is required at the terminal computer (i.e. user’s computer) which enables the user to get connected to the desired site. Once connected, the user can view the information offered by the site and if allowed, can download information onto the terminal computer. This is the most commonly exploited commercial use of Internet.

File Transfer Protocol (FTP)

The users can send the retrieve files to other computers on the Net using this facility. Typically, a FTP session starts with running a FTP programme and getting connected to a FTP site. The users can then hunt through the directory and locate the file(s) he wants to download. At times, access to files is through a password.

Telnet

One aspect of interconnectedness is that you can log into other computers on Internet directly from your own computer. With Telnet, the user can log into any UNIX computer on the network for which he has the password for, as well as other sites where a password is not required.

Gopher

Technically, Gopher sits on top of the FTP and performs Telnet log in, searches and other Internet services without requiring the user to know the specific addresses and commands. Gopher presents everything in menu format. The user has to highlight an item and Gopher does the rest.

Internet Relay Chat (IRC)

Chatting is a form of immediate communication. The most popular and widely available is called IRC, which is a set of protocols that allow multiple users to communicate quickly and easily over the Internet. With this facility, a user can join conversations and respond to them by typing whatever he wants to say. One can also direct messages to a specific person.

Internet as a Communication Medium

Firms communicate with their customers through various media. Traditionally, these media follow a passive one-to-many communication model, whereby a firm reaches many current and potential customers, segmented or not, through marketing efforts that allow only limited forms of feedback from the customer. The advent of Internet has dramatically altered this traditional view of advertising and communication media. The Internet, as a new marketing medium, has the potential to radically change the way firms do business with their customers as it operationalises a model of distributed computing that facilitates interactive multimedia – many-to-many communication.

A Communication Model for WWW

In many-to-many communication model for World Wide Web is shown. The medium is a distributed computer network.

Interactivity can be achieved with this medium. There are various possible combinations in the Web. Consumers can interact with the medium (e.g., “surf” the web). In addition, firms can provide contents to the medium.

4.3.2 The Bazaar

Marketing on the Internet is becoming a global gateway for India Inc. Dip, for a moment, into the wish list of the would be global Indian entrepreneur: the power to reach out to new consumers. A number of Indian companies are already on the Net. Their target audiences are the NRIs, primarily in the US and Europe, travelers, foreign investors. The advertisers range from small restaurants to big corporate houses. To name a few:

- Kotak Mahindra Finance
- National Stock Exchange
- All India Radio
- Aptech

- The Times of India
- Femina
- HUDCO

With just 12,000 Net subscribers in the country, conventional marketing techniques have a far wider reach among Indian consumers. It is to target customers in other countries in general – and the US and Europe, in particular – that India Inc. must do business on the Net. And while many among them are retail purchasers of products and services, the real opportunity for Indian businessmen lies in forging connections with international business buyers and closing deals with them. The economics of contacting such customers on the Net are vastly different. The cost of establishing an outpost on the web, in the form of a home page is a fixed one. But its reach is global. The advertisements on the Net range between informational to image building.

Because of its colorful, graphic and “looks of a press ad”, many marketers and advertisers have treated the web as if it were synonymous with the Net, neglecting the Net’s other features such as e-mail, new groups, etc. Many big advertising successes of the Net so far owe their success not so much to web creation or even a banner ad, but software, which has been downloaded from the site and enthusiastically circulated.

To treat Internet as a one way medium is fine, if you are happy for it to remain a glorified directory of on-top information, a fantastical reference library. But there is more to it than this and to produce simple one-way traffic is to underutilize the medium’s potential.

Blasting a mass message at a mass audience is not what Internet is about. In cyberspace, no one can hear you scream; but they might join you for a chat. In a medium as vast as the Net, which could be compared to a two million page newspaper, or a four million channel TV, contact between the advertiser and an individual prospect, even for a heavy advertiser, will be comparatively rare. It is “media fragmentation gone mad”. Most of the advertisers on the Net are using a homepage as their signpost, a multimedia package of text, graphics and increasingly, audio and video, embedded within which are features ranging from advertising to market description, from company to financial profile, from interactive games to pure trivia.

Business uses of the Internet mentioned earlier include e-mail for communication and collaboration with business counterparts, information gathering, advertising and direct marketing. WWW marketing is usually

conducted through hypermedia, WWW pages and e-mail. Traditional marketing on the WWW employs WWW as an alternative marketing communication channel. It typically takes four forms:

- Sales and Service
- Customer Support
- Payments and Settlements
- Marketing Research

Information on products may also be delivered over Internet.

Superficially, the WWW is perceived and used as an alternative to traditional one-to-many marketing communications channel. However, it is the two-way nature of the channel, which is immediately attractive to and most easily exploited by the marketer. Internet is now widely used as a successful delivery channel for online marketing services. Compared with traditional marketing communications channels, the WWW is faster, less expensive, round the clock and global. It allows bi-directional marketing and offers wider and deeper material and richer advertisement content. In effect, the WWW offers advantage over traditional marketing channels, not only through cost savings, but because it can significantly 'reduce the information float' – the time, which transpires during which business, cannot be conducted because of the need to process information. Also marketing on Internet is fundamentally different from traditional marketing; it represents a paradigm shift away from top-down information flow to a bottom-up model where information is requisitioned by customers. Various authors discuss how an industry value chain may be redefined by the possibilities offered for electronic markets by the 'information superhighway'. They predict that all intermediaries between a manufacturer and the consumer may be threatened. This theme is further extended by some authors to predict the 'death of advertising'.

Another framework for Internet marketing with the WWW is given by Ong. This is a comprehensive model; it not only fills in some of the gaps evident in other frameworks, but effectively demands and stimulates a consideration of the opportunities offered by the WWW as a many-many communications channel and identifies the steps required by organizations wishing to integrate Internet marketing into their overall marketing and management strategies.

Advertising on the Internet:

- Limited so far: tiny little buttons and banners that might have some animation and try to tease you into visiting their sponsor's website.

- This means you have to be clever twice. First to attract the audience to your site and then to hold their interest.
- In the West, price is based on cost per thousand whereas, in India, it is based on size.
- But per thousand of
 - Hits?
 - Page views?
 - Inquiries?

The sheer number of people using the Internet is growing exponentially and thus people who use the web will double to more than 68 million this year. More and more people who use the Internet are looking for information about services and products globally. By the end of this year, about 90 per cent of the largest companies will have their own websites. Transaction volume over the web will increase by a staggering 400 per cent. All these are clear indications of the kind of traffic one can expect to see in cyberspace every cyber-minute. Those who “surf” cyberspace are candidates who can turn out to be potential buyers of any product or service over a period of time. A good way to attract them would be through advertising on the web by placing ad banners or cyber billboards. According to Jupiter Communications, a New York based Research Company; the top 25 sites collected 86 per cent of all ad revenue in the third quarter of 1996. Total web advertising was US \$66 million. Key to selling web ad space is whether, a website gets enough traffic. The more the visitors to a website, the greater the probability of a visitor noticing the advertisement. The big question is – will advertising on the web deliver the right return? IBM Computer Corporation and Gateway 2000 Inc. have benefited from online sales, while Packard Bell had been driving down prices on its sites. Kotak Mahindra and other financial companies have got their financial issues fully subscribed through Internet advertising.

Very few companies are implementing the most complex types of electronic commerce like performing consumer transactions in real time and completing pre-sale to post-sale activities, etc. Currently, advertising and marketing activities are the most common form of electronic commerce. In this context, advertising agencies have an important role to play in designing advertising vehicles on the Internet and pricing them. Vehicles could be billboards on the Net, logo on sites and classified ads etc. Billboards and logos will be probably linked to home page and other websites.

Why choose the Internet?

- It is a global phenomenon.
- It is inexpensive.
- It is an imperfect version of a wired planet, but close enough to get us started.

There are four main questions to be answered when considering Internet, or indeed any new medium, as an advertising vehicle. The questions are no different from those asked about traditional media. We need to know:

- How big is the medium?
- How well does it communicate?
- Is it better, worse or just different from the traditional alternatives?
- Does it represent a cost-efficient medium for advertisers – both in terms of Reach, CRT and in terms of production and servicing?

How big is it?

Accurate figures regarding the use of the Internet and WWW are impossible to obtain. Estimates vary widely, largely depending upon the method of measurement and definitions of “use”. Worldwide, more than 34 million people are connected to the Net. US and Europe together account for 84%, in India 12,000 people are connected to it.

What Kind of Medium is it?

Majority of people use Net for research purposes – to search for information. Nearly one third communicates electronically with friends or colleagues and a fifth just likes to surf. Among surfers, 43% spent less time watching TV and 21% spent less time reading.

Is it a cost-efficient medium for advertisers?

Audience

Who is out there?

- Mostly male.
- Who have lots of time on their hands?
- Upscale, belong to well off families, may be innovative.
- Heavy web users are a small minority.

- But still, by and large an US Phenomenon.

4.3.3 The New Frontier

“You’ll have a showcase of your product in every house and every office. You will sell, exchange, buy and you will be able to do lots of things with the new media, imagination will be the only limiting factor. “

The Net is, in its essence, an information provider. How that information is delivered, the response it commands and the rewards it pays are entirely in the hands of the advertiser. Apart from marketing, there are other things being done on the Internet such as: offering information, pure trivia, games, research and more. Here are some ways you can make the Network for your organization.

Tourism/Travel

Department of Tourism, India, has made its presence on the Internet. The web pages have all the basic information about the country. Besides these, the site also has details of tourist destinations, route options and rate cards, which are updated regularly.

Visa Cards

The website of Visa Credit Card has many pages. Its home site tells the visitor about Visa as a corporation, services offered by Visa, advice to shoppers. Interestingly, its site also invites professionals for job opportunities with Visa.

United Airlines

Website of United Airlines provides visitors with flight info, reservations, travel tips, airline partners of United Airlines worldwide. It allows a visitor to make reservations through its website. The payments can be made by credit card. To make the visitors comfortable and to cut through the language barrier, United Airline’s website also has options to view the site in various European languages like, French, German, etc.

Richard Marx

This site erected by famous singer Richard Marx himself allows visitors to see and hear the songs composed and performed by him. To hear him you need to have a multimedia computer. The site is divided into sections like Richard Marx live, fan posting boards, etc.

Hindustan Levers Limited

Hindustan Levers Limited receives hundreds of applications from potential employees who are keen to join HLL. The applicants belong not only to India but to other countries as well. HLL has recruited some of them.

Air India

This carrier from India has a website of its own. Various divisions of the site are: History of Air India, Milestones and Worldwide Offices of Air India.

4.3.4 Creating a Website

“But, won’t it be boring to have only information on the new media? How will I ensure that people visit me on the new media?”

“You’ll need to add frills and thrills and people will visit you.

Designing a Website is fairly simple. The easiest way is to convert a normal advertising brochure, etc. into a WWW document format, using Hyper Text Makeup Language (HTML). Further, put in some additional graphics, audio or other multimedia content and pay someone to place the result into a web server that they operate.

Putting up a mere Website is not enough. It should, of course, not only be attractive, but also interesting. This requires creativity. Getting on the Net is not a job for your EDP department. Focus must be on creating interesting sites that earn a reputation among web surfers and invite repeat visits. The real challenge lies in designing a site that, while essentially being an ad, makes people return to it. The solution to this is to provide the staple that all web cruisers are hungry for information. Remember — your site is competing against so many other sites.

Before creating a wonderful and interesting Website, it is important to ensure that people visit the site. You need to attract and inform consumers about your Website. You need to first advertise the site on the Net itself that is where the hyperlink — the quintessential feature of the web comes in. Simply put, hyperlink allows a user to click on a highlighted phrase, word or visual in one document to leap onto another one. What you must do is put up your ads on other sites, which are popular and visited by your target audience. When a web surfer clicks on your ad, hyperlink will enable him to go to your site at once. Apart from putting ads on other sites, try to include contents that will put your site in the indices of the most used search engines like Alta Vista, Yahoo! and Lycos. Many sites will put links

to your site if you return the favour. Another way to attract customers is to become active in several of thousands of news groups and mailing lists.

The real touchstones of user friendly design lie not in colours, text or appearance of the Website, but in the speed with which the user can ‘download’ pages. If the patience threshold for downloading a page — the average length of the time that a user will happily wait before clicking on the stop button — is assumed to be 30 seconds, your page must be light enough in content to appear on the screen in less than 30 seconds. Or, if only a part of the page is downloaded in this time frame, it should be interesting enough to warrant a longer wait. Keeping a page light means using few bandwidths — hogging graphics and photographs — as possible. One can also use “frame” — a device that splits the screen into parts and puts different content on each frame. A thumb-rule: if your homepage takes one minute to download, its content must keep the visitor hooked for at least five minutes. Ensure your site is designed to accept feedback usually in the form of electronic questionnaires, which visitors can fill in. This can be used to design the site next time and you can use it as a valuable database of your potential customers.

After deciding and designing your Website, you need a host who will put your site on the Net. Hosts are parties who have web servers and are capable of putting your website on the Net. There are over 20 hosts providing the service in India. How do you choose between them? Use two crucial parameters: location and speed of access. The location of web server is important because the closer the server is to the backbone of the Net — a core of links offering blindingly high speeds to data zipping across them (most of it lying in the US, with a few tendrils floating out to Western Europe and Japan) — the smarter is your choice, since your home page will be downloadable faster. This effectively rules out web servers in India, which are a long way from the backbone. As for the speed of access, it depends upon how quick both the computer and the connecting links leading to it are.

Ten Steps to Internet Success:

- Evaluate your existing needs and resources, including hardware and software and the availability and skills of your people.
- Select a simple visible pilot project. Define its scope. Set a target dateline, with deliverable steps and required compatibility.
- Get support from your management — both financial support in the form of budgeted funds and endorsement of deliverables.

- Gather a small project team willing to work hard and produce results quickly.
- Pick a project manager to assign tasks, meet the schedule, maintain a budget and oversee testing.
- Create a detailed specification.
- Evaluate and select consultants, an Internet access provider, software and hardware.
- Develop your prototype and put it online.
- Promote your site.
- Listen to feedback and grow your site.

Check your progress 2

1. Which of the following is true about the Internet :
 - a. Internet as a communication medium
 - b. as a repository of information has caught the imagination of computer users
 - c. The Internet also lets you “browse the web
 - d. all of the above
2. The use of World Wide Web is for
 - a. Sales and Service and Customer Support
 - b. Payments and Settlements and Marketing Research
 - c. both a and b
 - d. only a
3. The advantages of Internet advertising are
 - a. Limited so far: tiny little buttons and banners that might have some animation and try to tease you into visiting their sponsor’s website.
 - b. This means you have to be clever twice
 - c. both a and b
 - d. only a

4.4 Media Services Marketing

Media services marketers have a far more challenging task today than their counterparts in other industries. What makes their task doubly challenging is that the media marketers need to balance and satisfy two sets of buyers — the readers/audience and the advertisers. To succeed, the media marketer has to be a winner on both the fronts. He has to condition the readers to respond to advertisers. There has to be an equity between the readers/audience and the advertisement message. This has to be kept in mind while going through media services marketing strategies being practiced by the television as well as the print media.

4.4.1 Media Evolution

Post-independence, initially, development of media was slow. For twenty five years after independence the growth of media such as print, cinema and radio followed the natural and normal pattern.

Pressures of urbanization, development in technology, growth in literacy — all this did not affect media significantly. This quiet scene where intra or inter media competition did not exist, obviously also did not lead to any strategic marketing approach.

It was only around the very early seventies that one began to witness changes in the scene. These changes, introduced through technology, grafting both in print and electronics on the one hand expanded the reach of media and on the other, provided multiple options to the audience. Introduction of glossies among print titles, expansion of the TV network, establishing a radio commercial channel suddenly made life more exciting and entertaining for a vast majority of urbanites.

It was for the first time that the audience was getting segmented by titles introduced, new markets were opening up and a large number of people were coming under media exposure. Another interesting fact of this period was the development of new relationships between audience and media, between housewives and television, between youth and gossipy titles, between women and Vividh Bharati, etc.

The media environment changed quite radically again around the time when sponsored programmes on television became a regular feature.

This initiative, along with house video viewing facilities, changed the whole equation. Old habits of going to cinema halls and magazine reading were the causalities during the latter half of the eighties.

Television became an obsession with the vast majority. Programmes such as Mahabharata and Ramayana were the opium of the masses. Easy access to 'filmy' entertainment through video viewing affected the composition of the cinema audience quite significantly.

TV now delivered important audience segments such as women, children and the hitherto unreached rural affluent.

If in the early seventies exposure to any mass media was around 30% of the urban adults, the exposure level crossed 65% by the end of eighties. If the exposure level of the rural affluent in the early seventies was not more than 10%, it was close to 40% by the end of eighties.

Easy access to technology and developing markets pushed publishers to bring out new editions. Specialized print titles both in English and other Indian languages were introduced.

To top it all, by the early nineties the introduction of cable TV and Satellite transmission rapidly introduced tremendous competition and excitement. By the end of the eighties, all the ingredients necessary for introduction of marketing and strategic approaches for media services were in place.

4.4.2 Media Services Marketing

The rapid growth of television as well as print media has triggered off the highly complex, intra as well as inters media competition.

Any kind of organized marketing in the category of cinema, hoardings, radio, etc. is not visible. Media other than print and television is at best resorting to selling tactics. Very little is being done to clarify the kind of audience and their responses in these categories and therefore, the focus of this unit is primarily on the print media with a passing reference to the television media.

The Two Sets of Buyers of Media Services

Since very little is known about media services marketing, it is considered important to give a brief background on the buyer and buyer behavior. This would help in appreciating the current practices in media services marketing strategies. Media services marketer has to simultaneously satisfy two sets of buyers; both television and publications have to simultaneously satisfy the needs, wants and values of the readers/audience and advertisers.

A publication or a television programme has a limited shelf life. In fact, buyer behavior is quite similar to the one experienced in case of fast moving consumer goods. The marketing practices adopted for getting more readers or audiences are quite similar to what is practiced by the fast moving consumer goods marketers. In fact it is far more challenging as every programme and every publication has to be completely recreated whereas in case of other products the product features more or less remain the same. For example, every issue of India Today or Indian Express carries different news items and features. Whereas every bottle of 'Pepsi Cola' or 'Thumps-up' will be the same in terms of product specifications.

The speed required to reach the ever changing needs of readers/ audiences is many times faster than what is required in case of other products. For instance, a publication, specially a newspaper or a television network, has to capture a news event just in time — otherwise it loses its relevance. For example, the Gulf War was reported in cable households across the globe by CNN. This type of immediate response to the buyers need is not witnessed in case of most other consumer product categories.

Media services industry uses state-of-the-art technology to make possible for the editor and the marketer to react in the minimum possible time.

The readers/audiences have to be given their publication on time. The same applies for programmes. Consider the fact that your newspaper hawker delivers your newspaper without fail 365 days in a year even before you wake up. The logistics of distributing a newspaper are almost like moving an army on a daily basis. Again the complications involved, especially because of the limited time available, are comparable to any other product or service. In terms of buyers' segmentation, any age group can read a publication or watch a programme. As a result the marketer has to tackle several different types of buyers at the same time. Sharp segmentation on the basis of age or sex is not possible in case of services marketing.

The segmentation is primarily done on the basis of likes, dislikes, views, knowledge or language, etc. For example, from amongst the same readers some prefer the India Express; some prefer the Times of India while some others may prefer the Hindustan Times. The difference between the three newspapers as far as the news is concerned would primarily be of different views. These different views can come from across age and sex group.

There are about 18 categories of advertisers and their main consideration is the equity between their buyers and the readers or audience. For instance, an

appointment advertiser may prefer publications against television for the simple reason that job seekers find it convenient to respond to appointment ads in publications.

Majority of advertisers are repeat buyers. There are very few categories wherein an advertiser would advertise only once. As a result after sales services becomes very important. It also means that any advertisement will have frequent interaction with the marketers. To handle advertisement space marketing, publication marketers must have the skills of a consumer durable seller or an industrial product seller — it is in these two cases that after sales services become very important. For instance, before buying a washing machine or a television, recommendation from friends and relatives plays a very important role. Good recommendations are normally given by satisfied customers. A similar situation thus exists in the services marketing. For example, a badly published advertisement in a publication can trigger off a negative word discouraging other advertisers from advertising in that publication.

There is perhaps no other industry where skills of fast moving consumer product marketing coupled with the skills of consumer durable marketing are required together with public relation skills.

While going through the discussion that follows the above points have to be kept in mind. This background would help in understanding the complexities involved in media services marketing and therefore, the challenges for a strategic marketer.

Marketing Practices

In case of television, STAR TV has initiated active marketing moves for the first time in our country on a large scale. The well planned and executed launch of the STAR TV in our country coupled with audience friendly programmes and services and supported by regular advertisements through their own channels as well as the print media has given them a definite image and a sound market entry. The fact is substantiated by the fact that already 50 prime advertisers are hooked on to STAR TV.

Scientific marketing of the television media in our country has just begun and therefore strategic implications are not yet clear. At best we have seen that Doordarshan is trying to put its act together to respond to this invasion from the skies. Doordarshan, with its massive reach, can effectively tackle the challenge by being more audience friendly and advertiser friendly. Improvement in the quality of Doordarshan programmes may give it a good strategic advantage over the new

comers. In short, Doordarshan will have to seriously get into the business of entertainment — reason, TV media is primarily an entertainment media.

The trends in the print media are clearer. In fact a virtual inters and intra media battle has been going on in the print media over the past few years. In future this trend is expected to gain further momentum.

Let us have a look at some of the specific marketing practices adopted by the print media:

- There is a clear effort by both the magazines and newspapers to be more reader friendly.-They have realized that reading time has substantially reduced due to the advent of TV, especially STAR TV. Newspapers and magazines are using more graphics and photographs to convey the editorial message, which is clearly an attempt at the television of the print media. The power of the visual communication has dawned on the print media.
- More and more magazines are regionalizing. A good example is of India Today diversifying into regional languages. Another example in the newspaper category is that of Eenadugoing in for district editions. The television media at present has a definite disadvantage in terms of micro reach.
- There is an increased emphasis on local news in the national dailies. Both the Times of India and Indian Express have ‘metro pages’ exclusively devoted to local news from their respective places of publication. Similar trends are visible in other publications also.
- Introduction of color supplements and introduction of color in the main pages, both in the case of magazines and newspapers, is again a practice triggered off by the onslaught of television.
- Increasing number of newspapers and magazines are concentrating on reader services and community services in order to be more reader friendly. Both the Times of India and Indian Express from Delhi have special pages and special rates for the small entrepreneurs of industrial products and retail advertisers. The effort again is to provide focused services to advertisers as well as readers.

There is an increased focus on advertisement categories where print is more powerful than the audio visual media. Prospectus ads in the category of financial advertising, classifieds, tender notice ads and appointments ads are some of the examples where audio visual has limitations.

Check your progress 3

1. Which of the following things does not affect media significantly
 - a. Pressures of urbanization
 - b. development in technology
 - c. growth in literacy
 - d. all of the above
2. The segmentation is primarily done on the basis of
 - a. likes and dislikes of the customers
 - b. views of the customers
 - c. knowledge or language of the customers
 - d. all of the above
3. There are about 18 categories of advertisers and their main consideration is about the equity between
 - a. their buyers
 - b. the readers
 - c. audience
 - d. all of the above

4.5 Let Us Sum Up

In this unit we studied about the growth in Information Technology (IT) industry within a span of a decade and how it has become a multi-billion dollar industry. There are small and big players in this industry, each one is trying to carve a niche for itself. How marketing is of help in such organizations, the unit relates to the same. The evolution of IT as an industry has been given in great detail.

It is observed that Internet has become the new buzz word in the lexicon of the corporate and advertising whiz kids but the fact is that it is still in its infancy in our country. Internet and advertising on the Net are said to cut across time and distance.

Also explained Is the role of Media services marketers who have a far more challenging task than their counterparts in other industries as they need to balance and satisfy two sets of buyers — the readers/audience and the advertisers. It is emphasised that to succeed, the media marketer has to be a winner on both the fronts. The use of digital marketing media is also mentioned. Thus it is stated that it is IT which will bring efficiency and effectiveness to the services sector.

4.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-c), (2-c)

Check your progress 2

Answers: (1-d), (2-c), (3-c)

Check your progress 3

Answers: (1-d), (2-d), (3-d)

4.7 Glossary

1. **Customer lifetime value (CLV)** - It is net present value of the stream of future contributions or profits expected over each customer's purchases during his or her anticipated lifetime as a customer of a specific organization.
2. **Customer relationship management (CRM)** - overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.
3. **Marketing research** - Marketing research is a systematic design, collection, analysis, and reporting of customer and competitor data and findings relevant to a specific marketing situation facing an organization.
4. **Value-based pricing** - Value based pricing is the practice of setting prices based on what customers are willing to pay for the value they believe they will receive.

4.8 Assignment

1. How 'IT' firm is in service industry when it is providing software to its customers? Give justification for your answer.
2. Identify all possible types of IT applications and enlist the market segments for each of the IT applications.
 - a. The seven elements in organisations
 - b. Advertisement through Internet
 - c. Marketing Plans
 - d. Marketing Practices
 - e. Creating a Website

4.9 Activities

1. Can internet be marketed? If yes, who constitutes the 'market' for it?
2. What is an Internet's product?
3. If you are not already familiar with internet, visit an internet subscriber and find out the reasons of his/her subscribing to it.
4. What are the implications of "invitation pricing policies" for a publishing house?

4.10 Case Study

The 'Green' House

In Denmark environmentally friendly houses are commonplace but in the UK they are the exception. The vision of two builders in northern England, however, led to the building of a rare 'green' house. The task of building it was daunting but so too was the challenge of advertising it to potential buyers.

Scientists have shown that conventional houses play a major part in global warming, depleting the ozone layer and destroying tropical rain forests. Consequently, the builders believed that a new type of consumer was emerging: one who is prepared to make choices based on what is best for the planet, but who demands that the product does not cost too much.

The 'green' house emits only three tons of carbon dioxide a year, just half that of a traditional house. There is also twice the regulatory amount of loft insulation and the walls and floors are three times better insulated than a standard new home. The cavity walls have 15 cm (rather than the standard 5 cm) filled with rock wool. The loft has 30 cm of non-irritant brown cellulose, made from recycled newsprint. Under the floor there is a 10 cm layer of CFC-free polystyrene. The house also features a high-efficiency gas condensing boiler which extracts more of the heat from the flue gases and uses 15 per cent less gas for the amount of heat generated than the standard boiler, so only half the heating energy should be used. The home is built on a south-facing slope and most of its windows are on the south side to take maximum advantage of the sun. They are all double-glazed with Pilkington 'K' glass which has an extra copper film to reflect heat back into the room reducing heat loss by 40–50 per cent.

The efficiency of the house is reflected in the award by the National Home Energy Foundation, which awarded the house almost its maximum rating (9.3 out of 10).

The price of the home is £105000, which is £5000 more expensive than if it did not have all of these extras. But the builders believe that buyers will make big savings on heating and lighting besides playing their part in making the world a healthier place.

Questions:

1. Who is the type of buyer likely to be interested in buying a 'green' house?
2. Develop an advertising platform to appeal to them.
3. Bearing in mind that funds restrict the advertisement to a maximum of 8 cm 10 cm wide, design an advertisement for the house. Note that space precludes the use of a photograph.

4.11 Further Readings

1. Bateson, John E. G. and K. Douglas Hoffman (1999), *Managing Services Marketing Text and Readings* (Fourth ed.). Fort Worth: The Dryden Press. (471 Pages; I.S.B.N. Number = 0-03-022519-1)
2. Cooper, Robert G. and Scott J. Edgett (1999), *Product Development for the Service Sector: Lessons for Market Leaders*. Cambridge, MA: Perseus Books. (256 Pages; I.S.B.N. Number = 07382-0105-7)

Block Summary

In this block we learnt about the service strategies. The importance of services and how they are used in our lives have been mentioned.

In first unit the importance of services is stated wherein how their characteristics help in serving customers is explained in detail. For describing service marketing strategies SWOT analysis is mentioned. Different strategies for different sectors of health, hospitality, tourism, logistics, financial, education, entertainment are suggested.

The importance of marketing services is stressed. The need to understand the customer their satisfaction and dissatisfaction parameters and their delight is emphasised. The necessity of positioning of services in the niche market to reach till target customer is expressed. The concept of service triangle has been given in which the three points represent the organization, customers and the employees and in between these three points are the marketing processes such as external marketing, interactive marketing and internal marketing.

The added element of technology is also given as it has brought the expansion of services.

In the financial management services the portfolio management is described with respect to banking, mutual funds and insurance sector.

The use of information and technology in services has been shown as common phenomenon.

The use of LAN and WAN is mentioned to use according to geography and area.

The advantages of information technology which are given are professional services, systems integration, maintaining services, education and training and technology oriented applications.

It is stated that internet is the fastest medium of information. Advertising on internet is supposed to be the fastest to reach to people. The role of social media is also increased as it hits the buyer behavior directly has been mentioned. The role of newspaper is also given the importance. The block encourages having a strong marketing strategy for services of different sector with the help of technology.

Block Assignment

Short Answer Questions

1. How is Technology changing the nature of services?
2. How can quality service be used in Hospitality sector for competitive advantage?
3. Write notes on :
 - a. Marketing Mix and the Education Service
 - b. Growth of Medical Transcription
 - c. Retailing
 - d. Natural Resources
 - e. Marketing Orientation

Long Answer Questions

1. Visit the websites of several service providers. Does the physical evidence of the website portray an image consistent with the other forms of evidence provided by the organization.
2. Taking the example of a full service hospital, identify how marketing is applicable to it.
3. What is Internal Marketing and how it relates to health care or hospital services.
4. Identify how marketing can be of help to improve the health services provided by a local hospital in your area.
5. How the marketing mix elements relate to ad agencies? Explain by giving specific examples.
6. What do you understand by “positioning”? What are the positioning alternatives for an ad agency?



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*Education is something
which ought to be
brought within
the reach of every one.*

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- Dr. B. R. Ambedkar



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