MBA DE (Second Year)
Semester-IV
<u>**Lesson No. 1**</u> _____ _____ <u>**AUTHOR : Dr. B. B. SINGLA**</u>

MS (406)
MARKETING OF SERVICES

STRUCTURE

1.0   OBJECTIVES

After studying this chapter you should be able to

1.   Understand the role of service marketing in India

2.   Understand the nature, scope and concepts of service marketing

1.1   EMERGENCE OF SERVICE ECONOMY

The recent emergence of a dynamic service-led Indian economy has deep historical roots, according to new research by Professor **Stephen Broad berry** and Dr **BisJwupriya Gupta.** Their comparison of productivity in Britain and India over the past 130 years shows that the productivity gap between the two countries has been smaller in services like business services than in industry and agriculture since the First World War. They conclude:

The current pattern of service-led development may not only be more in tune with the legacy of the past but also a better long-run route to prosperity.'

India's recent spectacular rate of economic growth, combined with the sheer size of its population, means that it is beginning to take its place as one of the key players in the global economy. One way in which India stands out from other Asian economies is in the better performance of its service sector. Whereas other emerging Asian economies, such as China, have seen growth led by dynamic manufacturing performance, India's growth has been led more by sectors such as business services. It may be that a focus on services will prove to be a better long-run route to prosperity. Furthermore, this pattern of service-led development may be more in tune with the legacy of the past.

The service sector now accounts for more than half of India's GDPS 1.16 per cent in 1998-99. This sector has gained at the expense of both the agricultural and industrial sectors through the 1990s. The rise in the service sector's share in GDP marks a structural shift in the Indian economy and takes it closer to the fundamentals of a developed. The service sector's share has grown from 43.69 per cent in 1990-91 to 51.16 per cent in 1998-99. In contrast, the industrial sector's share in GDP has declined from 25.38 per cent to 22.01 per cent in 1990-91 and 1998-99 respectively. The agricultural sector's share has fallen from 30.93 per cent to 26.83 per cent in the respective years.

1.2   **MEANING OF SERVICE**

A service is an act performance offered by one party to another. Although the process may be tied to physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production. Services are 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 services.

A **service** is the action of doing something for someone or something. It is largely intangible (i.e. not material). A product is tangible (i.e. material) since you can touch it and own it. A service tends to be an experience that is consumed at the point where it is purchased, and cannot be owned since is quickly perishes. A person could go to a cafe one day and have excellent service, and then return the next day and have a poor experience.

1.2.1 What characterizes the consumption of a service?

a. It is tangible

b. It is material

c. It is consumed at the point of purchase

d. It is owned over time

Answer-c. It is consumed at the point of purchase

1.3   **REASONS FOR THE GROWTH OF SERVICE SECTOR**

From scarcity to surplus- The market was flooded with a variety of consumer goods. For e.g. till 1985 the ownership of color TV sets was 1.50 million but in 1995 it increased to 13 million. The refrigerators increased from 3.34 million to 14.19 million. Till 1991 the HMT occupied the monopoly but after 1991 the quartz wave was unleashed by TITAN. Till 1980's there were only two passenger cars i.e. Ambassador and Fiat but today more than dozen companies are offering cars.

From sellers market to buyers market- Companies started focusing on the customer. It was realized to survive in the market the corporations have not only to continuously monitor the changing customer need but delight the customer by delivering him unexpected benefits and value.

Changing Media scene- The media has undergone a dramatic change. In 1991 we had only one channel i.e.

Doordarshan but now there are more than 100 channels cater to the regional taste, languages etc.

Targeting women consumers- With the proliferation of brands, intense competition and increase in the number of players it becomes necessary for the firms to identify and target niche markets. Women constitute 49 % of Indian population. Moreover the number of women working in business Is increasing steadily. It is estimated that there are about 15 million working women in urban India alone. As a result several leading companies in India offering the Indian women an array of high quality personal care products.

Indian Youth segment:- As a result of liberalization and the exposure of TV channel, internet modern youth in India have developed their own identity, wants, needs and lifestyles.

Children segment: - Children have assumed a new significance in the family. Earlier the

Expanding rural market- The size of the rural markets is fast becoming a major attraction to many organizations. Now the people of rural areas are educating and started owning goods like refrigerators, washing machine, two wheelers etc.

Emergence of Digital revolution- With the advances in technology era, internet marketing and mobile marketing has increased-mail, E-shopping-business are now being widely available. The mobile revolution has made tremendous change in the marketing era.

1.4 CLASSIFICATION OF SERVICES

GATS (General Agreement on Trade in Services) identified as many as 155 activities as services and classified them in following 11 major categories: -

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

1.5 NATURE OF THE SERVICES

Intangibility:- The most basic characteristics of services is intangibility. They cannot be seen, felt, tasted or touched in the same manner that we can sense tangible good. For e.g. teaching is a intangible service.

Inseparable - The services cannot be separated from the point where it is consumed, and from the provider of the service. For example, you cannot take a live theatre performance home to consume it (a DVD of the same performance would be a product, not a service)

Heterogeneity- Since services are performances, no two services are alike. For eg the doctor who gives us complete attention in one visit may behave a little differently in next visit.

Perishability- Perishability refers to the fact that services cannot be saved, stored, resold or returned. Since services are deeds, performances or act whose production and consumption takes place simultaneously, they tend to perish in the absence of consumption.

No transfer of ownership- When we buy a product, we become its owner. In the case of service, right of ownership is not transferred, since you merely experience it. For example, an engineer may service your air-conditioning, but you do not own the service, the engineer or his equipment. You cannot sell it on once it has been consumed, and do not take ownership of it. In simple words we may use the service but we cannot be the owner of it. For e.g. one can hire the services of a chauffeur who will drive the car by paying the required charges.

Variability- since the human involvement of service provision means that no two services will be completely identical. For example, returning to the same garage time and time again for a service on your car might see different levels of customer satisfaction, or speediness of work.

1.**5.1.   Self-Help Exercise**
1)Why is a live theatre performance considered a service and not a product?
- a. It is intangible
- b. It cannot be touched
- c. It is inseparable from its consumption point
- d. It is a deed performed simultaneously with consumption

1.6   **SCOPE OF SERVICE MARKETING**

Service Marketing Mix/Extended Marketing Mix

Having discussed the characteristics of a service, let us now look at the marketing mix of a service.

The service marketing mix comprises of the 7'p's. These include:
» Product
- Price
» Place
- Promotion
  People
- Process Physical
  evidence.

The 4P's have already been discussed in the Marketing Management. Let's now look at the remaining 3 p's:

People

An essential ingredient to any service provision is the use of appropriate staff and people. Recruiting the right staff and training them appropriately in the delivery of their service is essential if the organization wants to obtain a form of competitive advantage. Consumers make judgments and deliver perceptions of the service based on the employees they interact with. Staff should have the appropriate interpersonal skills, aptititude, and service knowledge to provide the service that consumers are paying for. Many British organizations aim to apply for the Investors In People accreditation, which tells consumers that staff are taken care off by the company and they are trained to certain standards.

Process

Refers to the systems used to assist the organization in delivering the service, Imagine you walk into Burger King and you order a Whopper Meal and you get it delivered within 2 minutes. What was the process that allowed you to obtain an efficient service delivery? Banks that send out Credit Cards automatically when their customers old one has expired again require an efficient process to identify expiry dates and renewal. An efficient service that replaces old credit cards will foster consumer loyalty and confidence in the company.

Physical Evidence

Where is the service being delivered? Physical Evidence is the element of the service mix which allows the consumer again to make judgments on the organization. If you walk into a
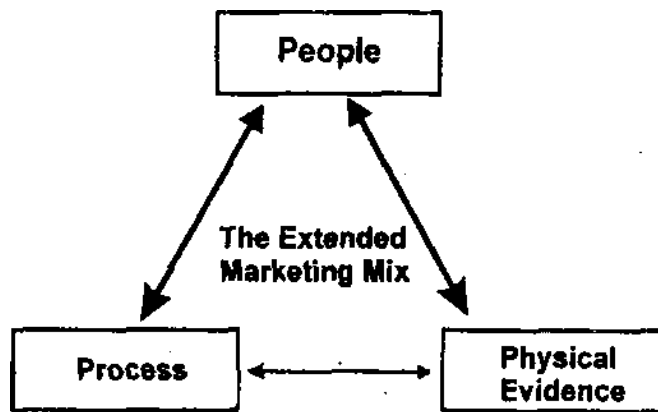
- **RELATIONSHIP MARKETING**

Services marketing is marketing based on relationship and value. It may be used to market a service or a product.

Marketing a service-base business is different from marketing a goods-base business. There are several major differences, including:

1.   The buyer purchases are intangible
2.   The service may be based on the reputation of a single person
3.   It's more difficult to compare the quality of similar services - 4. The buyer cannot return the service

1.6.1 Self-Help Exercise

2)What makes it more challenging to compare the quality of similar services in services marketing?
 a. Tangibility of services
b. Intangibility of services
c. Comparability of services
d. Returnability of services

- **SERVICE MARKETING TRIANGLE**
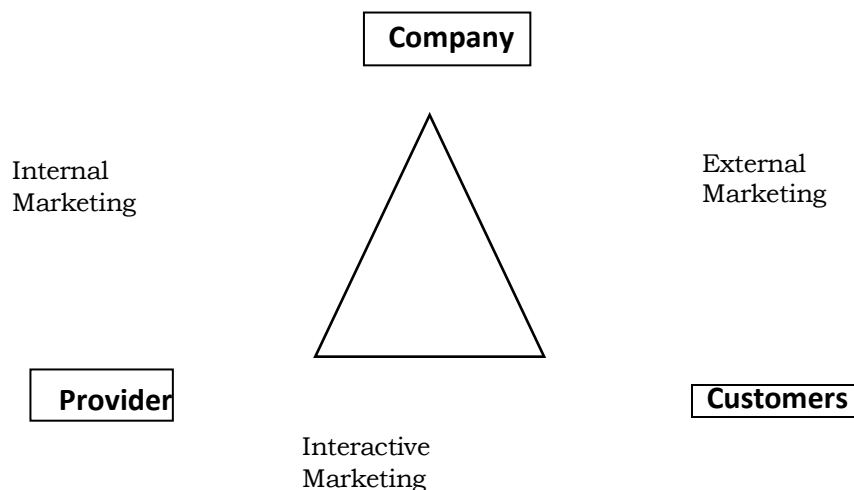
Service marketing Triangle involves 3 types of marketing:

1. EXTERNAL MARKETING
2. INTERNAL MARKETING '
3. INTERACTIVE MARKETING

1. **External Marketing:**"Setting the Promise

- Marketing to END-USERS
- Involves pricig strategy, promotional activities, and all communication with customers.

       • Performed to capture the attention of the market, and arouse interest in the service.

2. Internal Marketing: "Enabling the Promise"
   - Marketing to EMPLOYEES.
   - Involves training, motivational, and teamwork programs, and all communication with employees.
   - Performed to enable employees to perform the service effectively, and keep up the promise made to the customer.

3. Interactive Marketing: {Moment of Truth, Service Encounter)
   - This refers to the decisive moment of interaction between the front-office employees and customers, i.e. delivery of service.
   - This step is of utmost importance, because if the employee falters at this level, all prior efforts made towards establishing a relationship with the customer, would be wasted.

1.7 DIFFERENCE BETWEEN GOODS AND SERVICES

Physical goods	Services
tangible	intangible
homogeneous	heterogeneous
Production and distribution are separated from consumption	Production, distribution and consumption are simultaneous processes [1]
A thing	An activity or process
Core value processed in factory	Core value produced in the buyer-seller interaction
Customers do not participate in the production process	Customers participate in production Can be kept in stockCannot be kept in stock
Transfer of ownership	No transfer of ownership

1.8 CONCLUSION

in the 21st century service marketing plays an important in the Indian economy as it contributes the highest share of GDP. Service marketing is a wider term which comprises of 7 P's in it which applies in all the disciplines of the management. Service marketing has increased due to increasing the status of consumer affluence, working women, double income families etc. - Thanks to liberalization the business of service has become the fastest growing sector in the Indian economy. Services constitute 42% of GDP in India. With this the insurance, Banking, Plastic money has got an immense importance now days.

1.9 Short Ques
- What does the term "heterogeneity" mean in the context of services?
- Why is there no transfer of ownership in services?
- What company ended the HMT monopoly in 1991 by unleashing the quartz wave?
- Why is targeting women consumers emphasized in the evolving market?

1.10 Long Ques
- What is service marketing
- What is the difference between goods and services
- 3 P's of service marketing

1.11 Answer to Self-help Exercise
Answers: 1:c , 2:c

1.12 SUGGESTED READINGS
- Zeithmal, Bitner: Service Marketing, Tata Me Graw Hill
- Dr. S.Shahjahan: Service Marketing, Himalaya Publisher
- Ravi Shankar: Service Marketing: The Indian Perspective, Excel Books
- Lovelock: Service Marketing, Pearson Education

MBA-DE(Second Year)
Semester-IV
Lesson No. 2

MS (406)
MARKETING OP SERVICES

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MARKETING CHALLENGES IN SERVICES BUSINESS

Managing, growing, and profiting with both product and service businesses are challenging tasks. But the challenges are different from one to the other. Listed below are some of the most common and difficult challenges of growing and managing consulting, professional, or technology service businesses that don't necessary apply to product businesses.

1. Clients can't see or touch services before they purchase them. This makes services difficult to conceptualize and evaluate from the client perspective, creating increased uncertainty and perception of risk. From the firm's perspective, service intangibility can make services difficult to promote, control quality, and set price.

2. Services are often produced and consumed simultaneously. This creates special challenges in service quality management that product companies do not even consider. Products are tested before they go out the door. If a product has quality problems while in production, the company can fix them and customers are none the wiser. Service production happens with the customer present, creating a very different and challenging dynamic.

3. Trust is necessary. Some level of trust in the service organization and its people must be established before clients will engage services. This is as important, sometimes more important, than the service offerings and their value proposition.

4. Competition is often not who you think. Competition for product companies are other product companies. Competition for service companies are often the clients themselves. Sure, sometimes you find yourself in a competitive shootout (some firms more than others), but often the client is asking 'should we engage this service at all' and *if so, should we just do it in-house'.

5. Brand extends beyond marketing. Brand in service businesses is about who you are as much as what you say about yourself. And internal brand management and communications can be equally as vital to marketing success as are external communications.

6. Proactive lead generation is difficult. Many service companies have tried, and failed, at using lead generation tactics that work wonders for product companies. Implemented correctly, traditional product techniques, such as direct marketing and selling, can work for services, but the special dynamics of how clients buy services must be carefully woven into your strategy.

7. Service deliverers often do the selling. Many product companies have dedicated sales forces. For services, the selling is often split between sales, marketing, professional, and management staff.

8. Marketing and sales lose momentum. Most product companies have dedicated marketers and sellers. They market and sell continuously, regardless of the revenue levels they generate. In many services companies the marketers and sellers also must manage and deliver. This can often lead to the Services Revenue Rollercoaster-wide swings between revenue and work overflow, and revenue and work drought.

9. Passion is necessary, yet elusive. The more passion, spirit, hustle, and desire your staff brings to the organization every day, the more revenue and success you will have. The

correlation between staff passion and financial success is direct and measurable (as is the correlation between lack-of-passion and organizational failure). Yet institutionalizing passion, while necessary, is agonizingly elusive

Cultural Challenges to Marketing and Business Development Integration

Tradition, historical standards, and "the way we do things' are considered by many to be nearly immovable obstacles. What is it about those cultural norms that are so systemic, so "hardwired," that we barely know how to address them? What's their effect on a professional firm's marketing and business development integration, and what can executive managers do about them?

Let's take a look at six in particular.

Cultural Challenge #1: Cultures of Distrust

When it comes to marketing and selling, the issue of accountability looms large. If not handled well, unevenly assigned accountability can create a debilitating environment of distrust. And worse, some firms very quietly allow.their people to avoid marketing and selling.

Toxic levels of distrust also occur when shared accountability for marketing and business development is denied to those who seek it, such as when revenue-generating practitioners expressly exclude marketers and business developers from marketing or selling meetings or collaborating on related projects.

Cultural Challenge #2 : Feeling Marginalized

Distrust leads to marginalization. But marginalization also stems from a structural arrangement: when privately-owned firms offer no possibility of equity ownership to their non revenue-generating marketing and business development professionals.

The sentiment is, "Marketers don't generate revenues, so why should we offer them (or anyone else in a cost-center!) a piece of equity ownership?" This outmoded precedent, exacerbated by today's current economic conditions, only further stokes the sense of marginalization felt by those denied entry into "the club."

And it's further fueled by old fashioned cultural norms, including under-resourcing marketing and business development support, poorly-defining or holding unrealistic expectations for marketers and business developers to achieve, and maintaining the historical organizational love-hate relationship that has traditionally existed regarding business development {aka selling) in most professional firms.

Cultural Challenge #3 : Short-Term Thinking

Recensions, globalization, rapid technological change and other large marketplace shifts pose a riveting challenge for PSFs and B2Bs. Yet most professional firms' executive managers have not yet envisioned the critical cultural shifts that will be required in order to compete more effectively in the long term.

It's not all bad. Tightening the budget forces everyone, including marketers and business developers, to seek ways to increase their functions' effectiveness.

But when the economy is up and revenues are flowing, how well equipped have executive managers been to insist on reinvestment and preparation for the next downturn? And now that the economy is stumbling, how aggressively are they working to erase the marketing and business development silos in their enterprises and proactively pursue integration and expanded go-to-

market effectiveness? Their firms' very survival depends on it.

Cultural Challenge #4 : The "Immaturity" of Marketing and Business Development Functions

PSFs haven't always had marketing and business development, so these functions are still somewhat immature. Even today, it's not uncommon to hear about a professional firm hiring its first ever marketing coordinator or business development professional.

This "immaturity" actually feeds into the patchwork quilt of definitions, organization structures, and reporting relationships of marketing and business development. There's no industry standard yet.

It's no one's fault, then, that functional disconnects exist, or that their effects seep out into professional firms' cultures. But "our youthful profession" won't serve as a potent excuse to not push for more effectiveness, and for integration. And it will be up to PSF and B2B executive managers — within and across sectors — to erase the silos that are created by an immature field.

Cultural Challenge #5 : Unrealistic Expectations, Demand for Talent and High Turnover

The "immaturity* of marketing and business development feeds directly into a fifth cultural barrier to optimal integration. It's the cycle of unrealistic expectations, demand for talent and high turnover. The elements of this complex cycle create enormous cultural obstacles to marketing and business development effectiveness in professional firms.

Considering the fragmented landscape for access to knowledge, credentials and best practices, highly skilled professional service marketers and business developers are few and far between. Simultaneously, PSFs' and B2Bs' demand for experienced marketers and business developers is rising. What do you get when demand is high and experienced supply is low? Unrealistic expectations, among practitioners and executive's in a professional firm, and among marketers and business developers tod. Inevitably, the result is a revolving door. And the cultural ramifications can be toxic.

Cultural Challenge #6 : Shifting Leadership Demands

This cultural challenge centers around the very definition of leadership in a professional environment, and how one manages a business built on the intellectual capital of high-achieving equals.

In the professional firm of yesteryear, "leadership* definitely did not connote "management." Decisions were made by collegial consensus. Today, the concept of "leadership* in a professional firm faces seismic shifts. Professional firm leaders are being required to make enterprise-oriented decisions that have unavoidable competitive consequences. They are being asked to set the strategic direction that will represent a compelling-enough call to action to motivate professionals.

Professional firm leaders will need to drive their organizations' evolving expectations of the management function. With more shifts surely ahead in the hyper-competitive PSF and B2B marketplace, executive managers will be **expected** to introduce and reinforce new norms about what management is supposed to do for a professional enterprise. They'll be expected to deliver results they've never had to deliver before.

Time to Get Your Cultural House in Order

There are, I'm sure, other cultural underpinnings to the problems of marketing and business development silos.

But illuminating the landscape of these cultural integration hurdles is precisely what can help PSF and B2B executive managers overcome them.

A PSF and B2B executive manager has a new mandate: to don the mantle of Chief Cultural Influencer and to apply the principles of organizational behavior, change management, business management, and perhaps political strategy to enact the enterprise's cultural transformation toward marketing and business development integration.

Structural Challenges to Marketing and Business Development Integration

In "up" economic cycles, professional service firms' traditional approaches to the structural frameworks of marketing and business development (its processes, skill sets and administrative support) appear effective and efficient. But when the marketplace sputters, as we're witnessing currently, these structural frameworks are revealed for what they often are - less-than-optimal hodgepodges badly in need of overhaul.

If PSFs and B2Bs want to compete effectively and serve clients optimally in the future, they 11 have to face the disconnects that have crept into their marketing and selling process handoffs. They'll have to address the too-limited scope of their marketing and business development functions. Theyll have to make clear-eyed assessments of the underdeveloped marketing and business development skills they've allowed from their practitioners and their non-revenue-generating staff.

Could these situations exist at your firm? One of the best ways to address deeply systemic problems like these is to break them down into observable pieces.

Let's take a look at four critical structural issues.

Structural Challenge #1: A Lack of Process Coordination in Going to Market

Many PSFs do business through a matrix of geographies, industries, functional focuses sind/or service lines. With each layer of organizational complexity, the challenges increase for seamlessly managing an inquiry into a lead, a prospect into a proposal, or a proposal into a client. Process coordination becomes even murkier because most firms allow significant variability in the way their marketing and selling activities are implemented or managed.

PSFs'- process coordination challenges axe exacerbated by under-performing technological systems, uneven performance incentives and effectiveness measures, or problems with internal communication protocols. PSFs also have trouble prioritizing whether to emphasize activities to acquire clients, retain them, or build the firm's book of business with them.

The bottom line: a lack of process coordination exists because the function of marketing is not seamlessly integrated with the function of business development.

And every one of these process structure challenges is entirely fixablel

Structural Challenge #2: A State of Confusion and Uneven Accountabilities in Marketing and Business Development

What exactly is marketing? What is business development? Who's in charge of what, and how should we structure it?

In a PSF or B2B, business development (selling) is a one-to-one activity. But marketing is a one-to-many activity. The potential for boundary confusion creeps in when one-to-one practitioners (accountants, engineers, lawyers, etc.) want to get involved in the one-to-many aspects of marketing.

Imagine it: revenue-generators developing their own sub-brands, or hoarding prospect names in their own personalized databases. What's more, many professional firms split assignments for aspects of marketing and business development functions. When they do, they create gaps or duplications in accountability.

Also, too many firms expect people to collaborate informally on marketing and business development initiatives. Friendly collaboration sounds good in theory, but it's important to officially outline shared accountabilities for each function's success (including structural components like updated job descriptions and clearer reporting relationships). Otherwise, this "friendship" model leaves an organization with under-harnessed people and ineffective professional service marketing and business development.

Structural Challenge #3 : Lopsided Marketing and Business Development Programs

There are four ways to discern structurally lopsided marketing and business development programs.

First, a budgetary over-emphasis on marketing communications (i.e., holiday card mailers, brochures, advertising), and not enough on activities like segmentation, differentiation strategy, client research or new service development.

Second, an increase in calls for ROI proof of a marketing communications program. ROI pressures exist **precisely because** PSFs over rely on less-than-optimally researched and undifferentiated marcpm tactics for less-than-well-targeted prospects.

Third, position descriptions that overemphasize communications and relegate marketing and business development roles to "support" (literally set up to be silo'ed), instead of being crafted with clear pathways to strategic leadership. Many PSFs neither recruit nor try to retain marketers and business developers who have strategic or analytical capabilities.

Fourth, evidence that some of the more tactical aspects of communications are beginning to be handled externally by outsourced vendors. It's tempting to outsource commoditized marketing services, especially in tight financial times. And it's smart to manage marketing and BD budgets for maximum productivity. But if PSFs delegate their tactical initiatives away, without a parallel initiative to ensure better integration of marketing and business development functions, they risk exacerbating the organizational silos that may have already crept in.

Structural Challenge #4 : Underemphasized and Silo'ed Marketing and Business Development Skill Development

A professional service firm is essentially a collection of entrepreneurs who thrive on friendly internal competition. But there's a downside to all this fun. Practitioners can become more interested in what their **colleagues** think than what **clients** think! When PSFs under-invest in the marketing and selling skills-growth of their revenue generators (and eventually holding them accountable for gaining these skills), it's a slippery slope. It can hurt the entire firm if a practitioner's advancement is not well-tied to the marketplace.

And what about growing the skills of marketers and business developers? There's a lot of talk about how professional- and B2B service marketers should provide "insights on complex, strategic issues" or "work hand-in-glove with innovators* or "speak the language of the CEO." Exactly how should they learn these important skills?

Shouldn't executive managers more consciously support the integrated skills growth and

career advancement of their marketing and business development professionals? Currently most PSFs don't. No wonder there's an overemphasis on marcom!

Time to Get Your Structural House in Order

"The main obstacle we have encountered is ourselves." This verbatim quote came from someone who responded to one of my many research projects on the challenges and emerging best practices of professional service marketing.

Think for a moment about what could happen if professional firms better coordinated their stepwise go-to-market processes. Imagine if they structured a better balance between their marketing program elements, or reconfigured everyone's formal accountabilities so practitioners, marketers, business developers and other administrative functions could better integrate with each other.

Consider what could happen to a PSF's or B2B's competitive effectiveness if it structured and supported a well-defined skills-growth pathway for marketers and business developers.

Professional firm executive managers must ask themselves this hard question: are we competing for marketplace gains **as effectively as we could?** If the answer is anything less than a resounding "Yes!", these firms are vulnerable, especially in economic downturns.

With deliberate focus and commitment, professional- and B2B service firms can indeed overcome their structural marketing and business development integration challenges. The results can be substantively growing market share, increasing the "right" kind of revenues, and providing significant value for clients.

Framework

Every business needs a marketing framework-but many new small businesses get confused about which steps they need to take first.

I define a marketing framework as the basic structure of your overall marketing action plan that also encompasses the core marketing strategies you need.

It's like when you're building a house (my Dad and brother are carpenters so I've seen a lot of houses being built!) and after you've poured the concrete for the base, you start framing...which means you start building the framework of the house with wood 2 X 4's.

Once that framework is done, and then the carpenters start filling in the wood framework with insulation, plywood, sheets of gyproc and so on.

Marketing your new business is the same way...you start with a marketing framework - the basics for marketing your business - and then you start building from there.

There are 3 main reasons why it's important for you to have a marketing framework:

1)   A marketing framework will ensure that you have the necessary building blocks to start marketing effectively and keep marketing

   •   We all need a place to start and figuring out your marketing framework will give you that place to confidently start marketing your business

2)   A framework gives you the ability to make a plan of action

   •   In order to make a successful plan of action for marketing your small business, you need to have a starting point from which to build and start adding action steps that you need to take to keep your marketing momentum going

3) A marketing framework makes it easy to figure out which marketing strategies to add

- Once you have the basics in place, it's easier for you to add tactics that will work with and build upon the marketing tactics you already have in your marketing framework

You can see a theme running through these 3 reasons and it's all about being systematic, consistent and building upon what you currently have.

When you start with a marketing framework and have the basic marketing building blocks in place, it makes marketing your business easier, faster and more enjoyable (because it's less work and you have time to check out other exciting business and marketing opportunities).

There are 3 components that you need in your marketing framework ;

1)   A website
2)   Free giveaway and opt-in box
3)   Marketing tactics based on your core marketing strength

Let's look at each of these in more depth:

The first component you absolutely need in your marketing framework is a website. I'm sure you've heard this again and again, and are probably sick of hearing about it….but that's because it is so important!

A website is crucial for building credibility, trust, a relationship with prospects and clients, and also as the key means for building your list. This leads us into the second component you need in your marketing framework.

The second component is a free giveaway and an opt-in box. These go hand-in-hand - you need to have an opt-in box on each page of your website that gives people access to a free giveaway in exchange for their name and email address. This is the way you start capturing names and build a list of prospects that you can communicate with on a regular basis and build a relationship with them.

A free giveaway is a piece of valuable information that your prospective clients would find useful. There are many different formats you can provide your free giveaway in: a report, audio lesson, tips 86 tricks, a checklist, an audio recording and so on.

The third component that you need in your marketing framework is tactics built around your core marketing strength. There are 3 main areas that most marketing tactics fall under: writing, speaking and networking.

All of us are usually stronger in one of these areas, we enjoy one area more, or it comes easier and we can therefore do it quicker.

Once you figure out that, you will start to add marketing tactics that are built around that core strength of yours, and then grow from there.

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Semester-IV

MS (406)
MARKETING OF SERVICES

Lesson No. 3

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STRUCTURE

3.0   OBJECTIVES

After studying this chapter you should be able to

1.   Understand the origin and importance of Relationship Marketing

2.   Understand the benefits and role of relationship marketing in the competitive era

3.1   **ORIGIN OF RELATIONSHIP MARKETING**

The year 2050 - intelligent cameras on the facade of retail outlet read the eye-prints of passersby identify them and greet them by name, giving individualized offerings and inviting them to the mall. The sales representative at the door of outlet, taking advantage of the database shared by various merchandisers offers him shoes matching the trousers he bought last month from other shopping mall. Such is the extent to which marketing capabilities might evolve by the mid-twenty first century but in reality, it is not feasible till date. The idea behind this hypothetical development however is old - to optimize customer profitability by delivering the right messages, to the right individual customers and develop a cordial relationship. Till the hypothetical situation comes out to be true we have to focus on the basics of relationship marketing.

It was always there in Pre-Industrialization era marketing practices were highly individualized, relationship oriented and customized. The design of clothes, jewelries, watches, home furnishings and other consumer products were customized. Since production, those days was primarily based on customer request and demand, it.did not require push form of marketing activities. The beginning of industrialization could be seen as the end of personal relationship between producers and customers. Those were the days when producers were confronted with inventories piling up that forced companies to focus on aggressive selling.

Selling, as it matured distanced the manufacturers from their customers. This situation with passage of time polarized customers and manufacturers. Customers and manufacturers in industrialization era were acting in isolation, as there was no match in customers' demand and manufacturers' offerings.

Manufacturers, those days, were producing what best they could and customers were left with no other option but to buy those offerings. Industrialization resulted in mass production that increased the gap between the customers and the manufacturer. The advent of mass production and mass consumption during those times led the marketers to adopt a transactional approach of marketing.

In the post industrialization era, certain important developments occurred, one being the

marketer's realization that repeat-purchase by customers was critical, making it necessary to build brand loyalty. The other significant change was the development of administered vertical marketing systems whereby marketers not only gained control over channels of distribution but developed effective barriers for their competitors. This reduced the gap between the producers from the customers. However, the emphasis remained on discrete transactions. Some firms, not content with such discrete transactions, began developing long-term contracts through suppliers and service, creating ongoing interactive relationships among themselves.

The change is also observed in various other industries viz. hospitality, automobile, aviation, education. It is obvious from the changes in these mammoth industries that the phenomenon of relationship marketing has not only helped small grocery stores but also organizations with huge marketing setup.

Relationship marketing is more of use to the organizations, which have grown in operation, and whose decision makers have moved farther from the front line. Developing and sustaining long lasting one-to-one cordial relationship for the decision makers, in such organizations becomes a distant concept. Hence the onus of sustaining relationships goes down to the front line managers. Moreover environmental and organizational development factors, rebirth of direct relationships between producers and consumers are few of the factors responsible for the shift in market structure. These factors are not only instrumental in the shift in the form of marketing but also in strengthening relationship marketing.

3.2 REASONS FOR THE GROWTH OF RELATIONSHIP MARKETING

Rapid technological advancements, especially in information technology

Increased role of information technology-based interactivity Transformation of organizations and adoption of total quality programs Empowerment of employees

Increase in competitive intensity that shifts the focus towards customer retention

Increasing emphasis on services and service aspects of products

Focus on financial accountability and ROI on marketing initiatives

Increased emphasis on loyalty and value management

Shifts in power and control within marketing systems

Decline of traditional mass marketing techniques

Increasing focus on price, as differentiation decreases

Development of fragmented, regional, and/or global markets

3.3 MEANING OF RELATIONSHIP MARKETING

Relationship Marketing involves using methods and tactics to develop long term relationship with customers in order to retain them. An organization must exceed customer satisfaction in order to retain them and develop a healthy relationship with their customers.

Traditional transactional marketing involved the organization focusing all of its marketing efforts on attracting the customer for one off sales. However, customers who are loyal end up spending more in the long-term, so it makes sense, keep existing customers happy!

3.4 RELATIONSHIP MARKETING STRATEGIES

3.4.1 Attracting and retaining customers

Relationship marketing involves the organization undertaking a number of important

activities. First of all, the company must put into place tactics to attract customers. Methods used to attract customers may include promoting the product and brand, offering good quality products/ services and competitive prices. Secondly customers that are attracted to the organization have to be retained. As we stated above what's the point of all that hard work of attracting customers if we cannot retain them? Methods used to retain, may include, loyalty cards, a good customer service section, and an individual account manager if it is a large client, along with product variety and quality.

3.4.2   Monitoring customer satisfaction

An organization must continue to satisfy customers, but lets be honest, it is very difficult to keep 100% of your customers satisfied all the time, one reason is because needs and wants of your customers change. So we have to monitor what is happening in our customer environment. Methods used to monitor customer satisfaction include:

- Focus Group
- Personal Interview
- Questionnaires.
- Mystery Shoppers.
- Customer complaints.
- Suggestion boxes.
- Online surveys.
- General comments

In order to retain customers we must keep up to date with the needs of our customers. Customer needs do not remain static and always change. Adapting and changing along with these needs will help the organization develop the relationship it wants with the customer. The benefit, well increased profit, market share and brand awareness

3.4.3   Customer complaints

The aggrieved consumers may choose to lodge complaint to the corporate office regarding the service availed.

3.4.4 Self-Help Exercise

1) What action might aggrieved consumers take when dissatisfied with a service?
  a. Mystery shopping
  b. Online surveys
  c. Lodge a complaint to the corporate office
  d. Use loyalty cards

3.5   BENEFITS OF RELATIONSHIP MARKETING

1. Retaining customers for the long-term offers many benefits. The aim is for the company to obtain life time custom. Some of the benefits of relationship marketing include:

2. Loyal customers will recommend your business to others, thus expanding your business for you.

3. Loyal customers are willing to try some of your new products, because they trust you.

4. Customers will be willing to pay more for your services/pro ducts if there are adjustments in pricing because they are loyal to you and trust your services/ products.

5. Loyal customers will tell you about problems with your products/services enabling to improve your products/services.

an approach to develop bonding with individual constituents of the value chain of a firm operating in an industry. Players, to gain a competitive edge in an increasingly cutthroat market condition are using it as a competitive marketing weapon. Marketers are increasingly using relationship as a tool of value creation and in the process they are involving customers for their real time views on product development, designing, pricing distribution etc. It is observed that in this era of Relationship Marketing, consumers are increasingly becoming co-designers and in few cases co- producers. Let us take the instance of Texas Instruments, which established dialogue with more than 30,000 high school teachers in developing its new TI-92 calculators. In one another classic case the FMCG giant Procter & Gamble deputed 20 of its employees to live and work at Wal-Mart's headquarters to improve the speed of delivery and reduce the cost of supplying its goods to Wal~ Mart's stores. Although some experts refer to Relationship Marketing as 'relational relationship marketing exchange', the actions undertaken are not always for the purpose of exchange. The parties involved cooperate to share resources for joint value creation. In certain instances, the conversations taking place may not ultimately result in a monetary exchange but may bring greater benefits to the people involved in the process. More of such instances may be found in cases like Zeppelin, the German distributor of Caterpillar that caters to the individual needs of its customers and recommends preventive maintenance, Amazon.com that maintains databases on customer preference and pro-actively advises them on purchasing books and hotels like Holiday Inn that offers customized services to customers. Relationship marketing in a few other instances brings monitory benefit to the customer without diluting the manufacturer's profitability.

3.5.1 Self-Help Exercise

2)How do players use relationship marketing as a competitive marketing weapon?
  a. By reducing the speed of delivery
  b. By involving customers in real-time views
  c. By decreasing value creation
  d. By limiting dialogue with customers

3.6. Short Ques
- What are some ways to adapt to changing customer needs and retain them?
- What options do aggrieved consumers have when dissatisfied with a service?
- In relationship marketing, what role do consumers play in product development?

3.7 Long Ques
1. What is relationship marketing
2. What are the strategies of relationship marketing

3.8 Answer to Self-Help Exercise
Answers: 1:c , 2:b

3.6 SUGGESTED READINGS

- Zeithmal, Bitner : Service Marketing, Tata Me Graw Hill
- Dr. S.Shahjahan : Service Marketing, Himalaya Publisher
- Ravi Shankar : Service Marketing: The Indian Perspective, Excel Books
- Lovelock : Service Marketing, Peason Education

<u>**Lesson No. 4**</u>_____ <u>**AUTHOR : Dr. B. B. SINGLA**</u>

STRUCTURE

4.0   OBJECTIVES

After studying this chapter you should be able to

1.   Understand the role and basis of segmentation in marketing
2.   Understand the Positioning strategies
3.   Understand the meaning of targeting and its strategies

4.1   SEGMENTATION

Market segmentation is the process in marketing of grouping a market (i.e. customers) into smaller subgroups. This is not something that is arbitrarily imposed on society: it is derived from the recognition that the total market is often made up of submarkets (called 'segments'). These segments are homogeneous within (i.e. people in the segment are similar to each other in their attitudes about certain variables). Because of this intra-group similarity, they are likely to respond somewhat similarly to a given marketing strategy. That is, they are likely to have similar feeling and ideas about a Marketing mix comprised of a given product or service, sold at a given price, distributed in a certain way, and promoted in a certain way.

Market segmentation is widely defined as being a complex process consisting in two main phases:

identification of broad, large markets

segmentation of these markets in order to select the most appropriate target markets and develop Marketing mixes accordingly.

Everyone within the Marketing world knows and speaks of segmentation yet not many truly understand its underlying mechanics, thus failure is just around the comer. What causes this? It has been documented that most marketers fail the segmentation exam and start with a narrow mind and a bunch of misconceptions such as "all teenagers are rebels", "all elderly women buy the same cosmetics brands' and so on. There are many dimensions to be considered, and uncovering them is certainly an exercise of creativity.

4.2   **FEATURES OF A MARKET SEGMENT**

A market segment should be:
*   measurable
*   accessible by communication and distribution channels
*   different in its response to a marketing mix
*   durable (not changing too quickly)
*   substantial enough to be profitable

A market can be segmented by various bases, and industrial markets are segmented somewhat differently from consumer markets, as described below.

"Market Segmentation is the process of dividi ng a heterogeneous market into homogeneous sub units".*

4.3   **IMPORTANCE OF MARKET SEGMENTATION**

o Slow market growth has fostered more competition, increasing the need to identify target markets

o Social and economic forces have produced customers with varied and sophisticated needs, tastes,   and lifestyles,

o Technological advances make it possible **for** marketers to devise marketing programs that focus efficiently on precisely defined segments of the market,

 o Minority buyers do not necessarily adopt the social and economic habits of the mainstream.

o 40% of US residents identify with some segment or niche group other than the historical "marketing mainstream.'

4.4   **BASIS OF SEGMENTATION**

1.   **CUSTOMERS BASED SEGMENTATION**

*   **Geographic Location of customer**

Geographically based segmentation helps the Firm in planning its Marketing offer as well as its distribution function.

For examples
Urban< ---- >Rural Market .
Metro<—>Non Metro Market District<—>Tehsil< > Block markets

It's believed that. Rural Markets are different from Urban Markets and hence product, Promotion, Pricing & Distribution needs to be different for the different markets.

*   **Segmentation On The Basis Of Demographic Characteristics**

Demographic factors like: AGE, EDUCATION, INCOME, OCCUPATION, SEX, FAMILY, SIZE & MATCH Status are used singly or in combination to segment the markets.
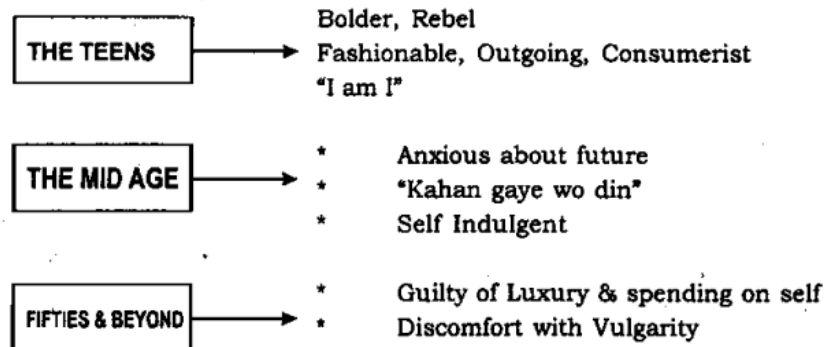
AGE : Based on Age one can have.
a)   Infants Market (Newly Bom-1 year)
b)   Child Market (1-12 Years)
c)   Teens Market (13-19 Years)
d)   Youth Market (20-25 years)
e)   Middle Aged Market (36-50 Years)
i)   Senior Market (50)

INCOME : On the Basis of the Income, The Marketers can be Segments As being:-
- a)   Low Income
- b)   Low Middle Income
- c)   Middle Income
- d)   Upper Middle Income
- e)   Higher Income

GENDER : On the basis of gender Market can be segmented in the form of male & female market. The Cosmetic & Beauty Industry is taking this Basis in the view men & women.

The Indian Women (Age & Value System)

THE TEENS	→	Bolder, Rebel Fashionable, Outgoing, Consumerist "I am I"
THE MID AGE	→	* Anxious about future * "Kahan gaye wo din" * Self Indulgent
FIFTIES & BEYOND	→	* Guilty of Luxury & spending on self * Discomfort with Vulgarity

OCCUPATION : On the Basis of Occupation.
- a)   Market for Professionals
- b)   Market for Industrialist
- c)   Market for Households.

EDUCATION : On the basis of Education Indian Market can be
    Segmented as   f
- a)   Illiterates
- b)   Literates
- c)   High School Educated
- d)   University Educated ,

- **Psychographic Variables**

Often it has been seen that two customers with the same demographic characteristics may act in an entirely different manner. This is because of the Psychographic variables which effects the decision of the Marketing & becomes the basis for the Segmentation. Motivation, personality, perception, learning determines the liking and disliking of the customer and play an important role in a buying behavior. For e.g. the stud^ conducted by the Ford states that the cars attached the personalities with variables like "independent, impulsive, masculine, self confident whereas Chevrolet cars are attached with the personalities like conservative, prestige conscious, less masculine etc.

2.   **SERVICE RELATED SEGMENTATION**

Benefit Segmentation

Here the Marketer identifies benefits that a customer look for when buying a Product.
For example: A Watch

Where customer may buy for Functional purposes, durability as a Gift, An Accessory or Jewellery Item.

Consumption

Consumption has also been the Basis for Segmenting Beverages (Tea, Coffee, Soft Drinks) liquor's cigarette market OR the following Segment.

a)   Heavy users
b)   Moderate Users
c)   Light Users

Decision Criteria

Another Basis for Segmentation is Decision criteria customers may buy a product on the following criteria.

a)   Price
b)   Perceived quality of Product/Services
c)   Services offered by the firm
d)   Technology

Some of the customers may be price sensitive or some may be quality sensitive.

3.   **COMPETITION BASED SEGMENTATION**

a)   **Hard Core Loyal**

Hard core loyal are those customers who continue to buy the same service over & over again, Newspaper Readers, are some hard core consumer groups.

b)   **Soft Core Loyals**

Those who are loyal two or three brands in a service group for examples:

c)   **Switches**

Those customers who never stick to a brand. They may switch for variety or for a special deal.

4.5   **PROCESS OF MARKET SEGMENTATION**

4.5.1   **Identify and name the broad market**

You have to have figured out by this moment what broad market your business aims at. If your company is already on a market, this can be a starting point; more options are available for a new business but resources would normalty be a little limited.

The biggest challenge is to find the right balance for your business: use your experience, knowledge and common sense to estimate if the market you have just identified earlier is not too narrow or too broad for you.

4.5.2   **Identify and make an inventory of potential customers' needs**

This step pushes the creativity challenge even farther, since it can be compared to a brainstorming session.

What you huve to figure out is what needs the consumers from the broad market identified earlier might have. The more possible needs you can come up with, the better.

Got yourself stuck in this stage of segmentation? Try to put yourself into the shoes of your potential customers: why would they buy your product, what could possibly trigger a buying decision? Answering these questions can help you list most needs of potential customers on a given product market.

4.5.3 Formulate narrower markets

Try to form sub-markets around what you would call your "typical customer", then aggregate similar people into this segment, on the condition to be able to satisfy their needs using the same Marketing mix. Start building a column with dimensions of the major need you try to cover: this will make it easier for you to decide if a given person should be included in the first segment or you should form a new segment. Also create a list of people-related features, demographics included, for each narrow market you form - a further step will ask you to name them.

There is no exact formula, on how to form narrow market's: use your best judgement and experience. Do not avoid asking opinions even from non-Marketing professionals, as different people can have different opinions and you can usually count orpat least those items most people agree on.

4.5.4 Identify the determining dimensions

Carefully review the list resulted form the previous st$p. You should have by now a list of need dimensions for each market segment: try to identify those that carry a determining power.

Reviewing the needs and attitudes of those you included within each market segment can help you figure out the determining dimensions.

4.5.5 Name possible segment markets

You have identified the determining dimensions of your market segments, now review them one by one and give them an appropriate name.

A good way of naming these markets is to rely on the most important determining dimension.

4.5.6 Evaluate the behavior of market segments

Once you are done naming each market segment, allow time to consider what other aspects you know about th^m. It is important for a marketer to understand market behavior and what triggers it. You might notice that, while most segments ha⁻e **similar** needs, they're still **different** needs: understanding the difference and acting upon it is the key to achieve success using competitive offerings.

4.5.7 Estimate the size of each market segment

Each segment identified, named and studied during the previous stages should finally be given an estimate size, even if, for lack of data, it is only a rough estimate.

4.6 POSITIONING

According to Philip Kotler "Positioning is the act of designing the company's image and value offer so that the segment's customers understand and appreciate what the company stands for relation to its competitors." The best way of positioning is gaining competitive advantage through differentiation is the key to survival today.

Simply, positioning is how your target market defines you in relation to your competitors. A good position is:
1.   What makes you unique
2.   This is considered a benefit by your target market

Both of these conditions are necessary for a good positioning. So what if you are the only red-haired singer who only knows how to play a G minor chord? Does your target market consider this a good thing?

Positioning is important because you are competing with all the noise out there competing for your potential fans attention. If you can stand out with a unique benefit, you have a chance at getting their attention.

It is important to understand your product from the customers point of view relative to the competition.

In order to begin positioning a product, two questions need to be answered :

1.   What is our marketing environment?
2.   What is our competitive advantage?

The marketing environment is the external environment. Some things to consider :
•   How is the market now satisfying the need your software satisfies?
•   What are the switching costs for potential users for your market?
•   What are the positions of the competition?

The competitive advantage is an internal question. What do you have that gives you advantage over your competitors. Some things to consider:

Is your company small and flexibility?

•   Do you offer low cost and high quality?
•   Does your product offer unique benefits?

Are you the first on the market with this product (First mover advantage)?

POSITIONING IN INDIAN RAILWAY SERVICES

4.7   ELEMENTS OF POSITIONING

1.   **Target market:**

Where does the company want to compete? The company has to select the segment to which it will offer its products. It is very tempting to select the largest segment or the most profitable segment. The company should process special competencies and resource to serve its target market.

2.   **Undifferential Targeting:**

A company using an undifferential targeting strategy essentially adopts a mass-market philosophy. It views the market as a single unified big market with no segments, The company uses one marketing mix for the entire market. The company assumes that individual customers have similar needs that can be met with a common marketing mix.

3.   **Multi Segments Targeting:**

A company following multi segment targeting strategy serves two or more well defined segments and develops a distinct marketing mix for each on of them. Separate brands are developed to serves each of the segments by most companies following this strategy.

4.   **Differential Advantage:**

How does the company want to compete? The company has to provide answer to "Why would a customer of the target market want to buy my product and not those of competitors?" A company which is able to furnish an unambiguous answer has a clear positioning strategy.

5.   **Communicating the differential advantage to customers:**

A company may have created the appropriate offering for its target market but its customers should know that it has. Most companies are content with using advertisement to convert their positioning.

6.   **Distribution differentiation:**

Distribution differentiation arises by making the buy situation more convenient for customers. Different target market will require different activities to make the buying situation more convenient for them. Customers hard pressed for time have welcomed introduction of automated teller machines. But some customers would still prefer to visit the bank to conduct transactions which can easily be carried out through the ATMs.

7.   **Price differentiation:**

Price differentiation involves estimating the price sensitivity of the target market and offering relevant values on the basis of such estimation. A target market can be totally price insensititive and desire value of the highest order.

4.7.1 Self-Help Exercise

1. What does price differentiation involve?
   a. Offering a unified value
   b. Estimating price sensitivity and offering relevant values
   c. Assuming a mass-market philosophy
   d. Creating separate brands for each segment

2. How can a company communicate its differential advantage to customers?
   a. Using a unified marketing mix
   b. Developing separate brands
   c. Creating an unambiguous answer
   d. Using advertisement for positioning

4.8   **POSITIONING STRATEGIES**

There are seven positioning strategies that can be pursued:

   •   Service **Attributes :** What sire the specific product attributes?
   •   **Benefits :** What are the benefits to the customers?
   •   **Usage Occasions** .'.When / how can the product be used?
   •   **Users :** Identify a class of users.
   •   Against a **Competitor:** Positioned directly against a competitor.
   •   **Away from a Competitor:** Positioned away from competitor.
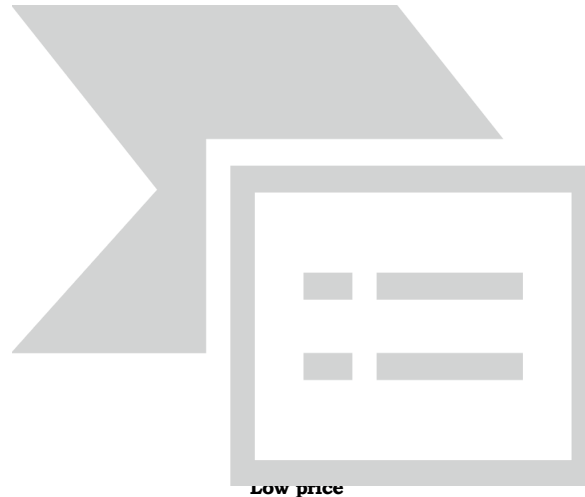   •   Service **Classes :** Compared to different classes of products.

Perceptual Map/Positioning map

Products and services are mapped together on a positioning map. This allows them to be

Example of Auto market

Product: Ferrari, BMW, Hyundai, Range Rover

Low price

4.9   **CONCLUSION**

- Positioning is essentially the creation of an offering that is distinctive from the offering of competitor, and is meaningful to customers.
- The positioning of a company dictates all the elements of it marketing mix. The marketing mix is used to implement positioning.
- Differential advantage can be achieved by distinctive product offering tailoring a different distribution strategy and on the basis of image services or personnel.
- The positioning strategy can be successful only if it is unambiguously communicated to the intended target audience; it is consistent, meaningful, credible, and distinctive.

Many marketers wish to promote only one product benefit, thus they create unique selling proposition for positioning their product by offering double benefit offer, triple benefit positioning.

Positioning can be described as a process of making the prospects aware of the product, the benefits and the unique selling proposition associated with it.

4.10   **TARGETING**

Target Marketing involves breaking a market into segments and then concentrating your marketing efforts on one or a few key segments.

Target marketing can be the key to a small business's success.

The beauty of target marketing is that it makes the promotion, pricing and distribution of your products and/or services easier and more cost-effective. Target marketing provides a focus to all of your marketing activities.

So if, for instance, I open a catering business offering catering services in the client's home, instead of advertising with a newspaper insert that goes out to everyone, I could target my market with a direct mail campaign that went only to particular residents.

4.10.1 Self-help Exercise

3. What does target marketing involve?
   a. Focusing on all market segments
   b. Ignoring market segments
   c. Concentrating on one or a few key segments
   d. Promoting products to everyone

4.11   **TARGETING STRATEGIES**

    1.   **Differentiated marketing (Product differentiation)**

Under differentiated marketing a firm decides to operate in several or all segments of the market but designs separate products and marketing programmes for each. Product differentiation exists when a firm's offerings differ or are perceived to differ from those of competing firms on any attribute, including price. A product differentiation strategy positions a product within the market.

Marketers attempt to position a product or service in customers' minds—to convince customers that the product has unique and desirable characteristics. For e.g. the cereal companies carefully differentiate its product among the health conscious adults, working women, fussy teenagers, and sweet toothed children.

    2.   **Undifferentiated marketing (mass customization)**

Among the most notable changes in this century has been the shift from mass marketing to mass customization. Now companies throughout the world have embraced mass customization in an attempt to satisfy the diverse needs of their customers and to provide unique value. It is an attempt to design a product and marketing programmes that appeal to the broadest number of buyers. For e.g. Coca cola meant only one thing to consumers. It is available in a single flavor and same bottle size in all over India.

    3.   **Concentrated marketing**

In this the company instead of capturing small share of a large market the company focuses on one or few segments. For eg Blackberry in mobile industry

The differentiation could be along or all of following lines.

        a)   Product
        b)   Service
        c)   Channel
        d)   Price
        e)   People
        fl   Image

Differentiation on account of Product is the most basic 8s common approach to positioning. For e.g. Domino's Pizza has taken the service route to position its Pizzas in the Market. It guarantees delivery to customers within 30 minutes of receiving the order.

4.12 Short Ques
1. How can a company communicate its differential advantage to customers?
    2. What does price differentiation involve?
    3. How does gender play a role in market segmentation, especially in the cosmetic and beauty industry?
    4. What is the significance of geographically based segmentation in marketing planning?

4.13 Long Ques

    1. What is segmentation

    2. Basis of segmentation

    3. Perceptual map

    4. Targeting

    5. What is STP?

4.14   Answer to Self-Help Exercise

Answer: 1:b, 2:d, 3:c

4.12   **SUGGESTED READINGS**

    •   Zeithmal, Bitner: Service Marketing, Tata Me Graw Hill

    •   Dr. S.Shahjahan: Service Marketing, Himalaya Publisher

    •   Ravi Shankar: Service Marketing: The Indian Perspective, Excel Books

THE SERVICE CLASSIFICATION AND
SERVICE PRODUCT DEVELOPMENT

STRUCTURE

SERVICE PRODUCT DEVELOPMENT

5.0 **OBJECTIVES**

Describe the service product development process, with emphasis in idea generation, idea selection, and virtual commercialization of an innovation

Examine these forces as sources of new service'products ideas .

Discuss research techniques to identify consumer problems as sources of new ideas.

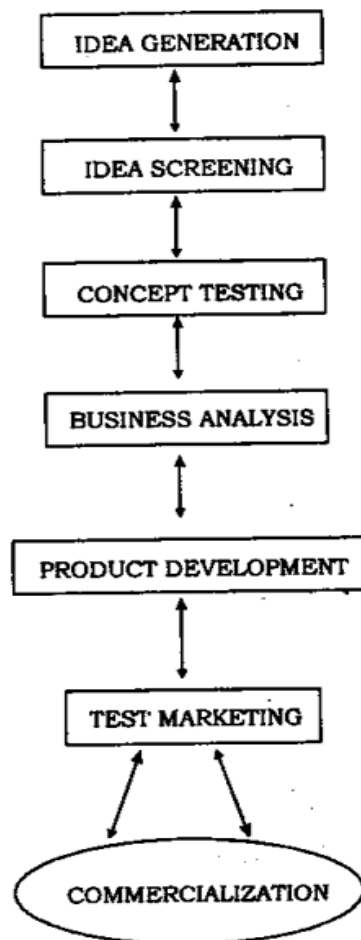Use the screening ideas process for selecting idea

Discuss the Service Product Design Specifications (SPDS) methodology as a tool for generating new ideas and, final selection of an idea.

After . reading this chapter one should be able to:

i.   apply various techniques in the generation of ideas.

ii.   select an idea to further develop its prototype and proposal for its commercialization.

iii.   use the PDS methodology in the generation and selection of team idea/concept to

NEW SERVICE PRODUCT DEVELOPMENT PROCESS

Before a service product is introduced to the market, it goes through a series of steps or phases. This planning process, which is called the New Product Development Process, allows a firm to generate and evaluate ideas, to eliminate the least attractive ones, to develop the product and finally test and introduce it to the marketplace. The phases are shown in the following :

```
        ┌──────────────────────┐
        │   IDEA GENERATION    │
        └──────────────────────┘
                  ↕
        ┌──────────────────────┐
        │   IDEA SCREENING     │
        └──────────────────────┘
                  ↕
        ┌──────────────────────┐
        │   CONCEPT TESTING    │
        └──────────────────────┘
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        ┌──────────────────────┐
        │  BUSINESS ANALYSIS   │
        └──────────────────────┘
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        ┌──────────────────────┐
        │ PRODUCT DEVELOPMENT  │
        └──────────────────────┘
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        │   TEST MARKETING     │
        └──────────────────────┘
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        ╭──────────────────────╮
        │   COMMERCIALIZATION  │
        ╰──────────────────────╯
```

IMPORTANCE OF NEW PRODUCT SERVICES

1. Service product items , no matters how successful, are usually mortal.
2. Service products need to be constantly planned.
3. The introduction of new service product can:
   • Create differential advantages.
   • Enhance the firm's image.
   • Support continued growth.
   • Limit risk through diversification.
   • Capitalize on technological breakthroughs.
   • Improve the firms' productivity or be responsive to recycling issues.
   • Help firms respond to changing demographics and lifestyles.
   • Help the firm respond to government mandates.
4. New service product planning requires systematic research, development, and defensive as well as (".Tensive planning.

WHY NEW PRODUCT SERVICES FAIL

1. The failure i rte of new products remains high despite better product-planning processes.

2.   A recent survey of industrial and consumer goods' firms revealed a failure rate of 35 percent .

3.   Product failure can be defined in two ways:
   •   Absolute failure occurs if a company incurs a financilal loss.
   •   Relative failure occurs if a company makes a profit put does not attain profits or image objectives.

4.   There are several reasons for absolute or relative new-product failure, including lack of differential advantage, poor planning, poor timing, and excessive enthusiasm by the product sponsor.

NEW PRODUCT SERVICE DEVELOPMENT PROCESS IdeaGeneration

1

New products are, by their very nature, innovations. These innovations result from creative insight and free thinking. Such creativity is crucial to success. The organization must generate ideas that tap the potential of these markets. These ideas not the final product, that will be interactively determined throughout the development process, but these ideas do form a basis for further investigation and a set of starting points for innovations. While it may be possible to develop ideas in a vacuum, it's is possible to couple creativity with information from various sources such as marketing, R&D, engineering.

IDEAS SOURCES

New products activities start from a number of alternatives initiating forces such as market needs, technological developments, improvements in engineering and production, inventions and patents, and competitions' actions. These forces also act as sources of ideas. To be effective the organization should not only look at the initiation source, but all potential idea courses. While there is a pressure to respond with a "me too" or second but better strategy , more effective ideas could come from examination of market needs or from a recent technological development.

Market Needs and User Solutions. Since new products achieve final success through sales and profit, the consideration of market needs seems to be the most obvious sources of ideas.

Technology. New technologies can present new opportunities to meet consumer need or can fill needs that were previously latent.

Engineering and Production. Are often neglected as sources of innovation as firms use R&D and marketing to find new product ideas.

Inventions and Patent*. External consulting companies may have a portfolio of ideas that can be reviewed or suppliers of material may have developed ideas for use of their raw materials in new final products

Competitors and Others Firms. The reason for competitors' success and knowledge about their developmental strategies are important inputs to idea generation.

Management and Employees. The creative potential of an organization is high. Those who are not directly involved in the new product effort may have valuables' ideas and insights.

METHODS OF GENERATING IDEAS

2 Methods to generates ideas can be as simple as setting up information channels that are sensitive to idea sources or as sophisticated as using creative group methods. Some creative

ideas come directly from the environment and all an organization must do is be sensitive to the ideas' sources and conduct a direct search of opportunities. The goal of idea generation is a large number of very different ideas. The more ideas generated in this step, the more likely one or two of those will pass the screening tests in the idea management phase and progress toward the design phase of the development process.

5.5.1 Self-Help Question

1. What role do methods of generating ideas play in the new product development process?
a. They determine the final product design
b. They directly lead to sales and profit
c. They help screen and progress ideas toward the design phase
d. They focus on market saturation and competition

SOURCES OF IDEAS
- Patents & Inventions
- Competition
- Acquisitions
- Market needs
- User solutions
- Technology
- Engineering
- Management Employees
- Direct Search
- Exploratory Consumer Studies
- Facilitate Users Solutions
- Technology information &Forecasting
- Consumer Engineering
- Individuals Incentives
- Creative Group Method

NEW PRODUCTS IDEAS
- Concept
- Prototype
- Product

Direct Search

To effectively tap external idea sources, it is useful to allocate people to do basic information collection. Competitive activities can be monitored by a feedback system that reports a competitor's sale practices, distribution, and new products. Search effort can be made to investigate acquisitions and thereby obtain product experiences and development skills.

Exploratory Consumer Studies

Observing how people buy and use the product can be done initially by casual observation and introspection on ones' own behavior. Although this is useful, care • must be taken not to generate fixed opinions based on these ad hoc observation since the observation may not be based on a representative sample of consumers. Surveys and focus groups using activity, product or problem analysis are commonly used to measure consumer problems.3

- Activity analysisfocuses on a particular activity and the survey or focus group attempts to determine what problems the consumer have during the performance of the activity.

- Product analysis examines the purchase and/or use of a particular product or brand associated with using the product or brand.

- Problem analysismentions a list of problems and ask the respondents to indicate which activities, product or brands are associated with those problems.

Facilitate User Solutions

Users not only have needs but may possess solutions. Rather than wait for the user to bring solutions to us, we could expend effort to find and facilitate this problem solving process. Users may have solved your development problem. It is useful to examine your organizations' past history and see where successful ideas have come from. If users have been active contributors, you should devote effort to cultivating them and maximizing their input to the idea generation.

Exploiting Technology

If technological ideas are to be generated, the most recent and relevant technical information's must be in hand of the project group charged within developing a new product within a specific market. Action to improve communications flows is important to exploring the potential of technological ideas through technological forecasting. This requires careful projection and monitoring of trends in all environments.

Consumer Engineering

To be successful an organization must match the consumer needs to technological capabilities, even if this matching process requires engineering breakthroughs. Looking at markets rather than applications of specific technologies gives a different and creative perspective. It is calling "consumer engineering" because use engineering to meet needs in particular market segment.

Individual Incentives

Turning the^source information into an idea for a new product may be straight forward, or it may come from spontaneous creativity of an individual within organization. The organization can set up reward structures on encourages ideas.

Creative Groups Methods

Creative groups' methods are not magic, they cannot guarantee solutions to impossible problems, but they do encourage to fertile climate for creativity by removing inhibitions and unproductive structures. These techniques assume that each individual has a wealth of knowledge and is by nature capable of creativity- The task is to encourage individuals to draw upon their personal knowledge, no matter how irrelevant it may appear, and apply this knowledge to develop creative solutions, no matter how impossible to implement they may seem.

Brainstorming

In this approach a group tries to generate a large number of ideas. No criticism is allowed and group members are encouraged to improve on other people's ideas. Attributes are listed for existing for the existing products and then efforts are made to adapt, modify, magnify, minify, substitute, rearrange, reverse, or combine them.

SERVICE PRODUCT SCREENING

1. In service product screening, poor, unsuitable, or otherwise unattractive ideas are weeded out from further consideration.
2. With a new- service product screening checklist, a firm lists the new-product attributes that are most important and compare each idea with those attributes.
3. An example of how a firm could develop overall rating for two new-product service ideas is given.
4. The potential for product patentability is determined. A patent grants the inventor exclusive selling rights fro 17 years.

Concept Testing

     A.   Presents the consumer with a proposed product and measures' attitudes and intentions at this early stage of the new development process.

     B.   It is quickly and inexpensive.

     C.   Potential consumers are asked to react to a picture, written statement, or oral description.

     D.   Should ask consumer these types of questions:

- Is the idea easy to understand?
- Do you perceive distinctive benefits for this product?
- Do you find the claims believable?
- Would you buy the product?
- Would this product meet a real need?
- Would you replace tour current brand with the product?
- What improvements can you suggest?
- How frequently would you buy this product?
- Who would use this product?

Business Analysis

     A.   New product's potential profitability and compatibility with the marketplace evaluated.

     B.   Forecasting techniques are used to evaluate economic returns.

Product Development

     A.   The firm determines whether the product is technically feasible to produce the product.

     B.   The idea is converted into a prototype.

The product design, mechanical features and intangible aspects must be linked to consumer wants and needs.

IDEA SELECTION

In setting up an idea selection process, and organization should consider information availability, the position of idea in the development process, and issues of intra-organizational conflict. Idea selection comes early in the development process- it is not a final strategy selection. Detailed information is not normally available and accurate estimation of financial outcomes it is not always feasible. Finally there are usually a number of human aspects reflected in the varying goals of R&D, marketing, production, distribution, and top management. For these reasons, most organizations should choose relatively simple idea selection process tailored to their own unique needs. While more complex processes may be appropriate after design or testing phases, few organization uses such processes early in idea selection. Rather they choose a process that requires inputs that are feasible to obtain, that is appropriate for early, screening, and that is flexible enough to allow the judgmental resolution of conflicting interests.

CLASSIFICATION OF SERVICES

1.   **PROFESSIONAL SERVICES**

Any type of services that may be rendered by a member of a profession within the purview

his profession including the services that by their nature cam be performed only by persons or firms with specialized skills and knowledge. Although a product may or may not result from the transaction, the primary reason for the purchase is the service provided.

2.   **Personal Services**

Personal Services includes, but not limited to, accounting, architecture, medical or dental services, legal services, and engineering and surveying services

3.   **Health Services**

Services that are performed by health care professionals, or by others under their direction, for the purpose of promoting, maintaining, or restoring health. Health services include Public health services, mental healthcare services, Essential public health services, Behavioral health services, Home health services, School health services, Magellen health services, Preventive health services

4.   **Ecosystem Services**

The conditions and processes through which natural ecosystems, and the species that make them up, sustain and fulfil human life. Examples include provision of clean water, maintenance of liveable climates (carbon sequestration), pollination of crops and native vegetation, and fulfilment of people's cultural, spiritual, intellectual needs

5.   **Ancillary Services**

Interconnected operations services for operating reserve, voltage control, regulation and frequency response, scheduling and system control and dispatch and other power supply necessary to effect a reliable transfer of electrical energy at specified contract terms between a buyer and a seller.

6.   **Directory Service**

A directory service organizes computerized content and runs on a directory server computer. It is not to be confused with the directory itself, which is the database that holds the information about objects that are to be managed by the directory service. The directory service is the interface to the directory and provides access to the data that is contained in that directory

7.   **Senior or Elder Service**

Senior or elder service is targeted to those who are beyond their employment and family raising years. A senior may be defined from as early as age 50, depending on the policy and program definition, which in turn is significantly influenced by a society's culture and life expectancy. Participants may receive some type of support to enable them to serve.

8.   **Youth Service**

Youth service is targeted to young people. Most often this is teens or young adults, ages 16 to 24, but can also include younger children. Youth service programs are often structured as intensive and extended experiences, say full-time for six months or a year, and participants often receive some type of support to enable them to serve.

9.   **Corporate Service**

Corporate service refers to service supported by an employer, typically in the private for-profit sector. The form of support can range from sponsorship and financial resources for the service

to just allow ing an employee the time off to serve.

10. **Judicial Community Service**

Judicial community service refers to service performed as a form of restitution for a crime. JudiciaJ community service is used as a form of alternative sentencing, to avoid incarceration.

11. **Community Service**

Community service is a very general term that refers to service that is local and typically organized by a non-profit organization.

Faith-based service is organized by religious organizations, to provide opportunities for service as an expression of faith. For GSI, this does not include missionary and other evangelical activities, but rather service that contributes to social and economic development, environmental protection, and other non-religious goals.

12. **Transnational Service**

Transnational service has a slightly different meaning; it refers to a service project that is organized and carried out by two or more nations working in cooperation. Transnational service may be led by either governmental or non-governmental organizations.

13. **International Service**

International service refers to a service project or experience that takes place in a country that is not the home country of the server. International service may be led by either governmental or non-governmental organizations.

14. **National Service**

National service is a policy or program initiated by government for citizens and residents to serve the nation. The government may run the program, but more often non-governmental organizations receive public funding to implement and administer the service program. Higher education is a form_of service that is sponsored by post-secondary colleges or universities, in partnership with local organizations, to provide a supportive and active environment for civic engagement and community development. Faculty, staff, and students are encouraged to participate. Programs vary in purpose and design. Some are purely voluntary; in other cases, faculty and staff job performance is evaluated based on level of participation. Students may or may not receive academic credit for participation.

5.6.1 Self-help Question

2. What factors should an organization consider in setting up an idea selection process?
   a. Detailed financial outcomes and market saturation
   b. Position of idea in the development process and intra-organizational conflict
   c. Final strategy selection and feasibility of obtaining inputs
   d. Human aspects and conflicting interests

Service Learning

Service learning is a pedagogical method wherein students leam through active engagement and participation in service. Service learning may be sponsored by any organization, but occurs most often in primary or secondary schools, trade and professional schools, colleges and universities, and continuing education programs. Service learning is a planned and structured service experience, with time for systematic reflection.

5.7 Short Questions
- Why is the consideration of market needs deemed an obvious source of new product ideas?
- What is the primary goal of idea generation in the new product development process?
- What factors should an organization consider in setting up an idea selection process?
- What is the distinction between transnational service and international service?

5.8 Long Ques
- Discuss the process of service product development in detail.
- What is the importance of new product services

5.9 Answer to self-help Question
Answer 1:c, 2:b

5.10 Suggested Readings
Urban, Glen, and J.H. Hauser, **Design and Marketing of New Products** (Pretince- Hall., Englewood, NJ) 1980

Hawkins, Best, Coney, **Consumer Behavior**; **Implications for Marketing Strategy,** 5th edition.

MBA-405(Second Year)

MARKETING OF SERVICE8

<u>Lesson No. 6</u>   **AUTHOR : Dr. B. B. SINGLA**

CONSUMER BEHAVIOUR IN SERVICES

Structure

6.0 Objectives

6.1 Introduction to Consumer Behaviour

6.2 Categories in the Decision - Making Process

6.3 Information Search

6.4 Evaluation of Service Alternatives

6.5 Purchase and Consumption

6.6 Post Purchase Evaluation

6.7 The Role of Cultures in Services

6.8 Short Question

6.9 Long Question

6.10 Answers to Self-Help Question

6.11 Practice Questions

6.0   OBJECTIVES

The objective of this lesson is to have an insight into:

- Consumer buying decision-making process.
- Customer evaluation of services.
- Customer and service quality.

6.1   CONSUMER BEHAVIOUR

Consumers go through a decision-making process that can include up to five steps. We will use

1.   **Need recognition**

The customer has a need to fulfill or a problem to solve.

2.   **Information search**

The customer seeks out information to help satisfy the need.

3.   **Evaluation of alternatives**

The customer selects a subset of the alternatives and evaluates them.

4.   **Purchase**

The customer chooses a particular brand and then buys it.

5.   **Purchase outcomes**

The customer evaluates the choice made and decides whether it lives up to expectations.

6.2   SERVICES : CATEGORIES IN THE DECISION-MAKING PROCESS AND FRAMEWORK

OF THE CHAPTER

* Using an adaptation of the basic consumer decision-making process shown in Exhibit

2-1, we have organized this chapter into four main categories :

(1)   information search,

(2)   evaluation of alternatives,

(3)   purchase and consumption, and

(4)   post purchase evaluation .

In purchase of services, these categories do not occur in a linear sequence the way they most often do in the purchase of goods. As you will see in this chapter, one of the major differences

between goods and services is that a greater portion of the evaluation of services succeeds purchase and consumption than is the case with goods. Therefore, w^'Ie our categorization here follows the sequence of consumer's use with goods, we will show how these stages in services depart from evaluation of goods.

6.3   INFORMATION SEARCH

Use of Personal Sources Consumers obtain information about products and services from personal sources (e.g., friends or experts) and from no personal sources (e.g., mass or selective media). When purchasing goods, consumers make generous use of both personal and non personal sources because both effectively - convey information about search qualities.

When purchasing services, on the other hand, consumers seek and rely to a greater extent on personal sources for several reasons. First, mass and selective media can convey information about search qualities but can communicate little about experience qualities. By asking friends or experts about services, however, the consumers can obtain information vicariously about experience qualities. Second, non personal sources of information may not be available because (d) many service providers are local, independent merchants with neither the experience nor the funds for advertising;' (b) "cooperative' advertising, or advertising funded jointly by the retailer and the manufacturer, is used in frequently with services because most local providers are both producer and retailer of the service and (c) professional associations banned advertising for so many years that both professionals and consumers tend to resist its use even though it is now permitted. Third, because consumers can discover few attributes before purchase of a service, they may feel greater risk in selecting a little-known alternative.

Personal influence becomes pivotal as product complexity increases and when objective standards by which to evaluate a product decrease (i.e., when experience qualities are high). Most managers in service industries recognize the strong influence of word of mouth in services.

Next, consumers may find post purchase information seeking more essential with services than with goods because services possess experience qualities that cannot be adequately assessed before purchase. One model of audience response to communication describes the situation that occurs -frequently when consumers select .services:

(1)   The consumer selects from among virtually indistinguishable alternatives.

(2)   Through experience the consumer develops an attitude toward the service.

(3)   After the development of an attitude, the consumer learns more about the service by paying attention to messages supporting his or her choice. In contrast to the conventional view of audience response to communication, where consumers seek information and evaluate products before purchase, with services most evaluation follows purchase.

Perceived Risk While some degree of perceived risk probably accompanies all purchase transactions, more risk would appear to be involved in the purchase of'services than in the purchase of goods "because services are intangible;, non standardized, and usually sold without guarantees or warranties.

First, the intangible nature of services and their high level of experience qualities imply that services generally must be selected on the basis of less pre purchase infor-mation than is the case for products. Second, because services are non standardized, there will always be uncertainty about the outcome and consequences each time a service is purchased. Third, service purchases may involve more perceived risk than product purchases because, with few exceptions, services

are not accompanied by warranties or guarantees. The dissatisfied service purchaser can rarely "return* a service; he or she has already consumed it by the time he or she realizes his or her dissatisfaction. Finally, many services (e.g., medical diagnosis, pest control) are so technical or specialized that consumers possess neither the knowledge nor the experience to evaluate whether they are satisfied, even after they have consumed the service.

The increase in perceived risk involved in purchasing services suggests the use of strategies to reduce risk. Where appropriate, guarantees of satisfaction may be offered. To the extent possible, service providers should emphasize employee training and other procedures to standardize their offerings, so that consumers learn to expect a given level of quality and satisfaction.

6.4   EVALUATION OP SERVICE ALTERNATIVES

Evoked Set. The evoked set, of "alterriatives-that group of products a consumer considers acceptable options in given product category-is likely to be smaller with services than with goods. One reason involves differences in retailing between goods and services. To purchase goods, consumer generally shop in retail stores that display competing products in close proximity, clearly demonetizing the possible alternatives. To purchase services, on the other hand, the consumer visits an establishment (e.g., a bank, a dry cleaner, or a hair salon) that almost always offers only a single "brand* for sale. A second reason for the smaller evoked set is that consumers are unlikely to find more than one or two businesses providing the same services in a given geographic area whereas they may find number Us retail stores carrying the identical manufacturer's product. A third reason for a smaller evoked set is the difficulty of obtaining adequate' pre purchase information about services.

Faced with the task of collecting and 'evaluating experience qualities, consumers may simply select the fipBt acceptable alternative rather than searching many alternatives. In consumer behavior terms, the consumer's evoked set of alternatives is smaller with services than with goods. The Internet has the potential to widen the set of alternatives (see Technology Spotlight).

For nonprofessional services, consumers' decisions often entail the choice between performing the services for themselves or hiring someone to perform them. Working people may choose between cleaning their own homes or hiring housekeepers, between altering their families' cloth's or taking them to a tailor, even between staying home to take care of their children-or engaging a day care center to provide child care. Consumers may consider themselves as sources of supply for many, services, inducing lawn care, tax preparation, and preparing meals. This means that the customer's evoked frequently includes self-provision of the service.

Nonprofessional service providers, must recognize that they often replace or compete with the consumer, which may imply more exacting standards from the consumer and may require more individualized, personal attention from the service provider. Consumers know what they expect from providers of housecleaning or lawn care or day care because they know what they are accustomed to providing for themselves. The alert service marketer will be certain to research consumers' expectations and demands in such situations.

So far, not every consumer is convinced that the cyber mall will replace the local mall. World Research found that consumers who do not buy online have these reasons for continuing to buy the traditional way: fear of hackers (21 percent), lack of products (16 percent), inability to see the products (15 percent), need to reveal personal information (13 percent) poorly designed site (8 percent) companies' reputations (6 percent) and fear of money or merchandise getting lost (6 percent)

Emotion and Mood

Emotion and mood are feeling states that influence people's (and therefore customers') perceptions and evaluations of their experiences. Moods - are distinguished from emotions in that - moods refer t6 transient feeling states that occur at specific times and in specific situations, whereas emotions are more intense, stable, and pervasive.

Because services are experiences, moods and emotions, are critical factors that shape the perceived effectiveness of service encounters. If a service customer is in a "bad mood* when he enters a service establishment, service provision will likely be interpreted more negatively than if he were in a buoyant, positive mood. Similarly, if a service provider is irritable or sullen her interaction with customers will likely be colored by that mood. Furthermore, when another customer in a service establishment is cranky or fast rated, whether from problems with the service or from existing emotions unrelated to the service, his or her mood affects the provision of service for all customers who sense the negative mood. In sum, any service characterized by human interaction is strongly dependent on the moods and emotions of the service provider, the service customer, and other customers receiving the service at the same time.

In what specific ways can mood affect the behavior of service customers? First, positive moods can make customers more obliging and willing to participate in behaviors that help service encounters succeed. A customer in a good emotional state is probably more willing to follow an exercise regimen prescribed by a physical therapist, bus his own dishes at a fast-food restaurant, and overlook delays in service. A customer in a negative mood may be less likely to engage in behaviors essential to the effectiveness of the service but that seem difficult or overwhelming: abstaining from chocolates when on a diet program with Weight Watchers, taking frequent aerobic classes from a health club, or completing homework assigned in a class.

A second way that moods and emotions influence service customers' is to bias the way they judge service encounters arid providers. Mood and emotipns enhance and am-plify experiences, making them either more positive or more negative than they might seem in the absence of the moods and emotions. After losing a big aceount, a sales-woman catching an airline flight will be more incensed with delays and crowding than she might be on a day when business went well. Conversely, the positive mood of a services customer at a dance or restaurant...will heighten the experience, leading to positive evaluations of the, service establishment. The direction of the bias in evaluation is consistent with the polarity (that is, positive or negative) of the mood 'or emotion.

Finally, moods and emotions affect the way Information about serviee-is absorbed anti retrieved. AS memories about a service are encoded by a consumer, the feelings associated with the encounter become an inseparable part of the memory. If travelers fall in love during a vacation in the Bahamas, they may hold favorable assessments of the destination due more to their emotional state than to the destination itself. Conversely, if a customer first realizes his level of fitness is poor when 'on a guest pass in a health club, the negative feelings may be encoded and retrieved every time he thinks of the health club or, for that matter, any health club.

Service marketers need to be aware of the moods and emotions of customers and of service employees and should attempt to influence those moods and emotions in positive ways. They need to cultivate positive moods and emotions such as joy,' delight, and contentment and discourage negative emotions such as distress, frustration, anger, and disgust.

6.4.1 Self-Help Question

1) How do moods and emotions bias the judgment of service encounters and providers?

a. They have no impact on judgment.

b. They amplify experiences, making them more positive or negative.

c. They lead to neutral evaluations.

d. They only influence positive evaluations.

Service Provision as Drama. Researchers and managers of service businesses have compared service provision with drama, observing that both aim to create and -Maintain a desirable impression before an audience, and both recognize that the way to accomplish this is by carefully managing the actors and the physical setting of their behavior. In fact, the service marketer must play many drama-related roles (including director, choreographer, and writer) to be sure the performances of the actors are pleasing to the audience. The Walt Disney Company explicitly considers its service provision a "performance," even using show-business terms such as "cast member," "onstage," and "show" to - describe the operations at Disneyland and Walt Disney World.

The skill of the service "actors" in performing their routines, .the way they appear, and their commitment to the "show* we all pivotal to service delivery. While service actors are present in most service performances, their importance increases when the degree of direct personal contact increases (such as in a hospital, resort, or restaurant), when the services involve repeat contact, and when the contact personnel as actors have discretion in determining the nature of the service and how it is delivered (as in education, medical services, and legal services).

The physical setting of the service can be likened to the staging of a theatrical production including scenery, props, and other physical cues' to create desired impres-sions. Among a setting's features that may influence that character of a service are the colors or brightness of the service's surroundings; the volume and pitch of sounds in the setting; the smells, movement, freshness, and temperature of the air; the use of space; the style arid comfort of the furnishings; and the setting's design and cleanliness The setting increases in importance when the nature of a service is distinguished by its environment, as is the case with Steak and Ale and Ponderosa Steakhouses or a "downtown" law firm. In essence, the delivery of service can *be conceived as drama, where service personnel are the "actors," service customers are the "audience," physical evidence of the service is the "setting," and the process of service assembly is the "performance.

The drama metaphor offers a useful way to conceive of service performances. Among the aspects of a service that can be considered in this way are selection of per-sonnel (auditioning the actors),'training of personnel (rehearsing), clearly defining the role (scripting the performance), creation of the service environment (setting the stage), and deciding which aspects of the service should be performed in the presence of the customer (onstage) and which should be performed in the back"roomJbackstagey.

Service Roles and Scripts. If we think of service performances as drama, we can view each player as having a role to perform. Roles have been defined as combinations of social cues that guide and direct behavior in a given setting. The success of any service performance depends in patron how well the "role set" or players-both service employees and customers-act out their roles.
'

Service employees need to perform their rolesAccording to expectations of the customer; if they do not, the customer may be frustrated and disappointed. As we discussed earlier in this chapter, the customer's role must also be performed well. If customers are informed and educated about the expectations and requirements of the service (i.e., if the customer plays the proper role) and if the customer cooperates with the service provider to deliver the best possible service (i.e., if he or she is reading from the same script), the service performance is -likely to be successful.

One of the factors that most influences the effectiveness of role performance is a script-a, "coherent sequence of events,expected by the individual, involving her either as a participant or as an observer."

Service scripts consist of a set of ordered actions, actors, and objects that, through repeated involvement, define what the customer expects.

Conformance to scripts is satisfying to the customer, while deviations from the script lead to confusion and dissatisfaction.

Consider the script that you hold for the first day of class in a college course. Among the actions you expect are the following: (!) enter the classroom; (2) see other students in the room who are taking the class; (3) see. the professor in the front of the room; (4) listen to the professor describe the course; (5) get a syllabus of the class; and (6) leave class early and start the acti^aJ education on the second class day. If a professor performs in accordance with the script you hold, you feel comfortable, familiar, and satisfied with the service encounter. Experiencing a script that is incongruent with this expected pattern leads to confusion and dissatisfaction. What if you showed up. and there were no other students in the class with you the first day? What if the professor sent a graduate student instead of coming herself? Suppose the professor told you she hadn't had time to write a syllabus? In these and other situations, negative departures from the customer's expected script will detract from service performance.

Positive discrepancies from the script are. not as easy to specify-they may also de-tract or could "surprise" and add -to the service encounter. Suppose the college class we just discussed was filled to capacity on the first day. Would you interpret that as positive (a sure sign that the class was popular) or negative (a signal that personal attention from the professor may be reduced)? What if the professor was unusually friendly and so engaged students that they stayed to the end of the period on the first day of class? While some students might be delighted because the friendliness of the professor exceeded expectations, others might be disgruntled, having counted on more free time between classes. Still others may be suspicious, not trusting the friendliness because it doesn't follow the expected pattern. More .personalization or attention is not always better. In summary, departures from the customer's expected script including provision. Of more of an attribute than expected, may detract from or add to the service experience.

The Compatibility of Service Customers: We Have just discussed the roles of employees and customers receiving service. We now want to focus on the role of other customers receiving service at the same time. Consider how centred the mere presence of other customers is in churches, restaurants, dances, bars, lounges, and spectator sports: If no one else shows up, customers will not get to socialize with others, one of the primary expectations in these types of services. However, if the number of customers becomes so dense that crowding occurs, customers may also be dissatisfied. The way other customers behave with many services such as airlines, education, clubs, and social organizations also exerts a miajor influence on a customer's experience. In general, the presence, behavior, and similarity of other customers receiving services has a strong impact on the satisfaction and dissatisfaction of any given customer.

Customers can be incompatible for many reasons—differences in beliefs, values, experiences, abilities to pay, appear rice, age*-and health, .to name just a few. The service marketer must anticipate, acknowledge, and deal with heterogeneous consumers who have the potential to be incompatible. The service marketer can also bring homogeneous customers together and solidify relationships between them, which increases the cost to the customer of switching service providers. Customer compatibility is a factor that influences customer satisfaction, particularly in high-contact services.

6.6   POST PURCHASE EVALUATION

Attribution of Dissatisfaction: When com '.oners are disappointed with purchases-because the products did not fulfill the intended needs, did not perform satisfactorily, or were not worth their price-they may attribute their dissatisfaction to a number of different sources among them the producers, the retailers, or themselves.

Because consumers participate to a greater extent in the definition and production of services, they may feel more responsible for their dissatisfaction when they purchase services than when they purchase goods. As an example, consider a female consumer purchasing a haircut; receiving the cut she desires depends in part upon her clear spec-ifications of her needs to the stylist. If disappointed, she may blame either the stylist (for lack of skill) or herself (for choosing the wrong stylist or for not communicating her own needs clearly).

The quality of many services depends on the information the customer brings to the service encounter: A doctor's accurate diagnosis requires a conscientious* case history and a clear articulation of symptoms; a dry cleaner's success in removing a spot depends on the consumer's knowledge of its cause; and a tax prepare satisfactory performance relies on the receipts saved by the consumer. Failure to obtain satisfaction with any of these services may not be blamed completely on the retailer or producer, because the consumer must adequately perform his or her part in the production process also.

With products, on the other hand, a consumer's main form of participation is the act of purchase. The consumer may attribute failure to receive satisfaction to her own decision-making error, but she holds the producer responsible for product performance. Goods usually carry warranties or guarantees with.purchase emphasizing that the producer believes that if something goes wrong, it is not the fault of the consumer! With services, consumers attribute some of their dissatisfaction to their own inability to specify or perform their piart of the service. They also may complain less frequently about services than about goods because of their belief that they themselves are partly responsible for their dissatisfaction..

Innovation Diffusion: The rate of diffusion of an innovation depends on consumers' perceptions' of the innovation with regard to five characteristics: relative advantage, compatibility, communicability; divisibility, and complexity. An offering that has a relative advantage 'over existing or competing products; that is compatible with existing norms, values, andl5enaviors; that is communicable; and that is divisible (i.e. , that can be tried or tested on a Limited basis)'.diffuses more quickly than others. An offering that is complex, that is, difficult to understand or use, diffuses more slowly than others.

Considered as a group, services are less communicable, less divisible, more com-plex, and probably less compatible than goods. They are less communicable because they are intangible (e.g., their features cannot be displayed, illustrated, or compared) and because they are often unique to each buyer (as in a medical diagnosis or dental care). Services are less divisible because they are usually impossible to sample or test on a limited basis (e.g., how does one "sample* a medical diagnosis? a lawyer's services in settling a divorce? even a haircut?). Services are frequently more complex than goods because they are composed of a bundle of different attributes, not all of which will be offered to every buyer on each purchase.

Finally, services may be incompatible with existing values and behaviors, espe-cially if consumers are accustomed to providing the service for themselves. As an il-lustration, consider a novel day care center that cooks breakfast for children so that parents can arrive at work early.

Mothers accustomed to performing this service for their children may resist adopting the innovation because it requires a change in habit; in behavior, even in values. Consumers adopt innovations in services more slowly than they adopt innovations in goods.

Marketers may need to concentrate on incentives to trial when introducing new services. The awareness interest evaluation stages of the adoption process ,may best be bypassed because of the difficulty and inefficiency of communicating information about intangibles. Offering free visits, dollars-off coupons, and samples may be appropriate strategies to speed diffusion of innovations in services.

Brand Loyalty**:** The degree - to which consumers are committed to particular brands of goods or services depends on a number of factors: the cost of changing brands (switching cost), the availability of substitutes the perceived risk associated with the purchase, and the degree to which they have obtained satisfaction in the past. Because it may be more costly to change brands of services, because they may have more difficulty being aware of the availability of substitutes, and because higher risks may accompany services, consumers are more likely to remain customers of particular companies with services than with goods.

Greater search costs and monetary costs 'may be involved in changing brands of services than in changing brands of goods. Because of the difficulty of obtaining in-formation about services, consumers may be unaware of alternatives or substitutes for their brands, or may be uncertain about the ability of alternatives to increase satisfaction - over present brands. Monetary fees may accompany brand switching in many services: Physicians often require complete physicals on the initial visit; dentists sometimes demand new X rays; and health clubs frequently charge "membership fees" at the outset to obtain long-term commitments from customers.

If consumers perceive greater risks with services, as is hypothesized here, they probably depend on brand loyalty to a greater extent than, when they purchase products. Brand loyalty, described as a "means of economizing decision effort by substituting habit for repeated, deliberate decision,' functions as a device for reducing the risks of consumer decisions.

A final reason consumers may be more -braiid loyal with services is the recognition of the need for repeated patronage in order-to obtain optimum satisfaction from the seller Becoming a "regular customer" allows the seller to gain knowledge of the customer's tastes and preferences, ensures better treatment, and encourages more interest. In the consumer satisfaction. Thus, a consumer may exhibit brand loyalty to cultivate a satisfying relationship with the seller.

Brand loyalty has two sides. The fact that a service provider's own customers are brand loyal is not a problem. The fact that the customers of-the provider's competition are difficult capture, however, creates special challenges. The marketer may need to direct communications and strategy to the customers of competitors, emphasizing attributes and strengths that he or she possesses and the competitor lacks. Marketers can also facilitate switching from" competitors' services by reducing switching costs. AT&T promised MCI customers that it would handle the transfer from MCI to AT&T and also guaranteed it would pay to allow the customer to switch back if necessary, making it virtually costless for customers to switch long-distance carriers.

6.7   **THE ROLE OF CULTURES IN SERVICES**

Culture is learned, shared, and transmitted from one generation to the next, and is mul-tidimensional. Culture is important in services marketing because of its effects on the ways customers evaluate and use services. It also influences the way companies and their

service employees interact with customers. Culture is important when we consider international services marketing taking the services from one country and offering them in others-but it is also critical within countries. More and more individual countries are becoming multicultural, making the need to understand how this factor affects evaluation, purchase, and use of services critical. Because culture is important in every stage of the decision-making process for services-and is likely to become more so in the future-we place it at the center of this chapter's framework.

Unfortunately, human nature" dictates that we tend to view other cultures through the often cluttered lens of our"own. One expert on culture, Edward T. Hall, observed that in the United States people tend to view foreigners as underdeveloped Americans." Another, Geert Hofstede, sums up the message of one of his books as follows:

Everybody looks at the world from behind the windows of a cultural-home, and everybody prefers to act as if people from other countries have something special about them (a national character) but home, is normal. Unfortunately, there is no normal position in cultural matters.

Definitions of the elements "of culture vary, but a simple list of the major areas would include (1) language (both verbal and nonverbal), (2) values and attitudes, (3) manners and customs, (4) material culture, (5) aesthetics, and (6) education and social institutions. These cultural universals are manifestations of the way of life of any group of people. Services marketers must be particularly sensitive to culture because of customer contact and interaction with employees. Language is discussed in a later chapter, but the other elements of culture, as they affect consumer behavior, are covered next.

Values and Attitudes Differ across Cultures

Values and attitudes help to determine what members of a culture think is right, im-portant, and/or desirable. Because behaviors₍ including consumer behaviors, flow from values and attitudes, services marketers who want their services adopted across, cultures must understand these differences

While American brands often have an "exotic" appeal to other cultures, U.S. firms should not count on this as a long-term strategy. In the late 1990s, Wal-Mart found that the cachet of U.S. brands was falling in Meidco. The Mexican news media alerted consumers to shoddy foreign goods and some Wal-Mart customers turned to a spirit of nationalism. The retailer responded with an "Hecho en Mexico" program similar to the "Made in the U.S.A." program that was successful in the United States. In some situations it is more than a case of nationalism: Brand attitudes are negatively influenced by specific prejudices^ toward "dominating" cultures. The Korean ban on Japanese movies and the French phobia about Euro Disney are good examples of the latter.

6.7.1 Self-Help Question

2) What do values and attitudes help determine in a culture?
    a. Currency exchange rates
    b. Right, important, and/or desirable aspects
    c. Manufacturing processes
    d. Political affiliations

Manners and Customs

Manners and customs represent a culture's views of appropriate ways of behaving. It is important to monitor differences in manners and customs, because they can have a direct effect on the service encounter. Central and Eastern Europeans are perplexed by Western expectations that unhappy workers put on a "happy face" when dealing with customers. As an example, McDonald's requires Polish employees to smile whenever they interact with customers. Such a requirement strikes many employees as artificial and insincere. The fast-food giant has learned to encourage

Habits are similar to customs, and these tend to vary by culture. Japanese take very few vacations, and when they do they like to spend **T** to 10 days. Their vacations are unusually crammed with activities-Rome, Geneva, Paris, and London in 10 days is representative. The travel industry has been responsive to the special preferences of these big-spending Japanese tourists. The Four Seasons Hotel chain provides special pillows, kimonos, slippers, and teas for Japanese guests. Virgin Atlantic Airways and other long-haul carriers ,h:\ve interactive screens available for each passenger, allowing viewing of Japanese (or American, French, etc.) movies, TV, and even gambling ,if regulators approve. Differences across cultures influence how consumers evaluate service, as explained in the Global Feature.

Material Culture

Material culture consists of the tangible products of culture, or as comedian George Carlin puts it, "the stuff we own." What people own and how they use and display ma-terial possessions varies around the world. Cars, houses, clothes, and furniture are ex-amples of material culture.

The meyority of Mexicans do not own cars, limiting retail's' geographic reach. Further, most Mexicans own small refrigerators and have limited incomes that restrict the amount of groceries they can purchase at one time. Instead of the once-per-week shopping trip typical in the United States, Mexicans make frequent smaller trips. Pro-motional programs in Mexico are also constrained by the **availability** of media. Own-ership of televisions and radios affects the ability of services marketers to reach target audiences.

Zoos as entertainment represent an interesting reflection of culture's influence. Any American visiting the Tokyo Zoo is impressed by two things: the fine collection of animals and the small cages in which the animals are kept. To the Japanese who live in one of the most crowded countries in the world and own relatively small houses, the small cages seem appropriate, whereas to the American eye the small cages may be perceived as mistreatment.

6.8 Short Ques

• How do moods and emotions bias the judgment of service encounters and providers?   • What role do moods and emotions play in the absorption and retrieval of information about a service?   • What prompted Wal-Mart to implement an "Hecho en Mexico" program in response to declining brand   cachet in Mexico?

6.9 Long Ques

- Discuss the consumer buying behavior of services.
- Goods and services are different. Explain.
- Explain the factors involved in customer service

6.10 Answer to Self-Help Question
Answer 1: b, 2:b

Lesson No. 7

MBA-DE(Second Year)

Semester-IV

MS (406)

MARKETING OF SERVICES

AUTHOR: Dr. B. B. SINGLA

CUSTOMER EXPECTATIONS & PERCEPTION OF SERVICES

STRUCTURE

7.0   CUSTOMER EXPECTATION Definition

The needs, wants, and preconceived ideas of a customer about a product or service. Customer expectation will be influenced by a customer's perception of the product or service and can be created by previous experience, advertising, hearsay, awareness of competitors, and brand image. The level of customer service is also a factor, and a customer might expect to encounter efficiency, helpfulness, reliability, confidence in the staff, and a personal interest in his or her patronage. If customer expectations are met, then customer satisfaction results.

7.1   MEASURING CUSTOMER SATISFACTION AND EXPECTATIONS

Customer satisfaction, a business term, is a measure of how products and services supplied by a company meet or surpass customer expectation.

Organizations are increasingly interested in retaining existing customers while targeting non-customers; measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the marketplace.

Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service. The state of satisfaction depends on a number of both psychological and physical variables which correlate with satisfaction behaviors such as return and recommend rate. The level of satisfaction can also vary depending on other options the customer may have and other products against which the customer can compare the organization's products.

Because satisfaction is basically a psychological state, care should be taken in the effort of quantitative measurement, although a large quantity of research in this area has recently been developed. Work done by Berry (Bart Allen) and Brochure between 1990 and 1998 defined ten. Quality Value's which influence satisfaction behavior, further expanded by Berry in 2002 and known as the ten domains of satisfaction. These ten domains of satisfaction include: Quality, Value, Timeliness, Efficiency, Ease of Access, Environment, Inter-departmental Teamwork, Front line Service Behaviors, Commitment to the Customer and Innovation. These factors are emphasized for continuous improvement and organizational change measurement and are most often utilized.

to develop the architecture for satisfaction measurement as an integrated model. Work done by Parasuraman Zeithaml and Berry (Leonard L) between 1985 and 1988 provides the basis for the measurement of customer satisfaction with a service by using the gap between the customer's expectation of performance and their perceived experience of performance. This provides the measurer with a satisfaction "gap" which is objective and quantitative in nature. Work done by Cronin and Taylor propose the "confirmation/disconfirmation" theory of combining the "gap" described by Parasuraman Zeithaml and Berry as two different measures (perception and expectation of performance) into a single measurement of performance according to expectation. According to Garbrand, customer satisfaction equals perception of performance divided by expectation of performance.

The usual measures of customer satisfaction involve a survey with a set of statements using a Likert Technique or scale. The customer is asked to evaluate each statement and in term of their perception and expectation of performance of the organization being measured.

7.2 METHODOLOGIES

The University of Michigan's American Customer Satisfaction Index (ACSI) is a scientific standard of customer satisfaction. Academic research has shown that the national ACSI score is a strong predictor of Gross Domestic Product (GDP) growth, and an even stronger predictor of Personal Consumption Expenditure (PCE) growth. On the microeconomic level, research has shown that ACSI data predicts stock market performance, both for market indices and for individually traded companies. Increasing ACSI scores has been shown to predict loyalty, word-of-mouth recommendations, and purchase behavior. The ACSI measures customer satisfaction annually for more than 200 companies in 43 industries and 10 economic sectors. In addition to quarterly reports, the ACSI methodology can be applied to private sector companies and government agencies in order to improve loyalty and purchase intent. Two companies have been licensed to apply the methodology of the ACSI for both the private and public sector: CFI Group, Inc. applies the methodology of the ACSI offline, and Foresee Results applies the ACSI to websites and other online initiatives

The Kano model is a theory of product development and customer satisfaction developed in the 1980s by Professor Noriaki Kano that classifies customer preferences into five categories: Attractive, One-Dimensional, Must-Be, Indifferent, Reverse. The Kano model offers some insight into the product attributes which are perceived to be important to customers. Kano also produced a methodology for mapping consumer responses to questionnaires onto his model.

SERVQUAL or RATER is a service quality framework that has been incorporated into customer-satisfaction surveys (e.g., the revised Norwegian Customer Satisfaction Barometer (5) to indicate the gap between customer expectations and experience.

J.D. Power and Associates provides another measure of customer satisfaction, known for its top-box approach and automotive industry rankings. J.D. Power and Associates' marketing research consists primarily of consumer surveys and is publicly known for the value of its product awards.

Other research and consulting firms have customer satisfaction solutions as well. These include A.T. Kearney's Customer Satisfaction Audit process (6), which incorporates the Stages of Excellence framework and which helps define a company's status against eight critically identified dimensions.

7.3   IMPROVING CUSTOMER SATISFACTION

Published standards exist to help organizations develop their current levels of customer satisfaction. The International Customer Service Institute (TICSI) has released The International Customer Service Standard (TICSS). TICSS enables organizations to focus their attention on delivering excellence in the management of customer service, whilst at the same time providing recognition of success through a 3rd Party registration scheme. TICSS focuses an organization's attention on delivering increased customer satisfaction by helping the organization through a Service Quality Model.

TICSS Service Quality Model uses the 5 P's - Policy, Processes, People, Premises, Product/ Services, as well as performance measurement. The implementation of a customer service standard should lead to higher levels of customer satisfaction, which in turn influences customer retention and customer loyalty.

7.4   MANAGING CUSTOMER EXPECTATIONS

How to improve your ability to manage expectations in your organization.

1.   Be Calculating
2.   What Do Customers Want, Anyway?
3.   When?
4.   The Best Mislaid Plans **Be**

Calculating

If you're a service provider, customer expectations can pose a major challenge. That's because expectations are wondrous creatures: They grow, they shrink, they change shape, they change direction. They shift constantly, and they shift easily. And how satisfied (or dissatisfied) your customers are determined by these expectations and your performance in meeting them.

If expressed as a calculation, customer satisfaction might look something like this:

Your Performance =
Customer Satisfaction - customer Expectations

Of course, customer satisfaction is influenced by a complex interplay of factors; it's hardly as simple as plugging numbers into a formula and calculating the result. Nevertheless, this calculation serves as a reminder that your customers' level of satisfaction can be affected by changes in either their expectations or your performance. That means you have to pay attention to both.

And that's where things can get tricky, because how **you** perceive your performance may differ from how your customers perceive it. In fact, discrepancies between your perceptions and theirs would not be at all unusual; I routinely encounter such discrepancies when I interview a company's service staff as well as its customers. So, even if you're working yourself to the proverbial bone, if customers view you as unresponsive, then you are unresponsive — in their eyes.

The reverse is also true: If you really **are** unresponsive, but customers perceive that you deliver superior service, then you do (in their eyes), and you gain little by trying to convince them otherwise. I'm not advocating bumble headed service, of course, but merely emphasizing that customer satisfaction is driven by their perceptions, not yours. Their perceptions are their reality, and any overlap between their view of the world and your own may be simply one of those delightful coincidences.

Watch for changes

If your customers' satisfaction level is changing, find out if something has happened, either at their end or yours, to affect their expectations or perceptions. Whether that change in satisfaction level is skyward or in the direction of the bottomless pit, analyze what's happening. If satisfaction is rising, find out what you're doing right, so you can keep doing it; if satisfaction is slithering downward, figure out how to reverse the situation before it falls off the chart.

Make sure you don't get so wrapped up in delivering services that you lose sight of your customers' expectations and how well they think you're meeting them. Be conscientious in observing what's going on in your customers' environment and your own that could affect their satisfaction level.

Just a caution from the We Can Always Dream Department: If you're among the mathematically inclined, don't make the mistake of concluding from the above formula that if customer expectations fall toward zero, customer satisfaction will rise toward infinity. Math works that way, but customers don't.

What Do Customers Want, Anyway?

Have you ever had customers who want the universe, gift-wrapped and delivered yesterday? Was that a resounding YES I heard?

Fortunately, most customers don't demand the impossible. In fact, what they want is exceedingly reasonable. And what's that? Well, switch for a moment from your service provider hat to your customer hat. When you're a customer, what matters to you? What matters when you're at the car dealer, the doctor's office, or the airport? What matters to you when you're on the phone ordering flowers, or awaiting technical support, or ordering a million-calorie pizza and a zero- calorie beverage?

Over the years, I've asked many hundreds of participants in my customer service seminars what matters to them when they're the customer. Their responses are overwhelmingly similar, demonstrating that most of us want the same things when we are customers: We want to be treated with respect. We want to be listened to. We don't want to be bounced around or ignored or treated like dummies.

7.5   PRODUCT AND PROCESS

Now, switch back to your service provider hat and think about it: Both the product and the process are important to customers. The product refers to the solution, system, response, resolution, deliverable or result. Whatever form the product takes, customers want it to work properly, to meet their needs, and to have that elusive quality of, well, quality. This is the **technical element** of service, and you're not likely to have happy customers without it.

But excelling in the technical element alone may not keep customers coming back unless you also attend to the process. In fact, for many customers, the process is more important than the product. The process concerns how customers feel they've been treated. This is the **human element** of service. And touchy-feely though it may appear, the human element is exceedingly important in achieving a high level of customer satisfaction.

The following list presents the some of the responses I've received from participants in my seminars. Notice that the majority of the items pertain to the human element.

7.6 AS A CUSTOMER ONE EXPECTS THE SERVICE PROVIDER

To be taken seriously, Competent, efficient service Anticipation of my needs Explanations in my terms, Basic courtesies , To be informed of the options Not to be passed around , To be listened to (and heard)

1. Knowledgeable

2. Friendliness

3. To be kept informed

4. Follow-through Honesty

5. Feedback

6. Professional service

7. Empathy

8. Respect

Sloppy service with a smile

Does that mean that it's OK to give customers incorrect information as long as you're empathetic, friendly, and respectful in doing so? Obviously not. But providing correct information may not be nearly as effective as correct information accompanied by empathy, friendliness, and respect. Focusing on the process is a way to invest in a relationship. In the customer interviews I conduct in my consulting work, I continually find that customers who appreciate the way they've been treated uncomplainingly accept occasional delays and glitches. In other words, an emphasis on the human element can give you some leeway in delivering the technical element.

It may be that customers who demand the universe gift-wrapped and delivered yesterday' just need a strong dose of respect, attentiveness, and courtesy. Before you start searching for universe-size wrapping paper, give it a try.

When?

People always seem to want to know "when." When will my new furniture be delivered? When will my printer be fixed? When will my call for software support be answered? If you provide customer support, service standards provide a formal way to communicate this information.

Service standards are expectations-managing statements used to minimize uncertainty about when some specified event will occur. The "when" may be a specific date or time, or more often, a time frame within which the event will take place. Consider these sample service standards:

- For acknowledging customers' voicemail messages: "We will acknowledge messages to the support line within one hour of the call."

- For responding to service requests: "We will provide written feedback on the action we will take within three days of receipt of a service request."

- For describing variations in service level: "We will aim to resolve problems with products on the A list within eight hours and products on the B list within one week of receiving a request for assistance.

Your own time frames may differ. The issue is not the specific time frames, but whether you have established service standards and communicated them. When customers complain about poor service, it's often because of an absence of service standards that let them know what they can reasonably expect.

An Example

The preceding three standards, like most service standards, are intended to handle routine or recurring situations. But what about situations in which you don't know what the time frame will be? For example, think about the last time (1) a malfunction occurred that had business impact, (2) you didn't know what caused the problem, yet (3) customers immediately began demanding to know when service would be restored. In such a situation, what's a non-psychic to do?

An airline demonstrated an excellent service standard for this type of situation on a flight I once took, or rather waited to take, since departure time had passed and we were not yet upward bound. Onto the intercom came the Person in Change of Giving Passengers Bad News. He told us that they were experiencing a mechanical problem and didn't know how long it would take to resolve. But he said he'd give us the status every 15 minutes, and would do so even if he had nothing new to tell us.

Too often in situations like this one, customers are told nothing at all. Yet in times of intense uncertainty, people have a stronger-than-usual need for information. Happily, the flight attendants knew that giving us some information was better than letting us sit there, fuming, grousing, complaining, and (not incidentally) driving them cra**2**y. Since they couldn't tell us when the delay would end, they did the next best thing: they told us when they'd tell us whatever they did know.

Note the form this service standard took. Airline personnel told us:

- We will keep you. informed of the status of the problem.
- We have a timetable for keeping you informed.
- We'll follow that timetable even if we have nothing new to tell you.

In service standard format, this standard might go like this:

During delays, outages and malfunctioning whose duration is unknown, we will give customers a status update on a specified schedule. We will inform customers about this schedule, and we will adhere to it even if there is no change in status.

Unlike service standards for routine service, it may be wise to keep this kind of standard in reserve till it's needed, so as not to worry customers about events that may never happen. Still, it pays to be ready. That's one of the nice things about service standards: the situation they're intended to address may be plagued by uncertainty, but there's no uncertainty about what to tell customers.

Is a status announcement every 15 minutes better than departing on time? Not at all. And would it have been acceptable if every 15 minutes for the next six hours, we were told, "Sit tight. We still don't have a clue." Of course not. Clearly, this type of service standard has a practical limit. But when uncertainty-creating situations occur, most customers would rather have a little information than none at all.

What is the status of your service standards? If they're incomplete (or nonexistent), **when** are you going to take action?

7.7 MEET CUSTOMER EXPECTATIONS FOR THEIR SATISFACTION

In competitive markets, customers have become very demanding, since they can buy similar products and services. To achieve customer loyalty, companies must be attentive to their expectations and provide a benefit greater than expected.

The manager of the marketing department of an organization should be able to answer this question with certainty: **'Exactly what measures the customer satisfaction?'** The answer is clear: a customer is satisfied when the benefit received by the product or service purchased is greater than the expectations that had been forged before the transaction.

There is some situation where some companies start with a disadvantage compared with other organizations in the competition. Reputation or image of a company attached to it in the mind of the consumer and makes the customer to develop expectations about what they will receive from that company.

For that reason, companies that produce a higher level of expectation in the mind of the consumer must make a greater effort to satisfy their customers because, for the benefit is greater than the expectations, they should offer much more than those companies that do not generate a high level of expectations.

To establish a solid relationship with the client in ensuring their loyalty, the leaders of a company should consider a number of key issues. From what attributes of the company are customer expectations? Does the competitors qualities sufficient to generate similar expectations in the target customers? What expectations aroused by direct competitors? Are static customer expectations? What does a change in client expectations about the processes of the company?

The answers to these questions must be known to those responsible for designing organizational strategies, as only in this way will know the client and may respond to their needs for their loyalty.

Competing for the expectations

To be more loyal customers to competitors, should be to increase their level of expectations as it is accompanied by their level of expectations and it is accompanied by its satisfaction, once you have established a business relationship.

It is unlikely that customers have higher expectations of a company that does not offer a service or product with more quality than the competition, which will require a major effort to provide, first, a product or service attributes differentiating and adding value to the rest of the organizations operating in their sector. It should also be accompanied by a. good communication strategy that will install the consumer's mind an image that arouses high expectations.

The dynamics of expectations

In competitive markets, expectations increase as time passes. This may be due to various reasons, among which are two fundamental Competition to improve the performance of the activity of a company. Improvements in a product category or service offering an incentive to drive new expectations in the rest of the categories of business.

Therefore, a company must weigh the consequences of the consumer's mind in a change in any of their products, since that affects the rest of the products offered by this company.

Also, the behavior of the organizations with which it competes boost the sector in which they operate, so you must carefully monitor the changes occurring in the bidding companies.

Unless companies offer products and services that continually exceed customer expectations, loyalty eventually decline. It is unlikely that the same product or service that produced a complete customer satisfaction continue to make it three years later and appeared to be changes in business environment. In short, organizations must keep in mind to offer excellence in customer satisfaction is an endless process of renewal.

Customer satisfaction is largely a reflection of the expectations and experiences that the customer has with a product or service. However expectations also reflect that influences the evaluation oi the product or service. When we make major purchases, we research the product or service and gain information from the advertising, salespersons, and word-of-mouth from friends and associates. This information influences our expectations and ability to evaluate quality, value, and the ability of the product or service to meet our needs.

7.8   TYPES OP CUSTOMER EXPECTATIONS THAT INFLUENCE SATISFACTION

Customer performance expectations for attributes, features and benefits of products and services may be identified as both explicit and implicit expectation questions.

Explicit expectations

They are mental targets for product performance, such as well identified performance standards. For example, if expectations for a color printer were for 11 pages per minute and high quality color printing, but the product actually delivered 3 pages per minute and good quality color printing, then the cognitive evaluation comparing product performance and expectations would be 11 PPM — 3 PPM + High — Good, with each item weighted by their associated importance.

Implicit expectations

They represent the norms of performance that reflect accepted standards established by business in general, other companies, industries, and even cultures.

Static performance expectations

Address how performance and quality for a specific application are defined. Each system's performance measures are unique, though general expectations relate to quality of outcome and may include those researched by Berry, or others such as: accessibility, customization, dependability, timeliness, and accuracy, tangible cues which augment the application, options, cutting edge technology, flexibility, and user friendly interfaces. Static performance expectations are the visible part of the iceberg; they are the performance we see and — often erroneously — assume are all that exist.

Dynamic performance expectations

They are about how the product or service evolves over time and includes the changes in support and product or service enhancement needed to meet future business or use environments. Dynamic performance expectations may help to "static" performance expectations as new uses, integrations, or system requirements develop.

Technological expectations

The focus on the evolving state of the product category. For example, mobile phones are continually evolving. Mobile service providers, in an effort to deal with the desire to switch to new technology phones, market rate plans with high cancellation penalties. The availability of low profile phones with email, camera, MP3, email, and blue tooth technology changes technology expectations as well as the static and dynamic performance expectations of the product. Thesehighly involving products enhance perceptions of status, ego, self-image, and can even invoke fear when the product is not available.

MBA-DE(Second Year - Semester - IV)

Interpersonal expectations

Involve the relationship between the customer and the product or service provider. Person to person relationships are increasingly important, especially where products require support for proper use and functioning. Expectations for interpersonal support include technical knowledge and ability to solve the problem, ability to communicate, time to problem resolution, courtesy, patience, enthusiasm, helpfulness, understood my situation and problem, communication skills, and customer perceptions regarding professionalism of conduct, often including image, appearance.

For each of these types of expectations that when fulfilled result in customer satisfaction (or when not delivered, result in dissatisfaction and complaining behavior), the perceived quality and value are critical and directly influence intention to repurchase and loyalty.

7.9 SELF HELP EXERCISE
Multiple-Choice Questions (MCQs):
   1.What is the definition of customer expectations?
a) Past experiences with the company
b) Customer's anticipated service levels
c) Marketing promotions
d) Employee satisfaction
   2.Which factor influences customer perceptions of services?
a) Internal processes
b) Competitor strategies
c) Customer feedback
d) Economic trends
   3.How do customer expectations evolve over time?
a) Remain constant
b) Decrease gradually
c) Increase based on experiences
d) Change randomly
   4.Which phase of the service delivery process is most critical for shaping customer perceptions?
a) Marketing
b) Post-purchase
c) Pre-purchase
d) Product development
   5.What role does communication play in managing customer expectations?
a) No impact
b) Negative impact
c) Positive impact
d) Limited impact
   6.What is the key element in meeting customer expectations?
a) Overpromising

b) Consistency

c) Ignoring feedback

d) Rapid changes

7.How can companies measure customer expectations?

a) Ignoring feedback

b) Surveys and feedback forms

c) Speculation

d) Guesswork

8.Which factor is crucial in closing the gap between customer expectations and perceptions?

a) Ignoring feedback

b) Effective communication

c) Constantly changing services

d) Lack of employee training

9.In what ways can technology influence customer expectations?

a) No impact

b) Negative impact

c) Positive impact

d) Limited impact

10.What is the relationship between customer satisfaction and customer perceptions?

a) No correlation

b) Inverse correlation

c) Direct correlation

d) Random correlation

Fill in the blanks:

1.Customer expectations are shaped by a combination of _____ and past interactions with the company.

2.One challenge in managing customer perceptions is the existence of a _____ between what customers expect and what they perceive.

3.To bridge the gap between expectations and perceptions, companies need to focus on delivering consistent _____ throughout the customer journey.

4.Customers often form their initial _____ based on marketing messages and promotional materials.

5.Effective _____ is crucial for managing and aligning customer expectations with the actual service experience.

6.Customer feedback plays a vital role in understanding and adapting to changing _____ of the customer base.

7.In the service industry, employee _____ and competence significantly influence customer perceptions.

8.Technological advancements have led to increased _____ as customers expect seamless interactions across various channels.

9.Companies can use _____ and surveys to gather valuable insights into customer expectations and satisfaction levels.

10.The _____ phase, where customers evaluate their experience, heavily influences their perceptions and future expectations.

7.10 PRACTICE QUESTIONS

1.   Explain customer expectation. How can we measure customer satisfaction and

expectations.

    2.   Types of customer expectations that influence satisfaction.

7.11 ANSWERS TO SELF HELP EXERCISE:
   Multiple Choice Questions:

1. b) Customer's anticipated service levels
2. c) Customer feedback
3. c) Increase based on experiences
4. b) Post-purchase
5. c) Positive impact
6. b) Consistency
7. b) Surveys and feedback forms
8. b) Effective communication
9. c) Positive impact
10. c) Direct correlation

Fill in the blanks

1. Anticipations
2. Gap
3. Experiences
4. Impressions
5. Communication
6. Needs
7. Attitude
8. Expectations
9. Surveys
10. post-purchase

FORMULATING MARKETING MIX FOR SERVICES MARKETING

STRUCTURE

MARKETING MIX

The objective of the lesson is:

- First P-Product
- Life cycle
- Services concept
- Service Mix

8.0   INTRODUCTION

The term 'product' is widely used to refer to a market offering of any kind. In its broadest sense this may be anything from the physical- a tin of baked beans or a television set - to the abstract-an idea or a moral issue. Generally, however, most products are made up of a combination of physical elements and services. This is true in services marketing, where the service offering can include tangible features, such as food in a restaurant, or be a 'pure' service, intangible in nature.

Packaging usually refers to the actual external packaging of a product and it plays a key part in, for example fast-moving consumer goods marketing. The packaging, as well as protecting the contents, will perform a vital selling and promotional role, presenting the product and company image to potential customers. Essentially, in this sense, packaging is how the final product is put together and presented to the market.

The same issues are vitally important for services marketing, Designing and developing the ideal service is not the full story; the way the service is 'packaged' and presented to the market is the key issue. Branding the service, developing the right elements within it, adding tangible features - all these are critical tasks for services marketing management.

This chapter looks at packaging the service product in its widest possible sense, and explores these issues together with an overview of product management in services. Ways of classifying services are considered, and an understanding of the service concept is developed. Traditional product management tasks - new service development and positioning - are also reviewed.

8.1   SERVICE ATTRIBUTES

In attempting to develop am understanding of the service concept, and what actually constitutes a service, it is worth drawing on issues addressed in earlier chapters to focus on the special nature of services, and the service offering:

Special characteristics of services

Services share several distinguishing characteristics, when compared to physical products. These are:

- Intangibility
- Inseparability
- Heterogeneity
- Perishability

Each of these will influence decisions in developing and packaging the service product.

Classification of services

There are a number of ways of classifying service activity, and there will always be some degree of overlap between the various methods used. The following are some of the most commonly used classification methods:

End-user Services can be classified into the following categories:

Consumer

Business-to-business

Industrial

Service tangibility The degree of tangibility of a service can be used in classification: Highly

tangible

Service linked to tangible goods

Highly intangible

People-based services can be broken down into labor intensive (people-based) and equipment-based services:

People-based services (high contact)

Equipment-based (low contact)

Expertise The expertise and skills of the service provider can be broken down into the following categories:

Professional

Non-professional

Profit orientation The overall business orientation is a recognized means of classification:

Not-for-profit

Commercial

Having looked at some of the specific aspects relat4tg to the service product, the service concept - what actually constitutes the service product - can be explored.

Need satisfaction

In many ways it is hard to equate the properties of physical goods with those of services. Physical goods have shape and form, they may be sold according to weight, size or color; they can be tasted or felt. These characteristics are only features of physical product-However. Consumers may have preference for certain types of physical characteristic when they are choosing a product,

but their underlying motivation for making a purchase is to satisfy a need. They are looking for something which will provide the right kind of benefits to satisfy their need.

This is equally true of services. Even in relation to the most intangible service, customers receive benefits to which they attribute value, and a perception of quality.

The idea that customers are looking for benefits rather than features is at the heart of a marketing orientation. Product-led companies (discussed in Chapter 1) focus on adding more and more features to products in order to attract customers. Marketing, however, places the focus firmly on the customers' needs and wants and aims to provide want satisfactions, or benefits.

8.2   THE SERVICE CONCEPT

Physical goods and services can be looked at in terms of benefits offered, as well as features and specific attributes associated with those benefits. The notion of the service concept is based in the idea that actual service offerings (or physical products, in fact) can be broken down into a number of levels relating to customer need-satisfactions, benefits and features. Typically, three levels are identified:

The core benefit/service

The expected service

The augmented service

The core benefit/service The core benefit ought relates specifically to the customers' need. The customer may be feeling hungry, or may feel that they don't look their best. The customer might be a business needing help with promotion and advertising, or experiencing financial problems.

- The core benefit satisfies the need/solves the problem.

The expected service this relates to customers' expectations of what kind of services are available to satisfy their need. The hungry customer may decide to visit a snack bar or restaurant in order to satisfy their need for food. They will expect a certain level of service to be offered - a range of items on the menu, for example, clean and pleasant surroundings and prompt attention from staff. Someone visiting a hairdresser will have an idea of the range of facilities and treatments which should .be available. Similarly, the business customer will 'expect professional advice, expertise and practical help from an advertising agency or financial consultant.

- The expected service reflects standards required or expected by customers to satisfy their
  needs.

The augmenting service Augmenting the service offering, or making it better in some way, is the means by which service providers differentiate their offering in an attempt to influence consumer choice. Extra features, over and above the expected service, can be added to make the service more attractive to prospective consumers. Often innovation is the key. Restaurants may work at creating a special ambience, perhaps through decor and music, or a snack bar may offer customized sandwiches and video games. A hairdressing salon might offer additional beauty therapy, free refreshments and a certain image. Professional service

organisations might seek to augment their service offering with a range of specialists, for example, who are expert in specific industry areas, or they may focus on a more caring, personal service for their clients.

- The augmented service is the way in which service providers fine-tune the marketing mix to
  differentiate their service and make it stand out from the competition.

The following table illustrates the service concept further:

Core Service	Expected Service	Augmented Service
• Food provision	• Clean facilities	• Up market decor
• Hairdressing	• Choice available	• Exotic menu
• Business-to-Business	• Prompt service	• Silver service
	• Take' away	• Free delivery
	• Well-appointed salon Qualified stylists	• Fine wines
	• Range of treatments	• Live music
	• Expert advice	• Luxury salon
	• Reliable service	• Famous stylists
	• Range of services	• Special treatments Refreshments
		• Beauty therapy
		• Sun beds
		• Professional qualifications Affiliated to professional body Specialist Area's Overseas branches

In marketing mix terms, it is often the special aspects of the service mix which can contribute to the augmented service. The inseparable nature of services, for example, means that service quality is often closely linked to the people element of the mix. Perceptions of service quality often depend also on consumer's judgments about the surroundings in which the service is offered - the physical evidence - and the promptness of the service - the process. The following ideas suggest ways in which marketing mix variables can be adjusted to help differentiation:

Product Superior quality

Service Well known/trusted brand image

Price Unusual or additional features

Promotion Extended guarantees

Place The unique sales proposition Tangibile

People Value added

Process Special discounts Preferential credit terms

Physical Innovative advertising campaigns

Evidence: Loyalty promotions. e.g. frequent flyer offers Special offers Direct mail PR, sponsorship Extensive availability More outlets than competitors

Innovative methods, e.g. telephone banking Careful selection of quality channels

Highly trained staff

Better customer care

Greater efficiency

Personal attention

Specialist skills

Advances in technology, e.g. automated queue Systems, cash dispensers Fast response times

Comfortable surroundings Superior Decor
Qualifications

Evidence of professional standing membership of professional bodies Strong, recognizable corporate image staff uniforms, house style Long-term success and survival, however, means far more than developing a marketing mix for a differentiated service offering. To keep up with changes in consumer trends and new technologies, or to cope with new situations, service organizations need continuously to review and develop their service offering. The range of services offered - the service portfolio - should always be monitored and new services introduced or existing ones withdrawn at the right time.

8.3 Multiple Choice Questions (MCQs):

1.What is a crucial element of the service marketing mix? a. Product

b. Place

c. Promotion

d. People

2.Which component of the marketing mix is concerned with creating awareness and   communicating value in service marketing?

a. Price

b. Place

c. Promotion

d. Product

3.In service marketing, why is the "People" element considered essential? a. It represents the physical environment

b. It focuses on employees and customer interactions

c. It determines the pricing strategy

d. It refers to the distribution channels

4.What is the term for the unique blend of tangible and intangible elements in service marketing?

a. Homogeneity

b. Heterogeneity

c. Uniformity

d. Consistency

5.Which marketing mix component is concerned with the channels through which services are delivered to customers?

a. Product

b. Place

c. Promotion

d. Price

6.What is the primary consideration when determining the pricing strategy for services?

a. Cost of production

b. Customer demand

c. Competitor pricing

d. Perceived value to the customer

7.Which aspect of the service marketing mix is associated with the activities and processes that create and deliver the service? a. Product

b. Place

c. Process

d. People

8.In service marketing, why is customization often a challenge? a. Services are easily replicable

b. Services are intangible

c. Services are heterogenous

d. Services lack perishability

9.What role does "Physical Evidence" play in the service marketing mix?

a. It refers to the documentation of services

b. It represents the tangible cues that help customers evaluate the service

c. It determines the distribution strategy

d. It focuses on the pricing structure

10.Why is relationship marketing crucial in the context of services?

a. Services are usually one-time transactions

b. Customer loyalty is less significant in services

c. Services involve ongoing relationships with customers

d. Services do not require post-purchase communication

Fill in the Blanks:

1.The "___" element of the service marketing mix emphasizes the importance of employees and their interactions with customers

2.In service marketing, the unique combination of tangible and intangible elements is referred to as "__."

3."__" refers to the various channels through which services are made available to customers.

4.Customization is often a challenge in service marketing due to the "__" nature of services.

5.The "__" component of the marketing mix involves creating awareness and communicating the value of   services.

6.The pricing strategy for services should consider the "__" value perceived by customers.

7."__" in the service marketing mix represents the physical cues that customers use to evaluate the service.

8.The "__" component focuses on the activities and processes involved in creating and delivering services.

9."__" is the term used for the tendency of services to vary in quality due to their intangible nature.

10.In service marketing, the ongoing relationships with customers are emphasized, making "___" crucial for success.

8.4 SERVICE MARKETING MIX/EXTENDED MARKETING MIX

The service marketing mix comprises off the
7p's. These include:

- **Product**
- **Price**
- **Place**
- **Promotion**
- **People**
- **Process**
- **Physical evidence.**

Let's now look at the remaining 3p's:

People

An essential ingredient to any service provision is the use of appropriate staff and people. Recruiting the right staff and training them appropriately in the delivery of their service is essential if the organisation wants to obtain a form of competitive advantage. Consumers make judgments and deliver perceptions of the service based on the employees they interact with. Staff should have the appropriate interpersonal skills, aptitude, and service knowledge to provide the service that consumers are paying for. Many British organisations aim to apply for the Investors in People accreditation, which tells consumers that staff are taken care off by the company and they are trained to certain, standards.

Process

Refers to the systems used to assist the organisation in delivering the service. Imagine you walk into Burger King and you order a Whopper Meal and you get it delivered within 2 minutes. What was the process that allowed you to obtain an efficient service delivery? Banks that send out Credit Cards automatically when their customers old one has expired again require an efficient process to identify expiry dates and renewal. An efficient service that replaces old credit cards will foster consumer loyalty and confidence in the company.

Physical Evidence

Where is the service being delivered? Physical Evidence is the element of the service mix which allows the consumer again to make judgments on the organisation. If you walk into a restaurant your expectations are of a clean, friendly environment. On an aircraft if you travel first class you expect enough room to be able to lay down! Physical evidence is an essential ingredient

of the service mix, consumers will make perceptions based on their sight of the service provision which will have an impact on the organisations perceptual plan of the service.

<div align="center">THE EXTENDED MARKETING MIX</div>
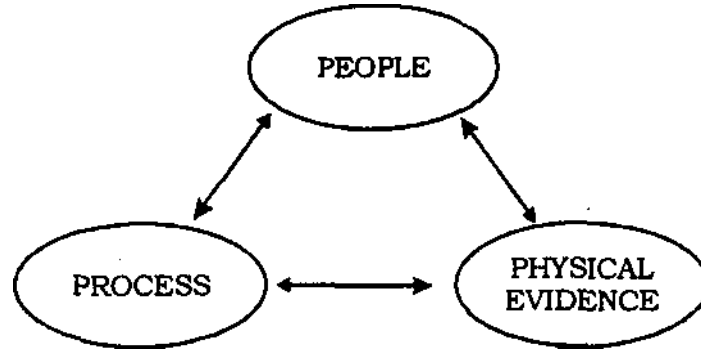
The Characteristics of a service that are:

      (1)   Lack of ownership

      (2)   Intangibility

      (3)   Inseparability

      (4)   Perishability

      (5)   Heterogeneity.

The Service marketing mix involves analysing the 7'p of marketing involving, Product, Price, Place, Promotion, Physical Evidence, Process and People.

To certain extent managing services are more complicated then managing products, products can be standardized, to standardize a service is fair more difficult as there are more input factors i.e. people, physical evidence, process to manage then with a product.

8.5 THE LIFE CYCLE CONCEPT

Products and services are often said to have life cycles'. This idea is based on an analogy with natural life cycles: birth, growth, maturity and so on. The product life cycle is frequently illustrated as being comprised of four stages:

Launch or introduction

Growth

Maturity
Decline

The product life cycle is typically represented graphically in terms of sales over time. Plotting the level of sales over a period will result in a life cycle curve which may look like this:

Sales

Launch Growth Maturity Decline

Time

Sales, or even usage rates, of a service can be plotted in the same way as sales of physical products, and monitored over a period. This can be useful in managing the organisation's range of products or services, and in making decisions about promotion, for instance, or withdrawal of a service which has become outdated. The product life cycle concept holds that the different stages of the product life cycle have certain characteristics which are, more or less, common to all products or services.

Understanding and analyzing the various stapes, therefore, can be helpful in determining the appropriate marketing action.

Introduction

At the introduction stage the product or service is very new. Promotion will be intense and costly, and may need to be boosted if the service fails to meet initial targets. It will be aimed at getting users to try the service, and create interest. Television shopping is an example of a new service recently launched in the UK. This is a high risk stage, because the service will not yet have proved that it will be successful, and the costs of pre-launch development may be very high. Close monitoring is required.

Growth

As uptake of the service starts to grow, revenues will increase and profitability may **be even** achieved. The longer-term success of the service can be more easily assessed at this stage ay market penetration increases. However, if the product appears to be doing well, it is likely at this stage that competitors will bring out rival offerings. This is the case with mobile telephones; when the market reaches near saturation they will have moved from the growth phase into the mature phase. Promotion may again need to be boosted to maintain the speed of growth and will focus on attracting more new -users, and repeat purchase. Further investment may be required.

Maturity

As growth slows down, the overall volume of sales may reach a fairly steady plateau, which continues over time. Competition will probably be well established, and promotion efforts reflect the battles between leading brands. Credit cards are an example of a mature service offering. New entrants may still be entering the market, as is the case with building societies offering their own cards. Marketing effort is aimed at keeping the level of sales high, thus ensuring continued profitability.

Decline

At some stage, the popularity of a product or service will begin to die. Levels of sales will fall off, and profitability diminishes. This may be due to a number of reasons, as when services have been superseded by new technologies or when consumer tastes have changed. Facsimile machines have more or less replaced telex communication services, for example, and insurance services sold directly by telephone have started to replace the need for individual brokers on the high street. The main decision for management is whether to continue to produce and sell the product or service if it is still creating profits, or to delete it altogether, perhaps because the organisation has launched newer services to replace it, and deletion would enhance their chances of success, or possibly to cut the risk of it being a drain of resources.

Scope of the life cycle concept

These illustrate the basic ideas behind the life cycle concept, and its use as a management tool. There are many criticisms of the concept, mostly relating to the vast difference in the type of curves that can be seen (fads, for example, may grow sharply, but then drop off altogether, and never become mature). Cinema attendance in the UK all but died off altogether in the 1970s, resulting in the closure of many cinemas, but cinema has been successfully re launched in a new format with the opening of hugely successful multi-screen cinema complexes.

There can also be ambiguity in what should be measured; industry cycles may differ forspecific products, for example. The demand for information has never been higher, but, as mentioned previously, the means of transmitting information has changed, so telex machines have died, and so have telegrams, while fax and telephone usage have increased dramatically. The important thing is to monitor progress of all the

8.7 NEW SERVICE DEVELOPMENT

Managing the organisation's service portfolio, and developing and positioning new services, are functions criteria 1 to the organisation's success. The new product development process, as carried out by manufacturing companies, has been the focus of a significant amount of marketing literature for many years. The main reason for this is that it is both essential for long-term success, and a very costly, high risk process. The costs associated with the development and launch of a completely new product can be phenomenal and if the product fails to meet target sales figures - or, even worse, is a total flop - then the company may not survive.

Unfortunately, the literature is full of classic tales of such misadventure as the Ford Edsel car and the Sinclair CS, and estimates of the failure rate of new products range from fifty per cent to nearer ninety per cent of all new products launched.[1] Even relatively minor developments to new products can be a high risk undertaking, as was the case when Coca-Cola launched its new version and quickly had to bring back the old, 'classic* version {although some suggest it was actually a clever tactic to reinforce the brand, which may be true, but would certainly be too risky for any lesser brand to try). Persil washing powder also had to re-introduce its original product after the new 'improved' version was alleged to have caused allergic reactions in some cases.

Although the risks associated with failure may, at first sight, appear less for service providers than manufacturers (no expensive production facility to set up, for example) this is not necessarily the case. The costs of building a world class hotel are substantial, to say the least, and if that hotel remains half empty it is a failure. Even highly intangible new services such as insurance will cost a great deal to launch in terms of staff re-training, production of sales literature and documentation and expensive television advertising campaigns. To ensure the optimum chance of success.

The new service development process is a systematic staged process, which organizations adopt to screen new service ideas and maximize their chances of success in the market. Comprising of following steps:

1.   Generation of ideas
2.   Screening
3.   Testing the concept
4.   Business analysis
5.   Practical development
6.   Market test
7.   Launch

8.8 PRACTICE QUESTIONS

Discuss the various service attributes?

Define the service concept

Explain the service marketing mix/extended marketing mix

What do you understand by the life cycle concept?'

INTERNAL MARKETING & EMPLOYEE EMPOWERMENT

STRUCTURE

9.0   Introduction

9.1   Key Concepts

9.2   Features of Internal Marketing

9.3   Essentials 8s Components

9.4   Benefits of Internal Marketing

9.5   Approaches to Internal Marketing

9.6   Self Help Exercise

9.7   Problems Affecting Successful Implementation of Internal Marketing

9.8   A Case Study

9.9   An Overview

9.10   Practice Questions

9.0 INTRODUCTION

Internal marketing (IM) is an ongoing process that occurs strictly within a company or organization whereby the functional process aligns, motivates and empowers employees at all management levels to consistently deliver a satisfying customer experience.

According to Burkitt and Zealley, "the challenge for internal marketing is not only to get the right messages across, but to embed them in such a way that they both change and reinforce employee behavior".

Internal Marketing Is the Key to Achieve:

o Commitment to the goal of guaranteeing the best possible treatment of customers in participating actively in achieving the organization goals of Creating a potential for long-term success.

9.1 KEY CONCEPTS OF INTERNAL MARKETING INCLUDE

- • IM functioning as a continual internal 'upskilling' process.
- • Alignment of the organization's purpose with employee behavior.
- • Employees internalizing the core values of the organization.
- • Motivation, reframing and empowerment of employee attitude,
- • Inside-out management approach.
- • Retaining a positive customer experience throughout the business objectives.

9.2 THE FOLLOWING ARE THE FEATURES OF AN INTERNAL MARKETING-ORIENTED BUSINESS

1.   Creating enabling culture: this is done when employees are empowered by management through allowing creativity, innovation, allowing initiatives and accountability and responsibility of their decisions.

2.   Practising participative hiring: that is involving current employees in the process of hiring new employees.

3.   Ensuring equitable recognition and reward: business must exercise employee recognition with reward to what employee has achieved.

4.   Demonstrating fairness during hard times: fair treatment of employees when faced

with hard times and difficult moments like death of the near family members. This can be achieved by setting aside emergency funds.

5. Good organisation structure that allows learning, total quality management and re-engineering.

9.3 ESSENTIALS OF SUCCESSFUL INTERNAL MARKETING PROGRAMMES

o The four most important areas within the organisation & apposes internal environment which are essential for an internal marketing programme are:

o Motivation

o Co-ordination

o Information

o Education

COMPONENTS OF INTERNAL MARKETING PROGRAMMES

1. Information gathering to asses:

   o Employee knowledge

   o Attitudes

   o Behaviour

2. Management action:

   o Selection

   o Training

   o Motivation

   o Direction.

9.4 BENEFITS OF INTERNAL MARKETING

1. Internal Marketing encourages the internal market (Employees) to perform better.

2. Internal Marketing empowers employees and gives them Accountability and responsibility.
3. Internal Marketing creates common understanding of the business organisation.

4. Internal marketing encourages employees to offer superb service to clients by appreciating their valuable contribution to the success of the business.

5. Internal Marketing improves customers retention and individual employee development.

6. Internal Marketing integrates business culture, structure, human resources management, vision and strategy with the employees & appose; professional and social needs.

7. Internal marketing creates good coordination and cooperation among departments of the business.

9.5 MANAGEMENT APPROACHES TO SUCCESSFUL INTERNAL MARKETING

o Managers should lead by example, and set high standards of customer relations and job effectiveness by their own good practice, not by simply dictating rules or making unreasonable demands on employees.

o Internal marketing moves towards an alternative idea developing human potential and accordingly set individual goals so that organizational goals can be achieved through the satisfaction of individual goals.

o Consistency on the part of management, both in action and word, in all dealings with internal and external customers is the foundation for marketing success.

2.   **DEVELOPING INTERNAL MARKETING PROGRAMMES**

o Market definition: in terms of formal and informed lines of communication and authoritative power, o Market research

o Employee attitudes towards the organisation and its mission

o Levels of job satisfaction

o Assessing skill and knowledge needs

o Needs and wants of employees

3.   **DEVELOPING INTERNAL MARKETING PROGRAMMES**

o Market segmentation: To ensure most effective, accurate and appropriate targeting of internal marketing efforts. Bases for segmentation may be determined as a result of the market research or on the basis of levels in the organisation, o Marketing action: Selection and implementation of appropriate marketing activities to achieve optimum internal marketing success. Better internal communications, teamwork and employee empowerment are some of the aims of internal marketing.

4.   **DEVELOPING INTERNAL MARKETING PROGRAMMES**

o Marketing communication: Accurate and timely spreading of marketing information should be undertaken, both internally and externally. This process should be targeted to encourage participation in achievement of personal and organizational goals. In- house magazines, regular team brief mgs and encouragement of better two-way communications.

o Marketing orientation : The organisation & apposes marketing objectives and mission must be made clear to all employees, and clearly defined individual goals set down to enable personnel to see their own contribution to achieving the organisation's objectives.

5.   **IMPLEMENTING THE PLAN**

o Implementing internal marketing programs can be achieved through cooperation between top management within the organisation and functional managers. It requires a flexible approach which will lead to an internal environment which is both committed to organizational goals and responsive to changing organizational needs. The changing needs of employees must also be taken into account.

6.   **IMPLEMENTING THE PLAN**

o Marketing audit

o Marketing analysis in terms of its Strengths, weaknesses, opportunities and threats, o Objectives setting Review the organisation & apposes objectives in the light of internal marketing and develop internal objectives,

o Strategy development

o Designing action programmes Managers to determine the most appropriate courses of action and the likely costs and resources required,

o Assigning responsibility for their execution

o Monitoring and controlling the plan: staff performance evaluation and appraisal schemes.

9.5 PROBLEMS AFFECTING SUCCESSFUL IMPLEMENTATION OF INTERNAL MARKETING

The following are the problems affecting effective implementation of internal marketing.

1.   Managerial incompetence in interpersonal, technical and conceptual skills is some of the stumbling blocks against successful internal marketing.

2.   Poor understanding of internal marketing concept.

3.   Individual conflict and conflict between departments makes the implementation of internal marketing difficult.

4.   Rigid organisational structure coupled by bureaucratic leadership hinders success of internal Marketing.

5.   Ignoring and not listening to subordinate staff.

6.   The tendency of ignoring employees' importance and treating them like any other tools of the business.

7.   Unnecessary protection of information against employees.

8.   Resistance to change.

9.6 A CASE STUDY

Internal marketing: employee empowerment to Increase service quality in De Varanda restaurant cafe Amsterdam Nederland

This thesis is written as the final project of the Hotel Management Program which examine the process of marketing internally to the employee based on the employee empowerment to increase the service quality in hospitality industry especially in de Veranda Restaurant Cafe, Amsterdam. The marketing is an important program for the company to achieve their goal. Employee as one of the essential part of the company needs to be considered as one tool to do the marketing program, it means that the company needs to adopt the marketing program internally from the employees? point of view. The company need to know what is the best and appropriate way to make employee empowerment in adjustment with their working condition in order to create "Free Promotion" through "Word of Mouth'. The qualitative research has been applied. Based on the research, this thesis is divided into four sections or chapters. The first chapter of this thesis gives information about Restaurant Cafe de Veranda such as history of de Veranda, physical look of the restaurant, and the facility that is accommodated by de Veranda. This chapter also gives the introduction about the subject of this thesis (internal marketing and employee empowerment). The second chapter is started with the literature review which is divided into three big parts, consists of the explanation of Service Quality, Internal Marketing, and Employee Empowerment. It also discusses about the relationship between that three aspects, the process, the tools, and the benefits of applying internal marketing through employee empowerment. The third chapter gives the analysis and evaluation based on the research in de Veranda and the actions that have been taken by de Veranda management to create Employee Empowerment and the actions to maintain their service quality. These chapters also explain the Strength, Weakness, Opportunity, and Threat from de Veranda Restaurant Cafe. The case study is based on the literature review, depth interviews with the manager, supervisor, and other employee, and also the observation in the restaurant. The last chapter is the conclusion from all of the content of this book. It contains what steps should be kept and to be taken in order to increase the service quality through employee empowerment. It consists of the recommendations and suggestions from the writers that can help de Veranda Restaurant Cafe to apply the best way of marketing internally to the employee to fulfill their needs and expectations and to create a company image through their service quality.

9.7 AN OVERVIEW

The six common characteristics of highly effective internal marketing programs are:

(1)   senior management participation,

(2)   integrated organizational structure,

(3)   strategic marketing approach,

(4)   human resources partnership,

(5)   focus on employee engagement and

(6)   internal brand communication.

Let's have a detailed look at each of the above mentioned points.

The Six Characteristics of Highly Effective Internal Marketing Programs

1.   Senior Management Participation

Visible support from internal marketing leaders and frequent and direct communication from c-suite executives is necessary for effective internal marketing.

o Senior management-initiated internal marketing

o **The Container Store's** CEO believes that the company has a moral obligation to ensure that employees are provided with a stimulating and secure work environment on a daily basis.

o **The Ritz-Cariton's** long-held belief that employee engagement is linked to customer satisfaction and enhanced profitability goes back as far as the hotel's very first president.

   • Visible senior management support for IM (or equivalent) leaders

o Because the company is known to hire external talent and acquire complementary product lines, the CEO of **Wrigley** knows all too well the need for internal marketing. With the 'old culture clashing with the way, employee engagement and internal communications are seen as critical.

o **A canned- and frozen-food company's** new CEO demanded critical communications support for internal audiences. At this company, communication consistency and effectiveness is ensured by leveraging management buy-in to drive a trickle-down effect.

   »Face-to-face/direct communication

o **Hospira** employs mini employee meetings led by senior management at each of its sites"that usually focus on a quarterly earnings release, company milestones or bad news. It empowers each site to choose topics discussed.

o **The Container Store,** the chairman and CEO are famous for visiting stores and interacting with employees.

o Once a month, a group of **Cisco** employees are invited to join CEO John Chambers at an informal breakfast session where no topic is off-limits.

2.   Integrated Organizational Structure

Most of the companies interviewed utilize horizontal integration to achieve internal marketing, believing that it should encompass all communications with all employees to maximize employee involvement and commitment. To encourage employee commitment, most of the

companies have a minimized hierarchical management process and empower employees with many key business decisions.

- Virtual Internal Marketing

o **Kellogg's,** marketing, brand management, and employee communications have internal marketing roles. They work individually and together in order to ensure employee buy-in.

o Internal communications, branding, public relations, organizational development, HR, and training teams work together at Staples to implement effective internal marketing.

o **The Ritz-Carlton,** internal marketing is implemented by a broad-based steering committee of department representatives from human resources, operations, product/ brand management, and sales and marketing, among others.

- Employee Empowerment

o Internal marketing is initiated primarily by employees at **The Container Store.**

o **Kellogg's,** biweekly and bimonthly cross-functional team meetings are held. These meetings, which are used to align the brand priorities in a team environment across the organization, include employees at all levels of the organization.

» Corporate Culture

o **A globally diversified Information-technology company** describes the driving force behind the company's internal marketing efforts as "embracing and understanding internally before people can project it externally,"

o **Cisco** describes its culture as "all about giving back." It is about changing the world for the better, in whatever ways one can. Customer advocacy is rooted within company culture as is employee engagement.

o **Staples** touts what it calls its "Me 3rd Culture." Employees are told that to succeed at Staples they must think Staples first, their team second, and themselves third.

3.   **Strategic Marketing Approach**

When it comes to marketing internally, best-practice companies market to internal constituents in a manner that parallels how it reaches out to acquire and retain customers.

- A formal approach to the internal marketing function

o At 3M, one group takes the lead on strategic communications planning and organizes cross-functional teams for specific internal marketing initiatives. 3M's centralized strategic-planning resource serves as a consultant to other "client" groups within the organization.

o At **Union Pacific,** an internal "agency* for all business units works exclusively on the company's employee communication needs by consulting across the organization and assisting with creative planning and designing.

- Derives insight from employee research

o **A fast-growing investment bank** has measurement and feedback mechanisms to uncover insights into employees' wants and needs as they change over time. It also

accumulates critical research in the form of employee focus groups.

- • Segments internal audiences in order to improve relevancy

o In the case of **Union Pacific,** the communication medium is designed to meet each employee segment's needs and accessibility. For example, off-site employees are communicated to via traditional mail while on-site employees can access an employee Intranet.

o **A globally diversified information-technology company** has a standing segmentation scheme for its internal marketing targets: company to all employees; business unit to business unit employees; region to local employees.

- • Measures effectiveness of IM programs to support further investment of resources

o Before implementing any new IM program, a participating company conducts a pre- measurement study to provide a baseline of employee attitudes and behaviors. Ongoing measurement throughout the change process helps ensure that shifts in attitudes and behaviors are taking place. Post-measurement studies help management better understand whether, the change was effective and if it impacted business performance.

o In another best practice firm, every department has to identify its own internal clients and their performance metrics. One manager said, "Once you measure the service provided, you can have the goal to improve it. Continuous improvements in processes and outputs directly correlate to customer satisfaction."

4.   Human Resources Partnership

For successful internal marketing, human resources staff must consistently seek to integrate innovative methodology to train, communicate and foster feedback.

- • Recruitment

o **The Ritz-Carlton** employs 28,000 "ladies and gentlemen" worldwide, and each individual properly is empowered to recruit its own staff. It uses predictors such as ethics, self-esteem, teamwork and empathy to help select successful future "ladies and gentlemen.

- • Employee Training and Acculturation

o With more than 11,000 employees in over 450 locations, inventive quick-service restaurant chain **Chipotle** places pioneered internal-marketing efforts targeting employees across all departments and all business functions. Because two-thirds of its workforce is Spanish-speaking, Chipotle established language classes to enable workers to better connect with employees.

o In order to expand its workforce rapidly, **a technology company's** internal communications team partnered with HR to overhaul the new employee orientation program to ensure all pertinent messages were incorporated into a one-day initial session. A tool kit was created that required follow-up throughout the first 90 days of a new hire. This constituted a big shift from the previous oversimplified new hire orientation process, which focused mainly on distributing I.D. cards and setting up workstations.

- Retention
o Compared with the industry average of 100 percent **The Container Store's** exceptionally low turnover rate of 14 percent clearly demonstrates the success of employee-retention initiatives. Employees are consistently recognized as the company's greatest asset. They receive more than 241 hours of training in the first year followed by 262 hours thereafter and are entitled to a number of unique incentive programs, such as family-friendly shifts for parents.

o **The Ritz-Carlton** strongly believes that "while many in the U.S. consider service to be subservient, we consider it an honor." Its vigorous 21-day training session begins the retention process, and 100 hours of training every year after maintains it.

- Employee Feedback
o With 123,000 employees worldwide, **a global consultancy** placed a strong emphasis on internal communications during a period of time when workforce reductions occurred. Once that period of time had passed, the company continued the internal communications efforts. An important key learning from a series of internal communication focus groups revealed that employees wanted to hear only what they needed to know in order to do their jobs.

o **Wrigley,** The Wrigley People Survey is administered to every employee (14,800 total) to measure attitudes about individual job responsibilities, managers, performance, and company programs and initiatives. Last year, there was more than a 98 percent response rate.

5. Focus on Employee Engagement

Employee engagement is a result of an efficient and collaborative work environment where employees feel involved and motivated. The organizations use simple, effective tactics to focus on employee well-being through fundamental work appreciation tactics.

- Empowerment
  o At **Cisco** employees are empowered to make changes, big and small. Ideas are sought from all employees. If there is no budget for a worthy project, a new budget is created.

o Empowerment implies that frontline employees can exercise a degree of discretion during service delivery. Progressive hotelier **Ritz-Carlton** allows employees to spend up to $2,000 to correct a customer's problem or handle a complaint.

- Two-Way Communication
o The **Wrigley** 'Breakthrough program unites management and employees to brainstorm stretch goals, discuss innovative ideas, and devise systems and tools for training. The program provides an avenue for subordinates to truly communicate to managers within the safety zone of the program, and encourages thinking beyond traditional barriers.

- Reward and Incentives
o **A fast-growing investment bank,** which has **$1.1** billion in total assets, hosts an annual "Leaders Retreat" a four-day resort retreat for high-level executives and top-performing employees and their spouses.

- Corporate Philanthropy

o Twelve years ago, **a successful biotechnology company** started a major community relations program that has blossomed into an annual tradition. The company also sponsors employee participation in fund-raising events for the American Cancer Society, the American Heart Association, the Susan G. Komen Foundation, and others.

- Alignment of Corporate Goals with Employee Goals

o The **Wrigley** has its GOLD (Goals Outcomes Learning Development) program, which enables employees to be active participants in the ongoing appraisal of their performance against corporate goals. The employees become more engaged because they understand their value in reaching business goals.

- Special Events

o When **Hospira** spun off from Abbott Laboratories, it initiated "Founder's Day" events to celebrate the new beginning and communicate integrity, Hospira's most important value.

o **A last-growing investment bank** recently organized a Halloween party for which all employees were flown in at the company's expense. A subsequent survey boasted the bank's highest satisfaction rate to date: 90 percent response rate with 95 percent of the company's employees being very satisfied.

6. Internal Brand Communication

Internal branding bridges the gap between promise makers (marketers) and promise keepers (employees). Despite the varying scope and cost of the internal branding programs, all firms shared the basic principle that internal branding should inform and engage employees to consistently support brand initiatives.

- Branded Communication Material

o At **Oppenheimer Funds,** internal communications materials reflect the brand promise of security and partnership, a promise that is deep-rooted in the company's history. Oppenheimer Funds executives say that the Internet, memos and speeches are cost-effective communication vehicles that can efficiently reinforce a consistent brand message.

- Brand Ambassador Team

o **Kellogg's** holds brand ambassador team meetings where employees engage in open dialogue with the leadership team and share their perspectives on the financial success of the brand, current innovations and improvement ideas. Although the Kellogg's brands function separately, the success of Kellogg's internal marketing is due to cross-functioning teams that bridge the gap between silos to form a seamless flow of communication.

- Internal & External Brand Alignment

o After learning that confusion surrounded a technology. Brand's promise and its delivery to its external customers and employees, the graphic brand initiated employee communication materials and educational opportunities, such as meetings

9.8 Multiple-Choice Questions (MCQs):

What is the primary goal of internal marketing?
   a. Attracting external customers
   b. Motivating and engaging employees
   c. Increasing shareholder value
   d. Expanding market share

Which of the following is a key element of employee empowerment?
   a. Micromanagement
   b. Centralized decision-making
   c. Autonomous decision-making
   d. Strict hierarchical structure

Internal marketing focuses on:
   a. Attracting competitors' employees
   b. Improving relationships with suppliers
   c. Enhancing communication and motivation within the organization
   d. Targeting external stakeholders

Why is employee empowerment important in internal marketing?
   a. It increases employee turnover
   b. It fosters a sense of ownership and responsibility
   c. It discourages innovation
   d. It creates a hierarchical structure

What role does communication play in internal marketing?
   a. Limited role in employee engagement
   b. Vital for building trust, motivation, and understanding
   c. Only relevant for external stakeholders
   d. Unnecessary for organizational success

Which leadership style aligns with employee empowerment?
   a. Authoritarian
   b. Transformational
   c. Autocratic
   d. Laissez-faire

Internal marketing seeks to align employees with:
   a. Competitors' values
   b. Organizational goals and values
   c. Individual objectives only
   d. Short-term profits

What is a potential benefit of strong internal marketing?
   a. Decreased employee satisfaction
   b. Increased turnover rates
   c. Improved customer satisfaction
   d. Limited organizational growth

Employee empowerment involves giving employees:
   a. Limited responsibilities
   b. Control and decision-making authority
   c. Strict guidelines to follow
   d. No say in organizational matters

In internal marketing, what role does feedback play?
   a. Irrelevant to employee development
   b. Important for continuous improvement and employee growth
   c. Only necessary for external stakeholders
   d. Slows down organizational processes

FillintheBlanks:

1. Internal marketing aims to create a strong ____ within the organization.
2. Employee empowerment involves granting employees the authority to make ____.
3. Communication is a vital tool for building ____, motivation, and understanding among employees.
4. A key leadership style associated with employee empowerment is ____.
5. In internal marketing, the goal is to align employees with organizational goals and ____.
6. Feedback plays a crucial role in fostering continuous improvement and employee ____.
7. Empowered employees are more likely to exhibit a sense of ownership and ____ in their work.
8. Internal marketing focuses on enhancing relationships and communication ____ the organization.
9. One benefit of strong internal marketing is the potential for improved ____ satisfaction.
10. Employee empowerment goes beyond merely assigning tasks; it involves giving employees control and ____-making authority.

> and luncheons, for employees to learn about the brand promise. This internal marketing effort was carefully aligned with external marketing and sales activities.
>
> o **A canned - and frozen - foods company** uses internal communications that mimic the look and feel of the company's external communications. By incorporating the same visual cues in all communications, employee messaging underscores that the corporation has a uniform vision and voice.

9.9 Conclusion

Internal marketing is more than a management buzzword and a text-book definition. It is a new way of managing organizations towards a more complex and competitive future. A TQM strategy is deemed to fail if internal marketing is absent. Quality starts with engaging the people responsible for processes- the people who know the processes the best. The people whom critics argue are unable to understand the holistic aspects of the organization. However, participative management has proven very successful in fostering responsibility, motivation and belongingness in organizations with high level of internal marketing.

9.10 PRACTICE QUESTIONS

Q. 1. Define internal marketing & discuss the key concepts of the same.

Q. 2. Discuss in detail the following three:

1. Features of internal marketing
2. Essentials & components
3. Benefits of internal marketing

Q. 3. Talk about steps involved in developing internal marketing programmes.

9.11 Multiple-ChoiceQuestions (MCQs):

1. B
2. C
3. C

4. B

5. B

6. B

7. B

8. C

9. B

10. B

FillintheBlanks:

1.Culture

2.Decisions

3.Trust

4.Transformational

5.Values

6.Growth

7.Accountability

8.Within

9.Customer

10.decision

10.0 Objective

10.1 Introduction

10.3 Importance of involvement in services

10.4 Self Help Excercise

10.5 Customer Role

10.6 Strategies for enhancing customer participation

10.7 Practice Questions

10.8 Answer to self Help Exercise

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CUSTOMERS INVOLMENT8 IN SERVICES

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10.0 OBJECTIVE

In this chapter students will study how customers are involved in while developing the new services, while developing new services. The will also effect of technological uncertainty on customer involvement and the effectiveness of customer involvement at different stages of the new service development process, how customer involvement enhances new service development and investigates what role the service characteristics play for this development.

10.1 INTRODUCTION

Customer involvement is an important element of the Service's approach to ensuring the provision of relevant services that help address the needs of communities, citizens, customers and other stakeholders. Customer involvement has been recognized as an important factor for successful service development. Despite its acknowledged importance, a review of the literature suggests that there is little empirical evidence about the effectiveness and outcomes of interacting with customers while developing new services. Similarly, the extant literature shows mixed views about the effect of technological uncertainty on customer involvement and the effectiveness of customer involvement at different stages of the new service development process. It is important for us to study the following:

1)   To investigate the effects of customer involvement on operational dimensions (i.e., innovation speed and technical quality) and market dimensions (i.e., competitive superiority and sales performance) of new service performance;

2)   To examine the effect of technological novelty and technological turbulence on customer involvement; and

3)   To explore the moderating effect of the stage of the development process on the relationships among technological novelty, technological turbulence and customer involvement, and customer involvement and new service performance.

Some authors suggest that customer's involvement has a positive direct effect on technical quality and innovation speed, it has an indirect effect on competitive superiority and sales performance through both

include consultation through the Citizen's Panel, Best Value Service Reviews and consultation on specific areas such as the City Plan, Local Housing Strategy, Glasgow's Economic Strategy, Development Management and the White Cart Water Flood Alleviation Scheme.

The customer involvement theory has many different definitions and points of view. This paper gives an overview of applied theoretical definitions, examples and dimensions of customer involvement and the relation to a practical fieldwork. Firstly, the service provider will be classified. Secondly, there are three service encounters which relate and compare to the used theory. At the end of this paper there are two suggestions to improve the service performance. Consumer involvement describes the importance or personal relevance that the consumer notices in a service encounter or purchase situation (Lawson et ah 1996). Tsuen Ho Hsu and Lee (2003, p.56) define involvement simply as the amount of time and endeavor a buyer invests in search, evaluation and the decision process of consumer behavior. We purchase many products and services in our lives, but we are not involved in the same way in every product or service. Many products we purchase routinely and other services or products we consider very important in our lives (e.g. cars) (Widing et al. 2003). If the service is personally relevant (e.g. a hobby), a consumer will spend more time in the decision making process.'

10.3 Importance of customers involments in services:

Customer participation at some level is predictable in service delivery and creation. The importance of customers is successful service delivery is obvious if service performances are looked as a form of drama. In many situations employees, customers, and even others in the service environment interact to produce the ultimate service outcome. Recognition the role of customers is also reflected in definition of the people element of the services marketing mix, all human actors who play a part in service delivery and thus influence the buyer's perceptions; namely; the firm 's personnel, the customer, and the other customers in the service environment.

Customer Receiving the services:

Because customer receiving the service participates in the delivery process, he or she contribute to narrowing and widening gap through behavior's that are appropriate or inappropriate effective or ineffective, productive or unproductive. Even in a relatively simple services such as retail mail order, customer's actions and perceptions can have effect on the service delivery. The level of customer participation - low, medium ,high - varies across services. In some cases, all that is required is the customer's physical presence (low level participation). In other situations, customers inputs are required to aid the service organization in creating the service (moderate level of participation). In some situations, customers are truly creators of the service, for these services, customer have mandatory production roles that, if not fulfilled, will affect the nature of service outcome. The effectiveness of customer involvement at all levels will impact organizational productivity and ultimately, quality and customer satisfaction.

Fellow customers:

In many service contexts, customers receive the service simultaneously with other customers or must wait their turn while other customers are being served. In both cases, "fellow customers" are presented in the service environment and ca affect the nature of the service outcome or process. Fellow customers either enhance or detract from customer satisfaction and

10.4 Multiple-Choice Questions (MCQs):
  1. What is customer involvement in services?
     a) Excluding customers from the service process
     b) Involving customers in the service process
     c) Ignoring customer feedback
     d) Automating all service interactions
  2. Why is customer involvement important in services?
     a) It increases operational costs
     b) It enhances customer satisfaction and loyalty
     c) It isolates customers from the service experience
     d) It hinders innovation in service delivery
  3. Which of the following is an example of customer involvement in services?
     a) Passive consumption of services
     b) Customer participation in co-creation
     c) Service delivery without customer interaction
     d) Keeping customers unaware of service processes
  4. The concept of co-creation in services emphasizes:
     a) Customer isolation
     b) Service standardization
     c) Joint value creation by customers and service providers
     d) Minimal customer interaction
  5. What role does technology play in enhancing customer involvement in services?
     a) Reducing customer engagement
     b) Creating barriers for customer participation
     c) Facilitating interactive and personalized service experiences
     d) Eliminating the need for customer feedback
  6. In self-service technologies, customers:
     a) Have no control over the service process
     b) Take an active role in performing service tasks
     c) Remain passive throughout the service experience
     d) Rely solely on service providers for all interactions
  7. Customer involvement is closely tied to:
     a) Service provider independence
     b) Customer empowerment
     c) Limiting customer choices
     d) Maintaining a rigid service structure
  8. Which factor is crucial for successful customer involvement in services?
     a) Restricting customer access to service information
     b) Open communication and transparency
     c) Keeping customers unaware of service processes
     d) Minimizing customer decision-making
  9. The level of customer involvement may vary based on:
     a) Service provider preferences only
     b) Customer preferences only
     c) The nature of the service and customer preferences
     d) Random fluctuations
  10. Customer involvement is a dynamic process that:
     a) Remains constant over time
     b) Is unaffected by changes in technology
     c) Evolves based on customer expectations and service innovations

FillintheBlanks:

1. Customer involvement enhances _____ and fosters long-term relationships.

2. Co-creation involves active collaboration between customers and service providers in the _____ process.

3. Self-service technologies empower customers to perform tasks independently, leading to increased _____.

4. Technology plays a pivotal role in enabling real-time _____ between customers and service providers.

5. Transparent communication and _____ are essential for building trust in customer involvement initiatives.

6. In services, customer participation often results in a more _____ and personalized experience.

7. The level of customer involvement can be influenced by the complexity of the service and the degree of _____ required.

8. Successful customer involvement requires a balance between providing autonomy to customers and maintaining _____.

9. In self-service models, customers take on a more _____ role in service delivery.

10. Customer involvement is not static; it adapts to changing _____ and service dynamics over time.

perception of quality. Some of the ways fellow customers can negatively affect the service experience are by exhibiting disruptive behaviours, causing delays, excessively crowding, and manifesting incompatible needs. The customer is disappointed through no direct fault of the provider. In other cases overly demanding customers can cause a delay for others while their needs are meet. Excessive crowding or overuse of a. service can also affect the nature of customer's experience.

10.5 CUSTOMERS' ROLE

The major role played by the customer in the involvement of services are as under:

1. Customers as productive resources

Some management experts suggested that the organization's boundaries be expanded to consider the customer as part of the service system. In other words, if customers contribute effort, time or other resources to the service production process, they should be consider the part of the organization. Customer participation in service production raises a number of issues for organizations. Because customers can influence both the quality and quantity production, some experts believe the delivery system should be isolated as much as possible from customer inputs in order to reduce the uncertainty they can bring into the production process.

2. Customers as contributors to quality service

Effective customer participation can increase the likelihood that needs are met and that benefits the customer seeks are actually attained, for example in the services like health care, education and weight loss etc. in which the participation of the customer is important.

3. Customers as competitors

A major role played by the service customer is that of potential competitor. If self service customers can be viewed as a resource of the firm, or as "partial employees", they could in some cases partially perform the service or perform the entire service for themselves and need not to provide at all. Thus customers are the competitors of the companies that supply the service.

10.6 STRATEGIES FOR ENHANCING THE CUSTOMER PARTICIPATION

The major goal of the customer participation strategy is to increase the organisational productivity and customer satisfaction and decreasing uncertainty due to unpredictable customer actions.

1. Defining customers' jobs

For developing strategy for the customers' participation in service delivery, the organization first determines what type of participation it wants from the customer. Customers' role may be partially predetermined by the nature of the service. Once the desired level of participation is clear, the organization can define more specifically what the customer's job "involves". The customer's "job description" will vary with the type of service and the organisations' desired position within the industry.

2. Recruit, Educate and Reward Customers

After defining the customers' job clearly, now the customer becomes the partial employee of the company at some level. Now we have to make up strategy to manage customers behaviour in service production and delivery. As with employees, customer participation in service production and delivery will be facilitated when

(a)   Customers understand their role and how they are expected to perform

(b)   Customers are able to perform as expected, and

(c)   Customers receive rewards for performing as expected.

Before the company begins the process of educating and socializing customers for their roles, it must attract right customers to fill those roles, it must attract right customers to fill those roles. The expected roles and responsibilities of customers should be clearly communicated in advertising, personal selling, and other company messages. Customers need to be educated so that they can perform their roles effectively. Customer are more likely to perform effectively, if they are rewarded for doing so. Rewards are likely to come in the form of increased control over the delivery process, time savings, monetary savings, psychological or physical benefits.

3.   Manage the Customer Mix

Because customers frequently interact each other in the process of service delivery and consumption, another important strategic objective is the effective management of the mix of customers who simultaneously experience the service. The process of managing multiple and sometimes conflicting segments is known as compatibility management, broadly defined as " a process of first attracting homogenous consumers to the service environment, then actively managing both the physical environment and customers-to customer in such a way as to enhance satisfying encounters and minimize dissatisfying encounters.

10.7 Practise Questions:

1. Whatiscustomerinvolmentinservices?

2. Why is customer involment important in services?

10.8 Answers to Self Help Exercise:

Multiple-Choice Questions (MCQs):

1.   b) Involving customers in the service processs
2.   b) It enhances customer satisfaction and loyalty
3.   b) Customer participation in co-creation
4.   c) Joint value creation by customers and service providers
5.   c) Facilitating interactive and personalized service experiences
6.   b) Take an active role in performing service tasks
7.   b) Customer empowerment
8.   b) Open communication and transparency
9.   c) The nature of the service and customer preferences
10. c) Evolves based on customer expectations and service innovations

Fill in the blanks:

1.   Satisfaction
2.   Service
3.   Autonomy
4. Communication
5.   Trust
6.   Engaging
7.   Interaction

8. *Quality*
9. *Active*
10. *Dynamics*

MBA-DE(Second Year)
Semester-IV

Ms (406)
MARKETING OF SERVICES

Lesson No. 11

AUTHOR: Dr. B. B. SINGLA

QUALITY ISSUES AND QUALITY MODELS IN SERVICES MARKETING

STRUCTURE

11.1   QUALITY What is Quality?

"The totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs."   **-Kotler**

"Quality must provide goods and services that completely satisfy the needs of both internal and external customers. Quality serves as the "bridge* between the producer of goods or services and its customer."   **- Johnson & Weinstein**

"Quality is consistent conformance to customer's expectations."   **- Stack et al**

"Quality is a predictable degree of uniformity at a low cost with a quality suited to the market."

-Deming

"Higher quality has a beneficial effect on both revenues and cost."   **- Gambeson**

Why Quality Matters?

In this increasingly competitive world, customers are in a position to demand forever increasing levels of service and quality. Rather than simply react to their demands, successful companies are proactive in the way they manage quality and continuously seek to improve levels of customer satisfaction.

The global market is becoming more competitive every day.

Companies continually search for new ways to gain an edge over their competitors around the globe.

Global competition and deregulation in a number of industries is forcing companies to turn to quality in order to survive.

Quality is our best assurance of customer allegiance, our strongest defense against foreign competition, and the only path to sustained growth and earnings (Welch).

Perhaps the most important reason for pursuing quality is that Quality Pays (Deming). Research shows a relationship between quality, market share, and return on investment.

- Higher quality yields a higher return-on-investment (ROI) for any given market share. Quality also pays in the form of customer retention — customer defections represent a significant cost to companies.

Adopting quality principles strongly correlates to corporate stock and earnings appreciation.

11.2   SERVICE QUALITY Introduction

There are certain service firms who offers identical services under competing with each other in a smaller area like fast food restaurants, banks etc. here the quality of service can be used to differentiate from each other. Service quality is crucial to the customer as well as the service firm. The service firm can be use the service quality in maintaining competitive advantage and the customer can use the service quality for quality differentiation. Measuring quality in services is not a simple task since they are in tangible and cannot be stored. We can define service quality in terms of satisfaction that the customers derives by comparing perception of the service received with the expectation of service desired.

Customers also form perceptions of quality during the service transaction - how effectively and efficiently the service was delivered and the speed and convenience of completing the transaction

Finally, customers evaluate support activities that occur after the transaction, that is post sale services

Definitions of Service Quality

Service quality can also be defined according to both the 'what* and 'how' of a product or service delivered.

Christian Gronroos distinguishes between "technical quality* and "functional quality".

Technical Quality is concerned with the outcome of the delivered product or service.

Customers use service quality attributes such as reliability, competence, performance, durability, etc. to evaluate technical quality.

Functional Quality has more to do with how the technical quality is transferred to the consumer. Service quality attributes such as responsiveness and access would be important in helping the customer judge the functional quality of the service encounter.

Process of Service Quality Management

1)   Setting The Right Standard:

It is necessary to have the right standard for service quality or else the quality assurance process will deliver in appropriate levels of service. Standard quality is not just related to manufacturing, it covers all other functions.

2) Implementing Quality Service:

The implementation process involves total commitment from all the levels of organization. Team efforts play an important role. Effective implementation of service quality is possible trough excellent internal marketing program one of the approaches is total quality management (TQM).

3)   Monitoring Service Quality:

In order to monitor service quality various tools and techniques are used, they are:

1. Stastical Tool
2. Quality Function Deployment
3. Internal Performance Analysis
4. Customer Satisfaction Analysis

11.3　RESEARCH MODEL

Perceived service quality as a customer-based performance measure: An empirical examination of organizational barriers using an extended service quality model was done by A. Parasuraman, Leonard L. Berry, Valarie A. Zeithaml.

Perceived service quality as customer-based performances measure is also known as SERVQUAL Model. This study empirically examines organizational barriers to delivering high- quality service performance as measured by customer perceptions and expectations. Using the extended service-quality model developed by Zeithaml, Beny, and Parasuraman (Journal of Marketing, 52, 35-48) as a conceptual framework, five specific propositions implied by the model and by earlier studies contributing to its development were tested. Such testing required a complex research design involving five service companies as well as samples of customers, contact employees, and managers from each company. The resists have practical implications and suggest an agenda for future organizational research.

SERVQUAL was originally measured on 10 aspects of service quality: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding or knowing the customer and tangibles. It measures the gap between customer expectations and experience.

By the early nineties the authors had refined the model to the useful acronym RATER:

- Reliability
- Assurance
- Tangibles
- Empathy, and
- Responsiveness

SERVQUAL has its detractors and is considered overly complex, subjective and statistically unreliable. The simplified RATER mode! however is a simple and useful model for qualitatively exploring and assessing customers' service experiences and has been used widely by service delivery organizations. It is an efficient model in helping an organization shape up its efforts in bridging the gap between perceived and expected service.

Nyeck, Morales, Ladhani, and Pons (2002) stated the SERVQUAL measuring tool "remains the most complete attempt to conceptualize and measure service quality (p. 101). The main benefit to the SERVQUAL measuring tool is the ability of researchers to examine numerous service industries such as healthcare, banking, financial services, and education (Nyeck, Morales, Ladhani, & Pons, 2002). The fact that SERVQUAL has critics does not render the measuring tool moot. Rather, the criticism received concerning SERVQUAL measuring tool may have more to do with how researchers use the tool. Nyeck, Morales, Ladhani, and Pons (2002) reviewed 40 articles that made use of the SERVQUAL measuring tool and discovered "that few researchers concern themselves with the validation of the measuring tool.

11.4 DIMENSIONS OF PRODUCT AND SERVICE QUALITY

When it comes to measuring the quality of your services, it helps to understand the concepts of product and service dimensions. Users may want a key board that is durable and flexible for using on the wireless carts. Customers may want a service desk assistant who is empathetic and resourceful when reporting issues.

Quality is multidimensional. Product and service quality are comprised of a number of dimensions which determine how customer requirements are achieved. Therefore it is essential that you consider all the dimensions that may be important to your customers.

Product quality has two dimensions:

1. Technical Quality:

Physical Dimension - A product's physical dimension measures the tangible product itself and includes such things as length, weight, and temperature.

Performance Dimension - A product's performance dimension measures how well a product works and includes such things as speed and capacity.

While performance dimensions are more difficult to measure and obtain when compared to physical dimensions, but the efforts will provide more insight into how the product satisfies the customer.

2. Functional Quality:

Responsiveness - Responsiveness refers to the reaction time of the service. It is the willingness to help the customers.

Assurance -Assurance refers to the level of certainty a customer has regarding the quality of the service provided.

Tangibles - Tangibles refers to a service's look or feel. Intangibility is one of the distinctive characteristics of service. However, the literature also highlights "tangibles* as one of the basic service quality dimensions. Investigates the importance of tangibles and intangibles in perceptions of service quality as assessed by both customers and service providers. Selects four service industries to reflect a range from high to low levels of tangible components and degree of intangibility in both service process and output. Based on 400 telephone interviews with consumers, shows that the level of tangible components has a positive impact on the perceived importance of the tangible dimension in service quality. However, the second phase of this research, involving a qualitative study with managers in the studied industries, shows that the tangibles dimension is relatively neglected in service industries with high tangible involvement.

Empathy - Empathy is when a service employee shows that she understands and sympathizes with the customer's situation. The greater the level of this understanding, the better. Some situations require more empathy than others.

Reliability - Reliability refers to the dependability of the service providers and their ability to keep their promises.

Understanding/knowing customer - knowing customer's needs.

Competence - possess knowledge and skill to perform the service.

Courtesy - politeness, consideration, and friendliness of service personnel.

Communication - keeping customers informed; listening to customers.

Credibility - trustworthy, believable, honest.

Security - freedom from danger, risk, or doubt.

The quality of products and services can be measured by their dimensions. Evaluating all dimensions of a product or service helps to determine how well the service stacks up against meeting the customer requirements.

11.5 PERCEIVED SERVICE QUALITY

Customer service is about perception. Perceptions are judgments of the customers about the actual service performance or delivery by a company. Since services are intangible, customer search for the evidence of quality in every transaction they have with a service firm.

The evidences of service that are experienced by the customer are people, process and physical evidence. The corporate image of the service provider as well as the price of the service can also influence the perceived quality.

While comparing the expected and the perceived service quality the following may be the outcomes;

1) Perceive Quality > Expected Quality
   Result "Delighted Customer".
2) Perceive Quality = Expected Quality
   Result "Satisfied Customer".
3) Perceive Quality < Expected Quality
   Result "Dissatisfied Customer".

11.6 GAP ANALYSIS

In business and economics, Gap Analysis is a business resource assessment tool enabling a company to compare its actual performance with its potential performance. At its core are two questions:

1. Where are we?
2. Where do we want to be?

If a company or organization is under-utilizing resources it currently owns or is forgoing investment in capital or technology, then it may be producing or performing at a level below its potential. This concept is similar to the base case of being below one's production possibilities frontier.

This goal of the gap analysis is to identify the gap between the optimized allocation and integration of the inputs and the current level of allocation. This helps provide the company with insight into areas that have room for improvement. The gap analysis process involves determining, documenting and approving the variance between business requirements and current capabilities. Gap analysis naturally flows from benchmarking and other assessments. Once the general expectation of performance in the industry is understood it is possible to compare that expectation with the level of performance at which the company currently functions. This comparison becomes the gap analysis. Such analysis can be performed at the strategic or operational level of an organization.

'Gap Analysis' is a formal study of what a business is doing currently and where it wants to go in the future. It can be conducted, in different perspectives, as follows:

1. Organization (e.g., human resources)
2. Business direction
3. Business processes
4. Information technology

Gap analysis provides a foundation for measuring investment of time, money and human resources required to achieve a particular outcome (e.g. to turn the salary payment process from paper based to paperless with the use of a system).

Note that 'GAP Analysis' has also been used as a means for classification of how well a product or solution meets a targeted need or set of requirements. In this case, 'GAP' can be used as a ranking of 'Good', 'Average' or 'Poor' This terminology does appear in the PRINCE project management publication from the OGC.

- **GAP Analysis and New Products:**

The need for new products or additions to existing lines may have emerged from the portfolio analyses, in particular from the use of the Boston Growth-share matrix or the need will have emerged from the regular process of following trends in the requirements of consumers. At some point a gap will have emerged between what the existing products offer the consumer and what the consumer demands. That gap has to be filled if the organization is to survive and grow.

To identify the gap in the market, the technique of Gap analysis can be used. Thus an examination of what profits are forecast to be for the organization as a whole compared with where the organization {in particular its shareholders) wants' those profits to be represents what is called the planning Gap: this shows what is needed of new activities in general and of new products in particular.

The planning Gap may be divided into four main elements:

1.   **Usage Gap:**

This is the Gap between the total potential for the market and the actual current usage by all the consumers in the market. Clearly two figures are needed for this calculation:

Markets Potential:

The most difficult estimate to make is that of the total potential available to the whole market, including all segments covered by all competitive brands. It is often achieved by determining the maximum potential individual usage, and extrapolating this by the maximum number of potential consumers. This is inevitably a judgment rather than a scientific extrapolation, but some of the macro-forecasting techniques may assist in making this estimate more soundly based.

The maximum number of consumers available will usually be determined by market research, but it may sometimes be calculated from demographic data or government statistics.

Ultimately there will, of course, be limitations on the number of consumers. For guidance one can look to the numbers using similar products. Alternatively, one can look to what has happened in other countries. It is often suggested that Europe follows patterns set in the USA, but after a time-lag of a decade or so. The increased affluence of all the major Western economies means that such a lag can now be much shorter.

The maximum potential individual usage, or at least the maximum attainable average usage (there will always be a spread of usage across a range of customers), will usually be determined from market research figures. It is important, however, to consider what lies behind such usage.

2.   **Product Gap:**

The Product Gap, which could also be described as the segment or positioning gap, represents that part of the market from which the individual organization is excluded because

of product or service characteristics. This may have come about because the market has been segmented and the organization does not have offerings in some segments, or it may be because the positioning of its offering effectively excludes it from certain groups of potential consumers, because there are competitive offerings much better placed in relation to these groups.

This segmentation may well be the result of deliberate policy. Segmentation and positioning are very powerful marketing techniques; but the trade-off, to be set against the improved focus, is that some parts of the market may effectively be put beyond reach. On the other hand, it may frequently be by default; the organization has not thought about its positioning, and has simply let its offerings drift to where they now are.

The Product Gap is probably the main element of the planning gap in which the organization can have a productive input; hence the emphasis on the importance of correct positioning.

3.   Competitive Gap:

What is left represents the gap resulting from the competitive performance. This Competitive Gap is the share of business achieved among similar products, sold in the same market segment and with similar distribution patterns - or at least, in any comparison, after such effects have been discounted. Needless to say, it is not a factor in the case of the monopoly provision of services by the public sector.

The Competitive Gap represents the effects of factors such as price and promotion, both the absolute level and the effectiveness of its messages. It is what marketing is popularly supposed to be about.

4.   Market Gap Analysis;

In the type of analysis described above, gaps in the product range are looked for. Another perspective (essentially taking the product gap' to its logical conclusion) is to look for gaps in the 'market' (in a variation on 'product positioning, and using the multidimensional 'mapping'), which the company could profitably address, regardless of where its current products stand.

Many marketers would, indeed, question the worth of the theoretical gap analysis described earlier. Instead, they would immediately start proactively to pursue a search for a competitive advantage.

A Service Quality Audit:

     Application of the Gap Analysis Model

Gap Analysis Model. The starting premise for the model is that "perceived service quality (or satisfaction with service) is a function of the difference between expected service levels and delivered (or perceived) service." If this premise holds, as the authors found it does in field research for several financial and other service companies, then the key to customer satisfaction is managing both customer expectations and actual delivered service. The following diagram, which summarizes how perceived service can diverge from expected service, constitutes the essence of the Gap Analysis Model.

<center>**CONSUMER**</center>

11.7   CONCEPTUAL MODEL OF SERVICE QUALITY

CONCEPTUAL MODEL

Above is a conceptual model; conceptual because it is a definition of service quality

and the gaps therein; it is also operational in that you can apply this framework to analyze a problem. If you do have a satisfaction gap, for example, you should look at other four gaps that contribute to it.

Explanation of the gaps:

Gap 1 - If management perceptions of customer are correct.

Gap 2 - System design gap: if you understood what customers want, have you designed a system capable of delivering that quality of service?

Gap 3 - Operation/execution gap: are you failing in execution of service?

Gap 4 - Communications gap: how well do you communicate to internal and external worlds?

Gap 5 is the result of the other four gaps.

Explanation of the Conceptual Model In-Depth:

Why does Gap 1 (understanding customer) exist?

Lack of market survey or incorrect interpretation of survey.

Inadequate knowledge of customer needs - the company is too introverted, wrongly assuming "we know what customers want.

Management is so far away from where service is being delivered. We can measure that distance as the number of layers in an organization. Too many layers make the sharing of information very difficult.

The companies we have now are still based on some precepts evolved since the industrial revolution - they focus on productivity and division of labor. It has worked very well, in that firms in general have prospered, demand increased, and successful firms have added more people and supervisors. Eventually, they needed to have supervisors of supervisors, in effect building a pyramid structure. It was part of the old social contract: people at the top think, those on bottom do, and those in the middle watch. This structure worked well, but only in a world that moved slowly and where competition was not truly global and trade was not completely free of boundaries and constraints.

That pyramid structure has started crumbling as change has happened at a faster rate. Also, the old social contract no longer holds in developed countries.

As a response structures are more flexible - we all think and all do - and we have fewer layers. Customer service representatives need to be very well prepared so they can think, do, and take initiative. That is the new contract.

What is the reason for Gap 2?

Assume we know what customer wants: why do we design an organization that's not capable of delivering?

It's hard to go from intangible ideas to an actual, physical organization.

The industry is not agile enough to keep up with customers.

We don't build a system that has flexible technology.

We lack the ability to develop a system with the needs of the environment in mind.

.... Apparently, this process is harder than it appears.

I give this lecture around the world - managers say this sounds great, but their employees are not capable of doing it. Those managers are biggest enemies of their companies. It is true employees cannot do this overnight, but if you know where you're going and where you are, you can design a process to change over time.

Why don't people execute adequately (Gap 3)?

Companies talk about activities but not results.

People's motivations may not be aligned.

They may not have the necessary tools or staff.

People don't like change; but change has to be viewed as a renewal; as an opportunity, rather than a hurdle.

People have ambiguous jobs or conflicting objectives.

People are not selected carefully or trained properly.

Why is there miscommunication; both within their organization or externally (Gap 4)? There's a lack of coordination between different functions of the firm. You cannot fully separate customer service from operations and from development, etc.

Recommendation for Improving the Service Quality

Parasuraman, Berry and Zeithaml who are academic research pioneers on service offer 9 lessons that they maintain are essentials for improving service quality across service industries:

1. Listening:

Understand what customers really want through continuous learning about the expectation and perceptions of customers and noncustomers E.g.; by means of service quality information system

2. Reliability:

Reliability is the single most important dimensions of service quality and must be a service priority

3. Basic Service:

Service companies must deliver the basics and do what they are supposed to do keep promises, use common sense, listen to customers, keep customers informed and be determine d to deliver value to customers.

4. Service Design:

Develop a holistic view of the service while managing its many details.

5. Recovery:

To satisfy customers who encounter a service problem, service companies should encourage customers to complain (and make it is easy for them to do so) respond quickly and personally, and develop a problem resolution system.

Surprising customers although reliability is the most important dimension in meeting customer's service expectations process dimension s. E.g. assurance, responsiveness and empathy are most important in exceeding customer's expectations for example by surprising them with uncommon swiftness grace courtesy competence commitment and understanding.

6. Fair Play:

Service companies must make special efforts to be fair and to demonstrate fairness to customers and employees.

7. Team Work:

Teamwork is what enables large organization to deliver service with care and attentiveness by improving employee motivation and capabilities.

8. Employee Research:

Conduct research with employees to reveal why service problems occur and what companies

must do to solve problems.

9.　　Servant Leadership:

Quality service comes from inspired leadership throughout the organization from excellent service system design from the effective use of information and technology and from a slow to change, invisible, all; powerful, internal force called corporate culture.

Benefits:

1.　Provides access to a greater customer base (to those who require quality standards).
2.　Enhances competitive position.
3.　Improves customer service and overall satisfaction.
4.　Establishes a method to gather and Measure quality and performance data.
5.　Demonstrates a commitment to product Quality and customer value (focus on cycle time reductions; on-time deliveries; return Rates; reliability; defect elimination).
6.　Demonstrates the company's accountability and focus on continuous improvement.
7.　Enables the development of stronger customer/supplier relationships.
8.　Decreases costs of product life cycle management, audits, supplier management expenses, and general operations.
9.　Delivers improvements in:
     Performance (manufacturing and service)
     Productivity
     Reliability of processes and production Life-
     cycle management Supply chain efficiencies
     Employee teamwork
10.　Increases the efficiency of external audit and site visits.
11.　Ensures operational consistency,
12.　Quantifies performance results.

11.8　ACHIEVING SERVICE QUALITY

Best Practices of Service Quality Management:

Various studies have shown that well- managed service companies share the following common practices : a strategic concept, a history of top-management commitment to quality, high standards, self service technologies, systems for monitoring service performance and customer complaints, and an emphasis on employee satisfaction.

1.　　Strategic Concept:

Top services companies are "customer obsessed". They have a clear sense of their target customers and their needs. They have developed a distinctive strategy for satisfying these needs.

2.　　Top Management Commitment:

Organizations such as Marriot, Disney, Xerox, Apollo, Hospitals, Infosys and Wipro have a thorough commitment to service quality. Their senior and top management look not only at financial performance but also at service performance.

3.　　High Standards:

The best service providers set service quality standards. Citibank aims to answer phone calls within 10 seconds and customer letters within 2 days. The standards must be set

appropriately high. A 98 percent accuracy standard may sound good, but it would result in FedEx losing 64,000 packages a day; 6 misspelled words on each page of a book; 400,000 miss-filled prescriptions daily; and unsafe drinking water 8 days a year. One can distinguish between companies offering "merely good' service and those offering "breakthrough" service, aimed at being 100 percent detect-free.

Pre-Requisites for Achieving Service Quality:

Quality is not an event , it is an ongoing process. As far as service organizations are concerned, quality is not the responsibility of the quality control department only; rather it is a matter to be taken care of by the entire business system. The following are the pre-requisites for achieving service quality.

1.   Visionary Leader:

Presence of a Visionary leader at the top is a necessary element for achieving quality. The vision of the leader guides the organizational effort into achieving high standard of service quality. A visionary leader through his verbal and symbolic communication shows where the future lies and of course his vision has to be shared by each and every employee of the organization.

2.   Setting High Performance Standards:

Champion of high quality always emphasizes 100% quality, thereby ruling out possibility of defects and shortfalls. Everything right the first time and always is a typical expression of this psyche. It must be made clear to every employee that one is expected to give one's best during each 'Moment of Truth', 'Chalta Hai' attitude won't work and won't be accepted in any case.

3.   Management's Commitment and Support:

The process of quality improvement has to be taken as an integrated management process. Only Top management has the position and clout to design a Vale System that has at its core the total customer satisfaction.

4.   Preparing the Employees:

The organization needs to prepare their employees first so that they are capable of and feel like delivering quality services. Organizing Employee Training Programs to cultivate and have their technical and inter-personal relations and communication skills need to be undertaken as and when the need arises. It is very important to note that employee satisfaction precedes customer satisfaction. Only satisfied employees can deliver quality services. However, it cannot be taken for granted that high employee satisfaction automatically gets translated into quality, the employees needs to be motivated enough to meet and exceed customers' expectations.

5.   System for Addressing Customer Complaints:

The major problem today is that unsatisfied customers hardly complain, they simply stop buying such goods and services without testing the marketer know even a shred as to what went wrong and where. There should be a system of complain and suggestions and appropriate action should be taken. The customer should be informed about the action taken and thanked.

6.   System for Monitoring 8ervice Quality:

Commitment to quality also means that services delivered must be continuously monitored to assess as to what extent the customers are satisfied with the service offering of

the firm. Internal performance analysis, customer satisfaction analysis and specialist marketing Research are the improvements are included where needed.

Recommendations:

Design services in cooperation with customers.

Focus your improvement programs outward, on market "break-points*.

Create a tangible representation of service quality.

Use teamwork to promote service excellence.

Create a "service-bias" based on these service quality determinants:

Professionalism,

Attitudes/behaviors,

Accessibility/flexibility,

Reliability / trustworthiness,

Service recovery, and

Reputation/credibility.

Develop proper measurements.

Employee selection, job design and training are crucial to building customer satisfaction and SQ.

Reward total quality efforts in marketing.

View service as a process, not a series of functions.

Integrate customer information across sales channels.

11.9　DEMING'S 14 POINTS

Deming offered fourteen key principles for management for transforming business effectiveness. In summary:

1. Create constancy of purpose for the improvement of product and service, with the aim to become competitive, stay in business, and provide jobs.

2. Adopt a new philosophy of cooperation in which everybody wins ("win-win"} and put it into practice by teaching it to employees, customers and suppliers.

3. Cease dependence on mass inspection to achieve quality. Instead, improve the process and build quality into the product in the first place.

4. End the practice of awarding business on the basis of price tag alone. Instead, minimize total cost in the long run. Move toward a single supplier for any one item, based on a long-term relationship of loyalty and trust.

5. Improve constantly, and forever, the system of production, service, planning, of any activity. This will improve quality and productivity and thus constantly decrease costs.

6. Institute training for skills.

7. Adopt and institute leadership for the management of people, recognizing their different abilities, capabilities, and aspiration. The aim of leadership should be to help people, machines, and gadgets do a better job. Leadership of management is in need of overhaul, as well as leadership of production workers.

8. Drive out fear and build trust so that everyone can work more effectively.

9. Break down barriers between departments. Abolish competition and build a win-win system of cooperation within the organization. People in research

11.10 Multiple-Choice Questions (MCQ):

Question: What is the primary focus of quality in service marketing?
A) Cost
B) Efficiency
C) Customer satisfaction
D) Productivity

Question: Which quality model emphasizes continuous improvement and customer satisfaction?
A) Six Sigma
B) Total Quality Management (TQM)
C) ISO 9000
D) Lean Manufacturing

Question: In service marketing, what does SERVQUAL measure?
A) Product quality
B) Customer satisfaction
C) Employee performance
D) Service reliability

Question: Which dimension of service quality in the SERVQUAL model relates to the ability to perform the promised service accurately?
A) Tangibles
B) Assurance
C) Reliability
D) Empathy

Question: What is one of the main challenges in ensuring service quality in a dynamic market environment?
A) Standardization
B) Customer expectations
C) Cost reduction
D) Internal processes

Question: Which of the following is a common method for measuring customer satisfaction in service marketing?
A) Benchmarking
B) Mystery shopping
C) Quality circles
D) Job enrichment

Question: In service marketing, what does the "RATER" model focus on?
A) Employee training
B) Customer expectations
C) Service dimensions
D) Marketing strategies

Question: What role does technology play in addressing quality issues in service marketing?
A) Increases cost
B) Improves efficiency
C) Reduces customer satisfaction
D) Hinders innovation

Question: Which of the following is an example of a tangible element in service quality?
A) Responsiveness
B) Reliability
C) Physical facilities
D) Empathy

Question: What is the primary goal of quality models in service marketing?
A) Cost minimization
B) Customer loyalty
C) Employee satisfaction

D) Market expansion

Fill in the Blanks:

The ___ model is known for its emphasis on continuous improvement and customer satisfaction in service marketing.

SERVQUAL measures service quality based on five dimensions: tangibles, reliability, responsiveness, assurance, and ___.

One of the challenges in ensuring service quality is managing and meeting customer ___.

The "RATER" model in service quality stands for Reliability, Assurance, Tangibles, Empathy, and ___.

Technology plays a crucial role in addressing quality issues by improving efficiency and enhancing the overall ___ experience.

In service marketing, ___ is a method used to measure customer satisfaction by simulating real customer experiences.

Tangibles, reliability, responsiveness, assurance, and empathy are the five dimensions of the ___ model.

Continuous improvement and a focus on meeting and exceeding customer expectations are key principles of ___.

The physical facilities, equipment, and appearance of personnel are examples of ___ elements in service quality.

Total Quality Management (TQM) emphasizes the involvement of all employees in the process of continuous ___.

be encountered with the product or service.

10. Eliminate slogans, exhortations, and targets asking for zero defects or new levels of productivity. Such exhortations only create adversarial relationships, as the bulk of the causes of low quality and low productivity belong to the system and thus lie beyond the power of the work force.

11. Eliminate numerical goals, numerical quotas and management by objectives. Substitute leadership.

12. Remove barriers that rob people of joy in their work. This will mean abolishing the annual rating or merit system that ranks people and creates competition and conflict.

13. Institute a vigorous program of education and self-improvement.

14. Put everybody in the company to work to accomplish the transformation. The transformation is everybody's job.

11.11 CASE STUDIES

Rite Carlton and British Airways Cases:

We'll discuss both cases (Ritz Carlton and British Airways) simultaneously, and contrast them as we go along:

In both cases, the company wants to be the best. Some senior executive's say they want to be the best - but only if we make money and other conditions. Other companies want to be best and establish a new standard, like FedEx.

What impressed you about either case?

Ritza Carlton;

Commitment to quality in customer interface; had best in class focus about how to ensure personalized service; utilize system support that would follow customer from hotel to hotel; every employee can edit preferences of customer.

All staff empowered to think and do. Selected, trained, and empowered. Customer service is the responsibility of every employee. Power of being able to reach customers through all parts of the organization.

The focus on prevention of problems, not just dealing with it after the fact.

How does Ritz Carlton learn? They learn form their own mistakes : identify mistakes that we do (they have a method of capturing mistakes); listen a lot to customers; note down all preferences and try to anticipate unanticipated needs; learn from each other - share knowledge of a mistake since customer service is the responsibility of all, not just one department; executives are involved; it starts with hiring process and they invest a lot in training; training is conducted in-house (some companies outsource it elsewhere); rewards system - the most important part is feeling we work in a company that's best; Ritz Carlton is a network of hotels, not just a collection of individual hotels. No blame is placed on a person who made a mistake (non-attribution); Ritz Carlton is a PSP (People Service Profit) company.

British Airway:

Put a system in place to keep learning. As for problems from vendors, they kept same spirit (no immediate retribution, teamwork) to help vendors with service. Kept changing services to fit customer needs.

Had multiple venues for customer input, because you want people to complain to learn from their grievances.

Example of materialization of services from either case?

Ritz Carlton:

Guest can have casual conversation with associate - and that affects what services they get the next day.

Employees know guest's name and information when they come in.

Associate can give back money to customer this empowerment is materialization of importance of customer.

If a room is not ready one place, when to other hotel and made sure it was ready - by telling customer, they know that hotel is thinking of them.

But some say Ritz Carlton has money to do it, but smaller hotels can't. This isn't necessarily true - according to a recent ranking of hotels, one small economic hotel had excellent service on par with the Four Seasons and the Ritz Carlton. It is similar to automobile innovations, which start at top and trickle down.

British Airways:

Front-line desk workers can send customers a gift.

What did you learn from the British Airways case?

We recognized the major differentiator between them and their competitors: their competitors thought they were just flying planes, but British Airways realized that they're in the service business to give a total customer solution. This is not as revolutionary as you might think - Singapore Airlines offers similar service.

We learned that response time is critical. They response to customer problems or questions within a few days.

British Airlines actually wanted the complaints from customers, so they could learn.

The company saved money because they were able to retain more customers

Customers can actually become more loyal to a company if they experience a problem and had it fixed than if there was never a problem at all.

11.11PractiseQuestions:

1.What is quality in service marketing?

2.Elaborate SERVQUAL model?

11.12Answerstoselfhelpexercise:

Multiple-Choice Questions (MCQ)

1.C) Customer satisfaction

2.B) Total Quality Management (TQM)

3.B) Customer satisfaction

4.C) Reliability

5.B) Customer expectations

6.B) Mystery shopping

7.C) Service dimensions

8.B) Improves efficiency

9.C) Physical facilities

10.B) Customer loyalty

FillintheBlanks:

1.Total Quality Management (TQM)
2.Empathy
3.Expectations
4.Tangibles
5.Customer
6.Mystery shopping
7.SERVQUAL
8.Total Quality Management (TQM)
9.Tangible
10.improvement

MANAGING PRODUCTIVITY & DIFFERENTIATING IN SERVICING ORGANISATIONS

Productivity is a measure of output from a production process, per unit of input. For example, labor productivity is typically measured as a ratio of output per labor-hour, an input. Productivity may be conceived of as a metric of the technical or engineering efficiency of production. As such, the emphasis is on quantitative metrics of input, and sometimes output. Productivity is distinct from metrics of allocative efficiency, which take into account both the monetary value (price) of what is produced and the cost of inputs used, and also distinct from metrics of profitability, which address the difference between the revenues obtained from output and the expense associated with consumption of inputs.

In market economies, service differentiation through pricing gives important incentives both to consumers and to providers of services:

(1)   An incentive for service consumers to use scarce resources efficiently.

(2)   An incentive for service providers to meet the actual desires of service consumers

Ishlkawa diagrams: (also called fishbone diagrams or cause-and-effect diagrams) are diagrams that show the causes of a certain event. Common uses of the Ishikawa diagram are product design and quality defect prevention, to identify potential factors causing an overall effect. Each cause or reason for imperfection is a source of variation. Causes are usually grouped into major categories to identify these sources of variation. The categories typically include:

- People: Anyone involved with the process

- Methods: How the process is performed and the specific requirements for doing it, such as policies, procedures, rules, regulations and laws

- Machines: Any equipment, computers, tools etc. required to accomplish the job

- Materials: Raw materials, parts, pens, paper, etc. used to produce the final product

- Measurements: Data generated from the process that are used to evaluate its quality

Environment: The conditions, such as location, time, temperature, and culture in which the process operates
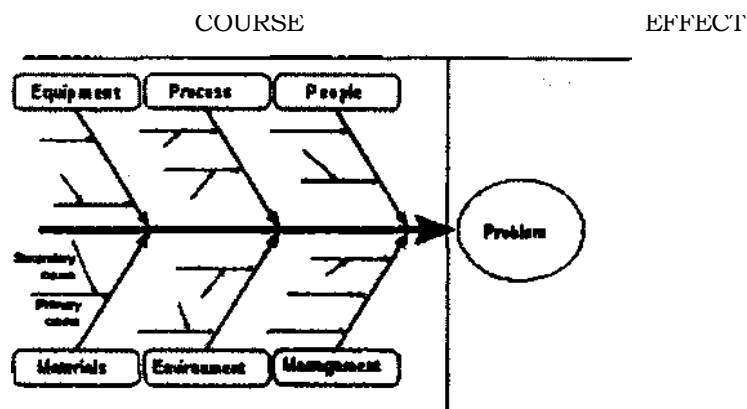
Ishikawa diagram, in fishbone shape, showing factors of Equipment, Process, People, Materials, Environsent and Management, all affecting the overall problem. Smaller arrows connect the sub-causes to major causes.

Ishikawa diagrams were proposed by Kaoru Ishikawa [in the 1960s, who pioneered quality management processes in the Kawasaki shipyards, and in the process became one of the founding fathers of modem management.

It was first used in the 1960s, and is considered one of the seven basic tools of quality control. It is known as a fishbone diagram because of its shape, similar to the side view of a fish skeleton.

Mazda Motors famously used an Ishikawa diagram in the development of the Miata sports car, where the required result was "Jinba Ittai* or "Horse and **Rider as** One*. The main causes included such aspects as "touch" and 'braking' with the lesser causes including highly granular factors such as *50/50 weight distribution" and "able to rest elbow on top of driver's door". Every factor identified in the diagram was included in the final design.

Causes in the diagram are often categorized, such as to the 4 M's, described below. Cause- and-effect diagrams can reveal key relationships among various variables, and the possible causes provide additional insight into process behavior.

Causes can be derived from brainstorming sessions. These groups can then be labeled as categories of the fishbone. They will typically be one of the traditional categories mentioned above but may be something unique to the application in a specific case. Causes can be traced back to root causes with the 5 Whys technique.

Typical categories are:

The 4 M's (used in manufacturing)

- Machine (Equipment)

e Method (Process/Inspection)

- . Material (Raw,Consumables etc.)

- Man Power (physical work/Mind Power (Brain Work): Kaizens . Suggestions

The 8P's fused in service industry)

- Product
- Price
- Place/Plant
- **Promotion**
- People
- Process
- Physical Evidence
- Productivity & Quality

The 4 S's (used in service industry)

- Surroundings
- Suppliers
- Systems
- Skills

More M's

- Mother Nature (Environment)
- Measurement (Inspection)
- Maintenance
- Money Power
- Management

DEMAND SUPPLY MANAGEMENT

STRUCTURE

13.0 OBJECTIVE

- **Understand Concept of Supply and Demand**
- **What is managing demand**
- **Understand factor affecting the Supply and demand.**

13.1 INTRODUCTION

Supply and demand is considered a basic economic concept, as well as a vital part of a free market economy. Supply is the amount of something, such as a product or service, that a market has available. Demand is the amount of the product or service that buyers want to purchase. The relationship between supply and demand has a good deal of influence on the price of goods and services.

Understanding the **law of demand** is an important part of deciphering the relationship between supply and demand. According to the law of demand, price has a significant effect on demand. Essentially, higher prices translate into less demand for a product or service. When the price of an item or service is high, an individual must consider that buying the item may prevent him from being able to afford the purchase of another, more valuable item. As such, the opportunity cost of that item is too high and demand for it may be low.

The law of supply is also vital to understanding the relationship between supply and demand. According to the law of supply, higher quantities of a product or service are supplied at a higher price. Those who produce goods and offer services are willing to supply more at higher prices because selling their wares at higher prices provides increased revenues.

To understand the relationship between supply and demand, consider a unique gift item that is priced at 99 US Dollars (USD). The company that makes the gift item has analyzes past sales and determines that demand for this particular item will be low if it is priced higher than 99 USD. The company decides to produce and release just 100 gift items because its analysis predicts that the opportunity cost is too high to provide for high demand. However, if 200 people demand the gift item, the price will rise along with the demand. Since higher prices lead to increased supply, more of the gift item will be produced and offered.

The **supply and demand relationship** affects price in a different manner when a company has produced too much of an item. For example, if the gift company increases production to create 500 gift items, but the demand stays at 200, the supply outstrips the demand and the price will not rise. By contrast, the company may actually lower the price in an attempt to attract consumers who considered the gift item attractive, but thought the opportunity cost was too high.

It is possible for supply and demand to be equal. In order for this to happen, the amount of supplied products or services must equal the demand for those products and services. If this relationship between supply and demand is attained, the economy is balanced in a state of equilibrium.

13.2 SUPPLY AND DEMANDCURVES

Supply and Demand curves play a fundamental role in Economics. The supply curve indicates how, many producers will supply the product (or service) of interest at a particular price. Similarly, the demand curve indicates how many consumers will buy the product at a given price. By drawing the two curves together, it is possible to calculate the market clearing price. This is the intersection of the two curves and is the price at which the amount supplied by. the producers will match exactly the quantity that the consumers will try.

The process is illustrated in Figure. The downward sloping line is the demand curve, while the upward sloping line is the supply curve. The demand curve indicates that if the price were $10, the demand would be zero. However, if the price dropped to $8, the demand would increase to 4 units. Similarly, if the price were to drop to $2, the demand would be for 16 units.

The supply curve indicates how much producers will supply at a given price. If the price were zero, no one would produce anything. As the price increases, more producers would come forward. At a price of $5, there would be 5 units produced by various suppliers. At a price of $10, the suppliers would produce 10 units.

The intersection of the supply curve and the demand curve, shown by (P*, Q*), is the market clearing condition. In this example, the market clearing price is P*» 6.67 and the market clearing quantity is Q*-6.67. At the price of $6.67, various producers supply a total of 6.67 units, and various consumers demand the same quantity.
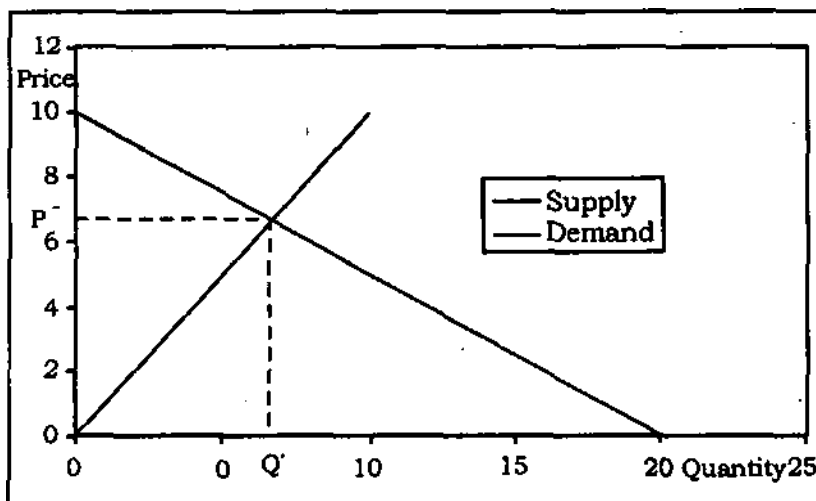
13.2.1. SELF-HELP EXERCISE

1. What does the supply curve in Economics indicate?
a) How many consumers will buy a product at a given price
b) The relationship between price and quantity supplied by producers
c) The market clearing price
d) The intersection of demand and supply curves

2. What does the demand curve in Economics indicate?
a) How many producers will supply a product at a given price
b) The relationship between price and quantity demanded by consumers
c) The market clearing price
d) The intersection of demand and supply curves
b) The relationship between price and quantity demanded by consumers

3.What does the intersection of the demand and supply curves represent?
a) The highest possible price for a product
b) The lowest possible price for a product
c) The market clearing price
d) The point where demand is zero

13.3   MANAGING DEMAND

Managing demand effectively is fundamental to optimizing your supply chain. Demand is the force that drives the supply chain. So, accurate prediction and timely fulfillment of demand are essential to success.

But the complexity of today's global process industries create significant hurdles for effective demand management. You depend on your customers to accurately forecast their needs. But, like you, they are subject to market uncertainties and price volatility. The growing trends of customization and segmentation mean that you have a wider variety of products to manufacture, and more difficult decisions to make to maximize your production efficiency and profitability. Your customers are demanding better service and faster delivery times while you face internal pressures to reduce inventory levels.

The **perishable and intangible nature** of services makes it impossible for service companies to store them in order to use them during peak demand periods. On the other hand, demand for services depends on many factors like the phase in which the economy operates i.e., whether the economy is in a recession or expansion; demographic factors, natural disasters, and the technological developments in the market.

Organizations should understand the basics of how and why demand for **a** service fluctuates in order to design strategies to manage demand. Charting out the patterns of demand will help organizations find some predictable cycles. If predictable cycles do not exist and the demand patterns are random, organizations should further find the reasons for such random demand and try to form strategies to reduce the same.

Understanding demand is not sufficient to manage demand fluctuations. It also involves the organization's capacity to fulfill the demand. Therefore, it is imperative for an organization to understand its capacity constraints in terms of time, labor, equipment, and facilities. A clear understanding of demand patterns and capacity constraints will help an organization design suitable strategies to match them both.

Demand and capacity can be matched either by shifting demand and stretching or aligning capacity to meet demand. Shifting demand involves varying original offer to meet the current demand, communicating the periods of peak and low demand to the customers, altering timings of service delivery to spread the demand across the peak and slack periods, and finally adopting price differentiation strategy to meet the demand fluctuations.

customers who require the services on an emergency basis first, reducing the time of transaction, serving important customers first, or by serving customers who contribute the most to the organization's profits.

Organizations should consider the psychological feelings of the customers while they are waiting and make the process more tolerable for them. This can be achieved by keeping customers busy while waiting, involving them in activities related to the service, reducing their anxiety by informing them about the current situation and the duration of waiting. Customers have to be explained the reasons why the service delivery was taking so long and why some of them were served first.

Organizations should understand the customers' tendency to wait for longer periods depending on the value of the service and their irritability while waiting alone. Additionally, by adopting reservation systems, organizations can spread the demand equally across peak and slack periods.

Many service providers face extremely seasonal markets these providers often experience extreme differences in demand by the hour, day of the week or month of the year. Restaurants, for example, often experience more demand during the peak dinner hour than throughout the entire late afternoon. Movie theaters often experience more demand during the weekend than during all weekdays combined. Skiing resorts often experience most of their demand during the winter quarter. Almost every service industry displays some seasonality including television viewing. With seasonal markets, it is seldom profitable, to build sufficient capacity to meet short-periods of peak demand. Therefore, many service providers often face periods where peak demand appears to exceed available capacity. When these periods of excess demand occur, as a service provider, we might hope to manage demand by engaging in some form of demand smoothing. We might hope, for example, to shift some of our peak-season demand to off-peak periods.

13.3.1 SELF-HELP EXERCISE

4. What is emphasized as fundamental to optimizing the supply chain in the passage?
a) Inventory management
b) Accurate prediction and timely fulfillment of demand
c) Price volatility
d) Globalization trends

5. What factor contributes to the complexity of demand management in the context of growing trends?
a) Reduced pressure to reduce inventory levels
b) Market uncertainties and price volatility
c) Limited decisions to make for production efficiency
d) Dependence on internal pressures

6. Why is it challenging for service companies to manage demand?
a) Lack of technological developments
b) Inability to store perishable and intangible services
c) Reduced demand during peak periods
d) Limited customization and segmentation

13.4   MANAGING SUPPLY

Service supply relationship management is a systems approach that recognizes the customer-supplier duality found in the delivery of services. For services, customers are suppliers of significant inputs (i.e., minds, bodies, belongings, and information) to the process. Implications for management arise from the fact that service supply relationships are inherently bi-directional. Three important features of Service supply relationship management are bi-directional optimization, management of productive capacity, and managing risk. Service supply relationship management incorporates customers into the knowledge management strategy of service companies to enhance the value and quality of the services provided.

13.5   SUPPLY CHAIN

A **supply chain** is a network of facilities and distribution options that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers. Supply chains exist in both service and manufacturing organizations, although the complexity of the chain may vary greatly from industry to industry and firm to firm.

Below is an example of a very simple supply chain for a single product, where raw material is procured from vendors, transformed into finished goods in a single step, and then transported to distribution centers, and ultimately, customers. Realistic supply chains have multiple end products with shared components, facilities and capacities. The flow of materials is not always along an arborescent network, various modes of transportation may be considered, and the bill of materials for the end items may be both deep and large.

Traditionally, marketing, distribution, planning, manufacturing, and the purchasing organizations along the supply chain operated independently. These organizations have their own objectives and these are often conflicting. Marketing's objective of high customer service and maximum sales dollars conflict with manufacturing and distribution goals. Many manufacturing operations are designed to maximize throughput and lower costs with little consideration for the impact on inventoiy levels and distribution capabilities. Purchasing contracts are often negotiated with very little information beyond historical buying patterns. The result of these factors is that there is not a single, integrated plan for the organization—there were as many plans as businesses. Clearly, there is a need for a mechanism through which these different functions can be integrated together. Supply chain management is a strategy through which such an integration can be achieved.

Supply chain management is typically viewed to lie between fully vertically integrated firms, where the entire material flow is owned by a single firm, and those where each channel member operates independently. Therefore, coordination between the various players in the chain is key in its effective management. Cooper and Ellram (1993) compare supply chain management to a well-balanced and well-practiced relay team. Such a team is more competitive when each player knows how to be positioned for the hand-off. The relationships are the strongest between players who directly pass the baton, but the entire team needs to make a coordinated effort to win the race.

13.6   SUPPLY CHAIN DECISIONS

We classify the decisions for supply chain management into two broad categories strategic and operational. As the term implies, strategic decisions are made typically over a longer time horizon. These are closely linked to the corporate strategy the corporate strategy), and guide supply chain policies from a design perspective. On the other hand, operational decisions are short term, and focus on activities over a day-to-day basis. The effort in these types of decisions is to effectively and efficiently manage the product flow in the 'strategically" planned supply chain.

There are four major decision areas in supply chain management:

- Location
- Production
- Inventory
- Transportation (distribution)

13.7   SERVICES MARKETING STRATEGIES FOR COPING WITH DEMAND/SUPPLY IMBALANCES

Because services cannot be stored, temporary imbalances between supply and demand present a difficult challenge for managers of service firms. Though marketing and management strategies for dealing with foreseen disequilibrium situations are discussed, focuses primarily on stratagems for dealing with situations where demand or supply fluctuations are not foreseen.

Marketers of physical goods can hold inventories to buffer fluctuations in demand and supply, but services are acts or processes and therefore, difficult or impossible to inventory. A theater owner cannot take an empty seat from Thursday night and add it to capacity for Friday

night's sellout. An insurance agent can inventory her application forms, but not her time. Or, when demand is over-full, loyal customers may be forced to go to another service provider - and they may end up liking the second service provider more. What a tragedy for the old service provider.

Thus, an inability to synchronize supply and demand impacts the bottom line through lost opportunity when demand is greater than the firm's capacity to satisfy demand and through high costs when demand is insufficient and fixed capacity is wastefully under-utilized. An unused hospital bed, for instance, represents an irretrievable loss to the hospital. On the other hand, the same hospital may limit admittances during a period of excess demand - resulting in a loss of potential revenues. The same is true for the hospitality industry. A service enterprise may use salaried employees as its key input in rendering the product unto the consumer. When demand is slack - a dearth of customers - the enterprise must nevertheless pay the employees. When demand is over-full - more customers than capacity - the service organization cannot accommodate all of its customers. Revenue loss or worse, **dissatisfied customers,** result. For other service firms, tax accounting for example, demand is extremely seasonal. Help is difficult to find during the season and profitable alternatives are difficult to find during slow periods. The data from at least one empirical study suggest that service firm managers perceive demand fluctuations as their biggest managerial headache (Zeithaml **et aL,** 1985).

Figure depicts a conceptual model of how service enterprises can use disequilibrium management strategies to improve performance. As described above, unattended demand/supply imbalances cause losses that negatively impact performance. Four categories of strategies are shown in Figure Demand management strategies seek to lessen the amount of losses by altering demand to fit supply constraints. Supply management strategies attempt to change supply capacities to fit demand. Intelligence enhancement increases the effectiveness of demand and supply management strategies because the more managers know about demand trends, the better their decisions are going to be. Finally, risk reduction strategies diminish exposure to the negative consequences of disequilibrium situations.
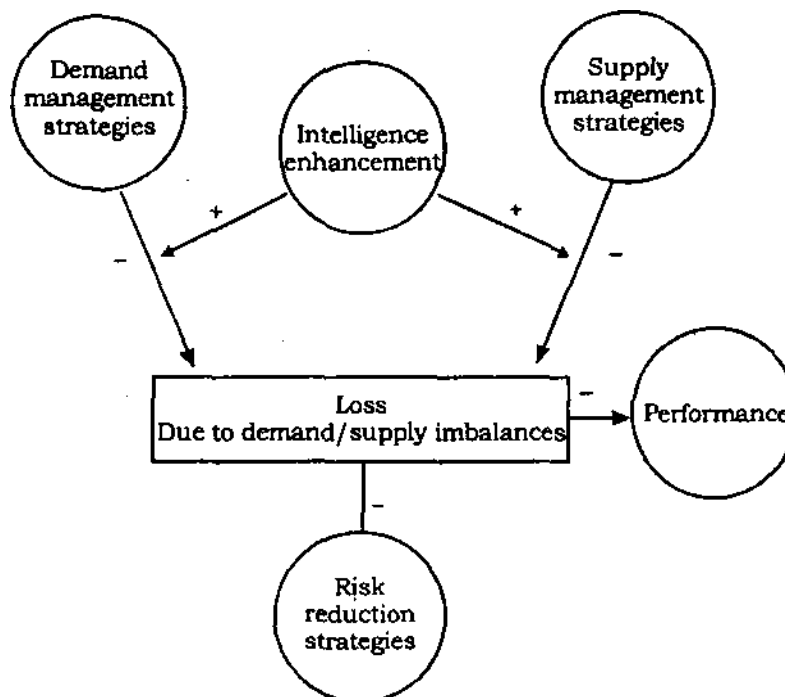
Strategies for Handling Foreseen Disequilibrium Situations

A disequilibrium situation can be either foreseen or unforeseen. When disequilibrium situations are foreseen, managers can use a wide variety of strategies to alleviate the temporary disparity. As illustrated in Figure, these strategies generally fall into two categories:

- input scheduling strategies (change supply to fit demand); and
- marketing mix strategies (change demand to fit supply).

The strategies listed in Table from the mundane to the sublime, the costly to the costless, and the functional to the dysfunctional. However, most of these issues have been discussed in the marketing and management literatures, especially in specialized journals such as the **International Journal of Service Industry Management,** the **Journal of Professional Services Marketing,** and the **Journal of Services Marketing.** The primary purpose of the current article is to describe techniques for handling unforeseen disequilibrium situations.

Strategies for Coping with Unforeseen Imbalances

While the strategies presented in Table depict strategic initiatives which attempt to directly resolve foreseen demand/supply disequilibrium situations, this section illustrates intelligence and risk reduction strategies which attempt to lessen the frequency and the intensity of unforeseen

disequilibrium situations.

TABLE	
Overfull Demand/Slack Supply:	**Slack Demand/Over supply:**
• Hire temporary Employees	• Perform non-vital tasks
• Rent extra equipments	• Use slow period for training and practice
• Make temporary additions	• Implement differential scheduling
• Increase staff	• Lay off employees
• Employees overtime	• Take on subcontract jobs
• Turn away customers	• Rent equipment, warehouse space (Even office space)
• Take care of regular customers only	• Donate work to NGO/Charity
• Subcontract work to other firms	• Offer different services
• Charge a premium for use during periods of excess usage	• Use temporary idle employees as walking advertising
	• Increase advertising during periods of capacity under underutilized

Intelligence Enhancement Strategies

To implement effectively the demand and supply management strategies discussed in the previous sections, managers must possess accurate intelligence so as to be forewarned of impending disequilibrium situations. While the situation-specific nature of intelligence gathering precludes universal proclamations, it is possible to make several helpful suggestions.

First, while service enterprises cannot inventory supply processes, they can inventory demand by creating reservation systems. Moreover, reservation systems provide very specific (hour by hour) intelligence about demand trends. This information can be used to enhance the effectiveness of marketing and managerial decision making. Reservation systems also eliminate some of the uncertainly for consumers, thus reducing stress in their lives.

In situations where demand is inventoried by making customers wait, service enterprises can lessen consumers' perceptions of dissatisfaction by formalizing the queuing system. Major tourist attractions such as Disney World formalize their queuing systems by building large, snakelike structures to handle large lines. Fast food restaurants (Taco Bell and Wendy's) now use variants of this system. Some service providers use a numbering system. Consumers prefer formalized queuing systems for two main reasons:

- They can see the line move or the numbers change; thus, they have a good idea when they are going to be served. The wait always seems longer in conditions of uncertainty, each will be aware "When am I going to be served?".
- Nobody can cheat. The wait is equitable for everyone.

Another suggested intelligence option is to analyze historical trends in demand and supply. Most managers know that the business they run is busier during some time periods than others. For example, a business may be busier on Saturday than on weekdays, busier in some seasons than others, or busier during the first of the month than the last of the month. Often, however, this knowledge is very general instead of specific. The explosive growth in the efficiency of management information software and systems allows marketing managers to analyze sales and other data much more efficiently than was possible in years past* Also, perpetual inventory systems and scanner data provide a wealth of information about demand trends. The top business schools, moreover, usually require courses in computer operating systems (DOS) and spreadsheet applications (Lotus, Quatro Pro, etc.) as a prerequisite for graduation. The information on demand trends is usually available; somebody just has to make an effort to find it and use it.

For example, a green grocer analyzed daily sales over a six-month period using the same personal computer which controlled his inventory. He found that a large percentage of sales of non-staple items were made during the first three days of each month when his customers received AFDC and social security payments. At the end of the month staples made up a higher percentage of sales (total sales were also off as much as SO percent at the end of the month). Using this information, he was able to raise the prices and carry higher stocks of non-staples during the first few days of the month. Later in the month he carried lower stocks of non-staples.

The key points are:
- information is readily available at low or no cost; and
- better knowledge of demand trends leads to better managerial decision making.

In terms of the conceptual model in Figure, demand management strategies and supply management strategies decrease the losses which occur during demand /supply imbalances. Knowledge about demand moderates the effect of demand and supply management strategies on losses due to fluctuating demand. The nature of the moderation is that demand management strategies and supply management strategies are more effective , have a greater ability to reduce losses associated with fluctuations in demand , when managers have more intelligence about demand trends.

Just as the first strategy for obtaining intelligence about demand trends is more a matter of "willingness to do it" rather than how to do it, the second suggested strategy is very simple, but often overlooked. Marketing managers should mark the calendar for important events that affect demand. Though some will look on the following examples as gross negligence, they are in fact, all too common mistakes.

The owner of a restaurant near the major state university where the authors work admitted to us that he forgot about spring break this year even though he employs several students and spouses of students. Since most of the food is sold buffet style and prepared prior to the dinner rush, he ended up giving away a lot of food to his employees on the first Friday night of spring break. The first year owners of a California card club were very successful during the spring and summer, and the owners used their income to make improvements to the club and maintain a high living standard. Northern Californians, however, are possessed by hunting mania every fall. "When hunting season came, **everybody** just went hunting*, the owners lamented. After eight weeks of little or no business, the ownership group was unable to make their rent payments, and the landlord dispossessed them.

Many major metropolitan areas, especially in California and Florida, have a lot of immigrants. When marking the calendar for events it is important to remember that different cultures have different holidays. Arab people engage in celebratory blow-outs during holidays such as Aid-El- Athaha (a lunar-based holiday) and Aid-El-Fatir (end of the Ramadan fasting season). Persians celebrate the secular festival of No-Rooze on the first day of spring, and oriental cultures celebrate their lunar new year for 20 days every winter. (In China the actual new year holiday is called the Spring Festival, but it actually occurs in the winter; a second big celebration occurs 15 days later, the Lamp Festival.) Similarly, the fall harvest is a time of celebration for many cultures. Germans celebrate Octoberfest; people in the USA celebrate a secular harvest holiday called Thanksgiving and Chinese people celebrate a holiday best translated as the Mid-Autumn Festival. The point of this discussion is that service enterprises who serve sizable segments with different cultural heritages need to be cognizant of their calendars. Cultural holidays, moreover, serve as marketing opportunities, and not just for the ethnic group in question. Look at how bars and restaurants market St Patrick's day (now it's often St Patrick's weekend).

Risk Reduction Strategies

Everyone has, at one time or another, walked into a service or retail establishment with a multitude of salespersons or other customer encounter personnel and no other customers besides yourself (slack demand/over supply). Paying idle employees is expensive and wasteful. Similarly, since services are difficult and expensive to store, firms may experience even more severe misfortune during unforeseen over demand/under supply situations: a turned-away customer may consume a competitor's product and like it better. Indeed, Mabert, (1986) found that service firms tend to design staffing plans based on peak demand situations, resulting in substantial idle time during slack periods. Disequilibrium situations would never occur in a perfect world with omniscient managers who are devoted supplicants to the marketing concept. Even the best planner, however, cannot always prepare[1] a service organization for unpredictable swings in consumer demand, untimely equipment failures, or a sick call contagion.

Nevertheless, service enterprises can utilize several strategies which aim to decrease the intensity of the injury incurred during unforeseen demand/supply disequilibrium situations. One such strategy is to pay workers on piece rate or commission. The idea is to increase the ratio of marginal to fixed costs where fixed costs are those which the managers cannot avoid in the short term. Hourly employees who are guaranteed 40 hours a week are a fixed cost to managers because the labor costs are the same, whether the firm is busy or not. Paying workers piece rate or commission makes all labor costs marginal costs - even for the short run (Khumwala **et ai,** 1986). Thus, firms shift risks associated with fluctuations in demand to employees. Automobile and boat repair shops usually pay mechanics a percentage of the shop labor charge. Since labor charges for repair projects are billed according to the book rate, mechanics who perform repairs faster than the norm get paid more than their less proficient comrades. The service enterprise benefits in two ways:

- the firm ensures that employees have the same goals as the firm by tying wages to productivity; and
- some of the losses incurred in disequilibrium situations are transferred to the employees (i.e. no work, no pay).

In an efficient labor market, however, firms must compensate piece rate workers for taking on risks which are normally (for full-time hourly employees) covered by management. Nevertheless, it may be incorrect to assume that the labor market is efficient. In particular, overtime laws and regulations interfere with the efficient workings of the market, especially in services. In an efficient market employees are paid according to their marginal net-revenue product. According to law or union contracts employers must pay hourly workers double-time or time-and-a-half for each hour after 40. Yet, in actuality, these workers' MRP is probably less or certainly no higher during the forty-first hour than during any other hour. Paying piece rate is an effective way to avoid institutional interference in the labor market.

Another stratagem for reducing exposure to losses during unforeseen disequilibrium situations is to keep some temporaries or steady extras around on a permanent basis as a buffer. These employees are often kept either formally or informally on-call. Managers value the employees who respond to emergency situations, which can be touched off by something as simple as several co-workers calling in sick. They often reward these workers by giving them preference in assignments or leave. Similarly, when hiring workers, managers may place a premium on responsiveness to emergency calls.

A similar strategy is to hire part-time, variable schedule employees to sustain demand/ supply congruity. Maximum flexibility can be maintained with these employees, even to the point of dismissing them early on days when demand is slack. This strategy may help to prevent layoffs. When demand is slack for an extended period (several weeks), the hours of part-time employees can be cut across the board.

Yet another strategy is to cross-train employees to relieve task specific bottlenecks (Lovelock, 1988). As consumers, we all know how frustrating it is to hear that the one person who can solve our problem is "not here* or "out*. Cross-training not only improves short-term flexibility and lessens exposure to losses associated with demand/supply imbalances, but also heightens employee **morale,** thus improving service quality.

Intelligence Enhancement	Risk Reduction
- Inventory demand using a reservation system - Analyze historical trend in demand at the micro level - Pre-mark the calender for special situation that have the potential to affect demand and supply.	- Pay workers on piece rate/commission - Keep some temporaries or steady extras around on a peranent basis as a buffer - Cross-train employees to relieve task specific bottlenecks - Use frequent short term layoffs - Let work fall behind (make customer assume the risk)

Managerial Implications

In the first part of this article, we noted that service processes are impossible to inventory. An unused airline seat, for example, represents an irretrievable loss of opportunity to the airline. Though not without cost, marketers of physical goods can create inventories to handle high demand, but a theater owner cannot sell more seats than there are in the theater. Thus, unattended disequilibrium situations lead to losses for firms in two ways. First, if demand exceeds, even temporarily, a firm's capacity to serve, then service firms lose potential revenue, and customers are left unhappy. Second, fixed capacity is wastefully underutilized when demand is slack. Thus, managers should be interested in disequilibrium management strategies that reduce losses associated with demand/supply imbalances.

The first strategy for coping with foreseen disequilibrium situations involves scheduling inputs to fit demand (see Table). Under conditions of insufficient supply (which may be caused by overfull demand), firms may increase permanent staff, or when the need is short lived, firms may hire temporary workers, often utilizing agencies such as Manpower to provide needed employees. The service establishment saves on advertising, screening, and bookkeeping costs to offset the wage premium paid to the agency. Traditionally, temporary agencies specialized in supplying generic labor inputs such as manual laborers and secretarial help. Recently, however, temporaty agencies have reported a demand for people with more specialized skills such as computer programmers. This option may be especially attractive to firms that face seasonal upswings lasting for several months. Skilled temporary workers thus help increase capacity for the "in' season.

Some strategies for managing excess demand/slack supply situations are dysfunctional, especially when the disequilibrium situation is foreseeable. Keeping employees on overtime is not cost effective and may be viewed as a sign of poor management. Turning away customers or servicing only regular customers is not a viable option. Marketing managers and CEOs prefer almost anything, even overtime to poor treatment of customers (Mabert, 1986; Zeithaml **et ai,** 1985). The marketing concept predicts failure for service enterprises that ignore consumers' antipathy for wasting their increasingly scarce free time. Subcontracting work to others is one viable option that is preferable to turning customers away.

When demand is temporarily slack (an oversupply of inputs such as labor), service enterprises may use employees and other inputs to perform non-vital tasks. Managers may use differential scheduling systems to lower staffing levels to match demand. Usually, most day-to- day and week-to-week changes primarily affect the hours worked by part-time employees. Managers and CEOs of service firms prefer cutting hours of part-time employees to the temporary layoff strategy often used by manufacturing firms (Zeithaml **et al.,** 1985). Manufacturers usually pay employees enough of a premium above the employees' alternative employment opportunities to dissuade employees from quitting. Service firms may not be able to deter employees from permanent disengagement, thus losing the firm's investments in specific training.

Another strategic option may be to take on subcontract work. If the marginal ratio is high (including workers who are paid when they do not work), anything that keeps employees and equipment working may be preferable to inactivity - even subcontract work performed at lower than average total cost.

Several other creative input scheduling strategies are effective when unavoidable costs are going to be incurred anyway (i.e. the marginal cost/fixed cost ratio is very low). A firm may rent equipment, warehouse, office space, or even employees to other firms. Even donating work to charity for the tax deduction and community goodwill can be a profitable, and intrinsically pleasing strategy.

The second broad categoiy of disequilibrium management strategies involves manipulating demand to fit supply, either by shifting the demand curve through promotions and marketing or moving customers along the demand curve through creative pricing policies. Sometimes demand for a service is excessive to the point that physical capacities are strained. Examples are water use in drought-stricken California or utility brownouts caused by surges in demand during the 90 minutes before and after rush hour. Restaurants are often overwhelmed during peak times such as immediately after church on Sunday (and little used at other times such as mid-afternoons). In these situations marketers may prefer to change demand to fit available supply. One strategy is to educate customers to curtail usage during peak periods and special situations such as droughts. Special premiums -penalties for use during peak periods and much lower than average rates during off-peak periods - may inspire consumers more than voluntary conservation methods. Long distance phone companies have used this strategy successfully for years. Other service providers such as utility companies are experimenting with differential pricing strategies.

Although economists usually think of a demand function as a downward sloping smooth curve with price on one axis and quantity demanded by customers on the other, most consumers have a parallel internal demand function with slightly different referents for axes - time and quantity demanded. The challenge for a service enterprise facing excess demand is to make waiting less painful by reinforcing consumers who have to wait. £>octors' offices attempt to make the wait less distressing by providing a nicely furnished waiting area with magazines, television, and toys for kids. Restaurants may provide a free or reduced price drink at the bar. Skilled salesmen often tell customers they cannot help immediately. "Ill be right with you." Similarly, customer encounter people should thank customers who have waited for service.

When demand exceeds capacity, firms are challenged with the more traditional marketing task of increasing demand. One way to increase demand is to pursue increased market penetration by calling on existing customers. Positioning services differently during slow times is another alternative. An accounting firm that specializes in tax accounting may position itself for speed, quick mass processing of electronic returns, and simple 1040s during February and early March. Later in the tax season the same firm may reposition and market to businesses and self-employed taxpayers. Since most people who file a simple return get a refund, they are eager to file early in the season. Small businesses and self-employed people usually put off the pain and suffering until March and April or later. Similarly, the firm may offer altogether different types of services in the off-season, installing computerized book-keeping systems for small businesses, for example.

Most service enterprises do not increase advertising during extended periods of capacity underutilization, perhaps because advertising expenditures are linked to availability of funds through revenues and profits. Letting accountants determine the level of promotional expenditures, however, may lead to sub-optimal results. When the ratio of marginal to fixed costs is very low and demand is slack, the marginal profit per new customer is very high because additional customers can be serviced at veiy little extra cost. Thus, the best time for a new promotional effort may often be during periods of slack demand/excess capacity.

Another marketing strategy involves targeting non-traditional market segments, such as groups of consumers, business and industry, or government agencies. When overall demand is slack, a firm with a high ratio of fixed to marginal costs may profit by bidding on large jobs even if the job does not cover average total costs. The key is to market selectively, i.e. to segments that are outside the normal customer base.

Another creative option is available to marketing managers and CEOs of service enterprises; they can put idle inputs to work on barter arrangements. In the USA over **150,000** firms actively trade goods and services on a daily basis (Healy, **1989).** Trade networks like the Cleveland Trade Network Inc. assist in the barter process for a fee that averages about **5** percent. **The** International Reciprocal Trade Association has developed standards for ethical business practice*, and the IRS accepts a quid pro quo (Maturi **1989).** The barter income is measured in terms of the services given up, which is usually a wash for tax purposes.

Thus, while the demand and supply management strategies **described above** lessen the potential losses suffered during demand/ supply imbalances, intelligence enhancement strategies impact the bottom line by lessening the frequency of unforeseen disequilibrium situations, and accentuating the effect of other disequilibrium management strategies. Most managers would probably agree that the worst disequilibrium situations are those which are unforeseen. Managers can only be helped by efforts which lead to fewer unforeseen and more foreseen fluctuations in demand (or supply). There will always be random, unpredictable fluctuations in demand. Yet, the relevant data is more readily available (and cheaper) than ever before; the equipment needed to analyze the data is more readily available (and more powerful) than **ever before;** and the new generation of business-college graduates are better trained (at least in terms **of using** spreadsheets and the like) than ever before. One primary purpose of the current article is to explain exactly how intelligence about demand trends can improve the bottom line (by improving disequilibrium management efforts which in turn lessen losses due to demand/supply **imbalances).**

While intelligence enhancement strategies are designed to **lessen th* frequency** of unforeseen demand fluctuations, risk reduction strategies aim to lessen the **intensity o**f unforeseen demand fluctuations by cutting firms' exposure to the losses which **occur during** demand/supply imbalances. However, managers must carefully weigh the risks against the **rewards.** Paying workers piece-rate is less risky for the firm, but may cost more in the long-run. **Cross-training** employees may be more expensive than using a specialization approach, though it **should pay off** in the long run. Shifting risks to customers may result in customer dissatisfaction.

For all of the disequilibrium strategies discussed, how and when **managers should** choose to apply the suggested strategies is contingent on situational factors. **For instructional** and reference purposes, we deliberately created separate categories for the **different types of** strategies. Nevertheless, the various types of disequilibrium management strategies are **not static and** mutually exclusive, but dynamic and interactive. Service firm managers should evaluate **the** efficacy of the strategies described in this article in their own contextual circumstance.

13.7.1. SELF-HELP EXERCISE

7. **According to Mabert (1986), what staffing plans do service firms tend to design?**
   a) Plans based on average demand situations
   b) Plans based on unpredictable swings in consumer demand
   c) Plans based on peak demand situations
   d) Plans based on untimely equipment failures

8. Why is paying workers on piece rate or commission considered a strategy in service enterprises?
a) To increase fixed costs
b) To guarantee 40 hours a week to hourly employees
c) To make all labor costs marginal costs
d) To avoid unpredictable swings in consumer demand

13.8   FACTORS THAT AFFACT THE DEMAND AND SUPPLY OF SERVICES

Some of factors that affect the demand for services are the following:
- Changes in the Price of a good or service
- Changes in consumers' Income spent on goods and services
- Changes in the Tastes/Preferences of consumers for goods/service*
- Changes in the Prices of related goods and services: Substitutes and Complements
- Changes in government fiscal policy (spending and taxation) and monetary policy (interest rate etc)
- Natural disasters (storms, hurricanes, earthquakes, tornadoes, flood* etc)
- Scientific discoveries (medical, chemical etc)
- Advertising or Commercial ads
- Changes in the growth rate of a Population
- Seasonality (Christmas, Easter, Valentines Day etc)
- Sociological factors (age, sex, education, marriage etc)
- Some of factors that affect the supply for services are the following:

- Changes in the Price of a good or service
- Changes in Technology (or the State of the Art) of business firms
- Changes in the Tastes/Preferences of consumers for goods/services
- Changes in consumers' Income spent on goods and services
- Changes in the Prices of related goods and services
- The Costs of factor inputs of firms (labor, capital etc)
- Seasonality (Christmas, Valentines day etc)
- Commercial ads or Advertising
- Scientific Discoveries (medical, inventions, chemicals etc)
- Natural Disasters
- Government fiscal and monetary policies
- The rate of growth of the Population
- Sociological factors (age, sex, education, marriage etc)

13.9   SUMMARY

Supply and demand is considered a basic economic concept, as well as a vital part of a free market economy. Supply is the amount of something, such as a product or service, that a market has available. Demand is the amount of the product or service that buyers want to purchase. The relationship between supply and demand has a good deal of influence on the price of goods and services. We classify the decisions for supply chain management into two broad categories strategic and operational. As the term implies, strategic decisions are made typically over a longer time horizon.

13.10   SHORT QUESTIONS
- Write a short note on Managing demand and supply.
- How demand and supply helpful in Marketing?
- What are the factors which effect the Demand as well as supply?

13.11 LONG QUESTIONS
- Describe the interplay between supply and demand curves.
- **Discuss various services marketing strategies for coping with demand/supply imbalances.**
- Discuss the factors that influence the demand for services, considering both internal and external variables.

13.12 ANSWERS TO SELF-HELP EXERCISE
Answers:1: b,2: b, 3:c, 4: b, 5:b, 6:b, 7:c, 8:c

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ADVERTISING, BRANDING AND PACKAGING OP SERVICES

STRUCTURE

14.0   Objective

14.1   Introduction

14.2   Advertising of Services

14.3   Branding of services

14.4   Brand structures for services industries

14.5   Marketing a service brand

14.6   Packing of Services

14.7   Five Facts About Packaging:

    14.7.1   Picking the Right Packaging Finn

    14.7.2   Look for Versatility

    14.7.3   Have Specifications Ready

    14.7.4   Make the Supplier Aware of Sterilisation Issues

    14.7.5   Don't Forget the Incidentals

14.8   Summary

14.9   Short Questions

14.10   Long Questions

14.11   Answers to Self-Help Exercise

14.12   Suggested Readings

14.0   OBJECTIVE

- Come to know advertising of services
- Understand the Branding of services
- Understand marketing a services brand.
- Understand the Packing of services

14.1   INTRODUCTION

Service is the action of doing something for someone or something. It is largely intangible (i.e. not material). A product is tangible (i.e. material) since you can touch it and own it. A service tends to be an experience that is consumed at the point where it is purchased, and cannot be owned since is quickly perishes. A person could go to a cafe one day and have excellent service, and then return the next day and have a poor experience. So often marketers talk about the nature of a service as;

Inseparable - from the point where it is consumed, and from the provider of the service. For example, you cannot take a live theatre performance home to consume it (a DVD of the same performance would be a product, not a service).

Intangible - and cannot have a real, physical presence as does a product. For example, motor insurance may have a certificate, but the financial service itself cannot be touched i.e. it is intangible.

Perishable - in that once it has occurred it cannot be repeated in exactly the same way. For example, once a 100 metres Olympic final has been run, there will be not other for 4 more years, ,and even then it will be staged in a different place with many different finalists.

Variability-since the human involvement of service provision means that no two services will be completely identical. For example, returning to the same garage time and time again for a service on your car might see different levels of customer satisfaction, or speediness of work.

Right of ownership - is not taken to the service, since you merely experience it. For example, an engineer may service your air-conditioning, but you do not own the service, the engineer or his equipment. You cannot sell it on once it has been consumed, and do not take ownership of it.

14.2   ADVERTISING OF SERVICES

Advertisingis the promotion of a product or service and is extremely pervasive in contemporary society. To maximize sales, companies will pay a premium for wide exposure through the mass media. Advertising space is common, but not restricted to these realms; billboards, public transportation, movies {product placement), schools, clothing, even bathroom stalls carry ads and the industry is constantly finding new ways to advertise.

Service advertisers often are confronted with the problem of how best to communicate the intangible qualities of a service to their target audiences.

Advertising is one of the oldest tools available to draw the attention of prospective customers towards products and services. What began as word of mouth promotion in the past, slowly matured to become the most widely used components of a firm's promotional strategy. Depending on the product's lifecycle, advertising may be aimed at creating awareness, arousing interest and pushing sales.

The most popular forms of advertising and the media used include - **TV** (commercials) &**Radio** (Jingles) Advertising, **Print** advertising (print ads), **Commercial / Outdoor** Advertising including - Advertising on Billboards, Hoardings etc. The **role of Advertising Agencies** in streamlining the Advertising Industry cannot be ignored.

14.2.1 SELF-HELP EXERCISE

1. What is the primary goal of advertising?
a) Creating awareness b) Generating interest c) Maximizing sales d) All of the above

2. What is one of the oldest forms of promotion that evolved into modern advertising?
a) social media marketing b) Television commercials c) Word of mouth promotion d) Print advertising

14.3   BRANDING OF SERVICES

Although the principles for branding of goods and services are generally the same there occur some differences. These arise from the different natures of both categories. The main differences that influence branding policies are that services

- Have a changing level of quality,
- The consumer has to become involved in the consumption of a service actively,
- They are intangible and not storable-

When a brand in general gives the consumer more confidence in his choice this is even more important for services. Their quality and other features are more difficult to asses. Because of their intangibility and complexity it is harder for the customer to distinguish between the offers from the wide range of service companies operating in the market place.

This especially applies to the market of accounting, auditing and consulting where consolidation and globalisation increase competition. In an FT-article about branding accounting services a branding expert states that 'more than 70 % of the Fortune 500 companies said branding is increasingly important in helping them to choose where to get a service. They want to be able to tell who is good at what."

Brands have benefits for both, the brand owners as sellers and the customers:

Benefits of a brand for	
Sellers	**Customers**
• Identifies the companies products, makes repeat purchases easier	• Helps identify products
• Facilitates promotion efforts	• Helps evaluate the quality of a product
• Fosters brand loyalty - stabilises market share	• Helps to reduce perceived risk in buying, provides assurance of quality, reliability etc.
• Allows to charge premium prices and thus to get better margins	• Is dependable (consistent in quality)
	• May offer psychological reward (status symbol)
• Allows to extend the brand to new products, new markets and to new geographic areas	• "rout map" through a range of alternatives
• Can communicate directly with the customer, reach over the shoulder of the retailer	• "rout map' through a range of alternatives
• More leverage with middlemen	• Saves customer time
	* • Is easier to process mentally
• Is more resistant to price competition	
• Can have a long life	
• Is more forgiving of mistakes	

14.4 BRAND STRUCTURES FOR SERVICES INDUSTRIES

As for services, literature suggests to use the companies name - a so called corporate brand - as the overall family brand for all the services offered. Murphy (1990) calls this the "monolithic approach". He argues that especially for companies which offer an enormous array of services (e.g. consultants, banks) corporate names must be used to deliver more generalised benefits of quality, value and integrity.

One disadvantage of corporate brands - little opportunity for developing second or sub- brands for differentiated product lines- applies more to branded products. However Murphy (1990) states that many companies have chosen an approach of "local autonomy but group-wide coherence" as a system whereby individual divisions and products are largely free-standing but mention is made in all literature and on all stationery and products that "company A is member of the XYZ group". This approach is very common amongst the Big Five accounting and auditing firms. It allows their national member firms, to exploit the group's brand name and their own (brand) name at the same time. Many member firms that had joined the global firms have long traditions and a good reputation of their own. For them it is important to demonstrate their clients that these qualities are not lost, on the contrary - other qualities and services are added.

Kelly (1998) sees three obstacles to develop a strong global corporate brand for the large accounting firms:

•   National partnerships value their individuality over "corporate" discipline

•   National regulations and cultures make it difficult to work smoothly under one global set of values

•   The diversity of services offered makes specific branding impossible.

The first two points closely relate to quality and consistency, two issues that customer value in a brand. They need to be monitored and controlled carefully. I think that - under the pressure to globalise and with ongoing integration of national member firms at least the Big Five will be able to overcome these obstacles to a greater extend. The third point should be tackled with a strong corporate brand that stands for all services. The "Big five* see one competitive advantage over smaller firms in their ability to offer every service their client might need in every place of the world.

CHOOSING A BRAND NAME

The decision for a brand name has to be taken carefully because it can have a long term influence on the success of the branded product or - in the case of a corporate brand of the whole company. Murphy (1990) and Dibb (1997) give a list of factors to take care for:
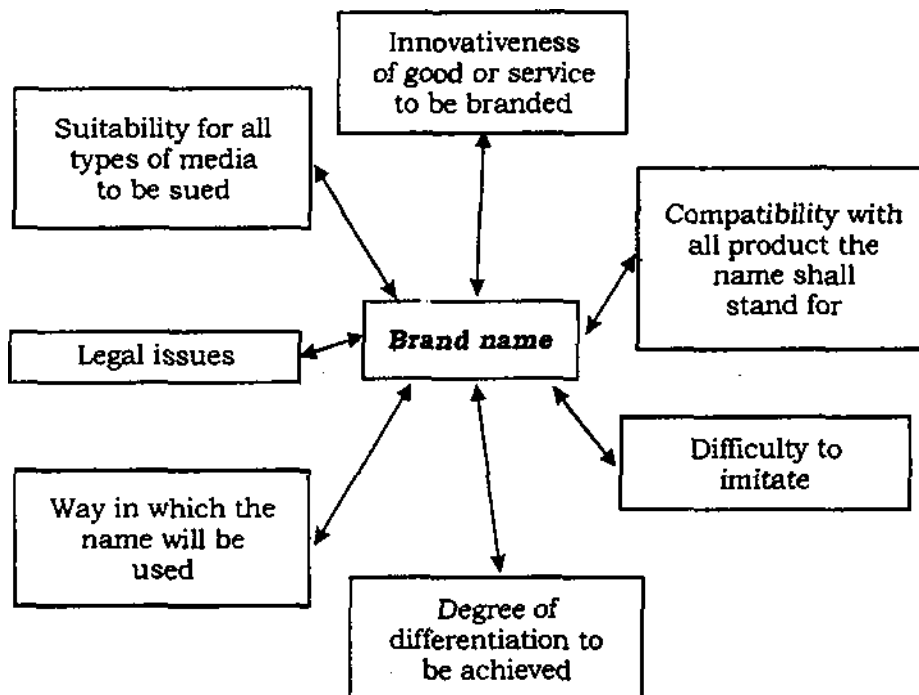
To pick out one issue of the process of developing a brand name, there is a big choice in the spectrum from descriptive to free-standing names which are often artificial words with no obvious relation to the good or service. Free standing or arbitrary names are more suitable if they are to .stand for a variety of services since there is no initial associations with this name. In addition they are the potentially strongest form of trademark in legal terms. (Murphy 1990)

As for professional services firms a common theme in the brand names is the use of the companies founder's names. For instance the name KPMG stands for Klynveld, Peat, Marwick and Mitchell, Goerdeler. In the process of the merger between Price Waterhouse and Coopers & Lybrand they had to develop a new name for the new company that would exploited the reputation and heritage from both old names. This was important for the relationship with the existing customers as well as for the relationship with all employees. The result was the name PricewaterhouseCoopers. This corporate name is formed out of three names of founders of companies where the new company originates from (Price, Waterhouse, Coopers). Both names are completely free-standing. That's why they properly address the issues of suitability for different media, different markets and cultures and different products as well as the issue of imitation and legal protection.

14.5   MARKETING A SERVICE BRAND

In general marketing strategies (* | In-line. WMF *] for services add three more P's to the marketing mix, which stand for Process, Physical evidence and People. The same principles apply to the branding of services. The careful selection and training of staff firstly assures a higher level of quality of the service, that is depicted by the brand. It is up to the people to give the processes more reliability and thus to assure a higher homogeneity between the quality of the service and the personality and message of the brand. Furthermore people have contact with the customer. They have to be aware of the brands objectives so that they can "live them" and communicate them to the customer. It is not enough to communicate the message of the brand externally to the customer; the first step has to be internal communication.
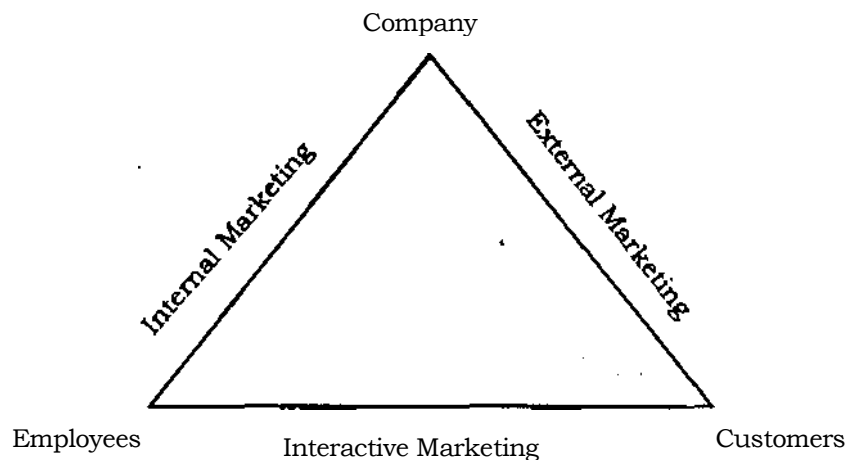
Here the principles of internal marketing play an important role. Staff is seen as the first customer of the brand. Kotlers (1999) typology of marketing in service industries applies equally to the marketing of brands in service industries:

The theme here is that the customer not only receives the message from the companies external marketing activities, but also the message from the behaviour of the staff he has contact with. The impression the customer gets from the service, from the company and thus from the personality of the corporate brand is also influenced by the friendliness and responsiveness of staff, their perceived qualification and how the staff "lives" the philosophy of the corporate brand.

The element of physical evidence is about the environment in which tihe service is offered and consumed, it is about the customers "feelings" (Dibb 1997). As for branding services, the physical evidence is closely related to the personality of the brand, which can be described as an emotional bond to the customer that grows out of the perceived characteristics of the brand. To give the service a differentiation advantage it is important to create a distinguishable atmosphere that the customer can relate to the service provider. This can be achieved by the use of corporate brand signs, corporate colours and several other themes that are common for all outlets, all employees everywhere the company presents itself to the public.

As for branding auditing and consulting firms, physical evidence is more than just to have a visible corporate identity. It is about bringing a message across. In this industry the message of the brand has to establish the emotional bond to the customer which is one of the few ways for differentiation. Kelly (1998) gives an good example when he says "Some clients may ask how

brand building sits alongside the traditional virtues of a professional partnership - skilled individuals with independent minds able to solve problems on a case by case basis. The real challenge is turning that into a brand.* Up to now many accounting and auditing firms use their job advertisements to send out their brand personality- Job ads for professional services are much more than a means of attracting qualified people. They allow the companies to present themselves with some unique personality. Today's job advertisements not only use corporate colours and logotypes, they tell little stories, transfer messages, describe corporate cultures, and the skills and experiences of the people in these firms. For the companies the job advertisements are a good way to present the variety of services offered when they search specialists for a certain position. In that way the firms can make their brand and its personality more known amongst possible employees and possible clients.

Processes are very important in services industries since in most cases the customer is directly involved in the processes. Aspects that especially apply to the auditing and consulting industry are extremely high quality, confidentiality, timing/availability, consistency and the avoidance of the abuse of insider knowledge. The internal processes that assure these characteristics are less important for the customer. For him it is important that these characteristics are met. Again a brand can provide more confidence in the choice of a service provider. It allows to identify a provider with a good reputation for high quality processes and results. As with most other services the quality of the auditing or consulting processes can not be tested in advance. Moreover, you can change your hairdresser if you are not satisfied but it is much harder to change your auditor since public normally perceives this as some sort of sign for alert.

On the other hand, even, if necessary, there are dangers, in relating a brand to closely to the quality of processes. Poor quality in only one single case can affect the whole brand. Many of the professional services firms have faced the problem that one of their major clients went into bankruptcy or was accused for some illegal activity. In such situations the media often ask about the quality of the auditing processes.

14.5.1 SELF-HELP EXERCISE

3. In addition to the traditional marketing mix (4 P's), what three elements are added for services marketing?
a) Promotion, Price, Place b) Process, Physical evidence, People c) Product, Production, Profit d) Planning, Positioning, Packaging

4. What is emphasized as the primary contact point with customers in the context of branding services?
a) Advertising agencies b) Physical evidence c) Processes d) People

14.6   PACKING OF SERVICES

Major Service businesses are beginning to resemble regional or national product brands. Packaging will thus become a more crucial aspect of the service mix. Unlike products, however, the actual service rendered is intangible; its attributes are embodied in the person delivering the service. This person is the focal point which must be correctly packaged. The adoption of appropriate service apparel functions to increase the consumer's preference for the service brand, bolsters employee morale by facilitating group cohesion, and serves as a vehicle for brand positioning and promotional strategies.

14.7   FIVE FACTS ABOUT PACKAGING

Medical packaging covers an array of products ranging from peel pouches to blister packs and lidding materials. Whether you are outsourcing packaging services or buying packaging materials to assemble in-house, partnering with a company with a solid background in medical packaging should be your first priority.

14.7.1   Picking the Right Packaging Firm

Quality must be the primary consideration when sourcing a supplier, "Make sure your partner has a solid understanding of the medical technology business and its requirements," Sobek advises. "Of course, the necessary certificates for packaging medical products are a must,

but there are other important aspects to consider including project management competency and technical developments," he adds.

Medical device firms should look for packaging companies with long-term business relationships with their customers, says Ronny Debaere, Global Market Development Manager, Healthcare, of Vitalo Packaging (Meulebeke, Belgium). Other considerations to look for in a packaging company include reliable quality-control systems, highly trained personnel, and operating facilities that can handle what you need in terms of design and quantity, advises Peter Buri, Marketing and Sales Manager of Fruh Verpackungstechnik AG (Fehraltorf, Switzerland). Buri also recommends working with a company that offers both packaging materials and contract packaging services.

14.7.2   Look for Versatility

Because all packaging solutions are tailor-made according to the specific requirements of the customer, it is helpful to work with a packaging partner with a diverse background, Sobek says. Things to assess when looking for a packaging partner, according to him, include the company's level of technical proficiency, its tooling, printing capabilities, packaging machinery, certificates, and cleanroom environment.

14.7.3   Have Specifications Ready

As in all outsourcing, it is important to provide your business partner with exact specifications and sample parts or devices. Many projects run into trouble when specifications are sent to a packaging outsourcer before the product's design has been finalised, "The supplier needs to know specific requirements for packaging including how the product will be transported and secured with the packaging, sterility issues and marketing aspects such as look and feel," Debaere adds.

14.7.4   Make the Supplier Aware of Sterilisation Issues

If required, sterilisation greatly influences the choice of raw material for packaging. The packaging supplier or contractor should be familiar with sterilisation methods and compatible packaging materials, and should be able to offer several alternatives that can match your needs and budget.

14.7.5   Don't Forget the Incidentals

Consider how your packaged product will be shipped, stacked and stored. If not addressed at the onset of the packaging process, you could wind up with individually packaged products that are cumbersome to shelve or that do not fit into a shipping carton cost effectively.

If you are assembling in-house, look for materials suited to the particular requirements of manual or automated packaging. When selecting materials, says Debaere, packing and unpacking of the product are other issues to consider. "Important areas that change how you will handle in- house packaging include fixation of the component in the package as well as stacking of the package," Debaere explains. "The more compact and easier the package is to stack, the less expensive storage and shipping are for the end user."

14.7.6 SELF-HELP EXERCISE

5. Why is packaging considered a crucial aspect of the service mix in major service businesses?
a) To increase employee morale b) To facilitate group cohesion c) To embody the attributes of the service d) To reduce costs in the long run

6. In the context of medical packaging, what is emphasized as the first priority when selecting a packaging partner?
a) Project management competency b) Technical developments c) Quality d) Long-term business relationships

14.8 SUMMARY

Service is the action of doing something for someone or something. It is largely intangible (i.e. not material). A product is tangible (i.e. material) since you can touch it and own it. Serviceadvertisers often are confronted with the problem of how best to communicate the intangible qualities of a service to their target audiences. In general marketing strategies (* | In-line.WMF *] for services add three more P's to the marketing mix, which stand for Process, Physical evidence and People. Major Service businesses are beginning to resemble regional or national product brands. Packaging will thus become a more crucial aspect of the service mix.

14.9 SHORT QUESTIONS
1. Write note on Advertising of services
2. How packing of services is done in marketing?
3. How will you do Marketing of Service Brand?

14.10 LONG QUESTIONS
1. Discuss the role of advertising in creating awareness and promoting services. Provide examples of successful service advertising campaigns.
2. Describe different brand structures commonly used in service industries and analyze their effectiveness.
3. Examine the five facts about packaging services, delving into each point and providing examples

14.11   ANSWERS TO SELF-HELP EXERCISE
Answers: 1: d, 2:c, 3:b, 4:d, 5:c, 6:c

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SERVICE RECOVERY MANAGEMENT

STRUCTURE

15.0   OBJECTIVE

- •   Come to know what is Service Recovery
- •   Understand the Service Guarantee
- •   Understand strategies for Service recovery

15.1   INTRODUCTION

The **goal of service recovery** is to identify customers with issues and then to address those issues to the customers' satisfaction to promote customer retention. However, service recovery doesn't just happen. It is a systematic business process that must be designed properly and implemented in an organization. Perhaps more importantly, the organizational culture must be supportive of idea that customers are important and their voice has value. Customers who have had a service failure resolved quickly and properly are more **loyal** to a company than are customers who have never had a service failure — significantly more loyal. Service Recovery practices are a critical element in a Customer Loyally Program.

Think about your own experiences with service or product problems. Did you get a quick acknowledgement of the problem, speedy resolution of the problem, and—perhaps—compensation for your troubles? (Imagine if you got a truly sincere apology and not some phony empathy?) Weren't you more likely to buy from that company again because of the confidence you now had in their business practices? That's the key value to effective service recovery and complaint handling: customer retention.

One way to think about service recovery is that it is a **positive approach to complaint handling.** Complaint handling has serious negative connotations; whereas, service recovery has positive connotations. Complaint handling is placating people, minimizing a negative. Service recovery practices are a means to achieve the potential, latent value a customer holds for a company by fostering an ongoing positive relationship.

Service recovery has a secondary value. It creates positive word-of-mouth about your company and minimizes the bad spin that lack of service recovery practices can create.

15.2   WHAT ARE THE STAGES OF SERVICE RECOVERY MATURITY?

Service Recovery in an organization progresses through a series of stages, shown in the nearby diagram. Where do you stand?

Stage 1: Moribund. There is no complaint handling. Angry customers are ignored. Drugstore.com is an example of a company with totally moribund service recovery practices. Letters to VPs and even the CEO about a damaged shipment go unanswered.

Stage 2: Reactive. Customer complaints are heard, and a response is made. But it's a haphazard process with no defined goals for the response and no one owning this business process.

Stage 3: Active Listening. At this stage, the response to issues voiced by customers is structured. Specific people have the responsibility to respond to complaints and guidelines are in place for the response. However, it is still reactive.

Stage 4: Solicitous. The critical change from Stage 3 to 4 is the move from reactive to proactive solicitation of customers with issues. The reason this is so important is that most customers don't bother to complain. They just move on to other suppliers of products. Haven't we all done this? It's a lot of work to complain! The solicitous role is accomplished by encouraging customer to voice their complaints. Event surveys (glso known as transactional or transaction- driven survey) are a commonly used technique to get issues voiced. The survey design must be such that more than just high-level measurement of customer satisfaction is captured. The design must allow for action to be taken. The desire for anonymity complicates the task. (Our Survey Workshops help attendees create such actionable survey instruments.

Stage5: Infused. The pinnacle of Service Recovery Practices is achieved when the complaint identification merges with business process improvement or six sigma programs to support root cause identification and resolution. The owners of business processes that cause customer issues are notified of the occurrences to prompt reexamination of the process design.

15.2.1 SELF-HELP EXERCISE

1. In which stage of Service Recovery Maturity does an organization have no complaint handling, and angry customers are ignored?
 a) Stage 1: Moribund b) Stage 2: Reactive c) Stage 3: Active Listening d) Stage 4: Solicitous

2. At which stage is the response to customer issues structured, with specific people assigned to handle complaints?
 a) Stage 1: Moribund b) Stage 2: Reactive c) Stage 3: Active Listening d) Stage 4: Solicitous

15.3   THE SERVICE RECOVERY PARADOX:' INCREASED LOYALTY THROUGH EFFECTIVE SERVICE
        RECOVERY

How is it possible that customers are more loyal after failures of products or services than they have been before? Excellent service recovery is the key and with the right activities, companies can fully utilize the service recovery paradox.

The **"service recovery paradox* states** that with a highly effective service recovery, a service or product failure offers a chance to achieve higher satisfaction ratings from customers than if the failure had never happened. A little bit less academically, this means that a good recovery can turn angry and frustrated customers into loyal customers. In fact it can create even more goodwill than if things had gone smoothly in the first place.

Nevertheless not all service recovery efforts will lead to increased satisfaction ratings as several studies have already shown. The key is to understand that there are certain situations when it is highly likely that a service recovery will lead to increased customer satisfaction. Services recoveries that are likely to be efficient are obviously those where the service failure is perceived to be not systematic or that the company had little control over it.

But even in cases when it was a systematic failure and the company had control over the failure there is benefit for when service recovery activities are put into action to ensure that one can win-back customer's and the source of failure is eliminated

15.4 STRATEGIES AND TACTICS FOR SUCCESSFUL SERVICE RECOVERY

It is easy to focus on creating always better and more differentiated products and services when designing for remarkable customer experiences. Maybe it is simply human, that we tend to not look at situations when a product or service fails (think positive!) your customer's loyalty will be negatively impacted.

Every service (human or technology driven) as well as product will eventually fail one day and put your customer in a uncomfortable situation. Smart organizations will understand this and develop a service recovery program which ensures that their customers are satisfied even after things have gone wrong.

When organizations plan to implement recovery programs it is helpful to differentiate between (1) the strategic initiatives that should be in place before the actual problem occurs and (2) the tactical activities that should happen after a problem has occurred and the customer contacted the company.

Let's start with the strategic initiatives that will ensure that the right environment for remarkable service recovery is in place.

Anticipate the needs for recovery: Whenever you roll out a product or service, the people related with it are probably well aware of potential problems or obstacles that might occur. It is probably not so much arrogance than probably more wishful thinking that limits the ability of companies to foresee potential problems with a product. Accepting that even the best designed product or service will fail one day in specific situations is the first step. Anticipating potential problems will help organizations to be prepared when the first customer contacts the company with a problem.

Build an organization that is fast In decision making, and fast to response:One of the key success factors to win back customers and restore their satisfaction is to act fast. While your front-line employees might be working hard {and fast) already, the whole organization that deals with service recovery has to be "designed for agility". This includes clear escalation and decisionmaking processes. One key principle should be that the fastest decision-making happens when the front-line employee can make the decision. So the real goal is not to define better escalation processes, but to define processes that empower employees so that escalation processes are not necessary anymore.

Empower front-line employees: In most companies, the employees that are actually interacting with customers **Eire** the ones that receive the lowest salary in an organization. While increasing the salaries (compared to other competitors) is one way to attract and retain talent that is able to deliver exceptional service, empowering employees and giving them the freedom to do whatever is necessary to ensure that customers are satisfied is probably even more economically meaningful.

Train employees: Ensure that your training program includes not just lessons on delivering service when everything works out as planned but also to include lessons that teach employees to improvise or to set recovery programs into action if something goes wrong.

While these strategic initiatives are important to define the long-term direction of your service recovery programs, the "moment of truth" happens when a customer contacts a company and interacts with an employee to discuss the problem and possible solutions.

In these moments the following seven rules should be applied by employees that are actually interacting with your customers:

Acknowledgement: Acknowledge that there is a problem. It doesn't matter whether the customer didn't understand certain aspects that are obvious from an organization's perspective. He is the one that has a problem and if you want to keep this customer he needs to be taken serious. If one tries to convince customers that there is no problem, you are actually telling them they are stupid. This applies also to situations when the customer is following the wrong steps to perform a task - never blame the customer.

Empathy: Understand the problem from a customer's point of view and also understand that he might be upset after a problem has occurred. While it is not necessary to listen to a customer when he starts cursing at employees, front-line employees should tiy to create an atmosphere that supports and enables a positive solution of a problem. Confronting the customer with his anger and frustration will not lead to an escalation of the problem, communicating that one can understand his situation will.

Apology: Saying sorry in the name of the company occurred is essential. Whether the employee should apologize in his name or in the name of his company depends on the context of the service recovery. If the employee (or a direct colleague) was involved when the problem occurred, he should apologize for himself. If the employee is in a call-center and a problem happened at a completely different location in the organization, he should apologize in the name of the organization - everything else is not authentic.

Own the problem: Taking ownership of the problem by the employee that is confronted with the problem (no matter in what position he is in) ensures that customers feel that they are taken care of. And even if your job is not to resolve the problem ultimately, telling customers to go somewhere else (and not "bringing* them there) sends the message that they don't care.

Fix The Problem: Obviously fixing or at leasing trying to fix the problem for the customer should be the top priority. This might be easy in some situations (maybe just replacing the defect product) it becomes a challenge when the problem is not a real problem. Let's say the customer was simply using the product in a wrong way, fixing the problem in such a situation means reeducating the customer so that he uses the product or service in the supposed way.

Provide assurance: When Customers get in touch with you to report a problem and to demand a fix their most important need is to be taken seriously. Giving them a feeling of assurance that the problem will be sorted out and should (hopefully) not occur again will leave a professional impression and help rebuild the customer's confidence a company's products and services.

Provide compensation: If you want to make angry customers happy, give them money. Providing a refund, token or other compensation depending on the severity of the problem remains to be a powerful method for service recovery. Increasing the amount of money that a company pays to company to fix problems requires a rigorous control but it can indeed ensure that your customers are satisfied. It is important to note that just "handing out money* is not enough - if money is handed out unfriendly or even worse, in a tedious discussion with the customers, satisfaction will not be restored.

15.4.1 SELF-HELP EXERCISE

3. What is the "moment of truth" in service recovery, according to the passage?
 a) Anticipating potential problems b) Empowering front-line employees c) When a customer contacts the company d) Providing compensation

4. What is the top priority during service recovery, according to the passage?
a) Acknowledgement b) Providing assurance c) Fixing the problem d) Offering compensation

15.5 SERVICE GUARANTEE

A service guarantee is a statement that clarifies what the customers can expect from a service, and what the company will do to rectify the situation if the service does not meet
expectations. The guarantee have been claimed to have a number of influences on how services are managed as the guarantee clearly states the level at which the service should be delivered, and indicates the costs of failing to do so. Some of these influences include learning from service failures, setting standards for service delivery for both employees and customers, serving as a competitive advantage, and increasing satisfaction and retention of customers. Despite a growing interest from service organizations, research on service guarantees has been surprisingly scarce.

One challenge for service organizations is to recover the customer and build satisfaction after a service failure has occurred. Service recovery involves recognizing that service failure has occurred and doing something to correct it. Customers fail to complain about service quality failures because they: believe the.organization will not be responsive; do not wish to confront the individual responsible for the failure; are uncertain about their rights and the firm's obligation; and are concerned about the high cost in time and effort of complaining. A service guarantee may serve as an incentive for customers to overcome these fears about contacting the company after service quality failures, intending to prevent service failure from terminating the customer relation and to restore Satisfaction.

The importance of service recovery has been stressed by a number of researchers identifying that the many uncontrollable factors in service delivery makes the occasional service failure is unavoidable. A broad definition of service recovery is that it."involves recognizing that service failure has occurred and doing something to correct it. It differs from complaint management as it aims at providing ah immediate solution to prevent that a customer leaves the service encounter dissatisfied, whereas complaint management reactively deals with the complaints on service failure. Its importance has been stressed for several reasons; "Service recovery is one of the most important determinants of service quality and customer loyalty. Customer loyalty has a direct impact on profitability*, emphasize the identification, collection, and analysis of service failures in order not only to satisfy the customer but also to learn from the experience. Service guarantees have been attributed a number of benefits such as building loyalty, sales and market share, achieving service quality, customer satisfaction, and service recovery. The guarantee's effect on consumers* evaluation of services display that guarantees may increase prepurchase evaluations, but only under certain conditions, and that the presence of other quality components also influence how the consumers' perceive the service guarantee and the service offering. Service recovery indicates that a successful recovery program may lead to an increase in customer satisfaction, and even to customer delight. The service guarantee is considered such a recovery device.

15.5.1. SELF-HEP EXERCISE

5. How does a service guarantee serve as an incentive for customers in the context of service recovery?
a) By preventing service failures b) By lowering customer expectations c) By reducing the cost of complaining d) By overcoming fears about contacting the company after service quality failures

6. According to researchers, why is service recovery considered one of the most important determinants of service quality and customer loyalty?
a) It avoids all service failures b) It provides an immediate solution to prevent customer dissatisfaction c) It has a direct impact on profitability d) It eliminates all uncontrollable factors in service delivery

15.6 LEARNING. FROM CUSTOMER FEEDBACK

Many times, marketers build their ads and other creative materials based, on gut feel or other various forms of research such as focus groups or surveys. This approach is oftentimes highly successful, but it can often lead to companies losing direct touch with their customers.

Many products have obvious applications, for instance Nintendo's Wii is one of the hottest video games on the market now. It is easy to see that the gaming system would be used to play games by a variety of age groups, but who would have guessed that it was being used for types of physical therapy and as a source of exercise in retirement homes? Chances are that Nintendo's marketing team did not have this in mind in their initial plans; but now their new commercials show a wide spectrum of generations playing the system.

The lesson learned is that customers may use products and or services in a variety of ways. Company could invest a lot of money on researching how the product is used, but may not nail down an opportunity that could reap large benefits. The question is how can Co. get to know customer directly without expending resources?

With it so easy to collect customer feedback these days you'd think most companies would have an excellent "read" on their customers. Unfortunately, that doesn't seem to be the case. While the increase in customer contact points such as blogs, social media sites, online communities, and word-of-mouth have increased the quantity of customer feedback, many companies struggle with what to do with all this feedback.

So why so few outputs from customer feedback?

There are several reasons, and unfortunately none of them are as easy to solve as it was to collect the feedback in the first place. Some reasons that come to mind are:

- [1] **The feedback mechanisms are poorly designed at the outset and deliver vety little in the way of actionable insights. Often times multiple tools that collect data at different customer touch points are inconsistent in their language rendering the data confiising.**
- **There is no process outlining vhat to do with the data once it is collected. There is no clear owner of the data, there is no accountability to make improvements based upon the feedback, and there is no mechanism to track improvements.**
- **Probably the most important, is the company itself does not have a culture of valuing customer feedback.**

15.6.1 SELF-ELP EXERCISE

7. **What is identified as one of the reasons for the limited output from customer feedback in the passage?**
a) Lack of customer contact points b) Poorly designed feedback mechanisms c) Excessive reliance on online communities d) Overemphasis on blogs

8. **why do many companies struggle with what to do with customer feedback despite the increase in customer contact points?**
a) Lack of customer feedback mechanisms b) Inconsistent data collection tools c) Overemphasis on social media feedback d) Difficulty in solving customer issues

15.7 SUMMARY

Service recovery is to identify customers with issues and then to address those issues to the customers* satisfaction to promote customer retention. However, service recovery doesn't just happen. It is a systematic business process that must be designed properly and implemented in an organization. A service guarantee is a statement that clarifies what the customers can expect from a service, and what the company will do to rectify the situation if the service does not meet expectations.

15.8 SHORT QUESTIONS

- **Write a note on Service guarantee.**
- **What are different Strategies for service recovery?**
- **Why consumer feedback is needed?**

15.9 LONG QUESTIONS

- Explain the concept of service recovery maturity and discuss each stage in service recovery maturity.
- Outline the importance of having effective strategies for service recovery in the service industry.
- Highlight the importance of actively seeking and learning from customer feedback in the service industry.

15.10   ANSWERS TO SELF-HELP EXERCISE

Answers: 1:a, 2:c, 3:c, 4:c, 5:d, 6:c, 7:b, 8:b

15.11 SUGGESTED READINGS

- **Christopher lovelock and Jochen Wirtz 'Services Marketing, People, technology, Strategy* 5th Edition, Pearson Education, 2004.**
- **Hart, C.W.L.; Heskett, J.L.; Sasser, W.E.: The profitable act of service recovery. Harvard Business Review 68 (4), 1990, pp, 148-156**
- **Johnston, R.; Michel, S.: Three Outcomes of Service Recovery: Customer Recovery, Process Recovery and Employee Recovery, International Journal of Operations &Production Management 28 (4), 2008, pp. 79 - 99.**

APPLICATIONS OF MARKETING OF SERVICES

STRUCTURE

16.0 OBJECTIVE

- Understanding applications of marketing of services
- Exploring areas for application of service marketing concepts

16.1 INTRODUCTION

Services are widely used by the 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-days are increasingly used by the corporate as well as the household sector. This emphasis on services and its increasing use has not happened overnight- it started in the twentieth century especially after the end of World War II. Due to large scale destruction during the war, a lot economic activities had to be carried out to bring the war torn economies back on road. This resulted in number of new projects which fuelled the demand for financial services. As we know the role of agriculture is reducing in the economies of industrial societies, that of services has been increasing at a fast pace. As economies shift from developing to developed stage they will show more and more shift towards services. In the present chapter we will try to explore few areas in which marketing of services will open ample of opportunities for the business. An overview of the various areas can be had from the Exhibit 1.

Exhibit 1

MARKETING OF SERVICES - APPLICATIONS

S. No.	Business Area	Marketing of Services Opportunities
1	Tourism and Travel Services	• Tourism • Hotel • Airline Services • Travel Services • Railways' Services
2	Transportation and Logistics Services	• Multimode Freight Transportation Service • Courier Services • Logistics Services
3	Financial Services	• Insurance • Banking • Housing and Financial Intermediation • Portfolio Management • Factoring • Mutual Funds
4	Information Technology and Communication Services	• Information Technology Services • Telecom Services • Computer Networking Services
5	Media Services Marketing	• Media Services • Newspaper Marketing • Broadcasting Services
6	Healthcare Services	• Hospital Services • The medical Transcription services
7	Professional Services	• Consultancy Services • Advertising Services • Marketing Research Services • Retail Services
8	Education and extension Services	• Education • Training « Agricultural Extension Services
9	Public Services	• Social Marketing • Religious Services

16.2 APPLICATION IN TOURISM MARKETING

There can be various reasons for a tourist to visit a destination of some interest. A destination might be visited because of its natural landscape or resource, historical monument, religious significance shopping or it may be man made tourist attraction. But how to create the need amongst the potential tourists about the destination is what tourism marketing is all about.

In tourism marketing we are marketing a destination. Once a destination is sold to a customer or customer group, everyone who is providing some service in relation to tourism gets benefited. The hotel or the carriers or the travel agents, all benefit if tourism traffic is generated for a destination from domestic or foreign or both services.

A destination can have a variety of products or benefit to offer. It could be of historical importance or have a natural resource or an artistic landscape and in the absence of each a unique resource could be created. It could be of religious significance or adventure or a shopping paradise. All these features are important. A destination offers a unique combination of features which cannot be duplicated elsewhere. Building on this uniqueness of benefits to generate more tourism is the name of the game which is called tourism marketing.

Of late India has realized the role that tourism can play in the economic development. According to some estimates tourism is one of the largest foreign earning industries in India. It is in this context that the role of marketing takes greater significance of the tourism promotions.

16.2.1 A CASE STUDY OF MADHYA PRADESH

The Madhya Pradesh State Tourism Development Corporation was facing the problem how to attract tourists to Madhya Pradesh. Its objective was to develop and promote tourism in the state and to maintain and strengthen the existing tourist infrastructure. It adopted three-phased communication and promotion strategy which helped in increasing tourism by 100 per cent in three years.

PHASED STRATEGY

Phase - I

The basic aim was to convince potential tourist to consider MP as a destination. The conclusion was that is the environment, the ambience, enjoyment that is offered to the tourists that constitutes the total experience—everything that one remember later. And so it was decided that MPSTDC would sell not a place but an enjoyable experience.

Hence the creative strategy adopted was by using a first person narrative style and visuals showing people. It was the total experience that reader was invited to partake. A three -ad campaign focusing on the various attractions of MP was released during 1988-90.

To remove any further doubts about MP's accessibility, a thumbnail map of the state was placed in the advertisement Details about package tours were also included.

Phase -II

This phase included informing and educating potential tourists about the various destinations in MP. A contest route was adopted to generate excitement and to make people interested enough to learn more about the state.

Phase -III

The aim of the exercise was to motivate tourists to visit some specific destination. Separate advertisements were created for each of these destinations in the same first person narrative style used in Phase 1.

16.2.2. SELF-HELP EXERCISE

1. What is the primary focus of tourism marketing, according to the passage?
a) Selling products and services b) Creating destinations c) Attracting tourists to a destination d) Promoting historical monuments

2. What is the significance of marketing in the context of tourism promotions, according to the passage?
a) Marketing is irrelevant in tourism promotions b) Marketing plays a limited role in tourism promotions c) Marketing is crucial for tourism promotions d) Marketing is only necessary for domestic tourism

16.3 APPLICATION IN HOTEL MARKETING

Hotels are a meyor service industry in India. Their significance is undoubted. A number of international hotel chains have come to India, either independently or with tie-up with an Indian partner. The Government of India* tourism department has realized their importance and started clarifying them on the basis of the standard of their facilities. An effort is also being made to India through its tourist's offices all over the world. To set achievable marketing goals and realistic objectives- four aspects of the hotel's offering to its chosen guests are involved. These are: the products, the price or the tariffs, distribution and marketing communication. A hotel where the product is already designed and fixed, one cannot change the prices quite often and distribution is limited to a few selected outlets, it is the marketing communication which is the most significant component of the marketing g activity. At the veiy outset some basic assumption regarding hotel marketing are necessary. These are:

- Hotel customers are referred to as guests as they receive hospitality by way of accommodation, food and drink or all for which they pay. If satisfied; they return to the hotel for receiving further paying hospitality.

- A hotel is "immovable "in contrast to a manufactured product or service which is mobile and can be taken from the venue of production to site of consumption.

» The capital investment in the hotel industry is generally high and the gestation period for adequate returns on the investments is normally long.

- The demand for hotel facilities has a variety which a few manufactured products have,

- Some hotel facilities like rooms, and 'covers' in restaurants are quickly perishable just as empty air lines seats are.

- Hotels are not only in competition with others hotels but also with the products and services of others industries catering to discretionary expenditure.

These assumptions postulate the economic viability of a hotel depends largely on there factors. First the speed with which demand for hotel facilities can be generated; second the capacity to ensure and retain customer satisfaction which will result in repetitive business and third, the package .tenor of atmosphere service and quality which together constitute the basic service that is offered, which consist of accommodation and food and beverage.

16.4 APPLICATION IN TRAVEL SERVICE MARKETING

Conventionally, it was believed that a travel agent does not create a need but only fulfills an existing need. But it is now a reality that a number of TAs not only creates the need to travel to destination but give business to hotels, carriers and many others. A TA is an important link between the traveler and the rest. Hence some travel agencies have grown and benefited from the marketing approach.

The purpose of marketing is to crate a customer. To do this, you have to know who your customer is and can be. The customer perceives a value to be received for his money and this perception determines his decision variable. You will have to influence this decision variable by reaching beyond your immediate product circle to societal, environmental and economic factors.

The problem with marketing a trade service is undeniable similarity of the primary products. Thus the importance of add-on arises. The job becomes difficult because the marketer is dealing with tat elusive quality-private perception-most of the time. However the trade must use the sophisticated tools to engineer these add-ons.

The travel trade in India over the last sixty years or has grown fast but in unregulated manner. Consequently, a confusing admixture of players exists' on the scene; The IATA agent, the non IATA agent, The GSA and the PSA, The bucket ships, the consolidator, the in house agencies, one man show, the visa people and passport touts and so on. Each competes with others thereby stabalising the market. There is unfortunate concentration of marketing efforts centering around the metros and efforts, is not sufficiently dispersed. However, in a country like India regional dispersion of preferences determine the market modalities. The tools available to the trade are also underdeveloped.

The qualitative success of marketing efforts depend on how clearly the marketer understand the service level his agency can deliver and the factors which make it distinct from its competitors such factors are both generic as well as specific.

The generic factors are the seven Cs; competence, credibility, confidence, consistency, customization, care, and clout. Like many abstractions, it is easy to get an overall idea of what is needed but extremely difficult to concertise these into company policies and systems which works for you. The specific factors are more clearly identifiable by both the marketers and the person he or she is going to convince.

The clear definable advantages for the travel agents are: a comprehensive basket of services, a strong value addition to his product, judicious application of credit and discounting policies, a direct involvement in the client's travel expenditure plans, successful service recovery systems and effective institutional advertising to create and sustain the agency 's image in the public mind.

The travel trade in India is other modes of transport one of the fastest growing business. It attracts both the technocrats as well as the hustler.

16.5 RAILWAY SERVICES MARKETING

Railway in India are a semi monopoly as they hardly face any competition from any other mode of transport in respect from any competition from other modes of transports in respect of number of traffic carried by them. Long distance passengers of average means and commuters in and around metropolitan cities have any choice. Similarly, long and medium distance freight traffic comprising bulk commodities such as iron-ore, cement, fertilizers, iron and steels etc have to depend primarily on rail transport.

As far as marketing of railway services is concerned pricing is a major element which is needed to be updated from time to time. The other elements of marketing, however, have a limited scope primarily due to two reasons: first semi monopoly of Indian Railway and secondly, the demand and supply syndrome. Pricing of railway 's services is not guided by competitive market forces but is decided by the government after detailed discussions in the parliament keeping in view socio-economic factors and the overall interest of the country. Therefore, Rail tariffs in India are, in fact, administered prices. Pricing of railway services influence not only pricing of essential commodities, raw materials and finished products but also a large population of traveling public. Therefore the importance of having a proper and rational pricing polity for the . railway cannot be over emphasized.

Also Railway has the flexibility of being a discriminating monopoly. They can fix different tariffs for various commodities and passenger services as long as there is no undue discrimination between individual or specific users. Thus they can resort to cross subsidisation of certain services by others. Keeping in mind the semi monopolist nature of rail transport and social welfare state there are four important aspects which have to borne in mind while devising freight rates and passengers fare structures;

- Requirement of developing economy
- Importance of making the railway financially visible
- Interest of common man
- Possibility of increased efficiency

16.5.1 SELF-HELP EXERCISE

3. What is a major element in the marketing of railway services in India that needs to be updated from time to time?
a) Government regulations b) Socio-economic factors c) Pricing d) Demand and supply syndrome

4. How are rail tariffs in India determined?
a) By competitive market forces b) Through detailed discussions in the parliament c) Based on international pricing standards d) By the Railway Marketing Authority

5. What allows Indian Railways to be a discriminating monopoly in pricing?
a) Competitive market forces b) Government regulations c) Semi-monopoly status and flexibility d) International pricing standards

16.6 COURIER SERVICES MARKETING

The Indian Postal Service has always had an image of solidarity and omnipresence-you post a letter and it would reach the recipient be it in any remote comer of the country. In modem times, with increasing demand for faster and guaranteed delivery, and introduction of 'just in time' concept in the communication world, private courier companies have had a field day. Markets were growing fast, almost doubling every **year.** To enter the courier market and to compete with the private courier services, the Department of Posts started 'Speed Post' in August, 1986. And from day one, Speed Post has shown that a government run organization can be a worthy competitor-even as good as the private sector companies. "Speed Post' can be termed as probably the one successful product launched by a government department, in recent history.

Speed Post has had to overcome the public perception of postal service. Add to this the general feeling of inefficiency and unreliability for any government organization. The road to success, anyway, was not going to be easy for Speed Post. So the Department of Posts entrusted the job of tackling this problem to its newly created 'marketing division*. An extensive media campaign was launched to tackle this perception which focused on the ability of speed Post to deliver goods as efficiently and as safely as any other reputed courier service. Providing similar services as other firms, Speed Post's lower price structure is a definite product advantage. This message has been sought to be driven home in a hard hitting advertisement campaign which focused on reducing courier costs of companies using courier services.

The courier market has become more and more specialized with the introduction of increasing elements and facilities. Focus is on a shift from 'generic selling* to *brand selling' and from 'documents only' to 'documents plus'. Speed Post has chalked out a clean market strategy for itself. Deciding to focus on the domestic market, it is looking beyond the traditional segment of document traffic to fast growing non-document traffic for both corporate entities and individuals. A 'Speed Post Cargo' service is to be launched shortly.

Speed Post is continuously increasing the network of its service and today it can boast of 62 national centers, 664 point-to-point stations, 61 International centers and over 550 booking offices all over the country.

To improve its operations, Speed Post plans to introduce hi-tech automation which would include computerized counters, electronic sorting system, computerized tracking and tracing of articles, improved collection and delivery system, automatic refund of money in case of failure, and introduction of POD. It is also planning to ensure a professional and customer oriented atmosphere inside its offices and shortly launching a National Corporate Identity Plan.

16.7 MARKETING LOGISTICS SERVICES - PIPELINES

There is an increased demand of petroleum products in India, To meet this demand exploration activities need to be increased(currently under the NEPL, deep sea drilling contracts have been awarded), new refinery activities to be added and the distribution net work of the finished products needs to be created . The demand supply gap between petroleum products is increasing day by day and is widening more than 50%, The hydrocarbon sector, therefore, will be demand driven and have a good potential in the next 15 to 20 years.

The pipelines are the lifeline of any country; it is the pipeline, which carries the petroleum product near to the end user from far off refineries.

There is always a need for improvement in technology to take place to keep pace with development in international market and better utilization of our own resources. From time to time new technologies have been introduced in India including the induction bends technology which has recently been introduced. This technology is used for fabricating bends for pipelines and spools in refineries. A study is being conducted to find out the growth potential of pipeline related products and import substitution/export of these products in India.

The major utilization of pipelines is by oil and gas companies in exploration, refinery and distribution. There are major plans by the government and private companies to lay pipelines to cater to increasing demand of consumers and reduce load on railways. By world standards, we use the least of pipeline network for transporting petroleum product through pipeline. Two committees - India Hydrocarbon Vision 2020 and LNG vision 2025 - have been constituted in MOP and they have recommended number of pipelines amounting to more than 20,000 KM each to be laid in the coming 10 years. In addition, the international scenario of pipeline is very attractive - a large number of pipelines are being planned in many countries specifically in Bangladesh/Iran.

There is consistent demand and growth potential available for next 10-15 years and in short-term (in next six years), approximately 4000 bends per annum are required, amounting to an average business of Rs. 35-40 Crore per annum for next five years, in India. There is also a demand in neighboring countries- specifically in Iran and Bangladesh there will be demand of 1000 bends/ annum amounting to Rs. 3.50 million USD/annum.

It is advantageous to set up induction bend units in India. Looking into the synergy in Pipeline, related products the pipe-manufacturing unit should establish coating and induction bends manufacturing units to offer a larger package to clients. Bangladesh market should be seriously tapped for exports of these products.

16.7.1 SELF-HELP EXERCISE

6. What are the recommendations of the committees - India Hydrocarbon Vision 2020 and LNG Vision 2025?
a) To reduce load on railways b) To establish coating and induction bends manufacturing units c) To lay more than 20,000 KM of pipelines in the next 10 years d) To explore the international market for pipeline products

16.8 MARKETING OF INSURANCE SERVICES

A number of concerns are being expressed regarding the opening up of the insurance sector. But most of them seem to be unfounded. National interest lies in increasing the penetration of insurance products, increasing the retention of premium in India and mobilizing resources for infrastructure needs.

It will be vital for new entrants to choose their product and service offerings carefully. In doing so, they must consider two possible pitfalls. First, when estimating the potential of the Indian insurance market, it is tempting to look at macro-economic variables such as the ratio of premium of GDP, which is indeed comparatively low in India. For example, India's life insurance premium as a percentage of GDP is 1.3% against 5.2% in the US, 6.5% in the UK or 8% in South Korea. Given India's large population, the number of potential buyers of insurance is certainly attractive. The second trap is the tendency to target the business of existing companies rather than expanding the market. New players find it easier to tiy to capture the existing customer by offering better service or other advantages, Yet, the benefits of this strategy are likely to be limited. A better approach may be to examine specific niches where demand can be met or simulated. In our view new entrants world be best served by a micro level approach on two fronts.

Competition means that players aggressively target potential customersand this will increase the penetration of insurance and help build local professionals with world class expertise by introducing the best global practices. Competition will also develop a better understanding of consumer requirements leading to more customized products apt for the market-place. Besides, it would also improve the tertiary sector tremendously. Development of tertiary sector would imply new avenues for actuaries, accountants, stockbrokers, and others.

16.9 MUTUAL FUNDS MARKETING

With the growth in savings market, mutual funds got a boost that there are numerous 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.

There has been a significance expansion of the Indian financial sector in terms of scope and content during the last decade. A well developed financial infrastructure, a number of financial institutions and a variety of financial instruments have been promoted to cater to the needs of increasing savings and expanding the capital market in India. However, the most remarkable development during the 1980s was the entry of 'mutual funds' as an important link between savings and the capital market. They (mutual funds), however, are going to face increasing challenges in the emerging financial market due to the ongoing process of liberalization, deregulation and attempt to globalize the Indian financial sector.

Savings market is growing and so is the need for financial services of mutual fund. The emergence of small investors in urban and rural India is evidence enough that the types of schemes and the benefits offered has made the task of marketing complex. However, an effective marketing research and careful product planning supported by the desired customer service can help in marketing mutual funds successfully

16.9.1 SELF-HELP EXERCISE

7. What challenges are mutual funds expected to face in the emerging financial market, as per the passage?
a) Entry of small investors b) Expansion of the Indian financial sector c) Liberalization, deregulation, and globalization d) Growth in the savings market

8. How many heads are mentioned under which all mutual fund schemes can be classified?
a) Four b) Five c) Six or seven d) Ten

16.10 INFORMATION TECHNOLOGY SERVICE MARKETING

The growth in Information Technology (IT) industry is perhaps the fastest of all that within a span of 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.

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. What had started in the 1970s as essentially hardware or computer-oriented industry has now become a multi-dimensional force with an increasing influence on the quality of life.

The early 1970s saw large computer organisations like IBM and ICL as 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.

The first, an increasingly smaller size of hardware became available due to a technology called large-scale integration of circuits or what is commonly known as 'chips'.

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 far more influential tool in the development and use of systems.

The third major development that took place towards the eighties which had impacts on the hardware and the software industry was the speed and use of satellite communication.

Providing IT services became more important and that is where the industry rests. 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 allows users either a local area network (LAN), which allows access on computers within a building or wide area network (WAN) which is remotely and geographically distributed.

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 organisations. The resistance was apparent was because of the fear that the information technology would mean fewer jobs. Marketers of information technology failed to emphasise that services use has actually improved productive and did not replace jobs.

A set of seven elements were found to be of utmost importance for such organisations. Application Software, Professional Services, System Integration, Maintenance Services, Education and Training, Technology oriented Applications and Software packages are considered to be significant. It is hearting to see that in this sector education and training has been seen as one of the major elements of the marketing mix.

16.11 HOSPITAL SERVICES MARKETING

As the specialized hospitals are growing in number, each is trying to create a distinct 'positioning' for it. There are hospitals specializing in Cardiac Surgeiy, Cancer Care, Spinal injury, Eye hospitals, Abortion clinics, Maternity homes, etc. Each one is trying to create a unique identity and wants to cater to a specific segment of the market.

The process, by which they identify, what type of health service should be offering, is nothing but applying some concepts of marketing related to segmentation, targeting, positioning.

Thus, we see that the marketing concepts can be applied to health care sector. In regard to hospitals, we may change the word "customer* with "patient". Since the doctor's very existence is related to the patients, hospitals become an integral part of the medical care.

16.12 MEDICAL TRANSCRIPTIONS SERVICES

Given the advances made in technology, especially information sciences, the world has shrunk. This has resulted in a big business opportunity because companies can now outsource service requirements using technology and infrastructure to low cost centers.

IT enabled services help companies to support information requirements, both internally and externally with the help of computers and telecom .networks.

With this development, the logic of labour outsourcing has been stretched to other extreme. Earlier outsourcing was limited to raw materials only; now even services and support functions can be outsourced beyond geographical barriers. With IT enabled services, any company can have 24-hour access and interaction with its customers anywhere in the world.

In the past, outsourcing was limited because of physical barriers. Historically, manufacturing facilities, especially in labor-intensive areas, got transferred to low cost countries like China, India and rest of South East Asia. The advances in information sciences has resulted in outsourcing of services, which has created in its wake, a new segment called IT enabled services. The adjective IT highlights the fact that IT infrastructure is the key to growth.

IT enabled services are growth opportunities for the new millennium. Its rapid growth is an outcome of

- Declining charges for telecom infrastructure
- Declining unit cost of computing power
- Increasing tendency to outsource non-core competency areas.

The spectrum of IT enabled services includes call centres, medical transcription, back offices operations, accounting and legal services, content development especially for the Internet, payroll management, logistics management, GIS mapping, etc. the entire range of IT enabled services vary from pure and simple data entry to customer interaction, which is complex and requires intelligence.

The key distinguishing features of IT enabled services are that they are provided from a country different from where the products are delivered by the use of telecommunication and data networks. The said services cab be externally contracted (by company A to company B) or have internal division of a company in different area (like a division of company A or its subsidiary in India, China, etc). What it does not evolve is the outsourcing of production, remote production, manufacturing units and virtual business on the Net. The key derivers of IT enabled services are outsourcing and outlocation.

Outsourcing means that some functions can be done more economically externally, something like "make or buy* decision in manufacturing. Effectively it means that all activities like salary processing, data mining, call processing, credit cards processing, etc can be outsourced to a third party at a cheaper rate, instead of building overheads in-house. Outlocation means that company A has got a subsidiary or division located in a low cost area to provide the same.This takes advantage of the lower cost of manpower to deliver the services over the telecom links. Call centres, financial accounting services, engineering design, animation are very good examples of the same. The prime industry targets for IT enabled services are banking, insurance, airline reservations, hospitals and utility billings. The IT enabled services would benefit from the growing popularity of the Internet. Internet will change the way the world looks at IT enabled services because it allows 24 hour access to recourses anywhere across the globe and lower transaction costs. This means that proprietary networks need not be set up for implementing the services.

Global majors like GE capital, American Express, Lufthansa, British Airways, Singapore Airways, etc have already invested in IT enabled services in India. The specific services include transaction processing, call centres, billing, credit card processing, medical transcription, etc.

16.12.1 SELF-HELP EXERCISE

9. What does "outlocation" refer to in the context of IT enabled services?
a) Outsourcing to a third-party b) Building overheads in-house c) Remote production and manufacturing unitsd) Having a subsidiary or division in a low-cost area

10. According to the passage, what will change the way the world looks at IT enabled services?
a) Physical barriers b) Declining charges for telecom infrastructure c) Lower transaction costs d) Manufacturing facilities

16.13 SUMMARY

Traditionally, service industries have typically lagged behind manufacturing firms in adopting and using marketing concepts. But it is quite evident from the consistently increase in contribution of service sector in GDP of our country (more than 50%) that application of marketing of services in every sphere of life has been well understood by the corporate sector. A lot has been done to exploit the same to contribute positively towards the economic growth of our country and lot is being done to capitalize it further to build India a strong nation on the global scene.

16.14 SHORT QUESTIONS

1. What are different **marketing of services opportunities in Financial institutes?**

2. What are the different applications in railway services marketing?

16.15 LONG QUESTIONS

1.Explore the various applications in the field of tourism marketing. Discuss specific examples and their impact on   the industry.

2. Write a note on **marketing of services opportunities in field of**

a) Information Technology

b) Medical transcriptions

16.16 ANSWERS TO SELF-HELP EXERCISE

Answers: 1:c, 2:c, 3:c, 4:b, 5:c, 6:c, 7:c, 8:c, 9:d, 10:c

16.17 SUGGESTED READINGS

1.   Rajendra Nargundkar, "Services Marketing : Text and Cases* (Tata McGraw-Hill), 2004.

2.   Christopher Lovelock, Jochen Wirtz and Jayanta Chateijee, "Services Marketing: People, technology, Strategy" (Pearson), 2007.

3.   Valarie A. Zeithaml, Maiy Jo Bitner, "Services Marketing : Integrating customer focus across the firm* (Tata McGraw-Hill), 2005.

Ravi Shankar, "Services Marketing : The Indian Perspective' (Excel Books), 2002.