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**DIRECTORATE OF DISTANCE EDUCATION**

## **Services Marketing**

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**MBA - MARKETING**

**MBA - GENERAL**

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**Paper - XVII**

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**Services Marketing**

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**Objectives**

- To familiarize with the special characteristics of services relevant for marketing
- To analyze the customer satisfaction and complaint management in services
- To evaluate the financial implications of improvement in services, and
- To acquaint with CRM application in service marketing.

**Unit - I**

Marketing of Services - Introduction - Growth of the Service Sector - The Concept of Service - Characteristics of Services - Classification of Services - Designing the Service Blueprinting, Using Technology - Developing Human Resources - Building Service Aspirations.

**Unit - II**

Marketing mix in services marketing - The seven Ps - Product Decisions - Pricing Strategies and Tactics - Promotion of Services and Placing or Distribution Methods for Services - Additional Dimensions in Services Marketing - People, Physical Evidence and Process – Internet as a service channel.

**Unit - III**

Strategic Marketing Management for Services - Matching Demand and Supply through Capacity Planning and Segmentation - Internal Marketing of a Service - External versus Internal Orientation of Service Strategy.

**Unit - IV**

Delivering Quality Services - Causes of Service-Quality Gaps - The Customer

Expectations versus Perceived Service Gap - Factors and Techniques to Resolve this Gaps in Service - Quality Standards, Factors and Solutions - The Service Performance Gap Key Factors and Strategies for Closing the Gap - Developing Appropriate and Effective Communication about Service Quality.

## **Unit – V**

Marketing of Services with special reference to Financial Services - Health Services - Hospitality Services including Travel, Hotels and Tourism - Professional Services - Public Utility Services - Communication Services - Educational Services.

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## UNIT - 1

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### Marketing of Services

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#### Learning Objectives

- After going through this Unit you should be able to:
- Analyze the Key Economic Indicators about India
- Understand the meaning of Services?
- Appreciate the Growth of Service Sector
- Understand the Concept and Characteristics of Services

#### Marketing of Services

**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 it quickly perishes. A person could go to a café one day and have excellent service, and then return the next day and have a poor experience.

#### Introduction

##### Key Economic Indicators *about India*

- **GDP:** \$691 billion
- **Growth:** Estimated 7-8 percent or higher in 2005-06; 7 percent in 2004-05
- **Breakdown:** Services equal 50 percent of the GDP; industry and agriculture equal 50 percent
- **Ranking:** 10th largest economy in the world and one of its fastest growing; fourth largest in purchasing-power parity terms
- **Per capita income:** \$640 in 2004-05, (almost double the figure of two decades ago). Of the 1.1 billion people, 39 percent live on less than \$1 per day

- **Purchasing power:** In 2005, approximately 170-300 million people had growing purchasing power, thus creating a growing middle-class consumer population
- **Youth Power:** Over 58 percent of the Indian population is under the age of 20. That is over 564 million people, nearly twice the total population of the United States

#### India at a Glance

- **Population:** 1.1 billion (Urban population - 28.4 percent)
- **Retail Mkt. Size:** \$286 billion (only 3.9 percent is organized retail). Retail trade is booming in the country due to increasing disposable incomes of middle and upper middle class
- **Growth of Malls:** 375 shopping malls by 2007 from 25 in 2003; Estimated space: 90 million sq.ft.
- **Growing Middle-class:** 300 million and estimated to be growing at 5 percent annually
- **Did you know that India:** is the world's second largest small car market
  - Is one of only three countries that makes its own supercomputers
  - Is one of six countries that launches its own satellites; one hundred of the Fortune 500 have R & D facilities in India
  - Has the second largest group of software developers after the U.S.
  - Lists 5,000 companies on the Bombay Stock Exchange; only the NYSE has more
  - Is the world's largest producer of milk, and second largest producer of food, including fruits and vegetables

#### Services 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 product-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
5. Service Marketing mix adds 3 more p's, i.e. people, physical environment, process service and follow-through are keys to a successful venture.

When one markets a service business, one must keep in mind that reputation, value, delivery of “Managing the evidence” refers to the act of informing customers that the service encounter has been performed successfully. It is best done in subtle ways like providing examples or descriptions of good and poor service that can be used as a basis of comparison. The underlying rationale is that a customer might not appreciate the full worth of the service if they do not have a good benchmark for comparisons.

However, it is worth remembering that many of the concepts, as well as many of the specific techniques, will work equally well whether they are directed at products or services. In particular, developing a marketing strategy is much the same for products and services, in that it involves selecting target markets and formulating a marketing mix.

Thus, Theodore Levitt suggested that “instead of talking of ‘goods’ and of ‘services’, it is better to talk of ‘tangibles’ and ‘intangibles’”. Levitt also went on to suggest that marketing a physical product is often more concerned with intangible aspects (frequently the ‘product service’ elements of the total package) than with its physical properties. Charles Revson made a famous comment regarding the business of Revlon Inc.: ‘In the factory we make cosmetics. In the store we sell hope.’ Arguably, service industry marketing merely approaches the problems from the opposite end of the same spectrum.

In economics and marketing, a **service** is the non-material equivalent of a good. **Service provision** has been defined as an economic activity that does not result in ownership, and this is what differentiates it from providing physical goods. It is claimed to be a process that creates benefits by facilitating a change in customers, a change in their physical possessions, or a change in their intangible assets.

By supplying some level of skill, ingenuity, and experience, providers of a service participate in an economy without the restrictions of carrying stock (inventory) or the need to concern themselves with bulky raw materials. On the other hand, their investment in expertise does require marketing and upgrading in the face of competition which has equally few physical restrictions.

Providers of services make up the Tertiary sector of industry.

## **Definition**

A service is an intangible product involving a deed, performance, or an effort that cannot be physically possessed. Dominant component is intangible.

Includes rental of goods, alteration and repair of goods owned by customers, and personal services. Major differences between goods and services are:

- Intangibility
- Inventory—over/under booking restaurant capacity
- Inseparability—of production and consumption
- Inconsistency/Consistency

## **The use of Marketing by Service Firms**

Has been limited to:

- Many service firms stress technical expertise, therefore have lagged in their use of marketing.
- Many service firms are small, marketing expertise cannot be hired.
- Strict licensing/legal restrictions limit competition and need for marketing.
- Service associations have prohibited marketing.....Lawyers until 1977; when the US Supreme court struck down such prohibitions as against freedom of speech...Jacoby & Meyers et al.
- High esteem of professionals, do not need marketing. A number of professionals have a dislike for marketing and a lack of understanding.

Use of marketing is likely to increase rapidly in the near future....due to competition etc.

## **Characteristics of Services**

### ***Intangibility***

They cannot be seen, handled, smelled, etc. There is no need for storage. Because services are difficult to conceptualize, marketing them requires creative visualization to effectively evoke a concrete image in the customer's mind. From the customer's point of view, this attribute makes it difficult to evaluate or compare services prior to experiencing the service

Prior to purchase, much service promotion must rely on performance attributes which can only be measured after a purchase experience (tangible goods have search qualities). Also professional services have credence qualities.

Need to use promotion to help customers perceive a service as highly tangibility.

- Develop tangible representation of the service, ie credit card serves as the physical product with own image and benefits. Make advertising easier. Airlines use an aircraft. Travellers umbrella.
- Develop a brand image—seek out U Haul as opposed to a truck service
- Word of mouth very important due to intangibility.
- Offer discounts and free samples/service to customers who encourage friends to come.
- Offer tangible benefits in sales promotions, must be consistent with customers needs/wants
- Establish a clear product position, ie 24 hour outside service for repair of industrial equipment.

Intangibility also presents pricing problems. How should an auto mechanic charge for his/her services?

Visibility of the service may be a problem. Although a problem may have been fixed, you don't understand why?. Need to explain the time needed for repair, and functions that were performed if you want the repair to be more tangible.

Psychological role of price is magnified since customers must rely on price as the sole indicator of service quality when other quality indicators are absent.

### ***Perishability***

Unsold service time is “lost”, that is, it cannot be regained. It is a lost economic opportunity. For example a doctor that is booked for only two hours a day cannot later work those hours— she has lost her economic opportunity.

Other service examples are airplane seats (once the plane departs, those empty seats cannot be sold), and theatre seats (sales end at a certain point).

## **Inventory**

Services cannot be stockpiled. Need to avoid excess unsatisfied demand and excess capacity leading to unproductive use of resources.

To resolve inventory issues:

- Market services to segments with different demand patterns
- Market new services having counter cyclical demand patterns from existing services
- Market new services to compliment existing services
- Market service extras at non-peak times
- Market new services not affected by existing capacity constraints
- Train personnel to do multiple tasks
- Hire PT employees during peak hours
- Educate consumers to use service at non peak hours
- Offer incentive, ie. reduce price at non peak times, this will not work in all instances, ie, travel at non peak hours.

## ***Lack of Transportability***

Services tend to be consumed at the point of “production” (although this doesn’t apply to outsourced business services).

## ***Lack of Homogeneity***

Services are typically modified for each client or each new situation (customised). Mass production of services is very difficult. This can be seen as a problem of inconsistent quality. Both inputs and outputs to the processes involved providing services are highly variable, as are the relationships between these processes, making it difficult to maintain consistent quality.

## ***Labour Intensity***

Services usually involve considerable human activity, rather than precisely determined process. Human resource management is important. The human factor is often the key success factor in service industries. It is difficult to achieve economies of scale or gain dominant market share.

***Demand Fluctuations***

It can be difficult to forecast demand (which is also true of many goods). Demand can vary by season, time of day, business cycle, etc.

***Buyer Involvement***

Most service provision requires a high degree of interaction between client and service provider.

**Inconsistency**

Lawn care service cannot mow a lawn precisely the same way each time, but need to make the service as efficient and consistent as possible.

Remedy—use technology to help make the service provider more consistent...or replace workers with technology:)

**Inseparability**

Leads to direct (short) channels of distribution. In some cases it is possible to use intermediaries, travel agents, ATMs etc.

Close provider-customer relationship—employee interpersonal skills very important. “relationship managers”, quality of relationships determines the probability of continued interchange with those parties in the future.

Customers may become loyal to a particular employee as opposed to the company, prevalent in the advertising industry. Therefore must make sure that multiple employees are capable of performing the same tasks.

**Classification of Services**

	<b>Service ontology for service bundling</b>	<b>Economic service classifications</b>
<b>Function</b>	<i>Combine</i> services into groups	<i>Divide</i> whole spectrum of existing services into smaller groups

<b>Grouping rules</b>	<i>Company- and domain-specific business rules</i>	<i>Global rules</i> (hold for the whole service industry)
<b>Nature of grouping rules</b>	Any type of dependency between services (e.g. difference, similarity)	Classification criteria that <i>differentiate</i> one service from another
<b>Abstraction level of reasoning</b>	<i>Instances</i> of services (e.g., ABN-Amro private unemployment insurance)	<i>Abstract classes</i> of services (e.g., insurance services)

## The Extent of Services in the Economy

US is the world's first service economy. More than 75% of the workforce in the private sector is employed in the service industry. Accounts for more than \$3bn in output and contribute 60% of GNP. 60% of services are consumed by the final consumer.

The increase in the service sector is a result of LT growth in the US economy deriving demand for additional services

- Travel
- Financial services
- Entertainment
- Personal care etc.

Dual income families need for convenience. Increase in health awareness.

## Illustration of Service Marketing

Marriott Hotels: Offer different services for different segments of their target market. Great attention paid to product positioning. Rely on research, publicity, TV advertising, use of well conceived slogans and greater personal attention to consumers. Quick resolution to customer problems—overbooking, long customer lines, unresponsiveness, discourteous staff. Hotels now offer alternative accommodations for over booking, computerized check out systems, express check outs, serving free drinks, provide baggage handling etc.

**Service Delivery:** The delivery of a service typically involves five factors:

1. The service providers (e.g. the people)
2. Equipment used to provide the service (e.g. vehicles, cash registers)
3. The physical facilities (e.g. buildings, parking, waiting rooms)

4. The client
5. Other customers at the service delivery location

The **service encounter** is defined as all activities involved in the service delivery process. Some service managers use the term “moment of truth” to indicate that defining point in a specific service encounter where interactions are most intense.

Many business theorists view service provision as a performance or act (sometimes humorously referred to as *dramalurgy*, perhaps in reference to dramaturgy). The location of the service delivery is referred to as the stage and the objects that facilitate the service process are called props.

A script is a sequence of behaviours followed by all those involved, including the client(s). Some service dramas are tightly scripted, others are more ad lib. Role congruence occurs when each actor follows a script that harmonizes with the roles played by the other actors.



Service-Goods Continuum

In some service industries, especially health care, dispute resolution, and social services, a popular concept is the idea of the **caseload**, which refers to the total number of patients, clients, litigants, or claimants that a given employee is presently responsible for. On a daily basis, in all those fields, employees must balance the needs of any individual case against the needs of all other current cases as well as their own personal needs.

Under English law, if a service provider is induced to deliver services to a dishonest client by a deception, this is an offence under the Theft Act 1978.

### **The Service-Goods Continuum**

The dichotomy between physical goods and intangible services should not be given too much credence. These are not discrete categories. Most business theorists see a continuum with pure service on one terminal point and pure commodity good on the other terminal point. Most products fall between these two extremes. For example, a restaurant provides a physical good (the food), but also provides services in the form of ambience, the setting and clearing of the table, etc. And although some utilities actually deliver physical goods — like water utilities which actually deliver water — utilities are usually treated as services.

In a narrower sense, **service** refers to quality of customer service: the measured appropriateness of assistance and support provided to a customer. This particular usage occurs frequently in retailing.

List of economic services

The following is an incomplete list of **service industries**, grouped into rough sectors. Parenthetical notations indicate how specific occupations and organizations can be regarded as service industries to the extent they provide an intangible service, as opposed to a tangible good.

- Business functions (that apply to all organizations in general)
  - Consulting
  - Customer service
  - Human resources administrators (providing services like ensuring that employees are paid accurately)
- Child care
- Cleaning, repair and maintenance services



- Janitors (who provide cleaning services)
- Gardeners
- Mechanics
- Construction
  - Carpentry
  - Electricians (offering the service of making wiring work properly)
  - Plumbing
- Death care
  - Coroners (who provide the service of identifying corpses and determining time and cause of death)
  - Funeral homes (who prepare corpses for public display, cremation or burial)
- Dispute resolution and prevention services
  - Arbitration
  - Courts of law (who perform the service of dispute resolution backed by the power of the state)
  - Diplomacy
  - Incarceration (provides the service of keeping criminals out of society)
  - Law enforcement (provides the service of identifying and apprehending criminals)
  - Lawyers (who perform the services of advocacy and decisionmaking in many dispute resolution and prevention processes)
  - Mediation
  - Military (performs the service of protecting states in disputes with other states)
  - Negotiation (not really a service unless someone is negotiating on behalf of another)
- Education (institutions offering the services of teaching and access to information)
  - Library
  - Museum
  - School
- Entertainment (when provided live or within a highly specialized facility)
  - Gambling
  - Movie theatres (providing the service of showing a movie on a big screen)

- Performing arts productions
- Sexual services (where legal)
- Sports
- Television
- Fabric care
  - Dry cleaning
  - Laundromat (offering the service of automated fabric cleaning)
- Financial services
  - Accounting
  - Banks and building societies (offering lending services and safekeeping of money and valuables)
  - Real estate
  - Stock brokerages
  - Tax return preparation
- Foodservice industry
- Hairdressing
- Health care (all health care professions provide services)
- Information services
  - Data processing
  - Database services
  - Language interpretation
  - Language translation
- Risk management
  - Insurance
  - Security
- Social services
  - Social work
- Transport
  - Service Car Rental
- Utilities
  - Electric power
  - Natural gas

- Telecommunications
- Waste management
- Water industry

## **The Services Marketing Mix**

Cowell states that what is significant about services are the relative dominance of intangible attributes in the make-up of the “service product”. Services are a special kind of product. They may require special understanding and special marketing efforts.

The provision of the continuing education contains the element of the tangible and intangible. It usually provides a learning materials (physical good) and also numbers of the service activities (teaching processes, contact with customers, organisation of the courses, etc.). The distinction between physical and service offering can, therefore, be best understood as a matter of degree rather than in absolute terms. The continuing education is service –based since the value of this product is dependent on the design and delivery of the CE courses rather than the cost of the physical product (teaching materials, CDs, etc.).

The **services marketing mix** is an extension of the 4-Ps framework. The essential elements of *product*, *promotion*, *price* and *place* remain but three additional variables – ***people***, ***physical evidence*** and ***process*** – are included to 7–Ps mix. The need for the extension is due to the high degree of direct contact between the CE providers and the customers, the highly visible nature of the service process, and the simultaneity of the production and consumption. While it is possible to discuss people, physical evidence and process within the original-Ps framework (for example people can be considered part of the product offering) the extension allows a more thorough analysis of the marketing ingredients necessary for successful services marketing.

### **People**

Because of the simultaneity of production and consumption in services the CE staff occupy the key position in influencing customer’s perceptions of product quality. In fact the service quality is inseparable from the quality of service provider. An important marketing task is to set standards to improve quality of services provided by employees and monitor their performance. Without training and control employees tend to be variable in their performance leading to variable service quality. Training is crucial so that employees understand the appropriate forms of behaviour and trainees adopt the best practises of the andragogy.

## **Physical Evidence**

This is the environment in which the service is delivered and any tangible goods that facilitate the performance and communication of the service.

Customers look for clues to the likely quality of a service also by inspecting the tangible evidence. For example, prospective customers may look to the design of learning materials, the appearance of facilities, staff, etc.

## **Process**

This means procedures, mechanism and flow of activities by which a service is acquired. Process decisions radically affect how a service is delivered to customers. The service in CE includes several processes e.g. first contact with customers, administrative procedure regarding course delivery, preparation, delivery and evaluation of the courses. The following guideline can be useful for successful CE management:

- Ensure that marketing happens at all levels from the marketing department to where the service is provided
- Consider introducing flexibility in providing the service; when feasible customize the service to the needs of customers
- Recruit high quality staff treat them well and communicate clearly to them: their attitudes and behavior are the key to service quality and differentiations
- Attempt to market to existing customers to increase their use of the service, or to take up new service products
- Sep up a quick response facility to customer problems and complaints
- Employ new technology to provide better services at lower costs
- Use branding to clearly differentiate service offering from the competition in the minds of target customers

## ***The Differential Advantage and Branding***

Only few products are unique. Often the challenge lays in finding a way to differentiate your products from a rival's near-identical offerings. The basic question says: "How can I get an advantage over the competition?"

When your products are better than those of your competitors, and when customers recognize this superiority, you have a real advantage. Few organisations are in this position.

Most find that there is a little or nothing to distinguish their own products from competitor's. To gain competitive advantage, uncover not just differences but also attributes that customer's value. Make sure the differences are meaningful to customers, so that your product is preferable to the others available.

Often it is the little things that count. Customers may choose your product over a competitor's identical product because they prefer your lecturers or because you give them coffee while delivery of the courses.

Pay attention to details that could make a difference. A genuine customer-centric approach will differentiate you from competitors. Show your commitment to customers and ensure that staffs are emphatic. Review company systems and processes to make them more customers focused.

#### **Team Assignment – Differentiate Your Product**

Answering the following questions, try to identify the differential advantage of your CE centre

1. Why should customers buy from us rather than from our competitors?
2. What makes us different from our competitors?
3. How are we better than our rivals?
4. What strengths do we have that we can effectively capitalize on?

Strong, well-known products provide companies with a real competitive advantage. Use the power of branding to imbue your products with personality and meaning, ensuring they achieve a prominent position in the marketplace.

The right name helps to sell products and service. It bestows individuality and personality, enabling customers to identify with your offerings and to get to know them. It makes products and services tangible and real. Choose name that enhance your company image and that are appropriate for the products and its positioning in the marketplace.

Establish trust in your brand and customers will remain loyal.

Branding means developing unique attributes so that your products are instantly recognisable, memorable, and evoke positive association. Some brands have a solid and reliable personality, others are youthful and fun.

Choose your company and product name, corporate colours, logo, design and promotional activity to help convey a personality and build a brand. Customers should be able to look at one of your products and assimilate all that you stand for in a second by recalling the brand values. But remember: *A strong brand is not a substitute for quality but an enhancement to it.*

The service attributes are e.g. friendless, creativity, courtesy, helpfulness and knowledgeability.

The creation of a corporate identity is a vital element of branding. Present an integrated, strong, instantly recognisable, individual image that is regarded in a positive way by your customers, and seize every opportunity to strengthen your corporate identity. It is important to maintain corporate identity consistently by issuing written guidelines for staff.

## **Marketing Strategy**

A strategy gives business a defined route to follow and a clear destination. Build a marketing strategy and you will ensure that marketing is a long-term way of working, not a one-off activity.

A marketing strategy provides organisation with shared vision of the future. All too often, an organisation will perform a marketing task, such a direct mail shot, then sit back and see what happens. A strategic approach will ensure that you maximise returns on your marketing spending and boost the profits of your organisation.

### Strategic Marketing Manager

- Has a clear picture of the future
- Anticipates changes in the market
- Works towards clear long/term goals

## Non-Strategic Marketing Manager

- Lives day to day without planning
- Reacts to changes in the market
- Has only short-term objectives

During the creating of the marketing strategy the marketing manager should proceed as follows:

1. Create the team
2. Review current situation
3. Set objectives
4. Plan action
5. Implement strategy
6. Review strategy

## Create Your Team

The first steps during preparation of the marketing strategy are the hardest part. It is important to bring together a strong team to help to prepare the marketing plan. The strategic elements must be understood by every member of team in order to assure the marketing success.

It is important to involve the people whose function touches on marketing, and those whose job involves considerable customer contact. Before embarking on your marketing strategy, establish common ground by agreeing definitions and purpose. Build the team unity; perhaps by organizing an away day at a pleasant venue to discuss shared marketing issues and concerns. Show that you recognise the contribution each team member can offer.

## Review Current Situation - *perform a SWOT analysis*

- SWOT (Strengths, Weaknesses, Opportunities and Threats)

Analysis of these four factors provides information on how to shape your marketing strategy. Devise objectives aimed at strengthening weak areas, exploiting strengths, seizing opportunities, and anticipating threats.

### **Team Assignment – Marketing SWOT Analysis**

Identify your 4 strengths, weaknesses, opportunities and threats answering the questions below:

1. Do you use your strengths to full advantage? Could you do more to capitalise on them?
2. Are there current or future opportunities you could exploit? Are new markets emerging or are there existing, untapped customer groups?
3. What threats do your competitors pose? What threats exist in wider marketplace?
4. What lets you down? What are you not good at? What do your competitors do better?

### **Setting Objectives**

Draw up your objectives carefully, because your entire marketing strategy will be structured around them, and ensure that they are measurable so that you can evaluate their success.

Short-term objective can be staging posts on the way towards fulfilling long-term goals. Analyse your situation and then ask: “What if we do nothing?” Will products become out of date? Will your competitors grow more powerful? Spend time asking “what if?” to help you realize the effects of not keeping up with customer needs and competitor activities. It can serve to spur action.

If you have devised a set of objectives around which to build your marketing strategy, seek agreement for them across the organisation. Marketing is a discipline that cuts through many departmental boundaries. Marketing activity will have a knock-on effect in various parts of the operation so, for it to be effective, you will need the support of colleagues. Ensure they understand the need for these objectives and the impact they may have on their work.

**Plan action** - investigate constraints, such as time and money, and then create a timetable of activity to give you a working marketing plan.

The activities on your marketing timetable should be manageable and workable. The costs of not undertaking certain marketing activities, both in missed opportunities and the effect on your reputation, should be taken into consideration.



Look at your marketing ideas and work out the costs of each. Remember that marketing involves meeting customer need at a profit. To be justified, marketing activity should have a positive impact on the balance sheet. Examine not only the costs but also the benefit. An advertising company may cost a lot of money, but if it reaps profit amounting to several times its costs, is it cheap.

The example of Marketing Plan

Activity	Priority	Start date	Completion Date
Organise lunch for top ten customers	Medium		by the end of February
Produce new brochure	High	Mid-January	end March
Update mailing list ready for new brochure	High		end March
Mail new brochure	High	Early April	

**Implementing Strategy**

Some organisations invest considerable effort in developing a strategy but enthusiasm and energy wane when it comes to implementation. Ensure that your marketing strategy is put into the action, not let to gather dust on a shelf. Assign each task or activity due for implementation within the next 12 months to a named person.

**Review Strategy**

The world is not static. Things within your organisation or within your market are likely to change over the time. If they do, you might need to redefine your objectives. Review your objectives six-monthly or annually to check that you are till on track.

Answering the following questions will help you evaluate the success of your marketing strategy:

1. Have profits increased since the strategy was implemented?
2. Have we seen an increase in our customer base?
3. Have we attracted a greater number of orders, or larger individual orders?
4. Has the number of product/service enquiries risen?
5. Has awareness of our organisation and its products or services increased?

## **Marketing in Non-Profit Organizations**

Non-profit organizations attempt to achieve some other objectives than profit. This does not mean that they are uninterested in income as they have to generate cash to survive. However their primary goal is non – economic, e.g. to provide education.

Marketing is of growing importance to many non-profit organizations because of the need to generate funds in an increasingly competitive arena. Even organizations who rely on government - sponsored grants need to show how their work is of benefit to society: they must meet the needs of their customers. Many non-profit organizations rely on membership fees or donations, which means that communication to individuals and organizations is required, and they must be persuaded to join or make a donation. This requires marketing skills, which are being increasingly applied.

### **Characteristics of Non-Profit Marketing**

#### ***Education versus meeting current needs***

Some non-profit organizations see their role as not only meeting current needs of their customers but also educating them in new ideas and issues, cultural development and social awareness. It can be done in harmony with providing CE as an additional value of CE course.

#### ***Multiple Publics***

Most non-profit organizations serve several groups or publics. The two broad groups are donors, who may be individuals, trusts, companies and governmental bodies, and clients, who include audiences and beneficiaries. The need is to satisfy both donors and clients, complicating marketing tasks. For example a community association providing also the CE courses may be partly funded by the local authority and partly by other donors (individuals or companies) and partly by clients. To succeed all the groups must be satisfied.

#### ***Measurement of Success and Conflicting Objectives***

For profit oriented organizations success is measured ultimately on profitability. For non-profit organizations measuring success is not so easy. In universities, for example, is success measured in research terms, number of students taught, the range of qualifications or the quality of teaching? The answer is that it is a combination of these factors, which can lead to conflict: more students and larger numbers of courses may reduce the time needed for

research. Decision making is therefore complex in non-profit oriented organization.

### ***Public Scrutiny***

While all organization are subject to public scrutiny, public sector non-profit organization are never far from public's attention. The reason is that they are publicity funded from taxes. This gives them extra newsworthiness as all tax-payers are interested in how their money is being spent. They have to be particularly careful that they do not become involved in controversy, which can result in bad publicity.

### **Marketing Procedures for Non-Profit Organizations**

Despite these differences the marketing procedures relevant to profit oriented companies can also be applied to non-profit organizations. Target marketing, differentiations and marketing mix decision need to be made. These issues will be discussed with reference to the special characteristics of non-profit organizations.

### ***Target Marketing and Differentiation***

Non-profit organization can usefully segment their target publics into donors and clients (customers). Within each group, sub segments of individuals and organization need to be identified. These will be the target for persuasive communications, and the development of services. The need of each group must be understood. For example the donors can judge which non-profit CE centre to give the support on the basis of awareness and reputation, the confidence that funds will not be wasted on excessive administration, and the perceived worthiness of the cause. That is why the CE center needs not only to promote itself but also to gain publicity for its cause. Its level of donor funding will depend upon both of these factors. The brand name of CE centre is also important (it has been discussed in previous parts).

### ***Developing the Marketing Mix***

Many non-profit organizations are skilled at *event marketing*. Events are organized to raise the funds, including dinners, dances, coffee mornings, book sales, sponsored walks and others.

The pricing of the services provided by non-profit organizations may not follow the guidelines applicable to profit oriented pricing. For example the price of CE course organized by non-profit CE center for Gypsies may be held low to encourage poor families to take

advantage of this opportunity. Some non-profit organization even provide free access to services.

Like most services, distribution systems for many non-profit organizations are short, with production and consumption simultaneous. This is the case also of education. Such organization have to think carefully about how to deliver their services with the convenience that customers require. For example, although the CE center is based in big city, over half of the courses for ethnic minorities may be delivered in small villages around the city.

Many non-profit organizations are adept at using promotion to further their needs. The print media are popular with organization seeking donations for cases that are in common interest of whole society (education for gypsies, raising awareness in the area of abused children or women, courses to support and educate the political refugees ...).

Direct mail is also used to raise the funds. Mailing lists of past donors are useful here, and some organization use lifestyle geodemographic analysis to identify the type of person who is more likely to respond to direct mailing. Non-profit organization must be also aware of public opportunities which may arise because of their activities.

Public relations has an important role to play to generate positive word-of-mouth communications and to establish the identity of the non-profit organization. A key objective of communications effort should be to produce a positive assessment of the fund-raising transaction and to reduce the perceived risk of the donation so that donors develop trust and confidence in the organization and become committed to the cause.

### ***Team assignment – marketing of non-profit organization***

Consider that your CE center is non-profit organization. How does marketing in non-profit organization differ from that in profit –oriented organizations? Discuss the extend to which marketing principles can be applied and try to identify 2 marketing procedures which fit mostly for non-profit organizations.

## **Design and Delivery of Services**

### **Strategy and Segmentation**

- Segmentation = Classification. Necessary to do Science

- Segmentation: Demographic data are not sufficient when dealing with services that are consumed with high frequency. In these cases data from transactions can play a major role in identifying segments.

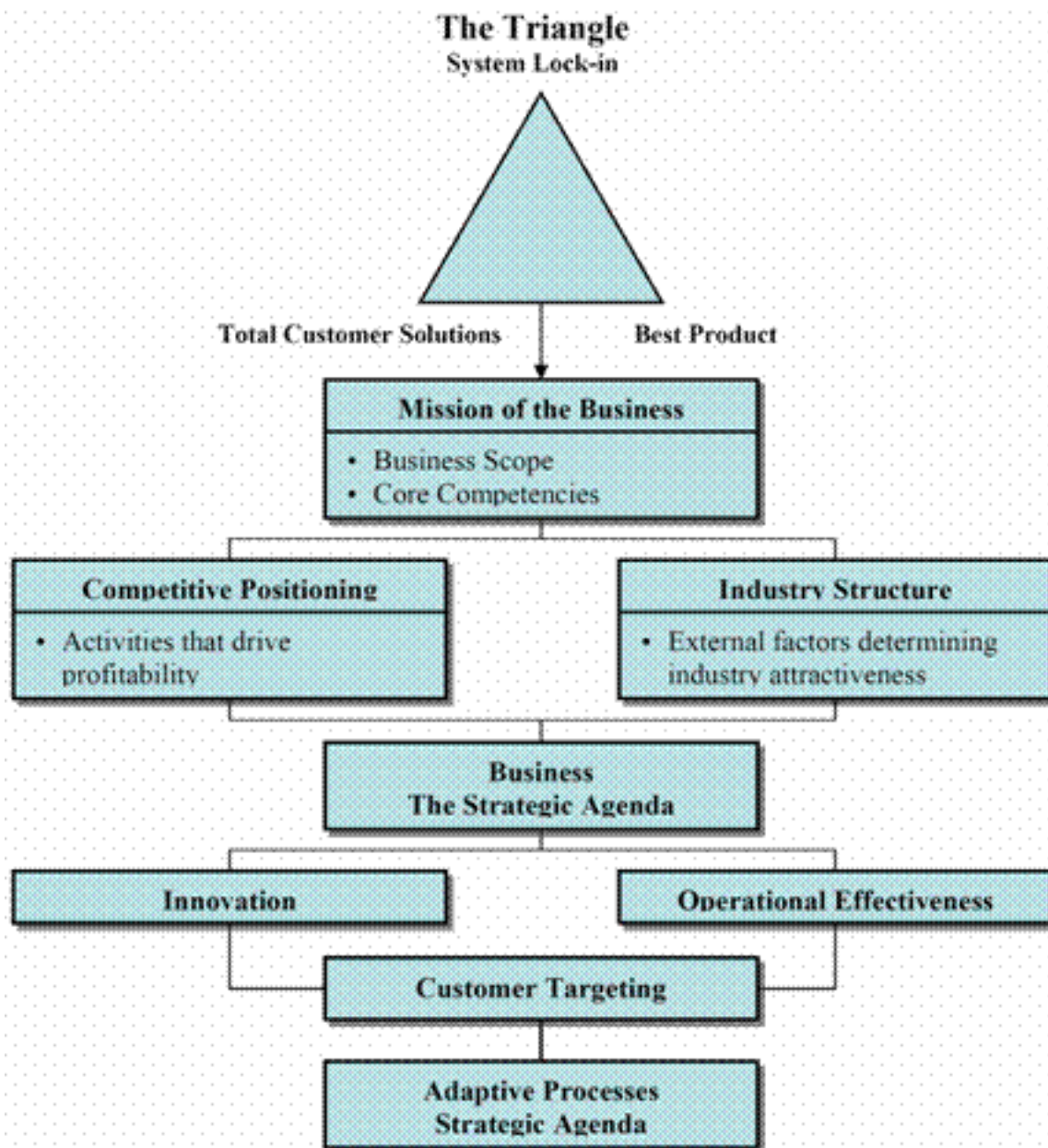
### Competitive Analysis

- Delta Model and Porter’s Five Forces are the basis for a good strategic analysis

### Delta Model

[www.valuebasedmanagement.net](http://www.valuebasedmanagement.net)

## The Delta Model (Hax, Wilde II)



The Delta Model contains the following elements:-

1. Strategic triangle: used for defining strategic positions that reflect fundamentally new sources of profitability (3 strategic options: best product, customer solutions and system lock – in)
2. Aligning these strategic options with a firm’s activities and provides congruency between strategic direction and execution ( 3 fundamental processes are always present and are the repository of key strategic tasks: operational effectiveness, customer targeting and innovation), and
3. Adaptive process: - core processes of the company must be aligned to the chosen strategy in order to make progress against the strategic agenda and avoid a commodity-like outcome. The delta model identifies the core processes of the business and provides a guide for how they need to function differently to achieve different strategic positions capable of continually responding to an uncertain environment
4. Metric

[www.valuebasedmanagement.net](http://www.valuebasedmanagement.net)

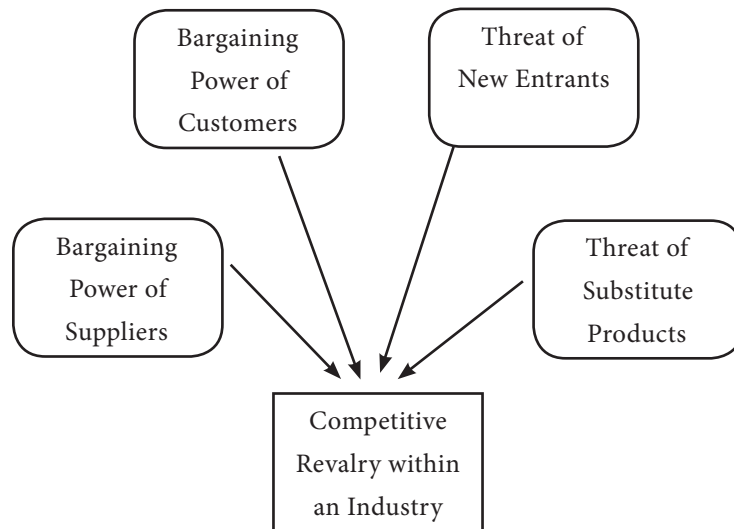
### Competitive Advantage, Resource-Based View, Delta Model

	Porter’s Framework	Resource-Based View Framework	Delta Model Framework
Focus of Strategic Attention	Industry/Business	Corporation	Extended Enterprise (The Firm, The Customer, The Suppliers)
Types of Competitive Advantage	Low cost or Differentiation	Resources, Capabilities, Core Competencies	Best Product, Total Customer Solutions, System Lock-In
Basic Unit of Competitive Advantage	Activities	Core Products, Strategic Architecture	Adaptive Processes: Operational Effectiveness, Customer Targeting, Innovation
Strategy As	Rivalry	Real Estate	Bonding

**Porter’s Five Forces**

Four forces — bargaining power of customers, the bargaining power of suppliers, the threat of new entrants, and the threat of substitute products — combine with other

variables to influence a fifth force, the level of competition in an industry. Each of these forces has several determinants:



A graphical representation of Porter's Five Forces

➤ **The bargaining power of customers**

- Buyer concentration to firm concentration ratio
- Bargaining leverage
- Buyer volume
- Buyer switching costs relative to firm switching costs
- Buyer information availability
- Ability to backward integrate
- Availability of existing substitute products
- Buyer price sensitivity
- Price of total purchase

➤ **The bargaining power of suppliers**

- Supplier switching costs relative to firm switching costs
- Degree of differentiation of inputs
- Presence of substitute inputs
- Supplier concentration to firm concentration ratio
- Threat of forward integration by suppliers relative to the threat of backward integration by firms
- Cost of inputs relative to selling price of the product
- Importance of volume to supplier

➤ **The threat of new entrants**

- The existence of barriers to entry
- Economies of product differences
- Brand equity
- Switching costs
- Capital requirements
- Access to distribution
- Absolute cost advantages
- Learning curve advantages
- Expected retaliation
- Government policies

➤ **The threat of substitute products**

- Buyer propensity to substitute
- Relative price performance of substitutes
- Buyer switching costs
- Perceived level of product differentiation

➤ **The intensity of competitive rivalry**

- Power of buyers
- Power of suppliers
- Threat of new entrants
- Threat of substitute products
- Number of competitors
- Rate of industry growth
- Intermittent industry overcapacity
- Exit barriers
- Diversity of competitors
- Informational complexity and asymmetry
- Brand equity
- Fixed cost allocation per value added
- Level of advertising expense



Some argue that a 6th force should be added to Porter's list to include a variety of stakeholder groups from the task environment. This force is referred to as "Relative Power of Other Stakeholders". Some examples of these stakeholders are governments, local communities, creditors, and shareholders.

This 5 forces analysis is just one part of the complete Porter strategic models. The other elements are the value chain and the generic strategies.

### **Differentiation**

- In services, Our Imagination is the Limit to our Success
- There Are No Mature Businesses But Only Mature Ways Of Doing Business

### **Enlargement of Product/Service**

- Core Services versus Facilitating Services. Recall the dish washer example The bubble keeps expanding as customers' expectations increase (a dynamic process)
- A key decision is how much to offer beyond the core service while we still remain competitive.
- Customer Satisfaction and Productivity are two sides of the same coin.

### **Framework to Analyze Service Operations**

- External Environment: where customers and competitors are, where marketing and strategy are critical
- Internal Environment: by definition is the place where customers are not present, where operations and manufacturing techniques are critical.
- Interface: where customers and company get in touch, it is often referred as the moment of truth. It is the point in time where customers for their perception of the service received and compare it with their expectations. Remember that the secretaries could care less about all the assets deployed by FedEx.
- An important feature of the Framework is the connection between the Internal Environment and the Interface. The service contact personnel are highly dependent on this link.
- This framework is useful, as a first step, to analyze service operations and also it is quite a tool to create new services.

- A modern tendency is to give the customer a window into the internal environment, the question is how much information to share, recall Yossi Sheffi's talk and the Dell example.
- My opinion is that this tendency will evolve over time and Internal Environments will become progressively more transparent! If this turns out to be true, there will be many opportunities to change the ways of doing business and to start new ones.

### Characteristics that are More Prevalent in Services

- **Intangibility:** Services are intangible; as a consequence, it is often the case that customers do not note them, or perceive them differently than the company desires. Hence, it is necessary to **Make Them More "Visible"**. This can be done by shaping perceptions and expectations, which require a good knowledge of Psychology.
- A good example of shaping perceptions and expectations is the management of waiting time. (Other consequences of Intangibility are:)
- The importance of all the **Physical Aspects** associated with the service, like the appearance of service contact personnel (drivers of FedEx) as well as brochures, facilities etc...
- The **Lack of Patents**, which requires industry leaders to be creative on a steady basis, and to have a very flexible IT infrastructure and a Culture suitable to continuous change.
- The need to **Materialize** the Service, recall the examples of the maintenance company, the car wash ... The two 747 aircraft that FedEx flies empty every night and the snow equipment in Memphis are two missed opportunities. Think about what your company does for its customer that they are not aware of and they may pay for it.
- **Perishability:** The fact that services are perishable eliminates the possibility of using inventory management to **match supply and demand**. There are several strategies that can be used to **match supply and demand** in Services (**broadly recognized as the most difficult problem faced by operations managers in Services**). We will have several classes on this topic.
- **Heterogeneity:** Services are very often delivered by humans. An important attribute of customer satisfaction is **Consistency**, which humans are not known for. Companies tend to minimize this problem with training. However they often forget that recruiting is more critical because it may be very costly to train individuals who do not have a natural fit with the job (recall the example of the waitress and the salad bar)

- **Simultaneity:** Services are **produced and consumed simultaneously**. As a consequence customer purchase the service and part of the delivery system (in a restaurant, customers purchase an experience and not just food). Because of this property **it is difficult to separate marketing, customer service, and operations in a service organization**.

**The simultaneity property complicates the management of quality in service operations.** The reason is the lack of consistency and the fact that supervisor cannot be present in all encounters.

- **Keep in mind that in services, what the company does is not necessarily what the customer perceives.** Sometimes this difference between customer perception and what the company does, occurs by design (examples are Benihana and Disney).
- Whenever possible keep the design of the system simple. Often, simplicity is a sign of understanding of the essence of the business while complexity is the opposite. The pursuit of a simple design leads to understanding and elegance. Of course, sometimes there is no alternative to designing a complex system, however, to attempt to simplify it is a beneficial exercise. Always ask why do I need this feature? Can I get rid of it? ...
- **Interaction** among customers and suppliers, in a Supply Chain, creates the opportunity of **adding value to the final product through services**. The synchronization of the Supply Chain, which is the center of a publicity campaign by UPS, stresses exactly this value. This notion of synchronization just scratches the surface of the potential of services in a Supply Chain

Simple Blue prints to marketing of services

- **How to get customers. What ever business you are in, you'll discover examples of how to get more prospects and how to convert them into paying customers**
- How to keep customers to sell more services and increase life time value
- **How to get your customers freely selling your services for you!**
- Discover how to get into the readership of what your customers are reading on a daily basis
- **Find the most effective ways to spread the word of your business to customers about new products and services you are offering**

- How to find more prospects for your business and where to go to get them
- **How to position your business as the industry spokesperson and have editors phoning YOU for your stories**
- Find out how writing your sales pitches in a *slightly different* way is going to boost your response by up to 300%!
- **How focusing on just one of your customer groups is going to both save you valuable time and maximise your sales**
- How one little piece of work is going to remind wavering prospects time and time again
- **Will you give away your product for free? You ought to - but who to? I'll show you how and why**
- How offering up-sells is going to get 40% of your customers to give you more money

**Write short comprehensive notes on the following. Each question is for 1.5 marks.**

1. Contrast between goods and service marketing.
  - A. Intangibility
  - B. Heterogeneity
  - C. Simultaneous Production and Consumption
  - D. Perishability
2. Tangible factors of Air travel
  - A. Ticket, Seat, The food and Beverages served in the air craft, the flight aids ...
3. 7 P's of services marketing mix.
  - A. Product, price, Place, Promotion, Physical evidence, People and Process
4. The Services Marketing Mix
  - A. Traditional Marketing Mix
  - B. Expanded Mix for Services



- X. Our CE center tries to see if there is anything we can learn from a customer's complaints.
- 1                      2                      3                      4
- XI. Our CE center finds reasons to keep in touch with customers.
- 1                      2                      3                      4
- XII. Our CE center tries to turn one-off customers into regular ones.
- 1                      2                      3                      4
- XIII. Our CE center keeps a record of key customer contact.
- 1                      2                      3                      4
- XIV. Our CE centre asks customers whether they will recommend us
- 1                      2                      3                      4
- XV. Our CE centre shows customers that their business is value.
- 1                      2                      3                      4
- XVI. Our CE centre tries to find out why we have a lost a customer.
- 1                      2                      3                      4
- XVII. Our CE centre attempts to win back lost customers.
- 1                      2                      3                      4
- XVIII. Our CE centre is already looking for the new customers.
- 1                      2                      3                      4
- XIX. Our CE centre tries to nurture customer's loyalty.
- 1                      2                      3                      4
- XX. Our CE centre seeks customer comment and feedback.
- 1                      2                      3                      4
- XXI. Our CE centre listens what customer say.
- 1                      2                      3                      4
- XXII. Our CE centre pay attention to the little details that make all the difference.
- 1                      2                      3                      4
- XXIII. Our CE centre tries to add value to our services.
- 1                      2                      3                      4
- XXIV. Our CE center emphasizes benefits, not features.
- 1                      2                      3                      4
- XXV. Our CE centre use public relations techniques to boost marketing effectiveness
- 1                      2                      3                      4
- XXVI. Our CE centre draws up a pricing strategy for every new product marketed.
- 1                      2                      3                      4
- XXVII. Our CE centre set objectives for publicity campaigns.
- 1                      2                      3                      4
- XXVIII. Our CE centre carefully target mail shots.
- 1                      2                      3                      4

XXIX. Our CE centre takes care to select the right envelope for direct mail campaign.

1                      2                      3                      4

XXX. Our CE centre tests mail shots to find the most successful combination.

1                      2                      3                      4

XXXI. Our CE centre measures the overall effectiveness of a publicity campaign.

1                      2                      3                      4

XXXII. Our CE centre keeps non-marketing colleagues informed of key marketing activity.

1                      2                      3                      4

## Analysis

32-64: try to take a more organised, planned, methodical, and measured approach to improve your effectiveness

65-95: some of your marketing activity is a success, but you need to develop your skills to become wholly effective

96-128: you have adopted a thoroughly professional strategic approach to marketing and are running successful marketing campaigns. Keep up the good work to stay ahead of the competition

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## UNIT - II

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### Marketing Mix in Services Marketing

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#### Learning Objectives

*After going through this lesson, you should be able to:*

- Understand the role of marketing mix in the marketing program of a service firm
- Know the sub-elements that comprise each of the marketing mix elements
- Learn how the 7 Ps combine to create effective marketing programs

*In this lesson, the following will be discussed:*

- Product management decisions
- Channel management
- Marketing communications
- Pricing basis, objectives and approaches
- People's role in service firms
- Service scapes and their roles
- Service blueprinting

#### Introduction

Marketing strategy involves segmenting the market, targeting one or more segments and positioning the product/service towards the targeted segment(s). After marketers select a target market, they direct their activities towards profitably satisfying that segment. Although they must manipulate many variables to reach this goal, marketing decision making can be divided into four areas: product, price, place (distribution) and promotion (marketing communication). The total package forms the marketing mix – the blending of the four elements to fit the needs and preferences of a specific target market. These are the four variables that a marketer can use in different combinations to create value for customers. Several of the sub-elements in each of the four Ps that constitute the marketing

mix are listed in Table. However the strategies of the four Ps require some modifications when applied to services.

Modification to the traditional marketing mix is necessitated by the characteristics (namely intangibility, perishability, heterogeneity and simultaneous production and consumption) of services. For example, since services are produced and consumed simultaneously, service delivery people (front desk personnel, guides, phone personnel and so on) are involved in real-time promotion of the service even if their jobs are typically defined in terms of the operational function they perform.

As services are usually produced and consumed simultaneously, customers are often present in the firm's 'factory', interact directly with the firm's personnel and are actually part of the service production process.. Such considerations have led services marketers to adopt the concept of an expanded marketing mix for services in the form of three additional Ps (namely people, physical evidence and process) which are also shown in Table. The expanded marketing mix was popularized by Booms and Bitner.

#### **Marketing mix: elements and sub-elements**

<b>Elements of the Marketing Mix</b>	<b>Sub-elements</b>
Product	<ul style="list-style-type: none"> <li>➤ Product design</li> <li>➤ Product positioning</li> <li>➤ Product name and branding</li> <li>➤ Packaging and labeling</li> <li>➤ Breadth and depth of product line</li> <li>➤ Level and type of customer service</li> <li>➤ Product warranty</li> <li>➤ New product development process</li> <li>➤ Product life cycle strategies</li> </ul>
Price	<ul style="list-style-type: none"> <li>➤ Manufacturer, wholesaler and retailer selling prices</li> <li>➤ Terms and conditions</li> <li>➤ Bidding tactics</li> <li>➤ Discount policies</li> <li>➤ New product pricing (Skim Vs. Penetrating pricing)</li> </ul>

Promotion (marketing communications)	<ul style="list-style-type: none"> <li>➤ Advertising</li> <li>➤ Sales force policies</li> <li>➤ Direct marketing (mail, catalog)</li> <li>➤ Public relations</li> <li>➤ Price promotions – for the consumers and the channel</li> <li>➤ Trade shows and special events</li> </ul>
Place (distribution channels)	<ul style="list-style-type: none"> <li>➤ Direct Vs. Indirect channels</li> <li>➤ Channel length</li> <li>➤ Channel breadth (exclusive, selective or intensive)</li> <li>➤ Franchising policies</li> <li>➤ Policies to ensure channel coordination and control</li> </ul>
People	<ul style="list-style-type: none"> <li>➤ Employees <ul style="list-style-type: none"> <li>▪ Recruiting</li> <li>▪ Training</li> <li>▪ Motivation</li> <li>▪ Rewards</li> <li>▪ Teamwork</li> </ul> </li> <li>➤ Customers <ul style="list-style-type: none"> <li>▪ Education</li> <li>▪ Training</li> </ul> </li> </ul>
Physical evidence	<ul style="list-style-type: none"> <li>➤ Facility design</li> <li>➤ Service ambience</li> <li>➤ Equipment</li> <li>➤ Signage</li> <li>➤ Employee dress</li> <li>➤ Point-of-sale displays</li> <li>➤ Other tangibles (e.g. business cards)</li> </ul>
Process	<ul style="list-style-type: none"> <li>➤ Flow of activities</li> <li>➤ Service script (number of steps)</li> <li>➤ Customer involvement</li> </ul>

## Marketing Programs

A marketing program is made up of the various elements of the marketing mix and the relationships among them. The concept of the marketing mix emphasizes the fit of the various pieces and the quality and size of their interactions. There are three degrees of interaction – consistency, integration and leverage. Consistency is the lack of a poor fit between two or more elements of the marketing mix.

For example, to sell a high quality service through a low quality servicescape (ambience or the physical surrounding) would seem inconsistent. While consistency is the lack of a poor fit, integration is the presence of a positive, harmonious interaction among the elements of the mix. For example, heavy advertising can sometimes be harmonious with a high price, because the added margin from the high price pays for the advertising and the high advertising creates the brand differentiation that justifies the high price. Leverage is the situation in which each individual element of the mix is used to the best advantage in support of the total mix.

Once the elements of the marketing mix have met the internal tests of consistency, integration and leverage, the next step is to check that the proposed program fits the needs of the target customers, the core competencies of the company and the likely responses of key competitors.

The concept of program/customer fit encompasses development of a marketing program that fits the needs of the target-market segments. For that, the market must first be carefully and explicitly delineated. If the target has not been defined, it cannot be reached! The program must not only fit the market, but also fit the company. A marketing program must match the core competencies of the company that is implementing it. For example, an organization with extensive mass advertising experience and expertise is more likely to be able to carry out a program that leans heavily on advertising than an organization less strong in that particular area. An effective marketing program must not only fit the company's own core competencies, it must also take account of competitors' programs. Competitive/program fit can be defined as the characteristic of a marketing program that, while building on a company's strengths and shielding its weaknesses, protects it from competitors by capitalizing on their weaknesses, in the process creating a unique market personality and position.

Like most concepts, the marketing mix is an abstraction and real marketing programs do not always fit perfectly the product, price, place, promotion, people, physical evidence and process paradigm. In fact, several parts of the mix fall at the interface of two elements.

For example, brand, which is often views as an aspect of product, is clearly also part of marketing communications and can serve to help coordinate product/service policy and communication.

## **Product Management Decisions**

The marketing literature defines a product as ‘anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objects, services, places, organizations and ideas. Such a definition refers to the planned component of the product that a firm offers. But in many service firms, the product also includes an unplanned component. For example, it may be a broken chair in a restaurant or a delayed departure of a flight or simply, a long wait on the customer support helpline.

## **Product Levels**

The challenge for the service managers is to minimize (if not eliminate) these unplanned components and make sure that the customers get what they expected. To facilitate this, a multi-level view of the ‘product’ helps. It may view the product as comprising of the core product, the facilitating product, the supporting product and the augmented product.

- Core product – This is the most basic level of the product and it answer the question – What is the buyer really buying?
- Facilitating product – It is the service/good that must be present for the customer to use the core product.
- Supporting product – It is the extra product offered to add value to the core product and help to differentiate it from the competition.
- Augmented product – It includes accessibility, atmosphere, customer interaction with the service organization, customer participation and customers’ interaction with each other. All these elements combine with the core, facilitating and supporting products to provide the augmented product.

For a mobile phone service provider, the core product is telephony/communication service. The facilitating product refers to its infrastructure, mobile handsets, retail outlets, re-charge options and so on. The supporting product refers to the value-added services like zero-balance call or one-touch services. The augmented product refers to its customer support or helpline, retail reach, atmospherics and so on.

From a managerial standpoint, the core product provides a focus for the business; it is the reason for being. Facilitating products are those that are essential for providing the core product to the target market. Supporting products can help position a product.

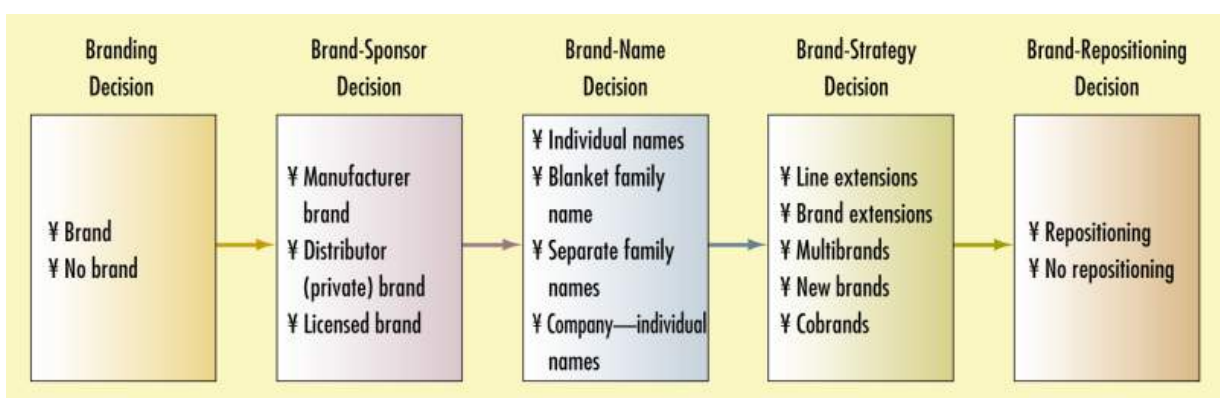
According to Gronroos, the core, facilitating and supporting products determine what the customer receives but not how they receive it. The augmented service offering combines what is offered with how it is delivered.

## Branding

A brand is a name, term, sign, symbol, design or a combination of these elements that is intended to identify the goods or services of a seller and differentiate them from those of competitors. Scott Davis, author of *Brand asset management*, states:

“Brands are among a company’s most valuable assets and smart companies today realize that capitalizing on their brands is important ... These companies know that brands are more than just products and services. They know that the brands are also what the company does and more importantly, what the company is ... A brand is a critical component of what a company stands for. It implies trust, consistency and a defined set of expectations. The strongest brands in the world own a place in the customer’s mind and when they are mentioned almost everyone thinks of the same things.”

Figure illustrates a classification of branding decisions right from the decision to brand, who is the brand sponsor, the decision concerning the brand name, the brand strategy decision (to leverage on the brand name) and the brand repositioning decision (to give a new lease of life to an ageing product in its life cycle).



**Classification Of Branding Decisions**

## Product Life Cycle (PLC) Concept

Products and services, like people, pass through stages as they age. Humans progress from infancy to childhood to adulthood to retirement to death, and successful products progress through four basic stages, namely,

- Introduction – a period of slow sales growth as the product is being introduced into the market. Profits are non-existent at this stage because of the heavy expenses of product introduction. Also, the introduction takes time, and sales growth is apt to be slow. Some product may linger in the introduction stage for many years before they enter a stage of rapid growth. For instance, the small and independent beauty parlours have been around quite sometime. But with so many rapid changes in the social climate, even big names like HLL and Marico industries have entered this market in a big way. In the introductory stage, there are only a few competitors who produce basic versions of the product, because the market is not ready for product refinements. The firms focus on selling to buyers who are ready to buy, usually the higher-income groups. Prices tend to be on the high side because of low output, production problems and high promotion and other expenses.
- Growth – a period of rapid market acceptance and increasing profits. Competitors will enter the market, attracted by the opportunity for profit. It happened in the Indian domestic aviation industry with Air Deccan entering the market as a low-cost carrier (LCC). Soon there was a rush of LCCs like SpiceJet, GoAir, IndiGo and others. Prices remain where they are or fall only slightly. Firms keep their promotion spending at the same or at a slightly higher level to meet competition and continue educating the market. The firm users several strategies to sustain rapid market growth as long as possible:
  - Improve product quality and add new product features and models
  - Enter new market segments
  - Enter new distribution channels
  - Shift some advertising from building product awareness to building product conviction and purchase
  - Lower prices at the right time to attract more buyers
- Maturity – a period of slow down in sales growth because the product has achieved acceptance by most of its potential buyers. This slow down causes supply to exceed demand. The resulting overcapacity in the market leads to greater competition. Profits level off or decline because of increased marketing outlays to defend the product against competition. The only to increase sales significantly is to steal customers from

the competition. Thus, price wars and heavy advertising are often the means used to do this, both of which add to the marketing cost. Weaker competitors start dropping out. The industry eventually contains only well-established competitors in the main market segments with smaller competitors pursuing the niche markets. Instead of just defending the product, a firm should consider modifying target markets and the marketing mix elements.

- Decline – a period when sales decline quickly and profits drop. It may be because of reasons like technological advances, shifts in consumer tastes and increased competition. As sales and profits decline, some firms may withdraw from the market. Those remaining may reduce the number of their product offerings. They may drop smaller market segments and marginal trade channels. They may cut the promotion budget and reduce their prices further. Carrying a weak product can be very costly to the firm, and not just in terms of reduced profit. Keep weak products delays the search for replacements, creates a lopsided product mix, hurts current profits and weakens the company’s foothold on the future. For these reasons, firms must pay attention to their ageing products. Regularly reviewing sales, market shares, costs and profit trends for each of its products will help to identify products in the decline stage.

The progression from introduction stage to decline stage, known as the product life cycle, is depicted in Figure. Notice that the product life cycle concept applies to products/ categories within an industry, not to individual brands. Also some products may move rapidly through the product life cycle while others pass through those stages over long time periods. In a global context, a product may be seen in different stages of its life cycle in different markets. As an illustration, in the current Indian market, digital handycams may be said to be in the introduction stage, mobile phones in the growth stage, televisions in the maturity stage and radio in the decline stage.

**Product Life Cycle**

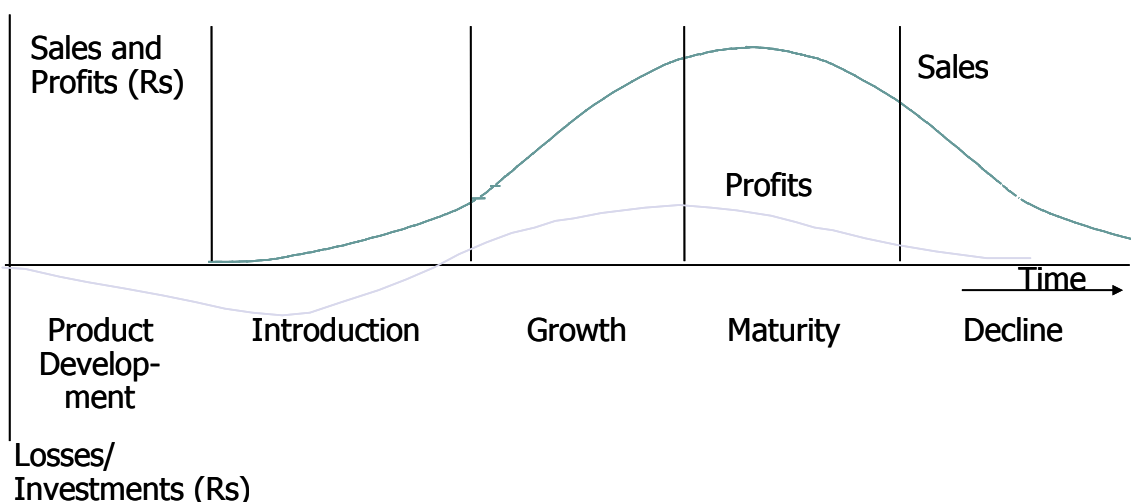




Table indicates the changes in the marketing strategy and marketing mix elements across the PLC stages. It is because the product faces unique market and competitive forces at each stage. At the introductory stage, a firm's marketing efforts should emphasize the goal of stimulating demand. The focus then shifts to cultivating selective demand in the growth period. Extensive market segmentation helps to maintain momentum in the maturity period.

During the decline stage, the emphasis returns to increasing primary demand. PLC provides useful guidance for marketing strategy decisions. Marketers can anticipate that sales and profits will assume a predictable pattern throughout the life cycle stages, so they can shift promotional emphasis from product information in the early stages to brand promotion in the latter ones. This kind of insight helps marketers to focus on maximizing sales and profits at each stage through appropriate promotional efforts.

### **Product Life Cycle stages and corresponding marketing responses**

	<b>Development Phase</b>	<b>Introduction Phase</b>	<b>Growth Phase</b>	<b>Maturity Phase</b>	<b>Decline Phase</b>
Strategic Goal	Make your product known and establish a test period	Acquire a strong market position	Maintain your market position and build on it	Defend market position from competitors and improve your product	"Milk" all remaining profits from product
Competition	Almost not there	Early entry of aggressive competitors into the market	Price and distribution channel pressure	Establishment of competitive environment	Some competitors are already withdrawing from market
Product	Limited number of variations	Introduction of product variations and models	Improvement – upgrade of product	Price decrease	Variations and models that are not profitable are withdrawn
Price goal	High sales to middle men	Aggressive price policy (decrease) for sales increase	Re-estimation of price policy	Defensive price policy	Maintain price level for small profit
Promotion Goal	Creation of public –market product awareness	Reinforcement of product awareness and preference	Reinforcement of middle men	Maintain loyal to middle men	Gradual decrease

Distribution Goal	Exclusive and selective distribution through certain distribution channels and creation of high profit margins for middle men	General and reinforced distribution through all distribution channels available	General and reinforced distribution with good supply to the middle men but with low margins of profit for them	General and reinforced distribution with good supply to the middle men but with low margins of profit for them	Withdrawal from most channels of distribution except those used in the development phase
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## New Product Development

A company has to be good at developing new products. It also has to be good at managing them in the face of changing tastes, technologies and competition. As discussed in the previous section, every product seems to go through a life cycle: it is born, passes through several stages, and eventually dies as younger products come along that better serve consumer needs. Because all products eventually decline, a firm must find new products to replace ageing ones. Also, in order to cater to a wider audience whose tastes and preferences differ, a firm must develop new and different products for its portfolio. One estimate suggests that half of the profits of all U.S. companies come from products that did not exist ten years ago.

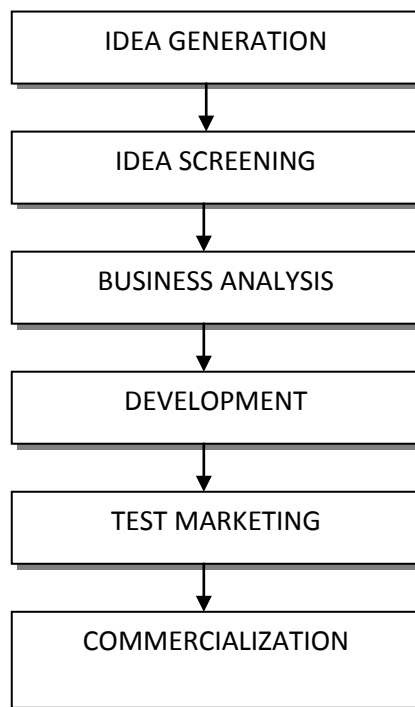
A company can obtain new products in two ways. One is through acquisition. It can also obtain new products through new product development (NPD) by setting up its own research and development (R&D) department. Some examples of NPD among service firms are: AIR INDIA EXPRESS, a low-cost, no-frills service from AIR INDIA; Diabetes health insurance introduced by ICICI; the foray of Reliance industries into fresh food retail business.

Effective management of the new product development process increases the likelihood of a new product's success. An essential contribution to new product success comes from a six-step development process:

1. Idea generation – NPD starts with idea generation, the systematic search for new ideas. A company typically has to generate many ideas to find a few good ones. The search for new product ideas should be systematic rather than haphazard. Otherwise, the company risks finding new ideas that will not be compatible with its type of business. New product ideas are gained from internal sources (say, employees), customers, competitors, distributors and suppliers

2. Idea screening – Its purpose is to spot good ideas and drop poor ones as soon as possible. Several organizations maintain checklists of development standards to determine whether to abandon an idea or consider it further. These checklists typically include such factors as product uniqueness, availability of raw materials and the proposed product's compatibility with current product offerings, existing facilities and present capabilities. The screening stage may also allow for open discussions of new-product ideas among representatives of different functional areas in the organization.
3. Business analysis – A product idea that survives the initial screening must then pass a thorough business analysis. The analysis at this stage assesses the new product's potential market, growth rate and likely competitive strengths. It involves a review of the sales, costs and profits projections to determine whether they satisfy the company's objectives.
4. Development – It turns the concept into a prototype of the product. This conversion process is a joint responsibility of the firm's development engineers/designers, who turn the original concept into a product, and its marketers, who provide feedback on consumer reactions to the product design, package, colour and other features. Prototypes may go through numerous changes before the original mock-up reaches the stage of a final product.
5. Test marketing – To gauge consumer reactions to a product under normal conditions, many firms test market their new product offerings. Up to this point, a product development team has obtained consumer information by submitting free products to consumers, who then give their reactions. Other information may come from shoppers' evaluations of competing products. Test marketing is the first stage at which the product must perform in a real-life business environment. It allows the marketers to gain experience in marketing the product, to find potential problems and to learn where more information is needed before the company goes to the great expense of full introduction. Test marketing evaluates the product and the entire marketing program in real market situations.
6. Commercialization – The few product ideas that survive all the steps in the development process emerge ready for full-scale marketing. Commercialization of a major new product can expose the firm to substantial expenses. It must establish marketing programs, fund outlays for production facilities, and acquaint the sales force, marketing intermediaries and potential customers with the new product. In launching a new product, the firm must make four decisions, viz., when, where, to whom and how.

## Stages in the New Product Development Process



### Pricing Basis, Objectives and Approaches

Price is the only marketing mix element that produces revenue. All others represent cost. A pricing mistake can lead to business failure, even when all other elements of the business are sound. A price is an expression of value. The value rests in the usefulness and quality of the product itself, in the image that is conveyed through advertising and promotion, in the availability of the product through wholesale and retail distribution systems, and in the service that goes with it. A price is the seller's estimate of what all of this is worth to potential buyers, recognizing the other options buyers will have for filling the need the product is intended to satisfy. To the extent that the product or service finds markets and is profitable at given price levels, it provides a viable economic base for building and maintaining a business.

In the competitive marketplace, pricing is a game. The struggle for market share focuses critically on price. Pricing strategies of competing firms, therefore, are highly interdependent. The price one competitor sets is a function not only of what the market will pay but also of what other firms charge. Prices set by individual firms respond to those of competitors; they also are intended often to influence competitors' pricing behaviour. All of marketing comes to focus in the pricing decision.

A way to think about making a pricing decision is that price should be set somewhere between what the product costs to make and sell and its value to the customer. If price

exceeds the perceived value of the product to potential purchasers, it has no market. If the price is below what the product costs to produce, the business cannot survive for very long. Where a price should be set between cost and customer value is a strategic decision. This decision is more difficult in the case of services than products. It is because of the key differences between customer evaluation of pricing for services and goods.

For instance, customers often have inaccurate or limited reference prices for services. Monroe (1989) describes reference price as a price point in memory for a good or a service, and can consist of the price last paid, the price most frequently paid, or the average of all prices customers have paid for similar offerings. But many consumers are quite uncertain about their knowledge of the prices of services and the reference prices they hold in memory for services are not as accurate as what they hold in memory for products. This difference can be explained by the following factors:

- Service heterogeneity limits knowledge. The intangible nature of the services gives the service firms great flexibility in the configurations of services they offer. It leads to complex and complicated pricing structures. For example, consider a health insurance plan.
- Service providers are unwilling to estimate prices. The fundamental reason in many cases is that they do not know themselves what the services will involve until the process of service delivery. So a prior estimation is very difficult. For example, consider medical diagnosis and treatment.
- Individual customer needs vary. As a result, uniform pricing may not be feasible. For example, consider the legal services.
- Price information is overwhelming in services. In most cases, there are not list prices because of the reasons mentioned above. As a result, price comparison becomes difficult.
- Prices are not visible and they may be hidden or implicit. For example, consider the financial services. In few cases, many customers do not see the price at all until after they receive certain services.

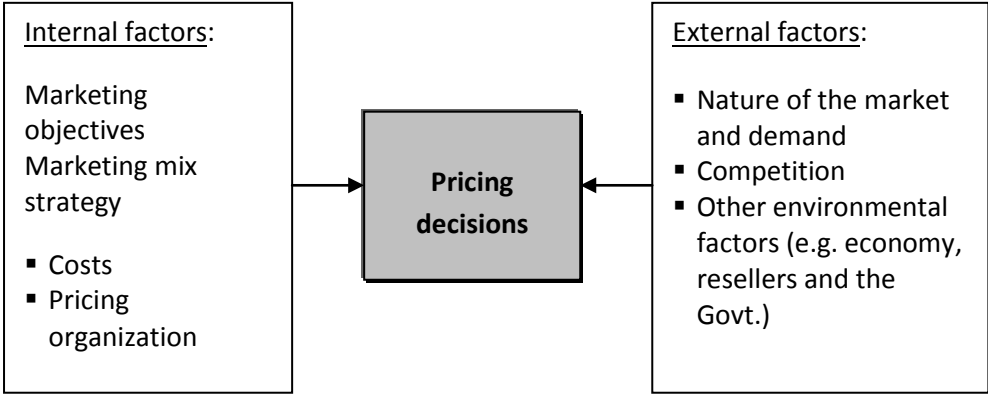
Another unique characteristic of services is the role of non-monetary costs (like time costs, search costs and psychological costs) in the evaluation of whether to buy a service. Most services require direct participation of the consumer and thus consume real time. Time becomes a sacrifice made to receive service in multiple ways. Also, waiting time for a service is usually longer and less predictable than waiting time to buy goods. Search costs (i.e. the effort invested to identify and select among desired services) are also

higher for services than for physical goods. The most difficult non-monetary costs are the psychological costs incurred in receiving some services. Fear of not understanding (say, in the case of an insurance claim), fear of rejection (say, in the case of a bank loan) and fear of uncertainty (say, the fear of being charged more than other consumers) constitute psychological costs that customers experience as sacrifices when purchasing and using services.

When quality is hard to detect or when quality or price varies a great deal within a class of services, consumers may believe that price is the best indicator of quality. Unlike goods (products) that are dominated by search properties, services are dominated by experience and credence properties. Therefore price is not used to judge quality in goods as often as it is in services. Since customers depend on price as a cue to quality and because price sets expectations of quality, service prices must be determined carefully.

There are a number of factors which influence the pricing decisions of marketers. While some of these are external or environmental factors (such as competition, demand conditions and so on), others are internal factors (like marketing objectives, cost conditions and so on). Figure represents these factors.

**Factors Affecting a Firm’s Pricing Decision**



**General Service Pricing Approaches**

The price the company charges will be somewhere between one that is too low to produce a profit and one that is too high to produce any demand. Product costs set a floor for the price and consumer perceptions of its value set the ceiling. The firm must consider competitors’ prices and other external and internal factors to find the best price between these two extremes. Firms set prices by selecting a general pricing approach that includes one or more of these sets of factors. The following approaches are used:

### ***Cost-Based Approach***

The simplest pricing method is cost-plus or markup pricing - adding a standard markup to the cost of the product. Markups vary greatly among different goods. Cost as a percentage of selling price is a commonly used pricing technique in the restaurant industry. For example, a soft drink may cost Rs.10 and is sold for Rs.20 in an upscale restaurant at a 100 percent markup on cost. Markups are generally higher on seasonal items (to cover the risk of not selling) and on specialty items, slower moving items, items with inelastic demand. It must be noted that any pricing method that ignores current demand and competition is not likely to lead to the best price. Hence markup pricing only works if that price actually brings in the expected level of sales.

#### Advantages

- (1) It covers all the costs
- (2) It is designed to provide the target rate of margin
- (3) It is generally a rational and widely accepted method
- (4) It is an easy to comprehend and simple method

#### Disadvantages

- (1) The cost calculations are based on a predetermined level of activity. If the actual level of activity varies from this estimated level, the costs may vary, rendering this method unrealistic.
- (2) If the costs of the firm are higher than its competitors, this method would render the firm passive in relation to price.
- (3) Another drawback is that sometimes the opportunity to charge a high price is foregone.
- (4) It ignores the price elasticity of demand.
- (5) The cost-based pricing would not be helpful for some of the objectives or tasks like market penetration, fighting competition and so on.
- (6) It imparts an in-built inflexibility to pricing decisions.

### ***Value-Based Approach***

This approach uses the buyers' perceptions of value, not the seller's cost, as the key to pricing. The non-price variables in the marketing mix are used to build perceived value

in the buyers' minds and set price to match the perceived value. Any firm using perceived-value pricing must learn the value in the buyers' minds for different competitive offers. Using a technique called trade-off analysis (to identify those service features that add more value than they cost), the customer's willingness to pay for a service can be determined. If the seller charges more than the buyers' perceived value, its sales will suffer. Many firms overprice their products, resulting in poor sales. Other firms underprice. Underpriced products sell well, but they produce less revenue than they would if the firm raised its price to the perceived-value level.

When consumers discuss value, they may use the term in different ways. What constitutes value may be highly personal and hence vary from one customer to another. Zeithaml and Bitner (1996) categorize value as follows and describe the pricing approaches that are suited to these value definitions:

1. Value is low price – When monetary price is the most important determinant of value to a customer, the firm focuses mainly on price. The appropriate pricing approaches are:
  - a. Discounting – To communicate to price-sensitive buyers that they are receiving value, service firms offer discounts or price cuts.
  - b. Odd pricing – To make buyers perceive that they are getting a lower price, the services are priced just below the exact/round amount (i.e. Rs.99 instead of Rs.100)
  - c. Synchro-pricing – It is the use of price to manage demand for a service by using customer sensitivity to prices. (For example, Internet service providers charge for the connection time during day when the demand is peak and offer it free during the night when the demand is less).
  - d. Penetration pricing – New services are introduced at low prices to stimulate trial and widespread use. For example, a mobile phone service provider may offer a new feature such as 'Voice sms' at a low 'introductory' price for quick penetration.
2. Value is whatever I want in a product or service – When the customer is concerned principally with the 'get' components of a service, monetary price is not of primary concern. The service is valued by the desirable intrinsic attributes it possesses and priced accordingly. The appropriate pricing approaches are:
  - a. Prestige pricing – It is used by service firms who offer high quality or status services. Customers of these firms actually value the high price because it



- represents prestige or a quality image. For example, consider a Golf club membership.
- b. Skimming pricing – This is a strategy in which new services are introduced at high prices with large promotional expenditures. Many customers are more concerned about obtaining the service than about the cost of the service.
3. Value is the quality I get for the price I pay – When the customer primarily considers quality and monetary price, the task of the marketer is to understand what ‘quality’ means to the customer and then to match quality level with price level. The appropriate pricing approaches are:
- a. Value pricing – In the current usage, it involves assembling a bundle of services that are desirable to a wide group of customers and then pricing them lower than they would cost alone. For example, many fast food restaurants offer a value meal consisting of many items in the menu. It represents giving more for less.
  - b. Market segmentation pricing – A service marketer charges different prices to groups of customers for what are perceived to be different quality levels of service, even though there may not be corresponding differences in the costs of providing the services to each of these groups. For example, there may a differential pricing for members and non-members in a health club.
4. Value is what I get for what I give – When the customer considers all that he/she gets for a given price, including the accompanying products, the consumption context and the consumption result, the service marketer may consider the following approaches to arrive at the final price:
- a. Price framing – Because many customers do not possess accurate reference prices for services, service marketers are more likely than product marketers to organize the price information for customers so they know how to view it. Marketers provide a price anchor. If the customers accept the anchor, they view the price and service package favorably.
  - b. Price bundling – Some services are consumed more effectively in conjunction with other services. When customers find value in a package of services that are inter-related, price bundling (that is, pricing and selling services as a group rather than individually) is an appropriate strategy.
  - c. Complementary pricing – Services that are highly inter-related can be leveraged by using complementary pricing tactics such as captive pricing, two-part pricing and loss leadership. In captive pricing, the firm offers a base service or product

and then provides the supplies or peripheral services needed to continue using the service. In two-part pricing, the service price is broken into a fixed fee plus variable usage fees. In loss leadership, a familiar service is priced low to attract customers and then other services available at higher prices are revealed.

- d. Results-based pricing – In service industries (such as legal consulting) in which outcome is very important but uncertainty is high, the most relevant aspect of value is the ‘result’ or the ‘outcome’ of the service. Pay-for-performance models are gaining popularity in pricing the services of an ad agency. Money-back guarantees are another example for this pricing tactic.

### ***Competition-Based Approach***

Competition-based pricing approach may take the form of going-rate pricing or sealed-bid pricing. In going-rate pricing, the firm bases its price largely on competitors’ prices, with less attention paid to its own cost or to demand. In oligopolistic industries (where there are a few large service providers), firms normally charge the same price. It is a popular pricing method. When demand elasticity is hard to measure, firms feel the going price represents the collective wisdom of the industry concerning the price that will yield a fair return. Competition-based pricing is also used when firms bid for jobs. Using sealed-bid pricing, a firm bases its price on how it thinks competitors will price rather than on its own costs or on the demand. The firm wants to win a contract and winning the contract requires pricing lower than other firms. Yet, the firm cannot set its price below a certain level. It cannot price below cost without hurting its position. In contrast, the higher the firm sets its price above its costs, the less its chance of getting the contract.

Many firms follow the dominant competitors, particularly the price leader, in setting the price. The main advantages of this method are:

- (1) It is a very simple method
- (2) It follows the main market trend
- (3) It has relevance to the competitive standing of the firm
- (4) Holding to the going price will prevent harmful price wars

The major disadvantages and limitations of following competitors are:

- (1) If the competitors’ price decisions are unrealistic, the follower will also be going wrong on the price
- (2) The cost factors of the follower may not be similar to that of the competitors’

- (3) The pricing objective of the firm could be different from that of the competitors'
- (4) Sometimes the competitor may initiate price change for wrong reasons

### **Initiating Price Changes**

After developing their price structures and strategies, service firms may face occasions when they want to cut or raise prices. The following situations may arise:

- Initiating price cuts – Reasons for a firm to cut price are excess capacity, unable to increase business through promotional efforts, service efficiency improvement, follow-the-leader pricing and to dominate the market
- Initiating price increases – Reasons for a company to increase price are cost inflation or excess demand
- Buyer reactions to price changes –Buyers will associate price with quality when evaluating services they have not experienced directly. They use it as a simple heuristic to judge.
- Competitor reactions to price changes – Competitors are most likely to react when the number of firms involved is small, when the service is similar and when buyers are well informed.
- Responding to price changes – While reacting to competitor's price changes, the issues to consider are: Why did the competitor change the price? Is it going to be temporary or permanent? Are other competitors going to respond and what are their likely responses? Of course, the firm must consider its own position and the possible customer reactions to price changes.

### **Channel Management (Place)**

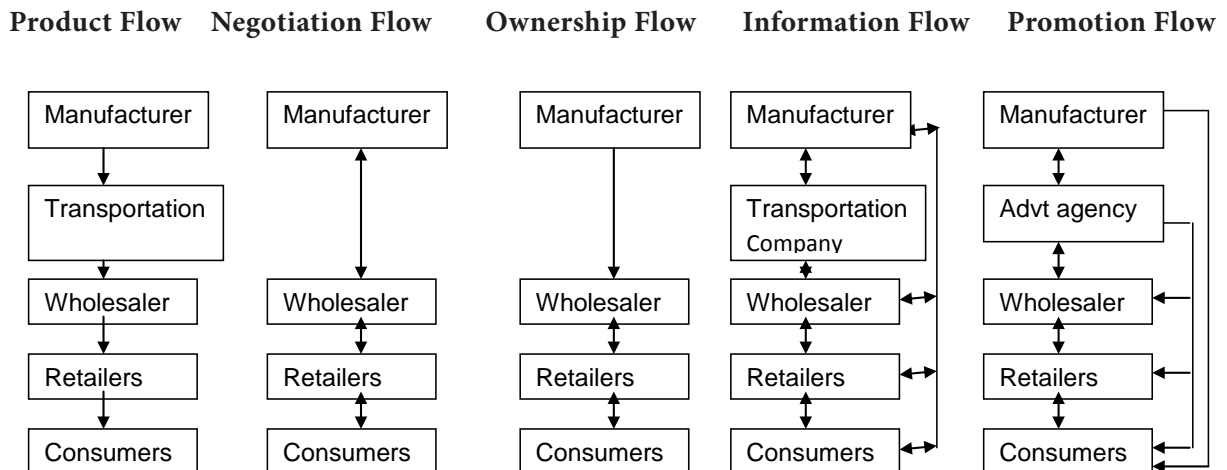
Firms must carefully choose how and where their goods reach consumers by managing their distribution channels. A distribution channel can be defined as an organization system of marketing institutions and their inter-relationships that promote the physical and title flow of goods and services from producers to consumers. It overcomes the major time, place and possession gaps that separate goods and services from those who would use them. It provides ultimate users with convenient ways to obtain the goods and services they desire. The choice of distribution channels should support the firm's overall marketing strategy. Figure shows the various members and flows in marketing channels.

Consider for example, the distribution channel of Air Deccan, India's leading low-cost airliner. Apart from directly selling a ticket (e-ticket) from the airline's website, www.airdeccan.net, it also sells through an arrangement with Reliance Web World (a chain of Internet cafés) and Indian Oil retail outlets (petrol bunks). There is a limited, if not, full scale distribution, through the travel agents also. As a result, Air Deccan uses multiple channels.

### Channel Functions

The marketing literature identifies the following as the functions performed by the members of the marketing channel:

1. Information: gathering and distributing marketing research and intelligence information about the marketing environment
2. Promotion: developing and spreading persuasive communications about an offer
3. Contact: finding and communicating with prospective buyers
4. Matching: shaping and fitting the offer to the buyer's needs, including such activities such as manufacturing, assembling and packaging
5. Negotiation: agreeing on price and other terms of the offer so that ownership or possession can be transferred



### Members and Flows in Marketing Channels

(Note: The origin and concept of flows in marketing channels is generally attributed to Ronald S. Valie, E.T Grether and Reavis Cox)

6. Physical distribution: transporting and storing goods
7. Financing: acquiring and using funds to cover the costs of channel work

8. Risk taking: assuming financial risks such as the inability to sell inventory at full margin.

The first five functions help to complete transactions. The last three help to fulfill the completed transactions. All these functions have three things in common:

- They use scarce resources
- They can often be performed better through specialization
- They can be shifted among channel members

Shifting functions to the channel members may keep producer costs and prices low, but channel members must add a charge to cover the cost of their work. To keep costs low, functions should be assigned to channel members who can perform them most efficiently.

### **Service Intermediaries**

In a typical service marketing context, two service marketers are involved in delivering service through intermediaries: the service principal (originator) and the service deliverer (intermediary). For example, in the fast food industry, Pizza Hut is the service principal and the outlet in Pondicherry run by a franchisee is the service deliverer. Service intermediaries perform important functions for the service principal. They often coproduce the service, fulfilling service principal's promises to customers. In contrast to channels for products, channels for services are almost always direct, if not to the customer then to the intermediary that sells to the customer. Because services cannot be owned, there are no titles or rights to most services that can be passed along a delivery channel. Because services are intangible and perishable, inventories cannot exist, making warehousing a dispensable function. In general, because services cannot be produced, stored and then retailed as goods can, many channels available to product firms are not feasible for service firms. Many of the primary functions of channel members have no meaning in services. The focus in service distribution is on identifying ways to bring the customer and principal or its representative together.

### **Service Channel Options**

The options for service distribution are limited to franchisees, agents, brokers and electronic channels.

- Franchisees are service outlets licensed by a principal to deliver a unique service concept it has created or popularized (Example: fast-food chains like McDonald's)

- Agents and brokers are representatives who distribute and sell the services of one or more service suppliers (Example: Insurance agents)
- Electronic channels include all forms of service provision through television, telephone, interactive media and the Internet. (Example: a hotel website facilitating online reservation)

The following table highlights the benefits and challenges in the service channel options.

**Benefits and challenges in service channel options**

<b>Benefits</b>	<b>Challenges</b>
<p><b>Through franchising</b></p> <p>For Franchisers</p> <ul style="list-style-type: none"> <li>➤ Leveraged business format for greater expansion and revenues</li> <li>➤ Consistency in outlets</li> <li>➤ Knowledge of local markets</li> <li>➤ Shared financial risk and more working capital</li> </ul> <p>For Franchisees</p> <ul style="list-style-type: none"> <li>➤ An established business format</li> <li>➤ National or regional brand marketing</li> <li>➤ Minimized risk of starting a business</li> </ul>	<ul style="list-style-type: none"> <li>➤ Difficulty in maintaining and motivating franchisees</li> <li>➤ Highly publicized disputes and conflict</li> <li>➤ Inconsistent quality</li> <li>➤ Control of customer relationship by intermediary</li>   <li>➤ Encroachment</li> <li>➤ Disappointing profits and revenues</li> <li>➤ Lack of perceived control over operations</li> <li>➤ High fees</li> </ul>
<p><b>Through agents and brokers</b></p> <ul style="list-style-type: none"> <li>➤ Reduced selling and distribution costs</li> <li>➤ Intermediary's possession of special skills and knowledge</li> <li>➤ Wide representation</li> <li>➤ Knowledge of local markets</li> <li>➤ Customer choice</li> </ul>	<ul style="list-style-type: none"> <li>➤ Loss of control over pricing and other aspects of marketing</li> <li>➤ Representation of multiple service principals</li> </ul>

<p><b>Through electronic channels</b></p> <ul style="list-style-type: none"> <li>➤ Consistent delivery for standardized services</li> <li>➤ Low cost</li> <li>➤ Customer convenience</li> <li>➤ Wide distribution</li> <li>➤ Customer choice and ability to customize</li> <li>➤ Quick customer feedback</li> </ul>	<ul style="list-style-type: none"> <li>➤ Customers are active, not passive</li> <li>➤ Lack of control of the electronic environment</li> <li>➤ Price competition</li> <li>➤ Inability to customize with highly standardized services</li> <li>➤ Lack of consistency due to customer involvement</li> <li>➤ Requires changes in consumer behaviour</li> <li>➤ Security concerns</li> <li>➤ Competition from widening geographies</li> </ul>
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### Channel Levels

Marketing channels can be described by the number of channel levels. (Refer to Figure). Each layer that performs some work in bringing the product and its ownership/ consumption closer to the final buyer is a channel level. Because the producers and the final consumer both perform some work, they are part of every channel. The number of intermediary levels (channel members) is used to indicate the length of a channel. As a result, one can have a short or long marketing channel depending on the number of intermediary levels that exist between the producer and the consumer. The following table describes the factors that affect distribution channel strategy.

#### Factors that affect distribution channel strategy

	<b>Characteristics of short channels</b>	<b>Characteristics of long channels</b>
<b>Market factors</b>	<ul style="list-style-type: none"> <li>➤ Business users (B2B)</li> <li>➤ Geographically concentrated</li> <li>➤ Extensive technical knowledge and regular servicing required</li> </ul>	<ul style="list-style-type: none"> <li>➤ Consumers (B2C)</li> <li>➤ Geographically diverse</li> <li>➤ Little technical knowledge and regular servicing not required</li> </ul>

<b>Product factors</b>	<ul style="list-style-type: none"> <li>➤ Large orders</li> <li>➤ Perishable</li> <li>➤ Complex</li> <li>➤ Expensive</li> </ul>	<ul style="list-style-type: none"> <li>➤ Small orders</li> <li>➤ Durable</li> <li>➤ Standardized</li> <li>➤ Inexpensive</li> </ul>
<b>Producer factors</b>	<ul style="list-style-type: none"> <li>➤ Manufacturer has adequate resources to perform channel functions</li> <li>➤ Broad product line</li> <li>➤ Channel control important</li> </ul>	<ul style="list-style-type: none"> <li>➤ Manufacturer lacks adequate resources to perform channel functions</li> <li>➤ Limited product line</li> <li>➤ Channel control not important</li> </ul>
<b>Competitive factors</b>	<ul style="list-style-type: none"> <li>➤ Manufacturer feels satisfied with marketing intermediaries' performance in promoting products</li> </ul>	<ul style="list-style-type: none"> <li>➤ Manufacturer feels dissatisfied with marketing intermediaries' performance in promoting products</li> </ul>

### Channel Issues

Channel managers often must work to resolve channel conflicts. Distribution channels work smoothly only when members cooperate in well-organized efforts to achieve maximum operating efficiencies, yet channel members often perform as separate, independent and even competing forces. Too often marketing institutions see only one step forward or backward along a channel. They think about their own supplies and customers rather than about vital links throughout the channel. Key problems with intermediaries include channel conflicts over objectives and performance, conflict over costs and rewards, difficulty controlling quality and consistency across outlets, tension between empowerment and control and channel ambiguity.

- The parties involved in delivering services do not always agree about how the channel should operate. The conflict most often centres on the parties having different goals, competing roles and rights and conflicting views of the way the channel is performing.
- The monetary arrangement between those who create the service and those who deliver it is a pivotal issue of contention.
- One of the biggest difficulties for both principals (producers) and their intermediaries (channel members) involves the inconsistency and lack of uniform quality that result when multiple outlets deliver services. When a poor performance occurs in a single



outlet, the service principal (who probably has franchised out the service) suffers because the entire brand and reputation are affected and other intermediaries endure negative attributions to their outlets.

- In many service situations, the principal and the intermediaries attained profits and longevity by the principal's controlling virtually every aspect of the intermediaries' businesses. Such control can have negative influences within intermediaries. They think their freedom and creativity is curbed.
- When the channel is highly empowered, doubt exists about the roles of the service firm and its intermediaries about many marketing activities. It may lead to confusion and cause conflict.

### **Marketing Communications (Promotion)**

Modern marketing calls for more than developing a good product, pricing it attractively and making it available to target customers. The whole marketing mix must be integrated to deliver a consistent image and strategic positioning. Firms must communicate continuously with their present and potential customers. Every firm is inevitably cast into the role of communicator and promoter.

Promotion is the function of informing, persuading and influencing the consumer's purchase decision. Consumers receive marketing communications – messages that deal with buyer-seller relationships – from a variety of media, including television, magazines and the Internet. Marketers can broadcast an ad on television network to mass markets or design a customized direct-mail appeal targeted to a small market segment (even a segment of one customer!). Each message the consumer receives from any source represents the brand or firm. Unless a firm coordinates all these messages, the consumer can become confused and may entirely tune out the message. To prevent this loss of attention, marketers are turning to integrated marketing communications (IMC) which coordinate all promotional activities to produce a unified, customer-focused promotional message.

### **Promotion mix**

A firm's total marketing communications program, called its promotion mix, consists of a specific blend of advertising, sales promotion, public relations and personal selling to achieve advertising and marketing objectives. The five major promotional tools are:

- Advertising – Any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor

Comparison of the five promotional mix elements

	Personal selling	Advertising	Sales promotion	Direct marketing	Public relations
Advantages	<ul style="list-style-type: none"> <li>▶ Permits measurement of effectiveness</li> <li>▶ Elicits an immediate response</li> <li>▶ Tailors the message to fit the customer</li> </ul>	<ul style="list-style-type: none"> <li>▶ Reaches a large group of potential consumers for a relatively low price per exposure</li> <li>▶ Allows strict control over the final message</li> <li>▶ Can be adapted to either mass audiences or specific audience segments</li> </ul>	<ul style="list-style-type: none"> <li>▶ Produces an immediate consumer response</li> <li>▶ Attracts attention and creates product awareness</li> <li>▶ Allows easy measurement of results</li> <li>▶ Provides short-term sales increases</li> </ul>	<ul style="list-style-type: none"> <li>▶ Generates an immediate response</li> <li>▶ Covers a wide audience with targeted advertising</li> <li>▶ Allows complete, customized, personal message</li> <li>▶ Produces measurable results</li> </ul>	<ul style="list-style-type: none"> <li>▶ Creates a positive attitude toward a brand or firm</li> <li>▶ Enhances credibility of a brand or firm</li> </ul>
Disadvantages	<ul style="list-style-type: none"> <li>▶ Relies almost exclusively upon the ability of the salesperson</li> <li>▶ Involves high cost per contact</li> </ul>	<ul style="list-style-type: none"> <li>▶ Does not permit totally accurate measurement of results</li> <li>▶ Usually cannot close sales</li> </ul>	<ul style="list-style-type: none"> <li>▶ Is non-personal in nature</li> <li>▶ Is difficult to differentiate from competitors' efforts</li> </ul>	<ul style="list-style-type: none"> <li>▶ Suffers from image problem</li> <li>▶ Involves a high cost per reader</li> <li>▶ Depends on quality and accuracy of mailing lists</li> <li>▶ May annoy consumers</li> </ul>	<ul style="list-style-type: none"> <li>▶ May not permit accurate measurement of effect on sales</li> <li>▶ Involves much effort directed toward non-marketing – oriented goals</li> </ul>

- Sales promotion – Short-term incentives to encourage the purchase or sales of a product or service
- Public relations – Building good relations with the firm’s various publics by obtaining favourable publicity, developing a good corporate image, and handling or heading off unfavourable rumours, stories and events.
- Personal selling – Oral presentation in a conversation with one or more prospective buyers for the purpose of making sales.
- Direct marketing – The use of direct communication to a consumer designed to generate a response in the form of an order (direct order); a request for further information (lead generation); or a visit to a place of business to purchase specific goods/services (traffic generation).

Table presents a comparison of the five promotional mix elements. As indicated, each type of promotion has both advantages and disadvantages. The marketer must determine the appropriate blend of these promotional mix elements to effectively market the firm’s goods/services.

### **Steps in Developing Effective Communication**

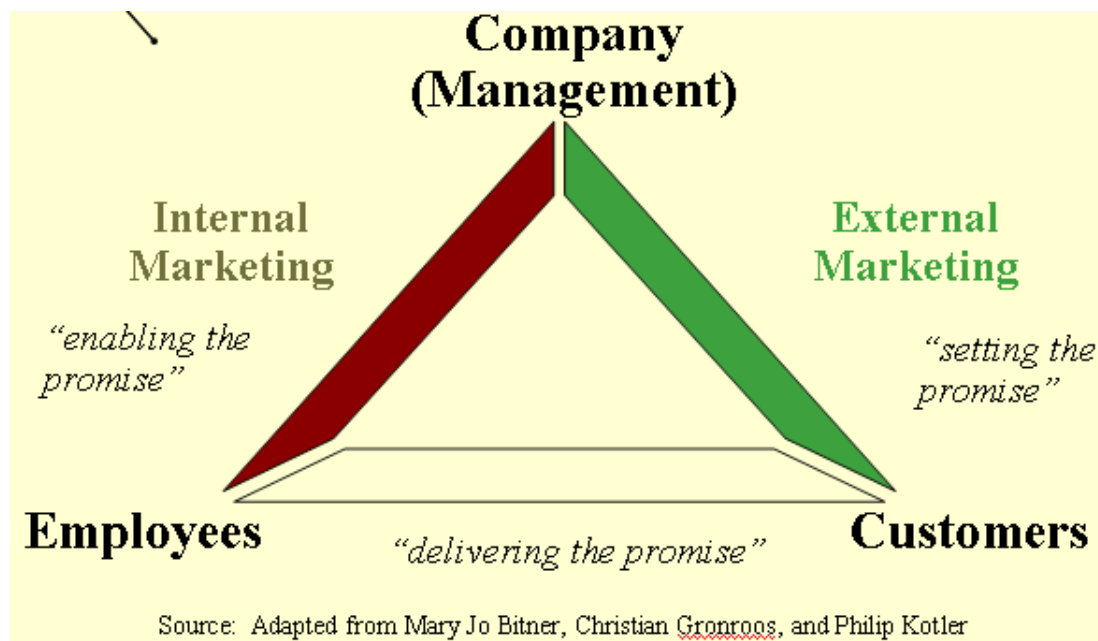
The following are the steps in developing effective communication.

1. Select the target audience, including potential buyers, current users and possibly others who influence the buying decision.
2. Determine the communication objectives, typically involving such goals as awareness, knowledge, liking, preference, conviction and purchase.
3. Decide on a budget, including how much to spend on the total campaign as well as what to allocate to various promotion types.
4. Create a message, capturing what to say, how to say it and who will deliver the message.
5. Choose media, among them personal communication channels such as personal selling or non-personal communication channels such as television and newspapers. Media can also be distinguished as mass media (such as television) and targeted media (such as specialized magazines and direct mail).
6. Collect feedback, which includes researching how effective the communications were in meeting the objectives.

## Services Marketing Communication

Service firms must add to the traditional communications or promotion mix, a concern about the ways that customers receive information about services through interactive marketing or marketing between employees and customers. Refer to the services marketing triangle show in Figure. It demonstrates that the customer of services is the target of two types of marketing communication. First, external marketing communication extends from the firm to the customer and includes such traditional communication channels as advertising, sales promotion and public relations. Second, interactive marketing communication involves the messages that employees give to customers through such channels as personal selling, customer service interactions, service encounter interactions and servicescapes (described in section 8).

Services Marketing Triangle



## Integrated Services Marketing Communication

To match service delivery with service promises, the following strategies are recommended: manage service promises, manage customer expectations, improve customer education and manage internal marketing communications.

### Manage Service Promises

In manufacturing physical goods, the departments that make promises and those that deliver them can operate independently. In services, however, the sales and marketing

departments make promises about what other employees in the organizations will fulfill. Because what employees do cannot be standardized like physical goods produced mechanically, greater coordination and management of promises are required. Successful services advertising and personal selling becomes the responsibility of both marketing and operations. Intangibility makes services advertising different from product advertising and difficult for marketers. The intangible nature of services creates problems for consumers both before and after purchase. Mittal (1999) has suggested services advertising strategies to overcome the challenges posed by the intangible nature of services. Refer to Table.

Service marketers have developed the following guidelines for service advertising effectiveness:

- Use narratives to demonstrate the service experience
- Present vivid information
- Use interactive imagery
- Focus on the tangibles
- Feature service employees in communication
- Promise what is possible
- Encourage word-of-mouth (WOM) communication
- Feature service customers
- Use transformational advertising

**Manage Customer Expectations**

Many service firms find themselves in the position of having to tell customers that services previously provided will be discontinued or available only at a higher price. Here are four strategies for a service firm to gracefully give the customer news about what to expect.

**Services advertising strategies matched with properties of intangibility**

<b>Property of intangibility</b>	<b>Advertising strategy</b>	<b>Description</b>
Incorporeal existence	Physical representation	Show physical components of service that are unique, indicate high quality and create the right association

Generality	Make the message claim specific by <ul style="list-style-type: none"> <li>➤ System documentation</li> <li>➤ Performance documentation</li> <li>➤ Service performance episode</li> </ul>	Objectively document physical system capacity by showing facts and figures Document and cite past positive performance statistics Present a vivid story of an actual service delivery incident that relates to the important service attribute
Abstractness	Service consumption episode	Capture and display typical customer benefiting from the service, evoking particular incidents
Non-searchability	Performance documentation Consumption documentation	Cite independently audited performance Obtain and present customer testimonials
Impalpability	Service process episode Case history episode	Present a vivid documentary on the step-by-step service process Present an actual case history of what the firm did for a specific client

- One way to reset expectations is to give the customer options for any aspects of service that are meaningful, such as time and cost. With the choice, clients can select that aspect of the trade-off (time or money) that is most meaningful to them. Making the choice solidifies the client's expectations of service.
- Product companies are accustomed to offering different versions of their products with prices commensurate with the value customers perceive. This type of formal bundling and pricing can be accomplished in services, with the extra benefit of managing expectations.
- A service provider can educate the customer the criteria by which to evaluate the service. The provider who does this in a credible manner will have an advantage in shaping the evaluation process.
- Service providers must learn to present their offerings in terms of value and not on price alone. Such a value-centred negotiation can lead to more realistic expectation in the customer.

### **Improve Customer Education**

The nature of services demand that customers perform their roles properly for many services to be effective. If the customer forgets to perform this role, or performs it improperly, disappointment may result. For this reason, communication to customers can take the form of customer education. The following customer education approaches can

help match promises with delivery:

- Prepare customers for the service process
- Confirm performance to standards and expectations
- Clarify expectations after the sale
- Teach customers to avoid peak demand periods and seek slow demand periods

### **Manage Internal Marketing Communication**

Internal marketing communications can be both vertical and horizontal. Vertical communications are either downward (from management to employees) or upward (from employees to management). Horizontal communications are those across functional boundaries in an organization. Firms must give customer contact employees the information, tools and skills to perform successful interactive marketing through downward communication. Upward communication is also necessary in closing the gap between service promises and service delivery. Having an open upward communication can prevent service problems before they occur and minimize them when they do occur. Horizontal communication must be facilitated to coordinate efforts for service delivery. It is important to open channels of communication between marketing and operations personnel for the potential for conflict between these two is high. The back-office and support personnel typically do not interact directly with external customers. Still they can be aligned with external customers through mechanisms like interaction and also by creating cross-functional teams.

### **People's Role in Service Firms**

The people element in the service marketing mix refers to all of the human actors who play a part in service delivery and thus influence the buyer's perceptions. Two groups of people play important roles in the delivery of quality services – the employees and customers. Service employees create satisfied customers and build customer relationships. The front-line service providers are enormously important to the success of the firm. They are responsible for understanding customer needs and for interpreting customer requirements in real time. Customer participation at some level is inevitable in service delivery. As a result, the customers also play unique roles in service delivery situations. Because customers are present during service production, they can contribute to or detract from the successful delivery of the service and to their own satisfaction. In many situations, employees, customers and even others in the service environment interact to produce the ultimate service outcome.

## Critical Importance of Service Employees

Front-line employees and those supporting them from behind the scenes are critical to the success of any service organization because they are the service, they are the organization in the customer's eyes, they are the brand and they are marketers. Customers' perceptions of service quality will be impacted by the customer-centric behaviours of employees. In fact, all of the five dimensions of service quality (reliability, responsiveness, assurance, empathy and tangibles) can be influenced directly by service employees. Satisfied employees make for satisfied customers. The front-line service employees are referred to as boundary spanners because they operate at the organization's boundary. They serve a critical function in understanding, filtering and interpreting information and resources to and from the organization and its external constituencies. They also exert emotional labour that goes beyond the physical or mental skills needed to deliver quality service. Friendliness, courtesy, empathy and responsiveness directed toward customers require huge amounts of emotional labour from the front-line employees who should this responsibility for the organization. To build a customer-oriented, service-minded workforce, a service firm must

- Hire the right people
  - Compete for the best people in the talent market
  - Hire for service competencies and service inclination
  - Be the preferred employer
- Develop people to deliver service quality
  - Train for technical and interactive skills
  - Empower employees
  - Promote teamwork
- Provide the needed support systems and
  - Develop service-oriented internal processes
  - Provide supportive technology and equipment
  - Measure internal service quality
- Retain the best people
  - Include employees in the firm's vision
  - Treat employees as customers
  - Measure and reward strong service performers



## The Importance of Customers in Service Delivery

Recognition of the role of customers in service delivery is reflected in the definition of the people element of the services marketing mix. The 'service audience' (comprising of the customer receiving the service and other customers in the service environment) contribute to the service outcome through appropriate or inappropriate, effective or ineffective, productive or unproductive behaviours. Table summarizes the levels of customer participation across different services.

In many service contexts, customers receive the service simultaneously with other customers or must wait for their turn while others are being 'serviced'. Either way, the presence of 'other customers' in the service environment can affect the service delivery process or its outcome.

When 'other customers' exhibit disruptive behaviours, cause delays, overuse, crowd and complain on incompatible needs, it negatively affects the service experience.

### Levels of customer participation across different services

<b>Low: Consumer presence required during service delivery</b>	<b>Moderate: Consumer inputs required for service creation</b>	<b>High: Customer co-creates the service product</b>
Products are standardized	Client inputs customize a standard service	Active client participation guides the customized service
Service is provided regardless of any individual purchase	Provision of service requires customer purchase	Service cannot be created apart from the customer's purchase and active participation
Payment may be the only required customer input	Customer inputs (information, materials) are necessary for an adequate outcome, but the service firm provides the service	Customer inputs are mandatory and they co-create the outcome
B2C example: Airline travel	B2C example: Full-service restaurant	B2C example: Personal training
B2B example: Pest control	B2B example: Freight transportation	B2B example: Management consulting

Advances in technology have allowed the proliferation of a wide range of self-service technologies (SSTs) that manage the customer participation in service delivery. They bring in a great degree of standardization and consistency to the service experience, at the same time saving others resources (including employees) for the service firm. Popular examples of SSTs include ATMs, Internet banking, Package tracking, e-learning, airline e-ticket, online shopping and auctions.

The level and nature of customer participation in the service process are strategic decisions that can impact a firm's productivity, its competitive positioning, service quality and customer satisfaction. The goal of a customer participation strategy are to increase productivity and customer satisfaction while simultaneously decreasing uncertainty due to unpredictable customer actions. A customer participation strategy may be outlined as follows:

- Define customers' jobs
  - Helping oneself
  - Helping others
  - Promoting the brand/firm
- Recruit, educate and reward customers
  - Recruit the right customers
  - Educate and train customers to perform effectively
  - Reward customers for their contributions
  - Avoid negative outcomes of inappropriate customer participation
- Manage the customer mix
  - Appropriate market segmentation
  - Compatibility management

### **Servicescapes (Physical Evidence) and their Roles**

Physical evidence is the environment in which the service is delivered and where the firm and the customer interact, and any tangible commodities that facilitate performance or communication of the service. Physical evidence is important for communicating about credence services. Think of the impressions a theme part may leave on its customers using brightly coloured displays, the music, the fantastic rides and the costumed characters – they all reinforce the feelings of excitement and fun.

Physical evidence is important because the services are intangible. They help to tangibilize the intangible service as customers go by tangible cues, to evaluate the service before its purchase and to assess their satisfaction with the service during and after consumption. Table represents the elements and examples of physical evidence.

**Elements of physical evidence**

<b>Servicescape</b>	<b>Other tangibles</b>
<p><b>Facility exterior</b></p> <p>Exterior design</p> <p>Signage</p> <p>Parking</p> <p>Landscape</p> <p>Surrounding environment</p>	<p>Business cards</p> <p>Stationery</p> <p>Billing statements</p> <p>Reports</p> <p>Employee dress</p> <p>Uniforms</p> <p>Brochures</p> <p>Web pages</p> <p>Virtual servicescape</p>
<p><b>Facility interior</b></p> <p>Interior design</p> <p>Equipment</p> <p>Signage</p> <p>Layout</p> <p>Air quality/temperature</p>	
<p><b>Airline</b></p> <p>Airline gate area</p> <p>Airplane exterior</p> <p>Airplane interior (decor)</p>	<p><b>Airline</b></p> <p>Tickets</p> <p>Food</p> <p>Uniforms</p> <p>Website</p>
<p><b>Music concert</b></p> <p>Seating</p> <p>Stadium exterior</p> <p>Ticketing area</p> <p>Audience zones</p>	<p><b>Music concert</b></p> <p>Signs</p> <p>Tickets</p> <p>Program</p>

A classification of service firms can be arrived based on variations in form (elaborate/ lean) and use (self-service, interpersonal service, remote service) of the servicescape. Some

service environments are very simple, with few elements, few spaces and few pieces of equipment. Such environments are termed lean. Examples include ATM and information kiosks. Other servicescapes are very complicated, with many elements and many forms. They are termed elaborate environments. Examples include hospitals and insurance companies.

### **Roles of the Servicescape**

The servicescape plays many roles which help the service firms overcome some of the limitations brought in by the characteristics of services themselves. For example, similar to a tangible product's package, the servicescape (along with other elements of physical evidence) 'wrap' the service to create an image for what is 'inside'. The servicescape is the outward appearance of a service firm and thus can be critical in forming initial impressions or setting up customer expectations. For example, a coffee shop's exteriors, signage and frontage can convey a up-scale image to the customers.

A well-designed, functional facility can make the service a pleasure to experience from the customer's point of view and a pleasure to perform from the employee's. On the other hand, poor and inefficient design may frustrate both customers and employees. For example, a coffee shop with a spacious layout, prominent and well lit interior signages will make the customers feel comfortable.

The design of the servicescape aids in the socialization of both employees and customers in the sense that it helps to convey expected role, behaviours and relationships. For example, more and more coffee shops are adopting a living room style of seating with comfortable lounge chairs and tables set to encourage interaction and staying longer.

The design of the physical facility can differentiate a firm from its competitors and appeal to the market segment the service is intended for. For examples, in coffee shops, the signage, colours used in décor and displays and type of music played appeal to the intended market segment.

Thus the servicescape plays the role of package, facilitator, socializer and differentiator.

### **Servicescape Effect on Consumer Behaviour**

A basic model of consumer behaviour follows the basic stimulus-organism-response theory. Servicescape as a stimulus evokes certain responses from the people (employees and customers) in its vicinity. For example, it may cause an approach (say, desire to stay) or avoidance (say, a desire not to stay) behaviour in an individual. Apart from influencing

individual behaviour, the servicescape influences the nature and quality of customer and employee interactions, most directly in interpersonal services. Servicescape as a stimulus, may not only cause a particular behaviour, but also produce internal responses. Employees and customers respond to dimensions of their physical surroundings cognitively (e.g. perceptions), emotionally (e.g. excitement) and physiologically (e.g. physical comfort/discomfort). A servicescape can be thought of as a form of non-verbal communication imparting meaning through the physical elements in the servicescape. Environmental dimensions of the physical surroundings can include all of the objective physical factors that can be controlled by the firm to enhance (or constrain) employee and customer actions. These factors can be categorized into three dimensions, namely, ambient conditions (such as temperature, lighting, noise, scent and colour), spatial layout (arrangement of machinery, equipment and furnishings) and functionality (ability of the items in spatial layout to facilitate the accomplishment of customer and employee goals) and signs (as labels, for directional purposes and to communicate rules of behaviour), symbols and artifacts. Signs, symbols and artifacts are particularly important in forming first impressions and for communicating new service concepts. When customers are unfamiliar with a service firm, they will rely on the above discussed environmental cues to help them judge the place and form their expectations.

### **Guidelines for Physical Evidence Strategy**

Some general guidelines provided by Bitner (1993) for an effective physical evidence strategy are listed below:

- Recognize the strategic impact of physical evidence – For an evidence strategy to be effective, it must be linked clearly to the firm's overall goals and vision.
- Map the physical evidence of service – Everyone should be able to see the service process and the existing elements of physical evidence.
- Clarify role of the servicescape – To identify opportunities and decide just who needs to be consulted in making facility design decisions.
- Assess and identify physical evidence opportunities – One question to ask is, are there missed opportunities to provide service evidence?
- Be prepared to update and modernize the evidence – Some aspects of the evidence require frequent if not periodic updating and modernizing.
- Work cross-functionally – Evidence decisions are made over time and by various functions within the organization.

## **Service Blueprinting (Process)**

The 7<sup>th</sup> P of service marketing mix is process. It refers to the actual procedures, mechanisms and flow of activities by which the service is delivered – the service delivery and operating systems. The service process is designed and specified using the service blueprinting tool.

To match service specifications to customer expectations, the characteristics of the critical service process must be described objectively and depicted for the employees, customers and managers alike to know what the service is, what their role in its delivery is and understand all of the steps and flows involved in the service process. Shostack (1984) describes service blueprinting as a tool that addresses the challenges of designing and specifying intangible service processes.

A service blueprint is a picture or map that accurately portrays the service system so that the different people involved in providing it can understand and deal with it objectively regardless of their roles or their individual points of view. It is a tool for simultaneously depicting the service process, the points of customer contact and the evidence of service from the customer's point of view. It provides a way to break a service down into its logical components and to depict the steps or tasks in the process, the means by which the tasks are executed and the evidence of service as the customer experiences it.

The key components of service blueprints are customer actions, front-end contact employee actions, back-end contact employee actions and support processes. The customer actions encompass the steps, choices, activities and interactions that the customer performs in the process of purchasing, consuming and evaluating the service. The front-end contact employee actions are visible to the customer whereas the back-end contact employee actions are invisible.

The support processes cover the internal services, steps and interactions that take place to support the contact employees in delivering the service. A line of interaction is drawn to represent direct interactions between the customer and the organization. A line of visibility separates all service activities that are visible to the customer from those that are not visible. A line of internal interaction separates contact employee activities from those of other service support activities and people.

One of the most significant differences in service blueprints compared with other types of process flow diagrams is the inclusion of customers and their views of the service process.

## **Building a Blueprint**

Through the process of developing the blueprint, many intermediate goals can be achieved: clarification of the concept, development of a shared service vision, recognition of complexities and intricacies of the service that are not initially apparent and delineation of roles and responsibilities. The following are the steps in building a service blueprint:

1. Identify the process to be blueprinted
2. Identify the customer or customer segment
3. Map the process from the customer's point of view
4. Map contact employee actions, front-end and back-end and/or technology actions
5. Link contact activities to needed support functions
6. Add evidence of service at each customer action step

When people begin to develop a blueprint, it quickly becomes apparent what is actually known about the service. Sometimes the shared knowledge is very little. Biases and prejudices are made explicit, and agreements and compromises must be reached. The process itself promotes cross-functional integration and understanding.

## **Self Assessment Questions**

1. Use a product from the hospitality services industry to explain the following terms:
  - ▶ Facilitating product
  - ▶ Supporting product
  - ▶ Augmented product
2. As an executive healthcare manager, how would you gain new product ideas?
3. Apply the concept of the product life cycle to a bank. How does a bank keep its products/services from going into the decline stage.
4. Go to the [www.priceline.com](http://www.priceline.com) website. Familiarize yourself with the way it works. Comment on the pricing mechanism at Priceline.com.
5. Consider that you are the Director of the Directorate of Distance Education, Pondicherry University. Prepare a value price package that is appealing to students. Describe your approach. How does it differ from existing offerings?
6. One way of increasing revenue is through up-selling. Give examples from the services industry of when up-selling can result in a more satisfied customer.

7. List five services that could be distributed on the Internet. Why are these particular services appropriate for electronic distribution?
8. In what specific ways does the distribution of service differ from the distribution of goods?
9. Develop a brief franchising plan for a service concept or idea that you believe could be successful.
10. Which form of internal marketing communication – vertical or horizontal – would you invest in if you had to select between them as an organization's CEO? Why?
11. Apply the five major tools in the marketing communication mix to a hospitality firm by showing how a company can use all these tools.
12. Compare the different media options for a service marketer.
13. Discuss the general importance of customers in the successful delivery of service using your own personal examples.
14. Think of a service establishment where customers can influence each other (say, airline).
15. blueprint. What is the 'evidence of service' from your point of view as a customer?

### **CASE STUDY**

Market penetration, market development, product development and product diversification are the different strategic decisions helping the financial organizations in marketing the services profitably and successfully.

#### **Questions**

- (a) Identify a bank of India where these strategies are in vogue.
- (b) Suggest changes for better performance.

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## UNIT – III

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### Strategic Marketing Management for Services

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#### Introduction

The basic process of designing marketing strategies for services is same as for goods. While developing marketing strategies for services, services marketers develop a special focus for the marketing mix to account for special problems from the four special characteristics of services

The following table summarizes special characteristics of services, the potential problem likely to be created by them thereby effecting service quality and appropriate strategies for dealing with such problems.

#### Special Service Characteristics and Strategies

Characteristics	Potential problems	Appropriate strategies for marketing services
Intangibility	Difficult to evaluate in advance.	<ul style="list-style-type: none"><li>➤ Build brand-benefit linkages</li><li>➤ Associate with tangible cues</li></ul>
Inventory	Inadequate availability at desired times	<ul style="list-style-type: none"><li>➤ Use of peak pricing</li><li>➤ Offer flexible delivery</li></ul>
Inconsistency	Hard to assume consistent quality	<ul style="list-style-type: none"><li>➤ Substitute equipment for people</li><li>➤ Establish set rules and routines</li></ul>
Inseparability	Perception of services is based on perception of provider	<ul style="list-style-type: none"><li>➤ Build membership relationship.</li><li>➤ Personalize the service</li><li>➤ Provide sensitivity training</li></ul>

The marketer's must take into consideration the following criteria while developing the marketing strategies so that potential problems caused due to services characteristics are minimized.

1. Develop the right service for right people at the right price, in right place, with right positioning and image.
2. Communicate with consumers-continuously-continuously-continuously so that they are aware that need satisfying services are available to them.

The important strategies for marketing of services include

1. Strategies to stay practice by differentiation.
2. Strategies for dealing with intangibility.
3. Strategies for dealing with inventory (Perishability).
4. Strategies for dealing with inconsistency (Heterogeneity).
5. Strategies for dealing with Inseparability.

### **Pro-Activity-a Strategic Tool to Outservice Competition**

We need to understand what drives customer satisfaction. Service providers must understand the distinction between one's CORE PRODUCT/SERVIVE OFFERING and SUPPLIMENTAL SERVICES. The supplemental services may be called VALUE ADDED SERVICES. Sometimes they are termed as peripheral or surround services.

#### **Core Product/Service Offering**

- Safe Transport forms one city to another via aeroplane.
- Doctor's proper diagnosis and treatment.
- Lawyer's sound legal advice.
- Hotel room with comfortable bed and clean bath.

#### **Supplemental Services**

- Movie or meal on boards the aeroplane.
- Doctor's friendly bedside manner
- Trustworthiness of lawyer.
- Bath room amenities and mini bar in the hotel room.

While studying customer's satisfaction across the range of service offerings, the marketer's often find customers evaluating the service delivery on the basis supplemental/peripherals. These 'little things' how much they from the pay for complete offerings are

to be understood in terms their significance and criticality with respect to competitors offering.

### **Why customers evaluate Services on supplemental?**

- Customer always assume that service provider's core offering shall be of high quality. Undoubtedly a poor core offering will cause customer dissatisfaction, but a good core extension alone is not sufficient for customer satisfaction.
- Within and across competitors, the core product offerings hardly have variations, e.g., the core offerings of the competing airlines are same, and the planes do arrive safely. Hotel rooms of the same classifications do have decent beddings and baths etc.
- For many customers/consumers it is very difficult to judge the core offering e.g., What variations you can find in legal advice given by lawyers, medical advice given by medical practitioners, seat provided by the airlines or rooms provided by the hotels of same classifications.

### **Create a Differential Advantage**

For any service achieving and sustaining a differential advantage is a challenging task.

What is relevant for differentiating the services are supplemental. Based on which the marketers are outsmarting the competition. This new approach is being implemented beneficially by service marketers and is being termed as 'proactive servicing': World proactive is being used in all fields including politics but marketers have been able to use it effectively by analyzing the organisation's position by three simple situations.

Situation 1. What is the need of the customers?

Situation 2: What best our organisation does?

Situation 3: What the competitor is offering?

Let us analyse the following equations.

$$S2 = S1 \quad \text{eq. (1)}$$

$$S3 = S1 \quad \text{eq. (2)}$$

$$(S2 = S1) > (S3 = S1) \quad \text{eq. (3)}$$

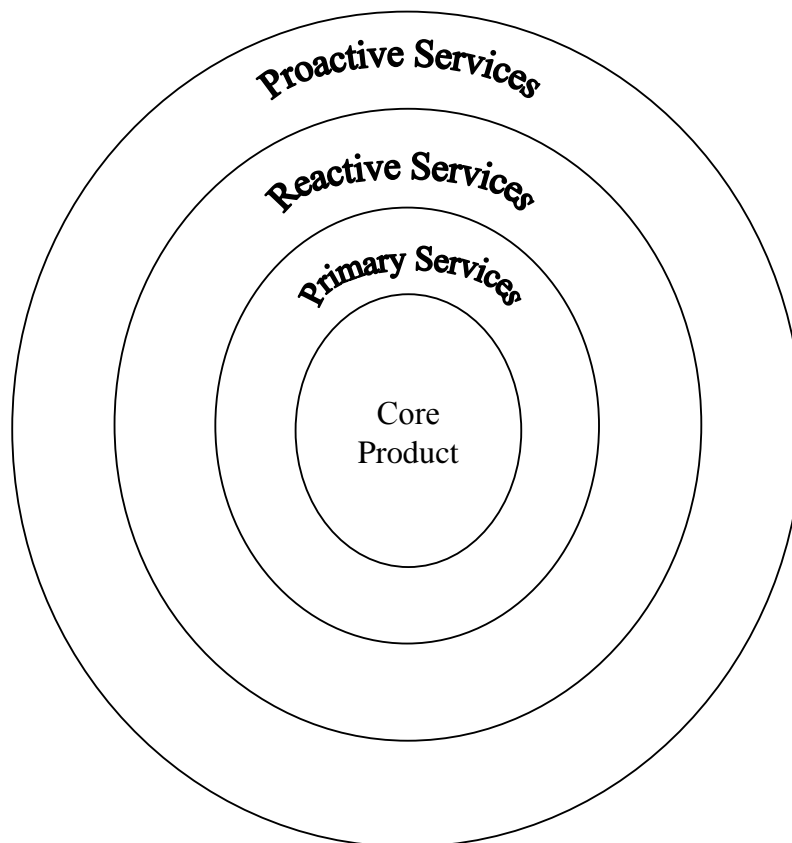
$$(S2 = S1) < (S3 = S1) \quad \text{eq. (4)}$$

Equation 2 and equation 1 show that both our and the competitor's organisation is offering the similar service and it is entirely up to the customer to choose the supplier.

Equation 3 shows that our organisation is offering better service than the competitor where as the situation in equation 4 is reversed.

This process is not unknown to organizations but those who have conducted analytical studies deeply in each of the three areas have reaped the rewards of staying at the top. How?

As already discussed that core product is surrounded by supplementals and these supplementals expand outwards as shown in the following Proactive service model (refer Fig)



**Proactive Service model**

The above model can be illustrated by an example of airline industry.

The core product offered by Indian Airlines is a seat from one destination to another. The most primary level of service might be considered as a seat, a seat belt, an oxygen mask, a flotation device or a parachute.

Reactive services are those items that develop due to competition from other airlines say for Jet Airways or Sahara Airlines the reactive services may include discount fare, choice of refreshments, frequent flier programmes etc.

The proactive service model relationship illustrates that each reactive service was once a proactive service. For example whenever an airline tries something new to attract customers-the most successful ideas are quickly copied.

Practically now every airlines offer frequent flier programmes. Longer a, service firm stays proactive more economic benefits it gets. In today's competitive world only a few competitive moves last long. The news of moves adopted by a company travel very fast and the customers expect same reaction from all players in the field. In fact, many moves get copied overnight.

When the competitor copies your move, you don't remain proactive and you revert back into reactive circle. At this level, it becomes a service that all customers expect at no additional charge. This is a major disadvantage rather than a competitive edge.

To innovate the best proactive service you should imagine a service that your customer wants and that competition either cannot match technology or elects not to match due to management constraints, lack of market knowledge or other reason. This approach is likely to provide a competitive advantage for the period till your competitor copies it and brings your service in the reactive circle.

The service firms should possess a dynamic nature of designing proactive strategies to outsmart competition and differentiate it for the competitors.

The service organisation should be doing market research continually – talk to the customer regularly – take front line and sales people's view to understand 'what does your customer want'. The answer to this question will help you to stay proactive.

## **Strategic Aspects of Services Marketing**

We will now take up the strategic part of the services marketing area, through a discussion centered on the classic STP (segmentation, target marketing and positioning) aspects of services. The marketing of products also involves these steps, as you would be aware if you had a marketing management course before this one. Our emphasis will be on finding out the reasons for the services tending to be different at times, and we will focus on Indian service examples most of the time.

## Segmenting the Service Market

Imagine that you were an entrepreneur with assured funding from a bank, and wanted to start a new service business. The reason for starting a service business could be your belief that services are more profitable in the long run. How do you go about this task of identifying a new business?

Most likely, you would have to begin by deciding whom you want to market your service to. It is possible that some well-defined groups or segments already exist in the business area that you have identified.

For example, if you want to start a hotel in Goa, there are two broad segments one can readily imagine-tourists and business travelers. However, these broad units could also be segmented based on other variables. For example, the domestic versus foreign clients, male or female customers, or young and middle-aged and old customers are all valid ways of segmenting your potential clientele.

Some of the commonly used segmentation variables are:

Type: Institutional or corporate customers/Individuals

Age: Kinds/Teenagers/Young adults/Middle-aged/Old

Sex: Male/Female

Language Spoken

Income Level: Rupees per month (less than 5000, 5001-10000, 10001-20000, more than 20000, etc)

Preferences: Indoor activities, Outdoor activities

Personality Types: Introvert, Extrovert or other classifications

Ethnic background/state/region: Konkani, Bengali, South Indian, Marwari, etc.

Profession: Salaried, Businessperson, Artist, Lawyer, Doctor, etc.

Attitude towards Risk: Risk taker, risk averse, etc.

Rural/Urban

Several other variables could also be used to segment the customers or potential customers. But they should be relevant to the service, which we are going to market. The segmentation variables can broadly be classified into three types:

1. Demographic
2. Psycho graphic
3. Behavioural

### SEC Grid for Segmenting Customers

There is an alternative segmentation method called the socio-economic classification (SEC), popular with marketers of both goods and services. This is a matrix or grid, which combines information about a customer's occupation and education level, and is called the SEC level of the individual. This is sometimes used as a substitute for income-based segmentation by marketing research companies, while collecting the data. The advantage of the SEC according to marketing researchers is that it is easier to get accurate data on occupation and education level than on income.

Besides, it could reflect reality better as the person's aspirations for certain products or services could be linked to his SEC rather than income alone. The following section gives an idea of what the categories look like. The SEC grid itself is shown in the following Fig. This grid applies to the Indian urban households, and has been formulated by the Indian Market Research Society. It is based on a similar SEC Grid developed in other countries, but has been adapted to the Indian context.

		Illiterate	School up to 4 Years	School 5-9 Years	SSC/ HSC	College, not graduate	Grad/ Post grad: General	Grad/ Post grad: Professional
		1	2	3	4	5	6	7
Unskilled worker	1	E2	E2	E1	D	D	D	D
Skilled worker	2	E2	E1	D	C	C	B2	B2
Petty trader	3	E2	D	D	C	C	B2	B2
Shop owner	4	D	D	C	B2	B1	A2	A2
Businessman/ Industrialist with No employees	5	D	C	B2	B1	A2	A2	A1
1-9 employees	6	C	B2	B2	B1	A2	A1	A1
10+ employees	7	B1	B1	A2	A2	A1	A1	A1

Self employed professional	8	D	D	D	B2	B1	A2	A1
Clerical Salesman	9	D	D	D	C	B2	B1	B1
Supervisory level	10	D	D	C	C	B2	B1	A2
Junior Executives/ Officers	11	C	C	C	B2	B1	A2	A2
Middle/Senior Executives/ Officers	12	B1	B1	B1	B1	A2	A1	A1

The SEC Grid (Occupation on Vertical Axis versus Education Level on Horizontal Axis)

### Features of the SEC Classification

- It's a classification of urban households, and there are eight categories involved in it. A1, A2, B1, B2, C, D, E1, E2.
- The education and occupation indicators are those of the chief wage earner. If he is retired, then the occupation before retirement is considered for the classification.
- A subset within A1 is the class A1+, comprising households which belong to SEC A1, where the monthly household income is above ₹ 10000.

Estimated Size of the different SEC Groups the estimated sizes of the various SEC categories, according to the National Readership Survey (NRS) 2000 have been given in

Total Households ('OOOs)	All Urban		Top 8 Metros	
	52783	%	14148	%
SEC A1 +	1167	2.2	631	4.5
A1	2383	4.5	1018	7.2
A1/A2	6032	11.4	2083	14.7
B1/B2	10110	19.2	2767	19.6
C	11789	22.3	3433	24.3
D	11664	22.1	30005	21.2
E1/E2	13188	25	2861	20.2



## **Segmenting Institutional Customers**

Many services are sold to institutional customers. The institutional customers can further be segmented using typologies like

1. Volume of purchase (big buyer versus small buyer based on order size in rupees for a given period)
2. Amount of paperwork involved (for example, government orders involve a lot of paperwork)
3. Decision-making type (centralized versus decentralized, one person versus committees)
4. Price sensitive versus Quality sensitive
5. Technically aware versus unaware (for example, some companies have a large maintenance staff on their payroll, who are knowledgeable about the service you provide)
6. Final user versus intermediate buyer (example, contractors who subcontract)

## **Segment Selection or Targeting a Few Segments**

A service marketer may be tempted to target all available segments, all at once. But usually, this is not a good way to begin. For example, consider an entrepreneur from Udipi, Karnataka, who decides to set up a restaurant serving south Indian food. He has a host of choices of food types that he can serve, but he may settle on south Indian food, because that is a product he knows. Similarly, the geographical segment that he may start with is one location, say Bangalore. He may choose Bangalore because that is where he thinks that a market exists. After doing a survey formally or informally, he may decide on the area close to the railway station as being suitable for his kind of business. Therefore, he starts with a subset of all the possible market and product segments that he could have served.

Just to take the opposite view and see what may be required if he were to serve all possible segments in all possible geographical areas (even if we limit ourselves to just the city of Bangalore), he may have to open 30 restaurants of different kinds in different areas of the city, catering to different types of customers and tastes. This would probably test his resources, hampering many aspects of his control over the business such as hiring, training, quality of service, and so on. It might also require him to take a massive amount of loan, and increase his chances of failure.

The point of this example is that it is usually prudent for a service provider to choose one or a few of all possible target segments. He may, after gaining confidence in serving that segment, expand into serving the same type of customers elsewhere, or even try entering different segments by say, adding north Indian food items to his restaurant's existing south Indian menu.

To provide a parallel from the consumer goods field as an illustration, Procter and Gamble, the multinational producer of consumer goods, decided to cut back on its product and market segments in India in the early part of this decade, after an attempt to beat Hindustan Lever in product range and distribution failed. As a general principle, if a marketer of services tries to be everything to everyone, he runs the risk of being a nobody, or rather, nobody's preferred provider. This is not to say that the ambition should be absent, but only that it isles risky to proceed a step at a time. This is because a firm's resources are usually limited, whatever be its size. Another example from the software industry may be useful. Tata Consultancy Services (TCS), India's top IT exporter, took several decades to grow steadily to the position it enjoys today, in the difficult market for specialized services in an internationally competitive situation. It expanded its reach slowly and grew steadily in line with its corporate objectives and philosophy, choosing to remain a privately held company even though many companies after it used the stock market route for a quicker growth rate. TCS felt comfortable growing the way it did, unlike many others who rose rapidly and fell into oblivion as quickly, partly because they tried too many things at once.

### **Positioning for the Selected Segments**

Once that target segment or market is clear, the service marketer has to position himself appropriately for that segment. Positioning, as is now well understood in marketing, is an integral part of strategy for a new service provider. Even in the case of a mature business, a service marketer needs to reaffirm its positioning in the minds of target customers. At times, a subtle shift in positioning may also be necessary to keep up with the changing consumer preferences or to cope with the challenges from competitors.

Briefly, the positioning is a mental image or picture that a service provider would like to have about it in the consumer's mind. It is a deliberate attempt at building an identity of a certain kind for the service. For example, McDonald's in India has a slightly up market image than in the US, where it is viewed as cheap American fast food. Since a hamburger is an everyday item of American food, it made sense for McDonald's to develop that positioning. In India, that slot is already occupied by a variety of Indian alternatives. For example, the idli-dosa corner food stalls in the south, the paratha serving stalls in the north, or the tea and samosa corners of Kolkata. Therefore, the mind space that McDonald's has

tried to occupy is of two types. One, the affluent, westernized teenager. Second, the modern upscale family possibly driven by children who enjoy the feeling of eating at a McDonald's. Positioning has a lot to do with the target segment to which we choose to market, and it has elements like price, packaging, communication and ambience, which reinforce the positioning, attempted by the company.

Banks, for example, used to position themselves as austere, dull but safe place, you could trust until recently. Some public sector banks in India have still not changed. However, consumer tastes have changed; competitors in the field have brought in modern views from the advanced countries. Presently, every bank is trying to offer an ambience, which is friendly with smiling young tellers and receptionists, and customer service representatives, not to mention the call centres and free photographs to open bank accounts with. Thus, positioning can also be a function of a time, and a place or a function of what the consumers expect. There are several surveys which show that India's public sector banks are now perceived by consumers to be "slow", "bureaucratic", "technologically backward", but still, "safe", whereas the new private sector banks (like ICICI Bank, UTI Bank, HDFC Bank) are perceived as "aggressive, technologically advanced, and customer-friendly". Thus, the older banks in the public sector will have to learn image management in order to position themselves appropriately towards the younger generation, in addition to giving them the functional benefits that they desire.

A news item<sup>1\*</sup> states that Barista, the coffee shop chain that is now controlled by the Tatas, wants an image (or positioning) change to attract a wider range of customers, by, among other things, making coffee more affordable at its outlets. It found that the upscale image it had built up limited the scope expansion, and found that its assets (chairs, real estate) were underutilized for a large part of the day.

### **Positioning Service Business**

There are a variety of ways in which positioning can be arrived at. Some major ways of doing this are discussed below.

1. Positioning by features: For example, the largest roller coaster in town: an amusement park. One new ride added every month, for a similar theme park. Live music along with a dinner, for the restaurant.
2. Positioning by comparison: For example, the highest occupancy rates in town for a hotel, the highest percentage of satisfied customers for an airline, or the highest percentage of successful candidates, for a coaching class or educational institution.

Business schools frequently use rankings in independent surveys to claim they are in the top 10 or 15 in the country. One business school, Indian Institute of Planning and Management (IIPM), even positions itself against the Indian Institutes of Management (IIMs), with the line “Dare to Think Beyond the IIMs”.

3. Positioning by benefit to consumer: As in “You have a dream of becoming an expert programmer, working for a multinational, going abroad, etc., and we help you to fulfill it”, could be the slogans of a computer training institute such as NIIT or SSI. Or, a caterer could position himself as “taking the hassles out of cooking and cleaning for a party”, or a resort could position itself as a “get away from the year round hectic pace of life”. Airlines such as Indian Airlines offer the largest connections to most Indian towns and cities, and try to use it to position themselves.
4. Positioning as an expert: For example, we understand air travel, for an airline, or, the expert on budget tours for a tour operator.
5. Positioning through guarantees: Full satisfaction, or your money back, or returns with no questions asked, in case of retail stores.
6. Positioning as a leader: Number 1 in the furniture retailing business, or leadership with responsiveness, in the banking industry.
7. Positioning through smart tag lines, which may implicitly convey some benefit, like the famous line used by Met Life Insurance, USA, which says “Get Met. It Pays.” (In India, they are currently using the tag line “Have you met life today?”). This may indicate that it settles claims with less of fuss than competitors. It may also imply other value, though not explicitly specified.
8. Positioning through emotions such as fear, love, kinship, concern for the environment, etc. A hotel chain in India calls its properties Ecotels, to indicate the environmental consciousness at various levels. Sahara Airlines, a late entrant into the airline business, positioned itself as “Emotionally Yours”.

## **Capacity Planning**

It is not sufficient that we are interested only in managing our present. It is much more significant that we keep our eyes open, minds active to know about the future and continue to enrich our potentials to manage the future. Of late, we find a good number of organizations that concentrate their energy on current development plans but undermine the developments to take place in future. This makes ways for the emergence of numerous complications. The organisations not managing the future fail in managing the demand

and supply position, make it difficult to optimize the development of marketing resources to cope with the changing requirements, make possible a contraction in their resistance power and both on quantitative and qualitative fronts, we find them moving backward. It is against this background that we need to assign due weightage to capacity planning. By capacity planning, our emphasis is on the management of strength. It is, of course, due to deficient management that we improve the supply position but the process of demand generation is energized non-optimally. We invest on resources but fail in getting the return and thus a vicious circle is formed which questions the soundness of our strength. If we assign due weightage to the management of strength and continue to activate the process of enriching the potentials, we find ourselves in a sound position to make an attack on the multi-dimensional threats and challenges in the business environment. The capacity planning focuses on the management of strength in the face of changing scenario is vital.

The service generating organisations not aware of the future find it difficult to increase their strength. This makes it essential that they have indepth knowledge of future. They make possible a micro-scope evaluation of their strength in tune with the world class developments; they know about the strength of their competitors they perceive an idea of the emerging trends in demand and they are sound enough to improve the supply position which caters to the changing needs and requirements of prospects/users. Thus we find emphasis on strength both in quantitative and qualitative terms. To be more specific in the Indian perspective, we find a majority of the service generating organisations not efficacious in managing the future, which often creates an imbalance in the demand, and supply position. This makes it essential that we assign a transcendental priority to capacity planning.

Capacity planning is known as planning the capacity in the face of future. This throws light on both the aspects-first, the organisations are supposed to know the demand position so that the potentials are enriched to increase the quantity or capacity of generating the services and second, the organisations are also required to know about the likes and dislikes, preferences, expectations, attitudes which make an advocacy in favour of quality generation. In simple words you know about the taste and expectations of prospects/users and improve your capacity to offer the same. Thus the professionals need excellence to study the market conditions and further to rate their potentials so that lapses are identified and the corrective measures are taken. If the users expect sophistication in service, the organisations need to use sophisticated technologies to fulfill their expectations and this is not possible unless we think in favour of capacity planning.

The capacity planning thus focuses our attention on the strategic planning, which makes an advocacy in favour of the formulation of an action plan to enrich strength. It is

natural that in the years to come, the intensity of competition would go up which would make it essential that the service generating organisations keep on moving the process of qualitative transformation. On the one hand, they need to improve the quality of services and on the other hand also to inject additional attractions to their service mix by innovating the peripheral services. On the whole, they need to offer world-class services found competitive both at national and international levels. It is high time that they think in favour of making things happen and intensify research activities to innovate the marketing resources.

The strategic plan would make the ways for the mobilization of financial resources to cater to their increasing requirements. We can't deny the fact that if an organisation succeeds in maintaining the process of profit generation, the financial health of that organisation becomes so sound that the task of satisfying the employees and investors is simplified considerably. This makes it pertinent that like the goods manufacturing organisations even the service generating organisations also carry forward the task of making health sound. If you are physically sound, the task of countering the diseases is found much more easier. If an organisation is strong, the task of facing the challenges and threats in the markets is simplified considerably. It is against this background that strategic planning assumes a place of outstanding significance. When we talk about capacity planning, our prime focus is on strategic planning since the process of enriching strength can't be made possible within a couple of days,. The foreign leading commercial banks, the airways, the consultants, the tourist organisations, the hotels, the educational institutions, the hospitals and many other service generating organisations assign an overriding priority to the capacity planning which make them efficacious enough in facing the multi-dimensional threats and challenges in the markets.

The aforesaid facts make it clear that the formulation of an action plan is essential to march ahead in the right direction. Of late, the leading service generating organisations have been found making concerted efforts to manage information with the help of sophisticated information technologies which make possible more sensitivity in their decisions. They forecast the problems, the needs and requirements, the intensity of competition and formulate such a service mix which is of world class, of course, strong enough in excelling competition, in creasing the market share, establishing the leadership and dominating the business world. In the Indian perspective, it is much more impact generating that the service generating organisations promotes the use of sophisticated information technologies for improving the quality of their decisions. A decision related to the supply side is found based on the demand side. There are a number of factors to supply side is found based on the demand side. There are a number of factors to influence the process of demand generation and the service generating organisation have to switch on the process by innovating the promotional measures since the other factors found of uncontrollable nature are not within

their control. The quality of marketing mixes influences the sensitivity of marketing decisions and the formulation of a sound marketing mix is not possible unless you identify the errors and intensify corrective measures much earlier than the side effects start troubling you.

The professionals bear the responsibility of matching the offerings to the market demand. The matching of demand and supply optimally is a difficult task that requires excellence. There are a number of factors to be taken into consideration.

- The task of predicting the behaviour of users is found critical since a number of factors influence the same. The emerging trends in the environmental conditions influence our behavioural profile and a majority of them are found of uncontrollable nature. The fluctuating trends in the money and stock markets govern the behaviour of investors and the deteriorating law and order conditions influence the traveling plan of tourists.
- Unavailability of sufficient lead-time is also an important factor making the task difficult to the professionals and the decision is so quick that the professionals find themselves helpless.
- In the process of the utilization of available capacity, the smaller production/assembly/packaging cause wastage. The nursing services make it clear.
- Higher annoyance is expected due to the lack of alternatives. If the users fail in getting the services on time, the level of dissatisfaction is found at its peak. The users/customers using the services of airways are found annoyed if the flights are delayed or the time schedule is not maintained.
- The cost on account of round-the-clock services affects the benefit relationship for extraordinary setting of performance standards.

The aforesaid complexities, of course, make the task of optimizing the demand and supply difficult.

### **Capacity Scheduling**

How much of what (service) will be needed to achieve its pre-determined goals is an important consideration that makes an advocacy in favour of capacity planning and scheduling. However approximate we find the analysis of demand, the service generating organisations bear the responsibility of planning for the capacity. There are a number of critical variables requiring due consideration in the process such as, goals of the service firm, availability of capital and the quality of human resources, market segments served and

the level of service quality aimed at. A detailed scheduling of man, materials, money and machines (Four Ms) is essential for each element of the service mix on a time map

### **Building the Brand – Nationally and Globally**

Positioning is the articulation of a brand-building strategy for a service. It would be ultimately tested when the service brand is built up through a combination of marketing and branding initiatives. The rest of this book deals with the process of doing all that it takes to successfully market the services. The process of building a new service brand can take a few years, particularly across a large geographical area. Locally, in a limited area, some brands can be built successfully in a much shorter period, such as a new restaurant, a college, or a resort. Typically, the Indian brands in various service categories are not very large or spread out widely across geographical areas. There are some exceptions to this (For example Agarwal packers and movers, Gati cargo, Taj hotels, NIIT computer coaching centres, and Maruti car service available through authorized dealers). The US market provides the best examples of big service companies, with uniform brand names spread across a large geographical area. There is Wal Mart, the largest retailer in the world, and many others like Sears, Target, etc. in the same line of business. In food, they have the McDonald's and Wendy's chains, in seafood there is Long John Silver's, in oil changes for cars there is a chain called Jiffy Lube, and in books, a chain called Waldenbooks. Similarly, in hotels, there are chains such as the Marriott and Ritz-Carlton.

In India, typically the service brands are local or at the most regional brands, catering to a region (southern, northern, eastern, etc.). There may be contributing factors involved in this, such as a startling diversity in taste across regions, states, etc. which has made a uniform approach rather difficult. However, efforts are now being made in areas like garments and toys to set up pan-Indian retail stores with a common brand identity, such as Pantaloons and Shopper's Stop. But there have been success stories in the media, of TV channels suddenly capturing a large market across many Indian states, like Zee TV in the north, Sun TV in the south, and Star Plus across many states with successful programming designed to the housewives' tastes. The Delhi Public School, a school in Delhi, now has franchised locations outside Delhi too, in places like Kolkata, Lucknow and Pune, to capitalize on its brand image. So do many coaching classes that prepare students for a management entrance tests, like Time, Career Launcher, and IMS.

In general, however, the Indian service brands have a long way to go, when compared with brands of the American companies. Why is it that an Indian entrepreneur does not dream of selling a 'McDosa' or a 'McVada' across the world?. Why cannot we capture the quintessential Indian theme of Atithi Devo Bhava to start a chain of global hotels? Perhaps,



the opportunities were there, and still continue to exist. Maybe the environment was not conducive to thinking big, with too many constraints imposed by India's poverty of vision and economic policy. But there may be a day in the next two decades, when we may strike it big in many services, other than our staple, the IT sector.

It is also likely that trends like research, design and development laboratories of the world migrating to India may accelerate, and fields like pharmaceutical and biotechnological research may grow in India, supported by foreign company funding. The brand India is globally known for high-tech services where brainpower is required. It is relatively weak in the development of capital-intensive services, and in the management of processes in large organizations. However, services are a possible outlet for India's capabilities, which have typically lagged behind her potential.

It is the time to consider various traditional of services and examine the most versatile information Technology service that offers much more than what it is offering right now. The sector is undergoing tremendous rationalization that works on the principle of less people and more work: much different from the traditional ideas of more people and less work.

The subject of services as a specialized sector of marketing has its roots in the following points:

- Owing to the emergence of multiple sources of income and more professionalism, the consumers are getting higher disposable incomes, which they can spend, at their discretion for a more comfortable and convenient life. There can be exceptions like misers and saints, who may not like to go for the good things of life even if they have adequate purchasing power.
- There is intense competition in the market; to be a cut above the rest; the business organisations hire specialized agencies that can offer them the best services for their plans and procedures to gain perfection. Earlier, specialists like lawyers, auditors, consultants were hired by major organisations, but as the scenario is changing even small organisations are looking for specialists in transport and warehousing, advertising agencies, expert underwriters, field management agencies and what not.
- Today's customer is highly demanding. He wants everything at one point.

Hence, departmental stores, apart from selling their usual products have started giving additional services. for example, if you buy cloth, they may also give the facility of stitching and dry cleaning.

## **Prominent Differences Between Goods and Services**

Goods and Services are different types of offerings marketed by organisations. It is important to know the major points that differentiate them. The prominent points of differences are enlisted below:

- The basic difference is that a good or a product is tangible and a service is intangible.
- At a given point of time we can set quality standards for goods and achieve them. But it is difficult to set any quality standards in services because we cannot measure them.
- Goods have a resale value, which is not the case with services.
- Goods have a durability, which services do not have.
- Goods have a transferable value, which services do not have.
- Unlike most cases of goods, services have shorter distribution channels.
- In services the consumer can immediately show reaction, which may take some time in the case of goods.
- The pricing of goods is done on the basis of the material used whereas in services it is done on the basis of the material.
- Services cannot be stored unlike goods.
- The image of services can be known by the service providing corporations while that of goods can be known by their brands.
- Goods can be displayed while services cannot.

## **Service Excellent in Quality**

In this competitive age, the organisations have two options-excel or perish. It is essential that they should remember the following points:

- There should be no service delays.
- As far as possible the service provider should interact either in the customer's language or any other that can be easily understood by him.
- The employees dealing directly with the customers must be properly trained.
- The tinge of professionalism should not be visible.

## **Reasons for an Improper Service Delivery**

Unsuccessful deliveries can be an outcome of various factors. Some of them can be:  
A Misperception by the Company

It may so happen that what the customer has asked or expected is not grasped by the company. Because of this misperception, the service delivery is not as desired by the customer.

### **Lack of Accuracy**

The service provider may perceive the customer's expectations rightly but due to not setting an accuracy level or a standard of service, he may not satisfy the customer to the desired extent.

### **Lack of Training**

The employees entrusted with the task of dealing with the customer may lack the required know-how or may not be properly trained to ensure a desirable delivery to the customers.

### **Information from the Company**

Sometimes the information from the company is given in such a way by the representatives and the media that the customer is almost hypnotized. But when the latter approaches the company, he finds that in reality there is nothing like what he has heard.

### **A Misinterpretation by the Consumer**

It often happens that the customer is unable to perceive the true nature of a service provided by the company. Even if the latter is careful and decent in its efforts, the customer may misinterpret. Thus, if a salesman is highly cordial with a female customer, the latter may smell something fishy in it.

Services are activities or benefits that one party can offer to another that are essentially intangible and do not result in the ownership of anything. Services marketing strategy calls not only for external marketing but also for internal marketing to motivate employees and interactive marketing to create service delivery skills among service providers. Services have four special characteristics: (1) intangibility, (2) perishability, (3) simultaneous production

and consumption, and (4) lack of standardization. These characteristics lead to several major problems, including supply and demand imbalances, locational inconvenience, uneven service quality, and difficulties in demonstrating service benefits. Managers should attempt to take into account the special characteristics of services when developing the marketing mix. They can select from four basic service-marketing strategies. (1) association (with brand names, tangible objects, or other physical evidence), (2) industrialization, (3) demand balancing & (4) relationship marketing nonprofit organizations face some of the same complexities that other service organizations do.

Although nonprofit organizations are service organizations, they may focus their marketing efforts on places, social ideas, people, or organization membership. It is necessary to appreciate that in a service market, performance specifications are difficult to define and quality standards tricky to evaluate. It is the people who assume important roles here in terms of skills and their personal characteristics successful service organizations employ marketing tactics such as:

***(a) Creating a Strong Company Image***

A method employed to overcome problems of intangibility is the creation of a strong corporate image. Citibank is a good example. Through continuous efforts, it has established itself as an innovator in the industry.

***(b) Controlling cost and Increasing Speed***

Customers cannot comprehend the cost of the services and consequently feel that the prices charged are ad hoc. Conversely, many service organizations are unable to examine costs properly, since traditional methods of costing are product-based. Practices vary from basing prices in relation to competition, to customer willingness to pay.

***(c) Creating a Strong Sales Team***

Two methods followed consistently by leading service organizations are careful recruitment of customer-contact people, and proper training of personnel.

***(d) Creating a Strong Word-of-Mouth Program***

In the service business, the role of advertising is relatively less important and direct mail is usually found to be of greater benefit. Successful service companies make efforts to encourage customers to tell other people about company services.

### ***(e) Creating a Flexible and Adaptive Organization***

Companies sometimes have to cope with excessive demand, while on the other hand; there are periods of highly depressed demand. To counter these situations, they have to be flexible.

The Indian service sector will be more competitive in future. The trend towards automation, standardization, computerization and telecom facilities is changing the structure of service organizations. There is a move towards international linkages. Finally, new services are entering the market, creating new opportunities and making existing ones obsolete.

### **Internal Marketing**

We agree with this view that services are predominantly people-based. In the services generating organisations, we find personnel of the marketing department as well as others very much instrumental in performing the marketing function. This makes it essential that we clearly understand the common purpose and spirit of the tasks to be performed and its backward and forward linkages with the other tasks. Internalizing the marketing function is an important task found of critical nature. This makes an advocacy in favour of internal marketing with the motto of employing quality people.

Bringing home the concept of internal customer focuses on marketing internally to the internal market of employees this makes an advocacy in favour of employing a higher number of skilled personnel in the service generating organisations.

The service firms valuing investments in people as much as investments in machines, using technology to support men or people on the front line, making recruitment and training as crucial for sales clerks and housekeepers as for managers and senior executives and linking compensation to performance for employees at every level not just at the top need a new model for managing services.

The task of internal marketing is simplified considerably with the help of internal interactive communication, internal mass communication, market and image research, external mass communication and advertising. The task of raising the customer consciousness is difficult and the following issues are found having a far reaching effect.

- ▶ Sponsoring employees for training programmes in the areas of marketing. The behavioural management needs an intensive care.

- Increasing the involvement of staff in activities like deposit mobilization, customer service campaigns, undertaking market surveys, formulation of branch budget or so.
- Organizing the marketing conference and workshops, activating capsule course relating to the marketing of services.
- Sharing of the findings of customer surveys, image and other studies.
- Motivating the staff by offering awards and rewards both on an individual and a group basis.
- Provision for guiding on the customer service with the help of a house journal, special newsletters and other printed leaflets.
- Setting up of marketing/customer cells.
- Maintaining visibility through strengthening public relations activities.

### **Increasing Business Mindedness**

An important task is to increase the business mindedness of employees. The following activities may be helpful in the process:

- Sharing of performance results Vs budgets and problems facing the organisations.
- Allocation of specific goals to staff and close monitoring of the day-to-day developments.
- Training for the development of detailed customer call programmes.
- Exposure of staff to the criteria of cost-benefit.
- Development of teamwork among staff.
- Promotion of education programmes.
- Encouraging the use of suggested services.

The personal commitment is an important dimension for increasing the business mindedness and the service generating organisations need to develop employees so that performance-orientation is made possible. We can't negate that employee-orientation would make the ways for performance orientation which focuses on enriching the credentials and making the compensation plans attractive.

Responding to the specific characteristics of service markets described above does mean that, unlike many tangible goods situations, it is extremely difficult to separate marketing activities from all the other functions being undertaken within the firm. Furthermore the nature of the buyer-seller interaction which occurs at the production/

consumption interface can have a significant impact on the customer's repeat buying decisions (e.g. if a customer arrives at a hotel to discover that a mistake has been made over a reservation and the room is no longer available, the way in which the receptionist handles this problem will have a significant influence on whether the customer can be placated or is 'lost forever' as a future guest).

Eigler and Langeard (1977) have proposed three main categories of resource involved in the buyer-seller interaction:

### **Contact Personnel, who Interact Directly with the Customer**

Physical resource that comprise the human and technical resources used by the organization in undertaking the production, delivery and consumption of the service offering.

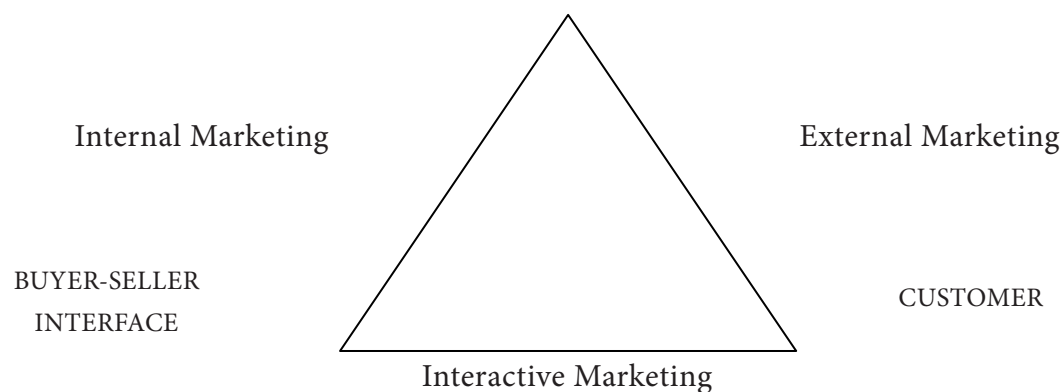
The customer, who is the person forming a purchase, loyalty decision based on the quality of service received to date.

Gronroos (1984) has proposed that management of these three variables is a marketing task which differs from traditional F.M.C.G marketing because it involves assets not usually part of the of the mainstream marketing operation, but instead is drawn from across the entire cost-generating production resources within the organization. Gronroos has proposed that in service firms there exist three marketing tasks. He describes these as 'external marketing' (i.e. the normal formal processes associated with the management of the 4Ps), interactive marketing (i.e. the activities which occur at the buyer-seller interface) and internal marketing. This latter variable is concerned with all of the activities associated with ensuring every employee is (a) customer-conscious and (b) committed to the philosophy that every aspect of their personal role must be orientated towards achieving total customer satisfaction.

The suggestion that internal marketing is a holistic process which integrates the multiple functions of the organization by ensuring employees understand all relevant aspects of organizational operations and are motivated to act in a service-orientated manner, creates the very difficult problem of how one measures the effectiveness of the customer-organization interaction. Although a number of writers have suggested that the objective of service satisfaction is to minimize the gap between customers' desires and actual experience, developing feasible techniques for the measurement of expectations and perceptions has proved somewhat more problematical.

One of the most important contributions to measuring these variables has been made by Parasuraman, Zeithmal and Berry (1985; 1988; Zeithmal, Parasuraman and Berry, 1990) who from 1983 onwards have implemented a carefully sequenced research project aimed at delivering an effective model for assessing the effectiveness and quality of the service provision process. The first stage of their research was to identify some common variables, which could be used to categorize customer expectations. By the use of focus groups they identified the following five variables:

### **Company Human and Technical Resources**



Three marketing forms within the service provision process

1. Reliability – the ability to perform the promised service dependably and accurately
2. Tangibles – the images created by the appearance of physical facilities, equipment, personnel and communication materials.
3. Responsiveness – the willingness to help customers and provide prompt service.
4. Assurance – the process by which the knowledge, ability and courtesy of employees engenders customer trust and confidence in the service provider.
5. Empathy – created by the caring, individualized attention which employees offer the customer.

Internal Marketing involves such basic elements as listening to customers and communicating to others in the customer-supplier chain. This involves everyone at every level and they are to be motivated by appropriate means. Also it involves formation of groups and group interaction to be encouraged by initiating suitable listening and communicating techniques. All these lead towards overall internal effectiveness. Establishment of quality circles throughout the customer-supplier chain will facilitate more efficient activities in determining product attributes, package design, launching strategies, promotion measures distribution method and the like.



## External Marketing

External Marketing is concerned with the process of identifying, segmenting and targeting external customers for the purpose of positioning the product by means of appropriate marketing mix strategy designed. The CORE method (Customer Orientation for Results) involving four steps, namely, understanding customer view point, carrying needed changes, establishing new direction and working together for customer profit, necessitates a blend of both internal and external marketing towards achieving marketing goals.

Until recently, service firms lagged behind manufacturing firms in their use of marketing. Many service businesses are small (auto repair shops, dry cleaners) and often consider marketing unneeded or too costly. Other service businesses (colleges, hospitals) once had so much demand that they did not need marketing until recently. Still others (legal, medical, and accounting practices) believed that it was unprofessional to use marketing.

Still, just like manufacturing businesses, good service firm's use marketing to position themselves strongly in chosen target markets. Southwest Airlines positions itself as "Just Plane Smart" for commuter flyers-as a no-frills, short-haul airline charging very low fares. The Ritz-Carlton Hotel positions itself as offering a memorable experience that "enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests." These and other service firms establish their positions through traditional marketing mix activities.

However, because services differ from tangible products, they often require additional marketing approaches. In a product business, products are fairly standardized and can sit on shelves waiting for customers. But in a service business, the customer and frontline service employee interact to create the service. Thus, service providers must work to interact effectively with customers to create superior value during service encounters. Effective interaction, in turn, depends on the skills of frontline service employees, and on the service production and support processes backing these employees.

Thus, successful service companies focus their attention on both their employees and customers. They understand the service-profit chain, which links service firm profits with employee and customer satisfaction. This chain consists of five links:

- Healthy service profits and growth-superior service firm performance, which results from...
- Satisfied and loyal customer-satisfied customers who remain loyal, repeat purchase, and refer other customers, which results from...

- Greater service value-more effective and efficient customer value creation and service delivery, which results from...
- Satisfied and productive service employees-more satisfied, loyal, and hard working employees, which results from...
- Internal service quality-superior employee selection and training, qualities work environment, and strong support for those dealing with customers.

Therefore, reaching service profits and growth goals begins with taking care of those who take care of customers.

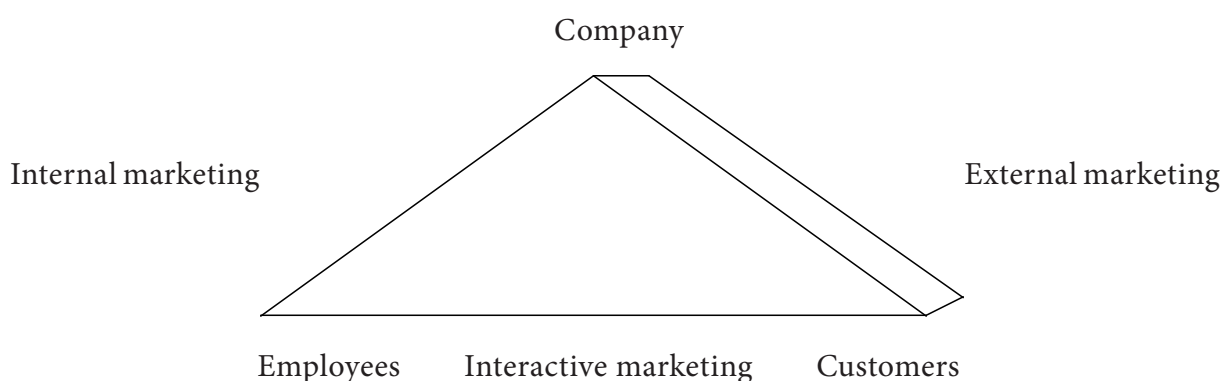
The concept of the service-profit chain is well illustrated by a story about how Bill Marriott, Jr., chairman of Marriott hotels, interviews prospective managers:

Bill Marriott reels job candidates that the hotel chain wants to satisfy three groups: customers, employees, and stockholders. Although all of the groups are important, he asks in which order the groups should be satisfied. Most candidates say first satisfy customers. Marriott, however, reasons differently.

First, employees must be satisfied. If employees love their jobs and feel a sense of pride in the hotel, they will serve customers well. Satisfied customers will return frequently to the Marriott. Moreover, dealing with happy customers will make employees even more satisfied, resulting in better service and still greater repeat business, all of which will yield a level of profits that will satisfy Marriott stock holders.

All of this suggests that service marketing requires more than just traditional external marketing using the four Ps. Figure shows that service marketing also requires both internal marketing and interactive marketing.

Three types of marketing in service industries



Internal marketing means that the service firm must effectively train and motivate its customer-contact employees and all the supporting service people to work as a team to provide customer satisfaction. For the firm to deliver consistently high service quality, everyone must practice a customer orientation. It is not enough to have a marketing department doing traditional marketing while the rest of the company goes its own way. Marketers also must get everyone else in the organization to practice marketing. In fact, internal marketing must precede external marketing.

Interactive marketing means that perceived service quality depends heavily on the quality of the buyer-seller interaction during the service encounter. In product marketing, product quality often depends little on how the product is obtained. But in service marketing, service quality depends on both the service deliverer and the quality of the delivery, especially in professional services. The customer judges service quality not just on technical quality (say, the success of the surgery) but also on its functional quality (whether the doctor showed concern and inspired confidence). Thus, professionals cannot assume that they will satisfy the customer simply by providing good technical services. They have to master interactive marketing skills or functions as well.

Today, as competition and costs increase, and as productivity and quality decrease, more marketing sophistication is needed. Service companies face three major marketing tasks: They want to increase their competitive differentiation, service quality, and productivity.

### **Managing Differentiation**

In these days of intense price competition, service marketers often complain about the difficulty of differentiating their services from those of competitors. To the extent that customers view the services of different providers as similar, they care less about the provider than the price.

The solution to price competition is to develop a differentiated offer, delivery, and image. The offer can include innovative features that set one company's offer apart from competitors' offers. For example, airlines have introduced such innovations as in-flight movies; advance seating, air-to-ground telephone service, and frequent-flyer award programs to differentiate their offers. British Airways even offers international travelers a sleeping compartment, hot showers, and cooked-to-order breakfasts. Unfortunately, most service innovations are copied easily. Still, the service company that innovates regularly usually will gain a succession of temporary advantages and an innovative reputation that may help it keep customers who want to go with the best.

Service companies can differentiate their service delivery in three ways-through people, physical environment, and process. The company can distinguish itself by having more able and reliable customer-contact people than its competitors have. Or it can develop a superior physical environment in which the service product is delivered. Finally, it can design a superior delivery process. For example, a bank might offer its customers electronic home banking as a better way to deliver banking services than having to drive, park, and wait in line.

Service companies also can work on differentiating their images through symbols and branding. For example, the Harris Bank of Chicago adopted the lion as its symbol on its stationery, in its advertising, and even as stuffed animals offered to new depositors. The well-known “Harris Lion” confers an image of strength on the bank. Other well-known service symbols include The Travelers’ red umbrella, Merrill Lynch’s bull, and Allstate’s “good hands.”

To differentiate its service, British Airways offers international travelers such features as sleeping compartments and hot showers. As the comments in this ad show, customers really appreciate such services.

### **Managing Service Quality**

One of the major ways a service firm can differentiate it is by delivering consistently higher quality than its competitors do. Like manufacturers before them, many service industries have now joined the total quality movement. Many companies are finding that outstanding service quality can give them a potent competitive advantage that leads to superior sales and profit performance. Some firms have become almost legendary for their high-quality service.

The key is to exceed the customers’ service-quality expectations. As the chief executive at American Express puts it, “Promise only what you can deliver and deliver more than you promise!” These expectations are based on past experiences, word of mouth, and service firm advertising. If perceived service of a given firm exceeds expected service, customers are apt to use the provider again. Customer retention is perhaps the best measure of quality-a service firm’s ability to hang onto its customers depends on how consistently it delivers value to them. Thus, whereas the manufacturer’s quality goal might be “zero defects,” the service provider’s goal is “zero customer defections”

The service provider needs to identify the expectations of target customers concerning service quality. Unfortunately, service quality is harder to define and judge than

product quality. It is harder to get agreement on the quality of a haircut than on the quality of a hair dryer, for instance. Moreover, although greater service quality results in greater customer satisfaction, it also results in higher costs. Still, investments in service usually pay off through increased customer retention and sales. Whatever the level of service provided, it is important that the service provider clearly defines and communicates that level so that its employees know what they must deliver and customers know what they will get.

Many service companies have invested heavily to develop streamlined and efficient service-delivery systems. They want to ensure that customers will receive consistently high-quality service in every service encounter. Unlike product manufacturers who can adjust their machinery and inputs until everything is perfect, however, service quality always will vary, depending on the interactions between employees and customers. Problems inevitably will occur. As hard as they try, even the best companies will have an occasional late delivery, burned steak, or grumpy employee. However, although a company cannot always prevent service problems, it can learn to recover from them. A good service recovery can turn angry customers into loyal ones. In fact, good recovery can win more customer purchasing and loyalty than if things had gone well in the first place. Therefore, companies should take steps not only to provide good service every time, but also to recover from service mistakes when they do occur.

The first step is to empower frontline service employees—to give them the authority, responsibility, and incentives they need to recognize, care about, and tend to customer needs. For example, Marriott has put some 70,000 employees through empowerment training, which encourages them to go beyond their normal jobs to solve customer problems. Such empowered employees can act quickly and effectively to keep service problems from resulting in lost customers. The Marriott Desert Springs revised the job description for its customer-contact employees. The major goal of these positions now is to ensure that “our guests experience excellent service and hospitality while staying at our resort.” Well-trained employees are given the authority to do whatever it takes, on the spot, to keep guests happy. They are also expected to help management ferret out the cause of guests’ problems, and to inform managers of ways to improve overall hotel service and guests’ comfort.

Studies of well-managed service companies show that they share a number of common virtues regarding service quality. First, top service companies are “customer obsessed.” They have a distinctive strategy for satisfying customer needs that wins enduring customer loyalty.

Second, well-managed service companies have a history of top management commitment to quality. Management at companies such as Marriott, Disney, Delta, Federal

Express, and McDonald's looks not only at financial performance but also at service performance. Third, the best service providers set high service quality standards. Swissair, for example, aims to have 96 percent or more of its passengers rate its service as good or superior; otherwise, it takes action. Citibank aims to answer phone calls within ten seconds and customer letters within two days. The standards must be set appropriately high. A 98 percent accuracy standard may sound good, but using this standard, 64,000 Federal Express packages would be lost each day, 10 words would be misspelled on each page, 400,000 prescriptions would be misfiled daily, and drinking water would be unsafe eight days a year. Top service companies do not settle merely for "good" service, they aim for 100 percent defect-free service.

Fourth, the top service firms watch service performance closely-both their own and that of competitors. They use methods such as comparison-shopping, customer surveys, and suggestion and complaint forms. For example, General Electric sends out 700,000 response cards each year to households who rate their service people's performance. Citibank takes regular measures of "ART"-accuracy, responsiveness, and timeliness-and sends out employees who act as customers to check on service quality.

Good service companies also communicate their concerns about service quality to employees and provide performance feedback. At Federal Express, quality measurements are everywhere. When employees walk in the door in the morning, they see the previous week's on-time percentages. Then, the company's in-house television station gives them detailed breakdowns of what happened yesterday and any potential problems for the day ahead.

## **Managing Productivity**

With their costs rising rapidly, service firms are under great pressure to increase service productivity. They can do so in several ways. The service providers can train current employees better, or they can hire new ones who will work harder or more skillfully for the same pay. Or the service providers can increase the quantity of their service by giving up some quality. Doctors who work for health maintenance organizations (HMOs) have moved toward handling more patients and giving less time to each. The provider can "industrialize the service" by adding equipment and standardizing production, as in McDonald's assembly line approach to fast-food retailing. Commercial dishwashing, jumbo jets, and multiple-unit movie theaters all represent technological expansions of service.

Service providers also can increase productivity by designing more effective services. How-to-quit-smoking clinics and exercise recommendations may reduce the

need for expensive medical services later on. Hiring paralegal workers reduces the need for expensive legal professionals. Providers also can give customers incentives to substitute company labor with their own labor. For example, business firms that sort their own mail before delivering it to the post office pay lower postal rates.

However, companies must avoid pushing productivity so hard that doing so reduces perceived quality. Some productivity steps help standardizes quality, increasing customer satisfaction. But other productivity steps lead to too much standardization and can rob consumers of customized service. Attempts to industrialize a service or to cut costs can make a service company more efficient in the short run but reduce its longer-run ability to innovate, maintain service quality, or respond to consumer needs and desires. In some cases, service providers accept reduced productivity in order to create more service differentiation or quality.

### **CASE STUDY**

You are the Chairman of a 50 year old Private sector Bank functioning with conservative approach. Your 200 branches are located mostly in Tamil Nadu. Your bank faced a few take-over threats in the past. The Ministry of Finance, Government of India is insisting merger of banks for viability and to face the competition from foreign banks. Automation is the order of the day. But the size of the bank does not permit huge investment on mechanization. Your product portfolio requires a change to woo new customers and to retain existing customers. The Board is expecting from you a thorough overhaul of marketing mix. How can you modify? Substantiate your approach.

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## UNIT - IV

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### Delivering Quality Services

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#### Learning Objectives

- To identify the basic principles underlying the concept of service quality
- To define the determinants of service quality
- To explain the potential problems and correct use of SERVQUAL and gap theory in measuring service quality
- To outline the various gaps in the evaluation of service quality
- To specify the strategies that can be used to reduce the size of each of the service quality gaps
- To understand the concepts of Total Quality Management, ISO9000, Six Sigma and the Malcom-Baldrige Model

#### Contents

- Introduction
- Concept of Service Quality
- SERVQUAL and Gap theory
- Various Gaps in the evaluation of service quality
- Strategies to bridge the service quality gaps
- The concepts of TQM, ISO9000, Six Sigma & Malcom-Baldrige Model

#### Introduction

Service quality is very important for customers as well as service providers. To achieve competitive advantage, the service organizations are focusing more on the quality. The concept of quality has drawn massive attention in academic and business circles.

There are many definitions of quality. The word quality means different things to different people. To address such issues as the measurement of service quality, the identification of causes for shortfall in service quality and the design and implementation of corrective actions, it is essential for the service providers to have a common understanding of the concept of quality.

**David Garvin identifies five perspectives on quality:**

1. The transcendent view of quality is synonymous with innate excellence; a mark of uncompromising standards and high achievements. This view point is often applied to the performing and visual arts. It argues that people learn to recognize quality only through the experience gained from repeated exposure. From a practical stand point, however, suggesting that managers or customers will know quality when they see it is not very helpful.
2. The product-based approach sees quality as a precise and measurable variable. Differences in quality it argues, reflects differences in the amount of an ingredient or attribute possessed by the product. Because this view is totally objective, it fails to account for difference in the tastes, needs, and preferences of individual customers.
3. The premise that quality lies in the eyes of the beholder is the basis for user-based definitions. These definitions equate quality with maximum satisfaction. This demand-oriented, subjective perspective recognizes that the wants and needs of each customer is different.
4. The manufacturing oriented approach is basically supply based and is concerned with engineering and manufacturing practices. The manufacturing based approach focuses on conformance to internally developed specifications, which are often driven by productivity and cost-containment objectives.
5. Quality is defined in terms of value and price by value-based definitions. Quality comes to be defined as 'affordable excellence' by considering the trade off between performance and price.

These views of David Garvin help us to explain the conflicts that arise between managers in different functional areas. In many senses quality is subjective. For many people quality implies excellence or luxury. Quality can also be measured in terms of fitness for purpose. In seeking quality service, customer needs and expectations may vary. Service quality is not easy to measure in precise manner. The nature and characteristics of services can have an impact on quality issues.

- It is very difficult to measure and assess the service quality because of the **Intangibility** of many services.
- **Inseparability** of the service from the service provider highlights the role & influence of the people in the service transaction, and on quality levels.
- A service is never exactly repeated and will always be variable to certain extent because of the **heterogeneous** characteristic of service.
- The **perishable** nature of services can lead to customer dissatisfaction if demand cannot be met.

The most appropriate approach in defining and measuring service is the user-based approach. The idea that quality is subjective and will be strongly linked to the individual's needs and expectations recognizes that customers have different criteria for judging service quality.

This user-based approach equates quality with maximum levels of satisfaction. Valarie Zeithaml, A.Parasuraman & Leonard Berry identified **Ten** criteria consumers use in measuring and assessing service quality.

### **Generic Dimensions Customers Use to Evaluate Service Quality**

Valarie and her associates developed a survey research instrument called “SERVQUAL” to measure customer satisfaction with different aspects of service quality. This instrument is based on the assumption that the customers can measure a firm's service quality by comparing their perceptions of its service with their own expectations. “SERVQUAL” can be applied across a broad spectrum of service industries as a generic measurement tool. Reflecting the **five** important dimensions of service quality such, **Tangibles, Reliability, responsiveness, Assurance & Empathy**, the scale contains 21 perception items in its basic form and a series of expectation items.

On a wide range of specific service characteristics the respondents complete a series of scales that measure their expectations of companies in a particular industry. Respondents are subsequently asked to record their perceptions, using those same characteristics of a specific company whose services they have used. When perceived performance ratings are lower than expectations, this is a sign of poor quality. The reverse indicates good quality.

Dimension	Definition	Examples of Customers' Questions
Credibility	Trustworthiness, believability, honesty of the service provider	Does the hospital have a good reputation? Does my stockbroker refrain from pressuring me to buy? Does the repair firm guarantee its work?
Security	Freedom from danger, risk, or doubt	Is it safe for me to use the bank's ATMs at night? Is my credit card protected against unauthorized use? Can I be sure that my insurance policy provides complete coverage?
Access	Approachability and ease of contact	How easy is it for me to talk to a supervisor when I have a problem? Does the airline have a 24-hour toll-free phone number? Is the hotel conveniently located?
Communication	Listening to customers and keeping them informed in language they can understand	When I have a complaint, is the manager willing to listen to me? Does my doctor avoid using technical jargon? Does the electrician call when unable to keep a scheduled appointment?
Understanding the customer	Making the effort to know customers and their needs	Does someone in the hotel recognize me as a regular customer? Does my stockbroker try to determine my specific financial objectives? Is the moving company willing to accommodate my schedule?
Tangibles	Appearance of physical facilities, equipment, personnel, and communication materials	Are the hotel's facilities attractive? Is my accountant dressed appropriately? Is my bank statement easy to understand?
Reliability	Ability to perform the promised service dependably and accurately	Does my lawyer call me back when promised? Is my telephone toll free of errors? Is my television repaired right the first time?
Responsiveness	Willingness to help customers and provide prompt service	When there's a problem, does the firm resolve it quickly? Is my stockbroker willing to answer my questions? Is the cable TV company willing to give me a specific time when the installer will show up?
Competence	Possession of the skills and knowledge required to perform the service	Can the bank teller process my transaction without fumbling around? Is my travel agent able to obtain the information I need when I call? Does the dentist appear competent?
Courtesy	Politeness, respect, consideration, and friendliness of contact personnel	Does the flight attendant have a pleasant demeanor? Are the telephone operators consistently polite when answering my calls? Does the plumber take off muddy shoes before stepping on my carpet?

Source: Adapted from Valarie A. Zeithaml, A. Parasuraman, and Leonard L. Berry, *Delivering Quality Service: Balancing Customer Perceptions and Expectations* (New York: The Free Press, 1991).

## The Tangibles Dimension

In forming the evaluations the consumers often rely on the tangible evidence that surrounds the service because of the absence of a physical product. The tangibles dimension of 'SERVQUAL' compares consumer expectations with the firm's performance regarding the firm's ability to manage its tangibles. A firm's tangibles consist of a variety of objects such as carpeting, desks, lighting, wall colours, brochures, daily correspondence and the appearance of the firm's employees. The tangibles component in 'SERVQUAL' is two-dimensional—

one focusing on equipment and facilities, the other focusing on HR & communications materials.

The tangibles component of 'SERVQUAL' is obtained via four expectations questions i.e., E1 to E4 and four perception questions i.e. P1 to P4. The perception questions apply to the specific firm under investigation whereas the expectations questions apply to excellent firms within a particular industry. Comparing the perception scores with the expectation scores provides a numerical variable that indicates the tangibles gap. The smaller the number, the smaller the gap, and the closer consumers' perceptions are to their expectations. The items that pertain to the tangibles dimension are given below.

### **Tangibles Expectations**

**E1**—Excellent firms will have modern-looking equipment.

**E2**—The physical facilities at excellent firms will be visually appealing.

**E3**—Employees of excellent firms will be neat in appearance.

**E4**—In an excellent firm, the materials associated with the service will be visually appealing.

### **Tangibles Perceptions**

**P1**—Firm ABC has modern-looking equipment

**P2**—Firm ABC's physical facilities are visually appealing.

**P3**—Firm ABC's personnel are neat in appearance

**P4**—Materials associated with the service are visually appealing at firm ABC.

### **The Reliability Dimension**

The reliability dimension reflects the consistency and dependability of a firm's performance. Consumers perceive the reliability dimension to be the most important of the five 'SERVQUAL' dimensions. Failure to provide reliable service generally translates into an unsuccessful firm. "SERVQUAL' measures the reliability gap as shown below:

### **Reliability Expectations**

**E5**—When excellent firms promise to do something by a certain time, they will do so.

**E6**—When customers have a problem, excellent firms will show a sincere interest in solving it.

E7—Excellent firms will perform the service right the first time.

E8—Excellent firms will provide their services at the time they promise to do so.

E9—Excellent firms will insist on error-free records.

### **Reliability Perceptions**

P5—When firm ABC promises to do something by a certain time, it does so.

P6—Firm ABC shows a sincere interest in solving your problem whenever you have a problem.

P7—Firm ABC performs the service right the first time.

P8—Firm ABC provides its services at the time it promises to do so.

P9—Firm ABC insists on error-free records.

### **The Responsiveness Dimension**

A Service firm's commitment to provide its services in a timely manner is reflected in responsiveness. The concern of the responsiveness dimension of "SERVQUAL" is the willingness &/or readiness of personnel to provide a service. Sometimes the customers may face a situation in which the employees are busy in their own talk with their other colleagues while ignoring the needs of the customers. This is an example of unresponsiveness.

The preparedness of the firm to provide the service is reflected in responsiveness. The 'SERVQUAL' expectation and perception items that address the responsiveness gap are given below:

### **Responsiveness Expectations**

E10—Employees of excellent firms will inform the customers exactly when services will be performed.

E11—Employees of excellent firms will give genuine service to customers.

E12—Employees of excellent firms will always be willing to help customers.

E13—Employees of excellent firms will never be too busy to respond to customer requests.

### **Responsiveness perceptions**

P10—Employees of ABC firm will inform their customers when the service will be performed.

**P11**—Employees of ABC firm will give prompt & genuine service to customers.

**P12**—Employees of ABC firm are always willing to help customers.

**P13**—Employees of ABC firm are never too busy to respond to customer requests.

### **The Assurance Dimension**

The competence of the firm, the courtesy it extends to its customers and the security of its operatives are addressed by the assurance dimension of 'SERVQUAL'. Competence in this context is the firm's knowledge & skill in performing its service courtesy refers to how the firm's employees deal with the customers & with their possessions.

Courtesy includes such aspects as politeness, friendliness, and consideration for the customer's property. Security is also an important component of the assurance dimension. Security reflects a customer's feelings that he is free from risk, danger and doubt. The 'SERVQUAL' items used to address the assurance gap are given below.

### **Assurance Expectations**

**E14**—The behaviour of personnel of excellent firms will instill confidence in customers.

**E15**—Customers of excellent firms will feel safe in their transactions.

**E16**—Personnel of excellent firms will be consistently courteous to customers.

**E17**—Personnel of excellent firms will have the knowledge to answer customer questions.

### **Assurance Perceptions**

**P14**—The behaviour of personnel of ABC firm instill confidence in customers.

**P15**—Customers feel safe in their transactions with firm ABC.

**P16**—Personnel of firm ABC are consistently courteous to their customers.

**P17**—Personnel of firm ABC have the knowledge to answer the customer questions.

### **The Empathy Dimension**

The ability to experience another's feelings as one's own is called as empathy. Empathetic firms have not lost touch with what it is like to be a customer of their own firm. Empathetic firms understand the needs of their customers and make the services accessible to their customers. Firms that do not provide their customers individualized

attention and that offer operating hours convenient to the firm and not to its customers fail to demonstrate empathetic behaviour.

The empathy dimension of 'SERVQUAL' addresses the empathy gap in the following manner.

### **Empathy Expectations**

**E18**—Excellent firms will give individual attention to its customers.

**E19**—Excellent firms will have operating hours convenient to all their customers.

**E20**—Excellent firms will have personnel who give customers personal attention.

**E21**—Excellent firms will have the customers' best interest at heart.

**E22**—The specific needs of the customers will be understood by the employees of excellent firms.

### **Empathy Perceptions**

**P18**—Firm ABC gives individual attention to customers.

**P19**—Firm ABC has operating hours convenient to all its customers.

**P20**—Employees of firm ABC give personal attention to all its customers.

**P21**—Firm ABC has customers' best interest at heart.

**P22**—Employees of firm ABC understand their customer's specific needs.

### **Limitations of 'SERVQUAL'**

'SERVQUAL' is an excellent instrument for measuring service quality is not free from several limitations. The service providers must be well versed with the limitations of the instrument and also the gap theory methodology on which it is based. The major limitations of the 'SERVQUAL' instrument are discussed below:

1. The 'SERVQUAL' measures the expectations of the customers in an ideal firm in a particular service industry. This may or may not be relevant to the capabilities of a particular service firm or the group of service firms available to a customer.
2. Another frequent criticism of the 'SERVQUAL' instrument is its generic nature. Since it is not industry particular, it does not assess variables which may be industry specific.



3. Length of the 'SERVQUAL' questionnaire is another major issue of criticism. A combination of perception and expectation items of 'SERVQUAL' results in a 44 item survey instrument. The argument is that the 44 items are highly repetitive and unnecessarily increase the length of the questionnaire. Further argument is that the expectations section of the instrument is of no real value and that the perceptions section along should be used to measure the service quality.
4. Another limitation of 'SERVQUAL' instrument related with the gap methodology used for assessing the level of service quality. Evaluating consumer expectations after a service has been provided will bias the responses of consumers. If the customers had a positive experience, they will tend to report lower scores for their expectations, so there is a measurable gap between what they expected and the service they received. If customer had a negative experience, the opposite occurs. Customers tend to report higher scores for their expectations, so there would be a negative gap between expectations and perceived level of service.
5. Another frequent criticism of the 'SERVQUAL' instrument is that the five proposed dimensions of service quality - reliability, responsiveness, assurance, empathy and tangibles- do not hold up under statistical scrutiny. Consequently, opponents of 'SERVQUAL' question the validity of the specific dimensions in the measurement instrument.
6. The sixth major criticism of 'SERVQUAL' related to the instrument's ability to predict consumer purchase intentions. Research has indicated that the perception section alone of the 'SERVQUAL' scale is a better predictor of purchase intentions than the combined expectations-minus-perception instrument. The 'SERVQUAL' instrument is criticized on the point that the satisfaction has a more significant effect on purchase intentions than does service quality.

## **Concluding Remarks about 'SERVQUAL' instrument**

### **1. The Relevance of Employees of Customer Relations Department**

The 'SERVQUAL' instrument highlights many important points that service providers should consider while examining service quality. The attitudes and performance of customer relations executives determine heavily the perceptions of customers about the services. The interaction between employees and the customers directly determine the responsiveness, empathy and assurance dimensions. The tangible dimension depends partly on the appearance & dress of the employees of the service provider.

## 2. Process is Equally Important as Outcome

The customers judge the service based on the final outcome and also the process through which the service passes through. The nature and frequency of the service is also important in addition to its delivery. Finally the customer satisfaction depends on the production and consumption of the services.

## 3. Difficulty in Predicting Consumer Perceptions

There are several factors out side the control of the organization that may not be readily apparent, but the ratings of service quality dimensions will be influenced to a large extent by such factors.

Despite its limitations 'SERVQUAL' continue to be a frequently used instrument to measure service quality and is presently being modified to take into consideration the service quality issues in e-business. When used in conjunction with other forms of measurement, 'SERVQUAL' provides a valuable diagnostic tool for measuring the firm's service quality performance.

### A Model of Service Quality

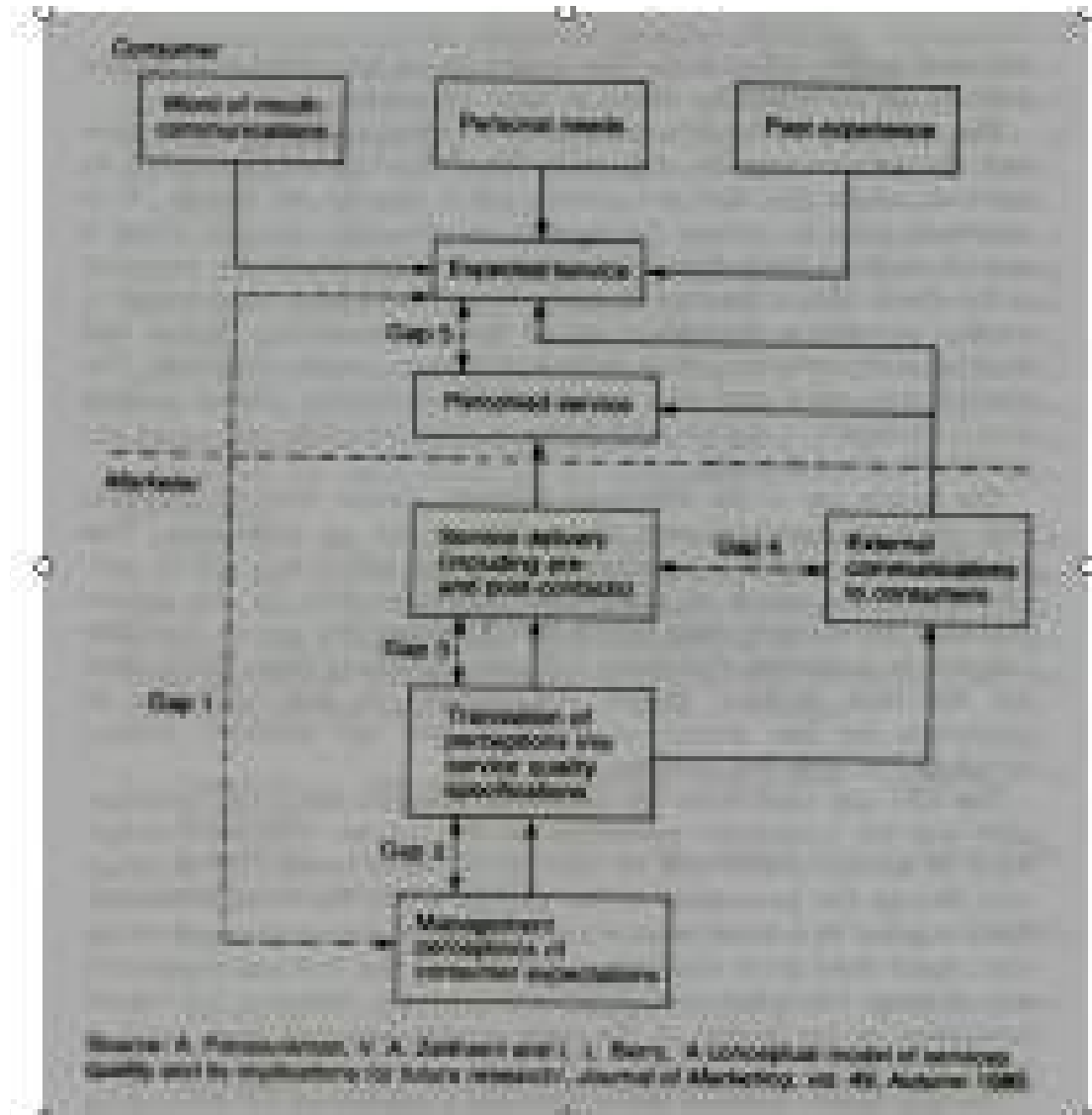
Consumers compare the service they received with the service with the expected in the process of assessing the quality of service. The mathematical formula to calculate the service quality can be expressed as  $P-E$ , where "P" is the consumer perceived level of service received and "E" is consumer expectations prior to the service encounter. A positive number would indicate consumer expectations were exceeded. A 'zero' would indicate the consumer expectations were met. A negative number would indicate that expectations were not met.

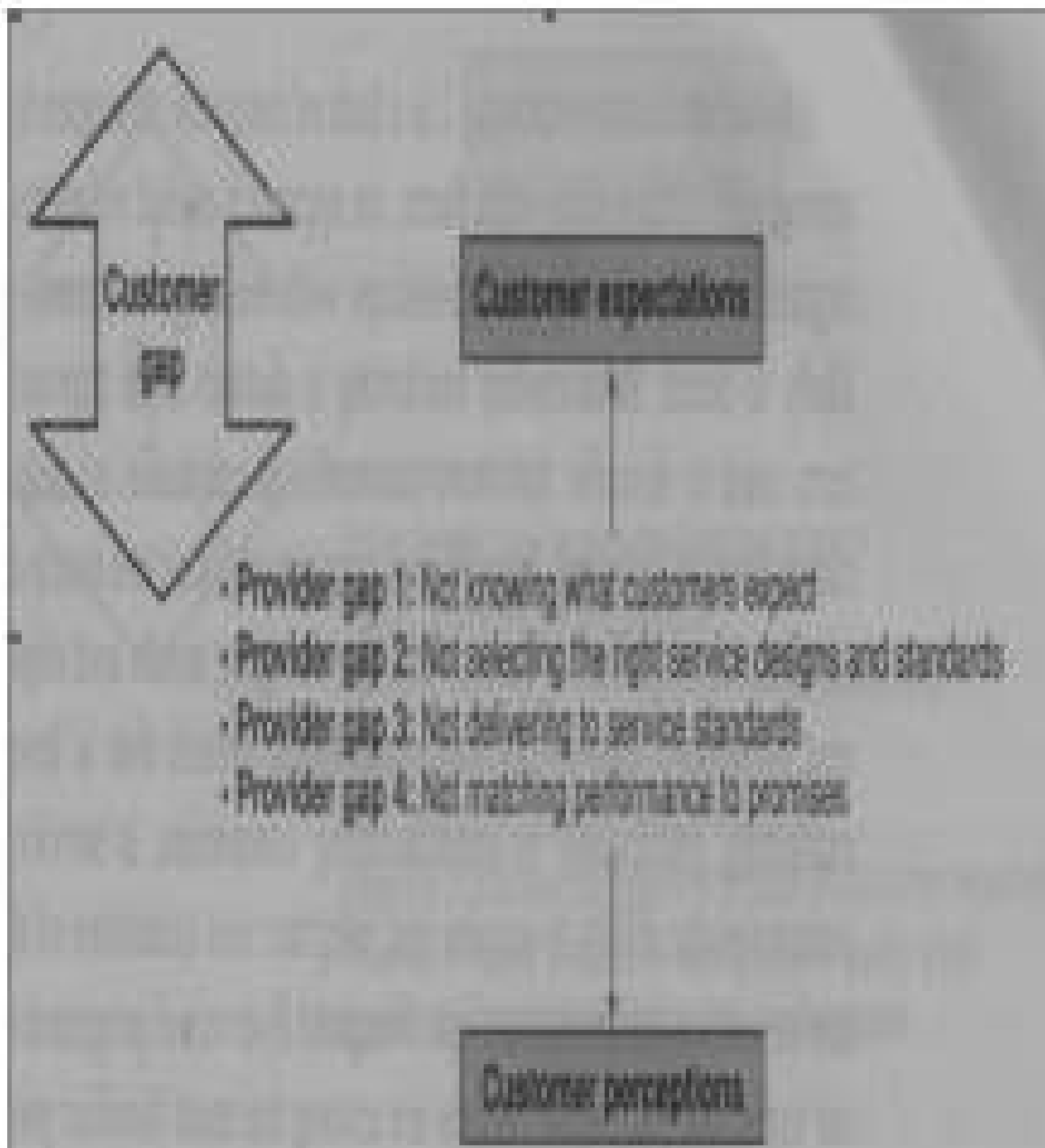
The figure given below presents a model of service quality that identified **Five** potential gaps.

The horizontal dashed line divides the service quality gaps that are formed related from the one gap above the dashed line that is consumer oriented.

Gap-5, which is the difference between what consumers received and what they expected, is the sum of Gap-1 to Gap-4. Gap-5 is affected by both direction and the magnitude of the first four gaps.

## A Model of Service Quality



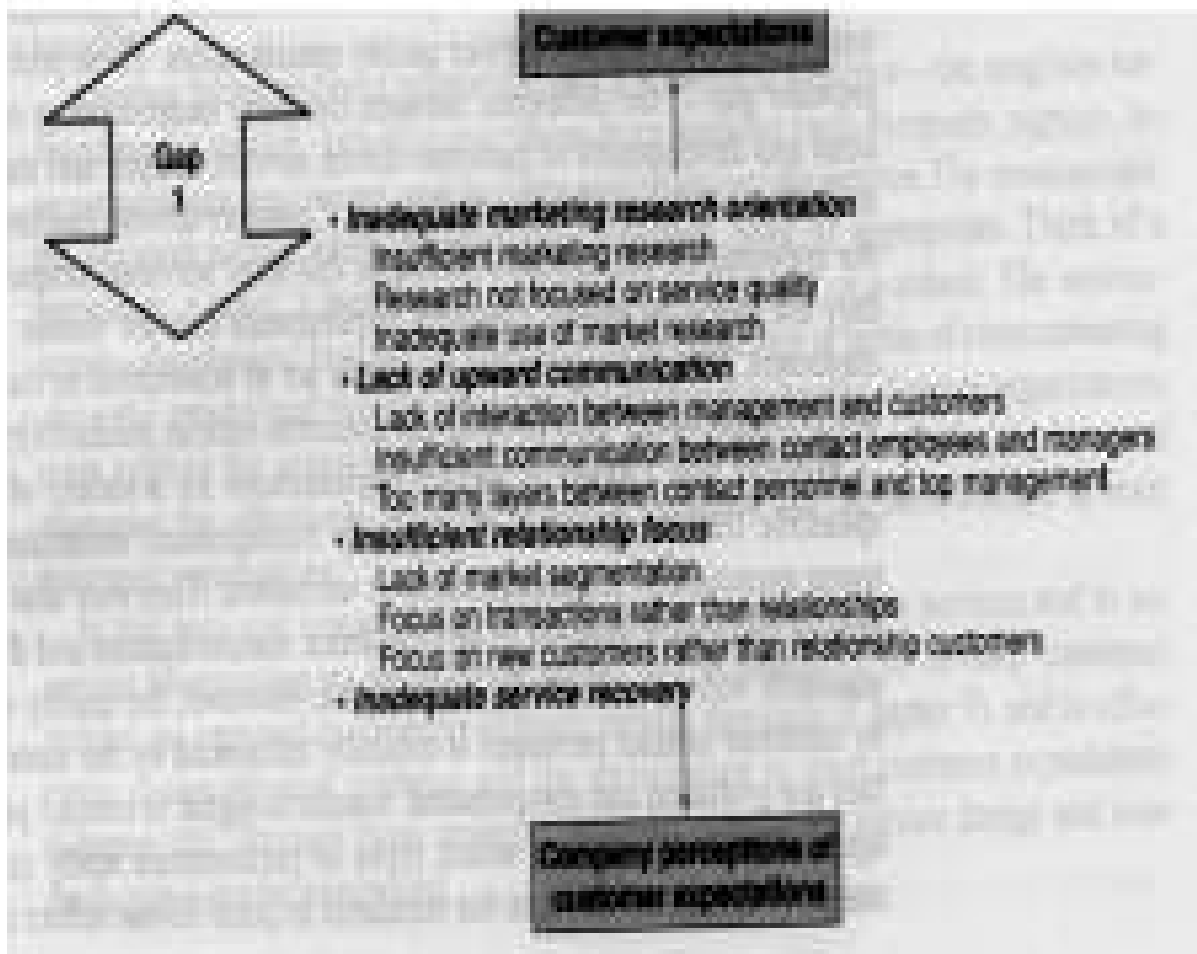


### Gap-1 (The Knowledge Gap)

Gap-1 is the difference between what customers expected and what management perceived customers expected. Gap-1 is also known as knowledge gap. It is the gap between what customers want and what managers think customers want.

Many service providers think they know what their customers want but are really mistaken. Customers of a restaurant may prefer quality and taste of food over an attractive arrangement of the tables. Customers of a hotel may be interested more in on-site amenities over comfortable rooms.

As result of knowledge gap many other mistakes may occur. The wrong facilities may be given, the wrong employees may be appointed and the wrong training may be extended. The services that the customers' desires are not offered, whereas services may be provided that customers have no use for. A detailed knowledge of customers' desire and then developing a solution into the service operating system may close this kind of knowledge gap.



### **Factors influencing the Knowledge gap (Gap-1)**

There are three main factors which influences the knowledge gap. They are:

#### ***Levels of Management***

The managerial levels in the organization influence the size of the knowledge gap. When more levels of management are added, the organizational hierarchy becomes more complex and increased levels of management tend to become more distant from customers. As a result of all this, the size of the knowledge gap tends to increase.

## Strategies for reducing gap-1 (knowledge gap)

Gap 1 Difference between what customers expect and what management believes customers expect	
Causes of Gap	Strategies to Reduce Gap
Failure of management to identify customer expectations	Communication with customers Conduct market research Encourage upward communication Decrease layers of management

Source: Valarie A. Zeithaml, Leonard L. Berry, and A. Parasuraman, "Communication and Control Processes in the Delivery of Service Quality," *Journal of Marketing*, Vol. 22 (April 1988), pp. 33-45.

### *Upward Communication*

Upward communication is the second important factor that influences the size of the knowledge gap. Upward communication is the flow of information from front-line staff to upper levels of the organization. As the bottom level employees interact more frequently with customers, they are often more in touch with the needs of customers than the top management. Therefore the increase in upward communication reduces the knowledge gap and vice versa.

### *Research Orientation*

The attitude of the organization towards conducting research can influence a great extent on the size of gap-1. As firm's research orientation increases the size of knowledge gap reduces.

There are four strategies available to service providers to reduce the knowledge gap. These are presented in the following table.

By interacting with customers, management can understand what customers expect in terms of service quality and the customer's feelings about the service they have received. Communication between management & customers is common in small service firms.

Whereas, in large service organizations, it is very difficult for the management to maintain communication with customers.

As some of the customers may not be honest in their communication with service providers, to ensure open and honest communication, service firms can use marketing research. In case of a large corporation, the research can be performed by the marketing department; otherwise it can be performed by outside consultants. The focus of the marketing research must be on the service quality and consumer expectations of the service.

Upward communication plays a vital role in reducing the size of knowledge gap where the management is separated from the customer care staff. Open, non-threatening environment should be created to encourage the customer care personnel to communicate with top management. The top management should make a request to the customer care personnel for upward communication of ideas for improvement. For effective implementation of upward communication employees offering productive ideas should be recognized and rewarded.

Reducing the levels of management is one good strategy to reduce the size of the knowledge gap. As the layers of management increase the chances of management having a correct understanding of what customers want in terms of service quality will decrease. Therefore many service providers are seeking means to reduce the number of management levels.

### **Gap-2 (The Standard Gap)**

Gap-2 is the difference between management's perception of consumer expectations and the conversion of these perceptions into service quality specifications. Management may understand and know what customers want but unable to translate these expectations into the exact service specifications. Gap-2 is also known as standard gap. At the time of developing standards the service firm should use a flow chart of its operations to identify all points of contact between the firm and its customers. Detailed standards can be written for (1) The way the system should operate & (2) The behaviour of customer relations personnel at each point in the system.

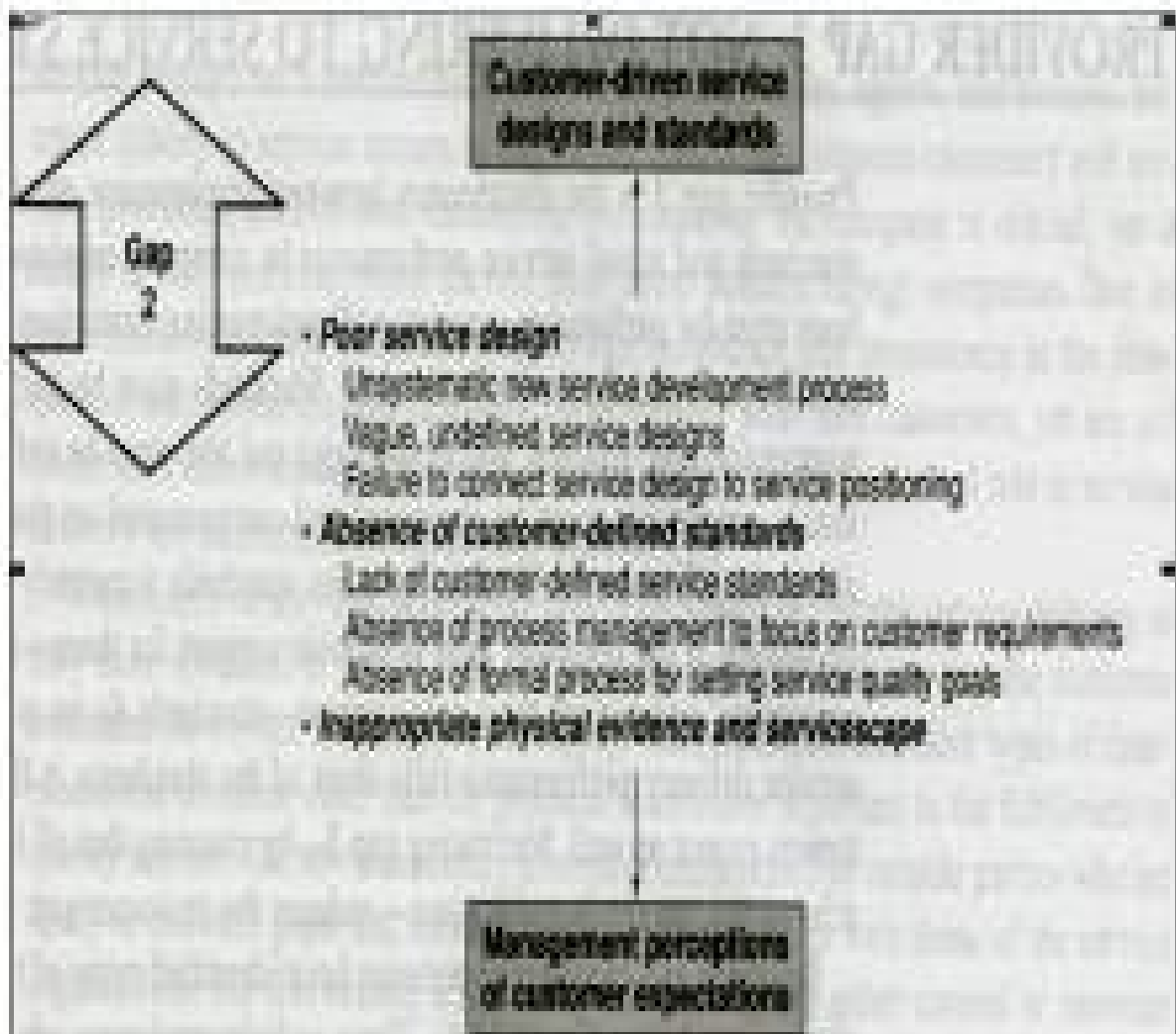
### **Three causes of Standard gap (Gap-2)**

1. The first cause of gap-2 is the indifferent attitude of management. Management may promise about providing high quality service, but in actual practice they may offer only the minimum level of service that will suffice. The intention is to avoid

customer dissatisfaction but not to provide customer satisfaction. In the short run, this philosophy may succeed and generate greater revenue but in the long run customers will switch to those service providers who provide better service. Because of the pressure to generate short-term profits.

2. The second important reason for standard gap is insufficient resource.
3. The third important factor influencing gap-2 is the market conditions. The most common market condition impacting the standard gap is “Competitive Parity”. This is a situation where the competitive service providers produce almost identical quality services. Often the service firms will match competitors’ offerings to prevent the competitor from capturing additional market share. Instead of meeting the wants of the customers, the service firms will translate customer expectations into matching competitive offerings. As a result of this, there will be a gap between what firms know customers expect and service specifications.

A second market condition affecting standard gap is monopoly markets such as public utilities, cable services etc. Each operates as a virtual monopoly with no competitors.





These service providers may understand certain needs and expectations of the customers but may not convert them into service specifications unless it is a statutory requirement. This kind of situation is created because the cost of meeting certain customer expectations is higher than the additional income that could be earned.

Gap 1 Difference between management's perception of consumer expectations and service quality specifications	
Causes of Gap	Strategies to Reduce Gap
Resource constraints	Top management commitment
Market conditions	Develop service quality goals
Management indifference	Standardization of tasks
	Address feasibility of customer expectations

**Strategies For Reducing Standard Gap (Gap-2)**

To reduce the size of Gap-2 service providers must have the commitment of top management. The mission statements of many organizations reflect on the firm's commitment to provide high level of service quality to its customers. But in actual practice the service providers focus on cost reduction, gross sales and Net Profit rather than a high level of service quality.

The two reasons for this discrepancy between mission statement and actual practice are the difficulty of measuring service and the ease of measuring cost, sales and profits.

Secondly, the current reward system is often based on non-service –type criteria. Most of the employees are promoted and rewarded for generating greater sales, increasing net profits or reducing costs not for enhancing service quality.

The service firms must start with a commitment by the management if at all they are going to be serious about providing high quality service. The top management must set an example for their employees by committing to provide a high level of service.

By setting service quality goals the standard gap can be reduced. While setting service quality goals, the management must keep in mind the customer, the service contact provider and the management. The customer relations team must understand the management's perspective and the need to generate a profit. The customer relations team should provide their team members with valuable inputs into the best process for achieving service quality goals. The top management must understand the possibilities in terms of operation.

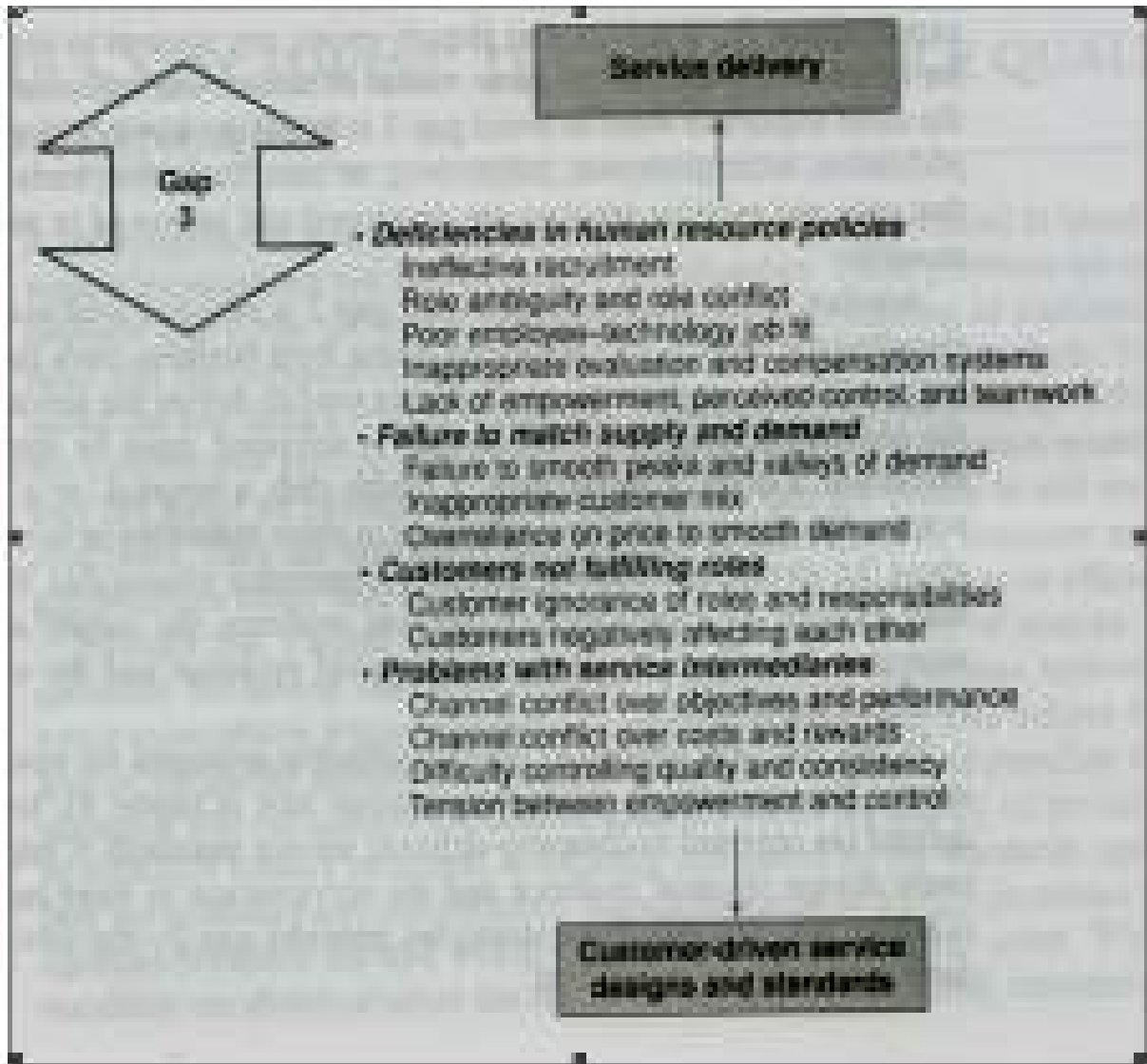
The service quality goals must be customer oriented. While setting service quality standards, the customer wants and desires should be taken into consideration. The customers should be included in the goal setting process as it is advantageous to both management and customer relations personnel.

The size of gap-2 can be reduced by task standardization. Standardization can be done through hard technology, which is substituting machines or computers for people, or soft technology which is improving work methods. Methods are designed to standardize the operation and provide a uniform delivery of the service to customers, reducing the gap between management perception of consumer expectations and the conversion of those expectations into service quality specifications.

### **Gap-3 The Delivery Gap**

The third service quality gap is the difference between the service quality specifications and the delivery of those specifications to the customer. The delivery gap occurs between the actual performance of a service and the standards set by management.

The existence of the delivery gap depends on both the willingness and the ability of employees to provide the service according to specification. Major reasons for this type of gap are the variable and inseparable nature of services.



As most of the services are performed by people, the quality of service is highly dependent upon how well the service provider performs his job. If the services are provided by the service contact personnel as specified, customers are usually satisfied and their expectations are met.

If employees do not provide the service as specified in the service specifications, customer expectations will not be met and customers will be dissatisfied. Causes and strategies for delivery gap are presented in the table.

Gap 1 Difference between service quality specifications and delivery of specifications	
Causes of Gap	Strategies to Reduce Gap
Employees unaware of specifications	Enhance teamwork
Employees do not have skills to perform specifications	Ensure employee-job fit Ensure technology-job fit
Employees unwilling to perform according to specifications	Provide employees with perceived control Develop a supervisory control system Reduce role conflict Reduce role ambiguity

Source: Valerie A. Zeithaml, Leonard L. Berry, and A. Parasuraman, "Communication and Control Processes in the Delivery of Service Quality," *Journal of Marketing*, Vol. 22 (April 1988), pp. 35-48.

### ***Factors Influencing the Delivery Gap (Gap-3)***

1. Employee's willingness to perform the service is one factor that influences the size of the delivery gap. Employee's willingness to provide a service can differ greatly from employee to employee and in the same employee over time. Because of frustration and dissatisfaction with the organization, many employees who start off working to their full potential often become less willing to do so over time. Further, a considerable range exists between what the employee is actually capable of accomplishing and the minimum the employee must do in order to keep his job. Most of the service firms find it very difficult to keep employees working at their full potential all the time.
2. Employee job fit is the second factor that influences the size of the delivery gap. Employees may have been appointed for jobs they are not competent to handle or to which they are unsuited temperamentally or they may not have been provided with appropriate training for the expected roles.
3. Role conflict is another common factor influencing the size of the delivery gap. The service firms may see an inconsistency between what the service manager expects employees to provide and the service their customers actually want, whether or not the knowledge gap has been closed.

4. Role ambiguity is another cause of the delivery gap. When employees do not understand the roles of their jobs or what their jobs are intended to accomplish, it results in role ambiguity. Sometimes, the employees may be unfamiliar with the service firm and its goals. The delivery gap widens as role ambiguity increases.
5. Dispersion of control is another reason for size of delivery gap. When the employees are not allowed to make independent decisions about individual cases they may feel alienated from the service. Employee alienation is bound to increase when control over certain aspects of the services moved to a different location. Employees experience **'learned helplessness'** and feel unable to respond to customer requirements. The delivery gap becomes wider, as the dispersion of control increases.
6. As a result of inadequate support, the delivery gap may also suffer. Inadequate support may be not receiving training on administration and usage of technology etc., essential for employees to perform their jobs in the best possible way. Even the best employees can be discouraged if they are forced to work with faulty equipment. Failure to properly support employees leads to a lot of wasted effort, poor employee productivity, unsatisfied customers, and an increase in the size of the delivery gap.

### **Strategies for Reducing Delivery Gap (Gap-3)**

Team work is a common characteristic of successful service firms. A feeling of team work is created when employees see other employees and management as key members of the team. The lower level employee must feel that management from their immediate superior to the CEO of the company cares about them and that they are a critical part of the firm's success. Among employees, there must be a spirit of cooperation and not competition. When every employee is involved in the company and committed to providing a high level of service to customers, to the company, and to other employees, the size of the delivery gap can be reduced.

There must be a fit between employee skills and job requirements so that the employees can provide the services according to the job specifications. The service providers must employ people who have the ability to perform the job. Each employee should be trained to perform the job according to the procedures of the service firm.

As the technology is available, many service firms are using machines, tools and computers to help service employees in doing their job. The service employees must have proper equipment to perform their job according to the company standards. The service employees should be provided with appropriate equipment with proper condition and they should be educated on how to use the technology to improve the quality of their work.

Computerized diagnostic equipment is necessary to diagnose problems with newer automobiles. The quality of the diagnoses is dependent upon the quality of the equipment, the condition of the equipment and the ability of the service technician to operate it.

The concept of perceived employee control is another important factor in reducing the delivery gap. The employee morale is enhanced; if they are allowed some flexibility and control in the service process. Flexibility and control will also allow service employees to modify the process to meet the particular needs and desires of the customers. The outcome of the service will become more predictable by having control of the service encounter.

The size of delivery gap is also influenced by the supervisory control system. The likelihood of employees doing the job according to the specification improves when they are encouraged and rewarded for meeting job specifications. However, often supervisors will tell employees to follow the correct job specifications but reward or punish employees on other criteria. Employees may be evaluated by their supervisors on such criteria as a balanced cash register for bank teller, the number of automobiles repaired by a mechanic, etc. When this happens, employees will reduce the specifications to improve whatever criteria will be used by their supervisor in their evaluations.

In many service contact positions the role conflict is inherent. The way in which the role conflict is handled will have an impact on how closely the service delivered matches the service specified. The primary conflict faced by service contact personnel is between the expectations of customers and the expectations of management. This conflict is increased when the employees are not given flexibility to meet the needs of customers.

The role conflict can be reduced by allowing service contract personnel adequate flexibility to meet customer needs. The employees need to have some control over the service encounter. Reducing the amount of conflict faced by the service employees is the responsibility of management. Not only does reducing role conflict aid service employers in meeting the needs of customers but it will increase job satisfaction, job morale, and length of employment.

Reducing role ambiguity is another strategy in reducing the size of gap-3. As role ambiguity increases, role conflict increases and job satisfaction decreases. If the employees lack an understanding of what is supposed to be done, it becomes difficult for them to perform the necessary job specifications.

Management assumes employees understand their job but this is not always the case. In fact, many times service contact personnel do not have a clear understanding of goals and expectations. To reduce role ambiguity, service firms must do the following:

1. Provide frequent and clear downward communications from management on what is expected and how the service is to be performed.
2. Provide employees with constructive feedback to help them understand how the service is to be performed and what management expects.
3. Provide employees with product and service knowledge so they can perform their jobs better.
4. Train and retrain employees in the proper method of performing the service.
5. Train service contact personnel to communicate effectively with customers, with their supervisors, and with other customers.

#### **Gap—4 (The Communication Gap)**

Gap—4 is the difference between the service delivered to customers and the external communications about the service. Promises are made to consumers by a firm's promotional efforts in the form of sales promotions, sales staff and advertising. These promises may be explicitly stated or they may be implied. If the firm does not provide the service that is promised, there is a gap between what customers expected and the service received.

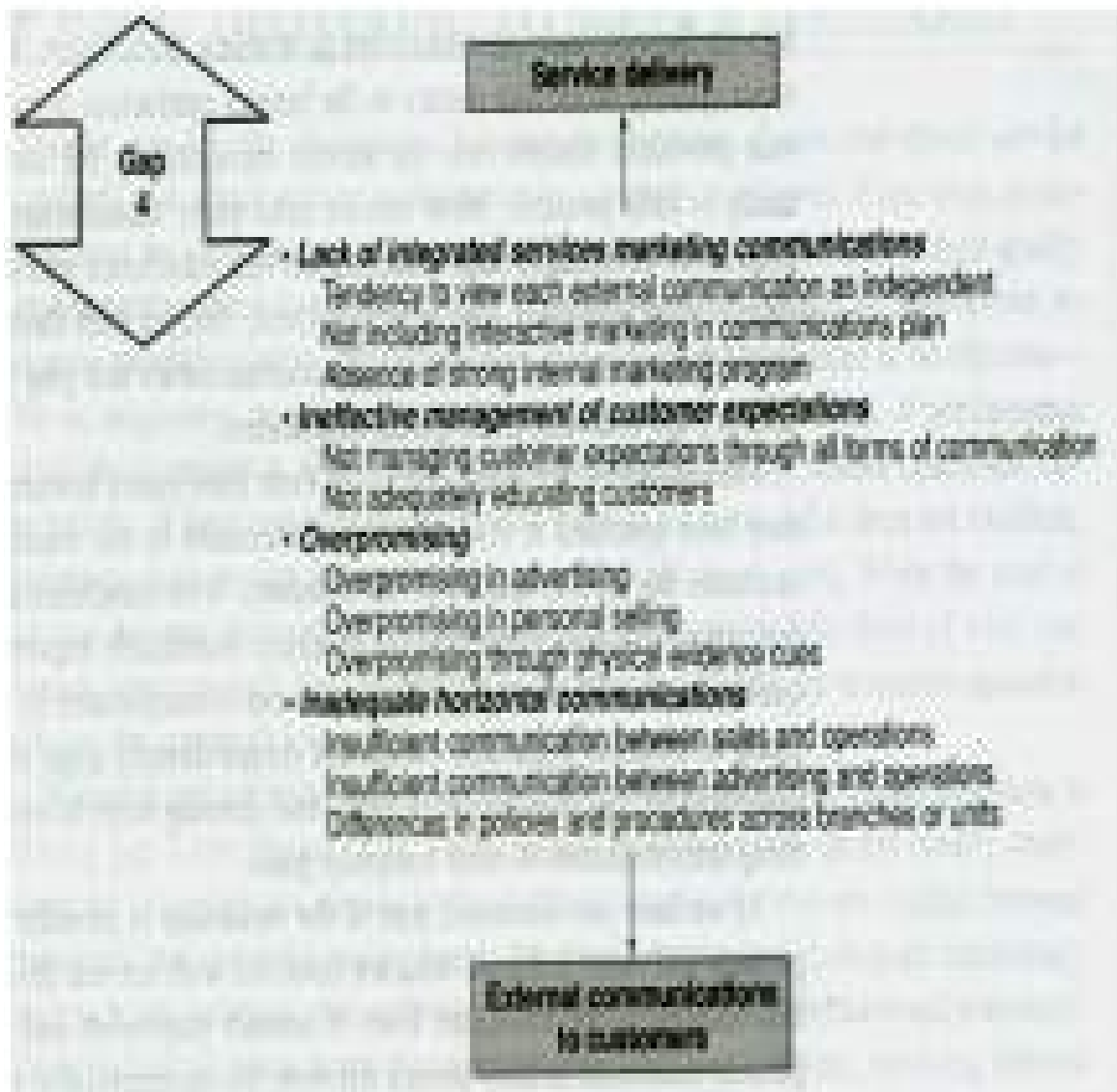
External communicators are essentially promises the firm makes to its customers. When the communications gap is wide, the firm has broken its promises, resulting in a lack of future customer trust.

#### ***Factors Influencing the Communications Gap (Gap—4)***

As consumer expectations for a service increase, the probability of patronizing the firm will also increase. To increase patronage, firms are tempted to make promises that may be difficult or even impossible to deliver.

The communications gap is influenced primarily by two factors. The first, the propensity of the firm to **over promise** often occurs in highly competitive business environments as firms try to outdo one another in the name of recruiting new customers. The second factor pertains to the flow of **Horizontal communication within the firm**.

Communications are developed at the firm's headquarters without conferring with service firms in the field. In some instances, new service programmes are announced to the public by corporate headquarters before the local service firms are aware that the new programs exist. A lack of horizontal communication places an unsuspecting service provider in an awkward position when a customer requests the service promised and the provider has no idea what the customer is talking about.



### Strategies for Reducing the Communications Gap (Gap-4)

By addressing two important issues namely, the horizontal communications and propensity to over promise the service firms can reduce the size of gap-4. Service contact people should have input in the firm's advertising and promotional plans.

This input will ensure that messages conveyed to the prospective customers can be operationally performed. The reverse is also true; service personnel should be informed prior to an advertising or promotional campaign. Knowing what customers will be told about the service will help service staff perform the correct service.

In service firms with field sales representative, there must be communication between the salespeople and the personnel performing the service. Sales people often make promises to prospective customers to gain contracts. If promises are made, the operations department needs to be aware of it so they can ensure the promises will be delivered.



Gap 4 Difference between service delivered and external communications	
Causes of Gap	Strategies to Reduce Gap
Poor or lack of communication	Increase horizontal communication
Over promising	Avoid propensity to over promise

Source: Valerie A. Zeithaml, Leonard L. Berry, and A. Parasuraman, "Communication and Control Processes in the Delivery of Service Quality," *Journal of Marketing*, Vol. 52 (April 1988), pp. 25-40.

With a pressure to achieve greater profits or to meet competitive claims the tendency to over promise increases. In both cases, severe damage to the firm's image will occur since it is unlikely the firm can perform the service as promised.

#### Prescriptions for Closing Service Gaps:

<b>Gap 1</b>	<b>Prescription: Learn What Customers Expect</b>
	<ul style="list-style-type: none"> <li>Understand customer expectations through research, complaint analysis, customer panels, etc.</li> <li>Increase direct interactions between managers and customers to improve understanding.</li> <li>Improve upward communication from contact personnel to management.</li> <li>Turn information and insights into action.</li> </ul>
<b>Gap 2</b>	<b>Prescription: Establish the Right Service Quality Standards</b>
	<ul style="list-style-type: none"> <li>Ensure that top management displays ongoing commitment to quality as defined by customers.</li> <li>Set, communicate, and reinforce customer-oriented service standards for all work units.</li> <li>Train managers in the skills needed to lead employees to deliver quality service.</li> <li>Become receptive to new ways of doing business that overcome barriers to delivering quality service.</li> <li>Standardize repetitive work tasks to ensure consistency and reliability by substituting hard technology for human contact and improving work methods (soft technology).</li> <li>Establish clear service quality goals that are challenging, realistic, and explicitly designed to meet customer expectations.</li> <li>Clarify which job tasks have the biggest impact on quality and should receive the highest priority.</li> <li>Ensure that employees understand and accept goals and priorities.</li> <li>Measure performance and provide regular feedback.</li> <li>Reward managers and employees for attaining quality goals.</li> </ul>

**Gap 3 Prescription: Ensure That Service Performance Meets Standards**

- Clarify employee roles.
- Ensure that all employees understand how their jobs contribute to customer satisfaction.
- Match employees to jobs by selecting for the abilities and skills needed to perform each job well.
- Provide employees with the technical training needed to perform their assigned tasks effectively.
- Develop innovative recruitment and retention methods to attract the best people and build loyalty.
- Enhance performance by selecting the most appropriate and reliable technology and equipment.
- Teach employees about customer expectations, perceptions, and problems.
- Train employees in interpersonal skills, especially for dealing with customers under stressful conditions.
- Eliminate role conflict among employees by involving them in the process of setting standards.
- Train employees in priority setting and time management.
- Measure employee performance and tie compensation and recognition to delivery of quality service.
- Develop reward systems that are meaningful, timely, simple, accurate, and fair.
- Empower managers and employees in the field by pushing decision-making power down the organization; allow them greater discretion in the methods they use to reach goals.
- Ensure that employees working at internal support jobs provide good service to customer-contact personnel.
- Build teamwork so that employees work well together, and use team rewards as incentives.
- Treat customers as partial employees; clarify their roles in service delivery; and train and motivate them to perform well in their roles as coproducers.

**Gap 4 Prescription: Ensure That Communication Promises Are Realistic**

- Seek inputs from operations personnel when new advertising programs are being created.
- Develop advertising that features real employees performing their jobs.
- Allow service providers to preview advertisements before customers are exposed to them.
- Get sales staff to involve operations staff in face-to-face meetings with customers.
- Develop internal educational, motivational, and advertising campaigns to strengthen links among marketing, operations, and human resource departments.
- Ensure that consistent standards of service are delivered across multiple locations.
- Ensure that advertising content accurately reflects those service characteristics that are most important to customers in their encounters with the organization.
- Manage customers' expectations by letting them know what is and is not possible—and the reasons why.
- Identify and explain uncontrollable reasons for shortcomings in service performance.
- Offer customers different levels of service at different prices, explaining the distinctions.

Source: Distilled from chapters 4, 5, 6, and 7 of Valarie A. Zeithaml, A. Parasuraman, and Leonard L. Berry, *Delivering Quality Service: Balancing Customer Perceptions and Expectations* (New York: The Free Press, 1990).

## Tools for analyzing and Addressing the Service Quality Issues

The following important tools are used to determine the root cause of specific service quality problems.

## **1. Root Cause Analysis**

The Fishbone diagram has been developed by Japanese quality expert Kaoru Ishikawa as a tool to address the problem of service quality, wherein groups of managers and staff brainstorm all the possible reasons that might cause a specific quality problem. The resulting factors are categorized into five groups such as, equipment, people, material, procedures and others on a cause and effect chart which is popularly known as fish bone diagram because of its shape. This, technique has been used for many years in manufacturing and more recently also in services.

To sharpen the value of the analysis for use in service organizations an extended frame work with eight groups has been adopted. “People” has been divided in to “Front-stage personnel” and “Back-stage personnel” to highlight the fact that front-stage service problems are often experienced directly by customers, whereas back stage failures tend to show up more obliquely through a ripple effect.

“Procedures” has been divided into “Information” recognizing that many service problems result from information failures especially failures by front-stage staff to tell customers what to do and when. Finally, there is a new group called “Customers”. In high-contact services, customers are involved in front stage operations. If they do not play their own roles correctly, customers may reduce service productivity and cause quality problems for themselves and other customers.

## **2. Pareto Analysis**

The Italian economist who has developed a tool which seeks to identify the major causes of observed out comes is named as “Pareto analysis”. This analysis underlies the rule 80/20, because it often reveals that around 80 percent of the value of one variable, for example, number of service failures, is accounted for by only 20 percent of the causal variable i.e. number of possible causes.

Combining the fishbone diagram and Pareto analysis serves to highlight the main causes of service failure.

## **3. Blue Printing**

A well structured blue print is a powerful tool for identifying points of failure. It enables us to visualize the process of service delivery by depicting the sequence of front-stage interactions that customers experience as they encounter service providers, facilities

& equipment, which are hidden from the customers are not part of their service experience. Blue prints can be used to identify potential fail points where failures are most likely to happen.

Blue prints help us to understand how failures at one point may have a ripple effect latter in the process. Using frequency counts, managers can identify the specific types of failures that happen most frequently and thus need immediate attention. One desirable solution is to design fail points out of the system. In case of failures that cannot easily be designed out of a process or are not easily prevented, solutions may concentrate on development of contingency plans and service recovery guidelines.

It is very relevant to know on several formal quality programs namely, the Total Quality Management, ISO9000, Six Sigma and the Malcom-Baldrige Model, as the whole thinking, tools and concepts of Service quality originates from such quality programs. Therefore, an attempt has been made to describe each one briefly hereunder.

### **Total Quality Management**

Total Quality Management, concepts originally developed in Japan, are widely used in manufacturing and more recently have also been used in service firms. Some concepts and tools of TQM can be directly applied to services. Control charts, flowcharts. Fishbone diagram and such other TQM tools are being used by service firms with great results for monitoring service quality and determining the root causes of specific problems.

Twelve critical dimensions have been identified for the successful implementation of TQM in a service context. They are:

1. Top-management commitment and visionary leadership,
2. Human resource management,
3. Technical system, including service process design and process management,
4. Information and analysis system,
5. Benchmarking,
6. Continuous improvement,
7. Customer focus,
8. Employee satisfaction,
9. Union intervention and employee relations,
10. Social responsibility,

11. Servicescapes, and
12. Service culture.

### **ISO 9000 Certification**

More than 90 countries are members of the International Organization for Standardization (ISO) based in Geneva, Switzerland. The ISO promotes standardization and quality to facilitate international trade. ISO 9000 comprises requirements, definitions, guidelines, and related standards to provide an independent assessment and certification of a firm's quality management system. The official ISO 9000 definition of quality is: "The totality of features and characteristics of a product or service that bear on its ability to satisfy a stated or implied need. Simply stated, quality is about meeting or exceeding your customer's needs and requirements." To ensure quality, ISO 9000 used many TQM tools and routinizes their use in participating firms.

As with other quality initiatives, such as TQM and Six Sigma, service firms were late in adopting the ISO 9000 standards, and about two-thirds of the 510, 616 organizations that had been ISO 9000 certified by the end of 2001 were in manufacturing industries. Major Service sectors that have adopted ISO 9000 certification include wholesale and retail firms, IT service providers, health care providers, consultancy firms, and educational institutions. By adopting ISO 9000 standards, service firms, especially small ones, can not only ensure that their services conform to customer expectations but also achieve improvements in internal productivity.

### **Malcolm-Baldrige Model Applied to Services**

The Malcolm-Baldrige National Quality Award (MBNQA) was developed by the National Institute of Standards and Technology (NIST) with the goal of promoting best practices in quality management. The Baldrige Model assesses firms on seven areas:

1. Leadership commitment to a service quality culture;
2. Planning priorities for improvement, including service standards, performance targets, and measurement of customer satisfaction, defects, cycle time, and productivity;
3. Information and analysis that will help the organization to collect, measure, analyze, and report strategic and operational indicators;
4. Human resources management that enables the firm to deliver service excellence, ranging from hiring the right people to involvement, empowerment, and motivation;

5. Process management, including monitoring, continuous improvement, and process redesign;
6. Customer and market focus that allows the firm to determine customer requirement and expectations; and
7. Business results.

### **Six-Sigma Applied to Service Organizations**

The Six-Sigma approach was developed by Motorola engineers in the mid-1980s to address the issue of increasing numbers of complaints from its field sales force regarding warranty claims. The program was soon adopted by other manufacturing firms to reduce defects in a variety of areas.

Subsequently, service firms embraced various Six-Sigma strategies to reduce defects, reduce cycle times, and improve productivity. Statistically, six sigma means achieving a quality level of only 3.4 defects per million opportunities (DPMO).

Over time, Six Sigma has evolved from a defect-reduction approach to an overall business-improvement approach. As defined by Peter Pande, Robert Neuman, and Ronald Cavanagh: “Six Sigma is a comprehensive and flexible system for achieving, sustaining and maximizing business success. Six Sigma is uniquely driven by close understanding of customer needs, disciplined use of facts, data and statistical analysis, and diligent attention to managing, improving, and reinventing business processes”.

Process improvement and process design/redesign are the two strategies forming the cornerstone of the Six Sigma approach. Process-improvement strategies aim at identifying and eliminating the root causes of service delivery problems and thereby improving service quality. Process design/redesign strategies act as a supplementary strategy to improvement strategy. If a root cause cannot be identified or effectively eliminated within the existing processes, either new processes are designed or existing processes are redesigned to fully or partially address the problem.

The most popular Six Sigma improvement model used for analyzing and improving business processes is the DMAIC model. DMAIC stands for the following measures:

- Define the opportunities
- Measure Key steps/inputs
- Analyze to identify root causes

- Improve performance
- Control to maintain performance

### **Self Assessment Questions**

1. What are the underlying themes of service quality? Suggest illustrations of each theme.
2. Define the five dimensions of service quality. Give an example of each dimension.
3. Explain how a manager might use the conceptual model of service quality to improve the quality of his or her own firm
4. What factors contribute to the size of the knowledge gap?
5. How does the communication gap relate to success in e-business?
6. Develop specifications for the role of a “Good Student.
7. What are the criticisms of SERVQUAL? What are its developer’s responses to these criticisms?
8. You have been hired by a firm to develop the firm’s service quality information system. What are the components of this system?
9. Explain the SERVQUAL model. How is it used by services marketers?
10. Identify the potential problems with SERVQUAL and the use of the gap theory methodology for measuring service quality. Discuss the precautions that should be taken to reduce these problems.
11. Identify the two types of performance measures that can be used to measure service quality. Cite examples of each type.
12. Identify the gaps in the evaluation of service quality. Identify the causes of each gap and the marketing strategies firms can use to reduce the size of each gap.
13. What are the main tools service firms can use to analyze and address service quality problems?
14. How do such concepts as TQM, ISO9000, Malcolm-Baldrige approach, and Six Sigma relate to managing and improving productivity and service quality?
15. Review the five dimensions of service quality. What do they mean in the context of (a) an Industrial repair shop, (b) a retail bank, (c) an accounting firm?
16. In what ways can you, as a consumer, help to improve quality for at least five service organizations that you patronize? What distinctive characteristics of each service

make some of these actions possible?

17. If you were the manager of a service organization and wanted to apply the gaps model to improve service, which gap would you start with? Why? In what order would you proceed to close the gaps?
18. Which of the four gaps do you believe is hardest to close? Why?
19. Choose an organization to interview, and use the integrated gaps model of service quality as a framework. Ask the manager whether the organization suffers from any of the factors listed in the figures in this chapter.
20. What evidence do you see of organizations implementing quality programmes and continually improving service quality? How do you measure service quality?

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## UNIT - V

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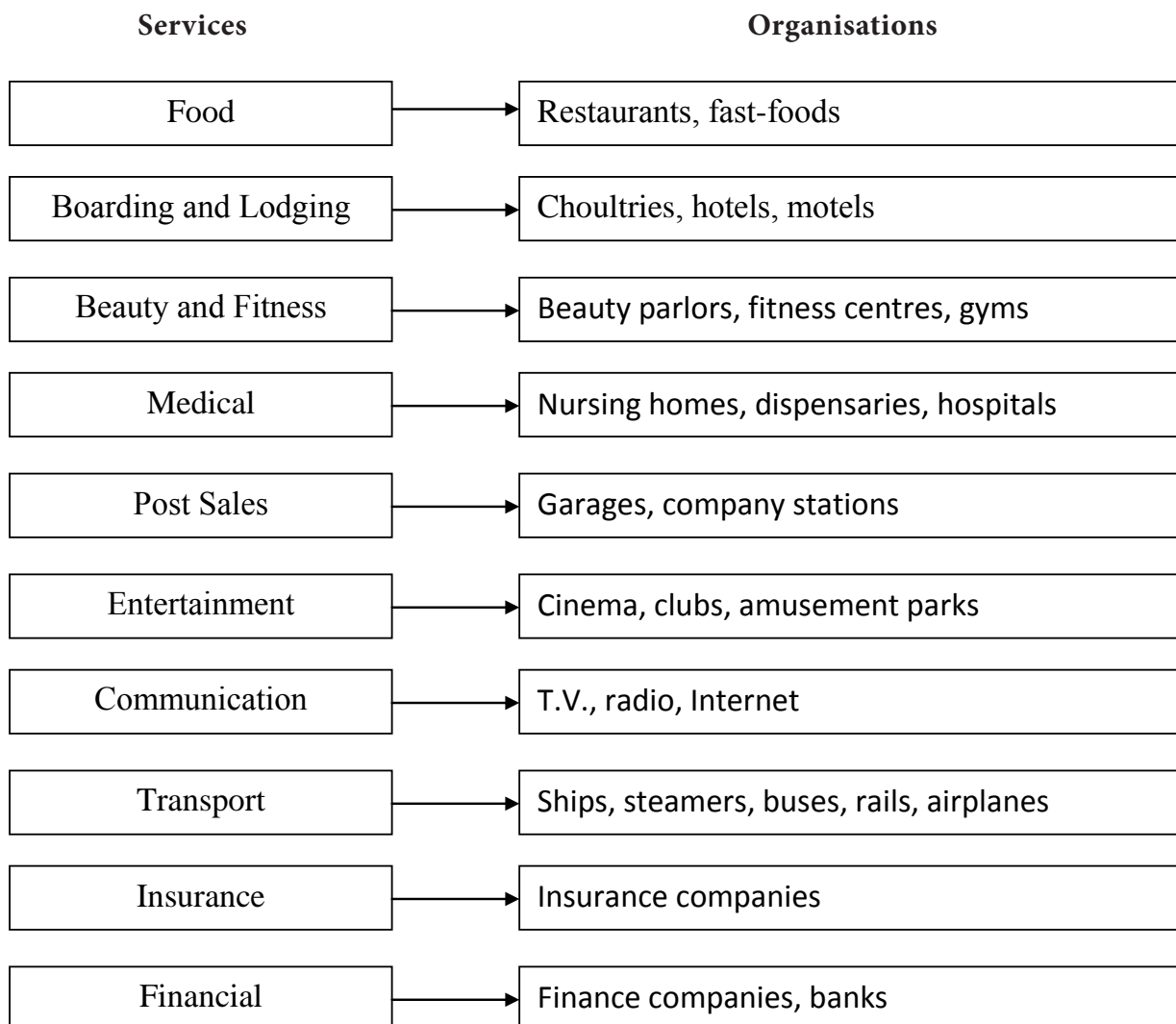
### Marketing of Different Services

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#### Classification of Services

The following charts visualize various classes of services along with the organizations that provide them.

#### Consumer Services



## Industrial Services

Unlike consumer services, industrial services are offered to the business organisations, although there may be some variable common in both.

Services	Organisations
Consultancy	Specialised consultants, experts
Clerical	Photo-stats, computer-printing, typing centres
Accounting	Specialized centres undertaking commercial accounts
Engineering	Specialized firms providing help in formulating projects, designs, et.
Warehousing	Specialized agencies in warehousing
Distribution	Distribution agencies.
Research	Field management companies and others
Transport	Transport houses, etc.; buses, rails, airplanes, ships
Financial	Finance companies, banks
Insurance	Insurance companies

There is a tremendous market for services in the large scale, medium scale and small scale sector as well.

## Financial Services

### Bank Marketing

The banking industry is undergoing a revolution caused by deregulation. The causes for bank marketing can be seen as:

- Rising customer needs and expectations due to improvements in general standard of living

- Entry of foreign and private sector banks in India
- Economic liberalization of Indian economy.
- Phenomenal growth of competition due to economic liberalization.
- Rise in the Indian middle class with considerable resources.
- Government intervention in protecting the interest of consumers.

Thus the significance of bank marketing in Indian banking system is undeniable if they have to survive in the competitive environment. Bank marketing is not just advertising and promotion campaign but a managerial process by which services are matched with markets. This indicates evolving a suitable marketing strategy, which suits the needs of the customer. The major step in this direction is to blend the marketing variables-product, price, place, promotion, people, process and physical evidence, to satisfy the requirements of the customer.

### **ICICI Bank**

The way ICICI Bank has promoted itself to become a leader in consumer perception has few parallels in the Indian service industry, especially when you consider the fact that it was earlier a staid development bank in the unglamorous business of project financing, and significantly owned by the government. At least in the public perception, it was a typical government bank, until it literally changed its colours to an attractive orange-red. Along with a spanking new logo, and aggressive marketing which included print, television, and personal selling through mailers and telemarketing, the ICICI Bank almost blanketed the landscape and the consumer's mind space in the years 2000-02, to emerge as a leading player in the retail banking industry.

### **From an NBFC to a Bank: Kotak Mahindra's Strategic Shift**

Kotak Mahindra, which has started as an NBFC (non-banking financial services company) and has now become a bank. A major paradigm shift is taking place in the way corporate finance is structured. Traditionally, banks in India approached corporate and said "here is our bag of money". I don't think that is sustainable any longer. You have to go to the supply chain and look for gaps.

If you take the automobile sector, for instance, we are end-to-end providers. We have done car financing at one end of the retail chain. Now we are going to the other end, financing the ancillary units and suppliers. We do about ₹ 2,000 crore of car financing a year. At any point of time, we have about ₹ 300 crore of dealer finance. We do about ₹ 1,000 crore of commercial vehicle financing. We are targeting another ₹ 500 crore at the auto

ancillary unit level. The total churn or the transaction volumes in the auto sector would be in excess of ₹ 5,000 crore a year. We are number three in auto financing, behind ICICI and HDFC Bank. As a vertical, it is a large part of our balance sheet.

If you are in end-to-end financing, we can compensate the reductions, if any, in fee income. But the auto sector is growing at 30 per cent. we are trying to replicate the auto financing model in other sectors-in FMCG, pharmaceuticals, tractors, etc.

Don't look at the profits of Kotak Primus in the normal way. That is because there is a very large royalty that Kotak Primus pays the bank, under our agreement with Ford. If you look at Kotak Primus's operating profits (before the royalty payments), it is quite good. Spreads have been under pressure. But even today, I can get a customer for car finance at 15 per cent and 7 per cent. it depends on the risk profile that you want to take on.

This is true to some extent. As you go deeper, you get higher returns, but you also run higher risks. We cover the top 60 to 70 cities now. Primarily, we'll stay there. But as a bank, we do have the obligation to go to rural areas and we will do that.

We see the conversion as conferring a longer term advantage. We did not have access to call money earlier. No doubt there is a branch cost, but that is met not only by deposits but also by investment products. We see this as a stronger model.

If you have ₹ 100, you'll put ₹ 80 in various products but leave around ₹ 20 in the SB account. We need to capture that and make it grow bigger. There is a fundamental change happening, globally.

Most banks have been focusing on the stock of money. Now it is moving to the flow. Money is becoming more mobile. If you look at the nationalised banks, it is all focused on the stock.

The trick to get stable money for us, is to be in the middle of the flow. As we do have more of investment products, and keep on the churn, some part of the flow will keep on getting left behind and the residue will gradually grow. Other banks, which are focused on the stock, may not be able to hold on to it.

## **Insurance Marketing**

The term insurance marketing refers to the marketing of insurance services with the motto of customer-orientation and profit-generation. A fair blending of profit-generation

and customer-satisfaction makes the ways for development and expansion. The insurance marketing focuses on the formulation of an ideal mix for the insurance business so that the insurance organisations survive and thrive in a right perspective. The quality of services can be improved by formulating a fair mix of the core and peripheral services. The persuasion process can be speeded up with the support of creative promotional measures. The premium and bonus decisions can be made motivational, the gap between the services-promised and services-offered can be bridged over, the quality and value based personnel can make possible performance-orientation and these developments can make the insurance organisations stronger enough to face the challenges and threats in the markets. It is meant managerial proficiency, which makes an assault on unethical and unfair practices by regulating profiteering. The organisations thus are found successful in increasing the market share, maximizing the profitability and keeping on the process of development. In the Indian perspective where rural-orientation needs a prime attention, the insurance marketing may prove to be a device for combating regional imbalance by maintaining the sectoral balance. As an investment institution, the rural development oriented projects make ways for the transformation of rural society.

The selection of risks (product planning), Policy writing (customer Service) rating or actuarial (pricing) and agency management (distribution)-all marketing activities make up an integrated marketing strategy. We can't neglect that during the yester decades, there have been considerable developments in the perception of customer servicing firms like banking and insurance companies. Particularly in the developing countries like ours, the organisational objectives advocate spreading of insurance services much more widely and in particular to the rural areas and especially to the economically backward classes with a view to reaching all insurable persons. This naturally necessitates an integral marketing strategy. In other words, market-orientation in place of sales orientation is need of the hour. Hence the marketing concept in the insurance business focuses on the formulation of marketing mix or a control over the whole group of marketing activities that make up an integrated marketing strategy.

### **Insurance Marketing in India**

The Insurance sector plays a vital role in the economic development of our nation. It acts as a mobilizer of savings, financial intermediary, promoter of investment activities, stabilizer of financial markets and a risk manager. India is still an under-insured country in the world. It is at the 18<sup>th</sup> position among life insurance markets and 28<sup>th</sup> in non-life Insurance markets in the world. This indicates that there is a huge potential, yet to be explored.

The business of life insurance in India in its existing form started in India in the year 1818 with the establishment of the Oriental Life Insurance Company in Kolkatta.

To survive in the industry they analyze the emerging requirements of the policy holders/insured and they are in the forefront in providing essential services and introducing novel products. Thereby they become niche specialists, who provide the right service to the right person in right time.

<b>Market Share (%) – August 2005</b>					
<b>Life Insurers</b>			<b>Non – Life Insurers</b>		
1.	LIC	76.07	1.	New India	21.41
2.	ICICI Prudential	6.91	2.	National	17.11
3.	Bajaj Allianz	4.75	3.	United Inida	17.11
4.	HDFC Standard	2.98	4.	Oriental	17.02
5.	Brila Sunlite	1.72	5.	ICICI-Lombard	8.04
6.	Tata AIG	1.66	6.	Bajaj Allianz	6.15
7.	SBI Life	1.46	7.	IFFCO-Tokio	4.00
8.	Max New York	1.28	8.	Tata-AIG	2.89
9.	Aviva	1.08	9.	ECGC	2.50
10.	Kotak Mahindra Old Mutual	0.71	10.	Royal Sundaram	2.17
11.	ING Vysya	0.54	11.	Cholamandalam	1.22
12.	AMP Sanmar	0.46	12.	HDFC-Chubb	0.89
13.	Met Life	0.37	13.	Reliance General	0.75
14.	Sahara Life	0.03	14.	Agriculture Insurance Co.	-
<b>PRIVATE TOTAL</b>		<b>23.93</b>	<b>PRIVATE TOTAL</b>		<b>26.10</b>
<b>PUBLIC TOTAL</b>		<b>76.07</b>	<b>PUBLIC TOTAL</b>		<b>73.90</b>
<b>GRAND TOTAL</b>		<b>100.00</b>			<b>100.00</b>

Source: WWW. Irdaindia.org

In August 2005, the private players in the life insurance business have increased their market share to 23.93 per cent. Among them ICICI prudential is ranked first in capturing the market followed by Bajaj Allianz and HDFC Standard. In the General Insurance sector the private players have captured 26.10 per cent. Among them ICICI-Lombard is ranked first, followed by Bajaj Allianz and IFFCO-Tokio.

The healthy competition in the sector enabled the state owned insurers of our mother country to reduce its market share to 76.07 per cent and 73.90 per cent in life and

non-life business respectively. Moreover, private insurers have planned to increase their market share in the next five years. The public insurers have to enrich its approach to with held its share.

Insurance is a unique service industry. The key industry drivers are related to life style issues in terms of perceiving insurance as a saving instrument rather than for risk cover, need based selling, quality of service and customers awareness.

In the present competitive scenario, a key differentiator is the professional customer service in terms of quality of advice on product choice along with policy servicing. Servicing focus is on enhancing the customer's experience and maximizing his convenience. This calls the effective CRM system, which eventually creates sustainable competitive advantage and enables to build long lasting relationship.

### **ING Vysya Mutual Fund**

The ING Vysya mutual fund is still a relatively small player in the country's ₹ 1 lakh crore-plus asset management industry. It has, however, gone through significant modifications in the recent times, ones that are expected to support its expansion programmes.

The mutual fund (MF), which currently manages a few basic schemes, has proposed to introduce a couple of others in the near future. One, the ING group has increased its equity stake in Vysya Bank to 43.99 per cent from the 20 per cent it held earlier. The bank has been renamed as ING Vysya Bank subsequently. The group now operates as ING Vysya in India through over 500 branches spread across the country. Two, there has been an infusion of fresh capital in ING Investment Management (1) Pvt. Ltd, which is the asset management company. This has been done to strengthen its presence. The fresh infusion came with ING Vysya Bank acquiring a stake of about 26 per cent in the AMC. This reflects the nature of ING's long-term commitment to the Indian market.

At the moment it is present in eight cities with more than ₹ 1,100 crore of assets under the management. It is believed that the inherent strengths can be leveraged to formulate more schemes with a view to create better value.

The liquid and short-term products are already among the top-rated names in their respective categories. The future looks bright for the asset management industry and only those players with strong corporate backing would be the likely survivors. The bigger ones absorb small and individual fund houses could well. This would make competition even more aggressive.

It is proposed to come out with a monthly income plan (MIP) and an index-linked product. These would be in line with the attempt to cater to the ever-increasing needs of investors. The MIP, which would be launched immediately, is aimed at high net worth individuals, retired people and pensioners, among others. To be armed with certain additional services, which would set it apart from other simple MIPs, it would enable them to secure a steady, regular stream of income.

## **Health Services**

### **Health Industry**

Until recently the healthcare industry was at the crossroads, still unsure which way to go. Today, it is in for exciting times. Low costs, combined with excellent facilities, have provided the perfect formula for India to become a major player in the \$2.8 trillion worldwide healthcare industry.

Today the cost of healthcare in India is only one-tenth the cost in the US in cases of major surgeries. With costs of providing healthcare low, and with global standards available, the world cannot compete with us. The cost of a heart surgery at Apollo is \$2,500 as compared to \$30,000 in the US. Bone marrow transplants cost \$50,000 in India as against \$400,000 in US.

India's attraction as a low cost, high-quality centre for healthcare may be new but the signs are visible. In 1998-99, Apollo Hospitals conducted heart surgeries on 91 patients from Tanzania. In Chennai, Apollo treats around 30 Sri Lankans a day. Daily 40 patients are from Muscat registered in Apollo hospitals in Delhi, Chennai and Hyderabad for treatment. "Healthcare not only brings in direct purchase of healthcare, but it also encourages a lot of expenditure, on travel, lodging and boarding. Which, translated, means foreign exchange". And India has enough embassies and tourism development corporations to spread the message.

### **Out Door Sport**

1. Golf
2. Water sports: jet-ski, windsurfing, boating
3. Tennis
4. Adventure sports: 'paint ball' battle games, hot air ballooning, sky diving



## **In Door Sport**

1. Snooker
2. Gymnasia and health clubs
3. Ice and roller-skating
4. Ten – pin bowling

## **Hospital Services**

Marketing has grown in importance for hospitals, looking to strengthen their position in a increasingly competitive healthcare market place.

A world-class hospital is a multi-disciplinary super speciality medical centre of international standards. Most hospitals today are well equipped with the most advanced diagnostic and treatment facilities. They try for total health care-preventive and curative. Most hospitals in India have grown to a truly world class stature over the years. Some hospitals in India have grown to a truly world class stature over the years. Some hospitals have even obtained ISO 9002 certification. Ex., Mallya hospital, Bangalore. ISO 9002 quality assurance is a structured and user friendly set of systems, which allows the staff at all levels of the hospital to follow simple procedures, which make the most complex tasks easy and efficient. It frees the senior management of everyday stress in observing and monitoring tasks, which have to be completed on daily basis.

## **Virtual Hospital Strategy**

Hospital will soon go hi-tech, not so much in terms of sophisticated medical equipment, but in that a patient's kith and kin can virtually visit him/her from any part of the world and the patient too can communicate with them and relieve their undue anxiety.

Bangalore has emerged as a pioneer in the design of an interactive website used in making virtual visits to hospitals, thus introducing a human element hitherto unthought of. This breakthrough in the usage of information technology for patients, was achieved by the Bangalore-based Think Ahead Incorporated, designing the website for a hospital here.

The primary advantage of this technology is the mitigation of undue anxiety of relatives particularly sons and daughters, children of patients who are settled abroad-who cannot at the beside of patients undergoing treatment for a heart ailment or a major surgery. The 'Virtual Family Visit' allows relatives to see realtime images of patients through audio

video files which can be downloaded on their computer by entering the hospital website through the internet. These files of the patient are shot by the hospital using a Webcam (web camera) to show the convalescing patient and his message for his family members. The files are then unloaded in the hospital website. The family members can also communicate with the patient by way of sending on-line get well cards to patients. Besides, they can also get reports of the patient's condition from the doctor-in-charge, if the relative so desires.

Wockhardt Hospital, where the Virtual family visit is in use, the relatives are physically able to see their near and dear ones recuperating from the treatment which avoid emotional trauma. This facility in hospital is particularly useful, when a relative, is unable to rush to the hospital to be physically present due to various reasons. Besides, the patient himself in be on the road to faster recovery when he communicates with his loved ones.

The use of web technology for virtual hospital visit here is said to be the first of its kind in the world. The claim may be true considering that family bonds in the country are very strong and even extends to close relatives. It may also be one of the reasons, why such a facility had not been thought of in other parts of the world. Besides, scaled-down joint families are still prevalent, where this technology would come in handy. The success of this facility is revealed by the fact that there were as many as 8,000 hits within two months after its introduction some time in May 2000.

## **Hospitality Services Including Travel, Hotels and Tourism**

### **Transport Marketing**

The environment in which the corporations are functioning is unique and it is entirely different from that of commercial and industrial enterprises. Some of the important elements of marketing environment for transport services are presented below followed by brief analysis of each of the elements.

One of the important and unique features of demand for transport service is that it is a derived demand. Because, the demand for transport service arises due to the demand for other goods and services arise. For instance, if Mr. X wants to purchase a television set, he has to travel from his place to the place where the television set, he has to travel from his place to the place where the television set is available. Thus, the demand for goods and services creates demand for transport service, as one has to travel from one place to another to attend to some work or to affect some purchases. Hence, the demand for transport services is derived out of the demand for others.

- Before anatomizing other dimensions of marketing management, the conceptual exposition of transport marketing is presented. The term transport marketing is identification of the most profitable markets now and in future, assessing the present and future needs of the users, setting business development goals and making plans to meet them and further managing the services and promoting them to achieve the plans-all in the context of the changing business environmental conditions to cater to the changing socio-economic needs. The aforesaid facts make it clear that the term transport marketing is application of marketing principles by the transport organisations in which the marketing professionals make sincere efforts to market the services in such a way that generation of profit, satisfaction to users and protection of social interests are made easier.

**Airlines, Cruise and Ferry Lines, Passenger Railways, Coach and Bus Travel, Car Hire:** The range of airline services has increased considerable, not only in terms of frequency of flights and number of destinations, but also in terms of different services, and differing levels of service to meet different passenger needs. This shows the important role marketing plays as competition and demand intensifies.

Passenger rail services have also changed, and their role in tourism is wide as with, for example, Eurorail tickets allowing extensive international travel at a basic (service) standard for students and budget tourists, to the luxury of the Venice-Simplon Orient Express-where the train voyage is the holiday.

Cruise lines are operating different services tailored to consumers' budgets, and other shipping lines involved in the tourist industry, especially the car ferry operators, are broadening and upgrading their range of services and facilities to meet consumer expectations, and to remain competitive.

Coach and bus companies have acted in a similar fashion and these, together with car rental companies, are also included in this sector.

## **Tour Operators**

### ***Package Tours, Speciality Tours***

Tour operators are the firms which specialize in providing the whole holiday package, incorporating travel and accommodation needs for the consumer. They range from highly specialized operations such as Abercrombie and Kent who take small groups on safari or expedition-type holidays, to large operators offering services at all different levels to cater for budget, family, or singles holidays to 'near' or 'faraway' destinations.

Thomas Cook is one of the best known of such operators; they also offer travel agency and financial services to their consumers. An independent local coach firm may also be a tour operator, and indeed, many transportation companies also offer holiday packages.

## **Tourism Destination Operators**

### ***Theme Parks, Heritage Centres***

This is a new category in many senses, as it is an area of the tourism industry which has seen massive growth in the development of theme parks and other types of artificial tourist destinations in recent years. However, Disneyland and Disneyworld in America were the forerunners of this development in tourism marketing, and they have been well established for decades.

It is due to the recent growth, and the continuing trends, which make it an area which should be considered separately as a tourism industry. The new EuroDisney theme park in France is an example of a tourism destination operation. On a smaller scale, heritage parks which are being developed from Britain's industrial wasteland such as Wigan Pier, which attracted over half a million tourists in 1991, and similar attractions now represent a significant amount of tourism activity.

All the above sectors of the tourism industry, while quite distinct in themselves, have many aspects in common. There are certain features of tourism marketing which differ from other industries. The impact of environmental forces, for example, can provide different pressures opportunities for tourism than for other service sector industries

## **Airline Marketing**

The air transport is the modern and efficient component of the transportation system. The expansion of air transport through the world has been post-Second World War phenomenon. India did not lag behind in developing air transport. Its progress after the commencement of the First Five-Year Plan has been accelerated keeping in view the growing economic activities in the country.

In the field of international passenger originating or terminating in a particular destination air transport plays a very important role so far as passenger traffic is concerned. In international passenger traffic, air transport is fast developing and capturing the traffic handled by sea transport. Air transport, which handled almost an equal number of passengers as sea transport, now accounts for nearly four times the traffic by sea.

Airlines play an important part in the tourism world. The measures taken to increase capacity and speed means that their part will continue to increase in future. For some years the airline companies have sought to increase their traffic by using modern aircraft and by a pricing policy taking into account the purpose of travel and elasticity of demand. The policy is determined by increased capacity coming from new aircrafts, on one hand and the stiff competition chartered air transport companies on the other hand.

Services are by their nature intangible. They cannot be inspected or sampled in their purchase, therefore an element of risk is involved on the part of the purchaser. The traveling cannot be seen but can only be felt. This makes marketing much more difficult for service products have many drawbacks, the fact that a travel agent does not have to pour products before selling them to clients, reduces the agent's commitment to the sale and hire particular brands. Tourism marketers must overcome the drawbacks posed by the intangibles and there are a number of ways in which this has been achieved in practice. During and before oil prices sent air fares rocketing, seats were made available to the public at very low fares to enable prospective purchases to 'sample' the experience of flying. More recently, British Airways experimented with low prices flights to help prospective passengers overcome their fear of flying.

Secondly, services are heterogeneous and airline services are not exception to this. The official, checking the baggage is unlikely to treat passengers with the same consideration all the time, similarly it is difficult to obtain consistent service from the airhostess on all the flights. While good quality control procedures can help avoid variations in performance, they cannot overcome the human problems inherent in the performance of airline services.

The airline product is a highly perishable one. An airline seat not sold today is lost forever. This factor is of great importance for marketing, particularly while pricing. The 'stand-by' fares offered by airlines reflect their need to off-load products before their sale potential is lost. Substantial reductions are also offered during off-season or periods of low demand.

Further Airline services are highly personalized, the production being the outcome of the seller. In an airline service whatever be the quality of the food in the flight, however comfortable the seating is, however attractive the doctor, services is much an integral part of the product that it would be unlikely that we should be prepared to purchase it from a poor representative. The airline steward/ less who caters to our needs enroute is an essential element of the product we are purchasing and their social skills in dealing with us are very important. Hence, there are several important considerations to take into account while marketing airlines. It is a fascinating product to create and sell.

There are three important domestic airlines in India (1) Indian Airlines – the biggest one but in the public sector, (2) Jet Airways and (3) Sahara Airlines, both in the private sector. The Mumbai – Delhi Sector is the one which provides the maximum volume of business and is being handled by all the three. Sahara Airlines started the fare war in July 1999 by reducing the airway fare to ₹ 3,555 and added a bonus of gift of ₹ 500 for every passenger flying Sahara on this route. Jet Airways followed suit and reduced the fare to ₹ 4,111. Indian Airlines did not remain behind and reduced the fare to ₹ 3,800. Not only the fares were slashed, many value added benefits were provided to the passengers. Jet Airways was hit the hardest and approached the Indian Airlines but the latter did not seem to be in a mood to respond.

A survey by the Marketing and Development Research Analysis (MRDA) concluded, “65.4 per cent of the airline passengers choose their airline on the basis of price”. The Economic Times feels that fare war may spread to other sectors as well. But by making flying affordable for a much larger number of Indians it may lead to an increase in the growth of civil aviation in India.

### **Jet Airways-a Services Marketing Case Study**

This case examines the success and problems of Jet Airways in the domestic airline industry from a service perspective. Various aspects of services marketing in the airline industry and some innovations brought about by Jet are also highlighted for analysis.

With revenues of ₹ 3000 crore and 6.4 million passengers in 2002-03, and in the tenth year of its operations, Jet Airways has managed remain India’s most popular domestic airline. The customer-oriented approach and on-time performance and schedules ensured that Jet continued to be the first choice of air travelers. However, the year 2003 was not a favourable one for the company.

The cash profits were slender, the market share had stagnated, and falling seat utilisation rates had started posing problems. With stiff competition from Sahara in the same services cape and the newly created Air Deccan, will Jet Airways survive the turbulence and remain the leader in the domestic aviation service business? Can its legendary excellence in ground and in-flight service, largely responsible for its ‘super brand’ status, and a source of competitive advantage for the company, enable it to maintain its leadership position in the aviation industry?

Jet launched its first customer loyalty programme in 1994, which until 1999 had fetched 30,000 customers. With a view to increasing the loyal customer base, Jet redrafted

and relaunched the loyalty programme in December 1999, christening it as “Jet Privilege” (JP). JP customers were not required to pay a membership fee unlike the other loyalty programmes in the market. JP did not require passengers to produce boarding cards or other proof of travel. A passenger started earning free JP miles (points) the moment he or she took the first flight and later the concept of retro-credit was also introduced. JP was a 3 tier frequent flyer programme (blue, silver, gold), with different levels of privileges depending on the number of miles and flights the customer accumulated. Typical benefits included access to special lounges, tele-check-in, guaranteed reservations, extra baggage allowance, hotel discounts, and others. JP also involved a joint cooperation with British Airways and KLM/North-west. The miles earned on domestic Indian routes could be redeemed on international flights.

In 2001, Jet Airways introduced an in-flight shopping programme-Jet Mall-offering travelers the advantage of ordering products from a catalogue. The intention was to provide additional services to customers. It was introduced keeping in mind the busy schedules of the business travelers and flexibility for them to shop on-board without wasting any time. The specially designed catalogue featured quality products – both branded and unbranded at attractive prices. The customer had to complete the order form, along with their credit or charge card number and hand over the same to the cabin crew or alternately post the order form later. The products were to be home delivered to them within two to four weeks.

Jet excelled at managing customer expectations. In 2002, customers of Jet Airways received a communication from the airline that requested their cooperation in observing the revised check-in timing and helping the airline in working towards on time flight departures. The communication explained that the need heightened security checks was leading to delays and in an effort to prevent this; the airline had revised its check-in-timings. While sending out this communication, the airline placed in perspective the main reason behind flight delays (most airline passengers simply assume that the airline is at fault) and solicited its passengers’ cooperation in ensuring that flights leave on time. The other benefit in such an exercise is that the airline’s frontline personnel were more effectively supported when faced with passenger ire at flight delays as well as late check-ins

Jet adopted three ways to keep an eye on its performance in areas that were important to customer service (called key result areas or KRAs in JET jargon). The first was feedback from its customer service department whose staff strength. The second was part-time consultants flying undercover and the third was the customer service questionnaire placed on all Jet flights and answered by about 700 of the 17,000 passengers who took Jet’s 255 flights daily.

The KRAs where it constantly tried to improve its performance were as follows:

- (a) Check-in: The process normally took 40 seconds, but if an error at the counter pushed the time taken to much more than 2 minutes, it exceeded the threshold of customer tolerance, as per international standards. In November 1998, 91 per cent of Jet passengers felt that the airline was able to check them in less than two minutes.
- (b) Customer complaints: When customers at some airports complained of long check-in waiting period, Jet used the allotted space to create more counters and reduced waiting time to within international standards. The customer feedback also prompted them to introduce 'through check-in', a service offered by all international airlines.
- (c) In-flight meals: Customer feedback on the eye appeal, taste and quality was regularly sought. Finding that more than 50 per cent travelers preferred Indian cuisine, appropriate modification were undertaken.
- (d) Boarding experience: wherever possible, effects were made to use aerobridges to reduce boarding time to within 8 minutes.
- (e) Cabin crew service: This included friendliness, efficiency and clarity of announcements made.
- (f) Baggage arrival: The aim was to release baggage before the first business class passenger was ready to claim it and ensure priority baggage was given due priority in practice.
- (g) Overall efficiency of service: This was measured in terms of efficiency (combination of speed and accuracy), friendliness and willingness to help.

On-time performance reports were checked every day. All the 30 airports sent their feedback to Jet's Mumbai head office by the first week of every month. This was collated by the 15<sup>th</sup> to draw up a customer service performance map for the entire Jet network, after which specific points were studied.

And when something would go wrong, the responsibility would lie with the station head. A written receipt was to be given to the complainant and a reply to be given within 48 hours. It was rectified through counseling, if the error was human, or by identifying and closing loopholes if it was a systems error. The underlying objective of these elaborate measures was to improve customer service.



## **Konkan Railway Corporation's roll-on, roll-off (ro-ro) Service**

The Konkan Railway Corporation's roll-on, roll-off (ro-ro) Service is a success, not only for the corporation but also among the truckers for whom it is intended. Introduced in January 1999, the corporation transports loaded trucks on wagons-called flats in railway parlance-between different destinations. Last financial year (2002-2003), the corporation earned ₹ 7.50 crore from the ro-ro service, according to Mr D G Diwate, Director (Way & Works), Konkan Railway Corporation.

The service, he says, helps in an indirect saving in fuel cost, and reduces vehicle operating costs in terms of wear and tear of tyres and vehicle maintenance. The service is available between Kolad, about 145 km south of Mumbai in Maharashtra's Raigad district, and Verna, in Goa. The ro-ro service saves a 430-km stretch of travel to Goa from Verna on the national highway. The truck drivers need not drive on the that section. The time taken to transport the wagons on rail is less than 12 hours while the transit time by road is much more.

By using the ro-ro service, the transporters use the same fleet of trucks for more number of trips. The service also ensures on-time, intact cargo delivery, free of any risk factor and free from multiple handling of consignments, says Mr Diwate. According to him, the ro-ro service was launched when the corporation did not have enough freight traffic. One service is being operated daily in both directions and each train carries up to 28 trucks. "The response has been overwhelming and now truck operators need to book in advance to use the facility," Mr. Diwate said. The trucks mostly carry building materials, including marble, cement and iron rods. The truck operators get to optimize the fleet utilization and achieve faster turnaround, he adds.

For a two-axle truck (up to 25 tonnes gross weight), the transportation cost from Kolad to Verna is ₹5,100 and for a three-axle vehicle, it is ₹ 7,650. For every additional tonne, the cost is ₹ 200. In the return direction, the cost is ₹ 4,800 and ₹ 7,200. The corporation plans to move containers in a similar manner, according to Mr Diwate. There is not much of difference in the freight between the ro-ro service and transportation by road, he says.

## **Hotels**

Accommodation includes hotels, ranging from the biggest international chains recognizable worldwide such as Hilton and Holiday Inn to small independent establishments. In order to gain recognition in an increasingly competitive marketplace, many smaller independent hotels have grouped together, adopting a consortium approach. Under a

central brand name, they can offer central reservations services, for example, and present a recognizable identity to consumers, which enable them to compete against the larger, more established chains.

Other types of accommodation are also well established in tourist markets, notably self-catering apartments and 'club'-type complexes. Centre Parcs are today's answer to the Butlins-type holiday camps of the 50s and 60s, while Mark Warner Holidays are also successful in their inclusive 'club' formula.

### **Kadavu Resorts**

Kadavu Resorts was set up in the year 2001 in the then sleepy fishing village of Azhinhillam on the banks of the river Chaliyar in the northern districts of the state of Kerala. Designed to inculcate architectural designs of the local maplah and Hindu culture, Kadavu was intended to be a luxury resort-cum-business hotel with the distinct charm of the serene kerala landscape.

The most differentiating factor of Kadavu Resort was its entrance. "The unique view that one gets as one enters the lobby is out standing. Spread over 10 acres of prime waterfront land, the landscape using plants and trees, enhances the ethnic feel of the entire resort. It is built from a special rust stone indigenous to the Malabar region and the architecture here harmoniously blends the Maplah with the Hindu styles giving the resort an absolutely unique appearance.

The hotel has 17 independent cottages and 57 elegantly styled rooms or suites. The rooms are centrally air-conditioned with views that offer a breathtaking blend of the crystal clear backwaters surrounded by coconut plantations. Moreover the lucid movements of the 'vallams' (local canoes) or fishermen in their 'vanchis' (local canoes) or fishermen in their vanchis' (local fishing canoes) on the backwaters provide a panoramic view.

Apart from all these, the hotel also provides an Ayurvedic rejuvenation center offering traditional ayurvedic therapies, amphitheatre with a daily cultural programme, a coffee shop and a multicuisine restaurant serving Malabar delicacies.

It also has one of the largest amoeba shaped swimming pools in south India with a Jacuzzi and a separate children's pool, a children's park and play area and a tennis court. For meeting and banquet functions, the hotel also has facilities like 'Chaliar' – the Conference Hall, 'Thekkini' – the banquet space and pool side lawns which can seat 20 to 1,200 people.

Unlike most traditional hotel structures which follow a match box design, wherein most service outlets and rooms are within a 30 – 40 metre radius of the elevator or production area, Kadavu resorts adopted a spread-out layout, wherein there was a series of cottages along with a combination of rooms on the main block. The coffee shop was built away from the main building as were the convention hall and the conference rooms. This design provided its own problems in terms of providing quality service within acceptable time limits.

The service staff had to walk several minutes from the main kitchen, up a flight of stairs and negotiate small hillocks to provide room service orders to guests on the cottages. To prevent the inevitable customer complaints that would arise due to the delays that may arise from such a long process, Banerjee made efforts to discourage guests from ordering from their rooms and instead coax them to visit the restaurants and coffee shops. The room service menus were deliberately made limited so that guests who prefer more dining choices would come down to the restaurants.

The lavish buffet spreads as well as the complimentary evening tea were provided to tempt the resident guests to visit restaurants. The tea/coffee makers and mini-bars were provided in the rooms so that the most frequent beverage orders could be avoided and the accompanying pressure on the service system could be relieved. The kitchenettes were provided even in the cottages.

## **Tourism Marketing**

A clear perception of tourism marketing requires a brief analysis of marketing. We are well aware of the fact that there have been fundamental changes in the traditional concept of marketing, which has been influenced by the multidimensional changes in the business environment. A transformation in the attitudes, lifestyles, and expectations is the result of a number of developments. Professionalism paves the way for excellence, which opens doors for quality generation vis-à-vis competition. Almost all the organisations producing goods or generating services have no option but to assign an overriding priority to quality up gradation that requires innovations.

This necessitates a change in the concept of marketing which determines its functional boundaries. We find satisfaction of users the focal point around which all the functional areas of marketing cluster. While clarifying the perception of tourism marketing, it is essential that we assign due weightage to the three important considerations, the first generation of profits by the tourist organisations, second world class services to the tourists which help in satisfying them and the third positive contributions of tourist organisations to the process of social transformation and ecological balance.

In view of the above, the following points emerge regarding tourism marketing:

- Tourism marketing is a process of creating a product or providing a service.
- Tourism marketing comprises fact-finding, data gathering, analyzing (marketing research), communication to inform and promote (Promotion), ensuring and facilitating sales, selection of marketing, planning (distribution), coordination, control and evaluation (marketing, planning and auditing) and developing professionally sound personnel (people).
- Tourism marketing is an integral effort to satisfy tourists and more so, it is a device to transform the potential tourists into the actual tourists.
- Tourism marketing is the safest way to generate demand, expand market and increase the market share.
- Tourism marketing is a managerial process to promote business.

Tourism is a very complex industry due to its multiple activities, which satisfies the needs of the tourist (customer). Tourism embraces transportation, accommodation, food catering, tourist attraction, as well as organizers like tour operators and travel agents. The various sub-sectors of tourism namely-lodging, transport, are themselves complete industry.

Moreover a tour consists of different requirements of different people and its is not a homogenous product. The main problem lies in maintaining standards for these components. Considering the plethora of activities in tourism, it requires professionalism in major decisions and its success is governed by excellence.

While boosting tourism globally, the growing influence of the internet is filling up some coffers and drying up some, putting the travel industry intermediaries on notice, much to the delight of the consumer. Margins are shrinking and business drifting away for the middleman, be it a tourist operator or a travel agent.

The real paradox, however, is that what is being taken away by the Net is compensated by new business generated through the Net. For most intermediaries in the sector, the loss on the outbound sector is made up by the gain on the inbound traffic. By directly contacting tour operator here, foreign tourists get cheaper accommodation package. Booking a hotel accommodation through a tour operator in their country would cost them 25 per cent more. Having eliminated one intermediary in the chain, Indian tour operators are also benefiting since they pin a markup on direct sales.

The bonanza, however, may not last long since hotels are also directly marketing their products on the Net. Even the tourism department is getting into action, touch screen terminals are being set up at airports for tourists to make hotel bookings directly. “Those who have not done advance reservations can use this facility and rates would be transparent”. Efforts are on to include all major hotels into the new facility to give tourists a wider choice.

While the optimism about e-commerce revolutionizing tourism is unmistakable, there are also voices of concern. “Steps should be taken to check frauds and false bookings. Other area of concern is undercutting. Most operators only give details of their package on their websites and the rates are not mentioned since it might encourage rivals to undercut. The drawbacks and apprehensions may be there but the ‘Notification’ of tourism is here to stay.

### **Kerala Tourism: God’s Own Country?**

Kerala had always been considered the ‘backwaters’ of India-in a negative way, tourists thought of it as a nice but far away place, to be visited if you had the time, after covering the more popular destinations like the Taj Mahal, Delhi, Jaipur and Goa. But all that has changed, with a single great campaign, based on a memorable line-God’s Own Country. As tourism marketers know, a tourist destination sells imagery first, and then depends on the tourists themselves to recommend the destination to their friends, relatives and peer groups.

For a long time, Kerala had advertised its boat races held at Alleppey (now known as Alappuzha) and the elephant ritual at ‘Thrissur Pooram’, and gained some mileage from these too. However, the advertising really started getting into the limelight after the tagline “God’s Own Country” was added to the beautiful images. In addition to the foreign tourists, the campaign successfully drew the attention of domestic tourists, and as a result Kerala has successfully entered the tourist map of the world. New investments in Kerala include tourism-related projects at Bekal in the Malabar (north Kerala) region.

Tangible things such as good air and road/rail connections, and availability of different types of hotels and resorts also helped, along with the cosmopolitan food habits of Kerala, which is probably the only state apart from Goa where meat and seafood of all types are easily available, to cater to the palates of foreigners who may be predominantly non-vegetarian. Ayurveda practitioners also abound in Kerala, and the oil massages add to the mystique of the destination. Apart from traditional hill stations like Munnar, Kerala offers a forest experience at Thekkady (Periyar wildlife sanctuary), and in the hills of Wayanad district bordering Tamilnadu and Karnataka.

## Professional Services

### Protech BPO

Protech, a Raipur based BPO firm was established in April 2003. It offers comprehensive IT-enabled services, data processing services, software solutions, consulting and training to its clients across the country. Protech makes it easier for their customers to understand the impact of technology on their businesses and help them to conceptualise business transformation initiatives. Hence it provides cost effective, flexible and quality solutions for the contemporary complex market place.

*Protech has created a sustainable, economically feasible business model in the area of services and solutions. Presently, it has a seventy member team with expertise in various domains and technologies and is positioned to double its strength by the end of the year 2003. The management team comprises individuals with experience in business solutions and consulting. The employees at Protech have shown their tremendous learning capacity with a learning curve of more than 60 per cent.*

The Protech problem lies in getting the contract. It has no history to back its stupendous performance and claim a contract, nor does it have access to direct US and other foreign markets.

Just serving as a sub-contractor to big companies is not bringing in sufficient revenue for the company. Related to the revenue problem is the high attrition rate as compared to industry. Protech is facing a serious problem of retaining its talented pool due to very low wages paid to them.

The location of the company has also been a major hurdle. For instance, at times the contracts required a large number of talented professionals, particularly lawyers and accountants. In a city like Raipur, the availability of such professionals in large numbers turned out to be a daunting task. The company even lost a few contracts due this hurdle.

Being a very new set-up the entire process of the company is yet to be put in place. Companies operating in the industry should compete on the process or system they have in place. Having such a process/system helps them to provide very high level of service.

Therefore, increasingly the companies operating in this field are going for CMM certification. The CMM guarantees the kind of process, which a firm has in place. It is used as a marketing tool. Protech can be classified as a CMM 1 level company on a scale of 5.

## **Phony Software**

Phony Software was established in 1989 in Bangalore. It started as a joint venture between an Indian company Phoenix and a Singapore based company Symphony to build mainframes. Following the liberalization policies initiated by Indian Government in the year 1992, the company had to revisit its initial focus and tried to position itself as a product based company with the aim of providing end-to-end solutions as a part of system integration. As a result of shift in strategic focus, it had to compete not only with Indian companies but it has to fight it out with other global companies.

Presently, the company has two SBUs – the foreign business unit undertakes business software & hardware design and development services, and the Indian SBU does system integration solutions in CAD/CAM, film, video and broadcast, network design and implementation and scientific and commercial computing.

The company was incorporated on March 30<sup>th</sup>, 1991 as a public limited company. In the same year it became fully-owned Indian subsidiary with more than 50 per cent share holding with Phoenix sons. In the year 1993, the company opened its first development centre in Whitefield, Bangalore, supported by state-of-the-art design lab and a separate marketing group of complementary third party hardware and software products was established. One of the first major customers for the company was Silicon Ltd (USA). In the year 1993, it raised further capital from the market by issuing equity shares at par.

Phony Software started as an organisation with an intention to build mainframes. But from there is evolved as a pioneer in the field of designing products. It depicts the flexibility in the policies of management. But Mr Rahul Dev, CEO, Phony Software, sitting in his posh Whitefield office is wondering what the future holds for him because even after more than ten years of existence, they have no spread to other domains. The US economic slowdown has already taught a lesson to many IT firms to return to the basics.

## **Public Utility Services**

### **The Dabbawalla Business Model**

The concept of dabbawalla delivery system started in Mumbai in the mid 1880s. The city's population then was a mere 10 lakhs as against the more than 1.30 crore it is today. There were no buses or suburban railways at that time, and the dabbas were transported on bicycles, hand carts, bullock carts and tangas (horse carriages). The service cost its customers around 2 annas (12 paise). Over the years, this evolved into a complex network

of delivery, and in their peak days in 1955, the dabbawallas were delivering close to 2 lakh tiffins per day.

The core factor that has sustained this business model is the desire of the average middle-class Mumbaiker to eat homemade food. The dabba or aluminium box consists of discrete compartments, which hold rice, roti, dal, curd, etc. – the Staple diet of most North Indians. Eating out of the dabba comes closer than anything else to the feeling of eating at home. The second important factor is the highly evolved transportation system in Mumbai. Mumbai's suburban electric trains and BEST buses efficiently connect disparate and far-flung regions of Mumbai making the food delivery system a viable model.

The above factors are coupled with the fact that the dabbawallas charge a pittance for their delivery – the charge (in the year 2001) is around ₹ 200 for an entire month. This is far less than what it would cost for a person to eat in hotels or other eateries. Thus healthy, home-made food delivered at a highly competitive rate made the dabbawalla business an unbeatable model-at least till the late 1990s.

The dabbawalla delivery network runs on the principle of a relay system. The dabbas are passed on from one dabbawalla to another with sometimes the lunch boxes changing hands upto 4 or 5 times before finally reaching the customer. The entire network is divided into clusters of roughly 20 men. The process begins with the first group picking up the aluminium boxes from homes or a central kitchen. Depending upon the distance to be covered, dabbas are collected from these places between 8 and 9 in the morning. Each dabbawalla covers roughly 20 houses. Covering these many houses quickly is not easy in a city like Mumbai. The heat during summer and waterlogged roads during the monsoons, with the peakhour traffic thrown in, make reaching each home the toughest part of the process. At each dabba receiving point, the dabbawalla has to park his cycle at the gate, go to the client's house, which in Mumbai would invariably be a flat in a multi-storied building, collect the lunch and then come down again. These dabbas are then carted off to railway stations on bicycles where they are loaded on to the specified local train. A second set of workers unload them at the local stations like Andheri or Churchgate.

The third set of carriers waiting at the respective station sort out and assemble the dabbas. The sorting process is done effortlessly-thousands of tiffins are sorted in a matter of minutes-thanks to an efficient, evolved coding system (see box below). This sorting process is repeated across many stations for area-wise distribution.

Each lunch box/dabba has marked on it a circle of a specific colour and an identity number – for example “K-BO-10-19/A/15” -Where K is the identity letter of the Dabbawalla,



BO stands for the area from where the lunch box is to be collected, (Borivali), the number 10 refers to a more specific locality like Nariman point area and 19/A/15 refers to the 19<sup>th</sup> Building and the 15<sup>th</sup> floor in Nariman point area where the box is to be delivered.

At each station, after the sorting is finished, hundreds of dabbawallas pour out of the railway stations with long wooden crates packed with the sorted-out lunch boxes. These are in turn handed over to the huge number of waiting delivery persons who set off on their bicycles to offices across the city. The lunch boxes reach their respective destinations between 11:45 a.m. and 12:30 p.m. covering the journey from start to finish in a matter of about 4 hours. After lunch hour is over, the entire process is repeated in reverse. The dabbawallas again visit the work-places in the afternoon to collect the empty tiffins and deliver them to the stations where trainwise sorting is done and the dabbas are loaded on to the respective trains. The local carriers at the suburban station collect them, sort them out and proceed to deliver the empty tiffins back to the residences.

The dabbawallas work 12 hours a day, year round-in the sweltering heat of May and the drenching monsoon of June, July & August. They cycle distances of up to 15 kms in the city, and push trolleys stacked with tiffin-carriers through the chaos of Mumbai's traffic jammed streets always delivering on time.

As is obvious, the entire system depends on teamwork and meticulous timing. In the words of a dabbawalla, "Once you have the boxes with you, you can't even stop to go to the toilet because if you're late by even five or 10 minutes the chain gets disrupted."

So integral have the dabbawallas become to Mumbai's way of life that the railways have given them a special reserved compartment next to the guard's cabin on certain suburban trains. What makes the entire process amazing is the astonishingly low level of mistakes the dabbawallas make despite the fact that most of these persons are semi-literate and illiterate.

In spite of the complexity and sheer volume of the business, the 5,000 dabbawallahs make a mistake only about once in every two months-which works out to one error in every 8 million deliveries, or 16 million if the return trip is included. "If we made 10 mistakes a month, no one would use our service," says a dabbawalla. It is accuracy generated by sheer necessity.

The dabbawallas became world famous when a few years ago US business magazine Forbes gave them at 6 Sigma performance rating, or a 99.999999 percentage of correctness-which technically means one error in every six million transaction. The dabbawallas, in

reality, with one mistake in 16 million deliveries, are even better than the 6 Sigma standards. The dabbawallas now routinely deliver talks to high-flying corporates and b-school students on teamwork and how they “manage operational hurdles and still sustain quality:”

Till 2004, the dabbawallas of Mumbai functioned as a loose and unorganized association of people. Each dabbawalla would charge about ₹ 200 per person per month. After paying the Western Railway for transport, the rest would go to the dabbawalla.

The dabbawallas had an association called the Mumbai Tiffinmen’s Association where each would make a contribution of ₹ 10 per month. The ₹ 50,000/- collected would, after meeting minimal administration expenses, go towards charitable causes like feeding the poor. The purpose of organizing themselves into a company was two-fold. It gave them increased bargaining power and ensured the existence of a social security/pension-like pooling of funds for the dabbawallas when they retired from work.

A most important reason was the dabbawallas’ ambitious plans to branch out into other cities of India. The dabbawallas reasoned that in cities across India there would exist prospective clientele who would still prefer home-made food and they hoped to capitalize on this.

## **Jewellery Marketing Strategies**

Broadly speaking many and varied are the jewellery habits. It varies on different aspects. Some such are based on culture, religion financial viability, custom, changing trend in fashion, love for novelty, style, flexibility in bargaining, post purchase service, brand image, product quality, and goodwill of the retailer, along with the clients on the part of the buyer, whose purchasing power is presumptions. Craze for status and false prestige in addition to the necessity imposed by ceremonial rites and rituals, make it mandatory. Of late the fairly knowledge based society, and globalization make their sway on the consumers’ buying behaviour, well defined.

## **Adornment Jewellery**

Jewelleries can conveniently be dually classified as adornment ones and asset oriented, which once again lends itself for further rectification as human and idol wearings for beautification. Religious fevour rooted in ancient beliefs too, sometimes urges even the unaffordable buyer, to go in for them adducing the motive on religion.

## **Human Jewellery**

Interesting feature with the human jewellery is its further scope for division as male and female usable. Watch chains cigarette cases, bracelets, belt buckles, pocket book frames, and rings go under the banner of men's wares while necklace, chin studs, bracelets, anklets, hair decorative items and bangles fall under female jewellery category.

## **Children jewellery**

A third division as children jewellery also is as much noteworthy as earlier mentioned adult ones. They receive love attribute association, besides bearing testimony for their parents' richness and affection.

## **Saving Jewellery**

The absence of a well defined banking system, fairly well to do people were bent upon the purchase of 22 carat jewellery for the purpose of savings. We may venture to call it as lack of self control on their part, who feared money may get squandered impulsively. Another greatly contributing factor for such habits is the liquidity of such assets. They under unavoidable circumstances pledge them for capital mobilization to meet the exigencies. Agricultural pursuit, as many others, is one of the seasonal needs normally and usually felt by agrarian community.

Even here the golden jewellery, as against the gems embedded ones, enjoy the privilege of being the price fixation instrument. The former ones do fetch comparably great value against the later ones, while pledged for capital mobilization. Many a families thrive on the jewellery making pursuit for generations together by virtue of their fineries making nuances and intricacies.

## **Artistic Jewellery**

The price of artistic jewellery is not calculated on the basis of metal contents but on the artistic value imbibed or developed by the craftsman.

## **Aestics Jewellery**

The mechanized production has paved way for the entry of novice in the field. They consolidate their position with their knowledge of the marketing strategies and tactics. The festival occasion aesthetics create artificial scarcity and price hike.

Now the software professionals ensure the reasonable income resulting in reasonable disposal. The buyer stands to gain. This leading pursuit needs to develop design and strategies for capturing the reasonable share in the gold market.

India has enormous potential to compete in the world market, if she develops to adapt, new marketing strategies that can counter the marketing strategies of competitors. The strategies can aim at maximization of product or promotion strategies. It is time for making parading shift in strategies formulation for accruing its due share in the world market. The quality assured variety and its designs, can be the focal point of the strategies formulation. The brand building, brand machine and brand extension will ensure growth in sale. The domestic rivalry will lead to the development of new design and exploration of new market.

## **Communication Services**

### **Pricing a Courier Service**

India's postal system has undergone a revolution since the private courier service providers made an entry into what was a one-organisation industry-in other words, totally dominated by the Indian postal department. Like all other industries where brand proliferation has taken place, India soon had a spate of new service providers-regional, national and international names made their appearance.

In the late 90s, yet another technology leap has found a lot of takers-the Internet. This technology has revolutionized communication, both business and personal, to such an extent that personal letter writing suddenly became extinct among those who had access to the net.

The courier industry, though, continued its existence under increasing competitive pressures, mainly due to increasing demand form the business community for the transportation of business documents. Besides, the industry could also cash in on the existing demand for the transportation of bulk packages within the country and abroad. A drop in prices has led to courier services becoming more affordable. Taking stock of the existing market situation, the postal department has also introduced its own branded high speed courier service-the Speed Post.

1. In the environment of 2003, a new company would like to enter the courier services business. The promoter, Mr Darbari Singh, an NRI who has returned to India, believes that the service levels offered by many of the Indian players leave a lot to be desired. Based on an analysis of the current players in the courier (documents and

packages) industry, their profitability, market shares, etc. advice Mr Singh on target market selection, entry pricing and long term prospects.

## CTV

In India the television industry has made steady growth. A number of new players including foreign are expected to step in the market. The industry will consolidate within around three or four years. But the country has a huge high-untapped demand. It is sad to note that 95 colour TV sets are sold per 1000 persons in India against 400 per thousand in China. The rural market for TV sets accounts for around 40 per cent of the CTV sales.

The television industry started in India in 1970 with the production of black and white TV sets, which were all 20 inch sets, 14 inch TV sets were launched in 1984. in 1982 when Asian Games (ASIAD) was held in India colour TV sets were introduced. Setting up of Doordarshan Kendras in many parts of the country, India's victory in the prudential world cup in cricket in 1983 etc., provided a great impetus to CTV demand. The central government also encouraged this sector. Various, state governments came up with their own TV companies, e.g., Uptron, Keltron and Meltron. In 1989, the old players like Weston, Dyanora and Televista also diversified into CTVs. By 1989, there were about 200 players in the market.

In 1991, due to initiation of economic liberalization programme, the growth of CTV scaled high. There was reduction in excise and import duties. Then the opening up of Indian skies to foreign satellite channels in 1991-92 and the coming of cable TV, gave Philip for the growth of TV industry. Simultaneously private and more aggressive domestic players like Videocon, BPL etc., consolidated their presence in the CTV market, focusing an product promotion and technology. Then the global brands such as Akai, Aiwa, Sansui, Toshiba etc., have entered the market by having tie-ups with Indian players. At last the other multinationals like Sony, LG, Samsung, etc., entered into the field and quickly captured the imagination of the market with innovations in product quality and features.

### Indian Colour Tv Market as on April-March 2004

Company	In Units	% Share
L.G	24,56,000	26.55%
Samsung	13,50,000	14.59%
Onida	9,20,000	9.95%
Videocon	9,00,000	9.73%

Sansui	8,00,000	8.65%
Philips	8,00,000	5.34%
Akai	4,94,000	4.32%
Sony	4,00,000	3.26%
BPL	3,02,000	2.72%
IGO	2,52,000	1.79%
Others	1,66,000	13.08%
Total	92,50,000	100%

Source: Consumer Survey April-March 2004.

It is observed from the table that the Indian CTV market was estimated at 9.25 million sets for the year 2004. It is also noted from the table that the top six brands including LG, Samsung, Onida, Videocon, Sansui and Philips have consolidated their dominance in the CTV market and the combined market share of the top six brands in 2004 was around 75 per cent, a significant growth as compared to 67 per cent in the preceding year.

### **Cable Television**

The cable industry originated in the late 1980s with a single video channel and DD channels distributed through coaxial cable in a single building/society called MA TV system, extended to the societies near by thus migrated to CATV Systems.

The increase in the penetration of cable and satellite TV has born a prominent driver of demand for TV sets and satellite households to total television households rose from about 11% in 1992 to around 50% in 2002. Now their access has been estimated over 40 million households. The urban penetration is about 60% while rural penetration is about 34.3%. Thus, there is rapid growth in the number of channels, particularly in regional languages, which enabled demand proliferation for cable TV (and indirectly for TVs) in the country.

Digital TV

Digital TV presents crystal-clear picture. It has about ten times more picture details than the conventional TV, the black bars are placed at the top and bottom of the screen one can see the complete picture in HDTV.

### **Flat Television**

The Indian colour television industry is witnessing a major transition with significant growth in the flat TV market. Due to declining price margins and aggressive thrust by CTV

manufacturers to upgrade consumers to the flat TV technology, the flat TV in the consumer electronics industry is increasingly becoming the first choice of CTV buyers in India.

This segment recorded an approximate 10 per cent growth during 2003-04 with total sales estimated at 1.45 million sets with result entry level 21-inch flat TV is a major volume driver in this segment and is reducing the share of mid-sized conventional TVs. So there is phenomenal growth in demand for sound based 21 inch and large screen flat TVs. Thus the flat-panel TVs (Plasma and LCD), the latest models have promising performance with ever increasing sale. The main advantages of these TVs are their size and shape. They are sleek and can be fitted on the wall like a painting picture. Flat TV companies are trying to rationalize prices with growing volumes.

Thus, Indian television market has made steady progress. Many new players, particularly foreign, are expected to enter the market. No doubt television industry will soon consolidate its market. As far as urban areas are concerned, television market is encouraging. Thanks to the mushroom growth of cable connections which helps to penetrate TV sets in semi-urban areas. But the rural market also.

## **Educational Services**

Education is a service that is geared primarily to the consumer market. There is a category of consumers for whom education and the pursuit of knowledge are expressive motives. Educational institutions in developing countries have always faced more demand than they could cope with. Formal education begins at the school age and depending upon the choice, vocation and circumstances of the pursuant, it matures into intermediate and higher levels of learning, ramifying into professional and specialized fields. Apparently, the benefits sought from higher and professional or vocational courses are more tangible or measurable in terms of (a) entry qualifications to a chosen profession, (b) certification to enable practicing a profession or (c) relative ease of access to a suitable form of living hood. Covering the field of marketing of education per se, in its entirety is somewhat impossible. The focus here is, therefore, limited to the coaching centers that provide guidance for Common Aptitude Test (CAT).

The CAT is a qualification test for all the students in India and abroad to enroll themselves in one of the six IIMs (Indian Institute of Management) and a host of other reputed management institutions.

The number of institutes providing coaching for the same across the country runs into four figures. This is probably the reason why the industry is as big as 120 crore rupees per annum.

## **Coaching Institutes for CAT Examination**

### ***(A) Institute of Management Studies (IMS)***

Located in almost every major town/city in the country, the IMS recently celebrated its 25<sup>th</sup> anniversary. With personal counseling, huge course material, best faculty attracted to its ranks, and an unmatched reach all over the country, the IMS gives its students, an edge that takes them a notch above the rest. An unmatched leader in its category, IMS claims that every second IIM grad has enrolled with IMS. Recognized as the 44<sup>th</sup> most trusted brand in service industry\*, it is ranked fourth in the education sector after Kendriya Vidyalaya, Indian Institute of Technology (IITs) and Delhi Public School. Surprisingly, the survey rated the IMS a rank above Indian Institute of Management (IIMs), which happens to be the bread and butter of IMS's business. The IMS was a pioneer in many initiatives in its sector like the 'mock CAT', which is a national level test, intended to give the students a feel of real competition.

Some of the well-known courses in classroom offerings of IMS are:

- IMS CAT Foundation (for students not comfortable in Maths and English)
- CATapult (long-term extensive training starting from basic areas: 12 months)
- CAT Classic (medium term training focusing on CAT and other exams: 6 months)
- CAT Cruncher (short term training spanning across 9 weeks)

All courses are provided through the 54 IMS centers located across the country. However the fee structure vary across the centers.

### ***(B) Career Launcher***

Career Launcher is a relative newcomer in the industry compared to IMS. With more than 50 centers located in India and the Middle East, it caters its service to almost 15000 students every year. With divisions like Student Services, Institutional Services and Academic Support Services, it caters to the classroom needs of both Indian and international students for the MBA entrance examinations in India. Its competitiveness lies in the extensive technological investment that has done to supplement its core entrance preparation programme. Its classroom course offerings include.

- Pegasus Extended (Full length; 18 months)
- Pegasus Foundation (40 hrs-8 weeks programme for those who have lost touch in Maths/DI)



- Pegasus Integrated (160 hours full stretch programme)
- Pegasus Gallop (Medium Length; 6-12 months)

A comparison of all the four classroom-coaching offerings is given in Table.

Features	Pegasus Integrated	Pegasus	PGL Integrated	Pegasus Gallop
Classroom Training (Fundamentals + speed building)	Y	Y	N	N
Classroom Training (Exercise driven)	N	N	Y	Y
Course Material	Y	Y	Y	Y
Seminars	Y	Y	Y	Y
Student Information Systems	Y	Y	Y	Y
Video Library	Y	Y	Y	Y
Management Compass-Monthly Magazine	Y	Y	Y	Y
All India Test Series	Y	Y	Y	Y
PDP	Y	N	Y	N

- As mentioned above, the state-of-the-art technology has placed Career Launcher on the top of aspirant's mind.

### ***(C) Career Forum***

Career Forum is one of the smaller service providers that is in operation since the last twelve years. It is located in only six cities and has 24 centers. What makes it stand apart is the high pressure rate (approximately 520 interview calls from each city) which is probably attributed to the fact that it is located in major cities which provides maximum number of students to the IIMs. Besides, it has a significant presence in Western and South India (only two centers in Delhi and no location in the Eastern part of the country). The classroom offerings of Career Forum are:

- FocusCAT: The generic classroom coaching that has three versions (a) long-term (10-month programme) (b) medium term (5-6) months programme) (c) Weekend batches (spans across 5-6 months)
- CATscan: All India 'mock CATS' which gives students an exposure to CAT-like environment.

- CAT Express: It is for the students who are confident enough to get a call from IIMs and want to start preparation as soon as they have given the CAT.
- CAT Clincher: This programme is meant for all students who have received an Interview call from IIMs or one of the six premier institutes (XLRI, S P JAIN, FMS, NITIE, NMIMS & JBIMS).
- The strong point of Career Forum is the focus that apart from the regular faculty they have part time faculty also that are mostly on a short-term basis and usually plan to appear for the CAT they. This ensures that the faculty identifies the needs of the student in a succinct manner. Besides, the permanent faculty is suggested to take the exam themselves of complement the visiting faculty. Apart from that, the Career Forum invites the fresh IIM students (who might be currently in their MBA programme) to conduct the interviews. This gives quite a lot of confidence to the aspirants.

#### ***(D) Time Institute***

The TIME Institute has its branches spread in select places all over India and extensively in the southern part of the country. Headquartered in Hyderabad, it is not a technology-oriented institute. It has targeted mostly the second rung cities and towns in an aggressive manner. Knowing that there is a significant chunk of places where other big institutes have not reached, it has already spread its branches accordingly and has significantly made its presence known. In places like Calicut, it is so established that even institutes like IMS had to wrap up their business because of the strong brand equity that TIME has enjoyed in such places. However, it is worth nothing that TIME has a decent presence in metros as well, but probably it is not doing that well there as far as results are concerned. The nature of courses that are offered are similar with a flat fee structure across branches. TIME remind us of the South West Airlines who have made their motto as ‘No Frills’ airline providing the minimal basic necessities. Similarly, TIME has focused quite a lot on classroom, faculty and flat course structure. Probably, this is the reason why they have only the following courses in offer: (a) Regular Long-Term (b) Regular Medium-Term (c) Regular Short-Term.

All the three come with an option of (a) Weekend Batch (b) Weekday Batch (c) Morning/Evening Batch.

Not a very technology savvy organisation, it does not have a website of its own. Besides, the e-mail ids they use do not have their own domain name. Their official e-mail ids are all based on www.eth.net, which belongs to “education to Home” group.

However it is worth noting that the headquarters have a strong hold on to all the franchisees keeping a tab on each and everyone. Any complaint if heard is dealt with very severely. This is the reason why despite being located in not so high flying cities, the TIME has been able to give a good service to all those who were earlier ignored by IMS, Career launcher and Career Forum.

## **CASE STUDY**

Fast Express courier ltd. (FECL) is an innovative overnight delivery company that helped change the way companies do business. It was the first company to offer an overnight delivery system, but the company markets more than just a delivery service. What FECL really sells is on-time reliability. The company markets risk reduction and provide the confidence that people shipping packages will be “absolutely, positively, certain their packages will be there by 10.30 in the morning”.

In fact, FECL sells even more than reliable delivery. It designs tracking and inventory management systems for many large companies. In other words, the customers buy more than just delivery service they buy a solution to their distribution problems. For example, a warehouse designed and operated by FECL is part of the distribution centre for a very large computer firm. In other organizations, customers can place an order for inventory as late as midnight, and the marketer, because of FECL's help, can guarantee delivery by the next morning. FECL has positioned itself as a company with a service that solves its customer's problems.

### **Questions**

- (a) What is FECL's product? What are the tangible and intangible elements of this service product?
- (b) What are the elements of service quality for a delivery service like FECL?
- (c) In what way does technology influence FECL's service quality?

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