Uttarakhand Open University, Haldwani

School of Management Studies and Commerce

Service Marketing

Block I Service Marketing

Block II Strategic Issues of Services Marketing

Service Marketing

Block – I
Block Title- Service Marketing
Block – II
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Course Contents

Course Name: Service Marketing

Course Code-MS 505

Course Objective: The emergence of tertiary sector calls for better understanding of services development and delivery. This paper aims at providing the students the intricacies process of services marketing.

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Unit II Managing Demand for Services

Unit III Different Aspects of Yield Management

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Suggested Readings:

1. Kenneth E Clow, et. al "Services Marketing Operation Management and Strategy" Biztantra, New Delhi, 2004.
2. Chiristropher H. Lovelock, Jochen Wirtz, "Services Marketing", Pearson Education, New Delhi, 2004.
3. Halen Woodroffe, "Services Marketing", McMillan Publishing Co, New Delhi 2003.
4. Nimit Chowdhary and Monika Choudhary, "Text book of Marketing of Services", the Indian experience, MacMillan Publishing Co, New Delhi, 2005.
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Block I
Service Marketing

UNIT 1 MARKETING OF SERVICES: AN INTRODUCTION

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1.1   INTRODUCTION

The global economy is also known as the service economy due to its increasing importance and service dominance in the Gross Domestic Product of the majority developed and developing countries around the world. The growth and expansion in the service sector has significant indicator of economic progress of the countries.

 Past few years trend reveals that the developing countries have switched from agriculture to industrial economy, and gradually became service economy. This transformation has created the necessity of understanding and differentiating goods and services. Over the period, due to the advancement and innovations in the services industry, it was analyzed that services are playing a complementary role in the sale of goods in the market.

Agriculture	⇨	**Industry**	⟶	**Service sector**

Industries can be classified into three categories; Primary, Secondary and Tertiary sectors. Primary sectors are also called extractive sector this includes agriculture, mining, fishing, sericulture, and poultry. Secondary sectors involve manufacturing and construction, while Tertiary sector include services and distribution.

The Industrial Revolution of the eighteenth century brought about significant changes not just in production methods, but also in financial structures and transportation and Telecommunication networks.

The rise of the two biggest key sectors such as banking and railroads, along with other supporting services, was essential for harnessing the economic advantages of large-scale production. Without these developments, the benefits of industrialization would not have been fully realized.

During the pre-industrial period, primary sector has created foundation of the growing economy. The Industrial revolution has noticed the growing importance of secondary sector and decline in the agriculture activities. USA evolved as a first service economy with 80 % of US economy found to be service-focused, and over half of its workforce employed in the service sector. This shift has been so significant that it is referred as 'Second Industrial Revolution' With increasing disposable income, individuals are spending more on travel, entertainment, leisure, health, and communication services on one hand, and the growing complexity of Banking, Insurance, Investment and Legal Services on the other hand indicated the inclination for the service sector to expand that gave birth to new sector Banking, Financial Services and Insurance

(BFSI) is the industry's umbrella term for companies that offer a variety of financial products and services. This encompasses universal banks that provide a broad range of financial services, as well as companies specializing in one or more of these financial sectors. Majority of developed countries have transformed into service-oriented economy and developing nations like India and China have adopted the same course of action. Rather than displacing manufacturing and agriculture, the services sector significantly supports their growth. For example, advancements in information and communication technology have contributed in the growth of industrial and commercial sectors. Services has played a crucial role in offering essential technical support like SaaS (Software-as-a-Service) for the expansion and development of manufacturing and agriculture.

Economies of developed countries like the USA, UK, Germany, Japan, Canada, Sweden etc have changed from being goods dominated to service dominated market. Now developed economies are also called as service economies, data shows that the service sector accounts for more employment, major contribution in GDP and more consumption than manufactured goods.

Services enhance productivity, optimize the resource, support in effective managerial decisions, and improving living standards and economic advancement. In "The Coming of the Post-Industrial Society", Daniel Bell, referred to this era of service sector dominance as the "Post-Industrial Society." According to Daniel Bell: "If an industrial society is defined by the quantity of goods as marking a standard of living, the post-industrial society is defined by the quality of life as measured by the services desirable and possible for everyone."

1.2   LEARNING OBJECTIVES

After studying this unit, the learner will be able to understand:

- The meaning of Services.

- Concept and features of Services

- The reasons for growth of the service industry.

- Difference between Goods and Services.

- The Role of Service in an Economy

- Reasons for Growth in Service Sector

- Types & Classifications of Services

- Need for Services Marketing

- Emerging Challenges in Service Marketing

1.3 THE CONCEPT OF SERVICE

The extensive need, importance, competition, and marketing of services, along with ongoing debates about how marketing intangible services differs from marketing tangible products, have enriched the literature. Services have some key features like intangibility, perishability, heterogeneity, inseparability. Services are the actions, facilities and are performed, not produced like a goods. Services are agreement between parties who have

agreed to perform the facilities under certain terms and conditions. Services are selling of experiences or memories. Services are both people-focused and technology-oriented. As services are purely perishable, services are produced after the demand only. Due to this characteristic of services, it is very challenging for companies to meet short-term market demand, as the demand for services tends to be highly elastic. Service quality is a combination of various service aspects.

Definition of Services

American Marketing Association, Committee (1960) "Activities, benefits and satisfactions, which are offered for sale or are provided in connection with the sale of goods".

Services are activities, deeds, processes, performances, or benefits that one party offers to another, which are fundamentally intangible, perishable, and variable.

Quinn, Baruch and Paquette, (1987) "Services include all economic activities whose output is not a physical production construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser"

Kotler and Armstrong (1994) "Any activity or benefit that one party can offer to another, which is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. Activities such as renting a hotel room, depositing money in a bank, travelling by an airplane, visiting a psychiatrist, getting a haircut, having a car repaired, watching a professional sport, watching movies, having clothes cleaned by a dry cleaner, seeking advice from a lawyer/consultant etc.- all these involve buying services".

A service involves performing an action for someone or something, and it is largely intangible, meaning it is not material. In contrast, a product is tangible, meaning it is material and can be touched and owned. A service is typically an experience that is consumed at the point of purchase and cannot be owned because it quickly perishes. For example, a person might go to a café one day and receive excellent service, but return the next day and have a poor experience.

W.J. Stanton defines, "Services are those separately identifiable, essentially intangible activities which provide want-satisfaction, and are not necessarily tied to the sale of a product or another service. To produce a service may or may not require the use of tangible goods. However, when such use is required, then there is no transfer of title (ownership) to these tangible goods."

1.4   DIFFERENCE BETWEEN GOODS AND SERVICES

With the rise in the service industry the need for understanding the difference between goods and services has become necessary. Goods are tangible things that can be seen, touched, and owned by individuals. Examples include clothing, electronics, and food. These items can be produced, stored, and transported, and their value is often defined by physical characteristics and production costs.

They are actions or activities performed for a fee, often consumed at the point of delivery. Examples include haircuts, legal advice, and education. The value of services is often derived from the expertise, experience, and time of the service provider.

The distinction between goods and services affects how they are marketed, sold, and consumed, influencing various aspects of economic policy and business strategy. While goods can be inventoried and owned, services are perishable and require direct interaction between the provider and the consumer. This fundamental difference has significant implications for businesses and consumers alike, shaping the way transactions are conducted in the marketplace.

Srl. no.	Basis	Goods	Services
1.	Definition	The term "Goods" are tangible items that people are ready to purchase at offered price.	The term "Services" are the deed, agreement, promises, or facilities offered by service organisation.
2.	Tangibility	Goods can be seen or touched, and tested. Good has design, colour, weight and can be moved	Services are intangible and don't have physical appearance. Like good service are not having any colour, weight and design.
3.	Transferability of Owner	Ownership of goods can be transferred from the organisation to the customers	Service ownership cannot be transferred from one part to another. Ownership always remains with the service organisation only
4.	Return and resale	Goods can be returned back to the sellers and or replaced, resold again.	Services could not be returned or exchanged once performed and could not be resold.
5.	Perishability	Stocks of the good can be maintained in stores for future consumptions.	Services are time-sensitive; if they are not used within a specified period of time, they cannot be stored.
6.	Variability/ Heterogeneity	Goods are generally standardised and low variation as well as homogeneous	Services are highly variable and Heterogeneous.
7.	Evaluation	As the goods are highly standardised and uniform the evaluation is easy.	Due to the high heterogeneity nature of services the comparison and evaluation is complex.

1.5   THE ROLE OF SERVICE IN AN ECONOMY

The service industry is also known as the tertiary sector and has become essential for modern economies. Services includes a wide range of activities that provide value through various forms of assistance and expertise instead of producing tangible goods. Key industries within this sector include healthcare, education, finance, real estate, transportation, communication, and tourism. Services lies at the core of economic activity in any society.

(Source: Dorothy I, Riddle, Service-led growth, Praeger, New York, 1986)

Figure 1: Interactive Model of an Economy
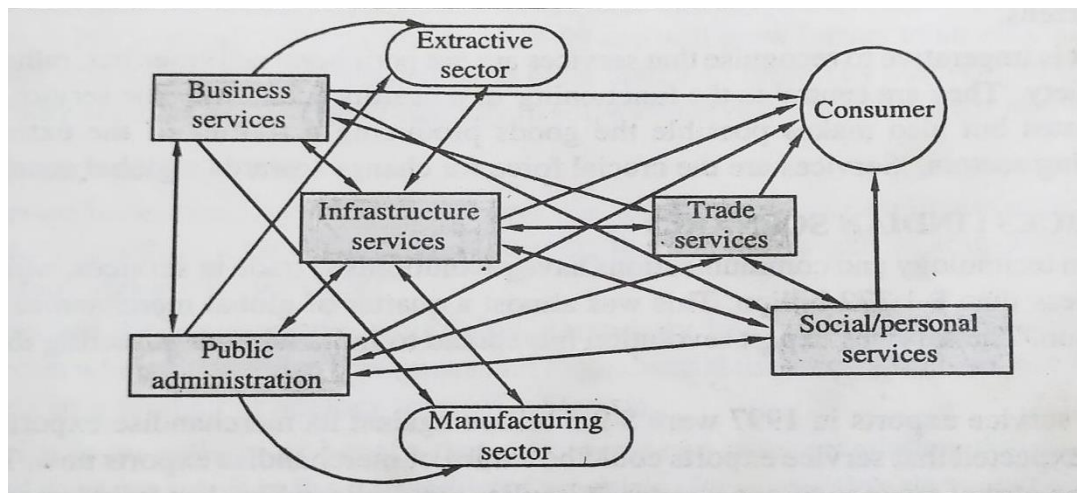
Dorothy Riddle formulated the Interactive economic model shown in Figure 1.1.

This model shows the flow of activity among the three major sectors of the economy: Extractive (mining and farming), Manufacturing, and Service sector, that can be divided into five subgroups. All activity eventually leads to the consumer. Examples of services in each of the five subgroups are:

1. *Business services:* Consulting, finance, banking

2. *Trade services:* Retailing, maintenance, repair

3. *Infrastructure services:* Communications, transportation

4. *Social/personal services:* Restaurants, health care

5. *Public administration:* Education, government

Infrastructure services, including transportation and communications, are critical links between all sectors of the economy and the final consumer. In a complex economy, these services, along with trade services, serve as intermediaries between the extractive and manufacturing sectors and facilitate distribution to consumers. They are essential for industrialization, making them indispensable in any advanced society.In an industrialized economy, specialized firms can supply business services to manufacturing firms more cost-effectively and efficiently than if the manufacturing firms provided these services

themselves. Consequently, services such as advertising, consulting, financing, and testing are increasingly being outsourced to dedicated service firms. Except for basic subsistence living, where households are self-sufficient, service activities are crucial for the economy to function and for improving quality of life. For instance, the banking industry is essential for transferring funds, and the transportation industry is vital for moving food products to areas unable to produce them.

Moreover, a wide range of social and personal services, including restaurants, lodging, cleaning, and child care, has emerged to transition former household functions into the broader economy.

Public administration is essential for creating a stable environment that fosters investment and economic growth. Services such as public education, healthcare, well-maintained infrastructure, safe drinking water, clean air, and public safety are fundamental for both the survival of a nation's economy and the well-being of its people. Therefore, it is important to understand that these services are not merely supplementary but are core components of society. They are vital to a functioning and prosperous economy, playing a central role in its operation. Services are a key driver in the transition to a global economy as service sector supports and facilitates goods-producing activities of the extractive and manufacturing industries.
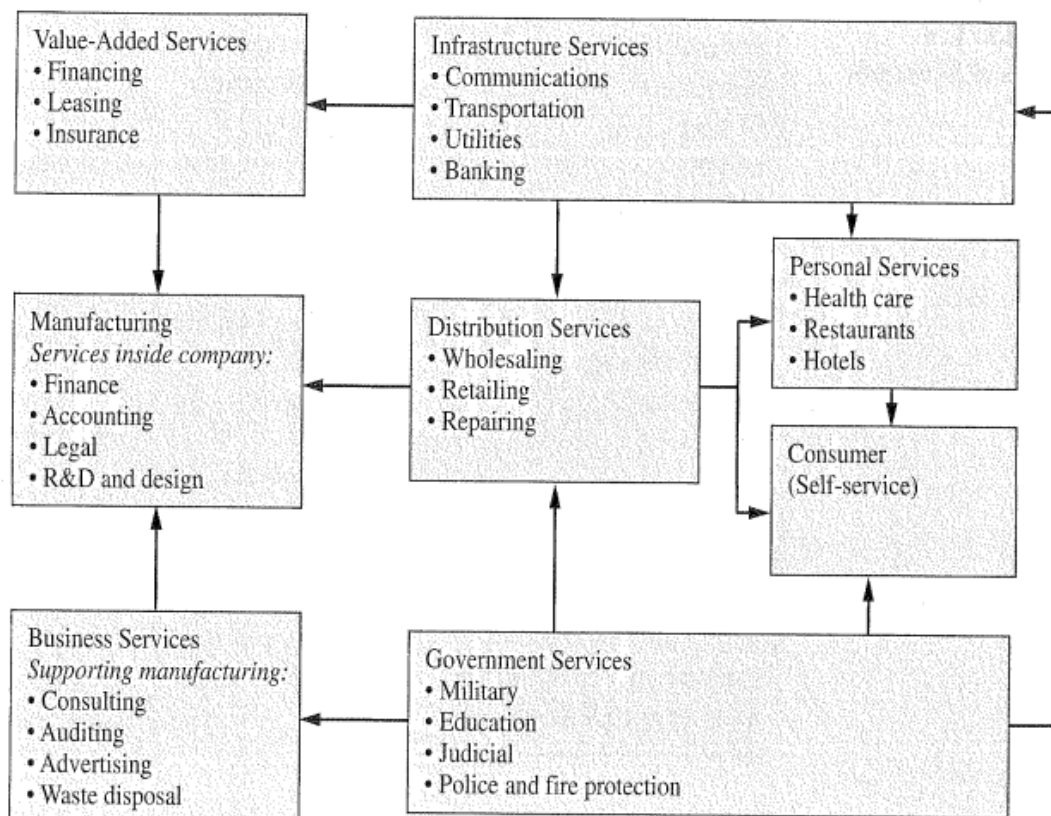
The role of services in the economy

1.6   REASONS FOR GROWTH IN SERVICE SECTOR

The service sector is the backbone of many economies, offering employment opportunities and driving national growth. Understanding the factors behind its expansion is vital for both businesses and policymakers.

In recent years, the service sector has experienced rapid growth and continues to expand as global connectivity increases and economies shift toward service-oriented models. This sector encompasses industries such as finance, healthcare, retail, hospitality, and technology. It plays a crucial role in the economy, not only by providing jobs but also by contributing significantly to overall economic development.

The future of the economy appears to be increasingly service-oriented. Several factors have contributed to this growth, which can be categorized into environmental factors such as demographic, economic, political and legal, and social influences.

1. **Demographic Factors**: Population studies indicate a global increase in population, with high birth rates driving the demand for childcare centres, educational institutions, and similar services. As the baby boom generation reached its peak in the late 1980s, it became a key target for various services like fast food and entertainment. Rising life expectancy has expanded the market for individuals over 55, creating new opportunities in healthcare, leisure, and tourism. Additionally, the ongoing migration from rural to urban areas, as well as the shift from city centres to suburbs, has increased the need for infrastructure and support services. Changes in population dynamics, including aging populations and urbanization, have increased demand for various services. For example, an aging population requires more healthcare and retirement services, while urbanization drives the need for infrastructure and housing services.

2. **Economic Factors**:

   The expansion of the corporate sector and stock market typically signals economic growth. With widespread economic liberalization, resource mobilization through capital markets has reached new levels. The rise of large firms has increased reliance on specialized service providers such as market research and advertising agencies. Economic reforms have led to a surge in consumerism. Additionally, shifts in consumer purchasing power and spending habits, driven by the growth of the middle class, have transformed it into a significant 'consumption community.'

   Economic growth and rising incomes have led to higher demand for diverse services. As economies develop, consumer spending shifts from goods to services, such as entertainment, travel, and personal care. Additionally, technological advancements have created new service opportunities and increased efficiency in service delivery.

   3. **Political and Legal Factors**:

Deregulation has exposed various service industries, such as airlines and banking, to heightened competition, fostering greater innovation and growth. Simultaneously, many countries are working on strengthening consumer protection laws to enhance public security and to protect the environment from wrong practices in the industry.

With the increasing interest & involvement of government in trade, there has been rise in the trade relationship countries. This led to the growth and expansion of tourism, hospitality and hotel industry. This entire exercise has created space for the establishment of Trading blocs like, NAFTA (North American Free Trade Agreement), ECM (European Common Market), ASEAN (Association of Southeast Asian Nations), and SAARC (South Asian Association for Regional Cooperation). These trading blocks are dedicatedly working on protecting and promoting the regional interest in the trade of goods and services at global platform.

Political aspirations and the vision have a great role in the growth of service industry. The conducive policy can encourage the expansion and high scope of growth. Legal frame work develops a favourable condition for the growth with the assurance of equal opportunities for each stakeholder and maintains fair and healthy practices as well as competitions.

4. **Social Factors**:

Over the period it has been observed that there have been landmark changes in the social engineering in the society. People in the society are now living in nuclear family and at distance places from their relatives. Earlier their routine was different while living in joint family, as a result they daily routine has become very complex and simultaneously the way of living has been transformed. Rise in the number nuclear families has been noticed in the past few decades. There has been growth in the discretionary income of the people with the rise per-capita income. This led to the changing life style of masses with the wide level of cultural exchange. Now individuals are giving more attention on quality of life, work life balance, child care, leisure activities and wellness programs. Moreover, digitalisation and social trends have played a significant role in the reshaping the service industry.

5. Technological

Past trends and practices have brought wide developments in computer engineering, Artificial Intelligence and Information Technology in the convergence of various technologies like Telecommunication, Entertainment and Data transmission. The influence of Internet has resulted in increasing mobility of educated people among countries, and paradigm shift in many service industries like Financial Services, Insurance, Banking, Education, Travel etc.

These factors collectively drive the expansion of the service sector, making it a central component of future economic development.

Environmental Trends and Emerging Service Markets	
Environmental Trends	**Service Market**
Consumer Affluence	Dine-out habits (hotels and restaurants), travel, entertainment, clubs, repairs and servicing, health care, carpet and dry cleaning, domestic service, banking and investments, retailing, insurance.
Working women	Domestic service, travel, nurseries, fast food restaurants, financial services, marriage counselling, retailing, personal care.
Greater life expectancy	Hospitals, nursing homes, entertainment, travel resorts, leisure services, investments, banking.
Complexity of life	Travel, legal aid, tax counselling, professional services, airlines, courier services, insurance, banking.
New young/Youth	Entertainment, leasing, fats food, travel, picnic resorts, educational institutes, tutorial aids, counselling, retailing
Corporate crowd	Hotels, advertising, legal services, recruitment services, management counselling, health care, airlines, travel booking, courier services, insurance, banking, market research.
Product Innovation	Repair and servicing (example Computers), training, education, sharing services.
Growing Product complexities	Expert advice, specialists

(Source: Schoell W.F. W.F. and Ivy J.T. -"Marketing Contemporary Concepts and Practices"

1.7 NATURE AND CHARACTERISTICS OF SERVICES

The Special Characteristics of Services: -

1. Intangibility

2. Inseparability of production and consumption

3. Heterogeneity

4. Perishability

5. Ownership

1. **Intangibility**: -Services are activities performed by the provider and, unlike physical products, they cannot be seen, tasted, felt, heard, or smelled before consumption. Because services are intangible, they lack sensory features that customers can evaluate before purchase. This means that, unlike goods, services cannot be assessed by customers prior to purchase and consumption. Consequently, service marketers cannot rely on product-based clues that buyers typically use in evaluating alternatives before making a purchase decision. Therefore, customers are often unaware of what to expect from a service until they experience it.

   To build client confidence, service providers should follow certain practices to make their offerings more tangible. For example, they can display models to show patients the expected results of a plastic surgery. Emphasizing the benefits of the service, rather than just describing its features, can also help.

   The level of intangibility varies among services. Some services, like teaching, consulting, and legal advice, have minimal tangible components. In contrast, services provided by restaurants, fast food centres, hotels, and hospitals include tangible elements, such as food in restaurants or medicines in hospitals.

2. **Inseparability:** Services are first demanded and then it is consumed after production. And the production is depending on demand for the service. In services there is not time gap between production and consumption, hence both are simultaneously performed, unlike physical goods, which are manufactured, distributed through various resellers, and consumed later. With services, the provider is inseparable from the service itself. For example, a taxi ride requires the presence of both the taxi driver and the passenger; the driver's presence is essential to provide the service. This means services cannot be produced in advance for future consumption.

   This creates a unique challenge in service marketing, as the physical presence of the customer is often necessary. For instance, to use the services of an airline, hotel, or doctor, the customer must be physically present.

3. **Heterogeneity:** Services are highly variable, as they depend on the service provider, the location, and the timing of delivery. Service marketers face the challenge of standardizing their offerings, as the quality can vary based on the provider's experience, the customer, the time, and the firm. Service buyers are aware of this variability, so service firms must strive to deliver high and consistent quality.

   Services are essentially performances, heavily reliant on human interaction rather than objects. Since no two people are alike, an individual's performance can vary daily. Services are heterogeneous in terms of time, place, and

especially people. The inconsistency in service production and delivery poses significant challenges for marketers, directly impacting service quality. This quality depends on factors that cannot be objectively controlled.

4. **Perishability:** -Delivering high-quality services requires selecting skilled and qualified personnel. Services are acts or performances consumed simultaneously and cannot be stored. They perish if not used when needed, adding to the challenges faced by service marketers. The inability to regulate supply to match changing demand often leads to a decline in service quality during peak times, such as in restaurants, banks, and transportation services. Service marketers must manage capacity effectively to meet demand without compromising quality.

The intangibility of services also means they are perishable. Unlike physical goods, services cannot be returned or resold if found unsatisfactory. For example, a disappointing haircut or guided tour cannot be undone. This results in the loss of resources spent on providing the service and necessitates quick recovery strategies to restore customer goodwill.

In goods production, products are made separately from their consumption, with no direct interaction between producer and consumer. However, services are produced and consumed simultaneously and there is direct interaction between the service company and the consumer. Often, the consumer becomes part of the production process. For instance, in a restaurant, some customers like to be involved in how their food is prepared and served. This presents another marketing challenge: managing customer behaviour in service settings.

5. Ownership:

When we buy a product, we become its owner, whether it's a pencil, book, shirt, refrigerator, or car. In contrast, with a service, we pay for its use but never own it. For example, purchasing a ticket allows we to watch a movie at a local cinema, paying wages hires a chauffeur to drive our car, and paying fees hires a marketing research firm to investigate product's poor sales performance. In services, the payment is for the use, access, or hire of items or facilities, not for ownership. Services are bought for the benefits they provide. If we examine why products are purchased, we find they are chosen for their intangible benefits and satisfactions. For instance, detergent powder offers cleanliness, air-conditioners provide a cool, comfortable environment, and a mixer-grinder offers convenience.

From a marketing perspective, the same concepts and techniques apply to both products and services. Market research, product design, product planning and development, pricing, promotion, and distribution is needed for effective marketing. However, for marketing services, the marketing manager must understand the nature of the five characteristics of services and how they impact the marketing strategy.

Figure 2: Characteristics of Services
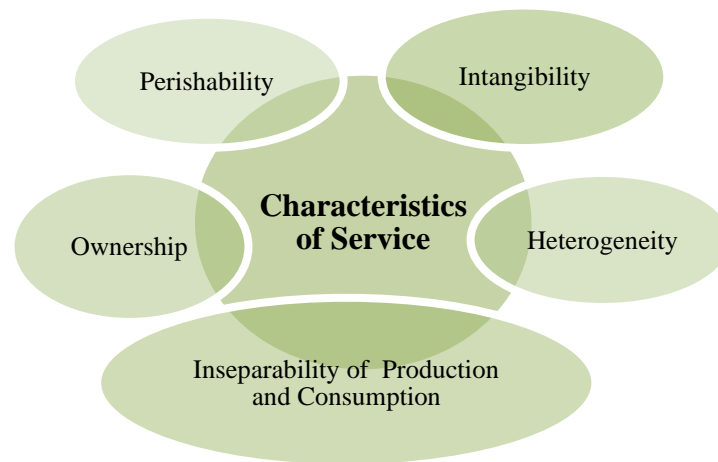
1.8 TYPES & CLASSIFICATIONS OF SERVICES

Companies are using a larger number of classification schemes for services have been developed to provide strategic insights in managing them. Utilizing different bases, these schemes allow us to understand different nature of the services.

1. The Nature of the Service Act

2. Relationship between Service Organization and Customers

3. Scope for Customized and Judgment in Service Delivery

4. Nature of Demand and Supply for the Service

5. Method of Service Delivery

6. By Market Segmentation

7. Degree of Tangibility

8. Skills of Service Provider

9. Goal of Service Provider

10. Degree of Regulations

1. Nature of Service Act

The service act can be analysed along two dimensions: First one is "who or what is the direct recipient of the service" and second is "the tangible nature of the service". This results in four possible classifications:

1) Tangible actions directed at the customer, such as passenger transportation and personal care.

2) Tangible actions directed at the customer's possessions, such as laundry cleaning and lawn care services.

3) Intangible actions aimed at the customer's intellect.

4) Intangible actions performed on the customer's assets, such as financial services.

This classification system prompts questions about the traditional delivery methods of services:

  a. Is there need for physical presence of customers throughout the service?

  b. Customer's presence is necessary some moments or few hours?

  c. Does the customer's presence not require or not mandatory?

If physical presence is necessary, customers must either travel to the service facility or become part of the process, or the service provider must travel to the customer. This has significant implications for facility design and employee interaction, as the impressions made will influence the perceptions of the service. Additionally, questions arise about the impact of facility location and business hours on customer convenience. It's not surprising that retail banks have adopted automatic teller machines (ATMs) and other electronic communication alternatives to personal interaction. Thinking creatively about the nature of the service may lead to more convenient forms of service delivery or products that can substitute for the service. For example, videotapes of lectures and compact disk recordings of concerts offer a convenient substitute for physical attendance and serve as permanent library records of the events.

What is the nature of the service act?	Who / what is the direct recipient of the service?	
	People	**Possessions/ Object/ Activity**

	I. **Service directed at people's bodies:**	II. **Services directed at physical possessions:**
Service linked Tangible actions	- passenger transportation; - Health Care; - Lodging; - Beauty Saloons; - Physical Therapy; - Fitness Centers; - Restaurants; - Haircutting; - Funeral Services	- Freight Transportation; - Repair And Maintenance; - Warehousing/Storage; - Retail Distribution; - Laundry And Dry Cleaning; - Refueling; - Landscaping/Lawncare; - Disposal/Recycling.
	III. **Services directed at people's minds:**	IV. **Services directed at intangible assets:**
Intangible actions	- Advertizing/PR; - Arts And Entertainment; - Broadcasting /Cable; - Management Consulting; - Education; - Information Services; - Concerts; - Psychotherapy; - Theaters - Museums.	- Accounting; - Banking; - Data Processing; - Data Transmission; - Insurance; - Legal Services; - Programming; - Research; - Securities Investment; - Software Consulting.

(*Source:* Christopher H. Lovelock, *"Classifying Services to Gain Strategic Marketing Insights,"* Journal of Marketing, Vol. 47, Summer 1983)

2. Type of Relationship that the Service Organisation with their customers

This classification of services is focusses on the types of relationship between the service organisation and their customers as well Nature of service delivery. In the first dimension, the relationship between organisation and their customer is explained; Formal relationship (membership) or Informal relationship (non-membership). The second dimension discusses the Nature of service delivery; Continuous or Discrete transaction.

There are advantages for the service organisation to have formal-membership relations. There is a mutual consent and agreement with all necessary terms and conditions between the service organisation and the customer that ensure the consistent business to the organisation. After this, it become easy for the organisation to provide services to customer and customised services according to the individual client's needs. This also facilitates the customers to get good quality of facilities and build loyalty.

This classification offers solutions for certain queries for service managers like:

– What important initiatives should be adopted to convert 'Informal' into 'member' relationships (e.g. Occasional visitors become Regular visitor in Family restaurant)?

– How do pricing and usage-rate trade-off occur (e.g. the tariff rate of the tour & travel company for regular travelling member, in Railways, Roadways, club membership?

Knowing your customers is a significant competitive advantage to the service organisation.

Having a data base of customers' names and addresses and their service use permits target marketing and individual treatment of customers. Customers benefit from membership because of the convenience of annual fixed fees and the knowledge that they are valued customers with occasional perks.

Continuous relationship or discrete transaction?

Nature of service delivery	**Type of relationship between the service organization and its customers**	
	Membership relationship	**No formal relationship**
Continuous delivery of service	- Insurance; - Cable TV subscription; - College enrollment; - Banking	- Radio station; - Police protection; - Lighthouse; - Public highway.
Discrete transactions	- Long-distance calls; - Theater series subscription; - Travel on commuter ticket; - Repair under warranty; - Health treatment for HMO member.	- Car rental; - Mail service; - Toll highway; - Pay phone; - Movie theater; - Public

		transportation;
		- Restaurant.

(*Source:* Christopher H. Lovelock, *"Classifying Services to Gain Strategic Marketing Insights,"* Journal of Marketing, Vol. 47, Summer 1983)

3. Scope for Customization and Judgement in Service Delivery

Unlike consumer goods that are bought off the shelf, services are created during consumption, often involving the customer in the production process. This allows for significant customization to meet individual customer needs. Customization can be measured with two dimensions: the extent to which the service and delivery system can be customized and the degree of judgment customer contact personnel can exercise in defining the service for each customer.

Some services are quite standardized, like public transportation, which operates on fixed routes and schedules. Other services offer more options, such as telephone services where each subscriber has a unique number and access to various features, or retail bank accounts where each check or card is personalized. However, in these cases, customer contact personnel have limited discretion beyond their personal interactions and basic support.

There are services where contact personnel have more freedom in delivering the service but do not significantly differentiate their service between customers, such as educators. On the other hand, professional services like law, medicine, accounting, and architecture require high levels of customization and judgment from contact personnel, who are typically highly trained.

This classification raises several questions for service managers, primarily related to availability of professional and trained staff and cost:

- Is it good for the service organization reduce customization to have benefit from standardization and economies of scale?
- Can high customization lead to a broader range of customers satisfactions?
- How services be simplified to reduce the need for judgment by contact personnel?
- Should services be updated to leverage staff expertise?

Balancing customization levels can create tension between marketing and operations. Marketing managers often advocate for high customization to meet diverse customer needs, which demands more from operational staff. High customization levels require employees at the service delivery point to make judgment-based decisions, necessitating more training and a broader skill set.

Extent to which customer-contact personnel exercise judgment in meeting individual customer needs	Extent to which service characteristics are customized	
	High	**Low**
High	- Legal services; - Health care/surgery; - Architectural design; - Real estate agency; - Taxi service; - Beautician; - Plumber; - Education (tutorials).	- Education (large classes); - Preventive health programs.
Low	- Telephone service; - Hotel services; - Retail banking (excluding major loans); - Good restaurant.	- Public transportation; - Routine appliance repair; - Fast-food restaurant; - Movie theater; - Spectator sports.

(*Source:* Christopher H. Lovelock, *"Classifying Services to Gain Strategic Marketing Insights,"* Journal of Marketing, Vol. 47, Summer 1983)

4. Nature of Demand and Supply for the Service

The perishability of service capacity presents a challenge for service managers since, unlike manufacturers, they cannot produce and store inventory for future use. The degree of demand and supply imbalances varies across service industries. As the demand for the services varies over time, it is not constant and unpredictable. The services are perishable and cannot be stock, as the service organization has a limited capacity to produce services at a time. During the peak time demand of the services is high, whereas the during the off season the demand is negligible. At the time of peak time the demand exceeds supply, due to the limited capacity to produce services, there is an opportunity for new suppliers to enter the market. Hence, service organization must fulfil demand

patterns over time, identify why and when peaks occur, and develop strategies to smooth these peaks.

Key considerations for determining the appropriate strategy include:

- The nature of demand fluctuations: Are they predictable, such as daily meal demand at a fast-food restaurant?

- The underlying causes of these fluctuations: Can marketing efforts change customer habits or preferences that cause these fluctuations?

- Opportunities to adjust capacity or supply: Can part-time workers be hired during peak times?

- The potential for differential pricing strategies: Should new strategies that combine capacity adjustments and pricing be tested?

Managing demand fluctuations can be challenging for service managers. However, technological advancements, especially in computer-based delivery scheduling, are helping service companies balance demand and supply more effectively.

Extent to which supply is constrained	Extent of demand fluctuations over time	
	Wide	**Narrow**
Peak demand can usually be met without a major delay	- Electricity; - Natural gas; - Telephone; - Hospital maternity unit; - Police and fire emergencies	- Insurance; - Legal services; - Banking; - Laundry and dry cleaning.
Peak demand regularly exceeds capacity	- Accounting and tax preparation; - Passenger transportation; - Hotels/motels; - Restaurants; - Theaters.	(Services, similar to those in above cell, but which have insufficient capacity for their basic level of business).

(*Source:* Christopher H. Lovelock, *"Classifying Services to Gain Strategic Marketing Insights,"* Journal of Marketing, Vol. 47, Summer 1983)

5. Method of Service Delivery

The method of service delivery is a critical area where changing marketing strategies could be beneficial. This brings up several key questions for service managers:

- Whether the services are offered at a single site or multiple locations?

- Which transaction is most convenient and suitable for customers?

- Whether the any variation in the type of interaction can improve or worsen service quality?

- Can suitable intermediaries, such as franchises, be used to expand to multiple outlets?

Managing multiple sites has significant implications for maintaining quality and consistency in service offerings. The level of service delivery heavily influences the perception for the service quality. There are few instances in that services cannot be offered as multiple location because of immobility of the heavy machines at different site. Under such circumstances customers are required to visit the services organization for quality of services experience.

However, many services are increasingly being delivered without face-to-face interaction. Examples include teleshopping, telephone banking, and the use of fax and electronic data interchange (EDI) in various service sectors.

The classification schemes raise important issues for service providers, allowing comparisons across different service industries and highlighting key issues for service organizations' marketing plans.

Nature of interaction b/w customer and service organization	Availability of service outlets	
	Single site	**Multiple sites**
Customer goes to service organization	- Theater; - Barbershop.	- Bus service; - Fast-food chain.
Service organization visits to customer	- Lawn care services; - Pest control service; - Taxi	- Mail delivery; - Auto club road service.
Customer and service organization transact at arm's length (mail or through Internet)	- Credit card company; - Local TV station.	- Broadcast network; - Telephone company.

(*Source:* Christopher H. Lovelock, *"Classifying Services to Gain Strategic Marketing Insights,"* Journal of Marketing, Vol. 47, Summer 1983)

6. **By Market Segment**:

Individual Consumer	Coaching Taxi, Life Insurance
Organizational Consumer	Legal services taken by Organization, Machinery repair

7. **Degree of Tangibility:**

Highly Tangible	Food Item, Consumable Item
Services linked with Tangible	Restaurant, Hotel, Banking
Pure services	Legal, Hospitality
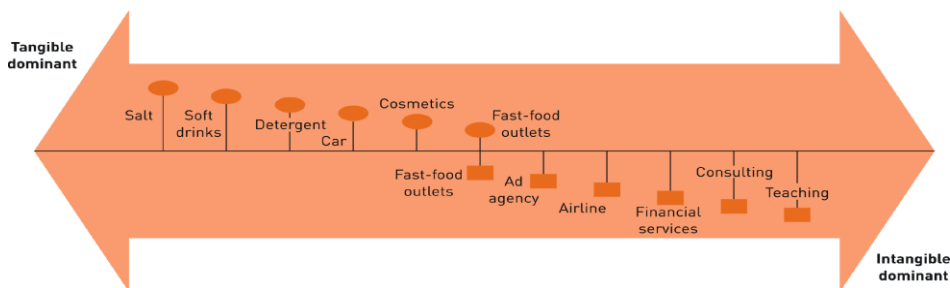
8. **Skills of Service Provider:**

Professional	Medical, Legal, Teaching
Non-Professional	Casual Labor, carpenter

9. **Goal of Provider:**

Profit / Commercial	Banking, Airline, insurance

Non-Profit	Public sector leisure facility

10. Degree of Regulation:

Highly Regulated	Insurance, Telecom, Law
Limited Regulated	Catering, Fast Food
Non- Regulated	House painting, Local Repair shop

1.9   MEANING OF MARKETING OF SERVICES

Service marketing promotes the intangible benefits and offerings of a company to enhance customer value. This may include standalone services like Google pay, YouTube, digital marketing or complementary services to tangible products like Zomato, Oyo rooms etc. The growth and expansion in the SaaS (Software-as-a Service) companies, the manufacturing sectors has achieved a drastic growth as software companies has created done the business process reengineering. Sectors like financial services, tour & travel, digital marketing, and professional services are highly depend on service marketing.

Service marketing is more value-based and customer-oriented instead of product marketing. Service-marketing covers B2C (Business-to-Consumer) as well as B2B (Business-to-Business) and having wide scope in almost every sector irrespective of the any industry.

Service marketing is an integrated system of service operations that aims to develop customer-oriented services. Marketing-mix in service marketing plays an important role in the achieving maximum customer satisfaction and steady growth of service organization. Service-marketing mix comprises seven important elements; Product, price, place, promotion, people, process, physical evidences. Its ultimate objective is to design effective policy to have maximum customer satisfaction and sustainability of service business. As the service marketing mix is customer-focused, it always aims to deliver the service quality in the best interest of the customer in the market.

Key areas of Service marketing involve:

● Selling of services to the potential and targeted segment in the market.

● Distribution of services with maximum customer satisfaction.

● Positioning the services on the basis of USP's in service.

Marketing is the most essential part of the service management. Customer satisfaction has become prime objective of marketing decisions. Competent service-marketing decisions facilitate in transformation of potential and targeted people into regular customers by providing the quality services to the right people, with appropriate way, at the right cost and within the needed time.

1.10. NEED FOR SERVICE MARKETING

Service marketing, at present has a gain the interest of world economy and played a significantly in GDP globally. Services are intangible, perishable, variable and often involve direct interaction between the provider and the customer. These characteristics necessitate a distinct approach to marketing, emphasizing the creation and communication of value through experiences rather than physical goods.

Firstly, the intangibility of services means customers cannot see, touch, or try a service before purchasing. Effective service marketing helps bridge this gap by building trust and showcasing the benefits and value of the service through customer testimonials, detailed descriptions, and demonstrations. This approach helps potential customers make informed decisions.

Secondly, the perishability of services, meaning they cannot be stored for future use, requires meticulous demand management. Service marketing strategies like special promotions, loyalty programs, and differential pricing during off-peak times can help balance demand and supply, ensuring optimal utilization of resources.

Thirdly, variability in service quality due to human involvement makes it essential to market the consistency and reliability of the service. Training programs for staff, clear communication of service standards, and a strong emphasis on customer service are pivotal components of service marketing that enhance satisfaction and loyalty of customers.

As the services are inseparability, production and consumption occur simultaneously. Marketing strategies need to focus on the entire customer experience, from initial contact to post-service follow-up, ensuring every interaction enhances the perceived value.

1.11. EMERGING CHALLENGES IN SERVICE MARKETING

OBSTACLES IN SERVICE MARKETING

The intangibility and inseparability of services, along with the difficulty in defining acceptable service quality objectively, make understanding service marketing

challenging. However, given the significant role of services in our economy, substantial innovation and creativity are essential to provide high-quality services at convenient locations for consumers and businesses. Service marketing likely offers more opportunities for creativity and innovation than product marketing.

The Service Challenge: In the past decade, many innovative methods have been developed to address the service challenge. This challenge involves:

- Consistent development of new services that better meet customer changing expectations.

- Improving the quality and variety of existing services.

- Providing and distributing services in ways that best serve the customer.

Challenges to Management/Service Managers

The challenges in managing services are influenced by labor intensity and the level of interaction and customization required. Service operations are more capital intensive and careful consideration must be given to:

1. Capital decisions regarding land, facilities, and equipment

2. Technological advancements that could impact these decisions

Capital-intensive processes often cannot easily increase capacity, so managing demand to smooth peaks and promote off-peak times is essential. The limited capacity also makes scheduling service delivery crucial for these processes.

In contrast, for processes with high labour intensity, effective workforce management and control become critical. This includes hiring, training, developing and controlling methods, ensuring employee welfare, and scheduling. If new operational units are planned, their startup can pose challenges, and managing a group of such new units can be difficult.

Overall, both capital and labour-intensive service operations face unique challenges that require tailored management strategies to ensure efficient and effective service delivery.

Service processes with low interaction and customization face tougher marketing challenges. They must create a warm and exciting experience despite lacking personal attention. This makes the physical surroundings and layout more important. With limited interaction and customization, standard operating procedures can be effectively implemented, and the organizational hierarchy typically follows a classic pyramid structure with rigid relationships between levels.

As services involve more interaction and customization, management faces higher costs and the need for more skilled labour. Balancing cost control and quality maintenance becomes challenging. Talented employees need clear advancement opportunities within the organization. The hierarchy of control tends to be flatter, with less rigid relationships

between superiors and subordinates. Retaining employees becomes a challenge as they might be tempted to switch jobs frequently. Additionally, service firms with high consumer interaction must be prepared to respond to frequent consumer interventions in the process.

Table 1: Challenges for Managers

	Challenges for Managers (less labour intensity) . Capital decisions . Technological advances . Managing **demand to avoid** peaks and to promote off-peaks . Scheduling service delivery		
Challenges or Managers (low interaction/low customization) -Marketing -Making service "warm" -Attention to physical surroundings -Managing fairly rigid hierarchy with need for Standard Operating Procedures	**Service factory** (less labour intensity and low interaction/low customization)	**Service shop** (less labour intensity and high interaction/high customization)	**Challenges Management** (high intera customization) . Fighting increases . Maintaining . Reacting to -intervention in pr . Managing advancement of delivering service . Managing hierarchy with subordinate-superic relationships . Gaining loyalty
	Mass service (high labour intensity and low interaction/low customization)	**Professional service** (high labour intensity and high interaction/low customization)	

Challenges or Managers

. (high labour intensity)

. Hiring, Training

. Methods development and control

. Employee welfare

. Scheduling workforces

. Control of far-flung geographical locations

. Startup of new units

. Managing growth

Check Your Progress-A

Q1. What is meant by the term 'service'? Discuss the factors contributing to the rapid expansion of the service industry.

- - -- -
- -- - - -- -
- -

Q2. Discuss various parameters of differentiating Products and services. Explain the important differences.

- - -- -
- -- - - -- -
- -

Q3. Discuss and highlight the role and importance of services sector in the economic growth of a nation.

- - - -- -- -- - - -- - -- - - -
- -- - - -- - - - - - - - - - - - - - - -
- -

Q4. In the last decades, there has been evolution of some new services in the market, discuss three major service and explain their role and importance in life of the people.

- - - -- -- -
- -- - -- - - - - - - - - - - - - - - - - - - -
- -

Q5. How are services different from products? What are the marketing implications of these service characteristics?

- - - -- -
- -- - -- -
- -

Q6. Describe the different classification schemes for services, providing suitable examples.

- - - -- -
- -- - -- -
- -

Q7 What is a key characteristic of services that distinguishes them from goods?

A) Tangibility

B) Perishability

C) Durability

D) Ownership

Q8. **Which of the following is NOT typically a challenge in service marketing?**

A) Intangibility

B) Variability

C) Inseparability

D) Inventory management

Q9. What aspect of service delivery involves ensuring consistent quality across various service encounters?

A) Standardization

B) Customization

C) Flexibility

D) Automation

Q10. **In which service type is it essential for the service provider to manage the physical environment effectively?**

A) High interaction and customization services

B) Low interaction and customization services

C) Digital services

D) None of the above

Q11. **Which strategy is commonly used to manage demand fluctuations in services?**

A) Differentiation

B) Price promotion

C) Product bundling

D) Brand extension

Q12. **Which of the following is an example of a high labor intensity service?**

A) Online banking

B) Fast food restaurant

C) Air travel

D) Car rental

Q13. What term describes the process of delivering a service at multiple locations?

A) Centralization

B) Diversification

C) Multi-site delivery

D) Standardization

1.12 SUMMARY

This unit provides a comprehensive overview of service marketing, beginning with the fundamental concept of a service, which is an intangible benefit provided by one party to another. Unlike physical goods, services cannot be touched, stored, or owned; they are experienced and often involve direct interaction between the service provider and the consumer. The unit distinguishes services from goods by highlighting key characteristics: intangibility, inseparability, perishability, and variability. These traits make service marketing distinct from product marketing, requiring different strategies and approaches.

The role of services in the economy is significant, contributing to GDP, generating employment, and enhancing quality of life. The service sector's growth is driven by factors such as increased consumer demand for convenience, rising disposable incomes, technological advancements, and globalization. As economies shift towards a service-based model, understanding the nature and characteristics of services becomes crucial.

Services can be classified based on criteria such as customization, delivery methods, and target markets. Personal services like healthcare, business services such as consulting, and public services like transportation. Marketing of services involves strategies to promote these intangible benefits by focusing on customer experiences and relationships. Effective service marketing is essential for differentiating services in a competitive market, managing customer expectations, and building long-term relationships.

Emerging challenges in service marketing include managing service quality, adapting to technological changes, and addressing variability in service delivery. Overcoming these challenges requires innovation and creative strategies to deliver superior service and meet evolving customer needs. Overall, this unit underscores the importance of service marketing in creating value and enhancing customer satisfaction in a dynamic and growing sector.

1.13 GLOSSARY

Service: An intangible activity or benefit provided by one party to another, which cannot be touched or stored but is experienced by the consumer.

Intangibility: A characteristic of services that means they cannot be seen, touched, or owned. Unlike physical goods, services are experienced rather than possessed.

Inseparability: The property of services that means they are produced and consumed simultaneously. The service delivery and consumption happen at the same time and often involve direct interaction between provider and consumer.

Perishability: The inability of services to be stored or inventoried. Services cannot be saved for later consumption; services have to be consumed as they are produced.

Variability: The tendency of service quality to vary based on who provides the service, when, and where. This variability can impact the consistency of service delivery.

Service Marketing: The process of promoting and delivering intangible benefits to customers. It involves creating value through customer experiences and focusing on relationship management.

Customization: It refers to the varieties of offering that tackles the need and demand of the clients. The services are produced according to the individual customers requirements only.

Standardization: It refers to the level of uniformity, quality and consistency maintained in each category of services offered by the organisation.

Service Quality: These are the parameters or factors that ensures the premium features in the services and fulfil the customers need and expectation.

Demand Management: Strategies used to balance service demand with capacity, including techniques such as pricing adjustments, promotions, and scheduling to handle peak and off-peak times.

Multi-site Delivery: The strategy of providing services across multiple locations to enhance accessibility and convenience for customers.

Service Sector: The segment of the economy that provides intangible goods or services, including industries like healthcare, education, finance, and hospitality.

1.14 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress   A

    7. Answer: B) Perishability

    8. Answer: D) Inventory management

    9. Answer: A) Standardization

    10. Answer: B) Low interaction and customization services

    11. Answer: B) Price promotion

    12. Answer: B) Fast food restaurant

13.Answer: C) Multi-site delivery

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1.17 TERMINAL QUESTIONS

A. Short Questions

1. What is a service in the context of service marketing?

2. List three key characteristics that distinguish services from goods.

3. How managing service quality more challenging than managing product quality?

4. What does the term 'inseparability' mean in service marketing?

5. What role does the service sector play in the economy?

B. Long Questions

1. Discuss the main differences between services and goods. How do these differences impact the marketing strategies used for each?

2. What are the reasons behind the rapid growth of the service sector. How do these reasons reflect broader economic and social trends?

3. Analyze the role of service marketing in enhancing customer satisfaction. What are some key strategies that service organizations can use to improve service quality and customer experience?

4. Describe the challenges that service organizations face in managing service quality. How can service managers address these challenges effectively?

5. What are the key factors driving the increasing importance of service marketing in today's economy? Provide examples to illustrate these factors.

1.18 CASE LETS/CASES

1   Case let: Sunny Days Travel Agency

Sunny Days Travel Agency is a small but growing company specializing in personalized travel planning and booking services. Established three years ago, the agency has built a reputation for exceptional customer service and customized travel experiences. Unlike larger travel agencies that offer standard packages, Sunny Days focuses on creating tailored itineraries based on individual preferences and needs.

Despite its success, Sunny Days faces several challenges inherent to service marketing. One major issue is the intangibility of their offerings. Customers cannot physically inspect or touch the travel services they are purchasing until

their trips are underway. This makes it challenging for the agency to convey the quality and value of their services through traditional marketing channels.

Additionally, the inseparability of service delivery means that Sunny Days' employees are directly involved in the service process. Each travel advisor plays a crucial role in shaping the customer experience, from initial consultation to the final execution of the travel plans. This creates variability in service quality, as the experience may differ based on the advisor's expertise and interpersonal skills.

Sunny Days also grapples with perishability. Travel services are perishable in nature; once a travel date passes, the opportunity to provide that specific service is lost. This requires the agency to manage demand effectively, ensuring that they do not overbook or under book their services, especially during peak travel seasons.

To address these challenges, Sunny Days has implemented several strategies. They use customer testimonials and detailed case studies to showcase their service quality and build trust. They also invest in employee training to ensure consistency in service delivery. Additionally, they offer early-bird specials and last-minute deals to manage demand fluctuations.

Questions

1. What are the main challenges Sunny Days Travel Agency faces due to the intangibility of their services?

2. How does the inseparability of service delivery impact the customer experience at Sunny Days?

3. What strategies has Sunny Days employed to manage the perishability of their travel services?

4. In what ways could Sunny Days improve their service marketing to address the challenges discussed in the caselet?

5. How does the variability in service quality affect Sunny Days' marketing efforts and customer satisfaction?

UNIT 2 MANAGING DEMAND FOR SERVICES

2.1 **Introduction**

2.2 **Objectives**

2.3 **Demand Patterns**

2.4 **Strategies to Match Capacity and Demand**

2.5 **Yield Management**

2.6 **Managing Customer Waiting**

2.7 **Managing Demand and Waiting**

2.8 **Summary**

2.9 **Glossary**

2.10 **Answer to Check Your Progress**

2.11 **Reference/ Bibliography**

2.12 **Suggested Readings**

2.13 **Terminal & Model Questions**

2.14 **Caselet**

2.1   INTRODUCTION

In this unit, you will study about various issued related to managing demand/capacity (supply) imbalances. Understand the demand patterns and underlying reasons. The unit covers the concept of yield management and various illustration from Indian service industry.

2.2   OBJECTIVES

After reading this unit you will be able to:

- Explain the demand patterns for service organizations.
- Develop strategies for matching demand and capacity.
- Understand the concept of yield management.
- Provide strategies for managing customer waiting.
- Understand the demand management and waiting strategies.

2.3   DEMAND PATTERNS

Understanding demand patterns in service marketing is crucial because services often have unique characteristics that influence how demand fluctuates over time. Here's a of service characteristics.

Characteristics of Services Influencing Demand

Intangibility: Services cannot be stored or inventoried, making it challenging to manage demand fluctuations.

Perishability: If a service is not sold at a specific time (e.g., a hotel room for a night), the opportunity to sell it is lost.

Inseparability: Services are often produced and consumed simultaneously, meaning capacity must match demand at any given moment.

Variability: The quality of services can vary depending on who provides them, when, and where.

The role of efficiently managed demand is pivotal for operational efficiency, ensuring customer satisfaction, and optimizing revenue in a dynamic service industries' landscape. Demand forecasting and management both are important aspects in the service industry due to the fact that, unlike products, services are indeed intangible, perishable, and generated and consumed mostly simultaneously.

This inherent complexity makes customer demand something that inherently must be strategized in order to understand, forecast, and command. Aligning service capacity with the needs of the customers can help to mitigate potential risks from fluctuations in demand, such as overstaffing, customer waiting, and revenue loss.

What are Demand Patterns?

Demand patterns refer to fluctuations or changes that customer demand experiences over time. These patterns are the result of a variety of factors, such as:

Seasonality: Demand that varies because of time of year, weather, or holidays.

Economic conditions: Consumer spending power changes with economic variables like GDP, unemployment rate, and inflation.

Consumer preference: Changes in tastes, trends, and lifestyles: fitness trends, use of technology.

Competitive activity: The activities of rivals that affect customer demand. Examples include price wars and product introductions.

Given the fluctuating nature of demand, a fixed-capacity service organization might be going through a lot of hassles. Most probably, such scenarios would be based on one of the conditions mentioned below:

1. Excess Demand

Description: Demand is more than available capacity. Thus, some customers would either be refused service or postponed to a later time.

Implications: This includes customer discontent, loss of potential revenue, and harm to organizational reputation.

Example: It is very common to see airlines and trains running on full capacity or even overbooked conditions with long wait lists during the festive season in India.

2. Demand Exceeds Optimal Capacity

Description: The service organization is at full capacity, but quality of service may start eroding due to thin spreading of resources.

Implications: All customers can indeed be catered to, but not at the level of service desired, thus causing reduced customer satisfaction and possible lost customer base in the long run.

Example: The clientele of a busy restaurant during peak lunch/dinner hours can all be seated but possibly experience slower service, lower quality food and less friendly staff.

3.   Optimal Capacity where Demand and Supply are Balanced

Description: The demand exactly fits the capacity of the service organization. Operations are efficiently done and the quality-of-service delivery high.

Implications: This is an ideal case, whereby the service organization is at its best in utilizing its resources, satisfying the customer, and retaining profitability.

Example: A booked full capacity conference hall hosting a corporate event with all relevant services; catering, AV appliances, personnel running smoothly.

4. Excess Capacity

Description: The demand for the service is less than the available capacity, resulting in underutilization of resources.

Implications: Operational costs may be higher due to the idling of resources; even profitability will be less. Further, employees would not be able to apply themselves to their full potential and possibly get disengaged.

Example: Off-season in a tourist destination may keep a hotel half-empty, thus creating excess capacity.

As illustrated in Figure 2.1, there are four primary types of demand patterns. A service organization's capacity is determined by its physical infrastructure, equipment, and human resources. To effectively manage demand and capacity, it's essential to comprehend demand patterns and their influencing factors. A deep understanding of these patterns empowers managers to make informed decisions. Demand patterns can exhibit regular, predictable cycles or, conversely, be highly unpredictable and challenging to forecast.

VOLUME DEMANDED

Demand > Capacity
(business is lost)

CAPACITY
UTILIZED
Maximum Available
Capacity

Demand >
optimum capacity
(quality declines)

Optimum Capacity
(Demand ≈ Supply)

Excess capacity
(wasted resources)

Low Utilization
(may send bad signals)

TIME CYCLE 1   TIME CYCLE 2
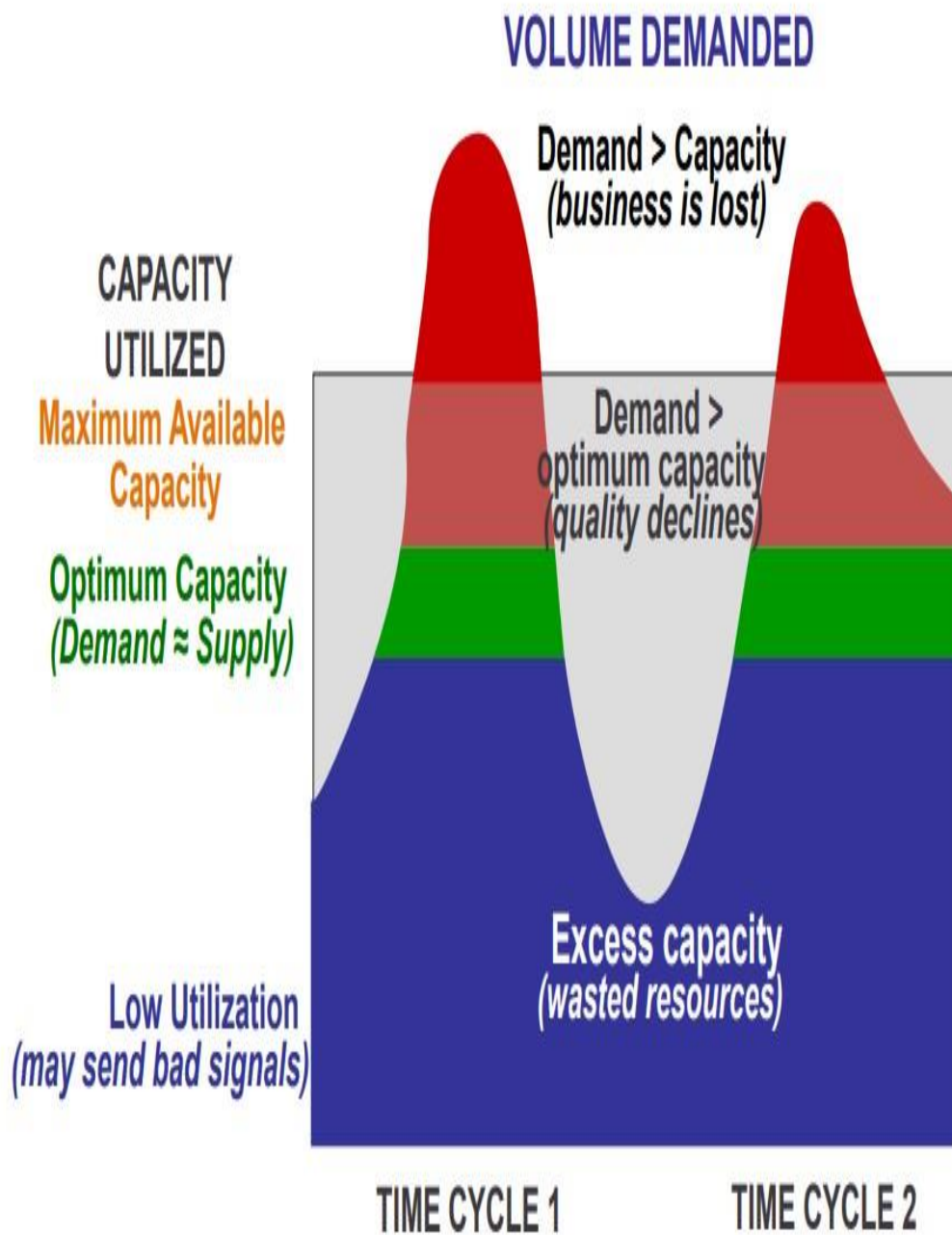
Source: Lovelock et al, Services Marketing, Pearson

Figure 2.1

A. Predictable demand variations in services are those that take place at regular time intervals; for instance, monthly or annually. Such changes may well be forecast with enough accuracy either from past experience, normal trends, or known patterns, enabling the service provider to plan ahead. The following are some examples of predictable demand variations in the Indian service sector:

1.Seasonal Demand Variations Tourism Services:

• In India, most of the hill stations—Shimla, Ooty, and Darjeeling—see huge demand during summer months, from April to June, as people from around the country move to these destinations to escape the scorching heat of the plains. Goa sees most of its visitors during the cooler months of winter, between November and February, when the temperature allows for relaxed beach activities.

• Management Strategy: Accommodation providers and travel agents in these regions often flex their prices, staff levels, and promotion activities with these peaks of the season. This may also include low-season discounts to increase number of visitors.

Retail Services:

• Consumer demand surges during the festive seasons of Diwali, Dussehra, and Christmas; these are up times for retail outlets and e-commerce platforms, such as Amazon India and Flipkart. Consumer spending rises in weeks leading up to these festivals on clothing, electronics, and gift items.

• Management strategy: Retailers prepare for big sales events, stock inventory, and do concentrated marketing for such predictable demand.

2. Weekly Demand Fluctuations Food and Beverage Services:

• The restaurants, open cafeterias and food delivery services such as Swiggy and Zomato witness a higher number of footfalls over weekends and evenings, especially Friday and Saturday nights. Contrary to this, weekdays, especially Monday and Tuesday tend to be quite lean.

• Management Strategy: The restaurants ideally have a weekend special menu in contrast to mid-week discount offers.

Banking Services

• Banks in India like ICICI Bank and HDFC Bank find that on the first and last days of the month the number of customers and value of transactions go up since this is the date on which salaries are disbursed and due to the fact that a lot of utility bills are paid at month-end. Even Mondays and Fridays tend to be busier compared to middle of the weekdays.

• Management Strategy: Banks can have more staff or longer shifts on such days to cope up with the increased traffic and lower customer waiting time.

3. Daily Demand Variations Transportation Services:

• Urban transportation services, such as metro rail systems like those in Delhi, and ride-hailing apps like Ola and Uber, generally experience peak demand during the hours at which the working-class commutes to and from their workplace. During midday and late-night hours, though, demand decreases substantially.

• Management Strategy: To manage such predictable peaks, the service providers may run more metro trains during hours of peak traffic, or they may increase the price of the ride-hailing car services during the rush hours, ensuring a balance between demand and supply.

Healthcare Services

• Invariably, the outpatient services of hospitals and clinics in India always see a rush in the morning time, as patient footfall is always higher in the day. Similarly, demands on emergency service are relatively more in the late evening and night/night.

• Management Strategy: Rostering additional staff and extending consulting hours in hospitals and clinics for the said period can help in minimizing waiting time and managing the demand from patients effectively.

4. Annual or Periodic Time Patterns

Educational Services:

• The months before the board exams and competitive entrance tests (like JEE, NEET) witness a surge in demand for coaching centers and tuition services; these services are provided by institutes like BYJU'S and FIITJEE. There is peak demand from December to March when students prepare with all their might.

• Management Strategy: The educational institute may open up crash courses, extra classes, and increase faculty availability to meet the demand increase.

Taxation and Financial Services:

• Tax consultancy and financial planning services have a peak demand during the end of the financial year in India, normally from January to March. This is when individuals and businesses wrap-up structuring financial plans to complete income tax return filings and investment planning in order to reduce or save significant tax outflow.

• Management Strategy: Chartered accountants, tax consultants, and financial advisors may make their services quicker, offer longer hours, and conduct special campaigns to attract clients during this season.

5. Event-Driven Predictable Demand Fluctuations Sports and Entertainment Services:

• The Indian Premier League (IPL) creates a predicted demand shock around sports broadcasting, advertising, and hospitality services for two months, transcending the months of April and May when there is a spread of live matches across the country.

Fans view matches in stadiums, subscribe to streaming services, and participate in fantasy league games.

• Management Strategy: Service providers may increase advertising budgets, introduce special IPL packages, and ramp up service delivery to cater to the expected demand during the tournament.

This allows service organizations to be well prepared to handle demand variability, with appropriate measures in place to meet the customer's expectation in a timely and organized manner by resourcefully using resource pools. Such knowledge about the trends helps service organizations from India contribute toward the designing of its offers in sync with the peak demand period, price them in an effective manner, and market them with vigor.

B. Random demand fluctuations in services refer to unpredictable and irregular changes in customer demand that do not follow a consistent pattern. These fluctuations can occur due to unforeseen events, sudden changes in external conditions, or random spikes in customer needs. Such variability poses challenges for service providers, as it can disrupt planning and resource allocation.

Some examples of random demand fluctuations in the Indian service sector for your better understanding is discussed below.

1.   Healthcare Services

Example: During the COVID-19 pandemic, hospitals and healthcare providers in India, such as AIIMS (All India Institute of Medical Sciences) and private hospitals like Apollo, experienced sudden and unpredictable surges in demand for medical services. The demand for hospital beds, ventilators, and ICU services skyrocketed unpredictably, overwhelming the healthcare system at different times.

Implications: This kind of random fluctuation forced hospitals to quickly scale up their operations, convert general wards into COVID wards, and even set up temporary facilities to manage the influx of patients. It also created a strain on medical supplies, staff, and infrastructure.

2.   Transportation Services

Example: In cities like Mumbai and Chennai, sudden heavy rains or unexpected weather events can cause a sharp, unpredictable increase in demand for transportation services such as taxis, auto-rickshaws, and ride-hailing apps like Ola and Uber. During such events, public transportation may be disrupted, leading to a surge in demand for alternative modes of transport.

Implications: Ride-hailing platforms often respond with surge pricing to manage the increased demand, but this can lead to customer dissatisfaction. Additionally, the availability of vehicles may become limited, resulting in longer waiting times and increased traffic congestion.

3.   Event Management Services

Example: A political rally or protest in cities like Delhi or Kolkata can lead to an unexpected spike in demand for event management services, including stage setup, sound systems, and crowd management. These events are often organized at short notice, leading to random demand fluctuations in related services.

Implications: Event management companies may struggle to mobilize resources on short notice, leading to logistical challenges and potential service delays. They must be agile and have contingency plans to meet such sudden demands.

4.   Telecommunications Services

Example: A viral online event, such as a major cricket match or a popular online gaming tournament, can lead to random spikes in demand for internet and data services across India. During the IPL final, for instance, telecom companies like Jio and Airtel might experience a sudden surge in data usage as millions of people stream the match simultaneously.

Implications: Telecom providers must ensure that their networks can handle these random spikes in usage without degradation in service quality. Failure to do so can lead to slow internet speeds, dropped connections, and customer dissatisfaction.

5.   Retail and E-commerce Services

Example: A sudden, unexpected endorsement by a celebrity or influencer on social media can lead to a random surge in demand for a particular product or service. For instance, if a Bollywood star unexpectedly praises a new fashion brand on Instagram, the brand's website might experience a sudden spike in traffic and orders.

Implications: The e-commerce platform may struggle with website crashes, stockouts, and delays in delivery due to the unanticipated surge in orders. This requires the company to have robust IT infrastructure and a flexible supply chain to respond to such random demand.

6.   Emergency Services

Example: Natural disasters like earthquakes, floods, or cyclones in India, such as those frequently occurring in regions like Assam or Kerala, create random and unpredictable spikes in demand for emergency services. These can include the need for rescue operations, medical assistance, and temporary shelters.

Implications: Emergency services, including disaster response teams and NGOs, must be prepared to respond rapidly to these fluctuations. This often requires mobilizing additional resources, coordinating with multiple agencies, and ensuring the availability of supplies and personnel on short notice.

7.   Hospitality Services

Example: During a sudden influx of tourists due to a popular event or festival (like the Kumbh Mela), hotels and restaurants in cities like Allahabad or Varanasi might experience a random spike in demand. This could happen even during an otherwise off-peak season.

Implications: Hotels and restaurants may find themselves fully booked with little warning, leading to challenges in maintaining service quality and meeting customer expectations. They may need to temporarily increase staffing levels, stock up on supplies, and implement quick service adjustments.

Random demand fluctuations present significant challenges for service providers, requiring them to be flexible, responsive, and prepared for the unexpected. In the Indian context, these fluctuations can be driven by a wide range of factors, from natural disasters to viral trends. Service providers need to have contingency plans, robust infrastructure, and agile operations to manage these unpredictable changes in demand effectively.

2.4   STRATEGIES TO MATCH CAPACITY AND DEMAND

Matching capacity with demand is a critical challenge in service industries. It involves balancing the resources available (capacity) with customer needs and wants (demand). Here are some key strategies broadly categorized into two as :

1. Change demand to fit supply (capacity) – Marketing mix strategies

2. Change supply (capacity) to fit demand – Input scheduling strategies

2.4.1.   Change demand to fit supply (capacity) – Marketing mix strategies

When service capacity exceeds demand, businesses often employ marketing strategies to stimulate demand and align it with available resources. This approach is known as "changing demand to fit supply."

Marketing Mix Strategies

The marketing mix (4Ps) can be effectively utilized to influence demand:

1. Product as Differentiated Services

Offering differentiated services can help manage demand by attracting different customer segments at different times. This may include offering premium services during peak periods and basic services during off-peak periods.

Example:

Telecom Services: Telecom companies like Jio and Airtel offer differentiated data plans. They might provide high-speed data at premium prices during peak usage hours and more affordable, limited-speed plans during off-peak hours. This helps manage network load and meets the needs of different customer segments.

Restaurants: High-end restaurants in cities like Mumbai and Delhi may offer special lunch menus at lower prices to attract customers during typically slower midday periods, reserving the full-priced, à la carte menu for dinner service when demand is higher.

2. Pricing

This strategy involves adjusting prices based on demand levels. Higher prices are charged during peak demand periods, while discounts are offered during low- demand periods.

Example:

Airlines: Indian carriers like IndiGo and Air India use dynamic pricing models where ticket prices fluctuate based on demand. During peak travel seasons, such as holidays or festivals, ticket prices increase. Conversely, airlines offer discounts for advance bookings or during off-peak periods.

Hotels: Hotels in tourist destinations like Goa or Jaipur employ yield management by raising room rates during peak tourist seasons (e.g., winter in Goa) and offering discounted rates during the off-season.

3.   Promotions

Offering promotions and discounts during off-peak times can help stimulate demand during periods when capacity is underutilized.

Example:

Cinemas: Multiplex chains like PVR and INOX offer "morning shows" at discounted rates to attract moviegoers during typically slow hours. They also run promotions like "Buy One, Get One Free" on weekdays to increase attendance.

Retail: Retail stores and shopping malls often run mid-week or end-of-season sales to boost footfall during otherwise slow periods, ensuring that staff and store resources are fully utilized.

4.   Place (Distribution)

Service location: Adjusting the location of service delivery can influence demand.

Example: Mobile food trucks or pop-up shops can be deployed in areas with high foot traffic during specific times of the day.

2.4.2   Change Supply (Capacity) to Fit Demand: Input Scheduling Strategies

When demand fluctuates, adjusting the supply or capacity to match it becomes essential. Input scheduling strategies focus on managing the resources (inputs) to align with demand.

1.   Adjusting Service Capacity

Service organizations can adjust their capacity by hiring temporary staff, extending working hours, or utilizing flexible resources to meet fluctuating demand.

Example:

Retail Industry: During major sales events like the Diwali or Amazon's Great Indian Festival, e-commerce companies like Amazon India and Flipkart increase their warehouse workforce by hiring temporary staff to manage the surge in orders. They also extend delivery hours and partner with additional logistics providers.

Food Delivery: Food delivery platforms like Swiggy and Zomato onboard additional delivery partners during weekends and festivals when order volumes spike. They also offer surge pricing to incentivize delivery partners to work during high-demand periods.

2.   Scheduling

Implementing reservation systems allows customers to book services in advance, helping organizations manage demand more effectively by scheduling capacity to match expected demand.

Example:

Healthcare: Many hospitals and clinics in India, like Fortis and Apollo Hospitals, use appointment systems to manage patient flow. By scheduling patient visits, they can avoid overcrowding and ensure that resources like doctors and diagnostic equipment are optimally utilized.

Travel: Indian Railways uses an extensive reservation system to manage the demand for train travel. Passengers book tickets in advance, allowing the railways to plan the deployment of additional coaches or special trains during periods of high demand.

3.   Part-Time Employees and Outsourcing

Hiring part-time employees or outsourcing certain functions can provide flexibility in managing demand fluctuations without committing to full-time staffing.

Example:

Event Management: During the wedding season, event management companies in India often hire part-time workers to handle the increased workload. They might also outsource specific tasks like catering, décor, or audiovisual services to specialist vendors.

IT Services: Indian IT firms like TCS and Infosys sometimes outsource non-core functions, such as customer support or back-office operations, during peak project periods to external vendors, allowing them to focus on core service delivery.

4.   Cross-Training Employees

Cross-training employees to perform multiple roles allows a service organization to deploy staff flexibly, depending on where demand is highest at any given time.

Example:

Hospitality: In Indian hotels, staff may be trained to handle multiple roles, such as front desk operations, concierge services, and event coordination. During peak times, employees can be shifted to areas with the highest demand, ensuring that service levels are maintained.

Retail: Employees in large retail chains like Shoppers Stop or Reliance Retail are often cross-trained to handle different sections (e.g., billing, customer service, stocking). This flexibility allows stores to adjust staffing levels dynamically based on customer footfall.

These strategies are essential for service organizations in India to efficiently balance capacity with demand, ensuring optimal resource utilization, maintaining service quality, and maximizing customer satisfaction. By anticipating demand variations and preparing with appropriate strategies, businesses can operate more smoothly and profitably, even in a market as diverse and dynamic as India.

2.5   YIELD MANAGEMENT

Yield management, also known as revenue management, is a pricing strategy most often applied in service industries where transactions initiate at a basic or regular price but end up maximized or optimized through initiated price changes that depend upon fixed or fluctuating demand. The theory applies the process of selling the correct service to the correct customer at the right time and price in order to maximize revenue from available capacity. It works best in cases where services are perishable, for example, hotel rooms and airline seats, and demand varies significantly.

Key Concepts of Yield Management:

• Segmentation: Divide the customers into different segments based on their willingness to pay.

• Demand Forecasting: Predicting what the future demand will be in view of the historical data, trends, and elements that are out.

• Dynamic Pricing: Prices change in real-time according to variations in supply and demand.

• Capacity management: The provision of ensuring available capacity is utilized at its best, for example, seats and rooms.

Yield Management Calculation

The basic formula for calculating yield is:

Yield = (Actual Revenue / Potential Revenue) x 100

Actual Revenue: The total revenue generated from selling the service.

Potential Revenue: The maximum revenue that could have been generated if all units were sold at the highest possible price.

For example, if a hotel has 100 rooms priced at 5000 INR per night and sells 80 rooms at an average rate of 4000 INR, the yield would be:

Yield = (80 rooms * Rs. 4000 / 100 rooms * Rs. 5000) x 100 = 64% A higher yield percentage indicates better revenue management.

Yield Management Methods

- Demand Forecasting: Accurately predicting demand patterns to optimize pricing and inventory levels.
- Customer Segmentation: Identifying different customer segments with varying price sensitivities.
- Inventory Control: Managing the availability of services and products to maximize revenue.
- Pricing Optimization: Dynamically adjusting prices based on demand, competition, and other factors.
- Overbooking: Carefully managing overbooking levels to maximize occupancy while minimizing the risk of overbooking.

Challenges in Yield Management

- Accurate Demand Forecasting: Predicting demand with precision is challenging due to various factors influencing customer behavior.
- Customer Perception: Price discrimination can negatively impact customer perception if not managed carefully.
- Competition: Competitors' pricing strategies can influence demand and revenue.

By effectively implementing yield management strategies, service businesses can significantly improve their revenue performance and profitability.

2.6   MANAGING CUSTOMER WAITING

Managing customer waiting in services is crucial because long or poorly managed wait times can lead to dissatisfaction, negative perceptions of service quality, and a loss of business. Different strategies can be employed to minimize the negative impact of waiting on customers. Here are several strategies to manage customer waiting effectively:

1.   Reducing Actual Waiting Time

Increase Service Capacity:

Adding more staff or resources during peak times can reduce the actual wait time.

Example: In a busy bank branch, hiring additional tellers during peak hours (e.g., lunch breaks) can help process transactions faster, reducing customer waiting time.

Use of Technology:

Implementing technology to automate or speed up service processes can significantly cut down wait times.

Example: Fast-food chains like McDonald's in India use self-order kiosks and mobile apps for placing orders, which reduces the time customers spend in line.

Pre-Processing or Pre-Registration:

Allow customers to complete part of the service process before arriving, which reduces the time needed on-site.

Example: Healthcare providers like Apollo Hospitals offer online registration and appointment booking, so patients spend less time waiting when they arrive for their consultation.

2.   Managing Perceived Waiting Time

Provide Waiting Time Estimates:

Informing customers about expected wait times helps manage their expectations and reduces anxiety.

Example: When booking a ride on Ola or Uber, the app provides an estimated arrival time for the cab, helping users know how long they will have to wait.

Engage Customers During the Wait:

Providing entertainment, information, or activities can make the wait feel shorter.

Example: In India, many high-end salons and spas offer magazines, complimentary beverages, or free Wi-Fi to keep customers occupied while they wait for their appointment.

Comfortable Waiting Areas:

Creating a pleasant and comfortable waiting environment can improve the customer's experience and reduce the perceived waiting time.

Example: Many modern hospitals, like Fortis and Max Healthcare, provide comfortable seating, TV screens, and even play areas for children in their waiting rooms to enhance patient comfort.

Diversionary Tactics:

Distracting customers with something interesting or engaging can make them less aware of the time passing.

Example: Retail stores like Lifestyle or Shoppers Stop may use digital screens displaying fashion shows, product advertisements, or store offers near checkout areas to keep customers engaged.
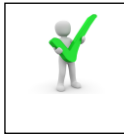
Check Your Progress-A

Q1. State the concept of yield management?

Q2. Explain the strategies for managing customer waiting?

Q3. MCQs

1. Which strategies would you recommend to manage demand when it is too high?
a) offers discounts
b) bring the service to the customers
c) offer incentive for usage during non-peak times
d) all of the above

2. Providing separate check-in lines for first class passengers by an airline is an example of differentiating waiting customers on the basis of
a) urgency of the job
b) payment of premium price
c) duration of service transaction
d) none of the above

2.7   MANAGING OF DEMAND AND WAITING

Managing demand and waiting lines in service industries is a critical aspect of service management, as long wait times can lead to customer dissatisfaction and lost business. Effective management of waiting lines (or queues) requires strategies that address both the actual wait time and the customer's perception of that wait. Below are key concepts and strategies for managing demand and waiting lines in services:

A. Adjusting Service Capacity Staffing Adjustments:

Increase or decrease staff based on expected demand to reduce waiting times.

Example: In busy restaurants, additional staff can be scheduled during peak dining hours, such as lunch and dinner times, to ensure quicker service and reduce waiting lines.

Cross-Training Employees:

Employees are trained to perform multiple roles, allowing the organization to adjust staff to where they are needed most.

Example: Retail stores like Shoppers Stop might train employees to handle both cash register duties and customer service, allowing them to switch roles based on demand.

Flexible Work Hours:

Offering employees flexible work hours can help match capacity with varying demand throughout the day.

Example: Hospitals may use flexible scheduling for nurses and doctors to ensure enough staff during peak patient times.

B. Demand Management

Appointment and Reservation Systems:

Using an appointment or reservation system can help spread demand over time and reduce peak period waiting.

Example: Salons like Lakme and Naturals in India use an appointment system to manage customer flow, ensuring that customers don't have to wait long for their service.

Incentives for Off-Peak Usage:

Offering discounts or promotions during off-peak hours can help shift demand away from peak periods.

Example: Cinemas might offer discounted ticket prices for morning or early afternoon shows to encourage more customers to visit during these typically less busy times.

Dynamic Pricing (Yield Management):

Adjusting prices based on demand can help manage customer flow and reduce congestion during peak times.

Example: Airlines like IndiGo or SpiceJet increase prices during holiday seasons when demand is high and offer discounts during off-peak periods to manage demand and reduce overbooking.

C. Queue Management Techniques Single vs. Multiple Queues:

Single Queue: A single line feeds into multiple service points (e.g., bank tellers), which is generally perceived as fairer and can reduce anxiety because customers feel the wait is distributed evenly.

Multiple Queues: Separate lines for each service point (e.g., grocery store checkouts), which can create a sense of competition but may be faster if managed well.

Virtual Queuing:

Customers wait in a virtual queue instead of physically standing in line. They are notified when it's their turn.

Example: Some hospitals and clinics in India use SMS-based systems to notify patients when it's time for their appointment, allowing them to wait elsewhere instead of in the waiting room.

Priority Queuing:

Offering priority queues for certain customer segments (e.g., premium customers, elderly, or those with special needs) can help manage waiting times more effectively.

Example: Airports often have separate check-in lines for business class passengers, which reduces wait times for those customers and enhances their experience.

D. Customer Experience Management Provide Information and Updates:

Keeping customers informed about expected wait times and the reasons for delays can help manage their expectations and reduce frustration.

Example: Restaurants like Domino's in India provide real-time updates on order status via their app, allowing customers to track when their food will be delivered.

Enhance the Waiting Environment:

Improving the physical environment where customers wait can make the wait feel shorter.

Example: High-end restaurants might offer a comfortable seating area with magazines, drinks, and snacks to make the waiting experience more pleasant.

Entertainment and Distractions:

Providing entertainment or distractions can reduce the perceived waiting time.

Example: Amusement parks like Wonderla in Bangalore often have interactive displays or entertainment options in waiting areas to keep visitors engaged while they wait for rides.

E.   Technology Integration Self-Service Options:

Providing self-service options can reduce the number of customers needing assistance, thereby shortening waiting lines.

Example: Many Indian banks, such as HDFC and ICICI, offer self-service kiosks for basic transactions like passbook updates and cash deposits, reducing the need to wait in line for a teller.

Mobile Apps and Online Check-Ins:

Customers can use mobile apps to check in, make reservations, or schedule appointments, reducing the time spent waiting on-site.

Example: Healthcare apps like Practo in India allow patients to book appointments with doctors, reducing the waiting time at the clinic.

Effective management of demand and waiting lines in service organizations is essential for enhancing customer satisfaction and operational efficiency. By strategically adjusting capacity, managing demand, optimizing queue systems, improving the waiting experience, and integrating technology, service providers can minimize the negative impact of waiting and ensure a positive customer experience. These strategies are particularly relevant in the Indian context, where service demand can vary significantly due to factors like cultural events, festivals, and economic conditions.

2.8   SUMMARY

This unit addresses the challenges related to managing demand and capacity in service organizations. Given that services are perishable, fluctuations in demand pose significant challenges for service marketers. A service organization with fixed capacity may encounter four distinct scenarios: excess demand, demand exceeding optimal capacity, balanced demand and supply at optimal capacity, and excess capacity. The first step in developing strategies to align demand and capacity is to analyze demand patterns and identify their underlying causes. Strategies for matching demand and capacity can be categorized into two main approaches: altering demand to fit supply and adjusting supply to meet demand. These strategies are discussed in detail in this unit. Additionally, the yield management technique for profitably managing demand and capacity is explained. Despite having strategies to balance demand and capacity, customer waiting is often unavoidable in many service industries. Service waits can be managed through operations management and perception management. This unit provides suggestions for better managing waiting lines.

2.9 GLOSSARY

Demand patterns refer to fluctuations or changes that customer demand experiences over time.

Demand Segmentation: Dividing the customer base into distinct groups with similar demand characteristics.

Peak Demand: Periods of exceptionally high demand that can strain resources.

Off-peak Demand: Periods of lower demand that can be leveraged for cost optimization.

Capacity Planning: Determining the optimal level of resources needed to meet demand.

Yield Management: Maximizing revenue by adjusting prices based on demand levels.

2.10 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress   A

Q3   1c   2b

2.11 REFERENCES

- Services Marketing: Integrating Customer Focus Across the Firm by Valarie Zeithaml, Mary Jo Bitner, and Dwayne Gremler
- Services Marketing: People, Technology, Strategy" by Christopher Lovelock and Jochen Wirtz Marketing of Services by Vinnie Jauhari and Kirti Dutta
- Services Marketing by Christopher Lovelock and Jochen Wirtz

2.12 SUGGESTED READINGS

Suggested to read news reports, and industry analysis, sources like The Economic Times, Mint, and Business Standard often provide insights into current trends and challenges in the Indian service industry. Additionally, reports from organizations like NASSCOM and FICCI offer data and analysis on service sector performance in India.

2.13 TERMINAL QUESTIONS

1. Explain the significance of determining the demand patterns. With the help of an any example of service organization of your choice describe its demand patterns.
2. Illustrate the strategies for matching supply and demand.
3. Explain the term 'Yield Management'. Discuss the yield management method and challenges faced in implications.
4. Develop a waiting line strategy for the organization you are familiar with, where customers have to wait in line for service.

2.14 CASE LETS/CASES

Dr. Nisha Patel runs a busy, small healthcare clinic in Pune, India. Her vast practice has, among other areas, specializations in general health consultations and minor procedures. Over time, the clinic built its reputation on quality care at affordable prices and received a consequent inflow of patients.

More and more people began to visit the clinic for consultations as the time went on. Dr. Patel then felt that the numbers visiting the clinics were huge, more particularly during the morning and evening. This resulted in a massive overcrowding of the place during peak hours, resulting in long waiting hours. This resulted in dissatisfaction among the people and thus pressurized the working of the clinic due to strain on resources, including staff members who were getting overworked. In contrast, the afternoons in the clinic were relatively light, which made it underutilized during those periods. Dr. Patel was worried that this uneven demand may be affecting the quality of care and hence the overall experience of the patients. To handle the fluctuating demand, dr. Patel was considering the following options: Appointment-based system:

Dr. Patel pondered whether moving to a more rigid appointment-based system—in which patients would be incentivized to make appointments during the slow times by offering

discounts or shorter waits—would help, but she was afraid of turning away walk-in patients who represented a large part of her business.

Longer clinic hours:

Another option was to extend the hours into late evenings, which would accommodate all the patients that were unavailable during regular hours. This, however, would call for extra staff to be brought in, causing operational costs to rise.

Telemedicine services:

Knowing very well that digital health services are increasing, it came to mind for dr. Patel to offer telemedicine consultations during peak hours. It would not only reduce the burden of in- person visits to the clinics or hospitals but also give an opportunity for patients with lesser critical needs for consultation to be attended to from the comfort of their homes. She, however, was concerned whether her mainly middle-class patient clientele would be comfortable with or have access to the right technology.

Demand management through technology:

A mobile application allowing patients to view wait times in real-time and then notifying them when their turn had come could be implemented to modulate the patient flow more effectively. Again, this app could be used to book appointments during less busy periods.

QUESTIONS

1. What are the potential advantages and disadvantages of each of these solutions proposed above in the Indian context?

2. How can Dr. Patel balance satisfaction of his patients against operational efficiency?

3. What other demand management strategies might Dr. Patel want to implement in order to reduce demand without compromising quality?

4. How would cultural factors among Dr. Patel's patients affect the acceptance and effectiveness of the proposed solutions?

UNIT 3 DIFFERENT ASPECTS OF YIELD MANAGEMENT

3.1 Introduction

3.2 Objectives

3.3 Concept and Evolution of Yield Management

3.4 Importance of Yield Management

3.5 Objective of Yield Management

3.6 Components of Yield Management

3.7 Role of technology in Yield Management

3.8 Application of Yield Management

3.9 Challenges and Issues in Implementing Yield Management

3.10 Summary

3.11 Glossary

3.12 Reference/ Bibliography

3.13 Suggested Readings

3.14 Terminal & Model Questions

3.1 INTRODUCTION

In the previous units we have discussed about the concept of service marketing and the characteristics of services that make them different from goods. Services are perishable in nature. They cannot be stored. If the service is not consumed at the right time, then its value is lost. Yield Management, also known as revenue management is a strategic tool used in service marketing that enables the service marketers to sell the right product to the right consumer at the right time, thus creating a balance between supply and demand. The goal of yield management is to make sure that best possible financial returns can be gained from the available capacity.

Yield= AR/PR

Where,

AR- Actual Revenue

PR- Potential Revenue

AR= Actual capacity used * Average Actual price

PR= Total capacity * Maximum price

This equation indicates that yield is a function of the capacity used and price. Equipment, labor and other facilities can cause constraints in capacity. Therefore, the extent to which an organization's capacities or resources can achieve their full potential in revenue generation is called yield. This unit will focus on the concept of yield management and its techniques and implications.

3.2 OBJECTIVES

This unit's objectives are to:

- Develop an understanding about the concept of yield management
- Enlighten about the various aspects of yield management and its components
- Explain the various techniques of yield management
- Understand the challenges and issues involved in implementing the practices of yield management.
- Provide an insight on the application of yield management in service industry
- To get an insight into the role of technology in implementing yield management.

3.3 CONCEPT AND EVOLUTION OF YIELD MANAGEMENT

There has been a paradigm shift in the service industry due to the deregulation in the environment and this has changed the way companies are operating. Service organizations are facing this challenge due to the perishable nature of the services eg. unsold hotel room, unsold tickets and unsold seats. These offerings if not used or consumed at the right time might lose value and thus affect the revenue of the organization. It is very essential that these limited capacities that are perishable in nature must be managed in a way that they generate optimum revenue for the organization. These limited capacities must be sold at the right time to the right customer at the right price. Here comes the role of Yield Management, often referred to as Revenue Management in the service industry.

To use yield management effectively certain prerequisites, need to be fulfilled. This will be beneficial in increasing the bottom-line profitability of the organization. These prerequisites are mentioned below:

- There should be availability of fixed number of capacities (resources) or inventory for sale. Adding or removing inventory in a short time must be difficult and impractical.

- The inventory available for sale must be perishable in nature. They must be used in the due time otherwise they will lose value and they cannot be stored or used later.

- The demand for the inventory must be fluctuated and unpredictable.

- The price that the customers are willing to pay for the inventory must be different. That means that for the same service offering different customers should be willing to pay different price.

Let us take the example of Hotel Industry and understand the concept of yield management.

For any hotel the goal of effective yield management is to gain maximum revenue by creating a balance between supply and demand. For hotels supply refers to the available rooms and demand refers to the bookings by customers. It is very essential for hotels to anticipate the behaviour of the customers and the market so that they can align and optimise their pricing strategies in order to use the supply in full potential in coordination with the demand and also generate revenue.

Let us say there is a hotel with 50 rooms and the maximum room tariff is Rs 1500 per night.

Potential revenue= 1500 * 50= Rs 75000 per night

Situation 1- If the hotel rents out all the rooms at a discounted tariff of Rs. 1000 per night.

The total yield/ revenue = 1000*50= Rs. 50000

This is **66.6%.** At this rate the hotel is not getting a very good yield but is able to utilize the capacity to the maximum.

Situation 2- If the hotel charges full tariff but is not able to rent out all the rooms. It rents out only 50% of the rooms. Then the yield / revenue can be calculated as below:

Yield = 1500*25= Rs. 37500

This amounts to **50%.** Here the hotel has maximized the price but could not use the resource to the full potential.

Situation 3- Let us assume that the hotel rents out 25 rooms at full tariff ie Rs 1500 and the remaining 25 rooms at a discounted tariff of Rs. 1000. Then the yield/ revenue will be:

Yield = (25*1500) + (25* 1000) = Rs. 37500 + Rs. 25000= Rs. 62600

This amounts to **83.3%.**

It can be concluded that out of all the three situations the last one seems the most profitable for the hotel. Here the hotel has taken into account price flexibility for different resources (rooms) and is able to generate maximum revenue.

Evolution of Yield Management

The roots of yield management trace back to 1970's. The deregulation in the American aviation industry caused a boom in yield management. Under this deregulation the American aviation industry gave airlines a monopoly to set their own fares. This caused a lot of challenges as the airlines had to manage their limited seat capacity and at the same time also ensure that the revenue is maximized. The competition accelerated due to this. To combat this issue American airlines took help of yield management. This helped them in maximizing their revenue while dealing with the issue of limited seat capacity. Flexible pricing strategies were used to cater to different customers/ segments. The limited capacity was used in the most profitable manner by giving discounts and offers on early booking and pricing the tickets at a higher price for last minute bookings.

The airline industry pioneered yield management and this success also attracted other industries that dealt with perishable products with variable demand. Gradually with the evolution of information technology, implementation of yield management practices became more better as information technology enabled the service organizations to predict demand more accurately and also implement the pricing strategies more effectively. Also, these technological advancements have enabled the organizations to reach more people and deliver more customized offerings.

In the current scenario yield management has become one of the most important factors that is leading to the success of the service organizations. It has become an important strategic tool for organizations to maximize their revenue and survive in the competitive scenario.

Check Your Progress-A

Q1. What do you understand by Yield Management?

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Q2. Mention the prerequisites for implementing yield management.

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Q3. What do you understand by Actual Revenue and Potential Revenue?

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3.4 IMPORTANCE OF YIELD MANAGEMENT

Considering the involvement of yield management in success of businesses it is essential to understand the reasons that have led to this. The following are the importance of yield management:

1. **Improved forecasting**- Implementation of yield management enables the organizations to predict the future demand for a given period of time by analysing the market trends and data. This enables them to prepare the supply in alignment with the demand. The capacities/ resources can be optimized to adjust to the future demands.

2. **Maximizing Revenue**- Yield management caters to the need of selling the right resource to the right customer at the right time and price. By adjusting the prices as per different factors influencing the demand the revenue can be maximized. This is very beneficial in revenue maximization for the hotel industry, aviation industry etc.

3. **Optimizing the use of capacity/ resource**- Yield management helps to create a balance between the available resources and the demand ensuring that the capacities can be used with flexible pricing strategies, ensuring a consistent and profitable revenue system. Proper prediction of demand leads to proper resource allocation.

4. **Improved seasonal pricing and inventory management**- In case of services that are seasonal in nature yield management helps in adjusting the price of the offering as per the fluctuating demand ensuring profit maximization for the organizations.

5. **Identification of new market segments**- the service industry gets affected by ample external factors that pose threat to them. Yield management enables the organization to be alert and flexible to adapt to the dynamic market conditions. It also opens up the new avenues to enter into new market segments by being more proactive and making the offering more personalized in terms of price.

6. **Competitive Advantage**- Implementation of yield management can help the organizations to have a competitive edge as it offers optimized pricing and better customer experience and satisfaction.

3.5 OBJECTIVES OF YIELD MANAGEMENT

There has been a paradigm shift in the service industry due to the deregulation in the environment and this has changed the way companies are operating. Service organizations are facing this challenge due to the perishable nature of the services eg. unsold hotel room, unsold tickets and unsold seats. The roots of yield management trace back to 1970's. The deregulation in the American aviation industry caused a boom in yield management. Under this deregulation the American aviation industry gave airlines a monopoly to set their own fares. Yield management involves making decisions that lead to when, how and under what conditions the capacities must be made available to the customers. It also enables the organizations to adjust the price of the offering as per the fluctuating demand. The major objective of yield management is to strike a balance between supply and demand. It helps the organizations to implement a tight control over the inventory so that the efficiency can be increased. It also enables the organizations that are dealing with perishable offerings to make dynamic pricing strategies to deal with fluctuating demands and enables them to remain competitive while optimizing profitability. It also helps the organizations to adapt new and innovative strategies to deal with such fluctuations in demand. By the use of effective yield management practices, the organizations can also enhance customer loyalty and retention as it offers value-based pricing to the different segments/ customers.

3.6 COMPONENTS OF YIELD MANAGEMENT

Yield Management of Revenue Management encompasses a lot of components that enables it to maximize business performance by effectively managing supply and demand. Yield Management is an approach that help the service organizations with perishable inventory to se effectively sell their offering to the right person at the right time and ensure that the offering has been sold at the right price.

Demand Forecasting	Capacity Management/ Overbooking	Segmentation	Dynamic Pricing	Competition and Market Analysis
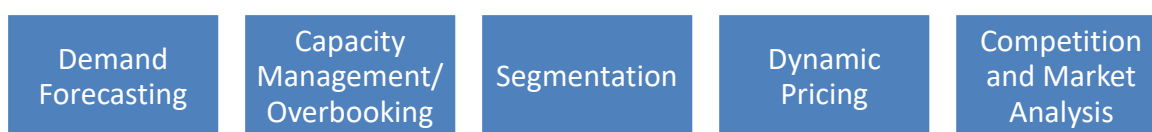
Fig- Components of Yield Management

- **Demand Forecasting**- Demand forecasting is a very important technique used in yield management in order to predict the future demand of the inventory. It enables the organization to plan effectively, allocate the resources and most importantly adjust the pricing of the inventory. Accuracy of demand forecasting is very crucial as it helps to optimize the inventory and enables the organization to provide the customers an enhanced service experience. It reduces wastage of inventory and in case of service industry where the inventory is perishable in

nature it ensures that the revenue is not lost due to unsold inventory. For service industry accurate demand forecasting is the heart of the operations.

- **Capacity Management**- Capacity management strategies enable the organization to balance the inventory efficiently. The main aim of capacity management is to ensure that the supply meets the demand. In service industry the demand is very fluctuating, therefore it becomes very difficult to manage the inventory. Many industries use overbooking as a strategy to manage capacity. Overbooking is done on purpose by the organizations for selling more that the available inventory. This is done so that the issues related to cancellations, no shows etc can be resolve. Overbooking is a very important tool and can not be done on guess work Overbooking decisions are made by carefully assessing a lot of factors like the past trends, major events happing in the area, festivals etc. In case of any cancellations and no shows the inventory can be sold to the customers in the waitlist. This enables the organizations to create a balance between demand and supply and maximized their revenue.

- **Segmentation-** Segmentation is the process of dividing the customers on the basis of their need and wants into homogeneous groups. In case of service industry this basis can be demographics, booking patterns, usage patterns etc. the main of segmentation in yield management is to understand what the customers want and what price are they ready to pay for the offering. It has been seen that different customers are willing to pay different prices for the same inventory. Creating pricing strategies that are segment specific enables the organizations to maximize their revenue. The premium customers are charged higher prices and for the price sensitive customers the rates are decided accordingly. This helps in enhancing overall guest experience and promotes satisfaction and loyalty of the customers. Proper use of technology can also help in creating better segment and also CRM can be used streamline the customer data and implement yield management more effectively.

- **Dynamic Pricing-** Dynamic pricing strategies have been very beneficial for service industry. It allows them to optimize inventory and maximize revenue. Dynamic pricing is also known as demand-based pricing. Under this strategy the price of a product is adjusted in real time. A lot of factors are taken under consideration in adjusting the price of the product. These factors include demand of the product, competition, market trends etc. the main aim of dynamic pricing is to ensure maximum profit for the organization. This pricing strategy also helps in managing the demand fluctuations. During the high demand times, the customer's willingness to pay high prices can be leveraged. Similarly, during off season, the inventory can be sold at discounted rates. Dynamic pricing strategies also influence the perception of the customers. Changes in price changes the expectations of the customers in terms of value provided by the product. Using dynamic pricing also stimulated demand. At times the customers buys a product just because of the discount or lower price even if they would not have any need

for the product at that time. This strategy also enables the purchasing decisions to be made more quickly by the customers.

- **Competition and Market Analysis-** Pricing strategies are often influenced by competition and the market trends. Also, it is essential to understand the latest market trends in order to customize the inventory as per the customers and attract more customers. Proper market analysis helps the organization to get insights on the behavior of the customers and understand the latest trends. This helps the organizations to forecast demand and allocate the resource in a better manner. Gaining proper knowledge of the market helps the organizations to make more informed and accurate pricing and inventory decisions.

Check Your Progress-B

Q1. How does yield management help in maximizing revenue?

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Q2. What do you understand by capacity management?

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Q3. Why is segmentation of customers important in implementing yield management?

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3.7 ROLE OF TECHNOLOGY IN YIELD MANAGEMENT

The technological advancement has bought about a revolution in the way companies and conducting their operations. The facilitating role of technology in the growth and success of organizations is very evident. Yield Management has also benefitted from this as by the use of technology price optimization, demand forecasting, inventory allocation and customization have become more accurate and efficient. By the use of technology, the decision making has become quicker and more accurate. With the use of advanced

software tools traditional yield management techniques are being made more effective and aligned with the current scenario thus, increasing their predictive capabilities.

The following are the ways in which technology has transformed the yield management system:

1- **Data Driven Insights**- Yield management to a great extent depends on the data. It is very essential that this data is provided at the right time to ensure that proper softwares can be used to analyse this data in order to make informed and accurate decisions. It si this data that provides information related to the behavior of the customers and historical data that are essential in predicting the future demand. The use of technology has given companies access to a YMS that provides valuable insights for making decisions related to inventory management and price adjustments. Also, with the advent of Artificial Intelligence (AI), challenges like maximizing occupancy and dynamic pricing have been resolved.

2- **Demand Forecasting and Dynamic Pricing**- Machine Learning and AI have made it very easy to accurately predict future demand by analysing data. A lot of predictive analysis softwares are also being used to adjust the price of the inventory. These tools van forecast future events that might have effect on the demand of the product in future. This helps the organizations to become proactive in arranging the inventory and make strategies accordingly. Technology has also enabled companies to adjust prices in real-time based on the available inventory levels, demand and changing market conditions.

3- **Revenue Management System (RMS)-** Revenue Management system automates the various aspects of revenue management and enables the organizations to monitor and adjust the inventory booking and pricing in real time. Earlier all this calculation was done manually which took a lot of time and was costly. Also, the use of softwares makes the decisions more accurate. This simplifies the tasks and enables the organizations to focus on expansion and other strategic decisions.

4- **Capacity Optimization**- As the inventory is perishable, and its value is lost if not consumed during a specified time, technology helps to optimize the capacity by suggesting suitable adjustments like overbooking, discounts, CTA, CTD etc depending on the demand of the inventory.

5- **Segmentation and Customization**- Customer Relationship Management Systems gives companies access to customer data that can be used to get insights on customer behaver and thus results in effective segmentation. Segmentation can help companies to customize the inventory as per the needs of the customers in terms of pricing and preferences. This results in optimizing the revenue.

Technology has changed the way companies approach yield management. This allows for more accurate and effective strategies that can significantly improve sales performance. However, it is important to remember that technology is just a tool. Successful yield management also requires a deep understanding of the market and a strategic approach to pricing, inventory management and customer service.

3.8 APPLICATION OF YIELD MANAGEMENT

This section of this unit deals with the application of yield management across various industries that deal with perishable offering and have fluctuating demand.

- **Yield Management in Hotel Industry**

Hotel industry is one in which the capacity is limited as the number of rooms to be rented are fixed. This limited room inventory cannot be changed in short term or as per the requirement of the customers. The offering ie the rooms are perishable in nature. If the rooms are not rented out today then they cannot be saved for tomorrow. "A Monday room is not a Tuesday Room". Therefore, in the hotel industry yield management has the following objectives to be catered to like: Maximize the yield with minimum revenue lost. Control the available limited capacity (rooms) as per the expected customer requests or bookings. Minimize revenue loss caused due to cancellations, early departures or specific demands etc.

Given this information various yield management techniques can be implemented. The techniques are as mentioned below:

- **Customer segmentation**- It is very essential to take into account that different customers are willing to pay different price for the rooms. It has to identified how these customers have to segmented as per their requirements and the booking patterns. Transient travellers travel alone and book the rooms at Best Available Rates. The second group comprises of group travellers. They book the rooms in advance and in pre- negotiated or discounted rates. The corporate travellers also book the rates in pre negotiated rated via their organization. Then comes the SMERF category. They are social, military, educational, religious and fraternal travellers who book the rooms under specific conditions. Understanding the requirement of the customers each segment can be treated in a different manner. The inventory can be personalized to cater to their specific needs and also the pricing can be customized as per their requirements. By understanding the requirement of the customer, the reservation strategies can be made. Some of the reservation strategies used in the hotel industry are:

  Maximum length of stay (MaxLOS)

  Closed to arrival (CTA)

  Closed to departure (CTD)

  Overbooking

  Last room availability

- **Demand Forecasting**- In hotel industry the demand keeps on fluctuating due to various reasons. Seasonality is one very important factor that leads to demand fluctuation in hotels. During vacation or festival season, the demand is usually high. This is also a concern for hotels that are located in popular tourist destinations. Yield management helps the hotels to forecast demand on the basis

of past trends and future predictions. Based on the outcome of forecasting demand the price can be adjusted.

- **Price**- The hotels adjust their prices according to the demand and supply. They play with prices to get to an arrangement that best suits them. The pricing strategies that can be implemented under yield management are:
  Segmented Pricing
  Length of Stay Pricing
  Allotment
  Package Pricing
  Non- refundable Pricing
  Early Bird and Last-Minute Pricing
  Dynamic Pricing
  Open Pricing
- **Facilitating role of technology**- The role of technology is very pivotal in implementing yield management. Doing all the above calculations manually is very impractical therefore in order to get more accurate prediction and adjust the prices in real time along with getting an accurate insight on the past and current trends, use of technology is very essential. Tools like PMS, RMS and booking engines are very useful.
- **Performance Supervision**- In the end it is very essential to monitor the performance of the hotel. The KPIs like ADR, RevPAR etc must be monitored.

It can be concluded that yield management plays a very crucial role in hotel industry to generate more revenue keeping in mind the limited room capacity and the demand fluctuation.

- **Yield Management in Aviation Industry**

As discussed earlier that yield management was first implemented in airlines. In case of aviation industry yield management focus on three aspects- inventory control, pricing and availability control. Airlines that implement the yield management practices have seen a hike of 3% to 7 % in their profit. Let us now discuss how this concept is used in the aviation industry. Airlines have limited seat capacity. This is also a perishable offering. If a seat goes unbooked today then its value is gone as it can not be stored to be used the next day. Airline have very nicely used technology to facilitate yield management by implementing software for reservation related issues. These softwares can analyze the unreserved seats and accordingly plan the other strategies. The nested inventory system is also very beneficial in case of airlines. Airlines offer discount on flights that have a low demand and where the demand is high the tickets are sold at higher price.

Segmentation of the market is also one to the effective ways to access the willingness of the customers to pay a specific price for the seats. Seats are divided into different classes and accordingly the fare is decided. For example, the business class seats are high priced whereas the economy class seats are cheaper. Also, the seats are subjected to certain

terms and conditions like refundability or flexibility. With the help of yield management, it can be determined that how many seats have to be reserved at what price. Yield management also helps in overbooking the flights. Overbooking is done because as per the trend a certain percentage of passengers do not show us. Here the role of yield management is to calculate the number of extra tickets to be sold so that if some passengers do not show up then the place does not have to fly with empty seats.

All the above management techniques of yield management help the airline to maximize revenue and enhance customer's flying experience. This also enables the airlines to function with greater efficiency.

Case Study

Hertz Corporation- Success Story of Yield Management Implementation

Background: Hertz Corporation is one of the world's largest car rental companies. It was founded in Chicago, Illinois by Walter L. Jacob in 1918 by the name of Rent-a-Car Inc. In 1923 the company was sold to John D. Hertz. After this it was named Hertz Drive- Ur-Self System. During this time the company expanded rapidly and also introduced airport car rental services. Hertz Corporation also introduced Hertz 24/7 service, car sharing and also included EV cars to promote sustainability.

The company faced inventory management issues as the demand for rental cars in very uncertain. Alo the issue of last-minute cancellations and no shows was a major concern. Also, there was a requirement to include a large variety of cars so that the varying need to customers could be met. Along with this the price adjustment during the peak hours was a concern.

In the early 1980 Hertz Launched its yield management system that enabled the regional managers of the organization to be proactive by planning the policies at least 6 months in advance for their respective areas. This helped to adjust the prices in peak hours and leisure hours and also get a tight control over the inventory available.

The following yield management techniques helped the organization in generating optimum revenue by using the available inventory and adjusting the prices accordingly.

- **Demand Forecasting and dynamic pricing**- Based on factors like seasonality, events and the booking pattern of the customers the demand for rental cars was forecasted using software. By forecasting the demand more accurately prices were adjusted and the inventory was allocated accordingly. Implementing dynamic pricing strategies also helped the organization to capitalize on the limited supply by increasing the price during peak and on demand times and stimulate the demand by offering discounted prices during off peak times.
- **Fleet optimization**- Yield Management helped the organization to ensure that the customers demand is met by ensuring that the right type of car is available at the right location and price.
- **Segmentation**- The following basis was used by the company to segment the

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customers- leisure travelers, business travelers, short term rentals, long term rentals. This helped the company to offer personalized packages to cater to the specific need of the customers.

- **Overbooking**- This was done to manage the customers that don't show up after booking.

Implementing all these practices of yield management in a coordinated manner helped Hertz to offer personalized packages to the customers to enhance their experience and satisfy their requirement along with maximizing the revenue.

3.9 CHALLENGES AND ISSUES IN IMPLEMENTING YIELD MANAGEMENT

The following challenges are and issues arise in effective implementation of Yield Management. It is essential to understand these challenges so that proper strategies can be made to reduce their effect.

1. Growing need for services- The demand for services is increasing in the current scenario. This is also creating a challenge for the business houses. The demand is increasing and to keep pace with the increasing demand one must use proper techniques to ensure maximum revenue from the available resources.

2. Capacity Constraints- This is common challenge faced by organizations as the inventory is limited and perishable. This creates problems during peak and high demand seasons and leads to revenue loss for the organization. And during the low demand times if the inventory remains unsold then this also results in the loss of revenue. Organizations must implement dynamic pricing strategies to overcome this issue.

3. Role of technology and real time decision making- The evolution of technology has greatly impacted yield management but as the same time it has posed a lot of challenges. Aling with the use of technology the organizations also must ensure that the human touch is added in its operations. Use of updated and latest technology enables organizations to make informed and accurate decision. The use of technology is complex and expensive and many organizations are unable to bear the cost of implementing the latest technology.

4. Balance Demand and Supply: Yn service industry the demand for the services is very fluctuating and hight unpredictable. This creates problems for the organizations as striking a balance between the supply and demand is very crucial for revenue maximization. Organizations must use proper techniques, technologies and predictions to get an idea about the future demand of their offering and also adjust the prices of the offering as per the demand.

5. Competitor Pricing: Yield management also presents the problem of keeping up with rival pricing. To remain competitive and keep potential clients, businesses

must keep up with their competitors' pricing methods. Finding chances for price modifications is facilitated by routinely tracking and comparing the prices of competitors. For instance, automated pricing algorithms are frequently used by e-commerce platforms to dynamically modify prices in response to market trends and competition prices.

6- Optimize Sales Channels: Integration of the various channels of sales is very essential. If the prices are not integrated across all the channels, then this can cause a lot of misunderstanding which might have a negative effect on the revenue generated.

7- Neglecting customer satisfaction- Customer satisfaction is the key to success for service organizations. Along with all the other tasks that are important, the organizations must focus on enhancing the experience of the customers. It is important to segment them effectively and as per their need customize the offering.

8- Ethical Considerations – Implication of yield management techniques and technology is very essential for organizations to sustain and grow in the current competitive scenario. But it must be not forgotten that ethically coordinating all the operations is very crucial. The dynamic pricing, overbooking and other strategies must be implemented keeping this in mind.

Check Your Progress-C

Q1. What do you understand by overbooking? How does it benefit the organization?

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Q2. What do you understand by dynamic pricing?

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Q3. "A Monday room is not a Tuesday Room" Explain.

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Q4. Briefly explain how capacity constraint poses a challenge in implementing yield management?

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3.10 SUMMARY

There has been a paradigm shift in the service industry due to the deregulation in the environment and this has changed the way companies are operating. Service organizations are facing this challenge due to the perishable nature of the services eg. unsold hotel room, unsold tickets and unsold seats. The roots of yield management trace back to 1970's. The deregulation in the American aviation industry caused a boom in yield management. Under this deregulation the American aviation industry gave airlines a monopoly to set their own fares. Yield management involves making decisions that lead to when, how and under what conditions the capacities must be made available to the customers. It also enables the organizations to adjust the price of the offering as per the fluctuating demand.

3.11 GLOSSARY

Actual Revenue- This is the revenue earned by actual sale of products of a company. It is calculated by multiplying the price of the product with the total number of products actually sold.

ADR- Average Daily Rate. This concept is used by the hotels to measure the overall performance. It is the ratio of total revenue and the total number of rooms in a hotel.

BAR- Best Available Rate. This concept is used by hotels and related industries to offer the lowest available rate for the inventory to the customers.

Booking Window- This is also known as lead time and is the time duration between the booking and usage of any service.

Bottom Line Profitability- This is the net income of the business after paying all the expenses.

Closed to arrival (CTA)- This applies to the hotel industry when the customers are not allowed to arrive on a specific date.

Closed to Departure (CTD)- When the check-out is not allowed on certain specific dates. This is often used in alignment with CTA.

Demand Forecasting- This predicts the demand of a product that might arise in future.

Deregulation- this means the removal of rules and regulations.

Dynamic Pricing- This is also known as demand pricing or time-based pricing. This pricing strategy charges different price form different customers for the same product. This depends on the demand of the product.

Fleet Optimization- This is the process to make the operations of the company effective by maximizing the fleet productivity in order to reduce the cost.

Inventory Management- Inventory means the goods or products that the company offers to sell. The management of stock as to how much stock to hold and how much to order is called inventory management.

KPI- Key Performance Indicators

Last Room availability (LRA)- This is a contact between a hotel and a company that binds the hotel to sell rooms to a company in agreed rates.

Length of Stay Pricing (LOS)- This pricing strategy takes into consideration the number of nights the customer wats to book the hotel for and based on this a customized price is offered to the customer.

Minimum Stay Requirement- Also known as minimum length of stay, MLOS restricts the number of nights for which a customer can book a hotel.

Non-Refundable Pricing- Under this pricing strategy the customer does not get any refund in case he cancels the booking.

Occupancy Rate- This is the ration between the total rented space or rooms and the total space or rooms available.

Open Pricing- This pricing strategy sells the inventory at a rate that benefits both the customer and the company and also provides the possible profit.

Overbooking- when a company sells more rooms or tickets or seats than the available quantity it is known as overbooking.

Package Pricing- This is also called bundle pricing. In this pricing strategy a price is offered to the customer that is inclusive of everything so that the customer does not have to pay separately for each inclusion.

Perishable Inventory- This implies to products that lose value if not used at a certain time.

Potential Revenue- The revenue generated when the company sells all its available inventory to the customers.

Revenue Maximization- This is a strategy implemented by businesses to increase their market share and ultimately increase the total revenue of the company.

RevPAR- Revenue per available room. It is calculated by using the formula- RevPAR= Total Revenue/ Number of available inventories.

Seasonal Pricing- This pricing strategy adjusts the price of the product based on seasonal demand of the product.

Segmentation- Process of diving the heterogenous target market into homogeneous groups or segments. Each segment has customers with similar needs and wants.

Strategic Tool- Strategic tools are used by organizations to make their operations more effective and increase their profitability.

Yield- It refers to the income or profit that a business generates.

Yield Management- A management strategy to maximize the revenue by balancing the demand and supply and adjusting the prices accordingly.

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3.13 SUGGESTED READINGS

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2. "Revenue Management for Hospitality Industry" by David K. Hayes and Allisha A. Miller
3. "Pricing and Revenue Optimization" by Robert Phillips

3.14 TERMINAL QUESTIONS

1. Explain in detail the concept of yield management. Aso discuss the evolution of the concept.
2. What is the importance of yield management in the service industry?
3. What are the different pricing strategies that are used in yield management?
4. Discuss in detail the concept of overbooking. Also explain how does it contribute profitably to the organization?
5. What are the different challenges and issues in implementation of Yield Management?
6. Discuss the implementation of yield management in telecommunication industry.
7. Discuss in detail the various components of Yield Management.
8. Explain the role of technology in facilitating yield management.

UNIT 4 UNDERSTANDING THE FRAMEWORK OF SERVICE MARKETING MANAGEMENT

4.1 INTRODUCTION

Marketers need to learn more about promoting service products as India's economy shifts more and more toward one centered on services. Simplistically said, services are advantages or activities that one party can provide to another that are essentially immaterial and do not lead to the acquisition of property. So, we may observe how services differ from products.

Over the last ten years, services have grown in importance within the Indian economy. Services have become more and more prevalent since this trend was established in the

1990s. Simultaneously, the level of rivalry inside service organizations is rising. These organizations must therefore manage their operations with greater professionalism. Maybe this is the reason why marketing is becoming more and more important in service organizations. You will learn about the notion of services in this unit.

In this unit we will have an understanding of framework of service marketing management we will understand different charcaterstics of serives and also understanding service management framework in detail.

4.2 OBJECTIVES

The objectives of the unit "Understanding the Framework of Service Marketing" are as follows:

➢ Define the services and list their characteristics Enumerate and explain the special qualities of services, such as their intangibility, perishability, and irreducibility.

➢ Use the 7Ps: To create successful marketing strategies for services, one must comprehend and apply the seven components of the service marketing mix: people, process, concrete evidence, pricing, place, promotion, and product.

➢ Recognize many service quality models for service marketing management. Find the model's gaps to address problems with service quality..

➢ Recognize STP with respect to service marketing management.

4.3 DEFINING SERVICES & SERVICE MARKETING

In 1960, the American Marketing Association defined services as "activities, benefits, or satisfactions which are offered for sale, or provided in connection with the sale of goods." This definition puts them among the first organizations to do so.Î This definition is somewhat limited in that it suggests services are only rendered in connection with the sale of goods.

The other definition, put forth by Regan in 1963, suggested that services could be classified as intangibles that directly satisfy needs (such as housing and transportation) or as intangibles that, when acquired in conjunction with other commodities or services, jointly satisfy needs (like credit and delivery). Services were for the first time perceived as pure intangibles, capable of satisfying consumer needs and being promoted in a manner akin to that of tangible commodities.

"A market transaction by an enterprise or entrepreneur where the object of the market transaction is other than the transfer of ownership of a tangible commodity," is what Robert

Judd meant by "service." Lehtinen (1983) defined services as "an activity or a sequence of activities that occur in interactions with a contact person or a physical machine and which provides satisfaction to the customer."

In 1984, Kotler and Bloom defined services as any action or benefit that an individual can offer to another that is essentially intangible and does not lead to the acquisition of property. Its production may or may not be associated with a material product.

4.3.1 Service Marketing & Service Marketing Mangement Framework

Promoting the expertise of professionals—such as consultants, attorneys, or plumbers—that are offered by service-based businesses is known as service marketing. Services need different marketing tactics than tangible commodities because they are intangible. The process of advertising and selling an intangible commodity or service to a particular target market is known as service marketing. It's a cutting-edge marketing tactic that has gained a lot of traction and assists businesses worldwide in promoting their offerings.

It examines the tactics used in the industry to promote a particular category of services. Although it is a novel concept, service marketing lacks a means of representing intangibles such as services. Marketing of services is distinct from marketing of tangible products, or product marketing. On the other hand, service marketing focuses on providing clients with a service that is invisible to them. Put simply, services are goods provided to clients on a same footing with other goods. There is a large selection of services available to customers. In the end, the global arena evolved into a services hub that provides a range of services to global clients.

SERVICES MARKETING EXAMPLES

1. The medical field
 Since, they physically visit and care for patients, healthcare professionals like doctors, nurses, and surgeons are great public role models. This is because their visits and cares for patients promote the health services that they provide.

2. The accommodation industry
The hospitality industry encompasses businesses like hotels and restaurants that offer their customers a range of services like meal service, massages, and room service.

3. Professional assistance
The following are some examples of occupations that significantly rely on providing services: accountants, lawyers, teachers, writers, masons, carpenters, cooks, electricians, and plumbers. Various services could be offered to their clients, contingent on the type of work.

4.3.2 Framework of Service Marketing Management

A thorough understanding of positioning, advertising, and service delivery is necessary to comprehend the architecture of service marketing management. The first step in putting this strategy into practice is creating strategic marketing plans that highlight a service's value proposition and uniqueness to set it apart from offerings from competitors. Establishing a reasonable price, concentrating advertising efforts, and developing a distinctive brand identity are all crucial tactics for attracting and keeping clients. To guarantee that services continuously meet or surpass client expectations, quality control of services is essential. Models such as SERVQUAL are used to evaluate and enhance service performance. Enhancing customer satisfaction and operational efficiency is another benefit of optimizing service delivery and operations via capacity management and procedure optimization.

4.4 UNDERSTANDING CHARACTERISTICS OF SERVICE MARKETING

Our awareness of a service's attributes advances our ability to deal with it from an economic and marketing perspective. Services are immaterial, indivisible, and intangible. Each quality comes with difficulties and requires methods to overcome them

Services, in contrast to items, are immaterial; that is, they cannot be felt, tasted, scented, or even heard before being purchased. The idea of inseparability holds that services are created, shared, and utilized simultaneously. Manufacturing for produced goods takes place within the production unit. Following that, the products are sent to the distribution location and kept in inventory until clients pick them up to use. When services are given heterogeneously, it indicates that they differ in terms of quality, delivery time, and scope. People are variable since they provide the majority of services. Because services are perishable, they cannot be stored.

Example: Unused tickets on a specific route for airlines remain unsold, yet unsold manufactured goods can be put into inventory and sold the next day. Marketers need to figure out how to "tangible" the "intangible" in order to improve the productivity of suppliers who are intrinsically tied to the product, standardize quality despite variations, and better manage supply and demand in the face of perishable services. Services are often less standardized, generated and consumed continuously, and more invisible than goods. The unique characteristics of services have specific marketing implications, thus service marketers must implement appropriate marketing strategies. Berry identified some noteworthy traits in the service industry, despite its great range (ranging from utilities to beauty salons). These are mentioned below.

CHARACTERSTICS OF SERVICES

Service Characteristics	Marketing Implications	Strategies
Intangibility	Cannot be stored	Tangible clues
	No patents	Personal sources
	No ready display	WOM
	Communication problem	Organisational image
	Pricing difficulties	Cost accounting for prices
		Post purchase comm.
Inseparability	Consumer involved in production	Selection and training of contact person
	No mass production	Manage consumer
	Supply demand match	Multi-site location
Heterogeneity	Standardisation difficult	Industrialise
	Quality control difficult	Customise
Perishability	No inventorisation	Cope with fluctuating demand
		Better match through process

Figure 1: Characteristics of services

4.5 SERVICE MARKETING STRATEGIES

In a competitive market, service positioning, promotion, and delivery need the use of service marketing strategies. These tactics assist companies in satisfying client demands, setting themselves apart from rivals, and accomplishing their marketing goals. A closer look at a few crucial service marketing strategies is provided below:

1. Service positioning: This is the act of making a distinctive and appealing impression of a service in the eyes of potential clients by emphasizing its advantages over rival goods. This procedure entails positioning tactics that are tailored to particular client categories, differentiating the service on the basis of criteria like quality, experience, or innovation, and creating a concise value proposition that explains why the service is the superior option. For example, Apple offers customer service as a premium offering consistent with its premium brand image, whereas Southwest Airlines positions itself as an affordable airline with a relaxed attitude. Customers will perceive a service as uniquely useful and in line with their own wants and preferences if it is properly positioned.

2 Service Branding: To increase client loyalty and set a service apart from rivals, service branding is the strategic process of developing and maintaining a unique and memorable brand identity. This entails creating a distinctive brand identity by consistently utilizing slogans, color palettes, and logos that represent the company's key principles and service commitments. Increasing the perceived worth of the service through quality, dependability,

and satisfied clients—all of which can support a premium price—is necessary to develop brand equity. Hilton Hotels, for instance, has a powerful brand identity that highlights luxury and first-rate customer service to solidify the company's standing as one of the leading global hotel brands. Because of its reputation, Amazon Web Services (AWS) has become the industry leader in cloud computing. Increasing the perceived worth of the service through quality, dependability, and satisfied clients—all of which can support a premium price—is necessary to develop brand equity. Hilton Hotels, for instance, has a powerful brand identity that highlights luxury and first-rate customer service to solidify the company's standing as one of the leading global hotel brands. AWS has become the industry leader in cloud computing because of its reputation for innovation and dependability.

3. Pricing Strategies: Choosing service rates that appropriately reflect the perceived worth of the offering while ensuring profitability and drawing clients is an essential component of pricing strategies. Value-based pricing bases prices on the advantages and value that customers perceive a product or service to give, emphasizing their willingness to pay rather than the cost of the service. Cost-plus pricing covers costs but may not always match customer perceptions of value because prices are determined by marking up the cost of providing the service. Competitive pricing requires positioning the service to stay competitive while differentiating through quality or added features, evaluating competitors' pricing methods, and setting prices in line with their rates.

 For example, Uber uses dynamic pricing to optimize revenue and control capacity during peak hours by adjusting prices based on supply and demand. Netflix offers multiple membership pricing to accommodate a diverse variety of client segments and their varying willingness to pay for streaming content.

4. Service Delivery Strategies: The goal of service delivery strategies is to give customers a seamless and fulfilling experience by streamlining channels, processes, and interactions. Two essential components are service delivery, which connects several channels including online, in-person, and mobile to give a consistent and convenient service, and service process design, which uses tools like service blueprinting to streamline procedures and reduce wait times. Training and employee empowerment are also crucial for equipping staff to address issues and deliver exceptional customer service. For example, Zocdoc uses an efficient online system to streamline the scheduling of medical appointments, boosting patient convenience and efficiency, while Starbucks uses strategy, allowing customers to order through an app, pick up in-store, or have their drinks delivered.

5. Service Promotion: This is utilizing a variety of strategies to highlight the benefits of a service above rival offerings in order to convince prospective clients to select it. This means advertising the product through a range of media channels to raise awareness and highlight key features, leveraging content marketing and public relations to project a positive image and highlight expertise, and using sales incentives like discounts or special offers to encourage prompt action. Travel agencies use social media and advertising to entice vacation planners with seasonal promotions and discounts, while LinkedIn uses

content marketing and targeted online ads to advertise its premium services and highlight the features and advantages that are ideal for professionals and businesses.

6. Service Experience Management: The core idea behind service experience management is managing the whole customer journey, from first contact to follow-up after a service. Customer journey mapping is the process of identifying and improving crucial points of contact. Key components include effective service recovery, which responds quickly to any problems or complaints, and customization, which adapts interactions and service delivery to each individual's preferences and habits. For instance, Amazon uses a user-friendly interface, tailored recommendations, and effective customer service to offer a seamless and enjoyable purchasing experience, whereas Ritz-Carlton allows staff to create truly unique and unforgettable experiences.

4.6 The Service Marketing Mix (7Ps)

The four traditional Ps of the marketing mix—product, venue, pricing, and promotion—are adequate for selling a product. The following issues, which distinguish services from products and are vital for services marketing, are not addressed by them, though. The product element is incorrect because services are primarily ethereal in nature, whereas products primarily consist of tangible elements.

Example: The same methodology that was used to develop and launch a new motorbike model cannot be applied to the introduction of a new service as a variant. Usually, some service advertising takes place right at the time of consumption. This is not true in the case of a product. The people that create the services are typically also in charge of their marketing.

One example of service marketing is the way a waiter attends to customers at a restaurant. Nevertheless, the promotion element of the traditional marketing mix ignores this distinction. The majority of services in India were produced by the public sector until recently (it still produces many services like rail transit). The fact that the final consumer pays the standardized and subsidized price is usually disregarded in the pricing mix.

The dual role that service clients play in the development of services as end consumers and co-producers is overlooked by the four traditional Ps. The four classic Ps ignore the importance of distribution for services. Because most services are created and used at the same time, there is either very little or no distribution route. Furthermore, clients are unable to assess the caliber of the service before to using it. Nevertheless, marketers lack the ability to identify and measure the elements of the marketing mix that can deliver superior services.

The aforementioned challenges encountered by marketers have resulted in the inclusion of three more Ps for marketing services: people, process management, and tangible proof.

The Expanded Marketing Mix for Services

Certain characteristics, such intangibility, perishability, and inseparability, set services apart from products. When it comes to selling services, people, processes, and concrete

proof are more crucial than when selling products. Regarding services, marketers have identified three distinct phases in the evolution of the product element within the marketing mix. The core level of the product aims to satisfy the important needs of the customer, while the physical level manages the product's appearance. At the core level, other services are added to the base offering. These three levels can be divided into two: the foundational level, which provides the necessities, and a secondary level that consists of both the enhanced and tangible service levels. Essentially, the fundamental level.

The core level of the product aims to satisfy the important needs of the customer, while the physical level manages the product's appearance. At the core level, other services are added to the base offering. These three levels fall into two categories: a core level that offers the essential advantages, and a secondary level that encompasses both increased and tangible service levels. The primary focus of the secondary service level is on service delivery, whereas the core level largely handles the service offering. For instance, a restaurant's primary function is to feed its patrons delicious cuisine; its secondary function is to give them a pleasant atmosphere. When compared to services, products are simple to distinguish from one another.

For example, can a customer distinguish between the services offered by two banks with similar programs and interest rates? Thus, offering state-of-the-art services and launching fresh secondary services on a regular basis constitutes new service product development. This helps marketers attract and retain customers in a competitive market..

Pricing

For a multitude of factors, the cost of goods and services fluctuates substantially. One way to distinguish services from one another is by pricing, as higher costs are typically associated with higher quality. Another way that products and services vary in price from one another is the cost factor. A service has higher fixed costs and lower variable expenses as compared to a product.

For example, serving a customer in a restaurant has a modest marginal cost, but there are significant fixed expenses associated with opening and maintaining a restaurant. As a result, the service provider's fixed expenses are mostly covered by the money that clients pay. The price that a customer pays for a product is largely determined by the variable expenses involved in producing each unit of the product. Another important aspect of service pricing is the possibility of demand-based variations in a service's cost. For some seasonal products, this is true; however, for services, it largely relies on demand.

Promotion

Because services are intangible, consumers view them as carrying a greater degree of risk than consumers of products. To remove the components of this perceived threat, service providers can make an effort to market their products. The best ways to accomplish this are to build strong brands, provide a free trial of the service to customers, encourage and support great word-of-mouth advertising, and, lastly, manage public relations and advertising to effectively reach the target audience. Since intangible services cannot be

rated without knowledge of the service provider, marketing service offers alone is not possible without marketing the service provider as well.

As such, in the services industry, service provider promotion takes on equal significance. For example, bank clients who are familiar with the service provider—bank personnel or the brand—are better able to recognize and relate to the services provided. The participation of clients and service staff in the advertising process is another unique feature of service marketing**.**

Place

Place in the context of services refers to how simple it is to obtain a service. Services are generated and consumed in the same location because they are inseparable. Because services are indivisible, it is not feasible for suppliers of services to produce their goods at a low cost location and supply them at a high demand location. Services marketing therefore either have very little or no distribution channel. The exact address of the service station. For example, telecom network providers work hard to give their customers additional ways to utilize their services the outside look and atmosphere of the location where services are provided. Customers in a bank can be divided into two categories: those who are waiting and those who are not. the choice to utilize specific middlemen in order to increase operational efficiency and provide clients with convenient accessibility within the firm. For example, a movie theater operator may choose to sell tickets directly to customers or via third-party sellers such as bookmyshow.com.:

People

Many service providers include their staff in non-client-facing manufacturing processes as well as front-line delivery points. The service team is therefore crucial to the service's planning and execution. In many services, customers take part as co-producers, assisting in tailoring the product to their own preferences. In these circumstances, the customer service representatives play a critical role in helping the end user articulate his demands clearly. Example: To ensure client satisfaction, a salon's service provider involves the client in the service and inquires about his preferences through a series of inquiries.

Process

Compared to the services industry, the manufacturing sector's production and distribution processes are more straightforward. Because there is little difference between operations management and marketing in the services sector, service marketers can become confused at times. This is because services are developed, rendered, and utilized all at the same time. For instance, before entering the theater, a patron must pay for their ticket and have it examined by security. Customer service encounters have an impact on the standard of services that the business offers. A service encounter is the actual length of time that a customer and a service provider interact. Out of all the service encounters, just a handful is essential to the successful completion of the service delivery process.

For instance, before entering the theater, a patron must pay for their ticket and have it examined by security. Experiences with customer service have an effect on the caliber of

services that the company provides. The actual amount of time that a client and a service provider communicate is called a service encounter. Just a small percentage of all service interactions are necessary for the service delivery process to be completed successfully.

Physical evidence

When customers can't evaluate a service before utilizing it, they see a greater degree of risk. As a result, service providers ought to make an effort to include a tangible component in their offerings. Physical proof comes in a variety of forms. Examples include flyers or television commercials that highlight a destination for vacation, the location and atmosphere of a restaurant, the courteous and helpful demeanor of bank staff, etc.

4.7 CUSTOMER RELATIONSHIP MANAGEMENT IN SERVICE

When customers can't evaluate a service before utilizing it, they see a greater degree of risk. As a result, service providers ought to make an effort to include a tangible component in their offerings. Physical evidence can take many different forms. Examples include fliers or TV ads that showcase a vacation spot, the location and ambiance of a restaurant, the friendly and accommodating manner of bank employees, etc.

4.7.1 Customer Retention through Relationship Marketing

A service company's marketing strategy should be:
- o To attract new customer
- o To keep existing customer
- o Dealing exclusively with profitable customer

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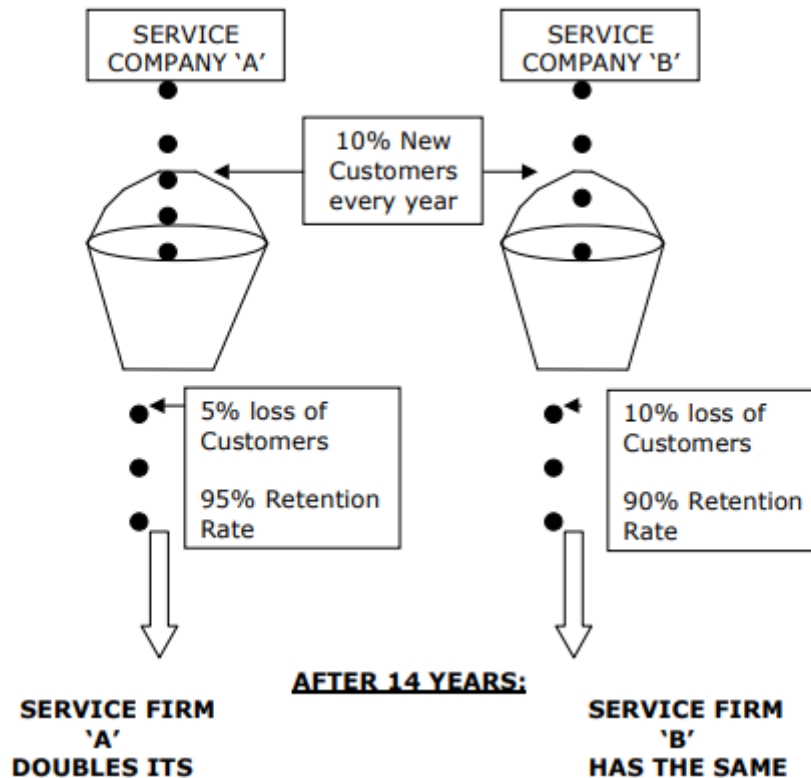
Figure 2: Customer Retention Leaking Bucket Theory

According to the leaky bucket theory, after 14 years, a business with half of its rival's client leakage will have twice as large of a market base, assuming all other variables stay the same (firm size, service offer, rate of customer acquisition, etc.). This is depicted in the diagram up above. Stated differently, various service organizations will need varied customer acquisition rates or volumes if they aim to serve the same market yet have differing customer retention capacities. Better customer retention means that the service provider will have to take on fewer clients than its competitor, which will save costs and allow it to focus on high transaction, high profit margins.

Customers with little maintenance expenses. It highlights the importance of relationship marketing in the services sector, which is an intangible industry. Being all things to all people would be highly difficult and impractical for a service company; instead, it should focus on the clients who provide the highest level of customer satisfaction and hence earn the highest revenues. The service company will be able to better utilize its limited resources and increase return on capital employed (ROCE) with the aid of this segmentation. In order for a business in the services industry to thrive, it must map out its strengths and capabilities, identify profitable clients, and put up great effort to keep those clients.

Retaining customers is a wise business move. Numerous studies have provided evidence of a robust correlation between customer happiness and profitability, as well as between customer retention, or loyalty, and profitability. The service-profit chain model provides an explanation of this.

4.7.2 Components of CRM

CRM is made up of three separate parts: management, relationships, and customers. By carefully combining these three elements, CRM aims to provide a "single integrated view of customers" and a "customer-centric approach."

Consumer

The sole source of the business's current earnings and potential expansion is its clientele. However, due to tough rivalry and informed customers, good customers are always in short supply and yield more profits with fewer resources. Because the choice to buy is often a collaborative one among everyone involved in the process, it can be challenging to determine who the actual consumer is. Technologies related to information can offer the capacity to identify and handle clients. CRM can be conceptualized as an information-based marketing strategy.

Relationship

A business and its clients have a connection that is characterized by constant engagement and bidirectional communication. Relationships can be long-term or short-term, ongoing or intermittent, and one-time or recurring. A relationship might be behavioral or attitude-based. Customers are generally favorable about the company and its offerings, but their purchasing habits are often situational. For instance, a person's purchasing behavior for airline tickets varies depending on whether they are purchased for a business or family trip.

CRM entails managing this partnership to ensure profitability and reciprocity. CLV, or customer lifetime value, is a metric used to quantify this relationship.

Supervisory

CRM is not just something that happens in the marketing division. Instead, it entails ongoing organizational culture and procedure reform. The gathered consumer data is converted into business knowledge, which inspires actions that capitalize on the data and market possibilities. CRM necessitates a thorough transformation of the company and its personnel.

4.7.3 CRM Business Cycle

CRM Business Cycle includes:

Purchasing and Holding

A crucial phase in developing a relationship with a customer is acquisition. An firm seeking to acquire new consumers will probably concentrate on prospects, inquiries, lapsed customers, past customers, referrals from competitors' customers, and current buyers.

Understand and Set Differentiate

Without understanding their customers—what they value, what kinds of services are important to them, how and when they prefer to interact, and what they want to buy—organizations cannot build a relationship with them. In-depth analysis combined with interaction is the foundation of true comprehension.

Create and Customize

In the days of product focus, businesses created goods and services and then anticipated that consumers would purchase them. Product and channel development must take the lead from the customer in a world where the customer is paramount. In response to consumer demands and service standards, businesses are progressively creating new channels as well as new goods and services.

Engage and Provide

Another essential element of a successful CRM endeavor is interaction. It is crucial to keep in mind that consumer connection happens across various channels within the company, including distribution and shipping, customer service, and online platforms, in addition to marketing, sales, and media. Organizations that have access to the right information and training will be able to gradually raise the value that they provide to clients.

4.8 SERVICE QUALITY MANAGEMENT

The fundamental distinction between products and services presents a number of difficulties for service marketers.Understanding customer needs and expectations from service, tangibilizing the service offering, dealing with a variety of people, including internal and external customers, delivery issues, and keeping promises made to customers are some of the challenges they face on a daily basis.

4.8.1 The Gaps Model of Service Quality

A company looking to enhance service quality may find that by using this model, it may better concentrate on its strategies and service procedures. This approach can be used to measure and track service quality in addition to locating and identifying potentially low-quality regions in designs and service delivery. Customer perception determines the quality of the service. There's no other way to govern or understand. Since service is intangible, the only ways to gauge its quality are by measuring the customer's expectations prior to receiving assistance and his perception following the interaction, or service encounter. The gap between the two is a measure of the service quality. The larger the gap, the worse is the service quality; the narrower the gap, better the service quality of the firm; i.e., the firm is successful in meeting the customers expectation. So far as customer expectations continue to rise, service quality must also stay up. This involves measuring the customers' expectations (in this case, the students) prior to service delivery, or before admission, and measuring the customers' perception of the experience following the service encounter, or

after admission, during the 2-year course, and after convocation. The difference between the two is then measured.

The model claims there are two kinds of gaps:

The discrepancy between actual performance and the customer's impression of the service is shown by the customer gap. Customers make a lot of subjective assessments. Past encounters may have tainted them and altered their perception of quality.

The difference between what customers believe and expect is known as the "customer gap." Put otherwise, this represents the perceived deficiency in service quality by the Consumer. Consumers receive external inputs from a variety of sources, including societal influences and company-controlled ones, which helps them form expectations. These serve as the cornerstones of his reference to the service encounter. For all intents and purposes, the customers' impressions of the service show that it was truly received because perception is reality. Everything is based on perception. The external stimuli that the company controls include service products and offers, prices, advertising, promotions, displays, outlets, and so on.

Word-of-mouth and peer groups are examples of social forces acting as external stimuli. The customer's prior experiences and personal needs are other factors that impact expectations. The discrepancy between actual performance and the customer's impression of the service is shown by the customer gap. Customers make a lot of subjective assessments. Past encounters may have tainted them and altered their perception of quality.

The Provider Gap
The entire set of four provider gaps is what leads to the customer gap. These are the weaknesses in the service company. The provider gap, sometimes referred to as the company gap, must be closed in order to close the customer gap. The following four provider gaps exist:

Gap 1: Management of Customer Expectations Gap in Perception
The primary cause of a company's inability to meet a customer's expectations is the incapacity of upper management to understand what the client wants. A perceptual curtain of ignorance, hubris, or criminal indifference is blinding the company. Inadequate marketing research, a lack of upper communication within the organization, an insufficient emphasis on relationship building (a "don't care" mentality), and other factors are some of the reasons why Gap-1 can occur.

Gap 2: Perception of Management Expectation Gap for Service Quality

This gap is brought about throughout the service product design process and when specifications for service quality are laid down during service transactions. This gap appears in the design phase when management's expectations of the client are translated into design specifications. Managers would make the extremely risky assumption that the client needs what they believe when setting standards for service quality. This gap means that even if the company understands and knows exactly what the consumer expects, there

is still room for interpretation, which could result in incorrect standards, service designs, and specifications being defined.

For instance, a bank might think that its clients want interactions that are warm and personable, but computerization—which is neutral and impersonal—would set the standard. The idea of friendliness is not supported by any human interaction. Among the causes of Gap-2 are: The inability to establish a formal procedure for defining service quality goals; the lack of customer-defined service standards; the lack of a systematic new-service development process; and the failure to tie service design to service positioning

Gap 3: Service Delivery ÷ Service Quality Specifications Space Gap

When there is a difference between the services that are defined and those that are actually provided to the clients, this happens at the level of the service provider. This is most likely the scourge of all public sector organizations, including hospitals, banks, insurance providers, hotels, and travel agencies. The criteria and viewpoint of the management regarding service design may be precise and flawless. However, the consumer would have the perception that the business is underperforming if the interacting service provider does not live up to the established criteria throughout service delivery. This becomes particularly crucial for the company whose last transaction primarily relies on human labor.

Example: Public sector banks may have the best design guidelines established by the Reserve Bank of India, but, to put it mildly, they would suffer greatly from tardiness and dishonest personnel (the Harshad Mehta scandal of misusing portfolio management funds and the internal document blunder at State Bank of India).

Ineffective recruitment, role ambiguity, role conflict, lack of empowerment, control, and poor teamwork are some of the factors that lead to Gap-3. Other factors include customers who don't cooperate or don't live up to their roles (within the store, there would be peak crowds in the evenings and slack demand in the afternoons, but the employees' strengths would remain the same), channel conflicts, etc. The service provider has to make sure that personnel, systems, and procedures are all located appropriately. This will ensure that the provision of services adheres to the established design criteria.

Gap 4: External Communications to Customer in Service Delivery In essence, there is a communication gap here. The discrepancy lies in the aim and ability of service delivery compared to what is conveyed to clients. Overhyped communication drives up customer expectations, which in turn drives up the customer's benchmark for service quality and his expectations from the provider of services. The company would therefore find it challenging to live up to the expectations, and a shortfall would unavoidably occur.

The reasons behind Gap-4 are as follows:

• Inconsistency in marketing communications;

 • Lack of a robust internal marketing program, making it difficult to satisfy customers through communications;

• Overpromising in advertising and personal selling;

 • Insufficient horizontal communication between sales and operations;

 • Variations in corporate policies and procedures.
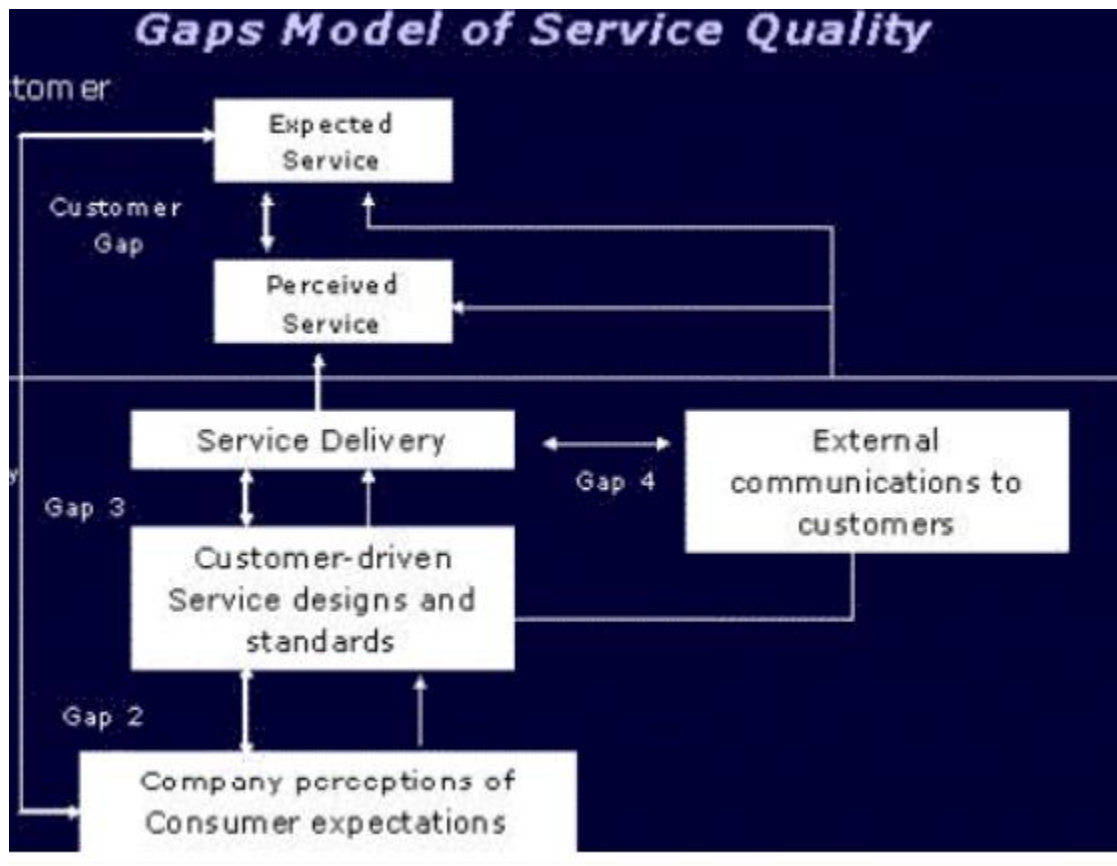
Figure 3: Gap Model

4.8.2 Service Triangle Marketing Mode

Figure 4: Service Triangle

Services marketing is described as a "promises" game between three parties involved in the service transaction. In a service transaction, there are three parties involved: The Business
This Company is the one who conceptualized the service product and all of its advantages. In order to meet its service objectives, it provides the customer with the service product.

The customer:
It is the customer's desire to have his needs and wants met. He'll accomplish this by using the service product.

The provider:

They are an organization's internal clients who always finish the service transaction on the business's behalf. The majority of them are workers, but there are also distributors, wholesalers, retailers, franchisees, and channel partners.

External Marketing:

The business markets itself to customers externally. Through advertising, public relations campaigns, and other business communication strategies, it highlights features, makes claims about benefits, and ensures customer satisfaction. It delivers on its promises by using the media. It assures the clients by making promises.

Internal Marketing:

The organization markets internally to its suppliers. The business must give its supplier workspace, such as offices, and tools, such as phones and computers. Additionally, it must find, choose, and train qualified staff members, channel partners, and franchisees. It makes it possible for the service providers to finish the transaction. The corporation fulfills its commitments.

Interactive Marketing:

In order to reach customers, providers engage in interactive marketing. The person who deals with consumers is the provider. The provider serves as the organization's spokesperson and face. In the course of a service transaction, the supplier and the client receive immediate feedback on one another. Their purchase indicates how good they thought the service was. The supplier honors the commitments made to clients by the business.

4.8.3 SERVQUAL Model

This approach claims that there are a few elements that can be used to quantify customer service expectations. This approach comes in two variations.

David A. Garvin: Garvin defined eight dimensions of quality:

1. **Performance**: Every product should provide benefits, and the offer's performance serves as a gauge for the quality of the product. A dish scourer would be a performance measure because it can swiftly and thoroughly clean plates.

2. **Features**: These are extras that come with the main product; they are not included as regular features or add-ons.

3. **Reliability:** This quantifies the likelihood that the product will fulfill its promises.

4. **Conformance:** Quality of delivery that satisfies design requirements.

5. **Durability:** The amount of time a product may provide benefits without degrading is measured by this attribute.

6. **Serviceability**: A product's ability to be quickly and easily repaired is a sign of its quality. It might cover the courteousness of service staff as well as their behavioral aspects.

 7**. Aesthetics**: This refers to how the thing feels, looks, and is designed.

8. **Perceived quality**: Company-controlled stimuli like advertising, publicity, and brand promotion, as well as societal influences like word-of-mouth, help consumers form a perception.

A Parasuraman et al.: Leonard Berry, Valerie Zeithaml, and Parasuraman determined five criteria that customers use to evaluate services.

1.Reliability: The service must be provided consistently and according to its commitment.

2. Responsiveness: This refers to the willingness of the service provider to offer assistance. It also involves how quickly and sensitively they respond to requests from customers.

3. Assurance: This refers to the service providers' expertise, experience, and knowledge. It also demonstrates their capacity to inspire faith and trust, as well as their ability to provide courteous, considerate service.

4. Empathy: This dimension has to do with emotion, caring, and being able to provide in dividualized service.

4.9 Service Segmentation and Targeting

After examining the customer and their purchasing habits, the service marketer typically concludes that it is neither feasible nor ideal to cater to the entire market with their offerings. The choice of markets to target with service offerings is made by the service provider. Target market strategy is the process of identifying market segments, choosing one or more of them, and creating a marketing mix to suit their requirements.

Market segmentation, initially introduced by Wendell R. Smith in a 1956 study, is the process of breaking down a heterogeneous market into homogenous sub-units. It is described as segmenting a market into discrete customer groups with varying demands, traits, or behaviors that may call for particular services or advertising strategies.

A market's nature and composition were examined, and it was categorized based on shared demands and other attributes. Consumers within a grouping exhibited comparable characteristics and preferences, but those in two distinct groups differed. The method was known as market segmentation, and each of these categories was referred to as a segment.

4.10 BASES FOR SEGMENTING THE SERVICE CONSUMER

Market segmentation can be done by a service marketer using psychographics, location, behavior, and demographics.

4.10.1 Segmentation by Demographic

Age, gender, family, income, and education are among the factors that can be used to segment a population.

Age : People in the same age group are often seen to act or behave similarly and to have particular needs and desires. According to service marketers, a person's requirements and desires alter as they become older. Their capacity and ability to comprehend information also alter in tandem with this.

Gender: Market segmentation based on gender is another option available to gender marketers. They are able to create services tailored to one or both sexes

Family: When segmenting the market, the size and makeup of the family should also be taken into account. The emphasis is quickly moving from joint families to nuclear families in light of the changing times. Nonetheless, marketers continue to be interested in combined families. Their services are specifically tailored to meet the needs of families

consisting of three to four people, and they have the option to serve additional members as needed.

4.10.2 Geographic Segmentation

The market can be divided into segments according to nations, states, cities, districts, urban and rural areas, etc. under the heading of geographic segmentation. One can separate a territory into its north, east, south, and west halves. Each country has its own gross domestic output, per capita income, lifestyle, culture, values, and level of living. While developing market segments, each of these factors must be taken into account. Markets can also be divided into subgroups according to climate and population. All of these factors are taken into account while creating services or goods for certain markets. Marketers should also examine how the moved population has changed in terms of behavior.

4.10.3 Psychographic Segmentation

The marketer needs to identify the fundamental traits that people may use to inform their purchasing decisions. Marketers can do this by dividing the consumer base according to lifestyle and personality traits.

Ways of Living: People's purchasing habits are greatly impacted by their lives. Marketers obtain a comprehensive grasp of their customers' lifestyle, activities, interests, views, beliefs, and values by segmenting the market based on lifestyle. The marketers will use all of this information to better tailor their offerings. This segmentation also helps in determining the effective marketing design for services.

Personality: Marketers of personality services can also create services based on different types of personalities. Special character features are referred to as personality, and every individual has a distinct personality. And the foundation of their distinct needs and desires is their distinct personality.

4.11 MARKET TARGETING

The service marketer assesses these categories and selects the ones it believes it can serve with the resources at hand. A service marketer is engaging in focused or concentrated marketing if he selects just one segment, concentrating his efforts on a specific market that is referred to as a niche. If he selects a small number of the segments, then multi-segment tactics apply, in which a range of distinct marketing initiatives are created for various market segments. A well-funded service marketer who has access to additional resources targets each category. Over time, the service marketer has realized that no single solution can meet all requirements.

Through niche marketing, a business can make the best use of its limited resources while keeping clients clear about its capacity to meet their needs. However, using a niche strategy leaves a service provider open to attack from strong rivals.

Larger service companies are more inclined to use multi-segment tactics, trying to dominate several markets with various marketing campaigns. With this plan, there is greater room for growth and expansion, and the company will profit from economies of size and scope. However, this will result in increased costs for the service provider and a greater need for expertise. There's a chance of spreading yourself too thin, which could leave clients perplexed.

4.12 MARKET POSITIONING

The struggle for the consumer's attention is known as positioning. In the much-discussed STP process, it is the third and last step after segmentation and targeting. Customers must be convinced that the service provided is exceptional in terms of features, value, and benefits for positioning to be successful. Therefore, the offer needs to be positioned in their eyes so that they can identify it as unique from the competition and be convinced that it is the best option.

Four Positioning Principles

1. The first of the four positioning tenets is that a service provider needs to establish its image within the target market.

2. There should only be one position and one clear, concise statement.

3. The stance needs to differentiate both the service provider and the service offering.

4. A service company should concentrate on specific market niches rather than trying to please everyone.

4.12.1 Positioning and Differentiation of the Service

Positioning by Attributes: A service provider arranges their offering according to a special characteristic or trait.
Benefits-Based Positioning: A service may also be positioned in accordance with the advantages that customers are looking for. Because customers typically weigh the advantages of a service before utilizing it, this kind of positioning might be effective.
User-specific Positioning: Certain user groups are given preference when it comes to the services.
Purpose-based Positioning: A service is presented as the greatest choice for a certain purpose or application.
Services are positioned in relation to their competition based on their positioning.

Check Your Progress-A

State whether the following statements are true or false:

1. Focus marketing occurs when a marketer selects just one target segment. (True/False)

2. Niche marketing helps a business make the best use of its limited resources. (True/False)

3. It is least expensive to target multiple segments. (True/False)

4. In a service company, staff members are responsible for both representing the company and transmitting information. .(True/False)

5. A service company's internal customers include retailers, wholesalers, BPOs, franchisees, etc. (True/False)

4.13 UNDERSTANDING FRAMEWORK OF CONSUMER IN SERVICE MARKETING MANAGEMENT

Consumer decision making process in service marketing management includes:

Need Recognition: The process begins when clients recognize a need or problem that has to be fixed. For example, after understanding they require a health examination, a person may choose to seek medical attention.

Information Search: Following the determination of their requirements, clients search for information about potential service providers. They could look things up online, consult with friends and relatives, or read reviews to assess options.

Evaluation of Alternatives: Consumers evaluate various service providers based on a number of variables, including convenience, cost, reputation, and level of service. They assess how well each option meets their needs and preferences, often making use of past encounters and experiences.

Purchase Decision: After considering their options, customers choose the service provider. A few factors that could influence this decision are perceived value, personal recommendations, and promotional offers.

Post-Purchase Assessment: After the service is rendered, clients assess their degree of satisfaction by comparing what they really received with what they had hoped for. Their evaluation could influence future behavior, such repeat business and referrals from friends and family.

4.13.1 Influencing Factors

Personal Factors: Customers' distinct needs, preferences, and life experiences all have a significant influence on their behavior. Personal elements include values, lifestyle decisions, and demographic characteristics including age, money, and education.

Social Factors: Friends, family, and social networks can all have an impact on consumer behavior. Reputable sources may have suggestions and opinions that impact consumer decisions and perceptions of service quality.

Psychological Factors: How clients evaluate and respond to services is influenced by factors like motivation, perception, and attitudes. For instance, a customer's perception of the value of a service and their overall impression of the service provider may have an impact on their level of satisfaction and loyalty.

Situational Factors: The setting in which a customer uses a service can also have an impact on their behavior. Variables including time restrictions, the location, and the person's mood might affect the decision-making process and the evaluation of the service experience.

4.13.2 Customer Expectations and Perceptions

Expectations: Based on previous interactions, advertising, and word-of-mouth, customers bring specific expectations to the service encounter. To guarantee satisfaction, it is essential to control and fulfill these expectations.

Perceptions: Customers' degree of satisfaction is based on how they view the actual service delivery in relation to their expectations. Disparities between expectations and reality might cause discontent, but positive views increase satisfaction.

4.13.3 Strategies for Addressing Consumer Behavior

Personalization: Providing services that are tailored to each individual customer's needs and preferences will boost customer satisfaction and loyalty. Customized service offerings and one-on-one conversations can result in a more relevant and engaging customer experience.

Effective Communication: Timely, honest, and clear communication is key to managing client expectations and building trust. Providing accurate information about the service, including delivery and pricing details, can increase customer satisfaction.

Quality Assurance: Standardization, training, and quality control methods guarantee consistent service quality by removing variability and enhancing the customer experience.

Feedback Mechanisms: By implementing systems to collect and evaluate customer feedback, businesses can improve service delivery and gain a deeper understanding of what customers want.

Therefore, comprehending customer behavior in services marketing requires an awareness of the unique characteristics of services and how they affect consumer decision-making. By looking at how consumers search for, evaluate, and use services, businesses can

develop strategies that successfully meet their demands, increase customer happiness, and build long-lasting relationships. This knowledge is essential for developing and delivering services that live up to customer expectations and foster fulfilling relationships.

4.14 SUMMARY

There are four special characteristics of services: intangibility, perishability, variability Services are now essential to urban living and a fundamental component of the infrastructure of every economy. Services marketing is value and relationship-driven marketing. It could be applied to product or service marketing. Marketing a company that offers services differs from marketing a company that offers products. Target marketing is the process of identifying market segments, choosing one or more of them, and creating a marketing mix to suit their requirements. Market segmentation refers to the process of breaking down a market into discrete buyer groups based on their unique demands, traits, or behaviors. These groups may need different services or marketing mixes Under psychographic segmentation, the service marketer can segment on the basis of Measurable, actionable, accessible, competitive, sustainable, and differentiable segments are the ones that are considered effective. A service marketer can segment the market using a variety of methods, including psychographics, geography, demographics, and behavioristics. It is possible to segment people based on their age, gender, family structure, income, and level of education. The market can be divided into segments based on nations, states, cities, districts, urban and rural areas, etc. under the category of geographic segmentation. One can separate a territory into its north, east, south, and west halves. lifestyles and personality. Behaviouristic segmentation can be done based on benefits, attitudes, motivation, usage rate, loyalty, The service provider ought to be able to provide a large selection of goods. They will be able to meet their varied wants and attract additional customers as a result. The way that service organizations handle customer care and maintain consistency in their service delivery may be viewed as drastically different. An internal customer with more training and skill would be able to communicate with the external customer more effectively. customer to detect any change in the service delivery. This goes a long way in putting the customer in comfort zones, preventing him from having any feeling of fear, anxiety or dissonance.

4.15 GLOSSARY

Experience goods: These are products or services that must be used in order to be assessed.

Perish ability: The term "perish ability" describes the inability of services to be created, stored, and then consumed in advance.

Service: A service is an intangible, non-storable type of economic activity that does not lead to ownership.

Service Marketing: Service marketing is value-and relationship-based marketing.

Customer Gap: the discrepancy between what customers believe and what they expect.

External Marketing: correspondence between the business and its Client's .
Interactive marketing: It is the exchange of information between suppliers and buyers.
Internal Marketing: Correspondence between the business and suppliers

Moments of Truth: communications between the client and the supplier.

Supplier Gap: Gap on the provider's end, the reason for the consumer gap.

Quality: is the sum of a service's attributes that affect its capacity to meet certain needs.

SERVQUAL: provides variables that impact client expectations

Behaviouristic Segmentation: predicated on benefits, usage frequency, attitudes, loyalty, etc.

Demographic Segmentation: Segmentation of the population according to age, income, gender, family, education, etc.

Geographic Segmentation: according to nations, areas, states, districts, etc.

4.16 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress   A

Answers to MCQ: 1(T),2(T), 3(F) ,4(T),5(T)

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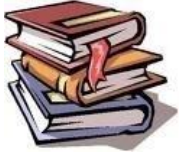
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4.19 TERMINAL QUESTIONS

1. What do you understand by the concept of service marketing?
2. Explain the various characteristics of service marketing management?
3. How do in services customers are retained explain the strategies of retaining customer?
4. What is Gap Model in service marketing explain in detail?
5. Explain Bases for Segmenting the Service Consumer?
6. Explain SERVQUAL Model?
7. Define Market Targeting in services?
8. Define Services?
9. Explain Framework of Consumer in Service Marketing Management**?**
10. Define Consumer.

UNIT 5 POSITIONING AND FOCUSSING

5.1 Introduction

5.2 Objectives

5.3 Positioning of Services

5.4 Focus Strategies of Services

5.5 Segmenting the Market

5.6 Determining Service Attributes and Levels

5.7 Positioning for Competitive Advantage

5.8 Developing a Positioning Strategy

5.9 Summary

5.10 Glossary

5.11 Answers to Check Your Progress

5.12 Reference/Bibliography

5.13 Suggested Readings

5.14 Terminal & Model Questions

5.1 INTRODUCTION

Liberalization and globalization has led to highly competitive world, due to which survival of firms is becoming very difficult. As customers are endowed with variety of products and services in the market so firms compete for gaining the attention of customers and sell their products and services to them. It has become inevitable for the organizations to differentiate themselves from the rest and be noticed by the customers i.e. to stand out unique from the crowd. So to attain this objective positioning strategy comes into action.

The present unit discusses about the positioning and focussing strategy of services i.e. how to effectively position the services in the market.

5.2 OBJECTIVES

After reading this unit you will be able to:

- Understand the concept of positioning
- Focus Strategies of Services
- Market Segmentation

- Differentiate between the important and determinant attributes of services that impact consumer's choice
- Developing an effective positioning strategy.

5.3 POSITIONING OF SERVICES

Positioning deals with forming and communicating a distinctive image in the minds of the customer and maintaining it. Positioning requires marketers to recognize the characteristics of the service offering that make customers to select that service provider among several such competing services and stay faithful to it. It emphasizes on the unique attributes of the service that can be easily noticed as well as are of relevance to the customers. Thus, positioning distinguishes the product in a manner that is meaningful for the customers and hence makes the customers loyal. The positioning strategy creates a long-lasting image of the service in the minds of the customer so that whenever the customer thinks of the service that particular service provider pops in their minds. For example, whenever a customer thinks of a luxurious hotel, Taj Hotel or Maurya Sheraton comes to his/her mind. So, these hotels have a distinctive image of luxurious hotels in the minds of the customers. Similarly, McDonald is known as a fast-food family friendly restaurant.

To develop a successful positioning strategy, it is important for the firms to know the preferences and expectations of the customers as well as what is being offered by the competitors. The positioning of services by the marketer takes into consideration different elements of service marketing mix such as service personnel, distribution system, location where the service will be provided, service processes, service environment, ease of use etc. The image of the service that is being communicated to the customers must be reflected in all the elements of service mix i.e. price of the service, personnel, place, processes etc. The luxurious hotel image requires physical evidence well carpeted corridors, lobbies, rooms, beautiful chandeliers, paintings. Prices should be high, staff must be well groomed and efficient operations etc.

Hence service marketers must evaluate all the facets of service offering and emphasize on those characteristics of services, which are of prime importance for the customer. As customers vary in their preferences therefore, development of successful positioning strategy requires the firms to focus on meeting the needs of specific set of customers which is discussed in the next section.

5.4 FOCUS STRATEGIES OF SERVICES

As the preferences, purchasing behaviour and consumption pattern of consumers vary therefore it is not possible for firms to satisfy the needs and wants of all the customers. Also, the consumers are widespread geographically, making it difficult for marketers to study their needs and preferences. Hence, to fulfill the needs and wants of the customers

it becomes vital for firms to select few segments of customers and study them well to fully satisfy their needs. It leads to the requirement of focus strategies.

Focus strategy implies identification of the customers with similar preferences, purchase behaviour and consumption pattern that can be served well by the firm through the services provided. There are two dimensions on the basis of which focus strategies are designed. These dimensions include: market focus and service focus. Market focus refers to the number of markets being served by the firms whereas service focus deals with the variety of services being offered by the firms. So on the basis of the markets served and the breadth of the services being offered, focus strategies can be categorized into four types as shown in Figure 1.

	Wide	**Narrow**
Few	**Market focused**	**Fully focused**
Many	**Unfocused**	**Service focused**

Number of Markets served (vertical axis label: Few / Many)

Figure1: Focus Strategies   **Breadth of Services**

- Fully focused: Fully focused firms are the firms that remain limited to serving narrow segment of customers with slender service mix. These firms offer fewer services in fewer markets. The strategy leads the firms to develop their expertise in the niche market segment and provides them an edge over their competitors. They are able to supply better quality to customers more efficiently as compared to their competitors. The use of fully focused strategy can lead firms to charge premium prices for the offering they made to the customers. For example, private jet charter services may focus on corporate customers i.e. the services can be designed keeping in mind the needs of the executives travelling for a conference or meeting.

- Market focused: Market focused firms as the name implies, focus on meeting the needs and demands of fewer market segments. These firms attempt to cater to the maximum needs of the customers in the markets chosen to serve. Such firms offer variety of services to their customers to meet their demands. The strategy leads the firms to develop a large range of services for its customers. For example, a wedding planner service provider may not only focus on organizing the wedding function for its customers but try to cover all the events related to wedding. Such as pick and drop of guests, dress designing of bride and groom, place of event, decoration, catering etc. Service focused: Service focused firms emphasize on the service being offered to broad set of markets. These firms attempt to satisfy the needs and wants

of a broad set of customers by developing a standardized service offering. These firms offer limited range of services to large number of markets. However, as new markets emerge, firms modify the services being offered to some extent to meet the needs of the customers. Thus, these firms specialize in a category of service. For example, a cardio specialist who specializes in the treatment of heart related issues of different types of patients of different age groups. The strategy requires broader sales efforts and focus on marketing communication.

- Unfocussed: Unfocussed firms offer variety of services to broad market segment. These firms are neither focused on any market segment nor do they emphasize on a particular service. Unfocused firms attempt to fulfill all the related needs of all the customers. The strategy is not much appreciated and the firms that adopt this strategy face continuous threat of being out of the market from more focused firms. For example, hypermarket stores where variety of products are being offered to customers of all the segments.

The firms are advised to either focus on service being offered or market being served to sustain in the competitive marketplace. However, each of the focus strategies discussed above have limitations. Fully focused firms may remain restricted to small market segment which may turn out to be unprofitable in the longer run. Also the demand for the services being offered by fully focused firms may change over the period of time due to change in the environment. The service focused firms have to constantly evolve to meet the changing needs of customers to stay in the market. These firms have to keep themselves abreast with the changing needs of the customers and modify the offering as per the demand. In case of market focused strategy, firms have to diversify their operations to deliver different needs of the chosen market segment. These firms also need to make continuous efforts to know their customers well.

5.5 MARKET SEGMENTATION

Market segmentation is the pre requisite of focus strategies. Due to distinctive characteristics of consumers, it becomes difficult for a service firm to uniformly satisfy the needs and wants of all the customers. Also, service firms vary in their capabilities to serve different types of customers. Therefore, instead of targeting the whole set of customers; it is advisable for firms to first segment the customers on the basis of their certain characteristics and then select few of the segments which can be served well. It is also called rifle approach, as it helps the firms to identify the customers whom it can serve better with its abilities.

Segmentation is the grouping of customers with similar needs, preferences and consumption pattern. Since needs of the customers vary as per their demographic and geographic conditions, their lifestyle, personality etc, therefore marketers segment the customers on these bases. It results in formation of groups of customers which is homogeneous as all the customers in the segment have similar characteristics leading to

same needs and preferences. But these segments vary from one another on the same characteristics. So, after segmenting, firms target one or more of these segments which it can serve well.
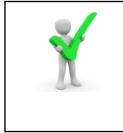
Check Your Progress-A

Q1. What do you mean by positioning strategy?

Q2. How can focus strategy help in better positioning of firms?

Q3. State True/False

(i) Dividing the customers into different segments on the basis of different characteristics of the customers is called segmentation.

(ii) Focus strategies help service organizations in effective positioning.

(iii) Unfocussed strategy is the most preferred focus strategy of service firms.

(iv) Income can be used as a basis for segmentation of the market.

5.6 DETERMINING SERVICE ATTRIBUTES AND LEVELS

After the segmentation has been done by the marketers and the target segments are selected, the next step is to deliver the right services to right customers. So, firms attempt to identify the attributes of the services that are relevant to the customers and then frame service offering accordingly. However, the importance of these attributes varies for the customers according to time, place, occasion, decision maker, purpose etc. For example, a young individual may prefer to travel by office cab while going to office but uses his personal car while going to dine out with his family as here occasion as well as comfort is more important.

Service attributes types: Importance vs Determinant attributes

Customers while selecting a service from the competing service offerings available in the market, give importance to few attributes of the services. But these important attributes are not the sole criteria for the selection of the service. There are certain other attributes which finally lead to the purchase of the service. These attributes which determine the purchase of service are called determinant attributes. For example, customers while seeking a stay in the hotel may give prime importance to the location of hotel and budget. But while making the final choice of the hotel to stay the attributes such as cleanliness, room size, and service quality are also considered.

Thus, the marketer while designing a positioning strategy for their service offering must identify the attributes that are considered quite important by the customers and sought first in the offering. Along with the important attributes, the researcher must also identify the attributes that actually determine the final choice of the service offering among several competing brands.

Determining levels of services

After the important and determinant attributes of the services are identified by the service marketer, the next step is to find out the extent to which these attributes affect the selection of service. Some of these service attributes such as prices are quantifiable and can be expressed in numbers while others are subjective in nature and vary with the perception of customer. For example, the quality of food at the restaurant depends on the varying taste of consumers. However, prices of food are quantifiable. So, firms must study the preferences of customers towards each of these attributes and position their service accordingly. Customers can also be segmented on the basis of their sensitivity towards price and importance attached to certain attributes. Few customers may tradeoff prices for obtaining certain level of quality food in the restaurant.

5.7 POSITIONING FOR COMPETITIVE ADVANTAGE

After segmenting the market and identifying the important and determinant attributes of the service and their levels of preference for customers, the next step is to position the product in the market so that it differs from its competitors. Jack Trout has given four principles for positioning:

- A firm must position its product in the minds of the customers

- Positioning should be consistent, that is it must provide a single message.

- Positioning must distinguish the company from its competitors.

- Firm must focus its efforts on serving few needs of the customers as it cannot satisfy all the needs.

So based on these principles firms can position their service offering in the market so that it stands out in the minds of the customers. The firms should identify those points of difference for positioning which cannot be easily copied by its competitors.

5.8 DEVELOPING AN EFFECTIVE POSITIONING STRATEGY

Positioning of services is very important for service firms due to their experiential and intangible nature. It helps customers to create a mental image of what can be expected from the services. It basically involves the analysis at three levels i.e. market analysis, competitor analysis and internal analysis, that lead to development of a positioning statement. Market analysis is done to assess the level of demand of services. It also reveals the variation in needs and preferences of the customer with age, location lifestyle etc. Thus, it provides a basis for segmenting the market and determining the market potential of each segment.

Competitor analysis helps the marketer to know the strengths and weaknesses of the competing firms and the market segments they are serving. The analysis helps the firm to identify the unmet needs of the customers and use it as an opportunity to differentiate its service offering. It leads the firms to anticipate the possible competitive actions and responses.

After market and competitor analysis, service firms must emphasize on their own resources and capabilities. Organizations must identify their resources (human, financial etc.), competencies as well as their constraints and accordingly define their target segment and how these segments can be served well.

After market, competitor and internal analysis the firm can design its positioning strategy that distinguishes it from its competitors and creates a distinct image in the minds of the customer.
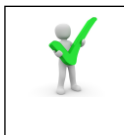
Check Your Progress-B

Q1. Explain different steps involved in effective positioning of services.

Q2. Write a short note on service attributes that help in effective positioning.

Q3. Distinguish between market analysis, competitor analysis and internal analysis.

Q5. Multiple Choice Questions:

(i) Segmentation strategy is done to :

    a) break down the large markets into smaller markets.

    b) to provide an opportunity to surpass competitors.

    c) to group together customers with similar needs.

    d) achieve greater market share.

(ii) Fully focused strategy involves:

    a) focusing on few markets with limited service offerings.

    b) fulfilling the needs of broad market segment with limited services.

    c) fulfilling the needs of few market segments with variety of services.

    d) fulfilling the needs of broad market segments with variety of services.

(iii) Market analysis is done to:

    a) assess the demand of a product in market.

    b) assess the needs of the customers.

    c) assess the position of competitors in the market.

    d) assess the internal resources of the firm.

(iv) Positioning strategy can be effective when:
    a) market is segmented well.
    b) firms adopt focus strategy
    c) the attributes relevant to customers are identified

d) size of firm is large.

5.8 SUMMARY

Positioning aims at creating a distinctive image in the market that is valued by the customers. It helps the firm to stand out from the crowd and develop a long term relationship with the customers. Services position themselves on the basis of price, convenience and ease of use for customers, the environment in which service is provided as well as the personnel providing services.

In order to achieve competitive advantage a firm needs to focus its efforts on selected customer groups. There are three types of focus strategies: fully focused, market focused and service focused. Fully focused firms attempt to fulfill the needs of few markets with limited-service offerings, market focused firms cater to the needs of selected market with broad range of services. Service focused firms deliver few specialized services to several segments.

Market segmentation is the formation of group of the customers with similar needs. It allows the firms to better know the customers and focus their efforts accordingly.After segmentation firms try to identify the service attributes that are valued by customers in the selected target segment. The attributes can be of two types: important as well as determinant attributes. Important attributes are the attributes that are primarily considered by customers while selecting a service among competing services available. But the final choice of the service depends on other conditions such as time, price, convenience etc. Thus, determinant attributes shape the final decision of customers and they can be different from important attributes.

Positioning provides competitive advantage to firms. Market analysis, Internal analysis and competitor analysis is done to develop an effective positioning strategy.

5.9   GLOSSARY

Positioning: Positioning is a strategy which aims at creating a distinct image of the product in the minds of the customer.
Segmentation: Segmentation is the process of dividing the potential customers into groups based on different characteristics.

5.10 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

(i) True (ii) True (iii) False (iv) True

Check Your Progress –B

(i) c (ii) a (iii) a (iv) c

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5.13 TERMINAL QUESTIONS

Q1. What is positioning strategy? How does it provides a competitive edge to service firms?

Q2. Explain different types of focus strategies used by service firms with suitable examples.

Q3. What role does important and determinant attributes of a service offering play in designing its positioning strategy?

5.14 CASE LETS/CASES

Marketing of Health Services

(Reference: http://www.universalteacherpublications.com/mba accessed on 22/11/2017)

Pulin Kayastha was simply amazed. He had seen all forms of hostility and marketing warfare in the consumer goods industry, but to see similar warfare in the health industry fascinated him. Clearly, he told himself, doctors had found consumers in their patients. At least, that's what the concept note sent by Dr. AJit Varman, country manager of Recovery Clinics & Hospitals, seemed to indicate. Varman and seven other senior doctors had left Karuna Nursing Home and Hospital to set up Recovery, which, as the note said, ".... would be entirely devoted and dedicated to customer responsiveness."

Pulin was a management consultant and was recommended to Recovery by the marketing director of Regrow Pharma, a large pharmaceuticals company in Mumbai. In fact, the suggestion to set up Recovery came from a non-resident patient, Dinesh Shah, who was undergoing treatment at Karuna's large speciality hospital in Central India. It was in the course of his interaction with the doctors that Shah sensed their unhappiness with the system. This prompted him to suggest the idea of Recovery. Varman had joined Karuna 10 years ago, assured of a challenging career in a hospital that was promising to be different. But over time, disillusionment set in as Karuna's image and response to the environment diluted its equity.

Now that we have decided to do this, we do not want to repeat old mistakes," Varman had told Pulin during their first meeting. "Having worked at Karuna, we can see its weaknesses and why it's losing saliency. Ten years ago, when it was established, we believed ii was going to add value to our careers, We became a part of it because we were told that we are

specialists who would bring exclusivity to the hospital. But soon, the focus shifted to fetching business and revenues. The management started hiring specialists and private practitioners, offering them cabins and consultancy arrangements at Karuna. The strategy was that these doctors would bring in their patients and use the infrastructure so that the hospital would start earning money."

The Karuna management wanted to derive short-tem benefits, than gradually build up clientele. But the strategy, it appeared, did not pay off. As Varman said: "Because there were many doctors and the business was not large enough in the first few months. Consequently, competition for business became cutthroat between doctors.

Despite modem amenities, state-of-art systems and numerous doctors, the image of the hospital was that of being too commercial - a fallout of the stigma of being a private hospital. It was common among doctors to slot every hospital under either category - a place where you get neglected to death or a place where you get researched to death. Karuna earned a new label - a place where you got cross-referred to death, {or doctors at Karuna slowly took to enhancing each others earnings as they sent patients back and forth to doctors and specialists. At the end of his diagnoses, the patient ended up paying a huge amount of money for this treatment.

According to Varman, the high-cost, high-expectation syndrome hit the hospital. The initial promise of exclusivity and quality was lost. Karuna had the best doctors, but after-care was abysmal. With a view to keeping costs low, nurses, housekeeping staff and even the front office staff were hired cheap, training was virtually absent, and no attention was paid to end user needs.

Kayastha could see Recovery trying to be all that Karuna was not and desiring not to be all that Karuna was. If Kayastha thought Varman was hiring him for routine systems design and a patient management manual, he was mistaken. For Varman said "We want to get Recovery's positioning platform right and work on a sound marketing plan. What we want you to do is to help us build this brand, help ordinary doctors like us understand what brand-building entails and how it is managed in a service industry."

Questions

(a) Suggest a positioning strategy for Recovery Clinics and Hospitals.

(b) Explain why it would be necessary for doctors as well as nursing staff to be marketing oriented.

Block II
Strategic Issues of Services Marketing

UNIT 6 KNOWLEDGE OF BUYER BEHAVIOUR IN SERVICES

6.1 Introduction

6.2 Objectives

6.3. Service Consumption Model

6.4 Pre-Purchase Stage

6.5 Service Encounter Stage

6.6 Post Encounter Stage

6.7 Summary

6.8 Glossary

6.9 Answers to Check Your Progress

6.10 Reference/Bibliography

6.11 Suggested Readings

6.12 Terminal & Model Questions

6.13 Caselet

6.1   INTRODUCTION

Today the consumers are well exposed to the environment and are aware of the products or services present around them. They are ready to take risk and try new brands. They are becoming more selective and demanding. Thus, it becomes important for the marketers to fulfil the expectations of the customers and stay in the market for long.

In order to achieve this objective, the marketers need to understand the consumer behaviour i.e. how do consumers take decisions related to purchase of a product or service. So, in this unit consumer behaviour in context of services is studied.

6.2   OBJECTIVES

After reading this unit you will be able to:

- Develop an understanding of the consumer behaviour in services.
- Understand the three stage service consumption model

- Learn the evaluation of services by customers and how do they choose among competing services.
- Learn about the risk that customers perceive while making a purchase and the strategies employed by firms to reduce the risk in the minds of the customers.
- Understand the different levels of expectations that customers form for the services.
- Understand the high and low contact services and how customers evaluate these services.
- Learn about the servuction model and theatrical metaphor of services

6.3   SERVICE CONSUMPTION MODEL

As services involve simultaneous production and consumption therefore the model used to depict the consumer behaviour is also called service consumption model. It is a model with three broad stages: pre-purchase stage, service encounter stage and post encounter stage. Pre purchase stage deals with the steps involved before making a purchase such as need recognition, information search, evaluation of alternatives and finally making a purchase decision. Service encounter stage involves the actual consumption of service and its experience while post encounter stage deals with the evaluation of service after experiencing it and determines the future purchase of services.

Model is illustrated in Figure 6.1 and each stage of the model is elaborated in following sections.

Pre-Purchase Stage	• Need Awareness • Information Search • Evaluation of alternatives • Purchase Decision
Service Encounter Stage	• Obtain service from service supplier • Delivery of Service
Post- encounter Stage	• Evaluation of performance of Service • Future Intentions
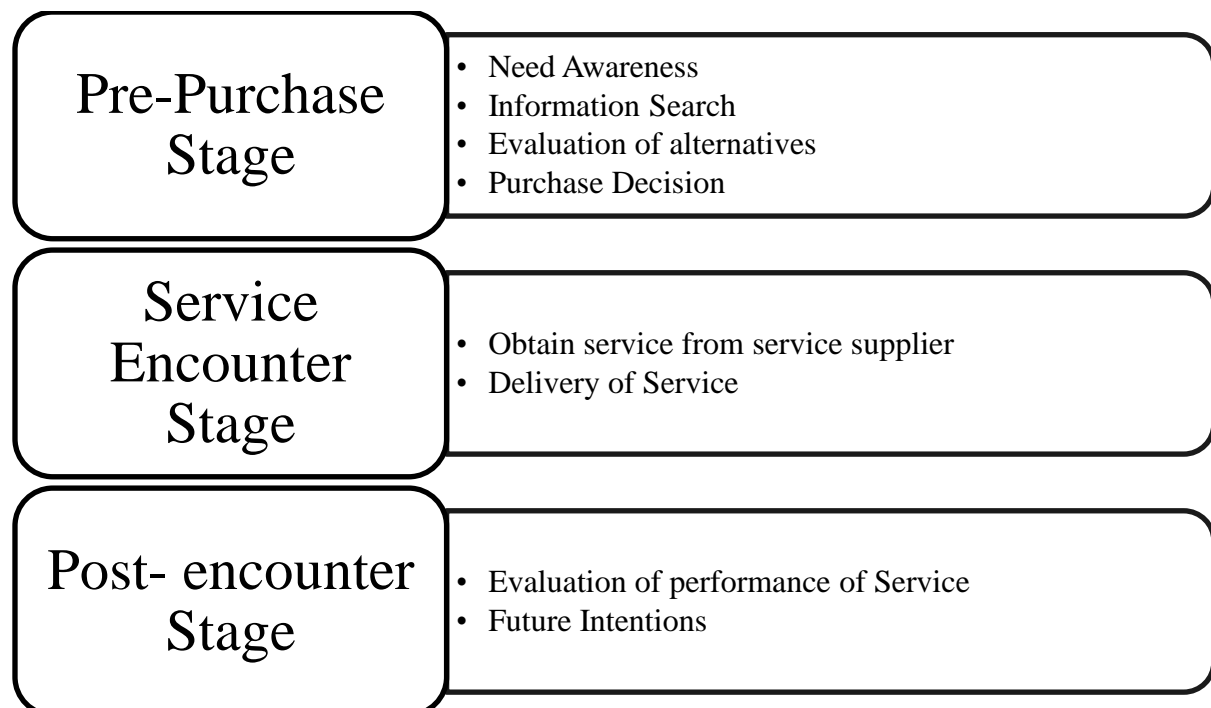
Figure 6.1: Service Consumption Model

6.4 PRE-PURCHASE STAGE

- It is the first stage of the service consumption model and comprises several steps. The various steps involved as shown in Figure 6.1 are:Need awareness

- Information Search

- Evaluation of Alternatives

- Purchase decision

6.4.1 Need Awareness

It initiates with the recognition of need by the prospective customers. The need can be triggered by the external or internal stimuli. For example the need for watching a movie can be aroused when one gets bored with the monotonous routine so it is an internal stimuli that arouse the need for entertainment. The external stimuli in the above case could be some promotional offers by movie theatres or movie itself that arise the interest of consumers for watching movie.

6.4.2 Information Search

After the need is aroused, the information search begins. The customers begin to search for the solution to satisfy their need. As a result of search for information an evoked set (or consideration set) is formed which contain the brands or products that can satisfy the need of the customer. As a marketer one has to make efforts to be part of evoked set of customers. For example the need for eating out leads to searching for good restaurants. Thus, consumers must be well aware of the restaurants that are present in the city and that can meet their requirements which will be their evoked set.

6.4.3 Evaluation of Alternatives

Once the information is sought and evoked set is ready, the next step is to evaluate the different alternatives present in the set. The evaluation depends on attributes of services, perceived risk and service expectations.

Service attributes There are three types of service attributes that determine the ease or difficulty of evaluating a service before its purchase. These attributes are: search attributes, experience attributes and credence attributes. **Search attributes** are tangible attributes such as colour, style that help customers to evaluate the product. Tangibility is also added to service offering through pamphlets, ambience and location of the place where service is provided. Example warm welcome and cleanliness in a restaurant can somewhat convince the customer about the quality of service. **Experience attributes** are those attributes that are known to customers only after they purchase and use the service. For example, one can know about the services of a hair salon only after visiting and

getting hair styling done there. The reviews and recommendations can be used by marketers for convincing the customers but they cannot always be helpful as inconsistency may creep in due to change of service personnel as well as the participation of customer. **Credence attributes** are the attributes of the product that are difficult to evaluate even after utilizing the service. In such cases customers are forced to trust the service provider that the task has been performed well. For example, surgery done by a doctor or maintenance and repair task performed by a mechanic is difficult to evaluate due to lack of expertise. In these cases one has to keep faith on the knowledge and skills of the service provider. All the products can be placed on the continuum of easy to evaluate and difficult to evaluate. The services that are high in search qualities can be easily evaluated whereas services that are high in credence qualities are difficult to evaluate.

Perceived Risk While evaluating the various alternatives of competing services, the customer tries to find out the service that can best meet their expectations. But as services are high in experience and credence attributes therefore, the perceived risk of customers of services not meeting their expectations is also high. Different types of risks that a consumer can be exposed to include:

- **Functional risk**: Example: Will I get the right hair cut in this salon?

- **Financial risk**: Will I lose money after investing in this mutual fund scheme?

- **Temporal risk**: Will I get delayed for my meeting while waiting for the cab?

- **Physical risk**: Will I get hurt while skiing?.

- **Psychological risk**: Will the counsellor be able to help me finding the right solution of my problem?

- **Social risk**: Will my friends come along with me to this restaurant?

- **Sensory risk**: Will I be comfortable in this seat?

So the marketers must try to reduce the risk, as consumers will prefer the service with the minimum perceived risk. Different strategies that can be used by marketers to reduce the risk are as follows:

- Let prospective customers know the service by previewing it on websites, brochures etc.

- Invite customers to visit the place where service will be provided in advance of making purchase.

- For services with high experience attributes, marketers can offer free trial to prospective customers before making purchase. For example few software are available free of cost online for a limited period.

- Services that require involvement of customers and also possess more credence qualities must be advertised well by marketers to communicate the key aspects and also addition of tangibility to the product can be helpful.

- Display credentials and qualifications of the service provider for services such as doctors, lawyers. Also, exhibit the previous cases to enhance credibility of service offering.

- Help customers to track their orders online such as online stores allow customers to track their purchase order online.

- Service firms can assure the customers about the quality through performance warranties or money-back guarantees.

- Service firms must provide evidences that are consistent with the targeted image of the company. For example, uniform of employees, ambience of the service facility etc.

Thus, these strategies reduce uncertainties and can prove to be helpful for customers while making purchase. The next important input to consumer decision making process, while evaluating a service are service expectations discussed next.

Service Expectations Consumers form certain expectations from the services being provided based on their prior experience, word of mouth or during information search. These expectations vary from time to time and are situation specific. Such as instant order delivery in a restaurant during peak hours is not expected. The expectations may change over the period of time with the innovation in services, technology development, advertisements and pricing. However, these factors are under the control of supplier of services. There can be four levels of services: desired, expected, predicted and zone of tolerance.

- **Desired service level** is the level of services which is actually wished by the customers. This level of expectations is the ideal level of services wanted by the customers. The level can be based on the promises being made by service firms.

- **Adequate service** is the minimum level of service that must be provided to satisfy the customers as customers are realistic and aware of the constraints of the provider that desired level cannot be always delivered.

- **Predicted service level** is the level of service which a customer anticipates from the service provider. This level of service is set on the basis of the word of mouth, prior experiences, advertisements etc. The predicted service level defines the adequate level of service for customers.

- **Zone of tolerance level** is the level of variations in the services which is acceptable by the customers. It is defined because services cannot be delivered consistently at all the touch points and throughout the day due to human

interventions. Thus, zone of tolerance defines the range within which variation is accepted. The size of the zone can be different for individual customers and depends on price, competition and the relevance of certain attributes for the customers.

Thus, it is important for marketers to under the predicted level of service of customers and the width of their zone of tolerance as these factors can affect the evaluation of services by customers.

6.4.4 Purchase Decision

The customers after evaluating the different service alternatives on the basis of the attributes, considering the perceived risk associated with different alternatives of services and also different level of expectations from the service offering are ready to take the final decision of purchase.

The alternative where perceived risk is low and the buyer has already experienced the service, purchase decision is quick. In such cases the service is well known and may be the service provider is well decided. But in cases when the purchase is made for the first time, perceived risk is high and purchase decision takes time. The decision to purchase can also be affected by other factors such as price, time. For example if a person is in hurry he will quickly take the decision of hiring a taxi which so ever is available but if he has time than he will evaluate the alternatives.

Check Your Progress-A

Q1. State different attributes of services used for evaluation purpose.

Q2. What are the various types of risks perceived by the customer while evaluating services?

Q3. Define zone of tolerance level.

Q4. State True or False.

(a) Adequate service level is the minimum level of service expected by customers.

(b) Functional risk takes into consideration the comfort to sensory organs.

(c) Offering free trials of service high in experience attribute can help to reduce the risk.

6.5 SERVICE ENCOUNTER STAGE

After the purchase decision is taken by the customer, the service encounter stage begins where the customer comes in contact with the service firm. The stage involves a series of contacts between the customer and service provider ranging from placing an order to delivery of services. The contact between customer and service provider can involve personal interaction such as visit to a beautician or impersonal interactions such as internet banking. These contacts can be very brief such as booking a taxi or may last long such as visit to a restaurant. The service encounter stage let the customers determine the quality of service and whether the service expectations of customers are met.

Service encounter stage can be explained using three models or framework, namely moments of truth model, high or low contact model, servuction model and theatre metaphor. All these models are explained one by one in sections given below.

6.5.1 Moments of truth

It is given by Richard Normann and explains the importance of contact points with the customer. It refers to the time when customer and service provider confront each other. For example, the time when doctor actually, examine the patients. At this moment the expertise, skills and behaviour of the service provider as well as the participation and attitude of customer determine the quality of service delivered. The apt management of moments of truth is very important for the success of the service organizations. For example if a person visits a hair saloon and has to wait for long time but at last gets a satisfactory hair cut by the hair dresser will be satisfied.

6.5.2 High Contact to Low Contact Service Encounters

During service encounter stage the contacts between the service provider and the customer can be very brief that requires only fewer steps or it can extend over a period of time. These

contacts refer to the interaction of customer with the service provider and the physical environment where service is delivered. Thus, based on the type of contact, services are categorized as high contact services and low contact services.

High contact services expose the customers to the tangible components of the service. It involves the interaction of the customer with the service personnel and also let the consumer evaluate the service through the physical environment where service is provided as well as the equipments used for services. These services require management of several interactions or moments of truth with the customers. The assessment of the customers may also be influenced by other customers. In such services marketers must focus on providing a pleasing experience to the customers. For example a person staying in a hotel will be influenced by the warm greetings of the staff of the hotel, ambience of the hotel, the room of the hotel, comfort provided etc.

Low contact services are the services where the customers interact with the service provider only through different mediums i.e. internet, phone or channels of delivery. Here, the customers may never have face to face encounter with physical environment and the service provider. In the present situation, such types of services are preferred by customers due to convenience and time saving. For these services, marketers need to focus on delivery of services and the quality. For example in online booking of air tickets the customer will only be exposed to the website of the organization and will be influenced by the timely booking of tickets, payment options available etc.

6.5.3 Servuction System

Servuction is the combination of service and production. It integrates the customers, marketing and operations. It focuses on all the components of the service that influence the experience of the customers. These factors can be categorized as technical core and service delivery system.

Technical core is the invisible part where elements of the service are produced after processing inputs. It is the backstage of the service firm and is not of concern to the customers. However, if the backstage processing impacts the quality of the service delivered it is noticed by customers and influence their service experience.

Service delivery system is the visible part of the service operations and consists of service environment, personnel, equipments and even other customers. This part of service organizations comes in direct interaction with the customers and influence their experience. In case of high contact services the service delivery system needs to be managed well as customers passes through several moments of truth and comes in direct contact with the ambience, service personnel, facilities etc. But in case of low contact services efforts on service facility and other visible components are not required.

6.5.4 Theatre Metaphor

Theatre metaphor framework helps to understand how to effectively stage the service performance so that the desired experience is created for the customer. Here the service

delivery is compared with the theatre performance where the aim of both is to satisfy the customers with the performance. The metaphor is useful; for high contact service providers as well as services where simultaneously more than one customer is served. Different components of services can correspond to different stages of performance.

Service facilities can be compared with the stage where the drama unfolds and in case of services, the customer's perception of the service starts building. The service is exposed to customer through different touch points.

Service Personnel who are at front line to serve the customers correspond to the actors on the stage playing different roles in a drama. Similarly, employees at front stage are expected to behave in a specific way with the customers. In some organizations their uniforms are decided. As in theatres stage actors are supported by the back stage team similarly in services the processes at the back end help front end employees to deliver better services.

Since processes in services involve several interactions with the customers at different stages therefore it is important for service firms to better understand, design and manage the behaviour of service personnel as well as customers. It can be better understood with the help of role and script theories.

Role Theory proposes that as in theatre the roles of employees and customers in a service set up are predetermined. Employees must perform their role as per the expectations of the customers and the customers must also play their role to get better services. The roles of customers and employees must be in congruence with each other for better service delivery.

Script theory states that as in movie script, the service also specifies the series of steps and behaviour that employees and customers are expected to learn and follow during service delivery process. Employees are trained for the expected behaviour while customers learn about it through their own experience or the communication by the service firms and other customers. The higher is the experience of the customer the more is he acquainted with the script. The unwillingness to learn a new script may keep the customers loyal to the service firm. In case a service firm makes changes in its delivery process that requires a different script then it must well educate and train the employees and customers. Few services are tightly scripted leading to consistent and uniform service delivery but for customized services the scripts are flexible.

Role and Script theories complement each other and both should be well defined for the parties, employees as well as customers for higher customer satisfaction and service productivity.

6.6 POST ENCOUNTER STAGE

The stage arrives after the service is consumed by the customer. It involves comparison of the service experience with the prior expectations. The stage determines the satisfaction or dissatisfaction of the customers.

Satisfaction is based on the confirmation or disconfirmation of expectations formed before service encounter. Customers have certain predicted level of expectations from the services formed on the basis of their evaluation of alternatives available and search process. During service encounter customers experience the service and compare it with the predicted service level. If the service is better than the expected level than positive disconfirmaion of service is obtained, and if it is worse than negative disconfirmation. If it is as expected by the customer than confirmation of services is done by the customers.

Customers stay satisfied with the services when the perceived performance of the services lie within the zone of tolerance or above the adequate service level. If performance exceeds the desired level customers are delighted and are more likely to make repeat purchase and spread positive word of mouth. But the service performance falls below the expected than customers withdraw from the services and switch service provider in future.

Service expectations are developed by the customers on the basis of evaluation of the attributes and risks related to the service offering. These attributes decide the zone of tolerance. If the attributes are very important for customers than the zone of tolerance is narrow. Also, if the customers pay high prices for the services than expectations are high. Thus, marketers must carefully manage the expectations of the customers at each and every stage of service consumption.

Comparison of Service Standards on basis other than Service Expectations

Expectations are useful for comparing the standards of performance of services in competitive markets when customers are well aware of the service. Due to acquaintance with the service, customers have sufficient knowledge to select the service that meets their needs and wants. However, in non-competitive markets where the choice is low customers do not form expectations. Rather, in such cases the services that satisfy the needs and wants of the customers are rated high and preferred by the customers. Therefore, service marketers must focus on satisfaction of needs and wants of the customers rather than fulfilling their expectations.

For services high in credence quality, it is difficult for customers to evaluate the services even after consuming it, for example, surgery by a doctor, legal case by a lawyer etc. So, in such cases tangible elements of the services and the service processes are used by the customers to evaluate the services. Hence, in these situations service providers must understand the attributes that can influence the customer's evaluation of services though those attributes may not be core attributes of the services.

Customer Delight

Customer delight depends on three factors: (i) performance higher than the expected level of services (ii) arousal of surprise or excitement (iii) positive effect on consumers such as joy and happiness. High satisfaction in customers is the result of positive disconfirmation of expectations and positive effect. Therefore, to delight the customers requires not only avoiding defects in the service processes and delivery but emphasizing on what lies beyond the expectations of the customers.

However, delighting the customers is criticized by marketers because it further raises the expectations of the customers and requires more efforts to delight the customers in future. Also, if service levels return to previous level, it dissatisfies the customers. Customer delight is also not considered feasible for mundane ervices such as newspaper delivery etc.

But even then if few innovative suppliers want to delight the customer, then they must attempt to identify the attributes of the services that can delight the customers for longer time.

Check Your Progress-B

Q1. Write a shot note on moments of truth in service.

Q2. Explain theatre metaphor of services.

Q3. Distinguish between role and script theories of theatre metaphor of services.

Q4. Identify the high and low contact services:

(a) Watching movie in a theatre.

(b) Booking air tickets over the internet.

(c) Stay in a hotel.

(d) Visit to a doctor.

(e) Transfer of money through net banking.

6.7 SUMMARY

Service consumption model broadly categorize the consumption of services by customers into three stages, namely: pre purchase stage, service encounter stage and post encounter stage.

Pre purchase stage of the model refers to the stage when customer realizes the need for a service and search for the information for different types of services, evaluates the service alternatives available and make a purchase decision.

After making a purchase decision customer enters the service encounter stage where he/she enters into interactions with the service firm at different stages. Several frameworks are used to better understand the consumer behaviour during service encounter stage. These are moments of truth, high/low contact service model, servuction model and theatre metaphor.

Moments of truth sframework indicates the significance of managing the different touchpoints for service provider. It is the time when service provider and consumers interact with each other. High/Low contact service model classifies services into two types: high contact services and low contact services. In high contact services the customer interacts with service firm at several points for longer time while in low contact services the customer has less interaction with the service firm and hence the focus is mainly on effective delivery of services. Servuction framework combines the operations of the service firms as well as the service delivery process. It describes the physical environment, service operations as well as service delivery that can influence the overall service experience of the customers. Theatre metaphor compares the service delivery with the theatre performance on stage.

Post encounter stage of service consumption model evaluate the service experience of the customers and compare it with their expectations.

6.8 GLOSSARY

Moments of truth: It refers to the interaction of customers with service provider which influence the relationship with customer.

Servuction model: It integrates the service operations and service delivery processes. It emphasize on all the factors that influence the experience of the customers.

Zone of tolerance: It refers to the variations in the service delivered that is acceptable to the customers.

6.9 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

4. (a) True (b) False (c) True

Check Your Progress –B

4. (a) High (b) Low (c) High (d) High (e) Low

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6.12 TERMINAL QUESTIONS

Q1. Explain the different stages of service consumption model used to study the behavior of consumers towards service firms?

Q2. Discuss the relationship between customer expectations and customer satisfaction?

Q3. Explain how the theatrical metaphor explain the consumer behaviour during service encounter stage.

6.13 CASE LETS/CASES

SouthWest Airlines

South West Airlines entered the airline industry in 1971 with little money, but lots of personality. Marketing itself as the LUV airline, the company featured a bright red heart as its first logo. In the 1970s, flight attendants in red-orange hot pants served peanuts and drinks. With little money for advertisement in the early days, Southwest relied on its outrageous antics to generate word of mouth advertising.

Later ads showcased Southwest's low fares, frequent flights, on-time arrivals, and top safety record.Throughout all the advertising, the spirit of fun pervaded. For example, one TV sport showed a small bag of peanuts with the words, "This is what our meals look like at Southwest Airlines…..It's also what or fares look like." Southwest Airlines used ads to poke fun at itself and to convey its personality.

Southwest can offer low fares because it streamlines operations. For example, it flies only Boeing 737, which saves time and money because training is simplified for

pilots, flight attendants and mechanics;and management can substitute aircraft, reschedule flight crews, or transfer mechanics quickly. Southwest also bucks the traditional hub and spoke system and offers only point-to-point service; it chooses to fy to smaller airports that that have lower gate fee and less congestion, which speeds aircraft turnaround. Southwest's 15 to 20 minute turnaround from flight landing to departure is half the industry average, giving it better asset utilization.

Southwest Airlinesgrow by entering new markets that are overpriced and underserved by curren airlines. The company believes that it can bring down airfares from one third to one half whenever it enters a new market, and it grows the market in every city it serves by making the flight affordable. Southwest Airlines serves 64 cities in 32 tates.

Even though Southwest is a low cost airline, it has pioneered many additional ervices and programs such as same day freight service, senior discounts, fun fares and fun packs. Despite the reputation of low fares and no frills services, the company wins the heart of the customers. It consistently rank at the top of the lists of customer service for airlines, yet the average price of a flight is $105. Southwest has been ranked by Fortune magazine as the United States' most admired airline since 1997. The company has been profitable for 34 straight years. It has been the only airline to report profit every quarter since September 11, 2001, and one that had few layoffs amid a travel slump created by the slow economy and the threat of terrorism.

Although the hot pants have long gone, the LUVing spirit remains at the heart of Southwest. The company's stock symbol on the NYSE is LUV and red hearts can be found everywhere across the company. These symbols embody the Southwest's spirit of employees "caring about themselves, each other, and Southwest customers." "Our fares can br matched; our airplanes and routes can be copied. But we pride ourselves on our customer service", said Sherry Phelps, Director of corporate employment. That's why Southwest looks for and hires people who generate enthusiasm. In fact, having a sense of humor is a selection criteria it uses for hiring. As one employee explained, "We can train you to do any job, but we can't give you the right spirit". And the feeling is reciprocated. When Southwest needed to close reservation cntres in three cities in 2004, it didn't fire a single employee but rather paid for relocation and commuting expense.

Q1. Delineate the service operations that affected the service delivery to customers.

Q2. Try to identify the moments of truth that are take care by Southwest airlines to influence customers.

UNIT 7 CUSTOMER EXPECTATION AND CUSTOMER GROUPS

7.1 Introduction

7.2 Objectives

7.3 Meaning of Customer Expectation and Customer group

7.4 Types of Service Expectations of customers

7.5 Level of Expectations

7.6 Factors influencing Customer Expectations of Service

7.7 Managing consumer expectations:

7.8 Antecedents of consumer expectations:

7.9 Issues related to Customer Service Expectations

7.10 Summary

7.11 Answer to Check Your Progress

7.12 Glossary

7.13 Reference/ Bibliography

7.14 Suggested Readings

7.15 Terminal & Model Questions

7.16 Caselet

7.1   INTRODUCTION

In our previous unit we learnt how people i.e. buyer/consumer make buying decisions like what they want to buy, what are their want, need, how they act in regards to a product, service, or company, what are the factors which influences their buying decisions. In this unit, you will study about what are the customer expectations, what are the different types of customer expectations and factors which influences their expectations.

7.2   OBJECTIVES

The following are the objectives of this unit;

- To Identify that customer carries divergent expectations for service quality and performance.
- To look at the controllable and uncontrollable wellsprings of customer expectations of service and the various factors influencing Customer expectations.
- To recognize the similar wellsprings of expectations that are alike for B2B and B2C i.e. Business customers and End customers,
- To identify the types of sources which are delivered in Intangible form like Lecture by professors/ Teachers also known as pure service and product Related Service-related service, for learned and inexperienced Customers.
- To list down and describe the vital current issues wrapping customer expectations.
- To understand the customer's general expectations at global level
- To understand the deviation between customer's expectation from the service and actual Service Performance.
- How to tackle the unrealistic Customer expectation

7.3 MEANING OF CUSTOMER EXPECTATIONS AND CUSTOMER GROUP

Customer expectations are the faith, credence with respect delivery of services, that serve as standards or reference points sometimes a benchmark against which Service performance (SERVPERF) is judged. As customers tend to differentiate evaluate and compare their impression, experience of service delivery and service quality (SERVQUAL).

Customer expectations have become essential to organizations, Marketers. Now customer expectation has become the first and possibly most fundamental step while implementing and delivering the service or quality service.

Many organisation losses their businesses, resources money, time etc if they have not taped the customer expectation correctly and also losses business when another association hits customer expectations correctly. Being off base can even throw you out of the highly competitive market.

Following are the questions needs to be answered for the successful service delivery and to improve service quality and service performance in service marketing.

1. What are service standards in the customer's mind (his expectations about the service?)

2. What are the factors that affect customer's expectation?

3. What are the issues related to customer expectation?

4. How to bridge the gap between service actual performance and service standard?

5. How to meet customer expectation and how to exceed customer expectations?

More importantly we have discussed the types of customer expectations, various levels of customer expectations, factors affecting customer expectations of service, current issues involving customer expectations.

If we get to know about what customer expects, what are their needs, wants who are our customers, we can form and deliver excellent service to our customers so that we can be highly satisfied.

When customer satisfaction is calculated or when they are asked about the product or service which has met or outperformed expectations. Customer satisfaction shows the experiences and expectations that the customer has with a product or intangible product. Expectations showcase both history i.e. past and current product appraisal and the experiences.

This information impacts our expectations and gives us the capability to analyze value and quality, the potentiality of the product or service to address customer's need or want.

Customers hold expectations for properties, features, and preferences of products and services.

Customer groups:

Customer group is grouping or aggregation similar customers or customers who are similar in some or the other way are called customer group. For example wholesale customers or retail customers or company employees and external customers etc. Customer Groups help us to categorize our customers.

It can be a termed as identification or a tag or a label that you can assign to our customers and thus grouping/segmenting or categorizing them under certain criteria

Customer groups allow you to organize your customers, give them discounts, and restrict access to specific product categories.

Service delivery is compared keeping customer expectations in the mind. Expectation level can differ broadly relying upon the reference point the customer holds. Service marketers require a significantly more intensive and clear meaning of expectations to understand measure and oversee them.

 Let's envision that you are intending to go to a Coffee shop or a restaurant. Below figure shows a continuum along which arranged conceivable sorts of service expectations can be appeared from low to high.

In the figure 3.1 on the left are levels of expectations, running from high (top) to low (base). At each and every point we provide a name to the kind of need and depict what it may mean with respect to a coffee shop you are thinking about.

Let's take an example, if we go to any local restaurant and we get best of the service as which was not expected from a local restaurant, they greet you when you enter, they take your order and give food in time, serve you tasty and mouthwatering food and in a reasonable price.

Now when you go to a famous restaurant or in 3- or 4-star restaurant where you expected the best service and good food. No one greeted you; order was taken after you have had to find the waiter, food came after 40-50minutes that wasn't hot enough and taste was not so good and you end up paying a lot.

Which one according to you is the best restaurant? How you selected which one is better than other? Which things you considered while taking decision? Which expectations were fulfilled? To get the exact customer expectations of service is tough and critical.

Name the hotel or restaurant whose experience would you judge to be best? The response is likely to depend an incredible deal on the reference point that you are going to bring it to the experience. The idea of customer desire and expectations is so essential and critical for the assessment or evaluation of service, we will discuss the level of expectations

FIGURE 3.1 Possible levels of customer expectations

Source: R.K. Teas, 'Expectations, performance evaluation and consumers' perceptions of quality', *Journal of Marketing* (October 1993), pp. 18–34. Reprinted by permission of the American Marketing Association
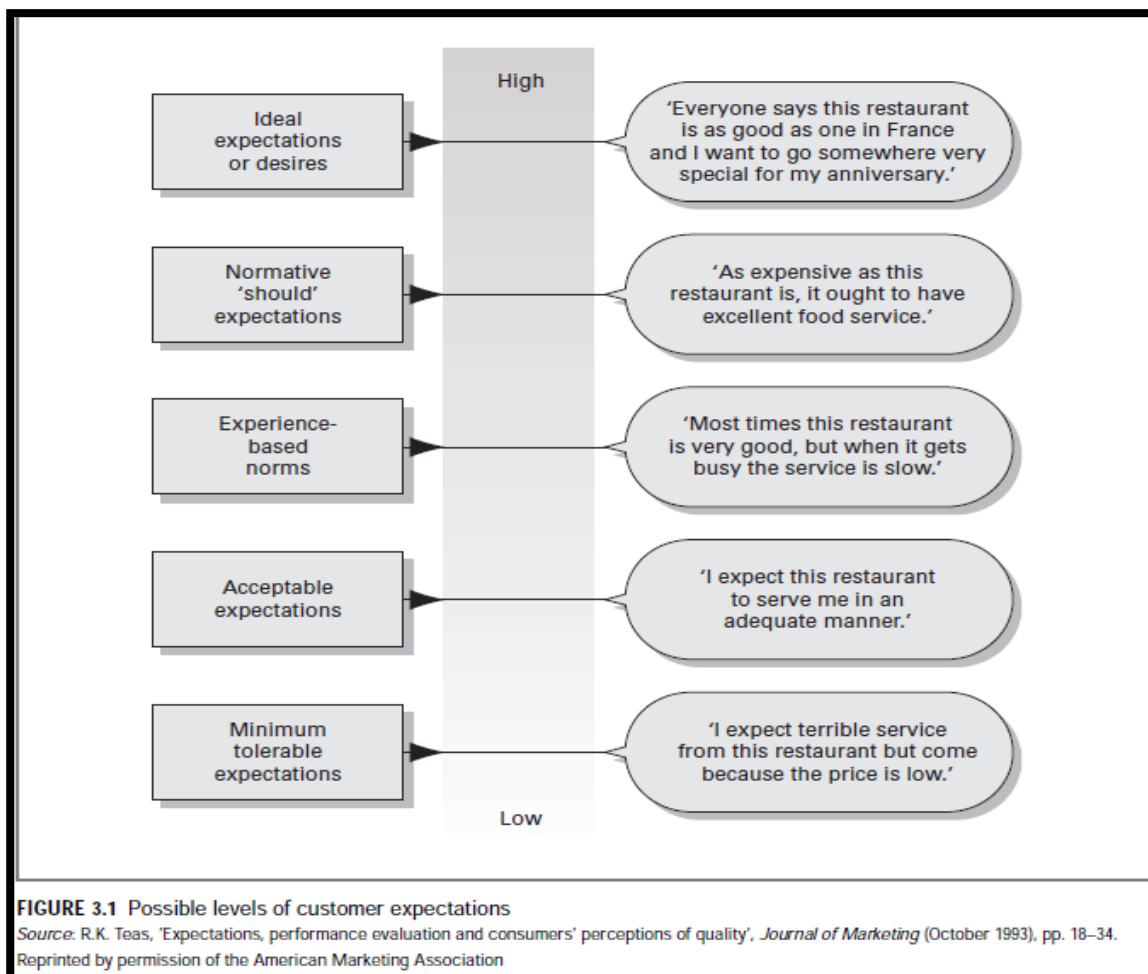
7.4   TYPES OF SERVICE EXPECTATIONS OF CONSUMERS

Customer expectations are the base assumptions that customers make about your brand, services and products. When expectations aren't met for one reason or other customers may be either positively or negatively surprised. The following are illustrative examples**.**

Expectations lead to disappointment if not fulfilled. Expectations are the base suppositions that customers make about your brand, services and products. Customer will have negative feedback if his expectations are not fulfilled and will be positive if expectations are fulfilled.

Types of expectations:

Ideal expectations refer to the service delivery, actual service performance wished for in a flawless service.

Desired expectations are the service delivery, performance levels that customers require the service to meet essentially. Sometimes customers digest and resist if there is any

deviation or the service deliver has not been done at expected level (deviation is between expected standard performance v/s actual performance of service) the satisfaction level will be depreciated. Dissatisfaction comes to fruition if the execution falls underneath this level.

The predicted expectation is the performance level that the customer foresees, anticipates will be accomplished by a service encounter or experience before this encounter is experienced. This is known by previuos experience with the service.

is the execution level that the client foresees will be accomplished by an administration experience before this experience is experienced. This is controlled by past involvement with the administration.

If our past experience of services have been disappointing and have not fulfilled our expectations and has been unsatisfactory, but obvious next time the expectations w.r.t. the service is likely to be low.

For example, a customer who booked a ticket from a travel portal, and money got deducted without the getting the ticket booking confirmation or before generating PNR (**Passenger Name Record)** number and his money get refunded after 20-30 day. What will be the expectation level of service next time if he thinks to book a ticket from the same portal?

Comparative Expectations imply the expectation levels foreseen for the service got from experiences with competitive services.

For example how Kingfisher airlines was better than its competitors for example Air India, Indigo airlines, Go air, jet airways etc. we tend to compare expectation level from one player to its competitor's one.

Normative expectations are based on brand names – an outstanding brand might be required to perform superior to anything one that is lesser known.

For example if we think about pizza we know that Dominos restaurant as a brand name will have better services than other local pizza makers

Value-based expectations depend on a value of a product i.e. worth of a product "worth what is paid for" analysis – if performance, service delivery and benefits are greater than the price we paid we tend to believe that it's better. The service delivery expectations depend on its price

If we buy NIKE Shoes worth 10000/- and we tend to think it is a better quality product.

Examples of Customer Expectations

Sensory Perception: A customer who is hungry and wants to have good food in quick time such as fast food i.e. Burger he will be expecting taste smell, texture and quick delivery.

Quality: A customer of a five star hotel may expect great ambience, decorations class interiors with awesome materials. A customer of a motel may expect an impeccable, clean, pleasing and quiet room.

Fee Structure: A customer of Rajdhani train or an airline may expect meals and drinks to be free.

Security & Privacy: customers of I-phone or android and associated software may expect that their data to be secured and safe and their images, messages to family, friends are private.

Customer Service: Customers of a restaurant or hotel or any airline services may expect staff to be courteous, diligent, professional and amiable.

Terms: A customer, who purchases a product online from Amazon, Flipkart and is delivered with quality defects or some any other reason, may expect that they are entitled to a refund if they return it in a reasonable period of time.

Personalization: A customer who returns to the same restaurant or hotel frequently may expect the staff to remember preferences, likes and dislikes.

Performance: A customer expects their internet service to give good speed and should be able to load website within seconds.

Availability: A customer expects their telecom customer care or car services like OLA, UBER to be available 24/7 with minimal downtime

Reliability: A customer should expect that credit or debit card details entered on the website should be secured and company should be reliable so that they can enter the details or airline expects aircraft to be 100% reliable in the air.

Sustainability : A customer expects solar panels to be recycled, reused at end-of-life.

7.5 LEVEL OF EXPECTATIONS

With reference to figure as mentioned below we can state that customers hold different types of expectations about service. There expectation level travels from low to high. From worst possible (low) to ideal service expectations (high).

THE EXPECTATION HIERARCHY

- Ideal
- Should expectation
- Will expectation (high expectation)
- Minimally acceptable
- Will expectation (low expectation)
- Worst possible
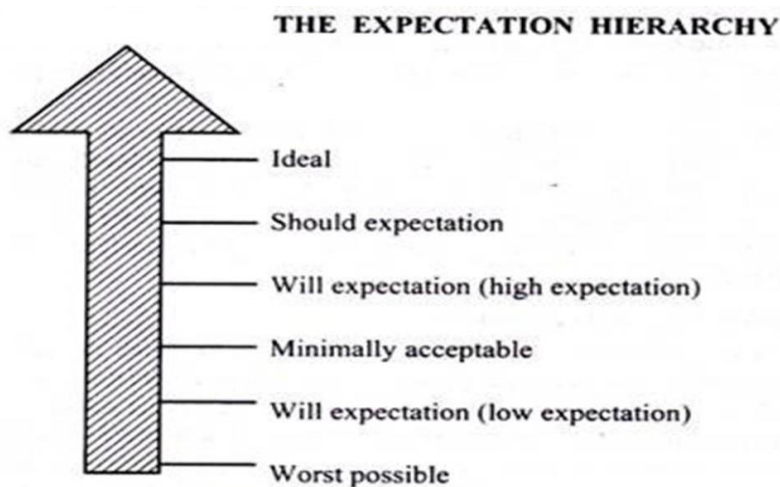
As we have discussed above the types of expectation, now we will be discussing the hierarchy or level of expectation.

The highest can be termed Ideal service or desired service. At this service level, the customer thinks to receive – the 'wished for' performance level. Desired service is a mix of or blend of what the customer believes 'can be' and 'should be'.

In this level of service the customer might want to get – the ' best possible service or ideal service that he can wish for'. Ideal service that is expected is a blend of what the customer acknowledges 'can be' and 'should be'.

For example, customers who books ticket online for a movie, he expects to have hassle free booking steps, user friendly application, booking counter to have their details, should get their choice of seats, meals, he should be allowed inside without any hassles and should be able to enjoy movie.

The expectation shows these wishes and hopes of the customers; without these wishes and hopes and the belief that they might get fulfilled; probably customers would not purchase the dating service.

Likewise if you want to buy clothes online, from Myntra.com, Jabong.com. we would like to expect that we should get the clothes of our size, should comes in our packet size (budget) should be delivered as date and time decided by you, should get good offers, should have hassle free buying process, should have Cash on delivery option or the delivery boy to carry card swiping machine, to get easy refunds and returns. Customers do know that all the desired expectation s can't be fulfilled always. We call this as threshold level of adequate service or acceptable service– it's the level of service the customer will accept. So this adequate service shows the 'minimum tolerable expectation' the worst possible expectation. For example you don't like to book train tatkal ticket IRCTC but you still try to do that because it's the only option to book ticket, or else or you don't like a particular restaurant but you still pay visit because it's prices are low.

The below figure shows the Dual customer expectation levels i.e desired level of expectation and adequate or acceptable level of expectation.

Desired Service

Zone of Tolerance

Adequate Service

Dual customer expectation levels
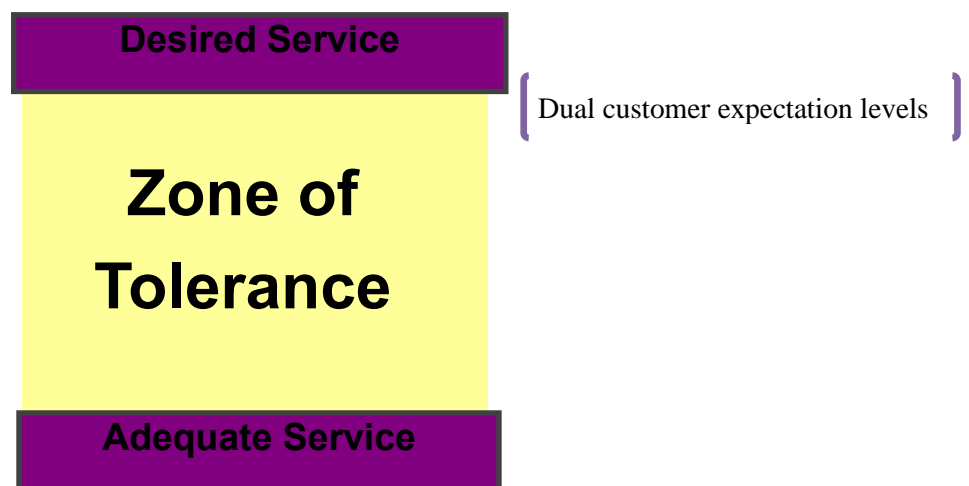
For example, two fast food company's Dominos and pizza hut having same business, products but offer different level of services an still their customers happy and satisfied. And when we compared to big restaurants serving pizza in five star hotels with suited booted waiters, expensive pizza might not be able to with customer's point of view.

Customers normally have similar kind of desired expectations across different categories and sub categories, reference points of service. Among subcategories of coffee shops are expensive coffee shops, mom and dad coffee shops (thela), mall coffee shops, coffee in normal restaurants, expensive restaurants airport coffee shops.

A customer's desired service expectation for mom and dad coffee shop (known as Thela) is quick, tasty, convenient, custom made.

A customer's desired service expectation for an expensive coffee shop like Starbucks would be usually elegant surroundings, gracious employees, tasty coffee, variety of coffee drinks like espresso, cappuccino, hot or cold coffee etc.

So, we can say that desired service expectations seem to be the similar or same for service providers within industry, categories or subcategories that are viewed as similar by customers.

But that is not in the case of adequate service expectation level. It varies from company to company and category to category or sub categories.

For example, in airline industry a customer has higher expectations from Air India or jet airways as compared to Indigo or Go air. Though customer get disappoint from the Jet airway's service than from Air India, even though Jet airway's actual service is better or superior than Air India.

7.5.1 The zone of tolerance

Services performance may vary across providers, across employees with in industry between same provider, and even with the same service.

The limit to accept, recognize the variation in service performance is termed as **zone of tolerance.**

Zone of tolerance is the limits or boundaries of customer perceptions of a service between desired and minimum acceptable standards (Zeithaml, Berry, and Parasuraman, 1993). In essence it is the range or area of service performance that a customer considers satisfactory.

In the below given figure the customer won't be satisfied if service drops below adequate expectation level service i.e. the minimum level considered acceptable.

If the actual service performance is greater than or exceed the desired, standard expectations then the customers will be very pleased, happy and satisfied Customer will have negative or positive feedback if the service expectation falls outside the range (either very low or very high).

For example, a customer in a fast-food restaurant like in Mc Donald holds range of acceptable time for the service delivery of the restaurant. Time range of 5-10 minutes is acceptable at an average. Sometimes standing in queue for more than 5-10 won't matter if he gets his food within 5 minutes.

Customer will be frustrated when he will find that number of employee on the counter are more, still he/she is waiting for more than 15 minutes and order is also served after 15 minutes. The longer the wait is below the zone of tolerance, the more frustrated the customer becomes.

As per the figure Customers' service expectations are portrayed by a range of levels. The service expectations are surrounded and bounded by adequate and desired service rather than a single level.

This tolerance zone, i.e the distinction between adequate and desired service can expand and contract within a customer.

Different customers possess different zones of tolerance. For example if a customer is getting late for the meeting and he is hungry and he want to buy a coffee from Starbucks his zone of tolerance will narrow as the customer's adequate service level will increase, because he/she is getting late and every minute counts.

If customer has asked for UBER/OLA cab, who books the cab early will have larger Zone of tolerance, as he will be not notice if he has to wait for the cab.

The company must understand this range of zone of tolerance, when and how the tolerance zone fluctuates with respect to the customers.

There are many factors which influences Zone of tolerance. Like for example if the price of a product is increased, customer will become less tolerant because he won't accept poor service as he has paid more.

7.5.2 Service dimensions effects on Zone of Tolerance

Dimensions of service like Reliability, Responsiveness, Assurance, Empathy, Tangibles.

Reliability: Provide what is promised. "How reliable our customer perceives the company should be" can customer trust the promise made by the brand?

Responsiveness: promptness in service. How quick bank provide service, how quick fast food restaurant provide food, how quickly your debit/credit card gets blocked when the customer lost it.

Assurance: Ability to convey trust, confidence. "The trust PAYTM gained, that customer keeps their card details with them on the app and keeps wallet balance."

Empathy: care given to the customer, personal attention. "How Amazon pay attention to your problem"

Customers' zone of tolerance varies for various service attributes or dimensions. The more

important the factor, zone of tolerance will be narrower

If expectations are higher for the most important dimension, lesser are willing to relax on these expectations rather than those factors who are of less importance which makes the zone of tolerance for the service dimension which is the most important , adequate and desired service levels higher

The boundaries of customer expectations of service with two different levels of expectations: are adequate service and desired service

The desired service level is stable i.e. it's less subject to change as compared to the adequate service level. The zone which divides these service levels is zone of tolerance. This zone of tolerance changes as per customers to customers it may expand or it may contract with the same customer.

FIGURE 3.4 Zones of tolerance for different service dimensions

Source : L.L. Berry, A. Parasuraman and V.A. Zeithaml, 'Ten lessons for improving service quality', Marketing Science Institute, Report No. 93-104 (May 1993)
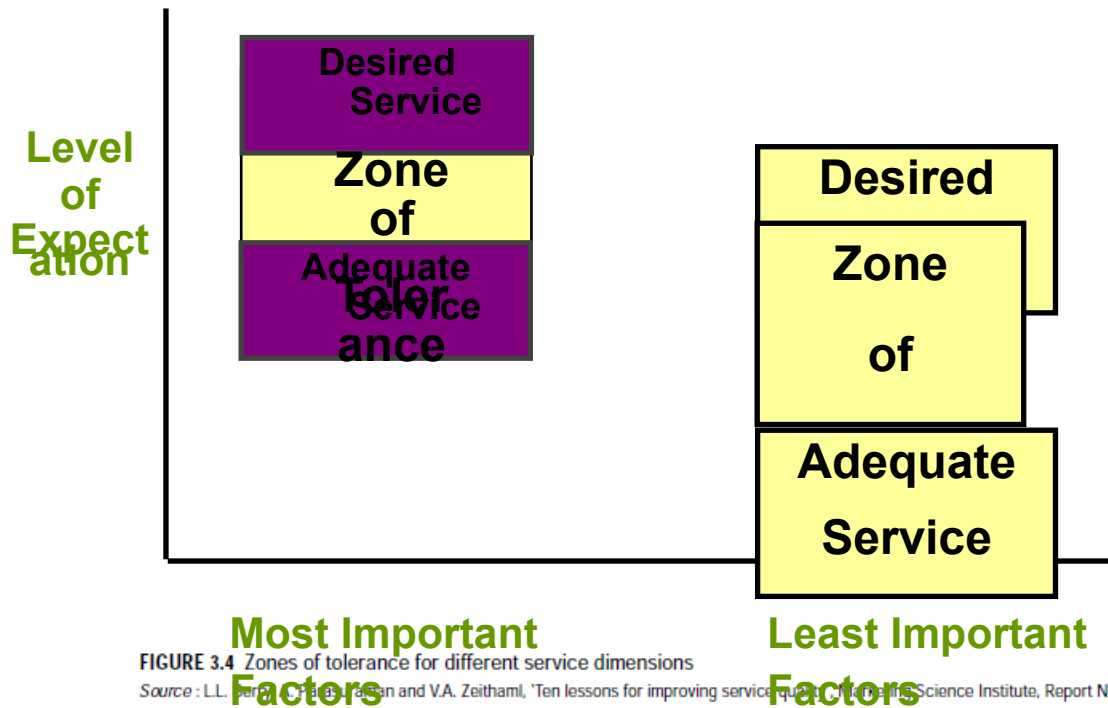
Source: Berry, Parasuraman, and Zeithaml (1993)

7.6 FACTORS INFLUENCING CUSTOMER EXPECTATIONS OF SERVICE

The customer expectations i.e desired and adequate service expectations get influenced by various factors.

Factors affecting desired Service Expectations or sources of desired service expectations

Personal needs – physical, social, psychological, and functional needs

Personal needs are those conditions which are essential to the physical or psychological well-being of the customer, are important factors that shape what customers expects or desire in service. For example a office going man whose family doesn't eat outside and who regularly goes to work straight away comes home and take food at home will have low or zero level of desired service from the restaurants whereas a person who eats out on weekends and visit a restaurant regularly hopes and desires that the food and drink attentive staff, good food.

A customer who likes to get socialize and with high social needs might have higher expectations for a hotel's ancillary services for example, that the hotel or restaurant has a good dine area, a bar with live music.

Lasting service intensifiers are those individual factors that show a way to the customer to a heightened sensitivity to service. This normally occurs when customer expectations are driven by group of people or by another person.

For example, parent choosing a vacation for the family, individual expectations are intensified because they represent and must answer to other members who will receive the service.

A friend who wants to celebrate his birthday has to select a restaurant for grand celebrations. His/her need will be driven by derived service expectations from his other friends.

Personal service philosophy – it's a customer's underlying universal attitude about the definition of service and proper conduct of service by the providers

Derived service expectations- are those customer expectations which are driven by group of people or by another person. Ex. Managers, Family, other people or supervisors, or own customers in B2B.

If a customer knows the way how a restaurant works, he/she may be less tolerant of lukewarm food or errors in the order, as compared to those customers who is not well versed with working of restaurants, or has not held the role of waiter or waitress.

A person who has worked for a call center will never be rude to the selling calls if receives any. Customers who have worked themselves in service businesses or have worked for them in the past seem to have especially strong personal service philosophies.

Factors influencing adequate service expectation or sources of adequate service expectation

- Transitory/temporary service intensifiers (urgent need-small purchase, doctors etc)
- Perceived service alternatives (booking of tickets)
- Customer's self-perceived service roles (food service in hotel)
- Situational factors (petrol, bank, food served for marriage)
- Predicted services (give quality service rather than predicted service)

Temporary or transitory service includes short-term, individual factors that make a customer more attentive, familiar and aware of the need for service. In cases like Personal crisis or emergency situations in which service is immediately needed (such as in case of car accident, the need for vehicle insurance or a breakdown in office equipment during a busy time) it raises the level of adequate service expectations, particularly the level of understanding or responsiveness required and considered acceptable.

Perceived service alternatives are other service providers from whom the customer can get

service. If customers have multiple options as there are many other service providers that he can choose from, their adequate service levels are higher than those of customers who believes that it's impossible to get better service elsewhere.

For example, if a person living in a small town and goes to a theatre, has less options to watch movies elsewhere. The customer will be tolerant with the kind of service performance, delivery the theatre gives as there are fewer options. Customer has to accept the level of service as compared to the customer who lives in a metro city and has multiple options to watch movies. So, it's the customer's perception, that the service alternatives exist raises the level of adequate service and narrows the zone of tolerance

Customer's self-perceived service role is the degree to which customers apply an impact on the level of service they get. Customers' expectations are mostly shaped, how well they believe they are playing out their own specific parts in service delivery. The customer's active participation in the service also affects this factor. If a customer goes to a restaurant, and he is clear about his food and cooking method. He will be highly disappointed if his food overcooked or not well cooked than a customer who is not bothered about the degree of cooking expected. A customer who is dissatisfied and complains then he will be less tolerant as compared to the one who does not voice his or her concerns

Situation factors termed as service performance conditions where customers knows it's not under the control of the service provider. In normal working days if there is a lot queue in the bank, it will be terrible for the customer who steps in. but during the Demonetization, all customers in the banks were known that it has affected large number of people things were beyond banks control. Customer who very well knows that situational factors are not under the control of the service provider and it's not the fault of the service provider, he may accept lower adequate service levels. In general, situational factors temporarily widen the zone of tolerance and lower the adequate service level.

Predicted service: the service level that customers believe that they are likely to receive. It's a prediction made by customers about what is likely to happen during service delivery.

Travelers may expect or think of poorer service from some of the no-frills airlines such as indigo, Go air, Spice jet as comparison to some of the full-cost airlines (Air india, jet airways).

The prediction will mean that better or higher standards for adequate service will be there in the full-cost airlines. On the other hand, during the festival seasons customers of telecom or phone any other service providing companies may know that the Customer care or operations at call centre will provide poor service as compared to normal days as there be big rush. It can be poorer in monsoon season also.

If someone wants to avail some service or need to purchase some service, he/she is going to research before making the purchasing decision. They will search a lot of information from several different sources from internet, friends, relatives, expert, peer groups or by previous experience etc.

There are four factors that influence both adequate and desired and service expectations are as follows:

1. Explicit service promises (ad -we promises to customers)

2. Implicit service promises (two company charges diff. prices)

3. Word-of-mouth communication

4. Past experience (previous exposure to the focal firm's service)

- Managing customer expectations

- During pre-purchase phase

    a) Learn, what customers can expect
    b) Tell, customers what they can expect
    c) Consistently provide the service that customers expect.

        - During the service encounter

        - During the post-purchase phase

1. Explicit service: Promises are made by the organization to customers regarding personal and non-personal statements about the service. The statements become personal like personal selling when they are communicated by salespeople or service or repair personnel.

Non-personal statements come from promotions brochures, advertising and written publications. Explicit service promises are completely under the control of service provider.

Explicit service guarantees impact both the levels of desired service and Predicted service: They shape what customer will currently desire and in addition what they foresee will occur in the following service experience from a specific service supplier or in a specific service experience.

2. Implicit service promises: Implicit service promises are service-related signs other than explicit promises that incite inducing about what the service ought to and will resemble. These quality signs are controlled by price and the other tangibles which are associated with the service.

It has become a trend or a general thinking in the customer's mind that more they pay, best they get and more they will expect from the service A customer who stays at a 5 star hotel is going to desire or predict a better or higher standard of service as compared to 3-4 star hotel with lower and lesser impressive facilities.

Customers of Maruti Nexa have that thing in mind. Customer owning a CIAZ will expect better service as compared to the customer of Maruti Alto or Celerio, as he has paid more for the car.

3. The word-of-mouth communication: It's known as the most influential communication channel in service marketing. It has ability of creating excellent and great results for the organization and but has to cautious because it can create some disastrous results, if it's not handled effectively and properly.

It's an uncontrollable variable; Organization influences the sources indirectly or directly, to generate a positive market image. They influence both predicted and desired service.

Sources like employees, experienced customers, Experts (which includes Friends, consumer Reports, family) opinion leaders, public discussions are also termed as word-of-mouth communication sources that can affect the levels of predicted service and desired service.

4. Past experience: It can be previous exposure of the customer to service relevant to the focused service. It is one of the influential forces in shaping desires and predictions

Examples

> Have you visited any restaurant where you can keep your baggage, coats, Hat on the hooks on the table?
> Is there any general store or Hyper market which provides you hand sanitizer to get the bacteria, germs off your hands or any wipe to get rid of precipitation?
> Is there any store where you visited and you don't have to pay for a reusable bag?
> Did you visit any online, e-commerce website which made your shopping easy?
> Did you visit any store where you don't have to roam around or dig around for self-help?

Samsung: motivate customers to visit again and again

In 2012, during London Olympics, Samsung came up with series of brand encounters around London's hotspots that kept running for around two months. Guests, visitor, could make a trip to play with the most recent model of their latest mobiles, laptops and tablets, in addition to look at the exceptional Olympics application they had for the Games. They were not on sale and didn't really offer the items for sale there; they simply let individuals look at them and take good experience of it. Over that, Samsung gave individuals a noteworthy motivating force to return each and every day — they could win the most recent Samsung phones and tablets and a trip around the globe. They were just required to gather pins each and every day from the stand.

7.7 MANAGING CONSUMER EXPECTATIONS:

Higher the desires, the more prominent the likelihood of procurement/ purchase. The lower the desires, the lower the likelihood of procurement.

The higher the desires, the more prominent that the service firm won't have the capacity to meet customer desires and that the customer will be disappointed.

During Pre-Purchase Phase: Managing customer expectations during the pre-purchase phase consist of 3 steps.

> ➢ Learn what customers expect.
> ➢ Tell customers what they can expect.
> ➢ Consistently provide the service that customer expects.
> ➢ During the service encounter

In the first place customer should be asked by the service staff regarding service experience. Second, if conceivable service suppliers should alter the service to meet the customer's desires. Third, if the service why the client desire can't be met. The objective amid this stage is to guarantee the services are given matches the consumer's desire

During the post-purchase phase:

To begin with, Companies ought to speak with customers instantly after consuming service to verify, analyze whether the desires were met. Second, firms can utilize a supporter program, for example, an assessment overview sent to the client through the mail or a telephone call. Third, organizations ought to have a strategy for managing disappointed customers that will help with overseeing future desires

Explicit service promises	Make realistic and accurate promises that reflect the service actually delivered rather than an idealized version of the service.
	Ask contact people for feedback on the accuracy of promises made in advertising and personal selling.
	Avoid engaging in price or advertising wars with competitors because they take the focus off customers and escalate promises beyond the level at which they can be met.
	Formalize service promises through a service guarantee that focuses company employees on the promise and that provides feedback on the number of times promises are not fulfilled
Implicit service promises	Ensure that service tangibles accurately reflect the type and level of service provided
	Ensure that price premiums can be justified by higher levels of performance by the company on important customer attributes.
Lasting service intensifiers	Use market research to determine sources of derived service expectations and their requirements. Focus advertising and marketing strategy on ways the service allows the focal customer to satisfy the requirements of the influencing customer.
	Use market research to profile personal service philosophies of customers and use this information in designing and delivering services.
Personal needs	Educate customers on ways the service addresses their needs.
Temporary service intensifiers	Increase service delivery during peak periods or in emergencies.
Perceived service alternatives	Be fully aware of competitive offerings, and where possible and appropriate, match them
Self-perceived service role	Educate customers to understand their roles and perform them better.
Word-of-mouth communications	Simulate word of mouth in advertising by using testimonials and opinion leaders.
	Identify influencers and opinion leaders for the service and concentrate marketing efforts on them.
	Use incentives with existing customers to encourage them to say positive things about the service.
Past experience	Use marketing research to profile customers' previous experience with similar services.
Situational factors	Use service guarantees to assure customers about service recovery regardless of the situational factors that occur
Predicted service	Tell customers when service provision is higher than what can normally be expected so that predictions of future service encounters will not be inflated.

Type Of Service	Type Of Customer	Principal Expectations
Car repair	Customers	Be competent. ('Fix it right the first time.')
		Explain things. ('Explain why I need the suggested repairs – provide an itemized list.')
		Be respectful. ('Don't treat me like a dumb female.')
Car insurance	Customers	Keep me informed. ('I shouldn't have to learn about insurance law changes from the newspaper.')
		Be on my side. ('I don't want them to treat me like a criminal just because I have a claim.')
		Play fair. ('Don't drop me when something goes wrong.')
		Protect me from catastrophe. ('Make sure my family is provided for in the event of a major accident.')
		Provide prompt service. ('I want fast settlement of claims.')
Hotel	Customers	Provide a clean room. ('Don't have a deep-pile carpet that can't be completely cleaned . you can literally see germs down there.')
		Provide a secure room. ('Good bolts and peephole on door.')
		Treat me like a guest. ('It is almost like they're looking you over to decide whether they're going to let you have a room.')
		Keep your promise. ('They said the room would be ready, but it wasn't at the promised time.')
Property and accident insurance	Business customers	Fulfil obligations. ('Pay up.')
		Learn my business and work with me. ('I expect them to know me and my company.')
		Protect me from catastrophe. ('They should cover my risk exposure so there is no single big loss.')
		Provide prompt service. ('Fast claim service.')
Equipment repair	Business customers	Share my sense of urgency. ('Speed of response. One time I had to buy a second piece of equipment because of the huge downtime with the first piece.')
		Be competent. ('Sometimes you are quoting stuff from their instruction manuals to their own people and they don't even know what it means.')
		Be prepared. ('Have all the parts ready.')
Vehicle rental/leasing	Business customers	Keep the equipment running. ('Need to have equipment working all of the time – that is the key.')
		Be flexible. ('The leasing company should have the flexibility to rent us equipment when we need it.')
		Provide full service. ('Get rid of all the paperwork and headaches.')

TABLE 3.2 Service customers want the basics
Source: adapted from 'Understanding customer expectations of service' by A. Parasuraman, L.L. Berry and V.A. Zeithaml, MIT Sloan Management Review (Spring 1991), pp. 33–46, by permission of publisher. Copyright © 1991 by Massachusetts Institute of Technology. All rights reserved

7.8 ANTECEDENTS OF CONSUMER EXPECTATIONS
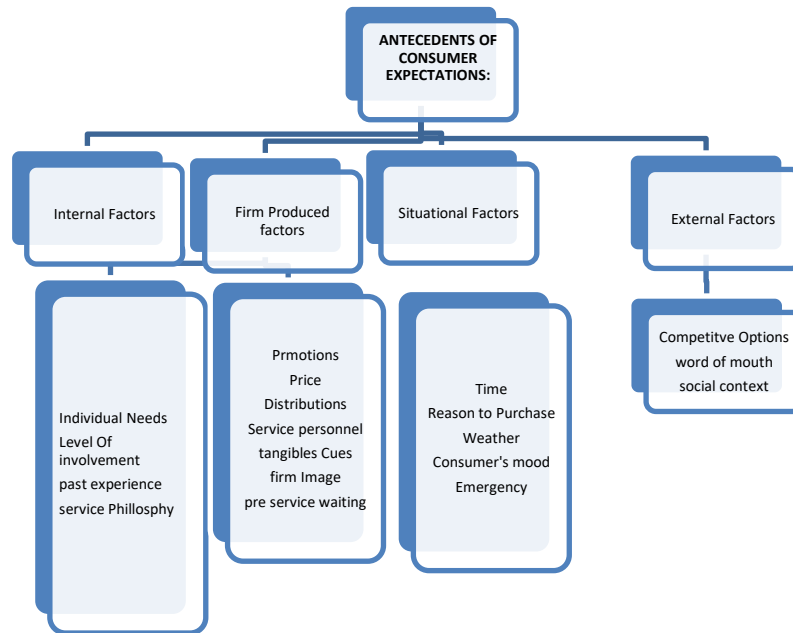
Internal factors:

It includes the consumer's personal needs, level of involvement, past experience, and service philosophy.

Individual needs:

It's based on Maslow's hierarchy.

- Physiological Needs: Need for food, shelter and clothing
- Safety Needs: Need for protection, safety, security from physical harm, and avoiding the unexpected.
- Social needs: Acceptance from family, other individuals and groups.
- Self-esteem Needs: Status, esteem and to be respected by others.
- Self-actualization: Attainment by an individual of all he or she can be.

Level of involvement:

- The difference between the desired level and ideal level of service of service narrows, as the level of involvement increases,
- As the level of involvement increases, the zone of tolerance decreases. Customers are less tolerant when service is less than ideal.

Past experience:

One of the most important factors is past experience. Past experience includes experience with a particular or other service vendor within the industry, and experience with similar or related services.

Service philosophy:

Some customer's perception has high standards concerning the quality of service delivery and very little tolerance for deviation. Other customers have lower standards and tend to be more tolerant of service deviations.

Individuals develop their personal service philosophy through a combination of two inputs: hereditary and past experience. A vital bit of what individuals look like at services is gained or what they envision from services relies upon their character and aura.

Nevertheless, past experience shape and tempers the character. In early puberty, individuals pick up from watching others. At some point not far off, they pick up from their own specific past experiences.

II External factors:

The external factors that affect consumer expectations are

- Word-of-mouth communications.
- Social context
- Competitive options

Competitive Options:

It means the alternatives which are available to the customer. Sometimes expectations of services will not only be affected by other vendors in the same industry but by what is available in other service industries.

For example, corporate travelling might get affected by the video conferencing

Social Context:

Social situation impact on the customer's desired level of expectations. Expectations tend to increase when they are with others who are important to them, while their tolerance zone is narrowed.

Word-of-mouth Communications:

It is one of the strongest sources of information taken up by the customers in forming expectations Customers often search, seek and ask the opinion and view of other individuals before purchasing and availing a service.

Sources of WOM are: personal sources, expert sources, and derived sources

Personal sources include work associates, friends, relatives etc

Expert sources are especially for high-involvement, or expensive purchases. Experts will often provide information that customers can use in forming expectations about the technical nature of the service. For example, for buying a car we need an expert advice.

Derived sources are third party sources.

III Situational factors:

Consumer expectations of a service are affected by situational factors as the reason to purchase, whether, the consumer's mood, time.

Situational factors can create temporary influences in the usual state of things. These temporary changes impact what customers expect from a service.

Reason for purchase

The reason the service is purchased can alter consumer expectations. For example some customer prevail service from the private bank reason being they can get personalized service and some living at narrow places prevail service from Government nationalized banks like SBI because it has got vast network.

Consumer Mood:

The Individuals who have good mood are more tolerant of service personnel. Their tolerance zone is greater and lower is their expectation level of adequate service. Individuals in a bad mood demonstrate the reverse characteristics. The tolerance zone is reduced and the expectation level of adequate service is higher.

Weather:

Weather also plays a role in consumer expectations. In normal weather, passengers expect airlines to arrive on time, but in bad weather, passengers realize there may be a delay. The desired level of service remains the same but the passenger's due to the inclement predicted weather conditions.

Emergencies

Emergencies and unforeseen contingencies, catastrophes have an impact on consumer expectations. During Demonetization, Tolerance level of customers were on the higher side as compared to the normal days.

IV Firm produced factors:

Consumer expectations are affected by the 3 primary factors discussed in Promotions, pricing and distribution.

Promotions

Promises made in advertisements and sales promotions will be used by customers in forming their predicted level of service for a particular firm. Promotions can modify consumer's desired and adequate level of service.

Pricing

Pricing does affects Consumer expectations. Normally, higher the price, the higher the zone of tolerance. Determination of a high or low price, however, is relative to the competition and to other service alternatives.

Distribution

Distribution has an impact on service expectations.

The availability and accessibility of a service to customers has an impact on their expectations. Many banks, such as SBI, PNB, ICICI, are now offering on-line computer banking services that include paying bills, monitoring daily account activities, and transferring funds.

Now Post offices have payment banks, and PAYTM payment bank app can be accessed by those who have got Smartphone.

Service Personnel

Conversations with service personnel also have an impact on expectations. For example in restaurants a service personnel like waiter can rise or lower customer's expectations about the restaurant.

Tangible Cues

It includes things like the appearance of the interior and exterior of the facility or the property, it can be furniture, kind of equipment technologies utilized in the service, interior designing and decoration, hygiene and clean, point of purchase displays, and the looks and appearance of the firm's services, the appearance of the service personnel also plays an important role

Example Patients have certain expectations regarding the looks and appearance of doctors, nurses, and receptionists. Expectation level of the customer will be on higher side if he visits 5star hotel as it has got great interior,

Other Customers

Expectations of a service can be affected by other customers.

Firm Image

The firm image also influences the customer's expectations of the service.

Customer has a high image of a company like AIRTEL, VODAFONE, RELIANCE JIO, If the firm's image is low, expectations will also be low. Firm's image also affects the zone of tolerance. Customer will be more tolerant to the deviations in the service if they have a high image of the firm as compared to the firm having low image.
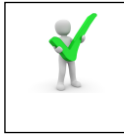
Check Your Progress-A

I.   Short Answer Questions

Q1. State the meaning of Zone of Tolerance?

Q2. Does technology influences Customer expectations?

Q3. Should service Providers delight their customers?

Q4. What are the unrealistic customer expectations?

Q5. State the difference between Desired and adequate service?

Q6. What are types of service expectations?

Q7. What are the sources of adequate and desired i.e. both service expectations?

Q8. What are the current issues revolving customer service expectations?

II. MCQs

1. Determinants of service quality in service-quality model includes
   - Reliability and empathy
   - Responsiveness
   - Assurance and tangibles
   - All of above

2. Hospitals, loan agencies, postal services and schools are examples of services of
   - Government sector
   - Private non-profit sector
   - Manufacturing sector
   - Business sector

3. Three types of customer expectations can be identified:
   - Explicit expectations internal expectations, implicit expectations.
   - Explicit expectations, Implicit expectations, Fuzzy expectations
   - Internal expectations, External expectations, Implicit expectations.
   - None of the above

4. Perceived Service Quality concept includes which of the following?
   - Courtesy, Access, Choice
   - Credibility, Security, Process
   - Reliability, Courtesy, Communication
   - Access, Service, Communication

5. The concept of Zone of Tolerance assumes:
   - Customers can tolerate and accepts some differences and variations in the real life experiences
   - Customers does not expects a service attribute on a single level.
   - Customers' expectations exist on two levels.

• All the above are true

III.   TRUE OR FALSE

1. The main advantage (from a user/buyer point of view) of any product is not the tangible ones - services attached to the product or services the product provides.
   TRUE
   FALSE

2. Services are intangible. We can't taste, see, hear or smell services before they are availed and purchased. Services do not cast a shadow.
   TRUE
   FALSE

3. No services can be heterogeneous.
   TRUE
   FALSE

4. No service can be stored.
   TRUE
   FALSE

5. All value offers (products) - represent a two way relationship.
   TRUE
   FALSE

6. Service organization's customer will be affected by various factors while purchasing or using specific product. One of these factors is the role played by physical (tangible) aspects and evidence.
   TRUE
   FALSE

7. Quality is tangible not what customers perceive.
   TRUE
   FALSE

8. A service encounter is a time period where a consumer connects with the service provider.
   TRUE
   FALSE

Q4. Fill in the Blanks with appropriate word or words.

1. The_____ includes all the experiences the customers get while buying and using the offering.

   a. Value,exploration,system
   b. Value,delivery,system

   c. Value,creation,system
   d. None of the above

2. Companies can know about customer loyalty by _____ the number of customer satisfaction questions.
   a. Increasing
   b. Decreasing
   c. Both(a&b)
   d. None of the above

3. If product performance exceeds customer expectations, customer is_____
   a. Satisfied
   b. Dissatisfied
   c. Delighted
   d. None of above

4. In Antecedents of consumer expectations internal factor includes_____
   a. Past experience
   b. Promotions and price
   c. Word of mouth
   d. Reason for purchase

7.9 ISSUES RELATED TO CUSTOMER SERVICE EXPECTATIONS

a. How service provider meets customer's unrealistic expectation?
b. How to delight the customer?
c. Exceeding customer service expectations
d. Continuous escalation of customer service expectations
e. Staying ahead of competition with meeting customer expectations.

How service provider meets customer's unrealistic expectation?

"DO NOT PROMISE something you cannot deliver"

Customer's fundamental desires for service are very essential and basic: Normally, customer think and anticipates that service providers will do what they should do. They expect basic and essentials, not unmistakable quality; performance, delivery, not false promises. Customers need service to be delivered and conveyed as said, promised and guaranteed.

They want their pizza on time (dominos in 30 days), they want to be fair in 14 weeks (fair and lovely) they need white clothes (Tide detergent) they need planes to reach their destination on time as promised by INDIGO, food to be hot etc.

Tragically, many service customers are frustrated unsatisfied and let down by many big organizations' to meet these essential service desires.

Seeking advice, opinion from the customers about their expectations heightens the belief that the company will take actions and will do something with the information data they have rather than raising the levels of the expectations. The sad part would be that company not taking any action on the data provided to them rather than just showing a strong interest in understanding what customers expect.

After getting some data about the customer desires it increases the determination that the organization will achieve some level with the amount of information or data that the company has rather increasing the level of the desires. What the worst part is that some organizations demonstrate a solid enthusiasm, interest in understanding about the customer's expectation but they never act and follow up on the data.

Educating customer could be a way to use and improve the service delivery level of what they currently receive. Much organization makes some sensible strategies by updating customers regarding service improvement as it allows the organization to get credit for extra efforts to improve service.

The organization without any doubt does not have to deliver communicated desires. An optional response will let the customers know the reasons that desired service level will not be provided in the current scenario

Employees who are at front, and interacting with the customers should be armed with the variety of solutions, they can provide customers an optional, alternatives, when they demand something that's not possible. Companies should make their values, policies and practices open and transparent to build trust with customers. Must train employees to practice those principles. Many customers don't mind waiting a little — as long as they know the reason and they understand why. But they expect you to be honest about them.

If a service provider can deliver a service in 7 days at a higher side, then company can tell customer 10 wait for 10 days and should deliver within 7 days or at the 7th day.

Companies should be honest and optimistic enough with the customer and should keep customers happy by giving quick resolution to their problems. Organizations should have proper follow up because it's the most crucial element to setting and managing expectations.

Companies should define their service Capabilities and should not leave Service Competencies to Assumptions, because customer expectations, it's really a "give-and-take" process, and should be ready to negotiate

Some scholars prescribe intentionally to under-promise the service to improve the chances of surpassing or meeting client desires. Under-promise helps to makes service desires more rational and reasonable, along these lines shortening the gap amongst desires and recognitions; it likewise may decrease the aggressive interest of the offer.

Some research has indicates that, just to under promise may also have the inadvertent effect of decreasing image of service in the mind of customers, particularly in those scenarios where customers have little or no experience with a service.

Some exploration has demonstrated that, under promise can have the accidental impact of lowering down image of service, especially in those circumstances where customers have little or no involvement with a service.

How to delight a customer?

To make customer delight will help the company to gain competitive edge over other competitors players with in and out the industry. Customer will be delighted when its expectation level is surpassed by the kind of service delivery and performance by the provider.

For example, Dominos delivers pizza in 30mins. When Domino's pizza delivers it in less than 20 minutes, customer will be delighted. So, to Be on time, respond quickly to the customer's query will help you to make the customer delight. if the telecom service provider attends your issues on time and solve it in time and responds to your issues as

soon as possible. Customer will be delighted. Service provider has to listen to your customer, and have to provide e them what they need.

If a customer goes to the bank to deposit money. It takes more than an hour to do the same process and also what if an associate comes to him and start pitching him for investing in insurance or in ULIP plans but customer doesn't want to. His need is to deposit the money quickly.

In this case will the customer be delighted? Will he visit again with the same manner as he is used to do so? In order to delight the customer gives a point of contact to customer, so that he/she can contact at time of need. Give space to the customer so that he can think, he can discuss and make decision, service provider should not super impose his decision on the customer. There should be policies, but make it flexible at times for the customers.

Deliver Beyond Customer Expectations. Empathize with Customers and try to Know Your Customers Top Issues and solve it in quick manner and within a time limit. Make your customers feel valued, just don't sell educate Your Customers.

Delighting customers may appear like a smart thought; however, this level of service arrangement accompanies additional exertion and cost to the firm. Thusly, the advantages of giving pleasure must be weighed.

In case an opponent in a similar industry can't copy the delighting the customer methodology, it will be blocked by the customer's expectation. In some restaurants like Yellow chilly, when we enter the order the food, we are served with some snacks which come for free, and customer enjoys it. If a competitor doesn't offer similar kind of strategy to overcome the strategy, customer might choose yellow chilly for food and dining. So customer should be delighted, in order to create that positive impact on the customer's mind.

A manner that some managers can understand the term delight is to scrutinize features of products and services in terms of concentric rings.

The deepest, known as MUSTS i.e. bull's-eye can be known as the quality that are pivotal to the essential function of the product or service, called musts. Their absence will be come in notice but there procurement mighty not particularly is noticeable. Ring surrounding to the musts termed as satisfiers: they are the qualities that have the potential scope for added satisfaction beyond the elementary function of the product. Final outer level is termed as delights or those product characteristics that are amazingly and surprisingly enjoyable. These are those features that costumers normally don't expect to be there and when they get it they are highly surprised and excited when they get them.

For example, for a college going student musts will consist of faculties, lecture or seminar rooms. Satisfiers might include faculties or professors who are friendly, interesting, entertaining lectures and having good audiovisual contents and aids. Student will be in delight when he will receive a free textbook for enrolling in the course.

Exceeding customer service expectations

"The first step in exceeding your customer's expectations is to know those expectations."

– Roy H. Williams, Author of the Wizard of Ads

As studied above we saw how to delight our customer. Many companies just don't delight their customers but always try to exceed the customer's expectations. Is it so necessary for them to exceed the customer's expectations or they should only meet the expectations?

To exceed the customer service expectations, we need Understand Why Customers Contact you learn why customers call you and when they call you can analyse their needs with questions, FAQs, be a good listener and try to understand what actually they need and always be Proactive don't be Reactive because Customers don't want to waste their time addressing their problems again and again. So think out of the box and contact your customers before they've had a chance to complain. This approach may create trust and loyalty that last long in future also.

Many companies ask customers upfront after few days whether they liked the service or not? IRCTC sends message regarding the booking experience. Many App services ask about their experience and asks them to rate their service provided.

Many companies Collect Customer Feedback and work on those and if you have not done well and got less rating or got some bad feedback Don't hesitate to apologize and Speed Up Problem Solving to Meeting Customer Expectations. Try to build good relations with the customer Personalize Each Interaction, don't make a sale.

Build a relationship. Help Customers Understand Your Technology and create a world class Customer Service model by putting service Quality first, speed second Connect with your Customers and Go the Extra Mile for your customers. Institute an impactful employee training program so that they can build a good relationship with customer and also to train them to follow up with customers. Some companies do The Unexpected, Surprise your customers often.

For example, promotional scheme run by United Airline's Saves Your Seat, Books a Flight i.e. when you are running late UA saves your seat until last moment as compared to other airlines. On some occasion, United Airlines calls its customer and informs that the flight is delayed by a few hours. The pitch goes like this

"I see that you're at the airport and your flight is delayed a few hours. A seat opened up on an earlier flight, so I grabbed it for you in case you wanted it. It leaves in 40 minutes, so you'll have to hurry."

Starbucks "Nothing Short of Fantastic": customer to have an experience

There is a story of a customer who once had a bad experience over a 6 dollars coffee at a starbucks. So that customer gave a call to the starbucks corporate offices to present his experience on starbucks handled the situation and also gave some idea how the starbucks store could have taken care of the situation. After some day he was amazed to see 50dollars starbucks gift card in his mail inbox. This action of starbucks not only made the customer more loyal as compared to his previous experience but also made him spread positive word of mouth promotion of starbucks.

Hotels like Ritz-Carlton gives personalized attention to its customers. In its chain of hotels, a special function is present named as guest recognition. This wonderful quality helps to remember around 1 million guests and generate data, information for all appropriate staff from its CLASS database. It also stores: dislikes, likes; previous issues; friends and family and personal interests; preferred debit, credit card; no of time he uses the hotel; lifetime amount or usage of purchase.

And many more examples are there where companies has exceeded the customer's expectations

Continuous escalation of customer service expectations

Customer service expectations –expectations of adequate service– ascend/escalates as fast as delivery and performance of service rise.

Markets are highly competitive now and have become dynamic. Many companies' try to outperform the competitors and they raise their service delivery performance level and promises which lead to rise in customer desires and it rise rapidly. Thus organizations require ceaselessly screening sufficient service desires – the more tempestuous in the sector, the more successive the observing required.

Desired service expectation is significantly steadier. Since they are driven by all the more continuing elements, for example, individual needs and enduring service intensifiers, they have a tendency to be high in any case and stay high.

As per the personal observations I saw a customer who wanted to some Tiles from House of Johnson. Customer had some designs from the internet we didn't have that exact design, so in order to prove good customer service we wrote down the Design number, pattern tile specification so that she could search on the internet.

Customer came back after 3 weeks with piece of paper in hand and insisted me on to 'check on what size of tile should they buy', which was written down as well. I had to get few same sizes of tiles so show them. That was a complete waste of my time and energy; as they had NO intention of buying from House of Johnson.

Staying ahead of competition with meeting customer expectations.

A company's ultimate goal is to meet customer expectations and exceed the expectation and should also deliver service better than its competitors. As we discussed that adequate service expectations changes significantly in a dynamic environment, it's an organization's strategy, how to stay ahead of competition?

The satisfactory service level i.e adequate service level mirrors the minimum service delivery and performance level as expected by the customers after they think of an combination of outside variables and individual including the approachability of various service options or alternatives from different service providers.

Companies whose service execution misses the aspect concerning this minimum service delivery level are plainly at an aggressive burden, with the disservice magnifying as the gap augments. These customers may well be 'hesitant', and prepared to take companies business to a different level the minute they see an option.

A company wants to use customer service as an USP (unique selling proposition) or to use it as fight competition then the company has to meet the customer desired or adequate expectation level.

In this highly competitive and dynamic service environment these services are temporary in nature and can have some short-term advantage.

Adequate service levels of customers are less stable as compared to desired service levels, and it will significantly rise when competitors service delivery and performance is of greater and higher level.

In the beginning, if a company's service delivery and performance level is just above the adequate service level then the competitor can overcome this level in not time and will corrode that advantage. Organizations working and performing in the competitive environment must be attentive to beat competition.

7.10 SUMMARY

Utilizing a reasonable structure of the determinants and features of customer expectations, desires of service, we tried to showcase, that customer carries diverse sorts of service expectations or desires: (1) Desired service, tells what customer will need; (2) adequate service, (what customer will accept); and (3) Expected service (what clients thinks he/she is going to get).

These distinctive differentiating levels of service are mirrored inside the zone of tolerance which sets up the inconstancy in the service delivery, service performance that customer will happily accept.

Zone of tolerance levels and Customer expectations are affected by various numbers of variables. The sorts and wellsprings of these are the same for B2C and B2C, for pure and product or item related service, and for experienced and as well as for inexperienced customers

7.11 GLOSSARY

Adequate service: minimum or least level of service that a customer will acknowledge without being disappointed or dissatisfied

Customer Engagement: Engagement of customers with each other, with a brand or with an organization. The activity for engagement can be either customer or organization driven and the medium can be online or offline. These engagements help company,organizations and associations to comprehend their customers, their necessities, needs and wants.

Customer Expectations It's the customer's view point that they have when they contact a company or service providing organizations about the quality, types of service they ought to get. These desires are customer's' very own past experiences with the company or of their companions.

Customer Experience: It's about customer's impression of their involvement with different touch-focal points over their lifecycle with a company. It would be ideal if you take note of that it is the "observation" of Customers and thus, depends on their experience with respect to service.

Customer Feedback: It's an assessment about the service of a service provider, company or an association. It can be gathered utilizing overviews, or proactively tuning in to what customer's word of mouth communication web-based networking media.

Desired service: it is a level of service quality that customer wishes of and expects that to be delivered.

Intangible: like service which cannot be seen, touched or preserved.

Quality: how reliably a product or service fulfills customer's need and wants

Frontline Staff: those who have the most direct contact with customers either face to face or at a distance.

Follow-up: Scheduled and planned calls that are made to promise and guarantee that customer is happy and satisfied with a service or product that has been bought.

Service: it is a financial activity that has been offered by one person to another, ordinarily without exchange of possession, making an incentive from rental of, or access to, products, work, proficient abilities, offices, systems, or frameworks, separately or in blend

Service encounter: a timeframe which customer communicate straightforwardly with a service.

Service Promise: It unequivocally expresses the base level of service that a customer can expect with a company. This aide in brand building and trust

Service quality: from the service supplier's point of view implies how much the service characteristics comply with the association's particulars and prerequisites; from the client's viewpoint it implies how well the service meets or surpasses desires and is reflected in the fulfillment it gives.

7.12 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress   A

II. MCQs

6. **All of above**
7. **Government sector**
8. **Explicit expectations, Implicit expectations, Fuzzy expectations**
9. **Reliability, Courtesy, Communication**
10. **All the above are true**

III.   The main advantage (from a user/buyer point of view) of any product is not the tangible ones - services attached to the product or services the product provides.
1. **TRUE**
2. **TRUE**
3. **FALSE**
4. **FALSE**
5. **TRUE**
6. **TRUE**
7. **FALSE**
8. **TRUE**

Q4. Fill in the Blanks with appropriate word or words.

1. **B Value,delivery,system**
2. **B Decreasing**
3. **C Delighted**
4. **A Past experience**

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7.15 TERMINAL QUESTIONS

1. What are the different types of customer service expectation?
2. Discuss the sources of customer expectations of service?
3. Now a day's all service providers are looking out to lead the market by exceeding the customer expectations. Which are the ways they are adopting to exceed the customer expectations?
4. Customer in modern times comes out with unrealistic demands, and it creates a lot of issues for the service provider to fulfill it. Elaborate.
5. What are the sources of both desired and predicted service expectations?
6. How service providers should stay ahead of the competition by meeting the customer's expectation?
7. Explain the zone of tolerance and how companies are making use of this method to excel?
8. Explain the Antecedents of consumer expectations?
9. How customers are getting delighted by the service providers?

7.16 CASE LETS/CASES

Case Study 1.1: Amazon.com

Amazon.com likes to describe itself as Earth's Biggest Bookstore, yet it has no physical bookshops. Instead, it's a virtual bookshop doing business on the Web and accessible 24 hours a day to anyone in the world who has a computer capable of connecting to the Internet. It opened its 'virtual doors' in the US in July 1995 and grew at an extraordinary rate. By mid-1998 it had made sales to more than 3 million customers in 160 countries, claiming it was by then the leading online shopping site. In addition to books, the company offered 125 000 music titles, ten times the number offered by the average music store. Ten

years later Amazon.com had 88 million customers, sales of $25 billion and a net income of $9.2 million. In addition to books, the company offers a wide range of music, electronics and other goods and it operates retail websites for other major retailers. In 2007 Amazon launched a cheap electronic reading device, the Kindle, on which owners can buy and download electronic books.

Through its website, Amazon customers could search for books by author, title, subject or keyword or browse for books in 28 subject areas. The software at its user-friendly website simulates a knowledgeable bookshop assistant. By indicating your mood, your preferences and other authors or artists you like, you can get recommendations for new books or music that you might enjoy. Customers are invited to send in their own reviews of books or music, which visitors to the website can then compare with reviews by professional reviewers. When a customer places an order through the website, the company arranges for physical items such as books, CDs or other products to be shipped directly from a warehouse. Customers selecting MP3 music or e-books can download the material onto the relevant e-product.

1. Explain how Amazon.com has met the expectation of customers?
2. Does technological innovation and internationalization have raised the expectation level of the customers? If Yes then how?
3. What are the Desired and adequate service expectation of customers from amazon.com

Customer Experience Bar Raiser (CXBR)

Customer Experience is the key tenet to Amazon's work philosophy. We put the customer at the heart of everything we do. We start with what the customer needs and we *work* backwards. Amazon has a Customer Experience Bar Raiser (CXBR) team, consisting of leaders from around the company, who liaise with teams across Amazon to continuously improve customer experience. One of the key indicator of a positive or negative customer experience is Customer Concessions. Concessions cost is incurred when customers return their products or had a bad experience with a purchase. It includes all returns, free replacements and other post-order customer compensation or remediation events (e.g. issuing a promotional gift card, adjusting shipping cost). A high Customer Concession rate can signal poor customer experience. They also are a defect and a significant financial cost to Amazon.

Adam has recently joined Amazon as the lead Program Manager for Concessions in India (IN) marketplace (MP). During the half-yearly business review Adam has found that Amazon has issued concessions worth 3.5 M $ in H1 2017 (7.2 M $ Annualized) in IN

MP. The concessions issued in H1 2017 contribute to 9.25% of the total revenue generated in the same period. The top three quadrants that the concessions are as follows:-

1. **Item Quality**- Defective Items, item performance not as per customer expectation (E.g. A mobile phone with broken accessories, A pulpy juicer which does not churn out pulp! or the customer simply feels that the product at hand does not meet his expectations). It is observed that YTD 45% of the concessions are originating from item quality issues

2. **Damaged goods-** Damaged in transit, damaged in Fulfillment Center (FC), bad packaging. This is another top driver for concessions. The problems range from choice of inaccurate mode of transport (e.g. transporting perishable items by air), under-utilization of box space to usage of improper packaging material leading to damaged goods at delivery. Such cases account for ~35% of the overall concessions costs. Also, at least 10% of such costs are incurred due to a type of contract with certain vendors where Amazon takes absolute ownership of the damaged goods once same have been inbounded into its Fulfillment centers

3. **Delivery-** Missed Estimated Delivery Data (EDD), delivery problems due to inaccurate geo codes. Contributing to nearly 20% of the concessions costs, this particular quadrant encompasses cases related to breakdown in the courier and transportation services, missing items within delivery packages, inefficient tracking of EDDs by 3P courier agencies etc.

The CXBR team is keen on embarking on a mission to reduce concessions to 3% (of the total revenue) by 2023. During the same period Amazon is expected to witness a 40% Unit Sales Growth YOY. The customer base is expected to increase by 2.5x the current number. Adam has been assigned to lead the 5-year plan and execution.

Additional observations made by Adam during the course of his initial analysis:

1. 70% of customers depend on five key pieces of information (presented within the catalog) before making a purchase decision – Product image, Price (including available discounts), product features (displayed within bullet points), Expected delivery date and product description.

2. The packaging team at FCs follow a manual process of selecting packaging material. Due to high opportunity cost associated with delayed outflow, they have settled for a trade-off between packaging audits and a faster dispatch process.

3. Adam also realized that there are specific product categories, which contribute to higher concession costs across all quadrants as compared to others; the top contributors are women's apparels, shoes, groceries and provisions (especially perishable items), wireless products and musical instruments.

4. The volume of customer contacts is directly proportionate to the Concessions rate/DPMO (Defects per million opportunity)

We aim to improve customer experience YoY. Even with the present challenge, Amazon focuses to solve this problem with the help of unique strategies, innovative technology, investment in infrastructure and thinking on behalf of customers.

1. Suggest three unique long-term ideas/initiatives along with logic/number assumptions that Adam should pursue, in order to reduce the concession from 9.23 to 3% of the total revenue by year-end 2023.

2. Recommend two key metrics that Adam should consider in order to measure the success of the mission? (The metrics should successfully measure the impact over a period of five years).

UNIT 8 CUSTOMER PERCEPTION AND THE SERVICE QUALITY

8.1 Introduction

8.2 Learning Objectives

8.3. Customer Perception: Meaning And Importance

8.4. Service Quality: Meaning And Importance

8.5. Association Between Customer Perception & Service Quality

8.6. Summary

8.7. Glossary

8.8. Answer To Check Your Progress

8.9. Reference/ Bibliography

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8.12. Case Study

8.1   INTRODUCTION

A business's success depends on its customers having a positive perception of the company and its products and/or services. How a customer perceives the efforts of a company is more important than how effectively those efforts have actually been delivered. A happy customer brings success and prosperity to the business, whereas an unhappy customer can lead to significant losses. Hence, it becomes essential to make customers happy by ensuring their satisfaction. To achieve this, it is crucial to understand market expectations, perceptions, responses, and the factors that influence purchasing decisions.

This is an era of consumer, if the strategies in the organisations are not designed according to the dynamic market, then service organisation might face lots of complications in the survival. Now customer satisfaction has become priority of the business organisations.

In this competitive environment, the success of any business largely hinges on its ability to understand and meet customer expectations. As consumers become more informed and demanding, their perceptions of service quality play a pivotal role in shaping their purchasing decisions and brand loyalty. This chapter delves into the intricate relationship

between customer perception and service quality, offering insights into how businesses can enhance their service offerings to foster positive customer experiences.

- **Understanding Customer Perception**

Customer perception refers to the way customers view and interpret a company, its products, services, and overall brand. It is influenced by a variety of factors, including personal experiences, word-of-mouth recommendations, advertising, and social media. Perceptions are subjective, varying from one individual to another, and are shaped by both rational evaluations and emotional responses. Understanding these perceptions is crucial for businesses as it directly impacts customer satisfaction, retention, and advocacy.

- **The Importance of Service Quality**

One of the most important elements of customer satisfaction is Service quality. Reliability, responsiveness, assurance, empathy, and tangibles are most important components of service quality. High service quality can differentiate a business from its competitors, foster customer loyalty, and lead to positive word-of-mouth marketing. On the other hand, inferior service quality can result in customer dissatisfaction, negative reviews, and business loss.

- **Measuring Service Quality**

As the quality cannot be measured due to subjective nature but this could be quantified up to some extent. This is an important initiative from the companies' part in order to identify the problem in the services. For enhancing the customer satisfaction and assess service quality, several models have been developed. SERVQUAL model is been widely used to assess the service quality. This model evaluates service quality based on the gap between customer expectations and their actual experiences across the five dimensions mentioned earlier.

- **Enhancing Service Quality**

Improving service quality requires a holistic approach that involves understanding customer needs, training employees, and continuously monitoring and refining service delivery processes. Businesses must strive to exceed customer expectations by offering personalized experiences, being responsive to customer inquiries and complaints, and maintaining a high standard of service across all touchpoints.

- **The Role of Technology**

In the digital age, technology plays a significant role in shaping customer perceptions and enhancing service quality. From customer relationship management (CRM) systems to artificial intelligence (AI)-powered chatbots, businesses are leveraging technology to provide seamless and efficient service. Additionally, online reviews and social media feedback offer valuable insights into customer perceptions, enabling businesses to make data-driven decisions to improve service quality.

Customer perception and service quality are interdependent components that significantly influence a business's success. By understanding and managing customer perceptions and consistently delivering high-quality service, businesses can build strong customer relationships, enhance their reputation, and achieve long-term success. This chapter explores these concepts in depth, providing a comprehensive guide to understanding and improving service quality in the dynamic business environment.

8.2 LEARNING OBJECTIVES

After studying this chapter, the learner will be able to understand:

- Customer Perception and Service Quality

- Need and Importance of Customer Perception and Service Quality

- Factors Affecting Customer Perception

- Managerial Implications of Customer Perception

- Dimensions of Service Quality

- Measure Service Quality and Conduct Gap Analysis

- Address Issues in Service Quality Measurement

- Analyse Issues in Service Quality Control

8.3 CUSTOMER PERCEPTION: MEANING AND IMPORTANCE

The business needs to identify customer perception. Customer perception refers to "how customers see the market around them." Customer perception is a process in which customers select, organize, and interpret information to make their purchase decisions. There are many products in the market for customers, but it is customer perception that ultimately influences the actual purchase. Customer perception of a product is based on the advertising strategy of the manufacturer/marketer, information obtained through reading, discussions with peers and friends, media exposure, and previous customer experiences.

Businesses must identify customer perception. Customer perception refers "How customers view and interpret the market around them." It involves customers selecting, organizing, and interpreting information to make purchase decisions. Despite the numerous products available, customer perception ultimately drives their buying choices. This perception is shaped by the advertising strategies of manufacturers and marketers, information obtained through reading, discussions with peers and friends, media exposure, and past experiences with the product or service.

Customer Perception refers to the impression, awareness, or understanding that customers form about a company and its offerings. This perception is influenced by multiple factors, including personal experiences, interactions with the company's products or services, marketing communications, reviews, word-of-mouth, and social media presence. It encompasses the overall attitude and feelings customers have towards a brand and its value proposition.

Definition: Customer perception is the process of receiving, selecting, organising and interpretation of service features, quality, performance and other stimuli. Perception is the process of generating certain opinion, observations, attitude about the service organisations. This process is deliberate as well as unintentional. Consumers are making the perception on the basis of either past experiences or references. As this leads to the future business of the service organisation, service organisations put their all efforts to know the consumers' opinion towards their brands. This initiative facilitates in understanding the consumers need and expectations. With this the service organisation can improve the service quality and try to influence their buying behaviour through effective strategy.

Importance of Customer Perception:

By understanding and managing how customers perceive their brand and offerings, businesses can enhance customer satisfaction, build loyalty, and create a strong market presence.

1. **Influences Purchasing Decisions:**

    o   Customer perception plays a crucial role in shaping purchasing decisions. Positive perceptions can drive customers to choose a particular brand over competitors, while negative perceptions can deter them.

2. **Affects Customer Loyalty:**

    o   A positive perception of a brand fosters loyalty. Satisfied customers are more likely to return and make repeat purchases, contributing to sustained growth of the business.

3. **Impacts Brand Image and Reputation:**

    o   Customer perception significantly influences the overall brand image and reputation. A company perceived positively is seen as trustworthy and reliable, which enhances its market position.

4. **Drives Word-of-Mouth and Referrals:**

    o   Satisfied customers with a positive perception of a brand are more likely to recommend it to others. This word-of-mouth marketing is invaluable as it often carries more weight than traditional advertising.

5. **Guides Marketing and Communication Strategies:**

o Understanding customer perception helps businesses tailor their marketing and communication strategies to align with customer expectations and preferences, making them more effective.

6. **Identifies Areas for Improvement:**

   o Customer perception provides valuable feedback on what a company is doing well and where it can improve. This insight helps businesses refine their products, services, and customer interactions to better meet customer needs.

7. **Enhances Competitive Advantage:**

   o A strong, positive customer perception can differentiate a company from its competitors. It creates a unique value proposition that is hard for competitors to replicate.

8. **Builds Customer Trust:**

   o Trust is a critical component of customer relationships. Positive customer perception builds trust, making customers more likely to engage with the brand and less likely to switch to competitors.

9. **Supports Pricing Strategies:**

   o Customers are often willing to pay a premium for brands they perceive positively. A good perception can justify higher pricing and contribute to better profit margins.

10. **Enables Effective Service Recovery:**

    o In situation of service failure, it is most necessary to know customers perception for successful service recovery. Understanding consumer issues and their rectification can develop favourable attitude of consumers towards the service company.

8.3.1. DIFFERENCE BETWEEN CUSTOMER EXPECTATIONS AND PERCEPTION

Customer Perception–

Customer perception is the post-purchase attitude of the consumer towards service company. This has a great impact on the future buying behaviour of consumers. Customer perception can also be termed as Perceived value. Consumer's overall opinion and assessment about the entire experience with the service delivery process is called Perceived value. Because services are intangible, customers look for evidence of service in every interaction they have with a service firm. This evidence includes people, processes, and physical aspects. Perception is directly influenced by brand positioning, where a product

is advertised, and customers 'Perceive' that it will meet their needs based on this advertisement.

Customer Expectations–

Customer expectations are beliefs about a service formed before purchasing it, serving as a benchmark against which the service's performance is judged. These expectations are the desires or wants that a customer believes a service organization should fulfil. A customer's purchase decision is influenced by their expectations of the product, which are based on criteria such as perceived value, cost, and overall value expectations. This inclination to buy based on expectations can also be termed as 'Propensity to Buy.'

1. **Perceptions > Expectations: Quality** Surprise (Competitive Advantage)
2. **Perceptions < Expectations: Unacceptable** Quality (Competitive Disadvantage)
3. **Perceptions = Expectations: Satisfactory** (Sustainable Competitive Advantage)

We can observe that when customer perceptions are greater than or equal to customer expectations, then a competitive advantage arises. That is, if a customer perceives a product to be capable of exceeding their expectations, it will hold greater value. When this is realized by competitors, which can happen relatively quickly in the modern world, they will race to copy that product offering.

For example, for example, a fashion-loving customer might find that an off-brand product offers better value than expected in both price and quality. When a product doesn't meet customer expectations, it creates a competitive disadvantage. This can happen due to weak marketing or if the product is new and hasn't been well-promoted yet. Competitors may not be focusing on this area, and new products often get more marketing support. When perceptions exceed expectations (but don't equal then) this represents a sustainable competitive advantage since expectations will take time to adjust to this new benchmark and competitors will find that value proposition difficult to imitate and this competitive advantage can be enjoyed for some time. Customer expectations and perceptions are connected, but they are not the same. Here are some key points to help explain the difference between expectations and perceptions.

Customer expectations and experiences of service can differ within a single organization. While one customer may praise the service, another might describe it as a terrible experience. However, it is each customer's perception that truly matters.

Difference between customer expectations and perception

Aspect	Customer Expectations	Customer Perception
Definition	Beliefs or standards about what should happen during an interaction with a company.	Actual experience and interpretation of the interaction with a company.
Nature	Forward-looking and hypothetical.	Retrospective and experiential.
Formation	Develops before availing or consumption of services. It is affected by advertisement, past-experience and Word-of-mouth.	This is developed after the consumption of services. The entire service delivery process develops the customer perception.
Influence	Influences the criteria for evaluating service quality and satisfaction.	Determines the level of satisfaction or dissatisfaction.
Impact	Customer expectation get affected if the expectations does not fulfil. Favourable expectations can always generate high satisfaction.	Positive Perception can generate consumer loyalty, whereas negative perception results in dissatisfaction.
Measurement	Can be assessed through surveys and focus groups before the service encounter.	Can be assessed through feedback, reviews, and surveys after the service encounter.
Role in Service Delivery	Sets the benchmark for service providers to meet or exceed.	Reflects the outcome of the service delivery and the effectiveness of meeting expectations.
Example	Expecting a fast and friendly service at a restaurant.	Perceiving the service as slow and unfriendly, or as fast and friendly, based on the actual experience.

8.3.2. THE PERCEPTUAL PROCESS

The perception process is a series of activities that includes selecting, organizing, and interpreting sensory information to develop inferences in the form of attitudes and observations about events, objects, and people. It involves the recognition and interpretation of sensory stimuli based on previous experiences, expectations, and individual differences.

In the context of customer service and business, perception refers to the consumer's pre-purchase opinion regarding the services of a company and its overall brand. The perception is affected by personal past-experiences, marketing communications, word-of-mouth, and interactions with the company. Perception is subjective and can vary widely among different customers, making it a critical element for businesses to understand and manage in order to meet customer expectations and enhance satisfaction.

Before making a purchase decision, a customer engages in various thought processes. In today's market, where numerous alternative products and services are available, and customers are fully aware of these options, they do not choose blindly. This thought process is known as the perceptual process. Typically, this perceptual process involves five distinct stages.

Need Recognition	**Information Search** **Internal Search** **External**	**Evaluation of Alternatives**	**Buying Decision**	**Post Purchase behaviour** Satisfaction Dissatisfaction

Figure 1: Stages of Perceptual process

1) **Need Recognition:**

The perceptual process begins when a customer identifies a problem or need. For instance, Neena may notice that her old desktop computer isn't performing well and recognize that a laptop would be more convenient for her college needs. These kinds of issues are common for customers. When they see a difference between their current situation and their desired state, they identify a problem and usually try to solve it.

2) **Information Search:**

To solve a problem, a customer typically searches for more information. This information can be gathered through internal or external searches. Internal searches involve a customer's memory or personal purchase experiences, while external searches include information from family, peers, marketplaces, advertisements, and other sources. For example, Neena might start paying more attention to laptop advertisements, noticing what her friends have purchased, and engaging in conversations about laptops. She might also actively seek information by visiting stores, talking to friends, or reading computer magazines. Through this

information-gathering process, customers learn about various brands and their features. While many brands are available, Neena will focus on a few leading ones, known as the 'Awareness Set.' Some of these brands may meet her initial buying criteria, such as price and processing speed, forming her 'consideration set.' As she continues to search for information, only a few brands will remain as strong candidates, forming her 'Choice Set.'

3) Evaluation of Alternatives:

When customers evaluate alternatives, they process competitive brand information and assess the value of different brands. there is no single, simple evaluation process applied by all customers or by one customer in all buying situations. For Neena, the evaluation process is rational, aimed at solving a problem and meeting her needs. She will look for the problem-solving benefits among the various laptop brands available. Neena seeks products with specific attributes that deliver the benefits and results she desires. Consequently, customers view each product as a bundle of attributes, each offering different levels of ability to satisfy their needs.

4) Buying Decision:

To finalize a purchase, a customer needs to decide on two things: 1) the specific brand and 2) the specific retail outlet. There are three ways to make these decisions: 1) simultaneously, 2) selecting the item first and the outlet second, or 3) selecting the outlet first and the item second.

Often, customers choose stores and brands at the same time. For instance, Neena might consider well-known brands like Lenovo, Sony, Hitachi, HP, Dell, Mac, Compaq, and Acer, based on their technical features, price, and availability in computer stores. Alternatively, she might decide where to buy first, such as a nearby TATA Croma store or an exclusive brand retail store. Once Neena has decided on both the brand and the outlet, she proceeds to the transaction and makes the purchase.

5) Post Purchase Behaviour

Post-purchase behaviour determines whether customers will stay with a company or leave. If the purchased goods or services meet customer expectations, they are likely to remain loyal to the same marketer; otherwise, they may leave. Post-purchase behaviour consists of two main components; Purchase Involvement and Product Involvement

a. Purchase Involvement

Purchase involvement refers to the level of effort and interest a customer invests in the buying process. It can be high or low:

1. **High Purchase Involvement:** Involves significant effort in gathering information and making a decision. For example, Neena's decision to buy a laptop is a high involvement process because it requires research and consideration of various attributes.

2. **Low Purchase Involvement:** Involves minimal effort and is often a routine decision. For example, purchasing a diet cola is a low involvement decision, as it is not important and requires little thought.

b.   Product Involvement

Product involvement refers to the importance a customer places on a particular product, regardless of the purchase situation. It can influence the extent of information processing:

- **High Product Involvement:** Customers attach significant importance to the product, leading to extensive information search and evaluation. For example, if a company rents a car for important foreign guests, they may opt for a high-end model like a Mercedes Benz to make a good impression, even if the car itself is of low personal significance to the purchaser.

- **Low Product Involvement:** Customers do not attach much importance to the product itself. However, in certain situations, even low product involvement can require high purchase involvement due to the context or importance of the purchase situation.

In summary, post-purchase behavior involves both purchase and product involvement. High levels of either type of involvement increase customer engagement in information search, evaluation, and post-purchase assessment. This engagement is crucial for customer retention and satisfaction.

8.3.3. FACTORS AFFECTING CUSTOMER PERCEPTION

Customer perception is influenced by multiple factors, including tangibility, price, location, promotion, people, process, and physical evidence. Tangibility involves the physical attributes of a product or service that can be seen and touched, impacting perceptions of quality and reliability. Price signals the value and quality of a product, while location affects convenience and accessibility, influencing customer decisions. Promotion shapes perception through advertising and marketing efforts, and the behaviour and professionalism of staff (people) play a crucial role in shaping customer experiences. Efficient processes and physical evidence, such as branded materials and store design, further reinforce the brand's image and credibility.

1. Tangibility

Tangibility refers to the physical aspects and appearance of a product or service that can be seen and touched. It provides customers with a sense of quality and reliability.

- **Example:** In the hospitality industry, a hotel like the Marriott can enhance customer perception through well-maintained facilities, clean rooms, and high-quality amenities. The tangible aspects of the hotel, such as the lobby's appearance, room furnishings, and available facilities (pool, gym, etc.), create a positive impression of the hotel's quality.

2. Price

Price significantly influences customer perception as it often reflects the value and quality of a product or service. It can signal affordability, luxury, or fair value.

- **Example:** A luxury brand like Gucci uses high pricing to convey exclusivity and high quality, positively influencing customers who seek premium products. Conversely, a brand like Walmart uses low prices to attract price-sensitive customers, creating a perception of affordability and value for money.

3. Location

The location of a business affects customer perception based on convenience, accessibility, and the prestige associated with the area.

- **Example:** A Starbucks located in a prime city center area is perceived as more prestigious and accessible, attracting customers looking for a convenient and high-quality coffee experience. On the other hand, a store located in a less accessible area may be perceived as less convenient, impacting customer footfall.

4. Promotion

Promotional activities, including advertising, sales promotions, and public relations, play a vital role in shaping customer perception by informing and persuading potential customers.

- **Example:** Coca-Cola's extensive advertising campaigns, which often focus on themes of happiness and togetherness, create a positive perception of the brand. Seasonal promotions and limited-time offer further enhance this perception by making the product seem exciting and desirable.

5. People

The behavior, appearance, and professionalism of staff and service providers directly impact customer perception. Friendly, knowledgeable, and helpful staff can enhance the customer experience.

- **Example:** At Nordstrom, the attentive and personalized customer service provided by well-trained staff generates a favorable attitude about the service organization, enhancing consumer loyalty and repeat sales.

6. Process

This is the way of offering the services or SOPs (Standard-Operating-Procedures), including the ease of use, efficiency, and reliability, influence customer perception. A streamlined and customer-friendly process enhances satisfaction.

- **Example:** Amazon's efficient order fulfilment process, which includes easy online purchasing, fast shipping, and hassle-free returns, positively affects customer perception by providing a convenient and reliable shopping experience.

7. Physical Evidence

Physical evidence includes all the tangible cues that customers use to evaluate a service, such as brochures, websites, uniforms, and other physical representations of the brand.

- **Example:** A bank like HSBC uses branded pens, notepads, and well-designed branch interiors to reinforce a professional and trustworthy image. Physical evidence like these items helps customers perceive the bank as reliable and high-quality.

8.3.4. MANAGERIAL IMPLICATIONS OF CUSTOMER PERCEPTION

Understanding customer perception is crucial for managers as it directly influences the success and sustainability of a business. Managers must actively monitor and manage customer perception to ensure positive outcomes in several key areas:

1. Product Development and Innovation

- By understanding that customers perceive innovation as a sign of quality and leadership, managers at companies like Apple consistently invest in R&D to introduce cutting-edge features in their products. This maintains a perception of Apple as an industry leader in technology.

2. Marketing Strategies

- Managers need to craft marketing messages that align with customer perceptions and expectations. For instance, Dove's marketing campaigns focus on real beauty and self-esteem, which resonate with their target audience's desire for authenticity and inclusivity.

3. Pricing Decisions

- Price is a major factor in customer perception. Managers at luxury brands like Rolex set high prices to reinforce the perception of exclusivity and premium quality, while budget retailers like Walmart focus on low prices to emphasize value and affordability.

4. Customer Service and Experience

- Excellent customer service can significantly enhance customer perception. Managers at companies like Nordstrom prioritize training their staff to provide exceptional service, ensuring customers perceive the brand as caring and customer-focused.

5. Brand Management

- Consistent brand image and reputation management are essential. Managers at brands like Starbucks ensure that all aspects of the customer experience, from store ambiance to product quality, align with the brand's image of a premium coffee provider.

6. Feedback and Continuous Improvement

- Managers must actively seek customer feedback and use it to make improvements. For example, Amazon uses customer reviews and ratings to continually enhance their service offerings and address any areas of dissatisfaction promptly.

7. Communication and Transparency

- Transparency in operations and clear communication can positively influence customer perception. Managers at companies like Patagonia communicate their sustainability efforts and ethical practices openly, which resonates with environmentally conscious consumers.

8. Handling Negative Perceptions

- Managers need strategies to address and mitigate negative perceptions. For instance, after a product recall, companies like Toyota have implemented thorough communication and corrective measures to restore customer trust and perception of reliability.

  By focusing on these areas, managers can effectively shape and enhance customer perception, leading to increased customer loyalty, positive word-of-mouth, and ultimately, better business performance.

8.4. SERVICE QUALITY: MEANING AND IMPORTANCE

When service firms, such as banks or fast-food restaurants, offer similar services and compete in a limited market, service quality becomes a key differentiator. Service quality is essential for both the customer and the service firm. Firms use service quality to maintain a competitive edge, while customers rely on it to distinguish between different providers.

The concept of quality originally focused on products but has expanded to include services. Quality is recognized as important across various domains: output, process, delivery system, and as a general organizational philosophy. Quality should be integrated

holistically at every stage of the organization. However, defining quality with a single definition is challenging. It can be viewed from two viewpoints:

1. **Service Provider's Perspective**: Quality involves setting standards or specifications for the manufacturing process and output, which is objective and technical.

2. **Customer's Perspective**: Quality is achieved when the service meets specifications that fulfil customer needs. This view of quality is subjective and closely tied to customer expectations and needs.

Some of the popular definitions of service quality are –

• Fitness for purpose

• The totality of features of service that meets the needs.

• The difference of customer service-expectation and post-purchase distribution.

- **Zeithaml, Parasuraman and Berry** (1990) 'The extent of discrepancy between customers' expectations or desires and their perception'

- **Buzzel and Gale** (1987) "Quality is whatever customers say it is, and the quality of particular product or service is whatever the customer perceives it to be"

- **Zeithaml and Bitner** (1996) "Service quality is the delivery of excellent or superior service relative to customer expectations".

- **Gronroos** (1982) "Quality of a service, as perceived by the customer is the result of a comparison between the expectations of the customer and his real-life experiences".
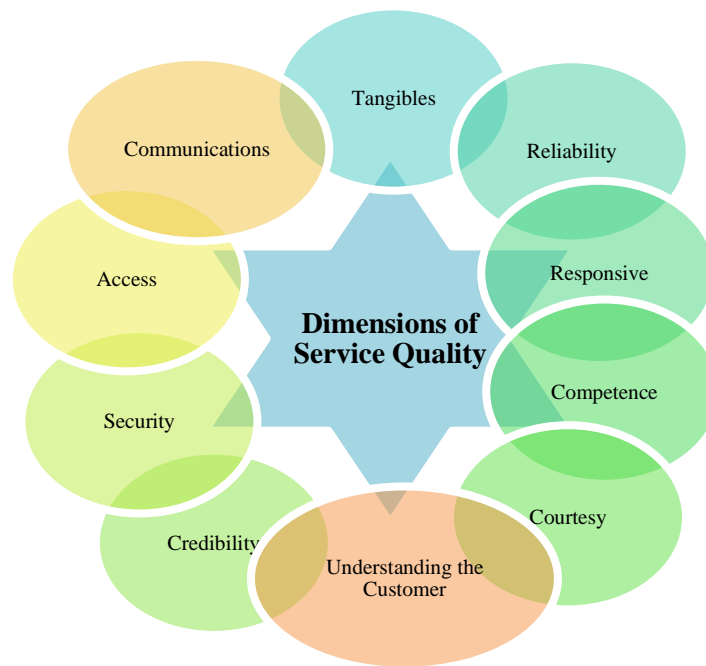

8.4.1. DIMENTIONS OF SERVICE QUALITY

The dimensions of service quality encompass both process quality, as evaluated by consumers during the service delivery, and output quality, assessed after the service is performed.

A service firm provides customers with a service package that includes both physical components and intangible elements. Christian Grönroos proposed that customer-perceived service quality has two dimensions: the technical or outcome dimension, and the functional or process-related dimension. The technical dimension pertains to what customers receive and when they receive it, while functional quality relates to how they receive it.

Parasuraman, Berry, and Zeithaml, who conducted extensive research on service quality, identified ten criteria used by consumers to evaluate service quality.
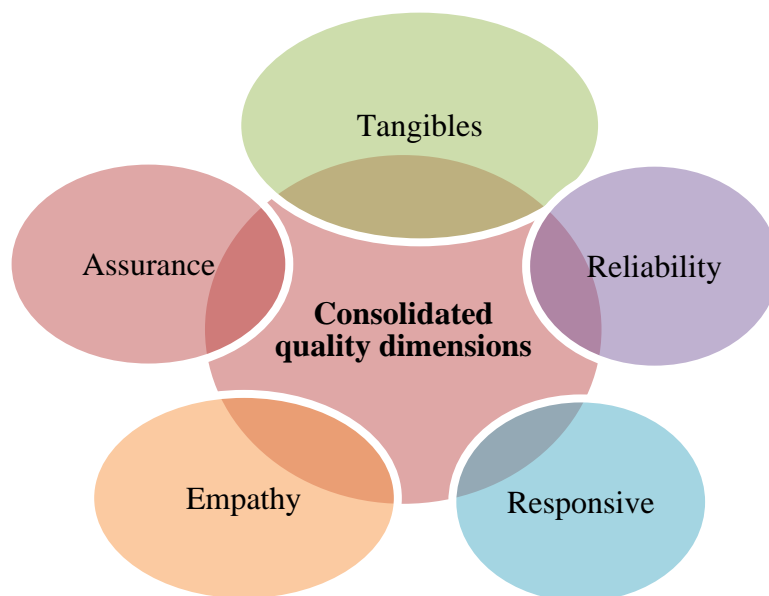
Figure 2: Dimensions of Service quality

Table 1: Dimensions of Service Quality

Dimension	Description	Example
Tangibility	Tangibility refers to the visual presence, that include the colour, shape, design. As the services are intangible, the services company tries to tangibilize the services.	A restaurant with graceful decoration, quality furniture and artifact, and staff with uniform. **Hotel Taj:** cleanliness, hygiene, Artifact, well-uniformed staff, symbols and logo. Hotel name on tissue paper, Cutlery, Bills.
Reliability	It is all efforts put by the service company to fulfil their commitments consistently and accurately.	An online selling company delivers all orders consistently on time without delay or error. **Meesho:** complete their all orders on time accurately.

Responsiveness	Willingness or readiness level of service organisations to address consumer. Offering service promptly, fast and quick.	A customer service helpline that answers call quickly and resolves issues on the first call. **Zappos:** Quick and efficient customer service, handling returns and exchanges with ease.
Courtesy	Politeness, respect, consideration, and friendliness of contact personnel.	A restaurant where waitstaff are polite, friendly, and respectful to all diners. **Starbucks:** Baristas who greet customers warmly and serve with a smile.
Credibility	Trustworthiness, believability, and honesty of the service provider.	A bank with transparent policies and no hidden fees, earning customer trust. **Patagonia:** Transparent business practices and commitment to environmental sustainability.
Competence	The knowledge and skill of employees to perform their tasks effectively.	A tech support team that is well-trained and able to resolve technical issues efficiently. **Geek Squad (Best Buy):** Technicians who are skilled and certified to handle various tech issues.
Security	Free from any damage, threat and error, like financial security, transparency.	An e-commerce site with robust data encryption and secure payment gateways. **PayPal:** Secure payment processing with strong encryption and fraud detection measures.
Access	The ease of contact and approachability of the service provider.	A doctor's office with convenient hours and easy appointment booking online. **Telehealth Services:** Convenient access to healthcare providers through online platforms and flexible hours.

Communication	The ability to listen to customers and communicate clearly and effectively.	A travel agency that provides clear and detailed information about travel itineraries and responds promptly to queries. **Delta Airlines:** Providing timely flight updates and clear instructions to passengers.
Understanding the Customer	Personalized attention, Efforts to know customers and their needs.	A personal trainer who designs customized workout plans based on individual client needs and goals. **Nordstrom:** Sales associates who remember regular customers' preferences and provide personalized shopping experiences.

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Figure 3: Consolidated Dimensions of Service Quality

During the further study, the researchers observed a high correlation among most of these variables and merged them into five broad dimensions.

Dimensions of SERVQUAL

(1) **The Tangibles**: - Because of the absence of a physical product, consumers often rely on the tangible evidence that surrounds the service in forming evaluations.

(2) **The Reliability:** - In general, the reliability dimension reflects the consistency and dependability of a firm's performance.

(3) **The Responsiveness:** - Responsiveness reflects a service firm's commitment to provide its services in a timely manner.

(4) **The Assurance:** - Assurance addresses the competence of the firm, the courtesy it extends to its customers, and the security of its operations. Competence pertains to the firm's knowledge and skill in performing its service.

(5) **The Empathy Dimension:** - Empathy is the ability to experience another's feelings as one's own. Empathetic firms have not lost touch of what it is like to be a customer of their own firm.

### 8.4.2. SERVICE QUALITY GAP ANALYSIS

Service quality gap model was introduced by Parasuraman et al. (1985), with an objective of identifying the possible factors in the existing system that has an impact on the overall service performance. In this process, service organisation has to identify the possible drawback in the system. Over the period of time these gaps get wider and service organisation has to certain measures to reduce width of the gaps. This means gap analysis is should be conducted in the regular routine. First is to identify gaps and then resolving them with appropriate strategies to have high standard and high satisfactions.

This model asserts that customers' expectations serve as normative and predictive standards, meaning customers have a clear idea of what a service provider should and will offer (Parasuraman et al. 1994). It allows for the assessment of discrepancies between what was expected and what was perceived in the service delivery process. The SERVQUAL method, widely used to measure the service quality and assess the gaps. Based on a standard questionnaire (SERVQUAL), responses are collected through interviewing customers, assess the level of service gaps. The SERVQUAL comprises questionnaire with five dimensions of service quality: tangibles, reliability, responsiveness, assurance, and empathy (Parasuraman et al. 1994).

However, this external gap is the fifth gap in the service quality gap model, influenced by four internal quality gaps within the organization that interact in various ways (Zeithaml et al. 1990). Each of these four internal quality gaps represents different areas where quality losses can occur.
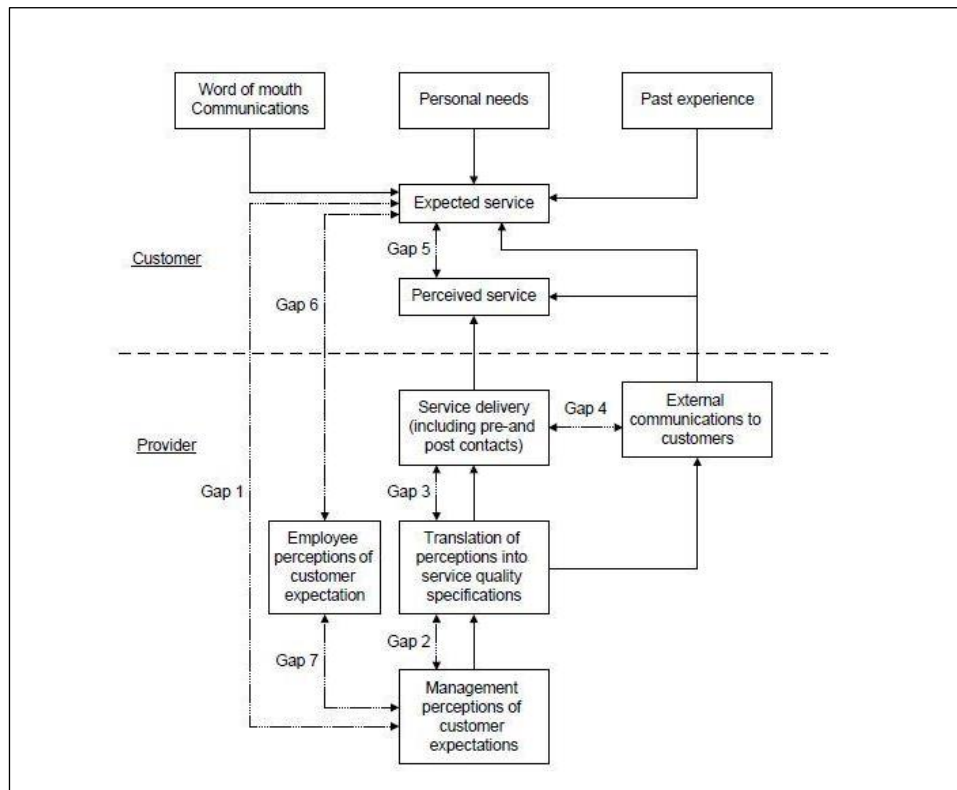
Figure 4: Model of service quality gaps by Luk and Layton (2002).
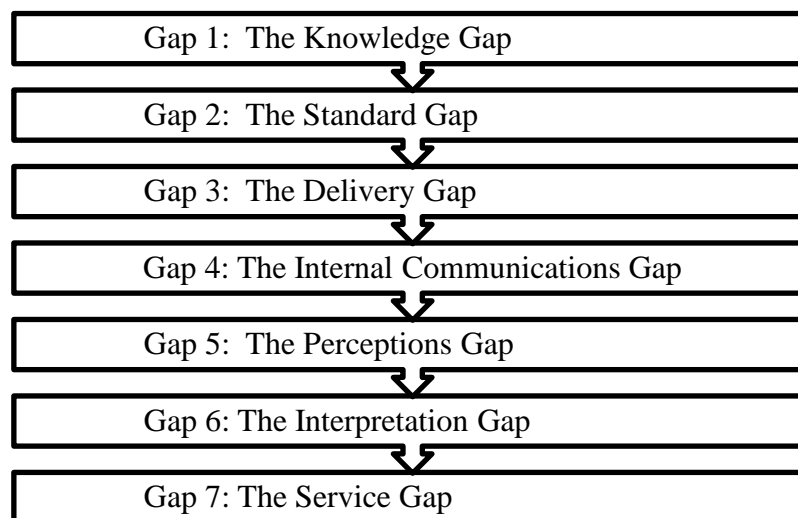
Figure 5: Service quality gap model

Identifying Failure Gaps in Service Quality: -

Implementing and evaluating service quality is a difficult task. In the hopes of better understanding how a firm can improve its overall service quality, the service quality process can be examined in terms of seven different in the service organisation covering management, employees, and customers view.

1   Consumer Section

- **Expected Service**: The pre-purchase opinion and attitude of customers towards the service quality is called expected service quality. These are influenced by customer's need, past experiences, and word-of-mouth.

2   Service company Section

- **Perceived Service**: The post-purchase response and observation of customer towards availed facilities.

3   Gaps in Service Quality

1. **Gap 1: Knowledge Gap**

   o This is the difference of opinion between customer expectations and management perceptions of those expectations.

   o The cause of knowledge gap may be absence of market research, ineffective communication between different levels of management.

2. **Gap 2: Standard/ Policy Gap**

   o The standard gap is the discrepancy between the management perceptions regarding customer expectations and the service standard specifications framed by the company.

   o The root cause of this gap may be weak service design, ergonomics, lack of customer-driven standards, insufficient commitment to service quality.

3. **Gap 3: Delivery Gap**

   o Difference between the service quality standards and the service quality received by the customers.

   o Deficiencies in human resources policies, failure to match supply and demand, customers not fulfilling roles, insufficient technology.

4. **Gap 4: Communication Gap**

   o Ineffcient communication process between service quality received by the customers and things communicated to customers in advertisement.

   o The main cause behind the communication gap may be fake-advertisements and promotions, lack of marketing communications.

5. **Gap 5: Perception Gap**

   o This is the difference between the pre-purchase attitude and post-purchase experience of customers.

   o Service experience that does not match expectations, varying personal needs and experiences.

6. **Gap 6: Interpretation/ Customer Gap**

       o   The difference between perceived service and expected service.

       o   Customer misinterpretations, external communication inaccuracies, service delivery failures.

7. **Gap 7: Employee Gap**

       o   The gap between employees' perceptions of customer expectations and management's perceptions.

       o   Lack of proper training, inadequate feedback systems, misalignment between employee understanding and management goals.

8.4.3. MEASURES FOR BRIDGING SERVICE QUALITY GAP

GAP 1:

- Gain better customer insights through research, panels, and complaint analysis.
- Facilitate direct interactions between managers and customers for improved understanding.
- Improve communication from front-line staff to management and streamline hierarchy.
- Convert customer feedback and insights into actionable steps.

GAP 2:

- Ensure top management consistently demonstrates commitment to customer-defined quality.
- Middle management should establish, communicate, and reinforce customer-focused service standards.
- Train managers in the skills needed to lead employees in delivering quality service.
- Be open to new business methods that overcome barriers to quality service delivery.
- Standardize repetitive tasks to ensure consistency and reliability, using technology to reduce human contact and improve work methods.
- Set clear, challenging, and realistic service quality goals aligned with customer expectations.

- Clarify the employees' which tasks have the most impact on quality and should be prioritized.

- Ensure employees understand and accept the goals and priorities.

- Measure performance and provide regular feedback.

- Reward managers and employees for achieving quality goals.

Gap 3:

- Clarify employee roles and ensure they understand how their jobs contribute to customer satisfaction.

- Match employees to jobs based on the skills and abilities required for optimal performance.

- Provide technical training for employees to effectively perform their tasks.

- Develop innovative recruitment and retention methods to attract top talent and build loyalty.

- Enhance employee performance by selecting the most reliable technology and equipment.

- Educate employees about customer expectations, perceptions, and problems.

- Train employees to improve interpersonal skills, especially for handling stressful customer interactions.

- Eliminate role conflict by involving employees in setting standards.

- Measure employee performance and link compensation and recognition to quality service delivery.

- Train employees in priority setting and time management.

- Develop meaningful, timely, simple, accurate, and fair reward systems.

- Empower managers and employees by decentralizing decision-making authority.

- Treat customers as "Partial employees" by clarifying their roles in service delivery, and training and motivating them to perform well as co-producers.

- Ensure internal support staffs provide excellent service to customer-facing personnel.

- Foster teamwork so employees collaborate effectively and use team rewards as incentives.

Gap 4:

- Seek input from operations personnel while creating new advertising programs.

- Develop advertisements featuring real employees performing their jobs.

- Allow service providers to preview advertisements before they reach customers.

- Encourage 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 resources departments.

- Ensure consistent service standards across multiple locations.

- Ensure advertising content accurately reflects the service characteristics most important to customers.

- Manage customer expectations by clearly communicating what is and is not possible and the reasons why.

- Identify and explain uncontrollable reasons for shortcomings in service performance.

- Design and Offer customers diverse levels of service at different prices, explaining the differences between these levels.

Gap 5:

- Update customers informed throughout the service delivery process.

- Debrief the customers at the end of service delivery

- Provide tangible evidence to assure customers about the service provided.

- Build customer confidence in the service being offered.

Gap 6:

- Skow communication materials to a sample of customers before publication.

- Gather customer opinions on the communications.

- Ask customers what they interpret the specific or implied promises to mean.

- Ensure customers correctly understand presentations through direct questioning by service personnel.

Gap 7:

The service gap is the most crucial aspect, making it essential to minimize this gap to enhance service quality. To accomplish this, service organizations may need to address one or more of the other six gaps.

8.5 ASSOCIATION BETWEEN CUSTOMER PERCEPTION & SERVICE QUALITY

Customer perception and service quality are intrinsically linked, with each playing a pivotal role in the overall customer experience and satisfaction. Here's an overview of their association:

Customer Perception

Definition: Customer perception refers to how customers view and interpret a company's products, services, and overall brand image. This perception is shaped by their experiences, expectations, and interactions with the company.

Service Quality

Definition: Service Quality refers to all efforts initiate to maintain certain identified standard or parameters of service performance, distribution process assured by the service organisation to create market competency. Service quality includes all those factors that guides the service organisation to follow and maintain set of patterns in service offerings. This ensures the customers regarding the quality service as well as reflects companies' commitment for their customers.

How They Interact

1. **Influence of Service Quality on Customer Perception**:

   o **Positive Impact**: High-quality service positively influences customer perception. When services consistently meet or exceed expectations, customers are likely to have a favorable view of the company. This can lead to increased loyalty, positive word-of-mouth, and repeat business.

   o **Negative Impact**: Poor service quality negatively affects customer perception. Inconsistent or subpar service can lead to dissatisfaction, negative reviews, and a decline in customer loyalty.

2. **Role of Customer Expectations**:

   o **Expectation Setting**: Customer perception is heavily influenced by their expectations, which are shaped by past experiences, marketing communications, and word-of-mouth. Service quality must align with these expectations to ensure satisfaction.

o **Expectation Management**: Companies must manage customer expectations through transparent communication about what services entail and what customers can expect. This helps prevent gaps between perceived and actual service quality.

3. **Feedback and Improvement**:

   o **Customer Feedback**: Perceptions gathered through customer feedback provide valuable insights into how service quality is perceived. This feedback can be used to identify areas for improvement and to ensure that services are aligned with customer expectations.

   o **Continuous Improvement**: Regularly assessing and improving service quality based on customer perceptions helps in maintaining high standards. This proactive approach ensures that the company adapts to changing customer needs and expectations.

4. **Consistency and Reliability**:

   o **Service Consistency**: Consistency in delivering high-quality service is crucial for maintaining a positive customer perception. Reliability in service performance fosters trust and reinforces a positive image of the company.

   o **Service Recovery**: When service failures occur, effective service recovery can mitigate negative perceptions. Promptly addressing issues and exceeding customer expectations during recovery can turn a negative experience into a positive one.

   Examples

- **Hospitality Industry**: In the hospitality industry, customer perception is heavily influenced by the quality of service provided by staff, cleanliness of facilities, and overall guest experience. A hotel that consistently provides excellent service, attentive staff, and clean rooms will likely be perceived positively by customers, leading to higher satisfaction and repeat bookings.

- **Retail Sector**: In retail, customer perception is shaped by the quality of products, the shopping experience, and customer service. Stores that provide high-quality products, efficient service, and a pleasant shopping environment are perceived favourably, attracting more customers and fostering loyalty.

- **Healthcare Services**: In healthcare, patient perception is influenced by the quality of medical care, the professionalism of healthcare providers, and the efficiency of service delivery. Hospitals and clinics that provide compassionate care, accurate diagnoses, and timely treatments are perceived positively, leading to higher patient satisfaction and trust.

In summary, the association between customer perception and service quality is vital for business success. High service quality leads to positive customer perceptions, that result in

high customer satisfaction, sustainability of service organisation. On the other hand, low-standard quality has a negative attitude and can damage reputation of service organisation. Understanding and managing this relationship is key to delivering exceptional customer experiences.

Check Your Progress-A

Q1. Discuss the dimensions of service quality. How these dimensions effect customer perception?

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Q2. Examine the importance of closing the service gap in improving overall service quality.

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Q3. Explain three most important gaps in the gap model. Discuss some important measures to control these gaps.

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Q4. How customer feedback could be used for service recovery in enhancing customer satisfaction?

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Q5. How do employee's behaviour and training play a critical role in generating customer perception?

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- -

Multiple Choice Questions-

Q6. All are dimensions of service quality except:

   A) Reliability

   B) Assurance

   C) Competitiveness

   D) Tangibles

Q7. What is the primary purpose of using customer satisfaction surveys?

   A) To increase sales

   B) To measure and improve service quality

   C) To conduct market research

   D) To recruit new employees

Q8. Which of the following is an example of a tangible aspect of service quality?

   A) The empathy shown by staff

   B) The speed of service delivery

   C) The documents and uniform

   D) The assurance provided by the service personnel

Q9. How can a company effectively manage customer expectations?

   A) By understanding the market demand and meeting expectations

   B) By frequently changing the service offerings

   C) By ignoring customer feedback

   D) By maintaining high levels of secrecy about their services

Q10. This method is widely used in measuring loyalty of customer.

   A) Customer Satisfaction Score (CSAT)

   B) Net Promoter Score (NPS)

   C) Customer Effort Score (CES)

   D) Return on Investment (ROI)

8.6 SUMMARY

Customer Perception: Meaning and Importance

Customer perception refers to the way customers view and interpret their experiences with a company or its products. This perception is crucial as it influences customer satisfaction, loyalty, and overall business success. Understanding customer perception helps businesses align their services with customer expectations and improve their market positioning.

Difference Between Customer Expectations and Perception

Customer expectations are preconceived notions or standards that customers hold regarding a service or product. These expectations are formed based on past experiences, marketing communications, and word-of-mouth. Customer perception, on the other hand, is the actual experience and evaluation of the service or product received. The difference between expectations and perception is critical in determining service quality and identifying areas for improvement.

The Perceptual Process

The perceptual process involves how customers interpret and make sense of the stimuli or information they receive from a service or product. This process includes stages such as exposure, attention, interpretation, and memory. Understanding this process helps businesses tailor their services to better meet customer needs and improve their overall experience.

Factors Affecting Customer Perception

Several factors can influence customer perception, including:

- **Service quality**: The actual performance and reliability of the service.

- **Customer expectations**: Preconceived notions and standards.

- **Personal experiences**: Previous interactions with the company or similar services.

- **Social influences**: Opinions and recommendations from friends, family, and social media.

Managerial Implications of Customer Perception

Managers need to be aware of customer perceptions to effectively address service gaps and enhance customer satisfaction. By understanding and managing these perceptions, businesses can implement strategies to improve service delivery, address customer concerns, and build stronger customer relationships.

Service Quality: Meaning and Importance

Service Quality refers to all efforts initiate to maintain certain identified standard or parameters of service performance, distribution process assured by the service organisation to create market competency.

Dimensions in Service Quality

- **Reliability**: It is all efforts put by the service company to fulfil their commitments consistently and accurately.

- **Assurance**: Assurance addresses the competence of the firm, the courtesy it extends to its customers, and the security of its operations. Competence pertains to the firm's knowledge and skill in performing its service.

- **Tangibles**: The physical appearance of equipment, facilities, and personnel.

- **Empathy**: The care and individualized attention provided to customers.

- **Responsiveness**: The willingness and ability to assist customers promptly.

Service Quality Gap Analysis

Gap analysis helps assess the difference between pre-purchase expectations of customers and standard of services delivered. Gap analysis examines various gaps that includes gaps among various interest groups like Customers expectation, Management, Service quality standards, Service distribution, and Marketing communication.

Measures for Bridging Service Quality Gaps

To bridge service quality gaps, businesses can:

- **Improve communication**: Ensure that marketing messages align with actual service delivery.

- **Enhance training**: Equip employees with the skills and knowledge to meet service standards.

- **Regularly review and adjust**: Continuously assess and refine service processes based on customer feedback and performance data.

Association Between Customer Perception & Service Quality

Customer perception and service quality are closely linked. Positive customer perceptions are often a result of high service quality, while poor perceptions can indicate service quality issues. Businesses must focus on both understanding customer perceptions and improving service quality to achieve optimal customer satisfaction and loyalty.

8.7. GLOSSARY

Customer Perception: The overall impression a customer has about a company's products or services based on their experiences, beliefs, and emotions.

Service Quality: These are the parameter that facilitates in having high customer satisfaction and market survival.

Customer Expectations: The preconceived notions or standards customers have regarding the quality of a service before experiencing it.

Service Encounter: The interaction between a customer and a service provider during the delivery of a service.

Customer Satisfaction: The degree to which a customer's expectations of a service are met or exceeded, leading to positive feelings towards the service provider.

8.8 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Q6. Answer: C) Competitiveness

Q7. Answer: B) To measure and improve service quality

Q8. Answer: C) The documents and uniform

Q9. Answer: A) By understanding the market demand and meeting expectations

Q10. Answer: B) Net Promoter Score (NPS)

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8.11   TERMINAL QUESTIONS

Short Questions

1. Define customer perception.

2. What are the key factors that affect customer perception?

3. Explain the importance and role of service quality in satisfaction of consumer.

4. Discuss the association between customer expectations and service quality.

5. Write down dimensions of service quality proposed by Parasuraman, Berry, and Zeithaml.

6. How does tangibility influence customer perception?

7. What role does price play in shaping the perception?

8. "Feedback is necessary for service recovery in enhancing service quality". Discuss.

9. How a service company may use service recovery for managing customer expectations effectively?

Long Questions

1. Discuss the term Customer perception in the context of service quality with examples to illustrate your points.

2. Elaborate ten dimensions of service quality with suitable examples. How do these impact customer perception?

3. Explain Gap model proposed by Parasuraman and explain how each gap affects service quality.

4. Discuss the managerial implications of understanding customer perception.

5. Examine the association between customer perception on service quality. How can companies use service quality for differentiation?

6. What are the factors that influence customer perception? and how companies can manage these factors to improve service quality?

7. Discuss the importance of closing the service gap in improving overall service quality. What strategies can companies employ to narrow this gap?

8. Explain the role of internal communication in enhancing service quality. How can companies ensure that employees at all levels understand and deliver high-quality service?

9. Discuss how companies can use technology and innovation to improve service quality and enhance customer perception. Provide examples from various industries.

8.12 CASE LETS/CASES

Narendra, a software engineer, had always been loyal to a particular bank for over a decade due to its convenient location and generally satisfactory service. However, his perception of the bank's service quality began to shift recently. Narendra started noticing that the bank's online banking system, which he frequently relied on, often experienced outages and was slow. Moreover, the customer service representatives were not as responsive as they used to be, and his inquiries were sometimes met with delayed or unsatisfactory responses.

One particularly frustrating experience occurred when Narendra needed to transfer a significant sum of money for an urgent payment. The online system was down, and when he called the customer service helpline, he was put on hold for over 30 minutes. After finally reaching a representative, he was told to visit the branch in person. At the branch, the staff were polite but seemed overwhelmed and unable to provide quick assistance. This series of inconveniences led Narendra to question the reliability and responsiveness of the bank's services.

The final straw was when Narendra's credit card bill payment was delayed due to an internal error at the bank, resulting in a late fee and a negative impact on his credit score. Feeling frustrated and undervalued, Narendra decided to switch to a competitor bank that had a reputation for excellent online services and prompt customer support. The competitor bank's advertisements highlighted their state-of-the-art digital banking features and a highly responsive customer service team, which appealed to Narendra's needs and expectations.

Narendra's experience highlights the crucial role of service quality in shaping customer perception and loyalty. Despite the long-standing relationship, the perceived decline in service quality led him to reassess his options and ultimately move to a competitor.

Questions

1. What were the key factors that led to Narendra's change in perception of the bank's service quality?

2. How did the reliability and responsiveness of the bank's services affect Narendra's satisfaction?

3. What steps could the bank have taken to prevent losing Narendra as a customer?

4. How can the competitor bank ensure they maintain high service quality to retain customers like Narendra?

5. Discuss the impact of digital banking features on customer perception and loyalty.

UNIT 9 CUSTOMER RELATIONSHIP

9.1 Introduction

9.2 Objectives

9.3 Meaning of Customer Relationship

9.4 Evolution of Customer Relationship Management

9.5 Objectives of customer relationship management

9.6 Key components of customer relationship management

9.7 Limitations of customer relationship management

9.8 Methods of managing of customer relationship

9.9 Customer segmentation in customer relationship

9.10 Role of data analytics in customer relationship management

9.11 Role of technology in customer relationship management

9.12 Customer service excellence in CRM

9.13 Measuring CRM performance

9.14 Ethical consideration in CRM

9.15 Social CRM

9.16 Mobile CRM

9.17 AI and Machine learning in CRM

9.18 Cloud based CRM

9.19 CRM in E-Commerce

9.20 Gamification in CRM

9.21 Integrating CRM With ERP Systems

9.22 Summary

9.23 Glossary

9.24 Answer to check your progress

9.25 Reference/Bibliography

9.26 Suggested Readings

9.27 Terminal & Model Questions

9.28 Case let

9.1   INTRODUCTION

Customer Relationship Management (CRM) is a strategic approach that integrates processes, technology, and people to foster long-lasting customer relationships. CRM helps companies transition from transactional marketing (short-term, single-purchase focus) to relationship marketing (long-term customer engagement). This shift is especially crucial in service-based industries, where personalized service and customer loyalty drive business success.

Example: Companies like **Amazon** and **Apple** have leveraged CRM to understand customer preferences, offer personalized recommendations, and build loyal customer bases. For instance, **Amazon** uses its CRM system to recommend products based on previous purchases, leading to high customer retention and satisfaction. **Apple** fosters customer loyalty through excellent customer service, personalized interactions, and exclusive services like Apple Care.

9.2   OBJECTIVES

After reading this unit you will be able to:

- Understand the Evolution of Customer Relationship Management
- Know the Objectives of customer relationship management
- Learn about the Key components of customer relationship management
- Understand the Limitations of customer relationship management
- Explore the methods of managing of customer relationship
- Know the customer segmentation in customer relationship
- Learn the role of data analytics in customer relationship management
- Understand the Role of technology in customer relationship management
- Know about Customer service excellence in CRM
- Measure CRM performance
- Understand Ethical consideration in CRM
- Learn about Social CRM, Mobile CRM and AI and Machine learning in CRM
- Know about Cloud based CRM
- Understand CRM in E-Commerce and Gamification in CRM
- Know about Integration of CRM With ERP Systems

9.3 MEANING OF CUSTOMER RELATIONSHIP

Customer relationships in services marketing focus on nurturing long-term engagements between a company and its customers. In contrast to short-term, transactional marketing that aims for immediate sales, relationship marketing seeks to build trust, customer satisfaction, and loyalty over time. This shift towards relationship-focused strategies leads

to repeat purchases, higher customer lifetime value (CLV), and positive word-of-mouth. Building strong customer relationships involves understanding individual customer needs, preferences, and behaviors, and leveraging this insight to deliver personalized experiences, tailored offerings, and exceptional service. Effective customer relationships foster trust, loyalty, and advocacy, driving long-term growth, retention, and revenue. They also provide valuable feedback, enabling businesses to refine their strategies, improve products and services, and stay competitive. By prioritizing customer relationships, companies can create a loyal customer base, differentiate themselves in the market, and achieve sustainable success. This involves proactive engagement, empathetic support, and consistent delivery of value, ultimately leading to mutually beneficial and enduring connections between businesses and their customers.

9.4 EVOLUTION OF CUSTOMER RELATIONSHIP MANAGEMENT

The evolution of CRM has transformed how businesses interact with customers. CRM has gone through several phases, from early manual customer relationship systems to today's advanced, AI-driven platforms. Initially, CRM was focused on contact management, but it evolved into more sophisticated systems that integrate sales, marketing, and customer service functions.

Phases of CRM Evolution:

Here are the phases of CRM evolution:

Phase 1: Customer Management (1990s)

- Focus on managing customer data and interactions

- Basic contact management and sales force automation

- Early CRM software solutions emerged

Phase 2: Customer Relationship Management (Late 1990s-Early 2000s)

- Emphasis on building relationships and improving customer satisfaction

- Introduction of marketing automation and customer service modules

- CRM software became more sophisticated

Phase 3: Customer Experience Management (Mid 2000s)

- Focus on delivering exceptional customer experiences across touch points

- Integration of social media, mobile, and analytics

- CRM expanded beyond sales, marketing, and customer service

Phase 4: Social CRM (Late 2000s-Early 2010s)

- Integration of social media into CRM

- Focus on social listening, engagement, and customer advocacy

- CRM became more collaborative and customer-centric

Phase 5: Cloud CRM (2010s)

- Shift from on-premise to cloud-based CRM solutions

- Increased accessibility, scalability, and flexibility

- Mobile and tablet access became common

Phase 6: Intelligent CRM (Present Day)

- Integration of artificial intelligence (AI), machine learning (ML), and IoT

- Focus on predictive analytics, personalization, and automation

- CRM continues to evolve with emerging technologies

Phase 7: Future of CRM (Emerging)

- Increased use of AI, ML, and block chain

- Focus on customer trust, transparency, and privacy

- CRM will continue to adapt to changing customer needs and technologies

Example:
Sales force began as a simple cloud-based CRM but evolved into a comprehensive platform that integrates customer data, analytics, automation, and AI tools to serve a variety of business functions.

9.5   OBJECTIVES OF CUSTOMER RELATIONSHIP MANAGEMENT

CRM strategies focus on several key objectives:

- **Enhancing customer satisfaction**: CRM allows businesses to gather customer data, enabling personalized services and improving customer experiences.

- **Improving customer retention**: Retaining customers is often more cost-effective than acquiring new ones. CRM helps reduce customer churn by addressing individual needs and preferences.

- **Boosting profitability through customer loyalty**: Loyal customers tend to spend more, contribute to higher margins, and bring in new customers through referrals.

- **Gaining insights into customer needs and preferences**: CRM systems collect and analyze customer data, enabling businesses to better understand and respond to customer needs.

Example: Zappos has a reputation for outstanding customer service. They use CRM to deliver personalized service, offer extensive customer support, and provide hassle-free returns. These practices have resulted in highly satisfied and loyal customers.

9.6   KEY COMPONENTS OF CUSTOMER RELATIONSHIP MANAGEMENT

The key components of CRM are

1. Contact Management

- Store customer contact information in systematic way.

- Track interactions and communications in regular manner.

- Manage accounts and relationships properly

- Analyze customer behaviour according to situation

2. Sales Force Automation

- Automate sales processes and workflows

- Track leads, opportunities, and sales performance

- Manage sales forecasting and pipeline management

- Analyze sales metrics and performance

3. Marketing Automation:

- Automate marketing campaigns and workflows

- Track customer interactions and engagement

- Manage lead generation and nurturing

- Analyze marketing metrics and effectiveness

4. Customer Service and Support

- Manage customer inquiries and issues

- Track customer support requests and resolution

- Provide self-service portals and knowledge bases

- Analyze customer satisfaction and feedback

5. Analytics and Reporting

- Provide real-time analytics and insights

- Track customer behaviour and preferences

- Analyze sales, marketing, and customer service performance

- Offer customizable dashboards and reports

6. Integration

- Integrate with other business systems and applications

- Connect with social media, email, and phone systems

- Enable data sharing and synchronization

- Support API and web services integration

7. Customization

- Tailor CRM to meet specific business needs

- Customize fields, forms, and workflows

- Create custom reports and dashboards

- Support custom development and integration

8. Security and Compliance

- Ensure data security and encryption

- Support user authentication and access controls

- Comply with regulatory requirements (GDPR, HIPAA, etc.)

- Provide data backup and disaster recovery

These components work together to provide a comprehensive CRM platform for managing customer relationships, improving customer satisfaction, and driving business growth.

9.7   LIMITATIONS OF CUSTOMER RELATIONSHIP MANAGEMENT

Despite its many benefits, CRM also has limitations and challenges:

- **Difficulty in data integration**: Integrating data from various touchpoints (sales, marketing, and customer service) into a single CRM system can be complex and prone to errors.

- **Data security and privacy concerns**: Handling large volumes of customer data increases the risk of data breaches and privacy violations. Ensuring compliance with data protection regulations like GDPR adds complexity.

- **High Implementation Costs**: Implementing a CRM system can be a costly endeavour, especially for small and medium-sized businesses. The initial investment in CRM software and hardware can be significant, and additional costs may be incurred for customizing and integrating the system with existing infrastructure. Ongoing maintenance and support costs can also add up over time.

- **Complexity-** CRM systems can be complex and difficult to use, requiring significant training and support to get the most out of them. Customizing and configuring the system to meet specific business needs can be a challenge, and integrating it with other systems and applications can be even more daunting.

- **Data Quality Issues**- Poor data quality can be a major limitation of CRM systems. Inaccurate or incomplete customer data can lead to ineffective decision-making, and maintaining data consistency and integrity can be a challenge. Limited data analytics capabilities can also make it difficult to gain insights into customer behaviour.

- **Limited Analytics Capabilities**- CRM systems may have limited analytics capabilities, making it difficult to analyze customer data and behaviour. Creating custom reports and dashboards can be a challenge, and limited predictive analytics capabilities can make it hard to anticipate customer needs.

- **Limited Mobile Functionality**-CRM systems may have limited mobile functionality, making it difficult to access and use the system on-the-go. Creating custom mobile apps can be a challenge, and limited offline access and synchronization capabilities can make it hard to use the system in the field.

- **Insufficient Customer Support**- Limited customer support options can make it difficult to get help and resolve issues. Difficulty in getting support and resolving issues can lead to frustration and decreased user adoption.

Example: Target encountered a public relations issue when their CRM system used predictive analytics to identify a pregnant teenager, sending her personalized baby product offers. This raised privacy concerns and demonstrated how CRM systems, when not managed carefully can inadvertently harm customer trust.

9.8 METHODS OF MANAGING CUSTOMER RELATIONSHIP

There are various effective methods for managing customer relationships:

- **Personalization of services**: Customizing interactions based on customer data (preferences, purchase history) improves satisfaction and loyalty.

- **Technology in CRM**: AI, machine learning, and CRM software automate repetitive tasks, streamline processes, and provide data-driven insights.

- **Loyalty programs**: Programs that reward customers for repeat business can increase retention and lifetime value.

- **Customer feedback and engagement techniques**: Gathering and acting on customer feedback is key to continuously improving service quality and customer satisfaction.

Example:Starbucks uses its CRM to personalize customer interactions through its rewards program. Customers receive offers based on past purchases and preferences, which enhances engagement and loyalty.

9.9 CUSTOMER SEGMENTATION IN CUSTOMER RELATIONSHIP

Customer segmentation allows businesses to divide customers into groups based on specific characteristics, enabling more targeted marketing strategies. Types of segmentation include:

- **Demographic segmentation**: Based on age, gender, income, and education.

- **Behavioral segmentation**: Based on purchase history, product usage, and engagement patterns.

- **Psychographic segmentation**: Based on lifestyle, values, and personality traits.

Example:Nike uses customer segmentation to target different demographics, including athletes, fashion-conscious individuals, and fitness enthusiasts. This segmentation allows them to tailor marketing strategies to each group effectively.

9.10 ROLE OF DATA ANALYTICS IN CUSTOMER RELATIONSHIP MANAGEMENT

Data analytics is a powerful tool in CRM, providing insights that drive business decisions. Key analytics include:

- **Predictive Analytics**: Using historical data to predict future behavior (e.g., churn risk).

- **Customer Lifetime Value (CLV)**: Estimating the total revenue a customer can generate throughout their relationship with the company.

- **Churn Analysis**: Identifying customers who are likely to leave and developing strategies to retain them.

Example: Netflix uses predictive analytics to recommend shows and movies based on a customer's viewing history. This personalized approach keeps users engaged, increasing retention and reducing churn.

9.11 ROLE OF TECHNOLOGY IN CUSTOMER RELATIONSHIP MANAGEMENT

Technological advancements like AI, machine learning, and automation have transformed CRM processes:

- **Artificial Intelligence (AI)**: AI automates customer interactions through chatbots, personalizes product recommendations, and optimizes customer support.

- **Automation tools**: Automating tasks like email marketing and lead tracking reduces manual effort and improves efficiency.

- **Big Data**: Large datasets help businesses gain deeper insights into customer preferences and behavior.

- **Automation of Processes**- Technology plays a crucial role in automating CRM processes, streamlining sales, marketing, and customer service efforts. Automation enables businesses to reduce manual effort, increase efficiency, and focus on high-value activities.

- **Data Storage and Management**- Technology provides a centralized platform for storing and managing customer data, interactions, and history. This single source of truth enables businesses to access accurate and up-to-date information, making it easier to understand customer needs and preferences.

- **Data Analytics and Insight-** Technology enables businesses to analyze customer data and gain valuable insights into behaviour, preferences, and needs. Data analytics and reporting tools like Tableau, Power BI, and Google Analytics help identify trends, patterns, and opportunities. These insights inform marketing, sales, and customer service strategies, driving more effective engagement and personalized experiences.

- **Personalization-** Technology facilitates personalization by enabling businesses to tailor marketing, sales, and customer service efforts to individual customers or segments. Marketing automation platforms like Marketo, Pardot, and Mailchimp help create targeted campaigns, while CRM software offers personalized communication tools.

- **Customer Engagement**-Technology enhances customer engagement by providing multiple channels for interaction, including social media, email, and self-service portals. Social media management tools like Hoot suite, Sprout Social, and Buffer help manage social media presence, while customer service software like Zendesk, Freshdesk, and Service now enable timely support.

- **Sales and Revenue Growth**- Technology drives sales and revenue growth by identifying new opportunities, managing leads, and tracking performance. CRM software offers sales force automation, lead management, and pipeline tracking capabilities.

- **Collaboration and Communication-** Technology facilitates collaboration and communication across departments and locations. CRM software offers teamwork and communication tools, ensuring that all teams are aligned and working towards common goals.

- **Artificial Intelligence and Machine Learning**- Technology leverages artificial intelligence and machine learning to enhance CRM capabilities, including AI-powered chatbots, predictive analytics, and personalized recommendations. These technologies help businesses anticipate customer needs, offer proactive support, and drive more effective engagement.

Example: Sales force, a leading CRM platform, integrates AI-powered tools like **Einstein** to automate lead scoring, improve customer engagement, and provide predictive insights for better decision-making.

9.12 CUSTOMER SERVICE EXCELLENCE IN CRM

Customer service excellence is integral to CRM, as it ensures positive, long-lasting relationships. Key aspects include:

Understanding Customer Needs

Customer service excellence in CRM begins with understanding customer needs and preferences. This involves gathering and analyzing customer data, including feedback, complaints, and suggestions. By understanding customer needs, businesses can tailor their services to meet specific requirements, leading to increased satisfaction and loyalty.

Personalized Support

Personalized support is critical to customer service excellence in CRM. This involves addressing customers by name, recognizing their purchase history, and offering tailored solutions. Personalization helps build trust and rapport, leading to stronger customer relationships.

Timely and Effective Resolution

Timely and effective resolution of customer issues is essential to customer service excellence in CRM. This involves providing prompt responses to inquiries, resolving issues efficiently, and following up to ensure satisfaction. Timely resolution helps prevent escalation and builds trust.

Multichannel Support

Multichannel support is vital to customer service excellence in CRM. This involves offering support through various channels, including phone, email, chat, and social media. Multichannel support ensures customers can interact with businesses through their preferred channels.

Continuous Improvement

Continuous improvement is critical to customer service excellence in CRM. This involves gathering feedback, analyzing performance metrics, and implementing changes to improve service. Continuous improvement ensures businesses stay ahead of customer expectations.

Empowered Customer Service Teams

Empowered customer service teams are essential to customer service excellence in CRM. This involves providing teams with the necessary tools, training, and authority to resolve issues efficiently. Empowered teams help build trust and ensure timely resolution.

Technology Enablement

Technology enablement is vital to customer service excellence in CRM. This involves leveraging CRM software, automation tools, and analytics to enhance service. Technology enablement helps streamline processes, improve efficiency, and provide personalized support.

Customer Service Metrics

Customer service metrics are crucial to measuring excellence in CRM. This involves tracking metrics such as first response time, resolution rate, and customer satisfaction. Metrics help businesses identify areas for improvement and measure progress.

Customer Feedback and Insights

Customer feedback and insights are essential to customer service excellence in CRM. This involves gathering feedback through surveys, reviews, and social media. Feedback and insights help businesses understand customer needs and preferences, leading to improved service.

9.13 MEASURING CRM PERFORMANCE

Measuring the effectiveness of CRM initiatives helps businesses refine their strategies. Common metrics include:

- **Customer Satisfaction (CSAT)**: Gauges satisfaction with products and services.

- **Net Promoter Score (NPS)**: Measures the likelihood of customers recommending the company.

- **Customer Retention Rate**: Assesses the percentage of customers retained over a certain period.

- **Return on Investment (ROI) of CRM**: Determines whether the benefits of a CRM system outweigh the costs of implementation and maintenance.

Example: Southwest Airlines uses NPS to measure customer satisfaction and loyalty. By closely monitoring these metrics, they continuously improve their customer service and engagement strategies.

9.14 ETHICAL CONSIDERATION IN CRM

With the increasing reliance on customer data, businesses must address ethical considerations, such as:

Data Privacy

Ethical considerations in CRM begin with data privacy. Businesses must ensure that customer data is collected, stored, and used in accordance with data protection regulations. Transparency about data usage and obtaining explicit consent from customers is crucial.

Data Security

Data security is another critical ethical consideration in CRM. Businesses must implement robust security measures to protect customer data from unauthorized access, breaches, or cyber-attacks. Regular security audits and employee training are essential.

Consent and Opt-out

Obtaining explicit consent from customers before collecting and using their data is vital. Businesses must also provide easy opt-out options for customers who wish to withdraw their consent. Respect for customer autonomy is essential.

Transparency and Honesty

Transparency and honesty are fundamental ethical considerations in CRM. Businesses must clearly communicate their data collection and usage practices, ensuring customers understand how their data will be used.

Fairness and Non-discrimination

Fairness and non-discrimination are essential ethical considerations in CRM. Businesses must ensure that customer data is not used to discriminate against individuals or groups. Equal treatment and respect for all customers are vital.

Accountability and Responsibility

Businesses must take accountability and responsibility for their CRM practices. This involves establishing clear policies, procedures, and employee training to ensure ethical standards is met.

Respect for Customer Boundaries

Respect for customer boundaries is critical in CRM. Businesses must not push customers to disclose more information than necessary and respect their wishes if they decline to provide certain data.

Continuous Monitoring and Improvement

Finally, continuous monitoring and improvement of CRM practices are essential ethical considerations. Businesses must regularly review and update their practices to ensure they meet evolving ethical standards and customer expectations.

By prioritizing these ethical considerations, businesses can build trust with their customers, maintain a positive reputation, and ensure their CRM practices align with ethical standards.

Example: In 2018, **Facebook** faced backlash due to data privacy issues related to the Cambridge Analytica scandal. This highlighted the importance of ethical data management in CRM.

9.15 SOCIAL CRM

Social CRM is a modern extension of traditional CRM that leverages social media platforms like Face book, Twitter, and LinkedIn to engage with customers. By integrating social media data into CRM systems, companies can better understand customer sentiments; respond to queries in real-time, and foster deeper engagement.

9.15.1 KEY BENEFITS OF SOCIAL CRM

Here are the key benefits of Social CRM explained in paragraphs:

- **Improves customer engagement** -Social CRM improves customer engagement by enabling businesses to interact with customers on social media, understand their needs, and provide personalized experiences. This leads to increased customer participation, feedback, and loyalty.

- **Enhanced customer insights** -Social CRM provides enhanced customer insights by monitoring customer conversations, sentiment, and trends on social media. This helps businesses understand customer needs, preferences, and pain points, enabling them to tailor their products and services accordingly.

- **Increases customer loyalty** -Social CRM increases customer loyalty by building trust and transparency through open communication. By proactively addressing

customer issues and concerns, businesses can turn customers into loyal advocates, leading to positive word-of-mouth and repeat business.

- **Enables better customer service**- Social CRM enables better customer service by providing timely and effective support through social media. This reduces customer complaints, improves satisfaction, and increases retention. Businesses can also use social media to proactively address customer issues, reducing the volume of incoming support requests.

- **Provides a competitive advantage** -Social CRM provides a competitive advantage by enabling businesses to differentiate themselves through innovative social media strategies. By engaging with customers on social media, businesses can build brand awareness, improve reputation, and stay ahead of competitors.

- **Increase revenue** -Social CRM can increase revenue by identifying new sales opportunities on social media, improving sales conversions, and increasing customer lifetime value. Businesses can also use social media to promote products, services, and offers, driving sales and growth.

Finally, Social CRM enables data-driven decision making by providing insights into customer behavior, preferences, and needs. Businesses can use social media data to measure ROI, track campaign effectiveness, and optimize their social CRM strategies.

Example:
Coca-Cola uses Social CRM to track social media conversations about its products. By responding to customer queries and addressing concerns on platforms like Twitter, the company strengthens its relationships and maintains a positive brand image.

9.16 MOBILE CRM

Mobile CRM enables businesses to manage customer relationships on-the-go using smart phones and tablets. It offers sales, marketing, and customer service teams instant access to customer data, even when they are out of the office, enhancing flexibility and responsiveness.

Key Features:

- **Real-time access to customer data**: Field sales teams can access customer profiles and history on the go.

- **Notifications and alerts**: Mobile CRM systems provide instant updates about customer interactions, inquiries, or follow-up tasks.

- **Remote collaboration**: Teams can collaborate remotely, improving productivity.

Example:
Zendesk offers a mobile CRM platform that enables customer support teams to manage inquiries and provide support services anytime and anywhere. This capability enhances responsiveness and customer satisfaction.

9.17 AI AND MACHINE LEARNING IN CRM

Artificial Intelligence (AI) and machine learning are revolutionizing CRM by automating routine tasks, analyzing customer behavior, and offering predictive insights. AI-driven CRM can anticipate customer needs, improve lead scoring, and provide personalized recommendations.

Key Applications:

- **Chatbots**: AI-powered chatbots can handle customer inquiries in real-time, improving response times and customer satisfaction.

- **Predictive analytics**: Machine learning algorithms analyze past customer interactions to predict future behavior, such as potential purchases or churn risk.

- **Personalization**: AI enhances personalization by learning customer preferences and tailoring offerings to their unique needs.

Example:
Hub Spot uses AI to analyze customer interactions and predict which leads are more likely to convert, helping sales teams prioritize their efforts effectively.

9.18 CLOUD BASED CRM

Cloud-based CRM platforms store customer data on remote servers, allowing teams to access information from anywhere with an internet connection. This approach provides greater flexibility, scalability, and cost savings compared to traditional on-premise CRM systems.

Key Advantages:

- **Scalability**: Cloud CRM systems can easily scale as a company grows.

- **Cost-effective**: Companies can avoid the high upfront costs associated with traditional CRM systems.

- **Real-time updates**: Cloud-based CRM ensures that customer data is updated in real-time, keeping all departments synchronized.

Example:
Sales force was one of the pioneers of cloud-based CRM, providing businesses with a platform that can be accessed from anywhere, making it one of the most widely adopted CRM solutions globally.

9.19 CRM IN E-COMMERCE

In e-commerce, CRM plays a critical role in managing customer relationships and improving customer experiences through personalized marketing, customer support, and loyalty programs. E-commerce CRM integrates customer data from various touch points like website interactions, social media, and purchase history, helping businesses create tailored offers.

Key CRM Functions in E-commerce:

- **Customer segmentation**: E-commerce CRM helps in dividing customers based on purchase behavior, allowing targeted marketing campaigns.

- **Cart abandonment solutions**: CRM tools can send automated follow-up emails to customers who abandon their shopping carts, encouraging them to complete their purchase.

- **Customer support**: Integrated live chat and support tools provide real-time assistance to customers, reducing friction during the purchasing process.

- **Customer Data Management**: Storing and managing customer information, including contact details, order history, and preferences.
- **Order Management**: Managing orders, including tracking, fulfilment, and shipping.
- **Customer Service**: Providing support and service to customers through multiple channels, such as email, chat, and phone.
- **Marketing Automation**: Automating marketing campaigns and promotions to target specific customer segments.
- **Personalization**: Tailoring the customer experience through personalized recommendations, offers, and content.
- **Analytics and Reporting**: Analyzing customer data and behaviour to gain insights and optimize marketing and sales strategies.

   These CRM functions help e-commerce businesses build strong customer relationships, drive sales, and improve customer satisfaction.

Example:

Shopify provides an integrated CRM system that helps e-commerce businesses manage customer interactions, analyze sales data, and automate marketing campaigns to boost conversions.

9.20 GAMIFICATION IN CRM

Gamification in CRM refers to the integration of game mechanics into CRM platforms to increase user engagement and loyalty. Businesses use gamification strategies to encourage desired behaviors from customers, such as making repeat purchases or referring new customers.

Common Gamification Elements:

- **Point systems**: Customers earn points for actions such as purchases, reviews, or social media shares.

- **Badges and rewards**: Companies reward customers with badges or incentives when they achieve certain milestones.

- **Leaderboards**: Some businesses use leaderboards to foster competition among customers and encourage further engagement.

- **Challenges:** Creating specific tasks or missions that customers or sales teams must complete to earn rewards.

- **Quests**- Designing a series of challenges or tasks that customers or sales teams must complete to achieve a larger goal.

- **Virtual Currencies**: Offering redeemable points or discounts for completing desired actions.

- **Rewards:** Providing tangible or intangible rewards for achieving milestones or completing challenges.

- **Progress Bars:** Visualizing progress towards a goal or milestone.

- **Social Sharing**: Encouraging customers and sales teams to share achievements and progress on social media.
- **Collaboration Tools**: Enabling customers and sales teams to work together to achieve common goals.
- **Feedback Mechanisms:** Providing regular feedback and updates on progress and performance.

Example:

Duolingo, a language-learning app, gamifies the user experience with points, streaks, and rewards for completing lessons, keeping users motivated and engaged. This strategy can also be applied to CRM systems to maintain customer engagement.
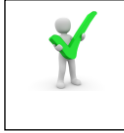
Check Your Progress-A

Q1.Multiple-choice questions (MCQs)

i. What is the primary goal of CRM?

a) To increase sales

b) To improve customer satisfaction

c) To reduce costs

d) To enhance customer relationships

ii. Which of the following is a key feature of CRM?

a) Sales force automation

b) Marketing automation

c) Customer service and support

d) All of the above

iii. What is the term for the process of analyzing customer data to identify patterns and trends?

a) Data mining

b) Data warehousing

c) Customer analytics

d) Business intelligent

iv. Which CRM strategy focuses on building long-term relationships with customers?

a) Transactional CRM

b) Relational CRM

c) Analytical CRM

d) Operational CRM

v. What is the purpose of a customer loyalty program?

a) To attract new customers

b) To retain existing customers

c) To increase sales

d) To reduce costs

vi. Which of the following is a benefit of implementing CRM?

a) Improved customer satisfaction

b) Increased sales

c) Enhanced customer insights

d) All of the above

vii. What is the term for the process of using technology to automate sales, marketing, and customer service processes?

a) CRM automation

b) Business process automation

c) Sales force automation

d) Marketing automation

viii. Which CRM metric measures the percentage of customers retained over a period of time?

a) Customer retention rate

b) Customer acquisition rate

c) Customer satisfaction rate

d) Customer churn rate

Q2. True/false statements

i. True or False: CRM is only used by sales teams.

ii. True or False: The primary goal of CRM is to increase sales.

iii. True or False: Customer analytics is a key feature of CRM.

iv. True or False: CRM is only used by large enterprises.

v. True or False: Social media integration is a common feature of CRM.

vi. True or False: CRM systems cannot be customized.

vii. True or False: Customer retention is a key benefit of CRM.

viii. True or False: CRM is only used for B2B relationships.

Q3. Fill-in-the-blanks:

i. CRM stands for _____

ii. The primary goal of CRM is to _____

iii. CRM systems help businesses manage _____

iv. The key feature of CRM include _____

v. CRM can be deployed _____

vi. CRM helps businesses improve _____

vii. CRM systems can be customized to meet specific _____

viii. Mobile _____ is a common feature of CRM

Q4. SHORT QUESTIONS

i. What are the methods of Managing Customer Relationships?

ii. Describe the key benefits of Customer Relationships management.

iii. What is the role of CRM in technology?

iv. What is customer segmentation in CRM?

9.21   INTEGRATING CRM WITH ERP SYSTEMS

Enterprise Resource Planning (ERP) systems manage core business processes such as inventory, supply chain, and human resources, while CRM focuses on customer interactions. Integrating CRM with ERP systems allows businesses to have a 360-degree view of their operations and customer relationships.

Benefits of Integration:

- **Improved data accuracy**: Syncing data between CRM and ERP eliminates redundancies and ensures that customer information is consistent across departments.

- **Better customer insights**: Integration provides a complete view of customer orders, payments, and service interactions, allowing for more informed decision-making.

- **Streamlined operations**: CRM-ERP integration enhances operational efficiency by automating workflows between sales and back-office processes.

Example:

Microsoft Dynamics 365 combines both CRM and ERP capabilities, providing businesses with a unified platform to manage their customer relationships and internal operations seamlessly.

Case Study: Amazon's CRM Success

Background:

Amazon, one of the largest e-commerce companies globally, has built its success largely on its ability to effectively manage customer relationships. Its CRM system integrates customer data, purchasing history, and browsing behavior to provide personalized recommendations, enhance customer experience, and drive sales.

CRM Strategies:

1. **Personalization**: Amazon offers personalized product recommendations based on a customer's browsing and purchase history. This personalization is enhanced through algorithms that constantly learn from customer behavior.

2. **Customer Service**: Amazon's customer service is exceptional, offering easy returns, 24/7 support, and swift resolution of issues.

3. **Loyalty Programs**: Amazon Prime, the company's flagship loyalty program, offers free shipping, exclusive deals, and access to entertainment services. Prime members tend to spend significantly more than non-members, showing the effectiveness of loyalty programs in CRM.

Results:

Amazon's CRM strategy has led to industry-leading customer retention rates, with **Prime members** accounting for a significant portion of its revenue. Its personalized approach drives repeat purchases and fosters long-term customer loyalty.

Lessons:

- **Personalization drives engagement**: Tailoring offerings to individual customers leads to higher satisfaction and increased sales.

- **Excellent customer service builds trust**: Resolving issues quickly and effectively enhances customer loyalty.

- **Loyalty programs increase retention**: Offering exclusive benefits encourages customers to remain loyal to the brand.

9.22 SUMMARY

CRM is a strategic approach to building lasting customer relationships, essential for retaining customers, driving profitability, and fostering loyalty. Key components include personalization, customer segmentation, data analytics, and ethical data management. Customer Relationship Management (CRM) is a comprehensive business strategy that focuses on building and maintaining strong, long-term relationships with customers to drive growth, loyalty, and revenue. At its core, CRM involves collecting and analyzing customer data to gain insights into their needs, preferences, and behaviors, and using this information to deliver personalized, targeted interactions across all touch points. By implementing a CRM system, businesses can streamline sales, marketing, and customer service processes, ensuring that every interaction is tailored to the individual customer's needs. The ultimate goal of CRM is to create a customer-centric culture that fosters loyalty, retention, and advocacy, leading to increased revenue and growth. Effective CRM involves continuous monitoring and improvement, leveraging analytics and feedback to refine strategies and optimize customer engagement. By prioritizing customer relationships, businesses can differentiate themselves in a crowded market, build trust and credibility, and drive long-term success.

9.23 GLOSSARY

Account: A company or organization that is a customer or potential customer. Accounts are often used to manage multiple contacts and opportunities.

Contact: An individual within an account who is a customer or potential customer. Contacts can have their own set of information, such as phone numbers and email addresses.

Lead: A potential customer who has shown interest in a product or service. Leads are often generated through marketing campaigns or website interactions.

Opportunity: A potential sale or deal with a customer. Opportunities are often used to track the sales process and forecast revenue.

Customer Journey: The series of interactions a customer has with a company, from initial awareness to post-purchase support.

Sales Funnel: The stages a lead goes through to become a customer, often including awareness, consideration, and decision.

Conversion Rate: The percentage of leads who become customers, often used to measure marketing and sales effectiveness.

Customer Satisfaction (CSAT): A measure of how satisfied customers are with a product or service, often tracked through surveys or feedback forms.

Customer Retention: The ability to retain existing customers, often measured by customer churn rate or retention rate.

Customer Acquisition Cost (CAC): The cost of acquiring a new customer, including marketing and sales expenses.

Customer Lifetime Value (CLV): The total value of a customer over their lifetime, often calculated by multiplying average order value by purchase frequency.

CRM Software: A tool used to manage customer relationships and interactions, often including features such as contact management, sales force automation, and marketing automation.

Cloud CRM: CRM software hosted online, often providing scalability and accessibility.

On-premise CRM: CRM software hosted on a company's own servers, often providing control and security.

Mobile CRM: CRM software accessible on mobile devices, often providing sales teams with real-time access to customer information.

Social CRM: Integrating social media into CRM, often providing additional channels for customer engagement and feedback.

Analytics: The analysis of customer data to gain insights, often including metrics such as customer behaviour, preferences, and demographics.

Reporting: The presentation of customer data in a useful format, often including dashboards, charts, and graphs.

Dashboard: A visual representation of customer data, often providing real-time insights and metrics.

Workflow Automation: Automating repetitive tasks in CRM, often improving efficiency and reducing manual errors.

9.24 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress   A

Q1. i. d) To enhance customer relationships ii. d) All of the above iii. a) Data mining iv. b) Relational CRM   v. b) To retain existing customers vi. d) All of the above vii. a) CRM automation viii. a) Customer retention rate

Q2. i. FALSE ii. FALSE   iii. TRUE   iv. FALSE v. TRUE vi. FALSE vii. TRUE vii. FALSE

Q3. i. Customer Relationship Management   ii. Improve customer satisfaction iii. customer interactions and data iv. Customer service v. in a hybrid model vi. customer satisfaction vii. business needs viii .access

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9.27 TERMINAL QUESTIONS

Q1How has technology transformed CRM strategies in modern businesses?

Q2. What are the ethical considerations involved in the use of customer data for CRM purposes?

 ## 9.28 CASE LET

1. Amazon is the world's largest online retailer, with over $280 billion in annual revenue and 300 million active customers.

The Customer Relationship Management Challenge Amazon faced are:

1. Managing vast customer data

2. Providing personalized experiences

3. Scaling customer service

4. Integrating multiple channels (web, mobile, physical stores)

Analyze the CRM strategy of a global company Amazon. How does their approach to CRM contribute to customer retention and satisfaction?

UNIT 10 SERVICE GUARANTEE AND SERVICE RECOVERY

10.1 INTRODUCTION

In today's competitive market, providing exceptional customer service is crucial for the success of any organization. To maintain customer trust and satisfaction, businesses employ strategies like service guarantees and service recovery to handle potential service failures effectively. These concepts are critical in shaping customer perceptions, building loyalty, and differentiating a brand from its competitors. Service guarantees and service recovery are vital components of a robust customer service strategy. While service guarantees build customer confidence and set expectations, service recovery ensures that any potential failure does not result in permanent damage to customer relationships. Together, they help companies maintain a competitive edge, foster loyalty, and sustain long-term business success. Let's explore these two interconnected strategies.

10.2 OBJECTIVE

After studying the concepts of Service Guarantee and Service Recovery, readers should be able to:

- Understand the conceptual framework of the term service guarantee & service recovery & various types.
- Analyze how service guarantees & service recovery affect customer trust, satisfaction, and loyalty.
- Learn how companies measure the effectiveness of their service guarantee & service recovery.
- Know how service guarantee & service recovery processes help organizations improve their services and avoid future failures

10.3 CONCEPTUALIZATION OF THE TERM 'SERVICE GUARANTEE AND SERVICE RECOVERY'

10.3.1 Meaning & Definition of Service Guarantee

A service guarantee refers to a formal commitment made by an organization to deliver a certain level of service quality to its customers. It serves as a promise that the service will meet or exceed the expectations set by the company.

When a service guarantee is in place, customers are assured that if the promised service standards are not met, the company will take corrective actions, which can include refunds, replacements, or other compensations. In simple words, Service recovery refers to the actions taken by a company to address a service failure and restore customer satisfaction. It encompasses a series of steps aimed at resolving issues and regaining customer trust after an unsatisfactory experience. The term service guarantee has been taken by different scholar's differently some of them are as follows:

- ❖ **According to Lewis & Booms (1983),** service guarantees can be seen as a tool for enhancing customer trust and confidence. By providing a guarantee, companies signal to customers that they are committed to delivering a high-quality experience. This assurance can play a pivotal role in shaping customer perceptions and driving their purchasing decisions. A well-structured service guarantee serves multiple purposes, such as differentiating a brand in a competitive market, motivating employees to maintain high service standards, and managing risks associated with service failures.

- ❖ **According to Lewis and Booms (1983)** "A service guarantee is a promise made to customers that a service will meet certain standards of quality. If the service fails

to meet these standards, the company commits to compensating the customer in a specified manner."

❖ **According to Rust and Zahorik (1993)** "Service guarantees are a powerful tool to enhance customer satisfaction, as they not only set customer expectations but also provide assurance regarding service quality and rectification of service failures."

❖ **According to Schoefer and Diamantopoulos (2008)** "Service guarantees are formal commitments made by service providers that outline the service level expected and the corrective measures that will be taken if these levels are not achieved."

❖ **According to Davidow (2003)** "A service guarantee is a promise by a service provider to deliver a certain level of service and to provide a remedy if that level is not met, thus acting as a safety net for customers."

❖ **According to Kwortnik and Thompson (2009)** "Service guarantees serve as a mechanism to reinforce service quality and customer trust by providing a structured approach for addressing service failures."

❖ **According to Bitner, Booms, and Tetreault (1990)**, effective service recovery involves several key components:

  o **Acknowledgment**: Recognizing the service failure and taking responsibility is crucial. This step is fundamental in showing customers that their concerns are being taken seriously.

  o **Apology**: A sincere apology can help to defuse frustration. It demonstrates empathy and understanding of the inconvenience caused to the customer.

  o **Resolution**: This involves taking immediate action to rectify the issue, which might include offering a refund, replacement, or other forms of compensation.

  o **Follow-up**: Following up with customers after the issue is resolved can enhance satisfaction and ensure that the customer feels valued and heard.

10.3.2 Meaning & Definition of Service Recovery

Service recovery refers to the actions taken by a company in response to a service failure. It involves processes aimed at rectifying the situation and restoring customer satisfaction. Effective service recovery not only addresses the immediate issue but also aims to rebuild customer trust and loyalty. Service recovery is a crucial element of service management that focuses on addressing failures in service delivery to ensure customer satisfaction and loyalty. In layman, service recovery refers to the actions taken by a business to rectify a failure in service delivery and restore customer satisfaction. Various scholars have defined service recovery, each highlighting different aspects of the concept:

❖ **According to Bitner, Booms, and Tetreault (1990)** "Service recovery refers to the actions taken by an organization in response to a service failure to improve the situation for the customer." In simple words, the present definition focuses on the company's response to service failure, emphasizing that the goal of service recovery is not just to correct the mistake but to improve the customer's experience. Moreover, the present definition also highlights recovery efforts' emotional impact on customers.

❖ **According to Davidow (2003)** "Service recovery is the systematic efforts by a firm to correct a problem following a service failure and to retain a customer's goodwill." Davidow's definition stresses the systematic nature of service recovery, suggesting that it is not an ad hoc process but a structured effort that is part of a company's service strategy. The focus is on retaining goodwill, implying that a well-handled recovery can lead to even greater customer loyalty.

❖ **According to Grönroos (1988)** "Service recovery is a company's actions designed to solve a problem following a service failure and retain a customer's goodwill." In simple words, Grönroos emphasizes the importance of regaining customer trust after a service failure. The present definition suggests that effective service recovery can restore goodwill and prevent customer defection, making it a strategic tool in customer relationship management.

❖ **Hart, Heskett, and Sasser (1990)** describe service recovery as "A company's ability to respond to service failures in ways that delight customers and turn a negative experience into a positive one, potentially resulting in increased customer loyalty."

❖ **According to Michel, Bowen, and Johnston (2009)** "Service recovery refers to the actions a service provider takes in response to service failure to rectify the failure and manage customer dissatisfaction." Michel and colleagues emphasize both corrective actions and the management of dissatisfaction. Their definition stresses that service recovery is not just about fixing the technical aspects of the failure but also about addressing the emotional needs of the customer.

❖ **According to Smith, Bolton, and Wagner (1999)** "Service recovery is a process that identifies service failures, effectively resolves customer problems, classifies their root causes, and yields data to improve service." This definition goes beyond immediate problem-solving and introduces a systematic approach to service recovery. Smith et al. highlight the dual purpose of resolving the customer's issue while using the information gathered to prevent future failures.

10.4 CHARACTERISTICS OF AN EFFECTIVE SERVICE GUARANTEE & SERVICE RECOVERY

10.4.1 Characteristics of Service Guarantee

An effective service guarantee not only assures customers of service quality but also outlines clear remedies for any service failures. The following are key characteristics of a well-designed service guarantee:

Fig. 1: Characteristics of Services Guarantee
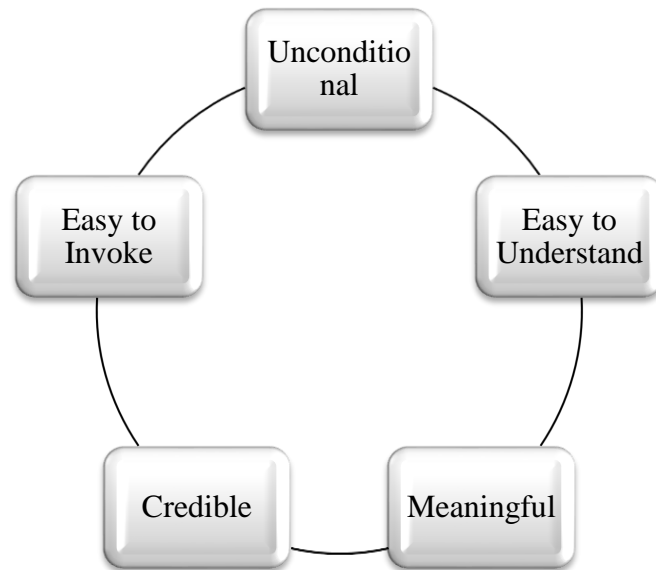
- ❖ **Unconditional**: an effective service guarantee should have no complicated conditions or loopholes. It must be clear and straightforward, offering customers the promised service or compensation without unnecessary hurdles. "The most effective service guarantees are simple and unconditional, removing any ambiguity or confusion in the minds of the customers" (Hart, Heskett, and Sasser 1990),

- ❖ **Easy to Understand**: A service guarantee should be written in simple, clear language that is easy for customers to understand. A complex or vague guarantee may undermine customer confidence and trust."Clarity in communication is a key component of a successful service guarantee (**Wirtz (1998).** "

- ❖ **Meaningful**: The guarantee must offer something valuable to the customer. A meaningful service guarantee addresses important service aspects that are critical to the customer's satisfaction, such as timeliness or quality. "A service guarantee should reflect aspects of service that are significant and valued by the customer, ensuring it resonates with their expectations (**Hart 1988**)."

- ❖ **Credible**: The guarantee must seem believable to the customer. Studies have shown that a credible guarantee reflects a company's confidence in its service quality and demonstrates commitment to customer satisfaction. "Credibility stems

from the company's reputation, previous service experiences, and the simplicity and realism of the service guarantee **(Berry and Parasuraman 1991)**."

❖ **Easy to Invoke**: A service guarantee must be effective, easy for customers to invoke. If the process of claiming compensation or service correction is difficult or bureaucratic, it defeats the purpose. "To be truly effective, a service guarantee must be easy for customers to claim, ensuring that they feel comfortable and confident in utilizing it. (**Hart, Heskett, and Sasser 1990**) ".

10.4.2 Characteristics of Service Recovery

An effective service recovery process focuses on resolving service failures in a way that enhances customer satisfaction and loyalty. Below are the critical characteristics of effective service recovery:

Fig. 2: Characteristics of Services Recovery
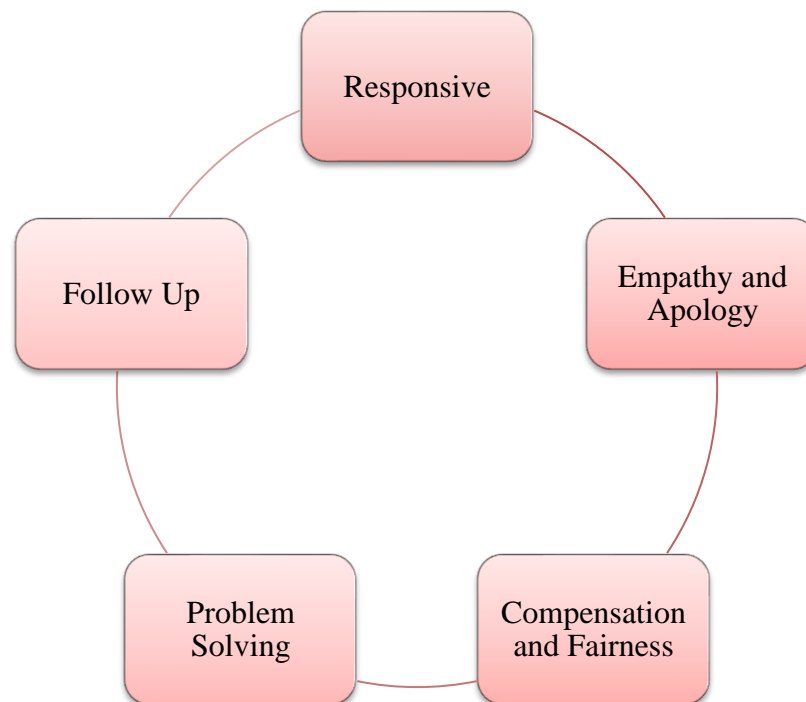
❖ **Responsiveness**: An effective service recovery must be prompt. Customers expect a quick response when a service failure occurs, and a delay can worsen dissatisfaction. "Speed in addressing a service failure is often the key to turning around a negative situation (**Bitner, Booms, and Tetreault 1990**)."

❖ **Empathy and Apology**: **Tax and Brown (1998)** emphasize that customers expect service recovery efforts to be empathetic. A sincere apology, coupled with an understanding of the customer's frustration, can go a long way in restoring trust. "Empathy and a sincere apology are critical in defusing customer frustration and establishing a foundation for resolving the issue."

❖ **Compensation and Fairness**: Effective service recovery often involves compensation. **Smith, Bolton, and Wagner (1999)** argue that compensation must be perceived as fair by the customer. Whether it's a refund, discount, or other types of recompense, it must reflect the magnitude of the service failure. "The perceived fairness of compensation is crucial in achieving customer satisfaction after a service failure."

❖ **Problem Solving**: **Michel, Bowen, and Johnston (2009)** highlight that effective service recovery requires solving the problem completely and ensuring it doesn't happen again. Customers value businesses that can not only fix the immediate issue but also address its root cause. "Sustainable service recovery involves identifying and eliminating the causes of the failure, ensuring that future customers do not experience similar issues."

❖ **Follow-up**: Following up after the recovery effort shows continued commitment. **Davidow (2003)** points out that checking back with the customer after the issue has been resolved can leave a positive impression and enhance loyalty. "A follow-up call or email reassures the customer that the company values their feedback and is committed to ensuring satisfaction.".
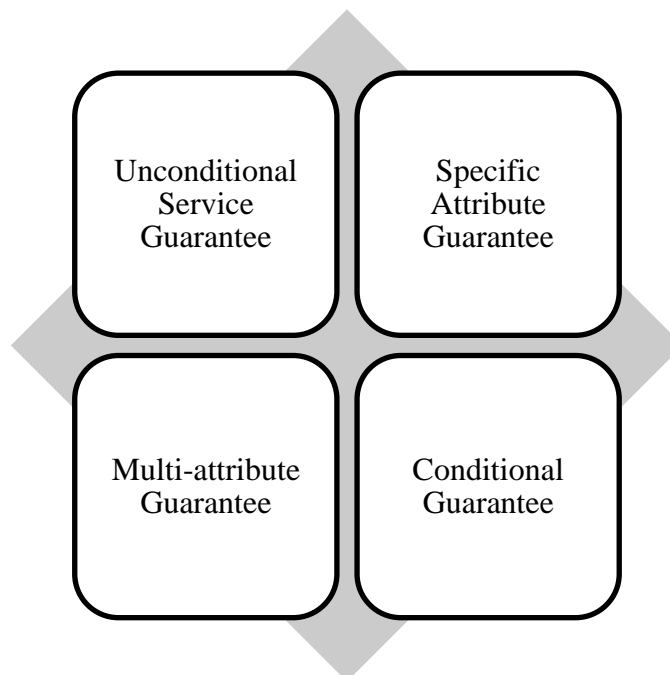
10.5 TYPES OF SERVICE GUARANTEES AND SERVICE RECOVERY

10.5.1 Types of Service Guarantees: Service guarantees can be categorized based on their scope, conditions, and the level of compensation offered. Below are the main types:

Fig 3: Type of Service Guarantee

❖ **Unconditional Service Guarantee**: An unconditional service guarantee offers a promise without any restrictions or limitations. Customers are assured that if the service fails in any way, they will be compensated, regardless of the reason for failure. **Hart, Heskett, and Sasser (1990)** state that "Unconditional guarantees provide maximum customer assurance, making the process transparent and easy for customers to claim." For e**xample** Bean's "Satisfaction Guarantee" which offers full refunds if the customer is not satisfied, without any time limits.

❖ **Specific Attribute Guarantee**: This type of guarantee focuses on a specific feature or aspect of the service, such as delivery time or product quality. The guarantee only applies to the particular attribute being highlighted. **Rust, Zahorik, and Keiningham (1996)** define specific attribute guarantees as "Promises tied to measurable and critical dimensions of service performance, such as timeliness, accuracy, or safety." Domino's Pizza's "30-minute delivery" is the best example of specific attribute guarantee which ensure the timely delivery of Pizza along with complementary free pizza if the delivery takes longer than 30 minutes.

❖ **Multi-attribute Guarantee**: A multi-attribute guarantee covers several aspects of the service, combining various specific guarantees into one package. It gives customers confidence that multiple service elements are being monitored and maintained at a high level. A reputed hotel ensuring room cleanliness, service promptness, and comfort together in one comprehensive promise is the best example of multi attribute guarantee.

❖ **Conditional Guarantee**: Conditional service guarantees come with certain stipulations or conditions. The guarantee is valid only if specific customer requirements or circumstances are met. According to **Wirtz (1998)** "Conditional guarantees are often seen in situations where external factors may influence service delivery, such as weather or customer behavior." Airline compensation for delayed flights, but only under certain conditions like delays over 2 hours or caused by airline-related issues (not weather) is the best example of conditional guarantee.

10.5.2 Types of Service Recovery

Service recovery strategies can be categorized based on the approach and methods used to correct service failures. Here are the primary types:

Fig: 4: Type of Service Recovery
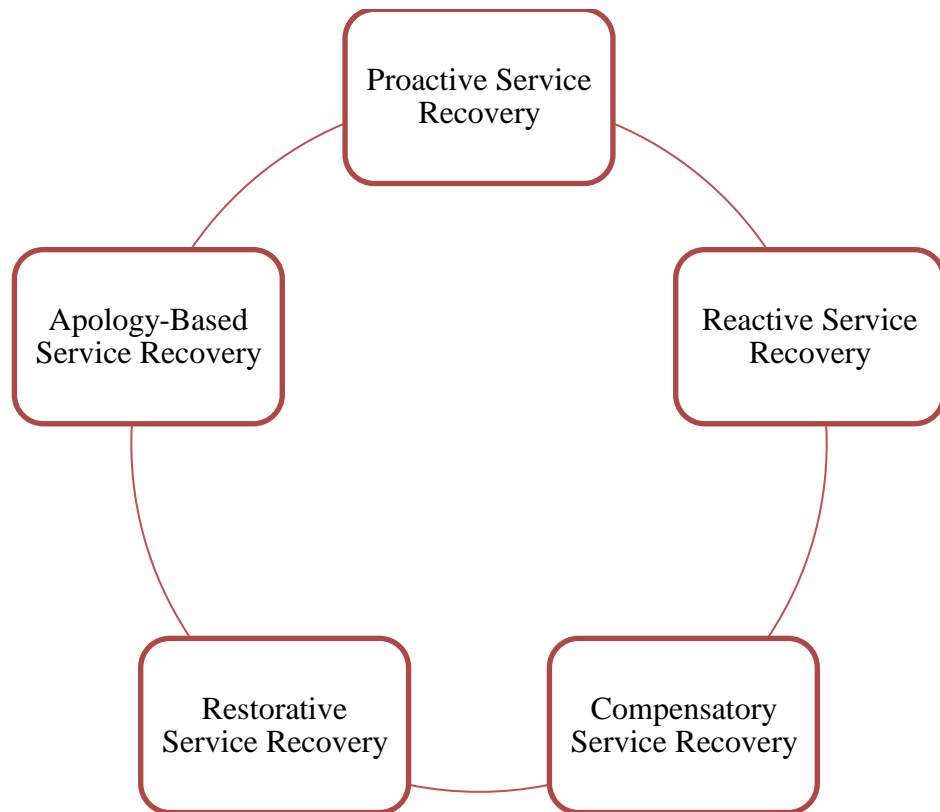
- ❖ **Proactive Service Recovery**: In proactive service recovery, the company takes action to prevent service failures or addresses the failure before the customer complains. This type of recovery aims to catch potential issues early and resolve them quickly. **Michel, Bowen, and Johnston (2009)** describe it as "a preventive measure, where companies anticipate service breakdowns and have systems in place to rectify them before the customer is significantly impacted." **For example,** a hotel offering a discount or free room upgrade if a guest's room is not ready upon arrival, even before the guest raises a concern.

- ❖ **Reactive Service Recovery**: In this approach, the company waits for the customer to report a failure and then responds to resolve it. It is customer-driven, where the company responds to complaints after they arise. According to **Davidow (2003)** "reactive recovery depends on how quickly and effectively the company addresses customer complaints and resolves the issue." **Example**: A restaurant offering a free meal or discount after a customer complains about a delay in service.

- ❖ **Compensatory Service Recovery**: This type of recovery involves compensating the customer for the service failure, often through refunds, discounts, or free services/products. Compensation helps to mitigate the damage caused by the failure. According to **Tax and Brown (1998)** "Compensatory recovery is crucial in situations where service failure has significantly impacted the customer's experience, providing tangible benefits as an apology." An airline offering a travel voucher or free flight in response to a significant flight delay or cancellation is the example of compensatory service recovery.

❖ **Restorative Service Recovery**: Restorative service recovery focuses on restoring the customer's experience to what it should have been, with immediate corrective actions. The goal is to fix the issue and ensure that the customer's experience meets or exceeds expectations. According to **Michel, Bowen, and Johnston (2009)** "restorative recovery centers on returning the customer's experience to a satisfactory level, often including apologies and immediate rectification of the issue." For e**xample**, a hotel offering a guest a new room immediately after they report a problem with cleanliness, along with a sincere apology.

❖ **Apology-Based Service Recovery**: Sometimes, an apology alone can serve as an effective service recovery tool, especially in cases where the service failure is minor. A well-timed, sincere apology can help restore trust and maintain customer relationships. According to **Smith, Bolton, and Wagner (1999)** "An apology, when genuine, can be sufficient in less severe service failures, offering the customer recognition and acknowledgment of the inconvenience caused." **Example**: A retail store apologizing to a customer for a billing error and fixing the problem on the spot.

10.6 ROLES OF SERVICE GUARANTEES & SERVICE RECOVERY IN ENHANCING CUSTOMER TRUST

Customer trust is a critical factor in building long-term relationships between businesses and their customers. Both service guarantees and service recovery play a vital role in enhancing customer trust by ensuring service reliability, accountability, and responsiveness to service failures. The following sections explain how these mechanisms contribute to customer trust.

10.6.1 The importance of Service Guarantees Enhance Customer Trust

A service guarantee is a formal assurance provided by the company those specific service standards will be met, and if not, the company promises to compensate the customer. This mechanism fosters trust in several ways:

❖ **Promotes Confidence in Service Quality**: According to **Hart, Heskett, and Sasser (1990)**, service guarantees act as a public commitment to service quality. They demonstrate the company's confidence in its ability to deliver as promised, which builds customer trust. Hence it is correctly says that "When a business offers a service guarantee, it signals confidence in its ability to meet customer expectations, which strengthens the trust customers have in the business."

❖ **Risk Reduction for Customers**: Service guarantees reduce the perceived risk of purchasing services, particularly in industries where the outcome is uncertain (e.g., healthcare, hospitality). A clear and unconditional guarantee gives customers peace of mind and confidence in their decision-making process. By minimizing the risks

involved in service transactions, guarantees help customers feel secure, reinforcing their trust in the service provider (**Rust, Zahorik, and Keiningham 1996**)".

❖ **Creates Accountability**: Service guarantees also create accountability for the company. **Wirtz (1998)** points out that a well-designed service guarantee holds the company responsible for service failures, showing the customer that the company is willing to be held accountable, which builds trust. A service guarantee serves as a contractual promise, signaling to customers that the company will be held accountable for its services, thus fostering greater trust.

❖ **Transparency and Clear Communication**: Offering a service guarantee improves transparency. **Berry and Parasuraman (1991)** suggest that guarantees, particularly those that are clear and simple, show the company is transparent about its service quality. This openness encourages customers to trust that the company will do right by them. Customers are more likely to trust companies that are transparent in their communication about service standards and the actions they will take if those standards are not met.

10.6.2 The importance of Service Recovery Enhances Customer Trust

❖ While service guarantees create initial trust, service recovery builds and restores trust when service failures occur. Effective service recovery strategies enhance customer trust through the following mechanisms:

❖ Demonstrates Commitment to Customer Satisfaction: Service recovery efforts show customers that the company is committed to rectifying mistakes and ensuring their satisfaction. Smith, Bolton, and Wagner (1999) emphasize that when service recovery is handled well, it signals that the company genuinely cares about the customer experience. An effective service recovery process can turn a negative customer experience into a positive one, strengthening trust in the company's commitment to service excellence.

❖ The Service Recovery Paradox: The service recovery paradox refers to situations where customers may trust the company more after a service failure is handled well than if the failure had never occurred. McCollough and Bharadwaj (1992) suggest that the paradox occurs when the company's response to the failure exceeds customer expectations, thereby deepening trust. When service recovery efforts go beyond the customer's expectations, it can lead to higher levels of trust and loyalty than if the service had been delivered without any failures.

❖ Responsiveness and Timeliness: Quick and efficient responses to service failures are crucial in restoring customer trust. When companies address problems swiftly and appropriately, they reassure customers that their concerns are a priority. Timely service recovery signals to customers that their problems matter, which builds trust in the company's ability to handle issues effectively (Bitner, Booms, and Tetreault 1990).

❖ Fairness and Compensation: Customers assess the fairness of the recovery process, including compensation and the way their complaint is handled. Tax and Brown (1998) highlight that fair compensation (whether monetary or non-monetary) after a service failure restores trust by showing the company values the customer and takes responsibility for its errors. Providing fair compensation for service failures builds trust by reinforcing the company's commitment to resolving customer concerns equitably.

❖ Empathy and Apology: A sincere apology coupled with empathetic communication significantly contributes to trust restoration after service failures. Davidow (2003) argues that an effective apology demonstrates respect for the customer and helps rebuild trust after a negative experience. Empathy during service recovery conveys to customers that the company understands their frustration and is genuinely invested in making things right.

10.7 STRATEGIES FOR EFFECTIVE SERVICE GUARANTEES & SERVICE RECOVERY

10.7.1 Strategies for Effective Service Guarantees

To implement service guarantees effectively, businesses need to adopt strategies that ensure the guarantees are not only well-structured but also meaningful to customers. Here are key strategies:

❖ **Design Clear and Unambiguous Guarantees**: A service guarantee should be easy to understand and free from complicated legal jargon. **Wirtz (1998)** emphasizes that clear, simple language fosters customer trust and ensures they can easily comprehend what is being promised. The clarity of a service guarantee directly influences its effectiveness in gaining customer confidence. Hence **for** effective service guarantees, organization must use concise and straightforward language, ensuring all customers can understand the guarantee without needing clarification. For instance, specify whether the guarantee covers delivery time, product quality, or customer service responsiveness.

❖ **Focus on Meaningful Attributes**: A service guarantee must address those aspects of the service that are most important to customers. **Hart (1988)** notes that guarantees must focus on critical performance areas, such as timeliness, accuracy, or service quality. Effective service guarantees address the specific service attributes that have the most impact on customer satisfaction. Besides, by conducting customer surveys or focus groups study an organization can identify the most valued service attributes, and design guarantees around them. For example, a hotel may guarantee a clean and comfortable room upon check-in.

❖ **Offer Tangible Compensation**: According to **Smith, Bolton, and Wagner (1999)**, offering compensation for service failures is essential in making guarantees

credible. Whether through a refund, discount, or free service, compensation should feel substantial enough to customers. Compensation should align with the magnitude of the service failure to ensure that customers feel fairly treated. Here, the organization needs to ensure that the compensation is proportional to the inconvenience caused by the service failure. For example, a restaurant might offer a free meal or a discount for a delayed or incorrect order.

❖ **Ensure the Guarantee is Easy to Invoke**: Customers should be able to claim the guarantee without hurdles or complex processes. **Hart, Heskett, and Sasser (1990)** stress that a guarantee is ineffective if it is difficult to redeem. An easy-to-invoke guarantee builds credibility and shows customers that the company is confident in its service which can be done by simplifying the process for customers to claim a guarantee. For instance, allowing customers to claim compensation via a single phone call or online form reduces friction and increases customer satisfaction.

❖ **Make the Guarantee Credible**: The guarantee must reflect the company's confidence in its service. **Wirtz (1998)** points out those companies should only offer guarantees for services they are certain they can deliver reliably. A credible guarantee should stem from a company's proven ability to deliver on its promises. Hence, one need to ensure the operational systems and processes which can consistently meet the guaranteed standards.

10.7.2 Strategies for Effective Service Recovery

Service recovery strategies are vital to maintaining customer satisfaction and loyalty after a service failure. Here are key strategies:

❖ **Respond Quickly**: Promptness is crucial in service recovery. **Bitner, Booms, and Tetreault (1990)** highlight that customers expect a quick response to their complaints or issues. Delays can worsen dissatisfaction. Quick response times are crucial for mitigating negative customer emotions and restoring trust. Hence the organization can utilized trained employees to respond to complaints immediately and empower them to take corrective action. For instance, a hotel may offer an immediate room changes if a guest is dissatisfied with their room.

❖ **Empower Frontline Employees**: Employees who interact directly with customers should be empowered to resolve complaints without requiring management approval. **Hart, Heskett, and Sasser (1990)** argue that frontline employees play a critical role in service recovery. When employees are empowered to make decisions, service recovery can be more efficient and effective. Here the organization need to implement a policy that allows frontline staff to offer solutions such as refunds, discounts, or product exchanges on the spot without needing approval from higher management. This ensures swift and satisfactory resolution for the customer.

❖ **Acknowledge the Issue and Apologize Sincerely**: A sincere apology can defuse customer frustration and is a fundamental part of service recovery. **Davidow (2003)** points out that a well-timed and empathetic apology is essential for regaining customer trust. Acknowledging the customer's issue and offering a genuine apology can greatly reduce negative emotions associated with service failure.

❖ **Offer Fair and Proportional Compensation**: **Tax and Brown (1998)** emphasize that the fairness of compensation plays a crucial role in customer satisfaction during service recovery. Compensation should match the level of inconvenience caused by the service failure. Customers who perceive the compensation as fair are more likely to remain loyal despite the failure. Hence we need to develop a tiered compensation structure that varies based on the severity of the failure. For example, a minor delay might warrant a discount, while a major issue might necessitate a full refund or additional perks.

❖ **Solve the Root Cause**: Addressing only the symptoms of a service failure without resolving the root cause can lead to repeated issues. **Michel, Bowen, and Johnston (2009)** argue that long-term service recovery is effective only when the underlying cause is corrected. Effective service recovery requires solving both the immediate problem and preventing future occurrences. Here one can use feedback from service failures to identify recurring issues in your service process and implement improvements. For instance, a restaurant experiencing frequent order errors may need to retrain kitchen staff or upgrade ordering systems.

❖ **Follow Up with Customers**: Following up with customers after resolving a service failure helps ensure that they are satisfied with the recovery effort and feel valued. **Smith, Bolton, and Wagner (1999)** highlight that follow-ups demonstrate the company's commitment to customer satisfaction. Post-recovery follow-up reinforces the customer's perception that the company genuinely cares about their experience.

Check Your Progress-A

1. **What is service recovery, and why is it important in the service industry?**

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2. How does service recovery contribute to customer loyalty?

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3. How can employees be trained to handle service failures and initiate recovery measures?

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4. What are the strategies for Effective Service Recovery?

10.8 LINKING SERVICE GUARANTEES AND SERVICE RECOVERY

Linking Service Guarantees and Service Recovery

Service guarantees and service recovery are interconnected mechanisms that together strengthen customer trust and satisfaction. While service guarantees are proactive promises made to customers regarding service quality, service recovery is the reactive process of addressing service failures when guarantees are not met. These two elements are essential for businesses that aim to provide excellent service, and they complement each other to create a robust customer experience.

10.81 The Interdependence of Service Guarantees and Service Recovery

Service guarantees and service recovery operate in tandem to manage customer expectations, rectify failures, and maintain trust. **Hart, Heskett, and Sasser (1990)** highlight this relationship by noting that service guarantees set expectations and, when failures occur, service recovery ensures that those expectations are addressed effectively. Service guarantees provide the framework for customer expectations, and service recovery is the mechanisms by which businesses ensure those expectations are met, even in the face of failure. When a service guarantee is in place, it acts as a safeguard for customers, giving them confidence that if the service falls short, the business will rectify the problem. Conversely, effective service recovery restores customer trust when a guarantee is not upheld.

Key Ways Service Guarantees and Service Recovery are Linked

- ❖ **Proactive vs. Reactive Trust Mechanisms**: Service guarantees are a proactive tool that prevents dissatisfaction by managing expectations. **Wirtz (1998)** explains that a service guarantee provides a promise of quality and a safety net in case of failure. On the other hand, service recovery is reactive, dealing with service failures after they occur. "While service guarantees prevent dissatisfaction, service recovery mitigates dissatisfaction that arises when service standards are not met."

  - o **Relationship:** Service recovery is the backup system that ensures the service guarantee remains credible, even when things go wrong. Without effective recovery, guarantees would lose their power over time.

- ❖ **Reinforcing Customer Confidence**: When customers know a service guarantee is in place, they may be more forgiving of occasional service failures, provided the recovery process is efficient and satisfactory. **McCollough and Bharadwaj (1992)** highlight that customers who experience successful service recovery often have more trust in the company than those who do not experience any failure at all. This phenomenon is known as the service recovery paradox. "The service recovery paradox suggests that customers who see a company successfully rectify a failure are often more loyal than those who never encounter a problem."

        o **Relationship:** By linking service guarantees with effective recovery practices, companies reinforce their commitment to quality, showing that even if something goes wrong, they will make it right.

❖ **Creating Accountability**: A service guarantee inherently creates accountability for service delivery. When a company fails to meet the standards outlined in its guarantee, it must engage in service recovery to fulfill its commitment. **Hart (1988)** emphasizes that companies should back their guarantees with a well-structured recovery system that addresses service lapses effectively. A service guarantee without a strong recovery process undermines the company's credibility and diminishes customer trust.

        o **Relationship**: The success of a service guarantee relies on the ability of the company to recover when failures happen. Without a robust service recovery system, the guarantee becomes a hollow promise.

❖ **Learning from Service Failures:** Service recovery provides valuable insights into recurring service issues. **Tax and Brown (1998)** argue that an effective service recovery system not only resolves the immediate problem but also identifies the root causes of service failures. These insights can be used to refine service guarantees, ensuring they are aligned with areas most prone to failure. Service recovery allows companies to learn from their failures and use that knowledge to improve both the service and the guarantees offered.

        o **Relationship**: Service recovery efforts often highlight areas of improvement for service delivery, which can then be incorporated into service guarantees, creating a cycle of continuous improvement.

❖ **Enhancing Perceived Fairness**: Service guarantees often include compensation clauses that offer customers something tangible if the service does not meet expectations. **Smith, Bolton, and Wagner (1999)** suggest that service recovery should be seen as an extension of the service guarantee, where fairness and appropriate compensation are provided when the guarantee is not upheld. Perceived fairness in service recovery enhances customer trust, especially when it aligns with the promises made in the service guarantee.

        o **Relationship**: Customers expect the compensation offered through service recovery to reflect the promises made in the service guarantee. Effective recovery thus validates the guarantee and strengthens its impact.

10.8.2 Integrating Service Guarantees and Service Recovery

❖ **Service Recovery as a Built-in Element of Service Guarantees:** Companies can explicitly include service recovery policies within their service guarantees. **Berry and Parasuraman (1991)** recommend structuring guarantees in a way that details the steps the company will take if the service fails to meet the guarantee, thereby linking the guarantee to the recovery process. "By making service recovery an integral part of the guarantee, businesses show customers that they are prepared to respond to failures, further reinforcing trust." **Example**: A hotel chain may guarantee timely check-ins and promise a free night's stay if this guarantee is not met. If the customer experiences a delayed check-in, the service recovery process will immediately offer the free night, making the guarantee feel tangible and effective.

❖ **Training Employees on Both Guarantees and Recovery**: Employees should be trained not only to understand the company's service guarantees but also to execute effective service recovery when failures occur. **Bitner, Booms, and Tetreault (1990)** note that frontline employees play a critical role in both delivering on guarantees and handling recovery. "Empowering employees with the tools and authority to implement both service guarantees and recovery ensures a smooth customer experience even when things go wrong."

❖ **Continuous Feedback Loop:** Effective service recovery provides businesses with important data on where and why service failures happen. This feedback can be used to refine service guarantees, ensuring they remain relevant to customer expectations. **Michel, Bowen, and Johnston (2009)** argue that continuous feedback from service recovery processes is essential for improving service standards over time. "Feedback from service recovery should be incorporated into refining service guarantees, creating a feedback loop that leads to continuous service improvement."

10.9 SUMMARY

A service guarantee is a formal promise or assurance provided by a company to its customers, stating that specific service standards will be met. If these standards are not achieved, the company will compensate or make amends in some way. This promise aims to increase customer confidence and trust, providing a safety net for consumers if things go wrong. Service guarantees typically outline what the customer can expect regarding service quality, timeliness, and outcomes. If the service fails to meet these expectations, the guarantee often includes compensation such as refunds, discounts, or re-service. The guarantee serves both as a marketing tool and a performance standard, allowing companies to differentiate themselves in competitive markets. Some of the key elements of an effective service guarantee include being clear and understandable, unconditional, meaningful, easy to invoke, and responsive to customers' concerns. From a business perspective, service guarantees encourage internal quality control and accountability. They motivate service providers to maintain high standards since the cost of failing to meet them

can be significant. Guarantees also help in identifying areas where service improvement is needed. They foster a culture of excellence and prompt quick action when a failure occurs.

On the other hand, Service recovery refers to the actions taken by a company to rectify a service failure and restore customer satisfaction. While service failures are inevitable in any service-oriented business, how a company responds to these failures significantly impacts customer perceptions and loyalty. Effective service recovery aims not only to resolve the immediate problem but also to strengthen the relationship with the customer. The service recovery process typically involves acknowledging the failure, taking responsibility, providing a solution, and compensating the customer if necessary. The speed and manner in which a company handles service recovery play a crucial role in determining the outcome. Research shows that customers who experience a successful service recovery may become even more loyal than those who never experienced a failure. This phenomenon is known as the "service recovery paradox." However, if the recovery effort is poor, it can lead to customer dissatisfaction, negative word-of-mouth, and damage to the company's reputation.

10.10 GLOSSARY

Service Guarantee: A formal promise or assurance by a company to its customers that outlines the quality of service they can expect, and the actions the company will take if the service does not meet the expectations.

Service Recovery: The process by which a company attempts to rectify a service failure and satisfy the customer after a poor service experience.

Customer Satisfaction: Measures of how well a company's products or services meet or surpass customer expectations.

Expectations: Pre-conceived notions or standards that customers have about the quality and performance of a service, formed before the service is experienced.

Perceived Service Quality: A customer's assessment of the overall experience and quality of the service received, based on their expectations.

Compensation: Monetary or non-monetary benefits provided to a customer as part of a service recovery process in response to a service failure.

Service Recovery Paradox: A phenomenon where a customer who has experienced a service failure, but is satisfied with the recovery efforts, ends up more satisfied than they would have been if the service had been delivered correctly in the first place.

Apology: An acknowledgment of a mistake or service failure, often the first step in the service recovery process, aimed at validating customer concerns.

Empowerment: The delegation of authority to front-line employees to make decisions and take actions necessary for service recovery without seeking approval from higher management.

Customer Retention: The ability of a company to keep its customers over time often enhanced through effective service recovery practices.

Service Standards: Benchmark levels of service quality and performance that a company aims to deliver, often used as a reference in service guarantees.

Customer Loyalty: A customer's willingness to repeatedly engage with a brand or company, which can be influenced by effective service recovery and guarantees.

Feedback Loop: The process of using customer feedback, especially after a service failure or recovery, to improve future service delivery and customer satisfaction.

Compensatory Damages: A form of compensation offered to customers to cover direct losses or inconveniences due to a service failure.

Service Blueprinting: A detailed visualization tool used by businesses to map out the service process, customer touch points, and areas where service recovery might be needed.

Recovery Strategy: A predefined approach used by a company to address service failures effectively and restore customer satisfaction.

Post-Recovery Satisfaction: The level of customer satisfaction after a company has made efforts to resolve a service failure.

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3. James A. Fitzsimmons, Mona J. Fitzsimmons "Service Management: Operations, Strategy, Information Technology" McGraw-Hill Education publication
4. Gillian Naylor "Customer Satisfaction and Service Quality: A Focus on Service Guarantees and Service Recovery" VDM Verlag publication
5. Ron Kaufman "The Service Recovery Handbook: The Art and Science of Fixing Customer Problems" Uplifting Service publication
6. David Bejou "Managing Service Failure: Designing Effective Recovery Systems" Routledge publication

10.13 TERMINAL QUESTIONS

5. What strategies should companies employ to recover from service failures (e.g., compensation, apology, future discounts)?
6. How do proactive and reactive service recovery strategies differ, and when should each be applied?
7. How do service guarantees enhance the service recovery process?
8. What are the potential conflicts or synergies between offering service guarantees and performing service recovery?
9. Can you provide examples of companies that have successfully implemented both service guarantees and service recovery strategies?

Management of Finanical Services
MS 407

Uttarakhand Open University, Haldwani

School of Management Studies and Commerce

Service Marketing

Block III Tools for Service Marketers

Block IV Marketing of Financial Services

Service Marketing

Block – III
Block Title- Tools for Service Marketers
Block – IV
Block Title- Marketing of Financial Services

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Course Name: Service Marketing

Course Code-MS 505

Course Objective: The emergence of tertiary sector calls for better understanding of services development and delivery. This paper aims at providing the students the intricacies process of services marketing.

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Unit II Managing Demand for Services

Unit III Different Aspects of Yield Management

Unit IV Understanding the Framework for Services Marketing Management.

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Unit VI Knowledge of Buyer Behaviour in Services

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Unit XXII Service Quality and Issues
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Suggested Readings:

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Block III
Tools For Service Marketers

UNIT 11 CREATING, DELIVERING AND SERVICE DEVELOPMENT DESIGN

11.1 INTRODUCTION

Since services are a part of everything we do, there is a bigger demand than ever for expertise in services marketing. It might be difficult to distinguish between products and services when defining services. In general, goods are defined as objects, devices, or things, whereas services are defined as deeds, efforts, or performances. Services are those commercial endeavors that, by bringing about a desired change in or on behalf of the

service recipient, produce value and benefit clients at particular times and locations. Services are essential in today's highly automated and cutthroat environment.

The study of services marketing is crucial for the following reasons: (1) Consumers assess services differently than they do goods. Services must be efficiently marketed with consideration for the experiential qualities of the service offering. (2) Services are seen as a benefit for products that are dominated by tangibles. (3) The Gross Domestic Product (GDP) has increased fairly significantly. (4) Global service workforce has increased tremendously

Consumers want services to be provided where and when they want them, and they are demanding greater convenience. The usual sales cycle is impacted by service distribution in three ways:

1. Information and advertising flow
2. The process of negotiations
3. Flow of products

Processes for service delivery help employees customize services to fit the unique demands of the company at a cost the company can afford. Processes for service delivery aid in defining services so that they can be provided equally easily and effectively by external vendors or internal workers and resources. Processes for service delivery help define how to use relevant metrics to measure service results and how to use those indicators to drive continuous service improvement. It is possible to: Clearly define the services' content; Clearly define the roles and responsibilities of customers, users, and service providers; Clearly define the availability, timeliness, and quality of services. These are all possible through service delivery processes.

11.2 OBJECTIVES

The objectives of the unit " Creating, Delivering and Service Development Design " are as follows:

> ➢ Understand Services Delivery Process.
> ➢ Describe Service Development Design.
> ➢ Elucidate Service Traingle.
> ➢ Understand The Best Way to Approach Service Design.
> ➢ Describe the Importance of Service Creation & Delivery.
> ➢ Understand Service Design.
>   .

11.3 SERVICE CREATION AND DELIVERY PROCESS

A business concept known as "service delivery" describes the exchange that takes place when a provider gives a service to a client—Service provider provides information to clients. Effective service delivery adds value for the clients.

A service's creation and delivery entail a number of crucial processes. To begin with, you must conduct market research and trend analysis to determine what your target audience wants. This aids in developing a service concept that satisfies these requirements. After you have an idea, you design the service by determining the resources required, how it will operate, and how to offer it. After that, you build the required infrastructure and instruct your staff.

When the time comes to launch, you make sure everything is ready for a flawless delivery by introducing the service to the market. You concentrate on delivering the service according to schedule, connecting with clients, and keeping an eye on performance during service delivery. You can make changes by getting consumer input and evaluating the service's performance. Ongoing management entails preserving the caliber of the service, making necessary updates, and cultivating a solid rapport with clients. This ongoing procedure aids in guaranteeing that the service fulfills client requirements and continues to be helpful.

11.4 ELEMENTS OF A SERVICE DELIVERY SYSTEM

Providing exceptional service ought to go hand in hand with managing a profitable service business. The creation of value for the main organizations and the engagement of frontline staff in delivering the best possible customer experience should be the primary considerations in the design of the service delivery system.

Four essential components make up such a system:

Figure 1: Elements of Service Delivery System

1.Service Culture: Assistance Vision, mission, values, work habits, customs, and leadership principles are the foundation of culture. Culture is the overarching set of values that management uses to direct, preserve, and advance the social process that materializes as providing consumers with value and services. There is no other element more crucial to a service organization's long-term success as its culture, once a top-notch service delivery system and a workable service idea have been developed.

2. Employee Engagement: Purpose-driven leadership, employee attitude initiatives, and HR procedures are all part of employee engagement. People with higher levels of engagement are the only ones who can make even the most well-designed systems and processes effective. The moderator between the service excellence model's design and implementation is engagement.

3.Service Quality: Performance management methods, procedures, and strategies are all part of service quality. The entire service management model's design is based on the strategy and process design. Any collaboration between a service provider and their customer must be built on the foundation of supporting the client in achieving their organizational goals and helping them realize their mission.

4. Experience of Customer: It includes aspects of account administration, customer intelligence, and ongoing enhancements. Since perception is everything, it's critical for ongoing collaboration to regularly assess how customers and end users view the quality of the services being provided. Effective service delivery is predicated on the client participating in the development and provision of the service and then designing procedures based on that foundation; this is known as co-creation.

These four components are stated in a logical order: creating the service culture comes first, followed by employee engagement, which raises the bar for service excellence and helps create the ideal customer experience. This order is not accidental. As a result, frontline staff members ought to have the authority to provide valued service moments, impact the goal of the client company, and ideally leverage it through their service performance.

 Other Components of Service Delivery Management are :

Service Level Management: A framework for defining services is provided by Service Level Management (SLM) procedures. Service level agreements (SLAs), operational level agreements (OLAs), and pricing for the services are formed in order to satisfy agreements regarding the levels of service that are necessary to support agreed-upon business processes.

Financial Management: In addition to defining and overseeing the services, Financial Management also calculates their costs and offers financial accounting help to guarantee that spending stays within agreed budgets and that money is used wisely.

Capacity Management: Capacity Management (CM) is in charge of making sure that the necessary infrastructure resources are available to meet anticipated business demands and that they are utilized efficiently. CM is in charge of creating the yearly infrastructure growth plan.

Availability Management: Under the terms of the relevant Service Level Agreements (SLAs), availability management is in charge of making sure application systems are up and running. The procedure examines the requirements for business process availability and makes sure the most economical backup solutions are implemented and routinely verified to guarantee business requirements are satisfied.

11.5 CREATING DELIVERY SYSTEMS IN PRICE

Distribution of services does not usually entail passing goods through a series of companies that start with a manufacturer and finish with a consumer. On occasion, clients receive services directly from providers. For example, consulting services and airline services may require the assistance of middlemen. The main categories

of intermediaries include brokers, agents, and franchisees, among others. Delivering services also heavily relies on electronic means. They are different from the other intermediates in that they don't deal with people directly. To enable services for clients, they require predesigned programming, such as information uploading or other software programming.

They are beneficial due to:

They continuously provide standardized services at a lesser cost, making them convenient for customers. They also promptly solicit user input, allowing for creative adaptation.

The drawbacks are as follows:

Competition is fierce; customization is limited; security is an issue because website and account hacking pose a serious risk.

An illustration of how websites can be used for service delivery and its benefits is shown in the diagram below:
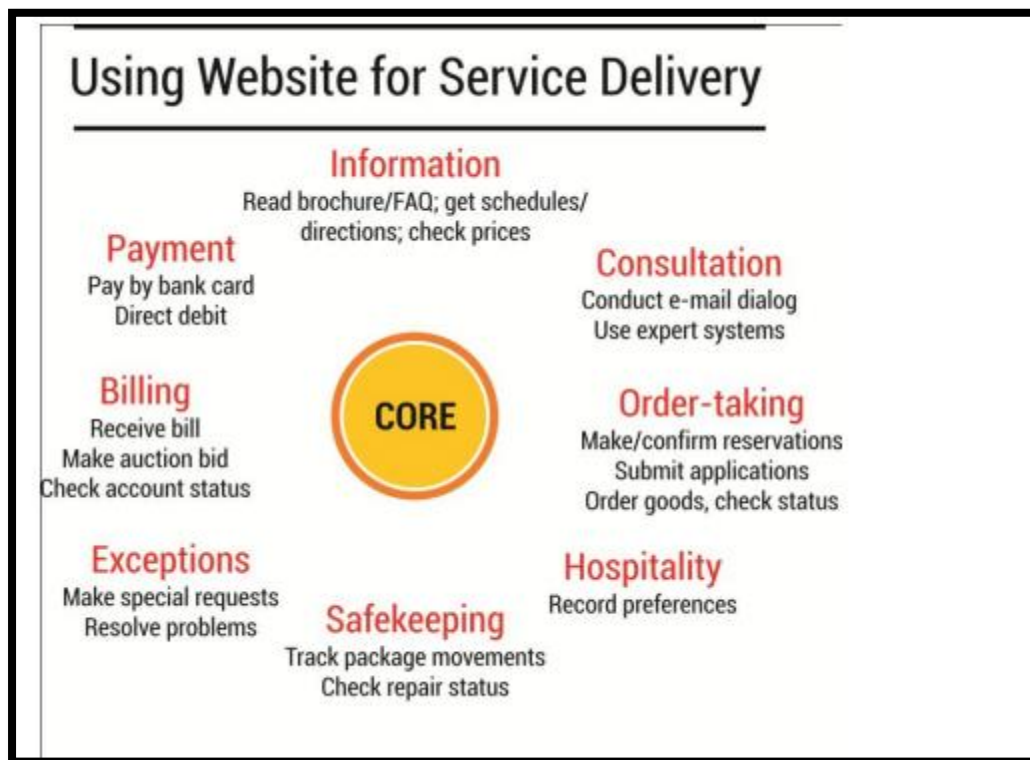
Figure 2: Using website for service Delivery

Five sorts of "flow" are facilitated by the internet. We can infer from the diagram that: 1.   Information,   2.Bargaining,   3.Service,   and   4.Transactions 5. Advertising

Traditional physical routes can be supplemented or replaced by electronic channels. A great deal of convenience (24-hour availability, time and effort savings). Finding information and searching for desired things on the internet is simple.

Quotes are more favorable than those seen in many physical stores. Large selection as a result of the abundance of display options

Innovations in technology are more common and easier to utilize.
a) It is more comfortable thanks to the development of "smart" mobile phones and Wi-Fi high-speed Internet technology, which connects users to the Internet from practically anyplace.
b) Technology for voice recognition
d) Online platforms
d) Cards smart
It retains comprehensive data about the client.
 It makes services more easily accessible.It functions as a digital wallet holding digital currency.
It provides pertinent information or engagement at the appropriate moment.
It generates and preserves current, real-time data.

11.6 Service Triangle Marketing Mode

The Services Marketing Triangle

Company

Internal Marketing
Enabling
promises

External Marketing
Making
promises

Providers

Customers

Interactive Marketing
Keeping promises
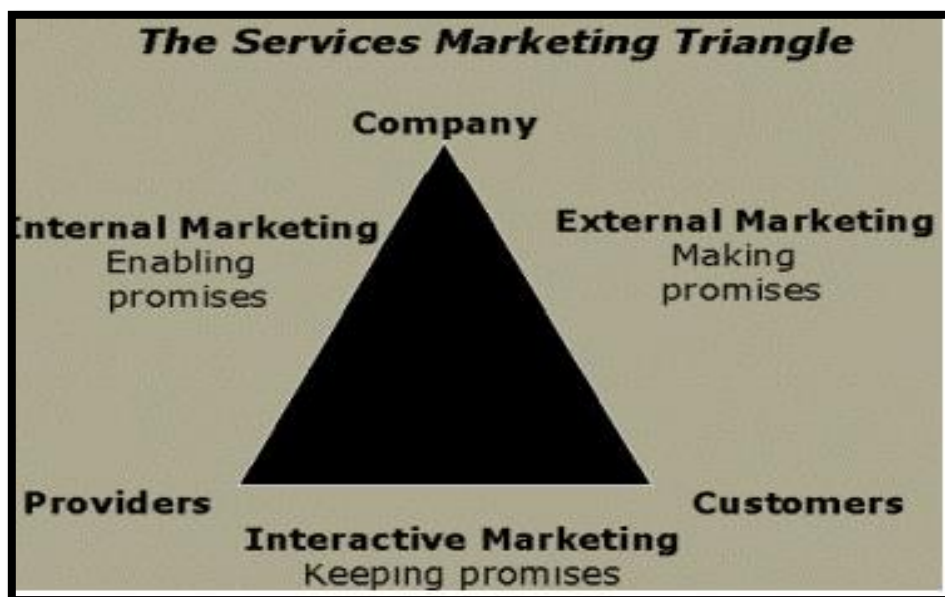
Figure 3: Service Triangle

Services marketing is described as a "promises" game between three parties involved in the service transaction. In a service transaction, there are three parties involved: The Business
This Company is the one who conceptualized the service product and all of its advantages. In order to meet its service objectives, it provides the customer with the service product.

The customer:

It is the customer's desire to have his needs and wants met. He'll accomplish this by using the service product.

The provider:

They are an organization's internal clients who always finish the service transaction on the business's behalf. The majority of them are workers, but there are also distributors, wholesalers, retailers, franchisees, and channel partners.

External Marketing:

The business markets itself to customers externally. Through advertising, public relations campaigns, and other business communication strategies, it highlights features, makes claims about benefits, and ensures customer satisfaction. It delivers on its promises by using the media. It assures the clients by making promises.

Internal Marketing:

The organization markets internally to its suppliers. The business must give its supplier workspace, such as offices, and tools, such as phones and computers. Additionally, it must find, choose, and train qualified staff members, channel partners, and franchisees. It makes it possible for the service providers to finish the transaction. The corporation fulfills its commitments.

Interactive Marketing:

In order to reach customers, providers engage in interactive marketing. The person who deals with consumers is the provider. The provider serves as the organization's spokesperson and face. In the course of a service transaction, the supplier and the client receive immediate feedback on one another. Their purchase indicates how good they thought the service was. The supplier honors the commitments made to clients by the business.

11.7 SERVICE PROCESS

One can start by only recalling the actions or events that occur when utilizing a service in order to comprehend the service product as a process. All that constitutes a service experience is going through a set of prearranged procedures or stages that entail an activity or interaction. A service experience is the result of all of these combined. Using an airline, for example, entails scheduling tickets, traveling to the airport, checking in, going through security, boarding, finding a seat, receiving food, picking up your luggage, and so on. A service experience is the result of the connections between all of these operations. These procedures are used by service providers to distinguish their offerings. Difference in service product is nothing but difference in the service process. Goods are differentiated on the basis of their physical attributes while services are differentiated on the basis of the processes that comprise them.

Whether or not the customer can see them is one approach to examine the service process. For example, in the airline scenario, the procedures that are visible to clients include check-in, security screening, and the actual passenger transfer to the aircraft. Conversely, the unseen procedures encompass the computerized reservation system, the procurement process for refreshments, and the aircraft setup process.

Processing of individuals, information, and materials may be one of the service processes that results in the service experience. As a result, three categories of service processes can be identified. In order to generate a service experience, people or customers are put through a series of actions via the people processing processes. People processing includes things like getting passengers from the airport to the aircraft and through security checks.

Information is processed by a computer system throughout the ticketing procedure at the booking counter or check-in. Finally, material processing is included in the lunch service and luggage transportation. Every process type needs to be created with the customer's satisfaction in mind.

When viewed through the lens of the customer, services are experiences (such as making a call to a customer service center or going to the library). From the standpoint of the organization, services are procedures that need to be planned and overseen in order to produce the intended client experience. Processes become the architecture of services as a result. Procedures outline the steps involved in using service operating systems and how they interact to produce the value that clients are promised.

Customers are an essential component of the operation and the process becomes their experience in high-contact services. Customers are prone to become irate with poorly designed processes since they frequently lead to the delivery of sluggish, frustrating, and low-quality services. Analogously, subpar procedures hinder frontline workers' ability to perform their duties effectively, lead to low productivity, and raise the possibility of service outages. (Luke Christopher)

11.8 IMPORTANCE OF SERVICE CREATION & DELIVERY

When it comes to commodities, production occurs in factories when there are no consumers present. The client seldom interacts with the factory processes, which are often the exclusive purview of operations. However, with services, user engagement with the technology is frequently essential to the development of the service. As a result, the client

is included in the servicing procedure. Inadequate and improperly planned service processes are frequently the cause of service breakdowns.

The goal of the service process should be to fulfill the needs of the client. The rumors that circulate regarding the subpar performance of service providers indicate that one procedure or another has failed to provide an adequate reaction. Customers may face issues with frontline operations with which they deal from time to time, and backroom procedures frequently result in subpar customer care. For example, department store patrons find the checkout process to be extremely laborious and time-consuming.

One step that directly involves customers is checking out. Likewise, credit card users have terrifying tales to share about the setbacks and annoyances they encounter when attempting to contact the appropriate department via the customer service number. Failures in the backroom processes, however, lead to a decline in frontline service. For example, if a restaurant has good frontline process design and execution, ordering dinner may be a very pleasant experience, but the actual food delivery may be delayed. In this instance, insufficient backroom procedures are the cause of the delay.

11.9 SERVICE PROCESS UNDERSTANDING

To grasp the service process, three things are crucial. These are the distribution of important jobs, value creation, and variation in the service process.

1. Variety in Process: This refers to whether the process follows a set, non-changing order of steps that results in a standardized answer or set of services. Variability in processes affects operations' flexibility, complexity, and cost. Although a process with less variation tends to be more cost-efficient, it is less flexible. With varying degrees of process diversity, three categories of processes can be distinguished: strangers, repeaters, and runners.

a. Runner: A standardized set of activities is referred to as a process category. These are typically seen in operations with large volumes. In this method, a carefully set out, standardized series of tasks is repeated with variation. Tight process control and automation work well with these processes. Computerized technologies are now used to automate tasks such as monitoring the balance of a bank account or inquiring about train arrivals and departures on the railway. High operational efficiency is made possible by the process's regular, uniform design.

b. Repeaters: The repeaters process category is similar to the runners category, with the exception that repeaters tend to be a little more sophisticated and occur less frequently. Unexpected service growth frequently results in repeaters, and runner processes—which were intended to manage standardized service—are now built to accommodate diversity. For example, burgers are added to the menu of a pizza restaurant. This frequently occurs when a service company that offers one narrow service at first develops into other areas. Repeaters frequently use more resources and might need to change their workflow or retrain themselves.

c. Strangers: Non-standard processes are strangers. They are the least common and frequently take the shape of one-off initiatives. Demand forecasting is challenging because resource requirements are frequently unclear when dealing with strangers. Stranger processes are added when a company introduces a new service, and eventually these processes develop into repeaters and runners.

2. Process Value Addition: Services are procedures. The process is made up of several smaller processes or activities that together form the service. Realizing how much value is added at each stage of the process is the next step towards gaining a thorough grasp of the service process. This is the step in the process that matters most to the client. It's possible that the client isn't sensitive to every step of the service procedure equally.

For example, does a bank customer care more about the "treatment" or "interaction" that occurs between the staff and the customer in the customer contact area, or are the backroom procedures that establish correctness and dependability more significant? In the case of a bank, the portion of the service process that occurs in the backroom and does not involve client contact is likely more significant since, in the context of banking, reliability is what drives the connotation of customer quality. In contrast, a lounge within a five-star hotel might say the opposite. In this instance, the frontline process might be more significant and value-driven.

3. Task Allocation: Determining which tasks to complete at each stage of the process is the third component in comprehending the service process. The tasks need to be assigned based on the service process's value focus. Front office and back office represent a straightforward division of the service process. Depending on their relevance, tasks must be divided between the front office and the back office. It's critical to understand that work allocation is not set in stone for all time. Allocation would adjust in line with modifications to the service idea.

For example, grocery stores in India that catered to the local population placed a strong emphasis on front-line activities to establish and maintain relationships with their patrons.

But as more and more families are choosing to have two workers, this strategy appears to be losing its effectiveness. Due of their current jobs, neither partner has the time to visit and engage with sellers. Remote selling is replacing in-person interactions as the primary service model. Customers now place more value on transaction expediency when transacting over the phone or through other media than they do on the caliber of their interactions with sellers. Investing in information technology is necessary to reallocate tasks and focus from the front office to the back office in accordance with this trend. (Verma, Harsh)

11.10 IMPORTANCE OF CUSTOMERS IN SERVICE CREATION AND DELIVERY

In all service settings, there will inevitably be some level of customer interaction. Services are performances or actions that are usually given and received at the same time. The final service outcome is often the result of interactions between staff members, clients, and other members of the service environment. Customers are essential to the production process of service firms because they engage in it, and they may often control or significantly contribute to their own level of happiness or dissatisfaction.

Customer Receiving Service: By engaging in the delivery process, the customer has the potential to influence whether gaps are closed or widened by acting in ways that are acceptable or inappropriate, efficient or inefficient, or fruitful or unfruitful. Each service has a different level of customer participation—low, medium, or high. In certain situations, the client only has to physically be there (low degree of engagement), with all service production work being handled by the company's staff. In different circumstances,

To help the service organization create the service, customer feedback is necessary (moderate level of participation). Inputs can be anything like knowledge, work, or tangible assets. Customers can actually be considered co-creators of the service in some circumstances (high level of participation). Customers have significant roles in these services that influence the type of service outcome. Customer satisfaction and service quality are ultimately influenced by organizational productivity, which is determined by how well customers are involved at all levels.

Fellow Customers: In many service situations, clients must wait for their turn while other clients receive services, or they may receive and/or co-create the service concurrently with other clients. "Fellow customers" are present in the service environment in both situations and have the power to influence the type of service procedure or outcome. Peer reviews have the power to either improve or decrease consumer happiness and quality perceptions. Peer patrons can have a detrimental impact on the quality of the service experience by acting disruptively, creating delays, cramming the area, and displaying needs that are incompatible. Excessively demanding clients can cause delays for others while their requirements are attended to. The most frequent locations for this to happen are post

offices, banks, and retail customer service desks. The type of customer experience can also be impacted by overcrowding or excessive use of a service.(Rachel Zeithaml)

11.10.1 Roles of Consumer

Customers can play three main roles as participants in the invention, production, and delivery of services. Below is an explanation of these: -

Consumers as Effective Resources Customers who receive services from the company have been referred to as "partial employees"—human resources that increase the company's potential for productivity. Customers should be viewed as members of the organization if they provide time, effort, or other resources to the process of producing the service. The quality of customer inputs and the consequent output generated, both in terms of quantity and quality, can have an impact on the productivity of the business. Contributions from clients can increase a business's overall productivity in terms of both number and quality of services provided to other businesses. When customers participate in the production of services, several difficulties are brought up for organizations. Customers have the power to affect both the quantity and quality of production, thus in order to minimize the uncertainty they may introduce into the process, the delivery system should be kept as far away from client input as feasible. However, if clients are really seen as co-workers and their coproduction roles are structured to optimize their contributions to the service creation process, services can be provided more effectively. Leveraging customers as a resource to efficiently execute work previously handled by personnel increases organizational productivity.

Customers as Contributors to Service Quality and Satisfaction: Customers can also contribute to their personal satisfaction and the overall quality of the services they receive, which is another role they can play in the co-creation and delivery of services. Consumers probably don't give a damn if their demands are met, but they probably do care a lot if their participation has enhanced the organization's production. Good customer participation can raise the probability that needs will be satisfied and that the benefits the client is looking for will actually be realized. This is particularly true for services where client participation is crucial to the service's outcome, like health care, education, weight loss, and personal fitness.

Clients as Rivals: The third function that clients fulfill is that of possible rivals by carrying out the service on their own. Self-service clients may do any or all of the service on their own and not require assistance from the supplier if they are seen as resources of the company or as "partial employees." Customers are therefore, in a sense, the businesses that provide the service's rivals. (Rachel Zeithaml)

11.11 SERVICE DESIGN

The process of creating ideal experiences and sustainable solutions for clients in specific circumstances, as well as for any service providers involved, is known as service design. Designers break services into sections and adapt fine-tuned solutions to suit all users' needs in context—based on actors, location and other factors. Consumers connect with brands through intricate webs of relationships rather than in a vacuum. For example, a car is a product, but in service design terms it's a tool when an elderly customer wants to book an Uber ride to visit a friend in hospital. There's much to consider in such contexts. This user might be accessing Uber on a smartphone, which she's still learning to use. Perhaps she's infirm, too, lives in an assisted living facility and must inform the driver about her specific needs. Also, she's not the only user involved here. Other users are any service providers attached to her user experience. For instance, the driver that a consumer books using Uber uses it too, but in a different way. To cater to various users' and customers' contexts as a designer, you must understand these sorts of relations between service receivers and service providers and the far-reaching aspects of their contexts from start to finish. Only then can you ideate towards solutions for these users'/customers' specific ecosystems while you ensure brands can deliver on expectations optimally and sustainably.

In service design, you work within a broad scope including user experience (UX) design and customer experience (CX) design. To design for everyone concerned, you must appreciate the macro- and micro-level factors that affect their realities.

There are frequently several channels, settings, and products involved in a service design experience.
The authors of this are Service Design Thinking, Marc Stickdorn and Jakob Schneider, list five essential guidelines for service design to adhere to:

User-centered: Design with an emphasis on all users by conducting qualitative research.
Co-creative: Involve all pertinent parties in the process of designing.
Sequencing: Divide a complicated service into distinct steps and segments of the customer journey.
Evidencing: Visualize customer experiences to make them relatable so that consumers may comprehend and have faith in brands.

Holistic design considers all points of contact during user experiences, user networks, and engagement.

More and more designers are working with services rather than tangible goods, such as software as a service (SaaS). As digital technology continues to progress and redefine what consumers can expect as they work towards their goals, brands prioritize making their products as convenient as possible and reducing obstacles for their customers. One digital example is Square, which repackages smartphones as possible point-of-sale devices and unbundles point-of-sale systems from cash registers.
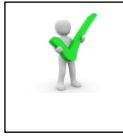
Check Your Progress-A

1. The following are some ways that service distribution affects the normal sales cycle:

a. Information and promotion flow

b. Flow of negotiations

c. Flow of products

d. everything mentioned above

2. Service delivery methods can assist in:

a. Clearly defining the services' content;

b. Clearly defining the roles and duties of clients;

c. Establishing expectations for the caliber, timeliness, and availability of services; and

d. all of the above.

3. The following are the elements of service delivery:

a. financial management;

b. capacity management;

c. service level management; and

d. all of the above

4. Physical evidence's function is to:

a. help the service delivery process flow;

b. provide information;

c. help the ordering process; and

d. do all of the above.

5. Distribution services are offered by marketing intermediaries in the following capacities:

a. transactional;

b. logistical;

c. facilitational;

d. all of the above.

6.There are three different kinds of marketing intermediaries:

a. wholesalers and retailers;

b. distributors and agents;

c. both a and b;

d. just b.

11.12 THE BEST WAY TO APPROACH SERVICE DESIGN

First, recognize these essential components of any service interaction:

Actors: workers providing the service, for example

Location (for instance, a virtual setting where clients receive the service)

Props, such as items used to provide services

Associates (other companies that help provide the service; for example, logistical companies)

Procedures (such as the work flows utilized to provide the service)

It will be necessary for us to establish issues, iterate, and provide the most holistic design possible to meet the needs of users, customers, and the business. You have to start by feeling compassion for all relevant users and consumers. Among the most popular tools are the following:

- Maps of the customer journey are used to identify touchpoints, obstacles, and crucial times.

- Personas (to aid in visualizing intended users)

- Service blueprints, which are essentially more sophisticated versions of customer journey maps, aid in illuminating the entire range of scenarios in which consumers may engage with brands.

11.13 HOW TO DESIGN GOOD SERVICE

Always consider the whole experience when designing a service . This implies that you must take into account the environment(s) in which your users/customers will be working as well as the different obstacles, drives, and emotions they may have. These are some important things to remember:

- Understand your brand's purpose, the demand for it and the ability of all associated service providers to deliver on promises.

- The customers' needs come ahead of the brand's internal ones.

- Focus on delivering unified and efficient services holistically—as opposed to taking a component-by-component approach.

- Include input from users.

- Streamline work processes to maximize efficiency.

- Co-creation sessions are vital to prototyping.

- Eliminate anything (e.g., features, work processes) that fails to add value for customers.

- Use agile development to adapt to ever-changing customer needs.

11.14 SUMMARY

We learned about organizing and overseeing the provision of services in this unit. Distribution is said to be the main issue facing the services sector since it affects the flow of products, negotiations, information, and promotions, among other aspects of the sales cycle.

There is a thorough explanation of each service delivery component. they are service level management, Financial management, Capacity management and availability management. Various ways of service delivery are mentioned. For eg through website or electronic channels. Processes for service delivery help employees customize services to fit the unique demands of the company at a cost the company can afford. Processes for service delivery aid in defining services so that they can be provided equally easily and effectively by external vendors or internal workers and resources. Processes for delivering services help define how to use relevant metrics to measure service performance and use those data to drive ongoing service improvement.

11.15 GLOSSARY

Market penetration : It is the number of users who genuinely use the good or service.

Product life cycle: A product goes through four phases: introduction, growth, maturity, and decline, from the time of its birth until its demise.

Difficult Customers: .Customers who pose challenges to a service provider's capacity to perform their services and who demand specific skills and patience are known as difficult customers.

Internal Customer: An employee who uses products or services made elsewhere in the company as a resource for their work is referred to as an internal customer.

Isolated: They carry out assistance duties.

Modifiers: They communicate with the clients on a regular basis.

11.16 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress   A

Answers to MCQ:**1(d),2(d),3(d),4(d),5 (d),6(c)**

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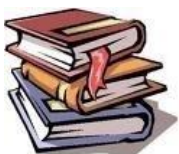
11.18 SUGGESTED READINGS

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11.19 TERMINAL QUESTIONS

1.

1. Explain Service Creation and Delivery Process.
2. Explain The best way to approach service design?
3. Explain how to design good service?
4. Describe service triangle in detail?
5. Do service companies also need to invest resources in growing their internal customer?
6. Explain Good service process?

UNIT 12 UNDERSTANDING THE CUSTOMER DEFINED SERVICE STANDARDS

12.1 Introduction

12.2 Objectives

12.3. Company-defined service standards v/s customer-defined service standards

12.4 Factors Necessary for service standards

12.5 Types of Customer Defined Service Standards

12.6 Setting of Customer defined service standards

12.7 Service Performance Index

12.8 Summary

12.9 Glossary

12.10 Answer to Check Your Progress

12.11 Reference/ Bibliography

12.12 Suggested Readings

12.13 Terminal & Model Questions

12.1 INTRODUCTION

In this unit, you will explore the concept of customer-defined service standards, examining how businesses can effectively gather customer insights, translate these into actionable service standards, and continuously refine their service offerings to remain in sync with customer needs. Through real-world examples the various strategies that successful organizations use to align their service delivery with customer expectations are discussed. The types and process of setting customer defined standards are elaborated. The development of service performance indicator is also given an insight with example.

12.2 OBJECTIVES

After reading this unit you will be able to:

- Distinguish between company-defined and customer-defined service standards.

- Differentiate among 'hard' and 'soft' customer-defined service standards and one-time fixes.

- Explain the process of developing customer-defined service standards

- Emphasize the importance of service performance indexes in implementing strategy for service delivery

12.3 COMPANY-DEFINED SERVICE STANDARDS V/S CUSTOMER-DEFINED SERVICE STANDARDS

Company-defined service standards and customer-defined service standards are two approaches to setting expectations and benchmarks for service quality. Here's how they differ:

1. Company-Defined Service Standards

Where do these standards come from, or how are these standards determined?

Focus: The focus is on what the customer defines based on the level of service that he has an expectation.

Example:

- A fast-food chain ensuring a standard of delivering an order within 3 minutes, as that is the standard defined by the customer's expectations, i.e., the customer does not want to wait for more than three minutes.

- A bank ensuring that any time the customer calls, their call is answered within three rings.

- A hotel chain ensuring that it provides room cleanliness within a certain period.

2. Customer-Defined Service Standards:

These expectations originate from customer expectations, perceptions, and experiences. They reflect what is most important to the customers when it comes to service quality attributes.

Focus: The focus is either to meet the customers' expectations or exceed them, which, as it was understood from discussions above, could be so overlapping across various categories of customers. The expectations set here could therefore be more dynamic and responsive accordant to customer feedback.

Example

- A high-end hotel tailoring its services to regular clients, who may have specific room arrangements or special offerings.

- An online retailer making its return procedure easy, according to customer perception.

- A physical store offering longer working hours in line with customer expectations.

Key dissimilarities:

Origin of Standards: In company-defined standards, the company itself draws up the standards, while in customer-defined standards, the standards are set according to the customers' opinions and expectations.

Flexibility: Normally, set standards of a company are too stiff and more operational. While those set by customers are flaccid, something that the organization can quickly pull and push so that they meet customer tastes.

Objective: Customer defined standards will keep the customer satisfied and therefore loyal customer. On the other hand, set company standards are each supposed to be aim to streamline processes and maintain consistency.

Indeed, in practice, successful organizations very often integrate both approaches, having operational effectiveness with company defined standards and, at the same time, service customization with customer defined standards.

12.4 FACTORS NECESSARY FOR SERVICE STANDARDS

A. Standardization and customization

Standardization and customization of service are two different strategies of service delivery, both with their own merits and uses. The differences are as follows:

1. **Definition**

Standardization:

Definition: Standardization is a process of developing uniform practices or procedures and benchmarks of service quality that are applied uniformly in all transactions with customers. The objectives are to provide a known, dependable, and consistent service experience, independent of location, time, and customer.

Example: A fast food chain like McDonald's has standardized processes so that a Big Mac tastes the same everywhere from New Delhi to New York.

Customization:

Definition: Customization means changing the service in order to fit the needs, taste, and expectations of each individual customer. The goal is to develop an experience that's unique and tailored to the very specific wants of the customer.

Example: A luxury hotel, such as the Taj Mahal Palace in Mumbai, might modify room service to meet a customer's dietary needs or create custom messages and services for the frequent guest.

2. **Approach:**

Standardization:

Approach: Emphasize uniformity, efficiency, and scalability. Services are designed to be delivered in the same way to all customers; variability is minimized so that all of them have an experience of the delivery of services that is the same.

Example: Indigo has standardized the onboard procedure, safety announcements, and in-flight service for uniformity of experience across flights.

Customization:

Approach: Flexibility, adaptation, and customer-centricity become the hallmarks. Services get modified based on the requirements of the customer on a one-on-one basis, which at times demands a more flexible approach from the service providers.

Example: Amazon India suggests personalized product recommendations to users based on the browsing history and past purchases. The shopping experience is, therefore, customized.

3. **Benefits**:

Standardization:

Benefits:

Consistency: That is, every customer would get the same quality of service, hence reliability and trust.

Efficiency: Helps reduce variability, hence streamlines operations and brings down costs. Simpler to train employees as well.

Scalability: It is easier to scale across many locations or markets without compromising on the quality of service delivered at each location.

Example: Because of standardized processes in Starbucks, a cup of coffee tastes identical in Mumbai as it does in Bangalore.

Customization:

Benefits:

Personalization: It improves customer satisfaction and, therefore, higher loyalty, as treatment is done based on individual tastes and preferences.

Differentiation: It provides firms with an opportunity for differentiation from the competitors due to the presence of special and customized services.

Flexibility: It flows through various customer segments. Therefore, it makes it easier and more feasible to move into any niche market or entertain special requests.

Example: An Ayurvedic spa may personalize treatment at Kerala based on an individual's health conditions and preferences to provide a unique wellness experience.

4. **Challenges**:

Standardization:

Inflexibility: May not be able to handle the diversified needs and tastes of different customer segments.

Impersonality: The inflexibility further adds to the absence of a personal touch, which tends to drift away those customers who were expecting a better deal in terms of experience and attention.

Example: A call center customer service script may not deal with any unusual customer problem, hence leading to dissatisfaction.

Customization:

Challenges:

Complexity: Requires more effort, time, and resources for customizing services, increasing operational cost.

Inconsistency: This could lead to different service experiences among the customers, which could again give rise to inconsistency in the service quality.

Example: Since tailoring the financial advisory service for each of the clients is time-consuming and requires professional excellence, it could be costly.

5. Industry Application:

Standardization:

Industry Application: Common in industries where consistency, reliability, and cost-efficiency are vital, such as fast food, airlines, and retail chains.

Example: Domino's Pizza ensures that all their pizzas are made from the same ingredients and through similar processes across locations worldwide.

Customization:

Industry Application: Common in highly personalized industries, or those integral to customer experience, like a five-star hotel, health, and bespoke services.

Example: Raymond's Made-to-Measure is a bespoke tailoring service in India where every suit is fully customized to the measure and fabric preferences of its clients.

Standardization is the delivery of uniform service experiences across all customer contacts, which emphasizes consistency, efficiency, and scalability. Customization, on the other hand, deals with tailoring service to address the needs of each individual customer. Personalization, flexibility, and customer satisfaction are some of the major aspects of customization. Needless to say, this presents a strong case for both approaches in service delivery, and indeed, there are many successful businesses that do find a balance between them—providing standardized services where appropriate but giving space for customization where it will add value to the customer experience.

B. Service behaviors and actions standardization

Service behavior and action standardization involve setting up and exercising homogeneous procedures, processes, and expectations of the way to treat the customer and execute duties. It is primarily about setting up the business homogeneously in a way of service delivery.

Forms of Service Standardization

The following are some forms of service standardization that organizations can implement in the pursuit of homogeneous service delivery:

1. Process Standardization:

Step-by-step procedures: Clearly defining exactly how customer inquiries or complaints should be handled, or how certain service requests should be routed.

Standard Operating Procedures (SOPs): Writing down step-by-step instructions for tasks that are performed frequently.

Uniformity: Service delivery is uniform across various departments and locations.

2**. Behaviour Standardization:**

Service script development: Providing instructions for the interaction between employees and customers, for example, telephone scripts or email templates

Service standards: Describing what service quality should look like, such as response times, resolution of problems, and customer satisfaction.

Staff training: Employees are enabled to provide service uniformly.

3. Standardization of Physical Evidence:

A consistent look and feel environment: Uniformity in the appearance of physical facilities such as stores, offices, and websites.

Standardization of sign and displays: Those visual elements which provide consistency to the brand.

Standardization of equipment: The employees should be provided with standardized tools and equipment.

4. Standardization of Technology:

Customer Relationship Management Systems: Centralizing the information and contact of the customers

Standardized software and platforms: Proper communication and collaboration

System compatibility: So that various systems work together and there is no glitch in service delivery.

Example: Restaurant

A restaurant may standardize the following practices:

- Greet every customer within 30 seconds of their arrival.

- Recommend specific menu items based on the taste preferences of customers.

- Listen to customer complaints in a particular, empathetic way.

- Cleanliness standards within the dining areas.

By establishing these standards, the restaurant is able to create a consistent customer experience, whether in any location or with any employee.

C. Formal service targets and goals

These are the key elements that should characterize service standards setting. They aid by presenting clear and measurable benchmarks which would guide the delivery of service towards meeting or even exceeding the customer's expectations. Let's find out what these terms mean and how they contribute towards an effective service standard setting.

1. Formal Service Targets:

Definition: Formal service targets refer to specific measurable performance metrics that the company desires to achieve in its service delivery. Normally, service targets are defined based on customer expectations, industry benchmarks, and company strategic objectives.

Purpose: Formal service targets are to establish a clear and objective standard against which the service performance could be compared. They align service delivery with customer needs and business goals, ensure consistency, and quality. Examples: Response Time: A customer service center might set a target to answer 90% of calls within 30 seconds.

Delivery Time: An e-commerce company like Amazon India can target to deliver 95% of its orders within two days.

Error Rate: A bank can set an objective to have less than 0.5% of all transactions end up in failure.

2. Goals for Service Standards Setting:

Definition: Service standard-setting goals are generally broader, more strategic objectives that define what should be achieved from the organization through its service delivery. They are more qualitative than formal service targets and hence give guidelines on how service standards should be developed and implemented.

Purpose: Proper setting of goals so that service standards will not deviate from the company's total mission, vision, and customer service philosophy. Goals often reflect the described customer experience desired, brand promise, and positioning.

Examples:

Customer Satisfaction: The goal is to achieve very high levels of satisfaction; the objective could be to maintain a customer satisfaction score higher than 90%.

Brand Consistency: This can be a goal for a retail chain to convey the same brand experience regarding service quality, regardless of where the customer goes to a store.

Market Leadership: It can be an objective for the telecommunication company to be a market leader in the realm of customer service, by providing the quickest response time and most reliable network coverage.

Key elements for Formal Service targets and Goals settings

1. Business Strategy Alignment:

Setting formal service targets and goals must occur in the context of the overall business strategy of the company. Formal targets must support the attainment of the company's objectives, whether improving customer loyalty, gaining efficiency, or improving market share.

Example: A goal to stem customer churn in a very competitive telecom market may lead to the setting of formal targets for the improvement of customer service response time and resolution rate.

2. Measurability:

Formal service targets should be measurable, so that performance can be easily tracked. This normally means setting KPIs or at least a quantifiable value for such KPIs.

Example: For a logistics company it may be the on-time delivery percentage with a target to achieve 98% within a quarter.

3. Realism and Achievability:

The targets and goals should be ambitious but realistic. Unachievable targets risk reverse motivation of staff and tend to lower the quality of service delivered.

Example: The customer service team can be challenged to close 80% of customer problems in the first call. This is challenging but achievable with the proper tools and training.

4. Emphasis on Continuous Improvement:

Service standards should incorporate goals for continual improvement to encourage ongoing refinement and improvement of the service quality.

Example: A health provider may specify a goal to decrease the current patient wait times by 10% annually and, along with that, specify some formal targets for reductions in current waiting times.

5. Customer-Centric Approach:

Formal targets and broader goals need to be customer-centric. They should express what matters to customers about the service: speed, accuracy, or personalization

Example: The bank may establish an objective related to customer convenience by offering more services on digital banking but set a target for the same to increase mobile banking adoption rate by 25% in one year.

6. Regular Review Refresh:

Service targets and goals should be reviewed and changed from time to time in regard to any changes in customer needs, market conditions, and new technologies.

Example: "Periodically, the service goals for the entire hotel chain are adjusted according to guest feedback and new trends in hospitality—for example, the increasing emphasis on sustainability."

Importance of Formal Service Targets and Goals:

Consistency: They set the expectations in the minds of all employees, therefore, providing a consistent service experience.

Accountability: Setting clear targets means that organizations can be more vigilant about holding teams accountable for their performance and identifying areas for improvement accordingly.

Motivation: Well-defined goals motivate employees to attain excellence in service delivery.

Customer Satisfaction: Ultimately, well-defined and aligned targets and goals lead to high customer satisfaction since services address and even surpass customer expectations.

Companies may establish a controlled approach to the delivery of quality service, driving customer satisfaction, and eventual long-term business success through careful setting and management of formal targets for service and goals.

12.5 TYPES OF CUSTOMER DEFINED SERVICE STANDARDS

1. Hard customer-defined standards

Hard standards are specific, measurable, and quantifiable expectations that customers have about a product or service. These can, in turn, be easily measured and tracked.

Examples of Hard Customer-Defined Standards

Delivery times: Customers expect the package on time.

Product accuracy: The orders should include the correct products.

Response times: Fast response time to inquiries or complaints.

Error rates: A very small percentage of errors in billing or order processing.

Return policies: Friendliness and effectiveness of the return policy

Wait times: Customers are demanding reasonable wait times associated with a variety of services

Characteristics of Hard Standards

Quantifiable: It can be measured numerically-for instance, percentage, number, time.

Specific: They clearly state what is expected

Measurable: Data can be gathered with respect to performance to the standard

Achievable: Standards are realistic; can be met

Relevant: Standards are important to customers.

Time-**bound**: There is a time frame for the standard.

Businesses can create clear performance metrics and easily keep track of progress toward their accomplishments by focusing on hard customer-defined standards.

2. Soft Customer-Defined Standards

Soft customer-defined standards are subjective and intangible expectations customers have about a product or service. They are perception-, feeling-, and opinion-based; hence, measurement and quantification are relatively more difficult compared to hard standards.

Examples of Soft Customer-Defined Standards

Courtesy: The customers expect to be treated with respect and politeness.

Empathy: The customers want to feel understood and cared for.

Trustworthiness: The customers expect honesty and reliability from the company.

Friendliness: Customers enjoy being made to feel welcome.

Responsiveness: The concerns of the customers should be catered to promptly.

Challenges of Measuring Soft Standards

While hard standards can be measured, soft standards are primarily measured by questionnaires, feedback forms, or even interviews with customers, which in most cases turn out to be time-consuming and subjective. Various customers also have varied perceptions about the standards.

Many businesses resort to customer satisfaction surveys, mystery shopping, and social media monitoring for the collection of qualitative data on soft standards in order to overcome such challenges.

The understanding of both hard and soft customer-defined standards will provide an inclusive avenue for businesses toward the improvement of customer satisfaction and customer loyalty.

3.One-Time Fixes

One-time fix refers to any solution that is of a short-term nature. It's putting a Band-Aid on a gash—it might stop the bleeding but really doesn't get to the root cause of the problem.

Its key characteristics include the following:

- Short-term solution: It only solves the problem for the short term.

- It doesn't solve the root cause: The underlying issue remains unaddressed.

- Potential for recurrence: The problem is more than likely to re-appear without a permanent solution.

Example 1:

Situation: A computer keeps crashing.

One-time fix: Restart the computer.

Underlying problem: Faulty hard drive, malware infection, overheating.

Example 2: Resolving Customer Complaints about the Slow Checkout Process

Situation: One of the retail stores raises frequent customer complaints about long waits at checkout counters, impacting customer satisfaction.

One-Time Fix: The store launches self-checkout kiosks. With the installation of these kiosks, the store provided customers with a substitute method to quickly check out their purchases, hence off-loading the traditional checkout counters.

Outcome: The self-checkout kiosks get rid of the real source of long wait times, that is, restricted checkout counters and people. This permanently reduces waiting time and also increases customer satisfaction. Also, once installed, kiosks require very minimal maintenance thereafter.

Example 3: Streamlining a Complex Customer Service Process

Situation: A telecommunications company has to deal with hundreds of complaints against its service activation process, which is lengthy and tedious with several steps and long on-hold periods.

One-Time Fix: The company resolves to automate the process of service activation through its mobile app. Customers can, therefore, have the services turned on with a few taps on their phone, eliminating the need to contact customer service.

Outcome: It eliminates any need for the customer to have to navigate any complicated, multi-step process. It reduces activation times, improving the customer's experience.

The fix is done once and forever; that process just became easier for all the future customers with no extra work.

Example 4: Eliminating a Source of Frequent Service Errors

Situation: A hotel chain realizes that most service failures—incorrect room service orders—are because of miscommunication over the phone between the guests and service staff.

One-Time Fix: The hotel chain implements an in-room tablet-based digital room service ordering system. Now the guests can use the tablet to order their food directly, thereby choosing exactly what they want and thus eliminating the need for verbal communication.

Outcome: The digital ordering system removes the common errors due to verbal miscommunication, hence providing orders with higher accuracy and greater guest satisfaction. The accuracy of the system only requires one-time implementation, with no further effort required to maintain it.

One-time fixes are a strategic means to raise service standards by 'once and for all' fixing any particular service problem. Through one-time fixes, organizations can get many efficiency gains, have fewer recurring problems, and generally bring about an increase in customer satisfaction without committing continuous resources. The proper identification of the issue and the solution at the right implementation so that it 'fixes' the problem is what makes a one-time fix successful.

12.6 SETTING CUSTOMER DEFINED STANDARDS

The process of setting customer-defined service standards for service quality, is oriented to align service delivery with the expectations and perceptions of customers. This approach emphasizes tending to the viewpoint of the customer and translation of such into specific, actionable service standards. Here's how the process typically unfolds:

1. Identify Key Service Encounters

This is the very first step whereby critical service encounters or "moments of truth" are identified. These are those moments during the service process that have an overall great impact on customer perceptions and satisfaction.

Example: In a hotel, key service encounters might include check-in, room service, housekeeping, and check-out.

2. Determine Customer Expectations for Each Service Encounter

Understand what customers expect to happen at each identified touch-point. It includes customer research, studying needs and wants of customers, what customers perceive as an acceptable level of service delivery. It includes questionnaires, focus groups and personal customer feedback.

Example: Fast, efficient, customized check-in with no waiting and a room available for the guest in a quality five-star hotel.

3. Translating Customer Expectations into Concrete Behaviors and Actions

Having obtained an understanding of what customers expect, this needs to be translated into explicit, observable behaviors and actions that service employees can perform. These need to be specified clearly enough that the staff can execute them consistently.

Example: If one of the customer expectations from a bank is that any raised issue will be resolved in the shortest possible time, the specific might be that all front line staff to reach out to the customer within 30 seconds and resolve his query within 5 minutes, if of course, that's possible.

4. Establish Measurable Service Standards

Develop measurable standards for every key behavior or action. These standards should be specific, quantifiable, and aligned with the identified expectations of customers. Measurable standards allow the monitoring and evaluation of performance.

Example: A call center may establish a standard that 95% of all customer calls should be answered within 30 seconds to reflect minimal waiting time as expected by the customers.

5. Train Employees

The employees must be trained to meet these standards. That would involve learning about the significance of customer expectations and the direct relation of staff actions with customer satisfaction. Some practices include role-playing, simulations, and examples of what is expected.

Example: A customer environment for a shop might have training regarding greeting patrons, identifying frequent shoppers, and providing individualized attention based on the history of that customer.

6. Implement and Monitor Performance

After the formulation of standards and training employees, the set standards will be implemented and the performance monitored closely. This regular monitoring will ensure that the employees deliver service standards consistently. Very often, this step includes customer feedback, mystery shoppers, or monitoring performance metrics.

Example: A restaurant chain can have its check customer feedback forms to have a record as to whether service standards spelt out in the delivery of the ordered food be with the accuracy of the food and server attentiveness are always met.

7. Periodically review and revise the standards of service

Standards of service cannot be expected to remain static. They demand periodic reviews and necessitate updating in the wake of changes in customer expectations,

market conditions, and business imperatives. A constant quest for improvements is fundamental to the sustenance of superior standards of service quality.

Example: A tech support service may modify its response time standards since new technology allows it to solve problems even quicker.

Advantages of Customer-Defined Service Standards:

➢ It is customer-centric in nature, as the service delivery would be based upon what customers actually value. It yields higher customer satisfaction and loyalty.

➢ Enables Competitive Advantage: The service companies better put themselves in a position to outclass their rivals by going the extra mile to meet the expectations of their customers.

➢ Employee Direction: Informs the employees what it anticipates from them in delivering quality service.

➢ Consistency: It helps in developing a consistent customer experience experience across all the touchpoints, thereby reinforcing the brand's promise.

Limitations:

➢ Complexity: Customer expectations are challenging to fathom and capture accurately, more so in heterogeneous markets.

➢ Cost: An organization bearing and investing in standards set by the customer is costly in terms of training technology, and monitoring.

➢ Adaptability: The standardization ought to be such that it is flexible to adapt the constantly changing needs and preferences of customers.

With this, setting customer-defined service standards is, therefore, itself a dynamic and continuous process that needs a deep understanding and commitment toward the expectations of the customers and the consistent realization of the same. The process that Zeithaml et al. proposed allows organizations to set service standards that meet customer needs in a long-term success fashion through enhanced customer satisfaction and loyalty.

12.7 SERVICE PERFORANCE INDEX

An SPI is a methodology or tool that can be utilized to measure and monitor the overall performance level of a service function within an organization. It synthesizes a number of key performance indicators into a single overall measure that reflects a general profile of the extent to which the service is meeting established standards and customer expectations. Developing an SPI following steps are followed:

1. Defining KPIs

The first step in developing an SPI is identifying the most important KPIs that reflect quality in the delivery of services. Such KPIs should be directly related to the satisfaction of the customers and the standards required for service within the organization.

For example, some KPI indicators are:

➢ Customer Satisfaction Score: This measures the overall satisfaction of customers with the service.

➢ Net Promoter Score: It assesses customer loyalty based on the question of how likely customers are to recommend the service to others.

➢ Issue Response Time: The amount of time it takes to address a customer inquiry or service request.

➢ First Contact Resolution (FCR): Measures the percentage of customer problems, issues, or needs that are presented to an organization in a single contact and then resolved in the same contact.

2. Weights On Each KPI

This is to explain such that not all KPIs are created equal, and so respective weights have to be accorded to each one relative to their impact upon overall service performance. This thus ensures that the more critical aspects of service delivery bear a greater effect upon the SPI.

Example: If customer satisfaction is identified as the most critical one, then customer satisfaction can be given 40% weight; similarly, response time and first contact resolution can be given a 30% weight and 30% weight respectively.

3. Data Collection and Analysis

Data must be collected for each KPI in order to develop the SPI. These data may be drawn from a variety of sources, including customer surveys, service logs, and performance monitoring systems. After collection, this data should be analyzed to see how well the service is performing against each KPI.

Example: A bank can monitor the customer reaction cards, call center logs and the transaction records to evaluate the performance by parameters such as waiting period, resolution of issues raised and general satisfaction.

4. Data Normalization

Normalizing the data is very important because the KPIs can have measurements in different units, so the data can be combined into a single index. For instance, some measures must be changed to a common scale for comparison, such as most common transformation methods that include changing the results to a 0 to 100 scale. For

example, if CSAT is out of 10, the score is multiplied by 10 to be normalized on a scale of 0 to 100.

5. Calculate the SPI

- **Explanation:** After normalizing the data and applying the weights, the next step is to calculate the SPI by combining the weighted scores of each KPI. This gives a composite score that reflects overall service performance.

- **Formula:** $SPI=(W1{\times}KPI1)+(W2{\times}KPI2)+{\dots}+(Wn{\times}KPIn)$

   Where W represents the weight and KPI represents the normalized score for each indicator.

   Example: If the CSAT has a score of 85 and a weight of 0.4, response time has a score of 90 and a weight of 0.3, and FCR has a score of 80 and a weight of 0.3, the SPI would be calculated as:

   $SPI=(0.4{\times}85)+(0.3{\times}90)+(0.3{\times}80)=34+27+24=85$

6. Setting Benchmarks and Targets

The SPI should have clearly set targets and benchmarks as this will ensure effective use of the SPI. Benchmarks could be from the industry standards or edges of historical performance, while the target specifies the objective to be attained in a level of service performance.

Example: If the industry benchmark of the SPI is 80 and the company wants to surpass it, then a target of 90 could be set.

7. Monitor and Review the SPI Regularly

SPI should be monitored from time to time for trend analysis. This will help the organization in finding trends, detecting the areas of non-fulfillment, and taking decisions for improvement in quality of service on an informed basis.

Example: A telecom company can monitor its SPI monthly to ensure that service performance meets or exceeds customer expectations.

8. Continuous Improvement

It does not mean that the SPI has been fixed once and for all. With changing customer expectations over time, the SPI needs to be changed with the addition of some new KPIs or the giving of different weights to previously selected ones. This ensures that the index always remains relevant and really reflects those dimensions of service performance that are of the greatest relevance.

For instance, if customers begin to pay more attention to digital service channels, the bank may include a recent KPI related to its mobile banking app performance and, consequently modify SPI values.

Benefits of Service Performance Index

➤ One View: It offers a single view in an easy to understand indicator on overall service performance.

➤ Targeted Improvement: Businesses can actually pinpoint specific procedures through which the service delivery can be enhanced.

➤ Informed Decisions: It enables data-informed decisions due to obtaining clarity regarding performance.

➤ Customer-Centric: Aligns service delivery with the expectation of customers, which results in high customer satisfaction and loyalty.

Challenges

➤ Complexity: An SPI can be relatively complex to develop and maintain, with organizations offering a large portfolio of services or serving a number of customer segments.

➤ Data Quality: The quality of an SPI depends on the accuracy of underlying data, which should be reliable and current.

➤ Balancing KPIs: There should be the right balance of KPIs within the SPI; therefore, over-emphasizing a certain metric may easily skew the index.

A well-developed Service Performance Index is an extremely well way to measure, monitor, and improve service quality. This is further developed by careful selection and weightiness of the relevant KPIs, normalization of the data, and constant enhancement of the index in ensuring that provided service meets or supersedes client expectations in order to maintain success and advantages.

Check Your Progress-A

Q1. State the difference between customer-defined and company-defined standards?

Q2. Explain the advantages of customer defined service standards?

Q3. MCQs

(i)   It's putting a Band-Aid on a gash—it might stop the bleeding but really doesn't get to the root cause of the problem

     a. Hard standards   b. soft standards   c. one-time fix

(ii)   Describing what service quality should look like, such as response times, resolution of problems, and customer satisfaction

     a. Service standards   b. service scripts   c. service quality

12.8 SUMMARY

This unit discussed the inconsistency between company perceptions of customer expectations and the standards they set to deliver to these expectations. Among the major causes for provider gap 2, are inadequate standardization of service behaviors and actions, absence of formal processes for setting service quality goals, and lack of customer defined standards. To close the design and services gap, it suggested that standard set by companies must be based on company requirements and expectations rather than just on internal company goals. The process of setting the customer standards and developing service performance indicator is discussed in detail.

12.9 GLOSSARY

Customer Expectations: The preconceived notions or standards that customers hold regarding the quality and type of service they should receive.

Customer Feedback: Information provided by customers about their experience with a service, often used to improve service quality.

Customer Journey: The complete set of experiences that customers go through when interacting with a service, from the initial contact to the final outcome.

Customer Satisfaction (CSAT): A measure of how well a company's products or services meet or exceed customer expectations.

First Contact Resolution (FCR): The percentage of customer issues resolved during the first interaction without the need for follow-up.

Key Performance Indicators (KPIs): Measurable metrics used to evaluate the effectiveness of a service or process in meeting customer expectations.

Moment of Truth: A critical point in a service process where the customer forms an impression of the service quality.

Mystery Shopping: A method used to measure service quality where an anonymous shopper evaluates the service from a customer's perspective.

Net Promoter Score (NPS): A metric that measures customer loyalty by asking customers how likely they are to recommend the service to others.

One-Time Fix: A permanent solution implemented to eliminate a recurring service issue, requiring no ongoing maintenance.

Service Blueprint: A detailed diagram or plan that outlines the entire service delivery process, including customer interactions and backend processes.

Service Encounter: Any interaction between a customer and a service provider during the service delivery process.

Service Gaps: Discrepancies between customer expectations and the actual service delivered.

Service Performance Index (SPI): A composite index that aggregates various KPIs into a single score to measure overall service performance.

Service Quality: The degree to which a service meets the customer's expectations and needs.

Service Recovery: Actions taken by a company to correct a service failure and restore customer satisfaction.

Service Standards: Predefined benchmarks or criteria that specify the quality and performance level expected in service delivery.

12.10 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress   A

1. **Refer 12.3**

2. **Refer 12.6**

3. **(i) c   (ii) a**

12.11   REFERENCES

- Services Marketing: Integrating Customer Focus Across the Firm by Valarie Zeithaml, Mary Jo Bitner, and Dwayne Gremler
- Services Marketing: People, Technology, Strategy" by Christopher Lovelock and Jochen Wirtz
- Marketing of Services by Vinnie Jauhari and Kirti Dutta
- Services Marketing by Christopher Lovelock and Jochen Wirtz

12.12 SUGGESTED READINGS

1. Marketing of Services by Vinnie Jauhari and Kirti Dutta

12.13   TERMINAL QUESTIONS

1. Given the need for customer defined service standards, do firms need company defined standards at all? Could all standards in a company be customer defined? Why or Why not?

2. What is the difference between hard and soft standards? Which do you think would be more readily accepted by employees? By management? Why?

3. Explain the process of setting customer defined service standards.

4. What is Service Performance Indicator (SPI)? How it is being calculated?

📖 12.14 CASE LETS/CASES

Caselet: Redefining service excellence at "The Urban Retreat" spa

"The Urban Retreat" is a luxury day spa located in one of the bustling metropolitan cities in India. With its serene ambiance and wide range of treatments, it has built a niche for itself among customers who visit the spa regularly. Customer feedback of late, however, has shown falling satisfaction—specifically in areas concerning service delivery. The management feels that a decrease in the quality of service diminishes the reputation and profitability of the facility. In light of this, the need to set customer-driven service standards compelled the management of the spa.

The following issues have been discussed by customers on social media and review websites over the past three months. These include:

Long waiting times: customers have complained that their individual treatments started late, despite their arrival on time.

Inconsistent quality: some consumers believed that the quality of the treatments varied with therapists.

Lack of personalization: regular customers were upset that nobody knew or remembered their preferences when they came back for a repeat visit. Management acknowledged that the reason behind these complaints was that there were no explicit service standards that would fulfill customer expectations. To regain customer confidence and enhance the total experience, "the urban retreat" decided to introduce customer-defined service standards.

Identifying key service encounters:

The management identified service encounters that were likely to have the most impact on customer satisfaction, such as the process of booking, reception and waiting area, treatment sessions, and post-treatment interactions.

Understanding customer expectations:

The spa conducted questionnaires, focus groups, and in-depth interviews among their regular clients and first-time visitors in order to research what customers placed the most value in. Customers were found to value punctuality, consistency in quality, and a personalized experience.

Translated expectations into service standards:

From this feedback, specific measurable service standards were set out regarding:

Punctuality: the appointment should start within 5 minutes of the scheduled time.

Consistency: regular training for all therapists so that treatments are uniform.

> Personalization: introduced a customer profile system where staff could record and recall a list of individual preferences.

Employee training and engagement:

The spa carried out training programs to orient the employees about the new service standards. Customer-centric behaviors like how a client should be properly greeted and made to feel welcome were taught to the staff.

Monitoring and continual improvement:

To ensure that the new standards were being met, the spa put in place a loop for customer feedback. After each visit, clients were asked to rate their experience, including relevant comments. This feedback was then followed up on regularly, with the service standards adjusted accordingly.

Within three months of implementing customer-defined service standards, "the urban retreat" realized improved customer satisfaction scores. More positive reviews emerged, citing punctuality and consistent service at the spa, and attention to personal details. Repeat business also increased as customers came to appreciate the personal touch that made them feel identified and valued.

Apart from this, employees expressed higher satisfaction in their job because they now felt better equipped against customer expectations and were enthused by positive feedback from the clients.

Successful service delivery turnaround at "the urban retreat" was attained through a move from company-defined to customer-defined service standards. By reframing services around what the customer values, the spa improves satisfaction and strengthens the business reputation as the premier destination for the ultimate relaxation and wellness experience. This situation illustrates the importance of listening to customers and modifying service delivery in their interests—a leading path to sustainable business success.

QUESTIONS

1. Analyze the relationship between customer-defined service standards and customer satisfaction at "The Urban Retreat." How did aligning service standards with customer expectations impact the spa's reputation?

2. Discuss the importance of personalization in service delivery as demonstrated in the case of "The Urban Retreat." How did personalization contribute to customer loyalty?

3. Evaluate the effectiveness of using customer feedback loops in improving service standards. What are the potential challenges "The Urban Retreat" might face in maintaining this approach?

4. Imagine you are a consultant hired by "The Urban Retreat." What additional strategies would you recommend to further enhance customer-defined service standards?

UNIT 13 PHYSICAL EVIDENCE AND PROCESS IN SERVICE MARKETING

13.1. Introduction

13.2. Learning Objectives

13.3 Meaning of Physical Evidence

13.4 Meaning of Process

13.5 Service Blueprint & Its Use

13.6. Role Of Technology and Physical Aids in Service Process

13.7. Summary

13.8. Glossary

13.9. Answer To Check Your Progress

13.10. Reference/ Bibliography

13.11. Suggested Readings

13.12. Terminal & Model Questions

13.13. Case Study

13.1 INTRODUCTION

Service marketing has drastically evolved in last decades and with the development in SaaS (Software-as-a-Service), there has been revolutionary change in the service sector. Service organizations face complexity and challenges due to the unique features of services. Unlike tangible products, services are intangible, heterogeneous, and perishable. Service. It has become crucial for service companies to find ways to develop value and customer trust. This has compelled service organizations to develop measures to sustain their business while being cost-effective. In these circumstances physical evidences and process become significant.

Physical evidence refers objects, things like a tangible clue that generate confidence of customer in the services and service organisation. Physical evidence includes various elements that visualize the tangible aspects of services, such as websites, signage, symbols, and employee uniforms. These are basically the indicators of service presence and companies brand value.

Process, involves the procedures, and flow of activities that follows a service delivery. It encompasses every step from initial customer contact to the final delivery of the service. A well-designed process ensures efficiency, consistency, confidence and satisfaction, creating a seamless and positive experience for customers.

Understanding and strategically managing physical evidence and process are essential for service providers aiming to differentiate themselves in a competitive market. This unit delves into the intricacies of these two critical components, exploring how they influence customer perceptions, enhance service delivery, and contribute to overall marketing success. By the end of this unit, you will have a comprehensive understanding of how to leverage physical evidence and process to create a compelling and trustworthy service offering.

13.2 LEARNING OBJECTIVES

After studying this unit, you should be able to:

- Understand the significance of physical evidence in services.

- Identify the key components of physical evidence and their impact on customer perceptions.

- Analyze the role of process in delivering services effectively and efficiently.

- Design service environments and materials that enhance the customer experience.

- Know the effectiveness of different processes in service delivery.

- Apply best practices for managing physical evidence and process in a service marketing context.

- Develop strategies to differentiate services through physical evidence and process improvements.

- Recognize the interplay between physical evidence, process, and overall service quality.

13.3 MEANING OF PHYSICAL EVIDENCE

Physical evidence consists of tangible items, such as equipment and objects, that play a significant role in service delivery. The physical evidence facilitates effective distribution of services and reflects the standard of service quality. Since services are intangible by nature, this creates difficulties for customers in assessing the services, as they lack physical existence, color, and design. In order to eliminate the negative effect, cause due to its intangibility feature of service, the service organization are tangiblise the services by creating tangible clues in every place of interaction with the consumers.

These physical objects create a positive impression about the service and service organizations. It plays a role in enhancing customer's perception of the service quality.

Customers gain confidence and satisfaction from tangible clues when evaluating a service before consumption.

In the context of service marketing, 'Physical Evidence' refers to tangible elements that customers can see, touch, and experience, helping to convey the quality and nature of the service being offered. Since services are inherently intangible, physical evidence serves as a crucial component in creating a tangible aspect of the service offering. This can include:

Environment and Ambiance: The physical surroundings where the service is delivered. For example, the decor, cleanliness, and layout of a restaurant, hotel, or retail store.

Equipment and Facilities: The equipment, machinery, or facilities used to deliver the service. This might include the gym equipment in a fitness center, the medical devices in a hospital, or the vehicles of a transportation service.

Staff Appearance and Behavior: The appearance, uniforms, and demeanor of employees providing the service. Specialized, well-dressed, and courteous staff can enhance the perception of quality service.

Printed and Digital Materials: Brochures, business cards, signage, websites, and apps that provide information about the service. These materials help set expectations and provide necessary information to customers.

Packaging and Branding: Any physical packaging associated with the service, such as the packaging of a delivered meal or the branding on hotel toiletries. This also extends to digital branding elements.

Customer Testimonials and Reviews: Written or video testimonials and reviews from other customers can serve as physical evidence of the service's quality and reliability.

Reports and Documentation: Contracts, receipts, reports, and other documents provided during or after the service experience.

Physical evidence helps reduce the uncertainty and perceived risk associated with purchasing a service. It can influence customer perceptions, enhance trust, and differentiate a service provider from competitors. By carefully managing physical evidence, businesses can create a more compelling and reassuring customer experience.

13.3.1- NEED AND IMPORTANCE OF PHYSICAL EVIDENCE

The need and importance of physical evidence in the marketing of services stem from the inherent intangibility of services. Unlike products, services cannot be seen, touched, or owned prior to purchase, making it essential for marketers to provide tangible cues that help customers understand and evaluate the service. Here are key reasons why physical evidence is crucial in-service marketing:

1. Reduces Perceived Risk

As services are intangible, Services cannot be seen, touched, or physically measured before purchase. This nature of services increases perceived risk and uncertainty among consumers. Physical evidence helps reduce the uncertainty and perceived risk associated with purchasing a service. Tangible cues like clean facilities, professional staff, brochures, websites, uniforms, and high-quality equipment provide customers with something concrete to evaluate, helping to visualize, understand and reassure customers about the service's quality and reliability.

2. Enhances Credibility and Trust

As the services are heterogeneous in nature, that makes the services more variable. This creates doubt regarding credibility regarding the service organisation. The Tangible elements such as branded materials, professional attire, and well-maintained environments enhance the credibility and trustworthiness of the service provider. Customers are more likely to trust a service that appears organized, professional, and high-quality. Standardized physical elements like staff uniforms, branded environments, and consistent printed materials help maintain a uniform brand image and service quality, reducing perceived variability.

3. Influences Customer Perceptions

Physical evidence shapes customers' perceptions and expectations of the service. For example, a luxurious hotel lobby sets the expectation for a high-end service experience, while a modern and clean dentist's office can alleviate patient anxiety.

Effective use of physical evidence, such as promotional materials, signage, and online booking systems, helps manage customer expectations and demand, ensuring timely consumption and enhancing perceived value.

4. Facilitates Evaluation and Comparison

Tangible aspects of a service allow customers to evaluate and compare different service providers. Elements like brochures, websites, customer testimonials, and physical locations provide necessary information that helps customers make informed decisions.

5. Enhances the Service Experience

Physical evidence contributes to the overall customer experience. A pleasant and well-designed environment can enhance customer satisfaction and enjoyment, while professional and courteous staff can improve the perceived value of the service. High-quality physical evidence such as well-designed marketing materials, clean and inviting environments, and professional staff attire can instill confidence in potential customers about the service quality.

6. Supports Branding and Differentiation

Physical evidence plays a key role in branding and differentiating a service. Consistent use of logos, colors, and design elements across all physical touchpoints helps create a strong

brand identity. Unique and superior-quality physical evidence can create a unique identity from competitors in the market.

7. Communicates Quality and Value

The quality of physical evidence directly reflects the perceived quality and value of the service. High-quality materials, clean and well-maintained facilities, and professional staff communicate that the service provider is committed to delivering a superior experience.

8. Enhances Customer Engagement and Loyalty

Physical evidence can enhance customer engagement and loyalty. Once the customer gets satisfied, they are more likely to repeat purchase and recommend the service to others, that creates free-of-mouth publicity and repeat business.

13.3.2- ELEMENTS OF PHYSICAL EVIDENCE

In service marketing, physical evidence is crucial as it provides tangible aspects that help customers evaluate and experience the service. These elements play a significant role in shaping customer perceptions, building trust, and enhancing the overall service experience.

Physical evidence in services, categorized into Servicescape and Other Tangibles, plays a crucial role in shaping customer perceptions, reducing perceived risk, and enhancing the overall service experience. By carefully managing these elements, service providers can create a more tangible and reassuring experience for their customers, leading to higher satisfaction and loyalty.

Physical evidence includes each feature of the service company's physical facility (the servicescape) as well as other forms of tangible communication. The elements of physical evidence can be categorised into two main groups: Servicescape and Other Tangibles.

Table 1: Elements of Physical Evidence

Main-category	Sub-Category	Sub-Elements
SERVICESCAPE	**Facility Exterior**	Signage
		Parking
		Landscape
		Building Design
	Facility Interior	Layout and Design
		Cleanliness

		Lighting
		Sound
		Air Quality/ Temperature
OTHER TANGIBLES	**Employee Appearance**	Uniforms & Grooming
	Marketing Materials	Brochures, Business Cards, Flyers
	Signage and Branding	Logos & Signs
	Equipment and Facilities	Tools and Machinery, Facilities
	Customer Testimonials	Reviews & Endorsements
	Digital Interfaces	Websites, Mobile Apps, Self-Service Kiosks
	Reports of the company and Documents	Agreements, Receipts, Service Reports

Table 2: Elements of Physical Evidence with examples

Main-category	Sub-Category	Sub-Elements	Examples
SERVICESCAPE	**Facility Exterior**	Signage	Clear and attractive signs for location identification
		Parking	Convenient and accessible parking spaces
		Landscape	Manicured gardens, outdoor seating areas
		Building Design	Elegant and well-maintained architectural style
	Facility Interior	Process Layout and Design	Functional/ operational and aesthetically pleasing arrangement of space
		Cleanliness	High levels of hygiene and cleanliness
		Lighting	Appropriate and mood-enhancing lighting
		Sound	Calming background music, controlled noise levels

		Air Quality/ Temperature	Comfortable temperature settings
OTHER TANGIBLES	**Employee Appearance**	Uniforms & Grooming	Professional attire that reflects the brand, Personal hygiene and grooming standards
	Marketing Materials	Brochures, Business Cards, Flyers	Informative and visually appealing service brochures, Professional and easy-to-read business cards. Promotional materials highlighting special offers
	Signage and Branding	Logos & Signs	Consistent use of branded logos across materials, Clear and informative signs within the facility.
	Equipment and Facilities	Tools and Machinery, Facilities	Modern, clean, and well-maintained service equipment, Comfortable and functional service spaces
	Customer Testimonials	Reviews & Endorsements	Positive reviews displayed online or within the facility, Recommendations from satisfied customers
	Digital Interfaces	Websites, Mobile Apps, Self-Service Kiosks	User-friendly, informative, and professionally designed, Automated kiosks for quick service transactions.
	Reports and Documentation	Contracts, Receipts, Service Reports	Clear and detailed service contracts, Accurate and easy-to-understand receipts and invoices, Comprehensive reports detailing the service provided

13.3.3- GUIDELINES FOR PHYSICAL EVIDENCE STRATEGY

1) **Identifying the strategic impact of physical evidence:**

Physical evidence is a tangible clue that facilitates the service organisation in developing confidence of customer on the quality of services. Physical evidence plays a significant role in shaping customer expectations. After identifying the impact of physical evidence,

service organisation can design and improve the scope of physical evidence. For developing the effectiveness in the physical evidence, it is necessary to align with the organisation objectives.

2) **Mapping the physical evidence of service:**

After identifying the impact of the impact of physical evidence, mapping is done. This is an allocation of physical evidences according to the different stages involved. It is done as per the various elements of physical evidence. Most effective way of mapping is by creating a service map, or blueprint.

Service maps serve various purposes, but they are especially useful for visually identifying opportunities for physical evidence. These maps illustrate the interplay between people, processes, and physical evidence within the service framework.

3) **Clarify roles of the servicescape:**

The servicescape plays various roles, and firms can use this understanding to identify their roles in specific contexts. For instance, a childcare company would place itself in the "Elaborate, Interpersonal" cell of a matrix and recognize that its servicescape decisions are relatively complex. This would mean that:

   i)   The needs of both children and service providers must be considered.

   ii) The servicescape strategy could influence marketing, organizational behaviour, and consumer satisfaction goals.

In some cases, the servicescape may not play a significant role in service delivery or marketing from the customer's perspective, such as with telecommunications services or utilities. This facilitate in identification of opportunities and determining who should be approached in making facility design decisions.

4) **Identify and analysis of physical evidence opportunities:**

Once clarifying the need and importance of servicescape. Next thing is to identifying the necessity of existing and new physical evidences. These servicescape are then analysed to understand the further scope of improvement in the physical space. One important question to ask is whether there are missed opportunities to provide service evidence. For example, a service map for an insurance or utility service might reveal that customers receive little or no evidence of the service. In such cases, appropriate measures may be developed create effective service evidence to display their commitment for the quality standard.

Alternatively, it may be discovered that the existing evidence sends messages that do not align with the firm's image or goals or that fail to meet customer expectations. For instance, a restaurant might find that its high-price cues are inconsistent with its design, which

suggests "family dining" to its target market segment. Depending on the restaurant's overall strategy, it would need to either adjust its pricing or redesign its facility.

5) **Be flexible to adapt changes and upgrade the Evidence:**

After analysing the necessity for certain new physical evidences and availability of advance servicescape, the service organisation must ensure space for replacement and introduction of new tangible evidences.

Over the period of time, certain evidences required to be changed and modernization. Fashion trends also play a role, as different colors, designs, and styles can convey different messages over time. While organizations often recognize this in their advertising strategies, they sometimes overlook the need to update other elements of physical evidence.

6) **Work Cross-Functionally:**

A service organisation always tries to highlight their core competency in positioning the service as desired image. Service organisation must include all the departments in projecting the physical evidences in every servicescape of high customer interaction points. However, evidence decisions are often made over time and by various functions within the organization. For instance, employee uniform decisions may be handled by human resources, servicescape design decisions by facilities management, process design decisions by operations managers, and advertising and pricing decisions by the marketing department. Sometimes, the physical evidence of service does not function consistently.

Service mapping, or blueprinting, can be a valuable tool for internal communication within the firm. It helps identify existing service evidence and serves as a foundation for making changes or introducing new forms of physical evidence.
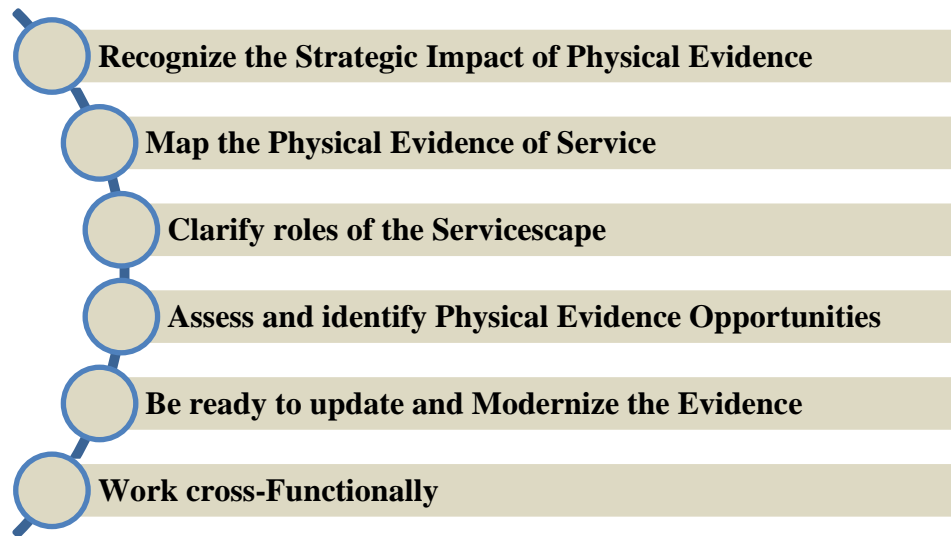
Figure 1: Guidelines for Physical Evidence Strategy
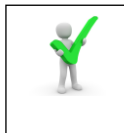
Check Your Progress-A

Q1. What do you mean by Physical evidence in services?

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Q2. Discuss the difference of physical evidence in tangible and intangible products?

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Q3. Highlight the elements of physical evidence used in service organization?

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Q4. Explain the role and significance of physical evidence on overall customer experience.

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Q5. Discuss the term Facility Interior and facility Exterior in physical evidence that assure the quality in service?

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Q6. How does the presence of physical evidence help in reducing perceived risk for customers?

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Q7. How can service companies strategically manage physical evidence to gain a competitive advantage?

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Multiple Choice Question

Q8. What is physical evidence in the context of service marketing?

a) Tangible products that are sold alongside services.

b) The tangible components, setting and surroundings in which the services are offered.

c) The   financial   records   of   a   service   business
d) The intangible aspects of customer service interactions

Q9. Which of the following is NOT considered a component of physical evidence in a service environment?

a) The layout of the service facility
b) The appearance of service employees.
c) The service pricing strategy
d) The brochures and pamphlets used for communication

Q10. How does physical evidence help in service marketing?

a)   By   providing   a   competitive   pricing   structure
b) By reducing perceived risk and enhancing customer trust
c)   By   eliminating   the   need   for   promotional   activities
d) By replacing digital marketing strategies

Q11. What role does staff appearance play in the physical evidence of service marketing?

a) It has no significant impact on customer perceptions.
b) It only affects internal staff morale, not customer perceptions.
c) It enhances customer perceptions of professionalism and quality.
d) It solely determines the efficiency of service delivery.

Q12. Which industry heavily relies on physical evidence to build trust and enhance customer satisfaction?

a)   Software   development
b)   E-commerce
c)   Healthcare
d) Telecommunications

13.4 MEANING OF PROCESS

The service process is important component of augmented marketing mix. This has received less attention though it is an important part of the marketing task. The adoptions of processes, which add value to the service offering without incurring major cost disadvantages, are beneficial to the customers and the organization.

In service marketing, "process" refers to an identified standard and sequence of procedure or series of actions adopted by the service organizations in services. Process depicts the complete workflow and procedure followed to offers the services. Process is initiated and must ensure two things first is number of steps / stages involved in the service and second things is easy interface without complexity. Process includes everything that facilitates service person as well as the Customer. Process must ensure easiness and comfort to the people involved in entire procedure. It plays a crucial role in ensuring consistency, efficiency, and quality of service delivery. Here's a deeper look into the meaning and importance of process in services:

Definition of Process in Services

- **Systematic Activities**: Processes are a set of structured and repeatable activities designed to achieve specific predetermined outputs. In services, these activities ensure that customer needs are met effectively and efficiently.

- **Customer Journey**: The process outlines the entire customer journey, from the moment a customer becomes aware of the service to the point of post-service support. It includes all touchpoints and interactions a customer has with the service provider.

- **Workflow and Procedures**: It includes the detailed workflows and procedures that service providers follow to deliver their services. This guarantees consistency and standardization in delivery of service.

Process is the way of undertaking transaction, supplying information and providing services on a way, which is acceptable to the consumer and effective to the organization.

13.4.1 NEED AND IMPORTANCE OF PROCESS

In the realm of service marketing, the process is a pivotal element that shapes the delivery and perception of services. It encompasses the entire sequence of actions, mechanisms, and workflows involved in providing a service to customers. Here's a detailed explanation of the need and importance of the process in services:

1. Consistency and Quality Assurance

- **Standardization:** Process refers to a systematic way of doing a work. It could be understood like a SOPs designed by the service organization to perform a particular task in offering the services. Standardization always ensures a uniform procedure that has to be followed in the company to develop system in the organization. This facilitates customers in understanding the process and to get satisfaction regarding the quality service.

- **Quality Control**: Well-defined processes include checkpoints and quality control measures that help identify and rectify deviations, ensuring high service standards are met consistently.

2. Efficiency and Productivity

- **Streamlined Operations**: Efficient processes eliminate redundant steps and streamline workflows, leading to faster service delivery. This reduces waiting times and long que for customers and improves operational efficiency.

- **Resource Optimization**: By optimizing the use of resources (such as manpower, equipment, and technology), processes help in reducing costs and improving overall efficiency.

3. Customer Satisfaction and Experience

- **Reliability**: Consistent and predictable processes build trust and reliability among customers, as they know what to expect from the service provider.

- **Personalization**: Well-defined processes can incorporate elements of personalization, ensuring that the service meets the unique needs and preferences of individual customers, thereby enhancing their experience.

4. Employee Performance and Training

- **Clear Guidelines**: Processes provide clear guidelines and instructions for employees, helping them understand their roles and responsibilities. This reduces ambiguity and enhances employee performance.

- **Training and Development**: Documented processes serve as training manuals for new employees, ensuring they are well-prepared to deliver the service

effectively. Continuous process improvements can also be integrated into ongoing training programs.

5. Adaptability and Scalability

- **Handling Variability**: Well-structured processes are adaptable to changes in demand, allowing service providers to handle peak times and variability in customer requirements without compromising on service quality.

- **Scaling Operations**: As businesses grow, scalable processes ensure that service delivery can be expanded to new locations or markets efficiently, maintaining consistency and quality across the board.

6. Compliance and Risk Management

- **Regulatory requirements**: The Process in the service confirm that all necessary compliances and regulations are adopted and followed all standards to reduce the risk of legal and penalty issues.

- **Risk control**: Identifying and assessing the possible risks and introducing strategies to mitigate them in processes. This helps in reducing the service failures and managing uncertain situations effectively.

7. Innovation and Continuous Improvement

- **Feedback analysis**: Feedback analysis is an important mechanism that collect and make analysis of customer feedback that develops necessary suggestion for improvising the services.

- **Continuous Improvement**: This helps a service organization to working continuously on the enhancing the standard by upgrading the service facilities according to the industry trends.

Examples of Process in various services

Healthcare Industry	Hospitality
Ensure safety of patient, offer quality care with industry standard, treatment protocols and Hospital management.	Offering a healthy experience to guests in the entire process through quality standard.
Retail	**Banking**
Managing customers experience and convivence and ensure smooth shopping experience.	Provide banking services with high quality standards with safety, security through robust banking procedures
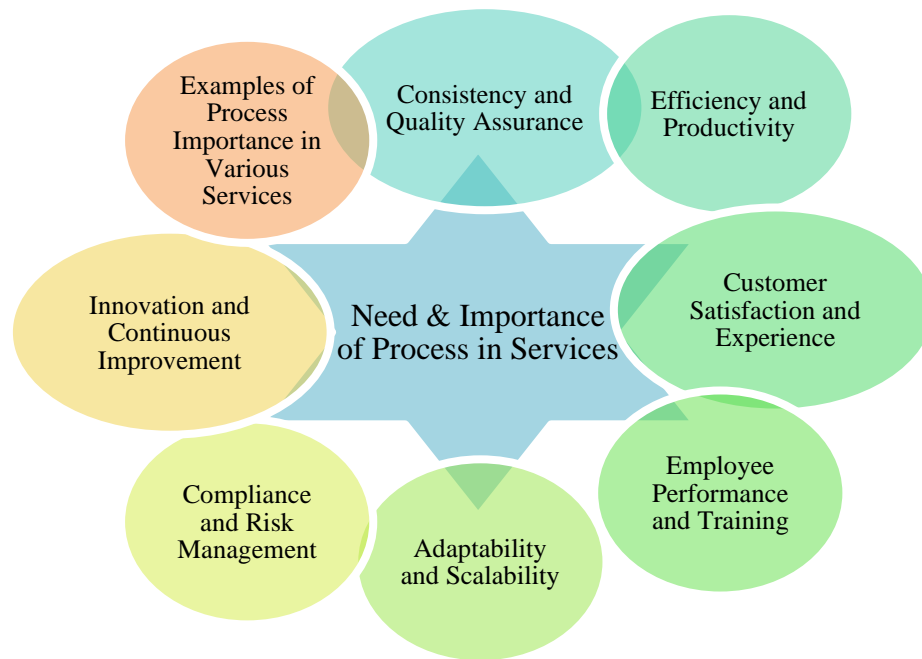
Figure 2: Importance of Process in Services

13.4.2 DESIGNING SERVICE PROCESS

Designing services process is a mechanism that is adopted to design and develop services. Some of the key factors need to be considered while implementing. These are as follows:

1. **Customer Participation in the Process:** In most service systems, the customer is present during service delivery. Rather than being passive, the customer can act as productive labor precisely when needed. There are opportunities to enhance productivity by involving customers in some service activities. Additionally, customer participation can be increased with introduction of high customization. By increasing the customers involvement may support cost leadership strategy, like in self-service market.

   The customer involvement can vary, creating a spectrum of service delivery systems ranging from self-service to full reliance on a service provider. For instance, in real estate services, a homeowner can choose to sell their home personally or depend entirely on a real estate agent.

2. **Location of Service Delivery:** In involves deciding about the place of service delivery. Whether service be offered at one site or multiple site and whether services will be distributed in the premises of service organization or at the residence of customer.   Services like gardening and house painting are straightforward, this could be only delivered at the residence of customer, while dry cleaning and theatrical performances occur at specialized venues. However, traditional practices may change, as seen with telephone banking and insurance services, which no longer require physical branches. Travel arrangements can be

made without visiting a travel agent, and services like hairdressing, take-away food, and financial consultancy can be delivered to the customer at home if needed.

3. **The Nature of the Service:** It's important to determine whether the service is process-dependent (typically true for highly intangible services like legal representation) or equipment-based (such as vending machines or dry cleaning).

4. **High-Contact or Low-Contact Services:** The level of contact between the customer and the service provider's personnel varies. It can range from minimal (as with automatic cash dispensers, vending machines, or ticket booking machines) to very high contact (as in medical or professional services where the client or patient interacts extensively with the organization's personnel).

5. **Degree of Standardization:** Services can be highly standardized (like the McDonald's fast-food experience) or customized (as in professional services where each client's needs differ). The level of standardization can be customized from the standard in order to fulfil according to individual consumer needs is known as divergence.

6. **Complexity of the Service:** This is measured by the number of steps or activities involved in delivering the service. Complex services, such as ensuring tourists have an enjoyable holiday, include numerous steps like travel arrangements, hotel management, and high levels of customer service. Simpler services involve fewer steps, like a bank cashier processing a deposit or a garage performing a routine car service. These simpler processes are often governed by standard procedures with little variation.

13.4.3. A SPECTRUM OF SERVICE PROCESS

The spectrum of service processes can be explained using two dimensions: **Degree of Labour Intensity** and **Degree of Interaction and Customization**. Categorization of different types of services into a matrix is in the table below:

a) **Service Factory**: Focuses on efficiency and standardization with minimal customization and interaction.

b) **Mass Service**: Combines high customer interaction with standardized processes, limiting customization.

c) **Service Shop**: Provides specialized services with moderate interaction and standardization.

d) **Professional Service**: Offers highly personalized and labour-intensive services with significant interaction and customization.

Table 3 The Service Process Matrix

		Degree of Interaction and Customization	
		Low	*High*
Degree of Labour Intensity	*Low*	**SERVICE FACTORY** Airlines Transportation Hotels	**MASS SERVICE** Schools Retailing
	High	**SERVICE SHOP** Hospitals Auto repairs saloon	**PROFESSIONAL SERVICE** Doctors Lawyers Accountants

Definitions and Examples:

1. **Service Factory** (Low Labour Intensity, Low Interaction/Customization)

    o **Characteristics**: High efficiency, minimal customer interaction, and low customization. Services are highly standardized.

    o **Examples**: Fast food restaurants, automated car washes.

2. **Mass Service** (Low Labour Intensity, High Interaction/Customization)

    o **Characteristics**: Involves more customer interaction but still relies on standardized processes. Customization is limited but interaction is frequent.

    o **Examples**: Call centers, retail chains with self-service kiosks.

3. **Service Shop** (High Labour Intensity, Low Interaction/Customization)

    o **Characteristics**: Requires more labor-intensive processes with limited customization. Interaction with customers is more controlled and less frequent.

    o **Examples**: Auto repair shops, dry cleaners.

4. **Professional Service** (High Labour Intensity, High Interaction/Customization)

    o **Characteristics**: High degree of customization and interaction with clients. Labor-intensive and highly specialized services.

    o **Examples**: Consulting services, legal services.

13.4.4. SERVICE DESIGN OPTIONS

Service design options refer to the various approaches, strategies, and methodologies that organizations can use to create and deliver services effectively. The main objectives of service design are to ensure the customer needs are fulfilled, short and simple, is easy to use, safety and delivers a high-quality experience. Service design considers all aspects of service delivery, including customer interactions, processes, and the service environment.

Service design an option encompasses a wide range of strategies and approaches that organizations can employ to create effective and customer-centric services. By carefully selecting and implementing the most suitable service design options, service organization can improve customer satisfaction and experience, improve operational efficiency, and develop a competitive edge in the market. Some key service design options are as follows:

1. **Standardized Services**

   - Standardized services involve offering a consistent service across all customers and touchpoints. This approach ensures uniformity in service delivery and quality.

   - **Examples**: Fast-food chains like McDonald's, where the menu, service process, and experience are consistent worldwide.

2. **Customized Services**

   - Customized services are tailored to meet the specific needs and preferences of individual customers. This approach allows for personalization and flexibility in service delivery.

   - **Examples**: Custom travel packages offered by travel agencies based on individual customer preferences.

3. **Modular Services**

   - Modular services involve creating a set of standardized service components or modules that can be combined in various ways to create customized service packages.

   - **Examples**: Internet service providers offering different combinations of internet speed, data limits, and additional services like streaming or gaming packages.

4. **Self-Service Options**

   - Self-service options enable customers to perform certain tasks or access services without direct interaction with service employees. This approach often leverages technology to enhance convenience and efficiency.

   - **Examples**: Online banking services, self-checkout kiosks in supermarkets, and mobile app-based food ordering systems.

5. Co-Creation of Services

- Co-creation involves customers actively participating in the design and delivery of the service. This approach leverages customer input to create more personalized and engaging service experiences.

- **Examples**: Customizable products or services like Nike's custom shoe design platform or collaborative workshops where customers help design their ideal service experience.

6. Technology-Enhanced Services

- Incorporating advanced technologies to enhance service delivery, improve efficiency, and create innovative service experiences. This includes the use of AI, IoT, AR/VR, and etc.

- **Examples**: AI-powered chatbots for customer support, IoT-enabled smart home services, and virtual reality tours in real estate.

7. Experience-Driven Services

- Designing services that focus on creating memorable and engaging experiences for customers. This emphasizes emotional connections and experiential value.

- **Examples**: Theme parks like Disneyland, luxury cruises, and boutique hotels that offer unique and immersive experiences.

8. Lean Service Design

- Applying lean principles to service design to eliminate waste of time, streamline processes, and improve value for customers. This approach focuses on efficiency and continuous improvement.

- **Examples**: Streamlined check-in processes in hotels, optimized workflow in healthcare services to reduce patient waiting times.

9. Service Blueprinting

- A detailed visualization displays of entire service process, projecting all necessary areas where there is important interaction in the services. This is pictorial representation of various activities like frontstage (visible) activities, and backstage (invisible) processes. This facilitates in understanding the procedure and smooth operations of services.

- **Examples**: Blueprinting the customer journey in a retail store, from entry to checkout, to identify and enhance touchpoints.

10. Multi-Channel and Omni-Channel Services

- Designing services that can be accessed through multiple channels (multi-channel) or seamlessly integrated across all channels (omni-channel) to provide a cohesive customer experience.

- **Examples**: Service organizations offering shopping options through physical stores, online platforms, and mobile apps with a unified customer experience.

13.5 SERVICE BLUE PRINT & ITS USES

A service blueprint is a pictorial representation of entire service process like a flow chart. This is an approach of making the service more effective and standardise. Service blueprint not only helps in improving the efficiency in the organisation but also facilitate doing Business Process Re-engineering.

Service Blueprinting is customer-oriented process and helps the customer to understand the procedure of availing the facilities. This a concept that make the service organisation to understand the service system and make better clarity in job designing and assessing the performance of each elements of organisation. It is an important tool for improving the existing services process and design new services.

The Service Blueprinting is a graphical display of service process that explains process and its activities, allowing early-stage visualization of service development. Each process step highlights contact points between the client and the firm (and any physical elements if the service is tangible), identifying failure points and areas for innovation. This technique helps identify cost-saving opportunities and provide important suggestions for improvising the services. As the services are intangible, it is complex to conceptualize because services could not be experienced with prototypes alone. Primary information is required before starting Service Blueprinting, including

       a) client requirements,

       b) documentation of existing processes and sub-processes,

       c) resources for each process step,

       d) and the time frame and duration of each step.

For new developments, note any missing information as it is discovered during the process.

Preparation of Blue Print

There are several essential stages in blueprinting a service:

1. Represent the service process in the form of its molecular structure.
2. Break down the process into logical steps.
3. Recognize the variability in the process.
4. Identify the backstage activities in the process.

    1) Represent the service process in the form of its molecular structure:

The first stage in blueprinting a service involves identifying and breaking down the service into its fundamental components. Much like a molecular structure that represents the arrangement of atoms in a molecule, this stage involves detailing every element that constitutes the service. This comprehensive breakdown ensures that no aspect of the service is overlooked, providing a clear and organized representation of the service product. This stage is crucial for understanding the full scope of the service and the relationships between its various parts.

Example: Consider a full-service restaurant. The molecular structure of the restaurant service would include the dining area, menu, service staff, kitchen operations, ambiance, and reservation system. The dining area represents the physical space where customers sit and enjoy their meals. The menu encompasses the variety of food and beverages offered. Service staff, including waiters, hosts, and managers, interact with customers and ensure their satisfaction. Kitchen operations cover chefs, kitchen equipment, and food preparation processes. The ambiance, including lighting, music, décor, and cleanliness, creates the overall dining experience. Finally, the reservation system, whether online or phone-based, manages customer bookings and ensures a smooth dining experience.

2) **Break down the process into logical steps.**

Once the service product is defined, the next step is to decompose the service delivery into a series of logical, sequential steps. This detailed breakdown helps in understanding the workflow and organizing the process efficiently. Each step should be clearly defined to ensure that the service can be delivered smoothly and effectively. This stage is essential for creating a structured approach to service delivery, allowing for better management and optimization of each phase.

Example: For an e-commerce platform, the logical steps might include browsing, selection, checkout, payment, order confirmation, fulfilment, shipping, and delivery. Browsing involves customers exploring the product catalogue using search and filter options. Selection is when customers add desired items to their shopping cart. Checkout involves reviewing the cart, applying discount codes, and entering shipping information. Payment includes choosing a payment method and completing the transaction. Order confirmation entails sending a confirmation email or message to the customer. Fulfilment involves warehouse staff picking, packing, and preparing the order for shipping. Shipping includes dispatching the order via a logistics provider and providing tracking information. Delivery is when the customer receives the order, followed by communication to ensure satisfaction.

3) **Recognize the variability in the process.**

Services often involve variability due to different customer preferences, external factors, or operational challenges. Identifying and planning of these variabilities is very important to maintaining consistency and quality. This stage includes

identifying potential variations and troubles that could occur in the service delivery process. By anticipating these variabilities, service providers can develop contingency plans and ensure a consistent customer experience even in the face of unexpected changes.

Example: In a hotel, variability can arise from guest preferences, seasonal demand, operational challenges, and external factors. Guest preferences can vary widely, with some guests requesting specific room features, dietary accommodations, or customized services. Seasonal demand fluctuations can significantly impact occupancy rates, with higher demand during holidays or local events. Operational challenges, such as unexpected maintenance issues like a malfunctioning elevator or plumbing problems, can disrupt service delivery. External factors like weather conditions can affect travel plans and local events can lead to a surge in bookings. By anticipating these variabilities, the hotel can develop flexible staffing schedules, proactive maintenance protocols, and adaptable service offerings.

4) Identify the backstage activities in the process:

The stage includes identifying and detailing the backstage activities and resources that support the frontstage delivery of services. These are critical for the seamless operation of the service but are not visible to the customers. Understanding these backstage elements helps in ensuring that the service front stage is well-supported and runs seamlessly. This stage is essential for managing the internal operations that enable the service to be delivered effectively.

Example: In a healthcare service, backstage elements include appointment scheduling systems, medical record management, staff coordination, inventory control, and billing and insurance processing. The appointment scheduling system involves software and staff managing patient appointments to ensure timely and organized care. Medical record management systems and personnel handle patient records, ensuring privacy, accuracy, and easy access for healthcare providers. Staff coordination involves internal communication and organization among doctors, nurses, and administrative staff to ensure efficient operations. Inventory control involves monitoring and managing medical supplies, medications, and equipment to prevent shortages and ensure readiness. Billing and insurance processing systems and staff handle patient billing, insurance claims, and financial records, ensuring smooth financial operations.
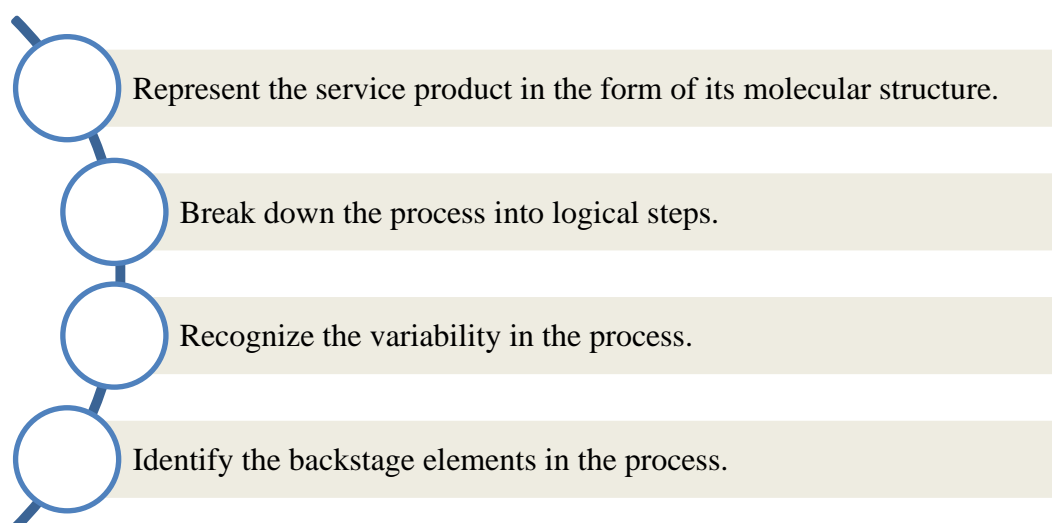
Represent the service product in the form of its molecular structure.

Break down the process into logical steps.

Recognize the variability in the process.

Identify the backstage elements in the process.

Figure 3: Steps in Blue print process

13.6 ROLE OF TECHNOLOGY AND PHYSICAL AIDS IN SERVICE PROCESS

The role of technology and physical aids in the service process is multi-faceted and critical in enhancing service efficiency, quality, and customer satisfaction. By integrating technology and physical aids into the service process, businesses can achieve cost efficiency, improve service quality, offer higher-quality experiences, enhance customer engagement, and adapt to changing customer behaviors. These technological advancements are essential for maintaining competitiveness and meeting the evolving demands of the modern consumer.

Here are the key aspects:

1) **Cost Rationalization**

   Technology plays a significant role in reducing costs associated with service delivery. Automation and digital tools can streamline processes, reduce the need for manual labor, and minimize errors, leading to cost savings. For example, using self-service kiosks in airports reduces the need for staff to handle check-ins, thus cutting down on labor costs. Additionally, technologies like cloud computing and data analytics enable businesses to optimize resource allocation and inventory management, further reducing operational expenses.

   Example: A bank implementing ATMs and online banking services can handle a larger volume of transactions with fewer tellers, reducing staffing costs. Automated

systems also minimize errors in transactions, reducing losses due to human mistakes.

2) More Effective Quality

Technology enhances the quality-of-service delivery by improving accuracy, speed, and consistency. Automated systems can perform repetitive tasks with precision and without fatigue, ensuring uniform service quality. Furthermore, technology can provide real-time data and analytics, enabling businesses to monitor performance and make immediate improvements.

Example: In healthcare, electronic health records (EHRs) enable accurate and up-to-date patient information, reducing errors in diagnosis and treatment. Telemedicine platforms provide quick and efficient access to medical consultations, improving the quality of care.

3) Making Higher Quality Possible

Advanced technologies can elevate the standard of service delivery to levels previously unattainable. Innovations like artificial intelligence (AI), machine learning, and the Internet of Things (IoT) enable sophisticated service offerings that enhance customer experiences and satisfaction.

Example: AI-powered chatbots in customer service can provide personalized responses and support around the clock, handling inquiries quickly and accurately. IoT devices in smart homes can offer advanced features like automated climate control and security systems, improving the overall quality of living.

4) Closer Link-Up with the Customer

Technology facilitates better communication and interaction with customers, creating a closer link between businesses and their clients. Digital platforms, mobile apps, and social media enable businesses to engage with customers directly, gather feedback, and respond to their needs promptly.

Example: E-commerce platforms use personalized marketing strategies based on customer browsing and purchasing behavior, enhancing customer engagement and satisfaction. Social media platforms allow businesses to interact with customers in real time, addressing concerns and building stronger relationships.

5) Technology as a Factor Affecting Behavior

Technology not only affects how services are delivered but also influences customer behavior. The convenience and efficiency provided by technology can shape customer expectations and preferences. As customers become accustomed to seamless and instant service experiences, their tolerance for delays and errors decreases.

Example: The rise of mobile payment systems like Apple Pay and Google Wallet has shifted consumer behavior towards cashless transactions. Customers now

expect quick and secure payment options in various service settings, from retail stores to online platforms. Additionally, ride-sharing apps like Uber and Lyft have transformed expectations around transportation services, emphasizing the importance of convenience and immediacy.
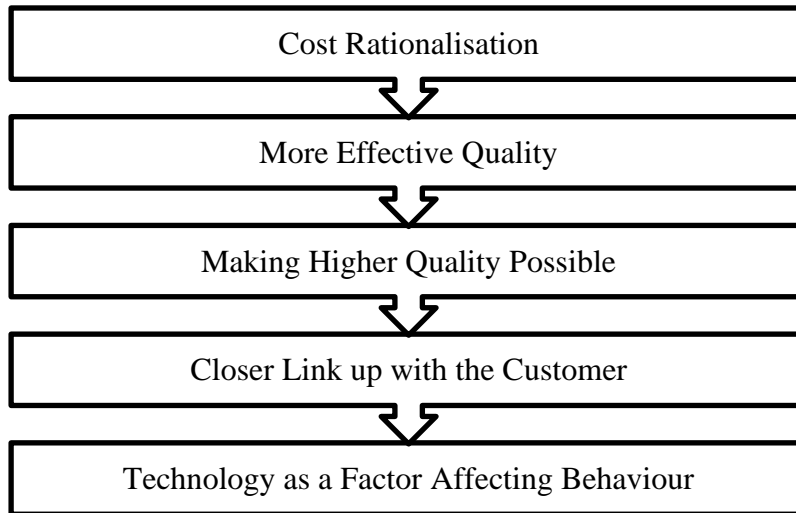
Figure 3: Role of Technology and Physical aids in service process

Check Your Progress-B

Q1. Discuss the importance of process and physical evidence on customer satisfaction and customer loyalty?

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Q2. What are the key steps in designing an efficient service delivery process?

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Q3. How can businesses balance standardization and customization in their service processes to meet diverse customer needs?

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Q4. What role does technology play in optimizing service delivery processes?

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Multiple Choice Questions-

Q5. Which of the following best describes the "process" in the context of service marketing?

    a)   The   sequence   of   actions   and   steps   taken   to   deliver   a   service
    b)   The   physical   environment   where   the   service   is   delivered
    c)   The   pricing   strategy   for   a   service
    d) The promotional activities for a service

Q6. Why customer participation is considered an important aspect of the service process?

    a)   It   reduces   the   need   for   service   providers
    b)   It   decreases   the   overall   cost   of   the   service
    c)   It   enhances   productivity   and   allows   for   greater   customization
    d) It ensures a standardized service delivery

Q7. The complexity of a service process be measured.

    a)   By   the   cost   of   delivering   the   service
    b) By the number of steps or activities involved in delivering the service
    c)   By   the   level   of   customer   satisfaction
    d) By the uniform of service employee

Q8. The most suitable example of a high-contact service is

    a)   ATM   machine
    b)   Vending   machines
    c)   Courier   services
    d) Medical services

Q9. The term "divergence" service processes refer to.

a) The degree of customer participation in the service process

b) The variation allowed from the standard service to meet different customer needs

c) The location where the service is delivered

d) The pricing strategy of the service

Q10. What is a primary consideration when deciding the location of service delivery?

a) The pricing strategy of the service

b) Whether the service is process-dependent or equipment-based

c) The degree of standardization in the service

d) Whether the service should be performed at the provider's premises or the customer's location

13.7. SUMMARY

In this unit, we explore the critical concepts of physical evidence and process within the marketing of services.

Meaning of Physical Evidence: Physical evidence refers to the tangible elements that customers use to evaluate the quality of a service. It encompasses everything visible and touchable that contributes to shaping customer perceptions, from the physical environment where services are delivered to the appearance of staff and the materials provided.

Need and Importance of Physical Evidence: Physical evidence is essential because it helps bridge the gap between the intangible nature of services and customers' expectations. It provides cues that help customers assess the reliability and quality of a service, thereby reducing perceived risk and enhancing overall satisfaction. Effective physical evidence can significantly influence customer perceptions and decisions.

Elements of Physical Evidence: Key elements include the physical environment (such as the layout, décor, and ambiance), the appearance and behavior of service personnel, and tangible materials (like brochures, signage, and business cards). Each element plays a role in forming the customer's impression of the service and its provider.

Guidelines for Physical Evidence Strategy: To develop a robust physical evidence strategy, businesses should ensure that their physical elements consistently reflect their brand identity, create a welcoming and functional environment, and maintain high standards in all tangible materials. The strategy should be designed to enhance the customer experience and align with the overall service positioning.

Meaning of Process: The process in service marketing involves the sequence of actions and steps required to deliver a service. It defines how a service is produced and delivered, influencing both efficiency and customer satisfaction.

Need and Importance of Process: A well-defined service process is crucial for ensuring consistent service quality, optimizing operational efficiency, and enhancing customer experiences. It helps manage the interactions between customers and service providers and supports effective service delivery.

Designing Service Process: Designing the service process involves determining how services will be delivered, whether through self-service or full-service models, and deciding the optimal location for service delivery, whether at the provider's premises or the customer's location.

Service Design Options: Service design can be standardized for efficiency, such as in fast-food restaurants, or customized to meet individual customer needs, as seen in professional services. The design should align with strategic goals and customer expectations to be effective.

Service Blueprint: It is a pictorial display of entire service process as per service standard, this includes, front line activity, line of interaction, line of internal interaction and back stage activity.

Role of Technology and Physical Aids in Service Process: Technology and physical aids are vital in enhancing the service process. Technology can streamline operations, support self-service options, and improve customer interactions, while physical aids, such as signage and informational materials, assist in guiding and informing customers, thereby facilitating a smoother service experience.

13.8 GLOSSARY

Physical Evidence: Tangible elements that customers use to evaluate the quality of a service. This includes the physical environment, appearance of staff, and any materials associated with the service.

Service Process: The sequence of actions and steps involved in delivering a service to customers. It encompasses how services are created and provided, influencing both efficiency and customer satisfaction.

Service Blueprint: A detailed diagram that outlines the service process, including customer interactions, service provider actions, and supporting systems.

Service Design: The process of planning and organizing the service delivery to ensure it meets customer needs and expectations. This includes determining the service process, physical evidence, and delivery methods.

Spectrum of Service Processes: The range of service delivery models from self-service, where customers handle most of the activities, to full-service, where all aspects are managed by service providers.

Service Design Options: Various strategies for designing service delivery, such as standardizing processes for efficiency or customizing services to meet individual customer needs.

Physical Environment: The setting where the service is delivered, including the décor, layout, and overall ambiance. It influences customer perceptions and experiences.

Tangible Materials: Physical items associated with the service, such as brochures, signage, and menus, which help communicate information and enhance the customer experience.

High-Contact Services: Services that require consistent and high interaction with customers like in such as medical services. Whereas low-contact services do not require regular interactions.

Divergence: The extent to which a service can be customized or altered from a standard format to meet the unique needs of different customers.

Technology Integration: The use of technological tools and systems to enhance service delivery, streamline operations, and improve customer interactions.

Physical Aids: Tangible tools and materials, such as signage and informational displays, that support the service process and assist customers in navigating and understanding the service.

Service Quality: The overall assessment of the service delivered, based on factors such as reliability, responsiveness, and the adequacy of physical evidence and process.

13.9 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Q8. - **Answer:** b) The tangible components, setting and surroundings in which the services are offered.

Q9.- **Answer:** c) The service pricing strategy

Q10. - **Answer:** b) By reducing perceived risk and enhancing customer trust

Q11. - **Answer:** c) It enhances customer perceptions of professionalism and quality.

Q12. **Answer:** c) Healthcare

Check Your Progress –B

Q5. **Answer:** a) The sequence of actions and steps taken to deliver a service

Q6. Answer: c) It enhances productivity and allows for greater customization

Q7. Answer: b) By the number of steps or activities involved in delivering the service

Q8. Answer: d) Medical services

Q9. Answer: b) The variation allowed from the standard service to meet different customer needs

Q10. Answer: d) Whether the service should be performed at the provider's premises or the customer's location

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13.11 SUGGESTED READINGS

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13.12 TERMINAL QUESTIONS

Short Terminal Questions

1. What do you mean by physical evidence?

2. Explain the importance of physical evidence in the service distribution process?

3. How Physical evidence is one of the most important components of Marketing mix?

4. What is a service blueprint, and how is it used in service marketing?

5. How does the spectrum of service processes range from self-service to full-service?

Long Terminal Questions

1. Discuss how physical evidence influences customer perceptions of service quality.

2. "Physical evidence and Process are complementary one another". Discuss.

3. Examine the need and importance of service blueprint. Discuss the role of service blue print in developing the services.

4. How does technology enhance the service process? Discuss the role of physical aids in supporting service delivery.

5. Evaluate the relationship between physical evidence and process in creating a positive customer experience. How can businesses integrate these elements effectively?

13.13 CASE LETS/CASES

Chaat Delight is a popular Indian café chain specializing in traditional street food like pani-puri, bhel puri, and aloo chaat. With multiple locations across major Indian cities, the café has gained a reputation for its authentic and enjoyable dining experience. To stay competitive, Chaat Delight focuses on both physical evidence and the service process to ensure high-quality service.

Physical evidence plays a critical role in shaping customer perceptions at Chaat Delight. The café's vibrant interior design features colorful décor, traditional Indian artwork, and ambient lighting that reflects the lively street food culture of India. Staff uniforms are designed to complement the café's theme, enhancing the overall experience. Menus are presented in an appealing format with images of popular dishes, which entice customers and provide a visual representation of the offerings. The cleanliness of the dining table, its nearby area and the attractive presentations reinforces the café's commitment to quality.

The service process at Chaat Delight is crafted to be both efficient and customer-centric. Customers place their orders at the counter, where they can observe the preparation of their food. This open kitchen setup not only enhances the ambiance but also builds customer confidence in the freshness and hygiene of the ingredients. Orders are prepared swiftly, and staff are trained to manage high volumes during peak times while maintaining a friendly and professional demeanor. The café has a streamlined approach for addressing customer feedback and resolving any issues, ensuring concerns are dealt with promptly.

The integration of physical evidence and the service process is a key aspect of Chaat Delight's strategy. The vibrant décor and clean environment create a positive initial impression, while the efficient service process ensures that customers receive their orders quickly and accurately. The visible preparation of food adds to the overall experience and reassures customers about the quality of the ingredients. Regular staff training helps maintain consistency in service quality and physical presentation.

Questions:

1. How does Chaat Delight use physical evidence to enhance customer perceptions of its service quality? Provide examples from the case study.

2. Describe the service process at Chaat Delight. How does the café's approach to handling orders and customer feedback contribute to overall service efficiency?

3. In what ways does Chaat Delight integrate physical evidence with its service process to create a cohesive customer experience?

4. Evaluate the impact of the open kitchen setup on customer trust and satisfaction at Chaat Delight.

5. How could Chaat Delight further improve its physical evidence and service process to enhance customer satisfaction? Provide specific recommendations.

UNIT14 FOCUS ON EMPLOYEES' ROLE & EMPOWERMENT OF SERVICES

14.1 INTRODUCTION

In this unit, you will study about the service culture, its key characteristics. The unit discussed about the role of service employees in service delivery. The concept of the service triangle is discussed. The role of boundary spanners in bridging the external environment and internal environment is elaborated with examples. The critical human resource strategies of delivering service by people is covered in this unit. The service profit chain and its role in service quality dimensions and customer-oriented service strategies are covered.

14.2 OBJECTIVES

After reading this unit you will be able to;

- Understand Service Culture

- Explain Critical Role of Service Employees

- Understand Boundary Spanners and their roles in service delivery

- Learn the strategies for service quality delivery through employees

- Explain Customer oriented service delivery strategies

14.3 SERVICE CULTURE

Service culture is a common set of values, beliefs, and norms shared within an organization, with the emphasis on quality service delivery to customers. This would go on to shape how they think about their role, relate to customers, and collaborate with one another to ensure there is consistency in delivering excellent service.

Key Characteristics of Service Culture:

- Customer-Centric Focus:

In a service culture, the needs and expectations of customers become the priority over all other considerations in every decision and action an organization takes.

- Employee Empowerment:

Employees are empowered and granted the powers enabling them to make decisions that go in the best interests of the customer and to respond quickly and efficiently in situations relating to service.

- Leadership Commitment:

The leaders of an organization are enthusiastically dedicated to service excellence and set the pace for everyone else.

- Internal Service Quality:

The quality within the organization is as important as that offered to external customers.

- Continual Improvement:

A service culture is the ongoing effort at improving service delivery, resultant from customer and employee feedback.

- Recognition and Rewards:

Employees are recognized and rewarded for their contributions to service excellence, hence entrenching behaviours that support the service culture.

Significance of Service Culture:

Consistency: Provides a uniform and quality service experience for the customers.

Staff Satisfaction: Develops a staff-friendly work environment of appreciation and support for staff members.

Competitive Advantage: Sets an organization apart from the competition by creating strong customer loyalty.

In other words, the service culture is about fostering customer-centric thinking in the organization and ensuring every employee in the firm has a commitment to deliver outstanding service.

14.4 ROLE OF SERVICE EMPLOYEES

The service employees deliver and influence the quality of services as they often remain on the frontline of the organizations. Through their activities and interactions, they shape the customer experiences. In case of India, the role of service employees gains significant importance as it experiences and services a vast customer base because of the coexistence of several cultures. The service sectors in India are gaining prominence, and the roles played by the different segments of service employees are as follows:

➢ Frontline Interactions

Example: Hospitality Industry—Taj Hotels: In the case of luxury hotels such as the Taj, it is at the front line, through their people—receptionists, concierges, and waiters—that the magic of personalized and unforgettable experience can be made. The reputation of this first-class hotel chain is defined by much sensitivity, anticipation of specific needs, and speed in delivering service.

Impact: If frontline staff interact successfully with a guest, this will increase customer satisfaction as well as leads to repeat business and positive word-of-mouth.

➢ Service Recovery

Example: Banking Sector (HDFC Bank) Bank employees are responsible to effectively manage and quickly redress service failure or any other problems, such as transaction errors and failures in processing. HDFC bank employees are trained to have empathy while dealing with customer problems and to quickly find solutions thereof, hence helping to retain customer trust.

Impact: Proper service recovery would thus turn an unsatisfied customer into a loyal one and minimize the damage that the service failure would cause.

➢ Customization and Personalization:

Example: Retail Sector (FabIndia): Employees at FabIndia have been trained to assist a customer in product selection based on his tastes and preferences and needs by offering personalized recommendations according to customer tastes. All this personal touch does is enhance the shopping experience and entail customer loyalty.

Impact: Through personalization, a unique customer experience is created, making the service stand out in the competitive market.

➢ Cross-Selling and Upselling:

Example: Telecommunications (Airtel): In Airtel, although the customer queries related to their service are mitigated, the customer service representative is also cross-trained to sell or upsell products and services such as data plans or various value-added services. This helps in increasing the ARPU and trending customer value up.

- ➤ Customer Relations: Skilled employees contribute to the growth of the organization by building customer relations through effective communication and proper understanding of the needs of a particular customer.

Example: Healthcare Sector (Apollo Hospitals): Nurses and support staff at Apollo Hospitals are a backbone to patient care. Beyond just medical help, they often provide peace of mind to the patient and family members who are troubled. Their competence ability of trust development and compassion is significant enough to maintain long-term relationships with patients.

Impact: Close-relationships between service staff and customers would result in higher patient satisfaction and loyalty, which is most important for the health sector.

- ➤ Cultural Awareness and Blend:

Example: Tourism (MakeMyTrip): The travel agency, like MakeMyTrip, caters to two types of customer categories: domestic and international tourists. To be successful in the tourism industry, one must be sensitive to the cultural background and learn to communicate with customers coming from different cultural backgrounds.

Impact: Culturally sensitive service employees result in overall customer experience positively, which can be yield better reviews for the company and more customer retention.

Importance of Service Employees

- ➤ First Contact and Brand Ambassadors: Normally, the organization's service employees are viewed as the primary point of contact that a customer makes with the company. The form of service and treatment accorded to the customer allows the customer to gain the first impression, thus making the service employees an ambassador for the brand and of the customer service experience.

- ➤ Service Quality: The employees' service quality directly impacts customer satisfaction. Therefore, employee roles in service delivery become critical.

- ➤ Customer Retention: Skilled and sensitive employees aid in retaining the customers through service excellence and customer relationship management.

Services depend to a greater extent on service employees for their success and survival, though in an invisible way. As seen that service employees interact with customers directly, perform service recovery, customization, and relationship building. The aforementioned evidence from the service sector specifically throws a lot of light on the input this talent offers toward organizational success and customer satisfaction.

14.4.1 The Service Triangle

The Service Triangle is a model that illustrates the relationship between three important individuals or groups within a service industry business: the company, employees, and customers. Effective service delivery is a function of balance and interaction between the three corners.

The Three Corners of the Triangle

1. Company: Responsible for setting the service standards, developing the service concept, and providing the necessary resources.

2. Quality standards on service are defined by a company like Airtel for its customer care representatives; it designs value-added services like Airtel Thanks and is invested in network infrastructure. The employees are the ones who deliver service to the customer based on the company's guidelines. They represent the face of the company.

Example: Airtel's customer care representatives interact with customers, troubleshoot problems, and provide solutions. Their behavior and attitude directly impact customer satisfaction.

3. Customers: The users of the service who judge the service on the experience delivered.

Example: Airtel customers experience the service through network quality, call drop rates, interactions with the customer service and value-added services. Their feedback shapes the company's future offerings.
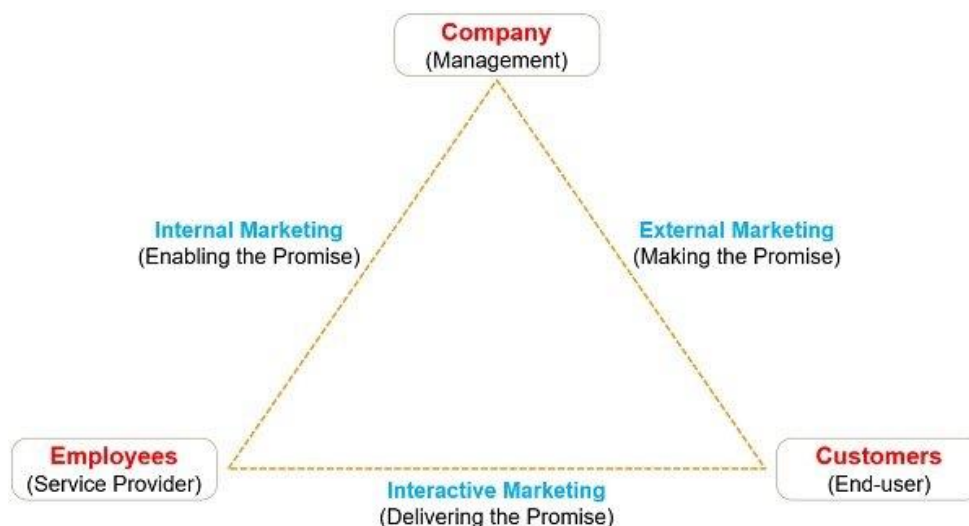

Figure 14.1 The Service Triangle

The Interplay Between the Three

Company to Employees: Service Standards communicated to employees, training imparted, and incentives given.

Example: Airtel runs frequent training sessions with its customer care representatives in an effort to develop problem-solving skills and increase product knowledge.

Employees to Customers: Employees execute the service, interface with customers and manage expectations of customers.

Example: Airtel's customer care representatives will deal with customer inquiries, solve customer complaints, and upsell other offerings of this company.

Company to Customers: The service promise is communicated to the public through advertising, PR, and other marketing activities.

Example: Advertising campaigns of Airtel mirror the Company on network strength, customer support, and value-added services.

Internal Marketing – Enabling the Promise

The companies use internal marketing to promote or advertise their business goals to their employees. The employees are the internal customers of the company and play a very crucial part. In this, the marketers interact with the employees to know the strengths and weaknesses of the company. For this purpose, the marketer tries to involve all the employees in the general discussion.

Unless the internal customers are fully certain and believe in the company, no service-based company can deliver quality services to its clients. This the firm has to strive hard for and ensure that the employees believe in the company's vision and mission and act accordingly.

It also contains the firm's activities for training, motivating, and rewarding employees. It guides the employee about the mission and values of the company. Training programs, motivation programs, and teamwork for gaining employee support. Enabling employees to effectively deliver the service and keep the promise.

External Marketing- Setting or Making the Promise

The main objective of any company is to acquire, maintain, and enhance the size of their customer base. And all these are only achieved if the company provides good value to its customers.

External Marketing refers to traditional marketing in which communication between a company and the external customers, both potential and existing, takes place. In this type of marketing, companies advertise their services by way of ad campaigns. Further, setting up customers' expectations is involved by making promises to the customer concerning what is to be delivered. This means it communicates to the customer about the product's quality before it is delivered.

In external marketing, the company strives to comprehend customers' needs and meet them by gratifying their demands. They make direct communication with the customers and

convince them for choosing their service. It includes the pricing strategy, promotional activity and communication of the customers. Conducted to grab the attention of consumers and generating interest among people for their service.

Interactive Marketing–Delivering the Promise

It simply means understanding the needs of the customers and providing personalization in interactive marketing. A company is then able to develop long-term or short-term relationships with the customers.

To put it another way, it is the interaction between employees and customers. The employees of the firm are in direct contact with the customer and interact with them. The reason for this is that customers don't interact with the company as such, directly, but through their employees who represent the company before the customer. Thus, it won't be wrong to say that employees are the company's human face for customers. That is to say, it involves actual service delivery.

Moreover, the highly satisfied customers of the company usually become its regular customers.

Real-time marketing because it is spontaneous. It is commonly called the moment of Truth and Service Encounter. It is a very decisive moment of interaction between the employee and the customer.

14.4.2 Service Profit Chain

The relationship among employee satisfaction, customer satisfaction, and profits in business and service management is a very well-established concept, usually referred to as the Service-Profit Chain. This view basically holds that satisfied employees lead to satisfied customers and increased profitability for the organization.

1. Employees Satisfaction:

Employee satisfaction is a measure of the degree to which one feels fulfilled and energized about his or her job, work environment, and the organization in general. As a rule, the more satisfied an employee is, the more he will be engaged; thus, productivity and loyalty will rise.

Factors Influencing Employee Satisfaction:

1. *Work Environment*: Positive, supportive, and safe work environment

2. *Compensation and Benefits*: Fair remuneration, benefits, and rewards

3. *Job Security*: Feel secured about the job

4. *Work-Life Balance:* Is able to balance personal and professional life due to the flexibility and support.

5. *Career Growth Opportunities and Recognition*: Upward mobility and recognition opportunities based on performance and contribution.

2. Customer Satisfaction:

Customer satisfaction is a measure of the extent to which the products or services delivered by a company meet or exceed customer expectations. Typically, high customer satisfaction results in repeat business, customer loyalty, and positive word-of-mouth.

Factors Affecting Customer Satisfaction:

Quality of Service/Product: Service or product effectiveness, reliability, and value.

Customer Service: Responsiveness, empathy, and problem-solving abilities of the employees providing service.

*Reliabilit*y: Service or products are reliably of a high standard

Convenience and Accessibility: The ease of use and accessibility of services or products

3. Profits:

It refers to the amount of money an organization makes after deducting all the expenses from its sales. The profits made need to be sustainable in order to grow and survive a business.

Factors Affecting Profits

Customer Retention: Retention of customers leads to a stable source of income.

Sales Growth: New and existing customers contribute towards sales growth.

Cost Management: Proper control of operational and production cost.

Brand Reputation: The brand would draw in more customers and avail an opportunity for premium pricing.
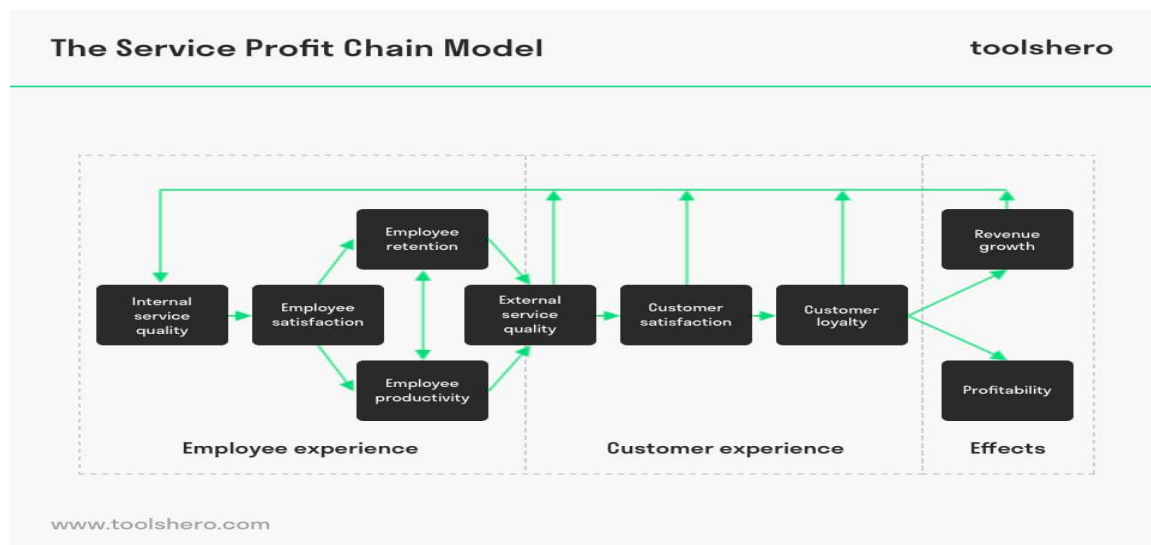

Figure 14.2 The Service-Profit Chain

The Service-Profit Chain theorizes a cause-and-effect relationship between employee satisfaction, customer satisfaction, and profits as outlined below:

Employee Satisfaction Leads to Higher Employee Engagement:

The more satisfied employees are with their jobs; the more engaged and motivated they become. Employees who are engaged in their jobs are more likely to be highly productive, deliver good customer service, and take pride in their jobs.

Example: Companies like Infosys and TCS invest heavily in the development and satisfaction of their employees. Therefore, they possess high levels of employee engagement and thus service quality.

Engaged Employees Deliver Better Customer Service:

Satisfied and engaged employees are more likely to go the extra mile in meeting customer needs by providing better service, which directly impacts customer satisfaction.

Example, in the case of Indian retail, Shoppers Stop is known to lay maximum emphasis on training its employees and keeping them satisfied; this has a direct implication on customer service and satisfaction.

Customer Satisfaction: A Key Driver of Customer Retention, Loyalty, and Revenue Growth:

With high satisfaction levels, customers are more likely to repurchase, recommend, and will be less price sensitive. This will translate into increased sales and market share.

Example: By focusing on both employee and customer satisfaction, HDFC Bank enjoys strong customer loyalty and therefore continues to register sustained profitability.

Reduce Churn, Higher Retention and More Sales Basely Translate into Higher Profits:

Satisfied customers become less fussy about switching to competitors. Lower customer churn reduces the cost of customer acquisition. Higher customer retention and increased sales translate into higher profits.

For example, in the hospitality sector, companies such as the Taj Hotels, which care for its employees and customers, command higher occupancy rates with premium pricing and, hence, higher profitability.

This interrelationship emphasizes investing in the welfare of employees and maintaining a good working environment. Happy employees provide better service, which aids in raising customer satisfaction, thus ensuring high customer loyalty and eventually high profits. The above chain, therefore, underlines the need to align business strategies in support of creating experiences for both employees and customers.

14.4.3 Employee Behaviors on Service Quality Dimensions

Employee behaviors form the critical factors in determining any service quality due to the fact that they are central in directing the customer's perceptions and eventual satisfaction from a service. The five crucial dimensions of service quality include 1). Reliability, 2). Responsibility 3). Assurance, 4). Empathy, and 5). Tangibles. We focus on these

dimensions in a bid to unravel how employee behaviors either make these dimensions a reality or come in the way of their realities:

1. Reliability

This means that one performs the service right the first time.

Impact of Employee Behaviors:

Consistent Performance: Employees who are diligent and diligent would deliver services without an error and in a timely manner, thus perpetuating the sense of reliability.

Keeping Promises: As it is said that 'promises are meant to be broken', if employees live up to the promises made, whether in the form of deadlines to meet, or delivery of correct information, etc, then it will strengthen the company's sense of being reliable.

Example: A customer service representative in the Indian banking sector who performs his transactions regularly and efficiently in a timely and accurate manner goes a long way in establishing a perception of reliability on the part of the bank in the customer's mind.

2. Responsiveness

Responsiveness is the willingness of workers to help customers and provide prompt service.

Impact of Employee Behaviors:

Prompt Services: Workers, who promptly attend to customer inquiries and doubts, act responsibly and in situations where time is an essential dimension.

Proactive Care: Beyond response, or reaction to needs, employees who felt the expectations of customers and provided support before a request has been made are strong positive contributors to this factor.

Example: in the case of a restaurant, the attendants who would cater to the needs of the diners promptly and pre-empt the need for attention set a positive example customer service. They perfectly show responsiveness.

3. Assurance

Assurance is the guarantee through which the content and courtesy of workers, and their ability to develop trust and confidence.

Impact of Employee Behaviors:

Competence: The employee who shows clear competence or mastery in his or her area builds confidence in the customer about the service.

Politeness and Courtesy: Indicating a courteous nature like by speaking politely and keeping a respectful tone adds much flavor to the assurance dimension.

Example: For healthcare, a nurse who explains procedures well, using polite language and showing some good manners and respect, assures patients that they will be well-taken care of.

4. Empathy

Empathy is personalized attention an organization gives to customers in a caring way

Impact of Employee Behaviors:

Individualized Service: Employees who see every customer as a person and understand he /she is an individual with unique requirements and needs, will offer far more individualized empathetic service.

Listening: Lend an ear and caring regarding that customers' problem will reinforce the empathies factor.

Example: In an Indian-style retail outlet, for instance, FabIndia, the role of the associate to help a customer in locating a product, as desired, by capturing the real needs and wants is a demonstration of empathy.

5. Tangibles

Tangibles is the service-physical component. It relates to the appearance of the facilities, equipment, personnel, and communication materials.

Impact of Employee Behaviors:

Professional Appearance: Employees who are professionally presented add to the tangibles of a service and further enhance the quality of the service environment.

Attention to Detail in Presentation: If the employee's position includes physical possession or exhibition of certain things, for example a bank clerk setting up a display of retirement plans or files full of customers' papers, poor quality in how these items are laid out for the client's consumption will lead the customer to question service quality.

Example: In a luxury hotel, such as the Taj, the presentable and well-trimmed staff and well-maintain infrastructure help the improvement tangibles of the service quality.

Employees' behaviors become the core of all the dimensions of service quality; they are directly responsible for how customers perceive and experience the service. With the constant display of efficiency, response, trust, care, and attention to tangibles, the employees serve to create quality service and consequently assure the customer. Training and developing employees to portray such a behavior raises the quality of service.

14.5 BOUNDARY-SPANNING ROLES

Boundary spanning refers to the role people or teams play in bridging the gap between an organization and the external environment. In a service context, such roles become very important in the delivery of effective service and satisfaction of customers.

Key Responsibilities of Boundary Spanners in Services

1. *Customer Interaction:* Direct interaction with customers, understanding their needs, preferences, and feedback.

2. *Information Gathering*: Gathering data related to market trends, competitor activities, and customer expectations.

3. *Relationship Building*: Development of relations with customers, suppliers, and other external stakeholders;

4. *Knowledge Transfer*: Distributing insights and information gathered in the external environment to internal groups/teams.

5. *Conflict Resolution*: Acting between customer and internal departments in solving issues;

6. *Innovation:* Identifying in the external feedback and trends, opportunities for service improvement;

Examples of Boundary Spanning Roles in Services

Customer Service Representatives: Engage with customers, answer inquiries, and resolve customers' complaints. Managing relationships with clients, understanding market dynamics, and generating leads for the same, is the lookout of sales and marketing professionals. The Client relationships are managed by the account managers, who ensure that the promised service delivery happens and achieves customer satisfaction. The Project managers coordinate with the clients, internal teams, and external vendors on project delivery within a stipulated period and budget. The Consultants use their expertise to advise clients, analyze their needs, and then develop solutions. Importance of Boundary Spanning in Services

Higher customer satisfaction: By understanding the needs and wants of customers, boundary spanners can help the organization fine-tune their service accordingly.

Improved innovation: Since boundary spanners bring new insights and ideas from the external environment to an organization, innovative service offerings are created.

Stronger relationships: From a long-term sustainability perspective, boundary spanners need to build and maintain relationships with customers and other stakeholders.

Risk Mitigation: Through insights into the market trends and competitor activities, the boundary spanners help the organization to identify and address potential risks.

Challenges and Opportunities

The boundary spanning role is challenging because one has to balance the needs of internal and external stakeholders. It also offers an opportunity for personal and professional growth and a chance to have an impact on the organization's success.

Boundary Spanners as Emotional Laborers

The boundary spanners are most of the time at the center of emotional labor. This can be defined as the managing of one's own emotions so that, one can take up the demands set for a job. It involves the expression of a particular set of emotions to the customers.

Surface Acting: This is a situation when the employees act out the emotion that they do not actually feel. For example, the customer service representative smiles and sounds excited about the call, even though the customer is being very aggressive.

Deep Acting: In this technique, workers attempt to actually feel the emotions they are required to display. For example, a flight attendant who tries to empathize with a frightened traveler.

Emotional labor is particularly high in service industries on the part of boundary spanners because they are constantly exposed to customers who project different emotions that lead to emotional exhaustion and, hence, burn out.

Boundary Spanners as Causes of Conflict

Being in a unique position, boundary spanners often get caught in the crossfire between customers and the organization. This may lead to several kinds of conflicts:

Role Conflict: The expectations of the customers may differ from those of the organization and the boundary spanner themselves. For example, the sales representative may be pressurized to achieve sales targets and, at the same time, satisfy customers.

Interpersonal Conflict: Customer relationships can lead to disagreements and tensions. Problematic or emotionally demanding customers can lead to conflict with coworkers.

Organizational Conflict: The boundary spanners may also face the possibility of conflicting demands from various departments. For instance, the customer service representative could receive conflicting instructions from sales and operations.

They may also experience role conflict around work-life balance, as a result of the emotional demands of the job and often irregular work schedules.

In other words, boundary spanners play a very crucial but highly demanding role in organizations. They manage emotional labor in order to meet customer expectations and, at the same time, manage possible conflicts that might arise out of their position of being the customer interface with the organization.

14.6 HR STRATEGIES FOR SERVICE QUALITY DELIVERY THROUGH EMPLOYEES

Human Resource has a huge role to play in the delivery of service quality. Employee satisfaction, development, and engagement could substantially improve customer experiences if addressed. The key HR strategies for this area are as follows:

1. Recruiting the Right People

- ➢ *Skill-based hiring*: For service-oriented profiles, identify the kinds of skills required and orient recruitment towards them.

- ➢ *Attitude and personality testing*: Filter candidates with a service orientation exhibiting traits of empathy and problem-solving.

➢ *Cultural Fit:* The new employees must align with the service culture and values of the organization.

2. People Development for Service Excellence

➢ *Comprehensive Induction*: The employee must be given induction in terms of technical and soft skills so that he gets the necessary knowledge and competencies.

➢ *Customer Service Culture*: Instill the essence of customer service in all the training inputs.

➢ *Continuous Learning*: The culture of continuous learning and development through mentorship, coaching, and on-job training.

➢ *Empowerment:* Allowing the power and ability to make decisions and solve problems amongst employees to induce a feeling of ownership and responsibility.

3. Supporting Work Environment

➢ *Recognition*: Recognizing and awarding employees based on their contribution towards the quality of service.

➢ *Work-life balance*: Ensuring a proper balance between work and life, free from stress, and job satisfaction.

➢ *Employee engagement*: Allowing opportunities for employee involvement and getting them involved in decision-making and ideas generation.

➢ *Internal service quality*: Associate great service from the internal departments to the employees to enhance their job satisfaction in all spheres.

4. Retain Best Talent

➢ *Competitive compensation and benefits*: Establish competitive compensation to retain these valued employees.

➢ *Career growth and development*: Show obvious, growing career paths and opportunities for advancement

➢ *Employee welfare*: Employee welfare programs to prevent turnover, enhance morale.

5. Service Performance Measurement and Monitoring

➢ *Performance metrics*: Design KPI's to measure employee and service performance.

➢ *Customer feedback*: Continuously take and analyze customer feedback to learn from experience.

➢ *Employee satisfaction*: Measure employee opinion through surveys to know the morale and the issues that may arise.

6. Develop a Service Culture

➤ *Lead by example*: Leaders/ managers should lead by example in showing serious regard for service excellence from the top down.

➤ *Service values:* Infuse service values into the organization's culture.

➤ *Cross-functional working*: Need for teamwork and cooperation across departments.

Such HR strategies can engage organizations in building a workforce passionate about delivering exceptional customer experiences and so drive customer satisfaction, loyalty, and overall organization success.

14.7 CUSTOMER ORIENTED SERVICE DELIVERY

Customer-oriented service delivery refers to an approach where design, implementation, and management of service processes are attuned to the needs, preferences, and expectations of customers. It implies a philosophy of work performance aimed at creating a good customer experience at all contact points, thus ensuring that the customers, from receiving the services, are feeling cared about, valued, and satisfied with the service.

The Inverted Service Triangle is a theoretical model applied in service management. It exemplifies the nature of frontline employees in service production, quality delivery, and customer satisfaction. It emanates from the older service triangle, which mainly focused on the three actors of a company, employees, and customers, then flips it to feature the role of employees who directly interact with customers.

The Inverted Service Triangle:

This is when the Inverted Service Triangle is flipped over to show that the frontline employees are on top of the hierarchy and most important. The management is holding up the company and the employees are directly responsible for satisfying the customers.

Frontline Employees:

➤ *Top of the Pyramid:* The model is turned upside down, and the frontline employees occupy the top. This is the most important part of the service delivery as it deals with the customers directly as they are the people constructing the experience of customers.

➤ *Employee Empowerment*: This is when the employees take an initiative in making decisions related to actions that meet or satisfy the expectations of the customer without the management using eyes behind their heads throughout the

Second Layer: There are customers right at the core of the service process and, according to the inverted model, how well the customers are being served lays emphasis on the quality of service interaction that the frontline employees deliver. Therefore, it is straight through the employees that the service interaction quality will directly influence the customers.

Customer Experience: The ultimate goal is to leave the customer with a positive customer experience which, in turn, will lead to favorable action, long term loyalty, and repeat patronage.

Company (Management):

> ➤ *Base of the Triangle*: This would be the organization or management. Their first role would be to support and empower the frontline employees through their provision with necessary tools, training, and authority.

> ➤ *Service Culture*: Management should facilitate a service culture and adopt the tools and environment that will enable employees to give quality service.

Retail Industry: The Indian retail sector, business entities like Shoppers Stop or Big Bazaar could invert the service triangle by allowing their sales staff to deal with customer complaints, provide individual help, and take floor-level decisions without necessarily requiring continuous approval from the top. The job of the management will be to see to it that such employees are provided with the right training, tools, and motivation to be able to deliver the best customer service.

Hospitality Industry: The inverted service triangle is likely to be used by hotels such as The Oberoi in the hospitality industry to ensure that more responsibility, such as responding to a guest request, resolving an issue, offering an upgrade, or extending any personalized service, is placed with the frontline staff, for example, the receptionist, concierge, or housekeeping. The management must create a working environment that respects and fosters those employees.

 Check Your Progress-A

Q1. Define service culture. What are the key characteristics of service culture?

Q2. Explain the service triangle.

Q3. Explain the inverted service triangle

14.8 SUMMARY

Employees play a pivotal role in service delivery, acting as the primary link between the organization and its customers. Their performance directly impacts customer satisfaction, service quality, and the overall success of the organization. The Service Triangle is a model that illustrates the relationship between three important individuals or groups within a service industry business: the company, employees, and customers. Effective service delivery is a function of balance and interaction between the three corners. The Service-Profit Chain theorizes a cause-and-effect relationship between employee satisfaction, customer satisfaction, and profits Boundary spanning refers to the role people or teams play in bridging the gap between an organization and the external environment. In a service context, such roles become very important in the delivery of effective service and satisfaction of customers. The various human resource strategies for delivering service quality though people includes hire the right people, develop people to deliver service quality, provide needed support systems and retain the best talent. The customer –oriented service delivery focused on inverted service triangle which talks more about frontline employees' empowerment.

14.9 GLOSSARY

Boundary Spanning: Interacting with customers and external stakeholders.

Burnout: Physical, emotional, and mental exhaustion caused by prolonged or excessive stress.

Customer Focus: Prioritizing customer satisfaction and needs over personal or organizational goals.

Emotional Labor: The effort employees put into managing their emotions during interactions with customers to maintain a positive and professional demeanor.

Empathy: Understanding and sharing the feelings of others, especially customers.

Employee Engagement: The level of commitment and passion an employee brings to their work.

Job Stress: Psychological and physical reactions to job demands.

Role Conflict: Conflicting expectations from different roles or stakeholders.

Service Orientation: An employee's attitude and behavior focused on meeting customer needs.

The Service Profit Chain: The service profit chain is a model that links employee satisfaction, customer loyalty, and profitability.

The Service Triangle: The service triangle is a visual representation of the interrelationships between three key players in a service-based business

14.10 REFERENCES

- Services Marketing: Integrating Customer Focus Across the Firm by Valarie Zeithaml, Mary Jo Bitner, and Dwayne Gremler
- Services Marketing: People, Technology, Strategy" by Christopher Lovelock and Jochen Wirtz
- Marketing of Services by Vinnie Jauhari and Kirti Dutta

14.11 SUGGESTED READINGS

Services Marketing by Christopher Lovelock and Jochen Wirtz

14.12 TERMINAL QUESTIONS

1. Describe the four basic human resource strategies and why each plays an important role in building a customer oriented organization.
2. Explain the concept of the service profit chain.

3. Explain the role of boundary spanners in service delivery.

📖 14.13 CASE LETS/CASES

Caselet: "Hospitality Serene"

"Hospitality Serene" is a medium-sized hotel chain operating in all major cities in India. With comfortable stays and personalized services provided to guests, it has been able to generate clientele over time. But with increasing competition in the market, "Hospitality Serene" is under constant pressure to maintain its brand image and create differentiation from other such hotels offering comparable facilities at comparable prices.

The management of "Hospitality Serene" has recently observed a slight drop in customer satisfaction scores. While not drastic, it was enough to act as a trigger regarding the hotel's ability to continue its high standards of service. Customers commented on variable quality service, slow responses to their requests, and less personalization in interactions.

It was realized in management that a comprehensive review of employee performance and engagement needed to be done in view of the fact that quality service can only be offered by employees. Of course, areas of improvement had to be identified and strategies implemented with the objective of empowering employees toward enhancing the overall guest experience.

Employee Roles in Service Delivery

1. Front Desk and Reception Staff: First Impressions Matter

Role: The reception staff at "Hospitality Serene" is, in most cases, the first point of contact for guests. Their roles include checking in the guests, attending to inquiries, and providing information about the hotel's facilities and the local area.

Challenge: Although some considered the front desk staff very friendly, the majority of the guests surveyed replied that they felt rushed during check-in and that there was not much scope for personalized service.

The hotel provided additional training to the front desk staff regarding how to greet guests, identify returning guests, and manage the peak check–in times without compromising the quality of interactions.

2. House Keeping: Comfort and Cleanliness

The house-keeping staff play a crucial role in the maintenance of the cleanliness and comfort of the guest room. Their performance thus is likely to have an influence on the total customer experience.

Challenge: Feedback revealed that rooms were not always cleaned, and items in the room were not replaced regularly. This resulted in customer dissatisfaction.

Housekeeping staff was provided with a checklist system to ensure that everything was regularly replaced and rooms cleaned. To reinforce this initiative, a quality control team was established who would make random checks on rooms, identify faults, and correct them on the spot.

3.Restaurant and Room Service: Delighting the Customer

Service: This is the role of the restaurant staff, ranging from servers to the chefs, in making a difference in the dining experience, whether through in-house restaurants or through room service.

Challenge: Room service was delayed, with long waiting time, and special dietary requirements were not addressed.

The hotel redesigned its room service operation to improve the efficiency of the order-taking process and speed up production in the kitchen. Special request staff training would also be provided to ensure that all guests who have dietary restrictions feel their needs are taken care of.

4. Concierge and Guest Relations: Putting a Face on the Experience

Role: Assist guests with special arrangements regarding travel or events and with special requests, adding a touch of personality to the guests' experience.

Challenge: While in general, guests welcomed the concierge service, at times some of them felt that their special preferences were not completely understood/matched.

This was achieved through the establishment of a guest profiling system that outlined personal preferences with regard to room type, food, and leisure activities. It trained concierge staff to utilize this information in a proactive manner, thus providing really tailored advice and service.

5. Management and Support Staff: Empowering the Frontline

Role: The management team at "Hospitality Serene" is responsible for setting service standards, providing support to the frontline staff, and ensuring the smooth running of the hotel.

Challenge: The management's expectations of service were out of sync with the delivery capacity of the front-line staff because of a lack of communication and support.

The hotel management introduced regular team meetings and feedback sessions to make the front-line staff feel supported and empowered about their work. The management also gave great importance to recognizing and rewarding excellent service, thus motivating the staff with better morale and engagement.

Applied changes were beneficial in bringing great customer satisfaction scores for "Hospitality Serene." People now feel more valued and recognized as guests; many responded to how apparent the quality of service and personalization had become. Repeat bookings and online reviews rocketed, enhancing this good image of the hotel in the very competitive hospitality market.

Questions

1. Why is the role of frontline employees considered critical in the service industry, as illustrated by this case study?

2. How does empowering employees contribute to improved service quality and customer satisfaction?

3. Discuss the importance of personalized service in the hospitality industry, using examples from the case study.

4. What are the potential risks if the management at 'Hospitality Serene' had not addressed the issues raised by customer feedback?

5. How can regular feedback sessions between management and frontline staff help in maintaining high service standards?

6. If you were part of the management team at 'Hospitality Serene,' what additional strategies would you suggest to further improve service delivery?

UNIT 15 CUSTOMER'S ROLE IN SERVICE DELIVERY

15.1 INTRODUCTION

In the previous unit you learnt that the critical employees' role in service delivery. In this unit, you will study about customers' role in service delivery. The customer as creator and co-creator of service. The use of self-service technologies to empower customers and improve service delivery. The various strategies for \enhancing customer participation is also been discussed.

15.2 OBJECTIVES

After reading this unit you will be able to:

- Understand the customers in service co-creation
- Understand the various customers' roles.
- Understand the various self-service technologies.
- Learn the techniques for enhancing customers' participation

15.3 CUSTOMERS IN SERVICE CO-CREATION

This is particularly true in the service industry, where customers themselves play a very vital role in the process of creation or service delivery. This aspect is called "co-creation of value," whereby the customer is not just a passive receiver of a service but an active participant whose behaviours, choice, and feedback can substantially affect the outcome of a delivered service.

Customers as creators and co-creators are two concepts central in the modern service and marketing theories, portraying the changing role of customers in the service delivery process.

1. Customers as Creators

Customers as creators simply means that customers are the main authors or designers of a service or product. This role is very evident in those businesses which allow or encourage customers to create, customize, or personalize their offerings.

Examples:

User-Generated Content: In platforms like YouTube or Instagram, customers act as content developers, and therefore, it is the core product or service the platform offers to users. These platforms offer the tools, but the value to the same is given by the content developed by users.

E-commerce customization: A Nike By You or Tata Cliq Luxury allows customers to design a product, say sneakers or jewellery, by selecting colours, materials, and style. It is in these cases that the customer is literally designing what they are about to buy.

Crowdsourcing and innovation platforms: Customers are, from time to time, invited by companies like LEGO Ideas or Threadless to share designs or ideas that are then developed into products. In such cases, customers get directly involved in creating something new for the marketplace.

2. Customers as Co-Creators

Customer as a co-creator refers to when customers jointly work with the service provider in producing and delivering value. This simply means that customers are not just a passive recipient but contribute to the process, therefore being capable of influencing the final touch on the service or product.

Examples:

Service Interactions: A customer in a hotel co-creates their experience by engaging with the staff, leaving feedback, or making specific requests that set the service according to one's needs. Both the staff and the guest co-create this service experience.

Co-create in product development: Many companies involve customers in design and product development processes. For example, Dell's IdeaStorm online forum allows

customers to suggest and vote on product ideas that the company may produce in the future.

Healthcare Services: Patients co-create value in healthcare through intense collaboration with medical professionals. In such cases they not only have to provide detailed information regarding their symptoms, preferences, and lifestyle but also need shaping the treatment plan.

Creation vs. Co-Creation: The customer as creator is largely responsible for the final product or service, and usually with little intervention from the company. On the other hand, co-creation represents joint work between the customer and the company, whereby each party has an input in the results.

Involvement Degree: The customers, as creators, experience a high degree of control and ownership over the creation process. They co-share control with the firm while being the co-creators of this service or product by participating in making relevant feedback.

Benefits of Customer Creation and Co-Creation

Higher Satisfaction: If customers can participate in developing or influencing their products and services, they usually are much more satisfied with the outcome because it will most likely reflect their tastes and needs.

Greater Loyalty: Customer involvement in creation enhances brand connection and loyalty, repeat business, and retention.

Innovation: Customers often bring a new view and ideas which can be the trigger of innovation, leading to new products, services, or improvements which otherwise the company might not have developed. Personalization: High personalization in creation and co-creation processes helps tailor products and services according to the needs of the customer.

Challenges Complexity: Dealing with customer involvement in creation and co-creation processes may be complex and require advanced systems for collaboration and feedback.

Expectation Management: When the involvement of customers is high, their expectation level could be higher, wherein it becomes imperative for a firm to match up to the expectations by delivering accordingly and managing customer expectations.

Quality Control: An opportunity for customers to create or co-create products may make it difficult to have uniform quality, especially when individual choices are extremely diverse.

In today's economy, customers' roles as creators and co-creators mark a shift in how value is generated. These roles place customers in a powerful position with a vested interest in what they consume but still benefit firms through improved customer engagement, satisfaction, and innovation. Considering that businesses will only

continue exploiting these roles, proper recognition and management of customer involvement will continue to be crucial for long-term success.

Levels of Customer Participation Across Various Services

The customer participation in service delivery varies substantially across various industries. Customer participation may range from very low to a high level of involvement. Knowing these types is very important for the service provider to customize his offerings and processes.

Low Customer Participation:

Characteristics: Very low customer involvement in the service production process.

Examples: Airline travel, symphony concerts, movie theatres.

Customer role: The primary role is to passively consume the service.

Medium Customer Participation:

Characteristics: Moderate customer participation in the service production process.

Examples: Restaurants, retail stores, banks.

Customer role: Active choice of products or services; however, the core service production is carried out by the provider.

High Customer Participation:

Characteristics: High customer participation in the service production process.

Examples: Education, healthcare, self-service technology

Customer role: Active co-creation of the service value.

Characteristics of Customer Participation

Replaceable Activities: Tasks that may be conducted either by the customer or the service provider.

Voluntary Activities: Activities performed by the choice of the customers to enhance the service experience.

Essential Activities: Activities that cannot be delegated to the customer because they are essential to the service delivery.

Examples of Customer Participation Across Different Services

Service Type	Level of Participation	Customer Role
Airline Travel	Low	Passive consumer
Restaurant	Medium	Active selection of food and drinks

Education	High	Active participation in learning process
Healthcare	High	Active involvement in treatment decisions
Retail	Medium	Active selection of products
Banking	Medium	Active involvement in transactions.
Self-Service technology (e.g., ATMs, online banking)	High	Active performance of service tasks

15.4 CUSTOMERS' ROLES

The following section of the unit discuss in more detail the three major roles played by customers in service co-creation and delivery; 1. customers as productive resources; 2. customers as contributors to quality, satisfaction and value; and 3. Customers as competitors.

1. Customers as Productive Resources

Traditionally, the business viewed customers as the users of their products or services. However, this perspective has changed with the evolution of service landscape that positions customers as active participants of the service creation process. This perspective of customers suggests that customers are a productive resource contributing to service delivery.

How Customers Contribute as Productive Resources

Information and Expertise: Customers are rich in knowledge about their needs, wants, and problems. This is the wealth or asset that can be used by the service provider in tailoring offerings and improving processes.

Labor and Effort: Customers invest time and personal effort in many activities that become integral parts of a service delivery process. Examples include self-service checkouts, internet banking, and do-it-yourself services.

Financial Resources: Through payment for the service, customers contribute to service delivery. This income is critical for the business to sustain itself and invest in the improvement of services.

Promotion and Advocacy: Satisfied customers become brand ambassadors by recommending the service to others. This word-of-mouth is a great resource in the acquisition of new customers.

Examples of Customers as Productive Resources

- **Healthcare**: Patients provide medical history, symptoms, and lifestyle information that help in diagnosis and treatment plans.

- **Retail:** Customers self-scanning the items while checking out saves labor costs for the retailers.

- **Technology**: Users' feedback on the features of software or an app is also a donation to the development of products.

- **Education**: Students join in the process of learning as active actors that contribute to their development.

Issues and Problems

Despite customers being resources, there are many challenges linked with this approach:

- **Customer Variability**: Since customers possess different knowledge bases, skills, and motivation, it impacts service delivery.

- **Customer Dependence**: An over-dependence on the customer for delivering service may lead to a deterioration in the quality of service.

- **Customer Effort**: Too much effort on the part of the customer results in dissatisfaction.

Strategies for Effective Utilization

Empower Customers: Customers should be well-equipped with tools and information to participate effectively.

Well Defined Roles and Expectations: Customer role definition and communicating the expectations clearly to them.

Incentivizing Participation: The contribution by the customer should be rewarded to ensure that they feel valued.

Measure Customer Effort: Workload on customers should be monitored, and modification should be done if necessary. This can be enabled by the recognition of customers as productive resources and by effectively using their contributions to more value creation, better customer satisfaction, and long-term relationships.

2. Customers as contributors to quality, satisfaction and value

In effect, customers no longer simply receive the product or service offering passively; they become active participants in creating that value proposition. Their role has undergone a metamorphosis from mere customer to one of co-creator.

Customer as Contributors to Quality

Customers play an important role in defining and delivering on quality standards.

- *Feedback and Insights*: Customers provide many valuable suggestions related to the features of the product, services delivery, and overall experience of the same. Such inputs will help the business identify areas of improvement and enhance the quality of the offering.

- *Quality Expectations*: The customers measure and grade their expectations of quality in terms of their prior experience with other companies. Companies should at least achieve that level of quality or run the risk of losing ground to their competitors.

- *Co-creation:* Sometimes, the customer could be involved at the development stage of a product or service to ensure the final output is at least to their liking.

  Example Product Development:

- Nike: The company regularly holds focus groups and consumer surveys on customer preferences for new shoe designs and features, which directly influence product development and quality.

- Tesla: From online forums, the automaker picks up customer feedback to identify issues and act on them, which leads to the continual betterment of electric vehicle quality.

  Example Service Delivery:

- Amazon—It uses customer reviews and ratings to improve the delivery and customer service process continuously so that there remains an overall standard.

- Restaurant—Feedback from customers related to food quality, service, and ambiance contributes to the maintenance of food quality, services, and ambiance.

Customers as Contributors to Satisfaction

Customer satisfaction is directly related to their involvement with the service or product experience.

- *Personalization:* The more the offerings are personalized to a customer's needs, the more they appreciate it. Businesses take their cue from their inputs to alter and develop products and services.

  Examples Netflix—The streaming service uses viewing history of customers to recommend customized content, leading to enhanced customer satisfaction.

  Retail—A fair number of retailers offer customized product recommendations based on customer purchasing history; this raises customer satisfaction.

- *Empowerment:* When customers feel that they possess the right and capability to choose and correct problems, satisfaction increases

- *Example* Self-Service: Services like online banking and self-checkout kiosks offer choices of control to customers, which can lead to greater satisfaction if the services offered are efficient and easy to use.

- *Relationship Building*: When customers feel that they are understood and valued, they are more likely to be satisfied with the experience of dealing with a business.

  Example Customization: if the customer is given a certain degree of freedom to customize the product or the service that is being offered, the sense of ownership and control over the product of the service will increase, hence increasing satisfaction

Customers as Co-creators of Value

Customers co-create value in an active way while they experience the service or product.

- *Word-of-Mouth*: Satisfied customers will turn into brand ambassadors and positively impact other potential customers by bringing value with good word-of-mouth.

  - Apple: Apple customers, after getting satisfied by using the products of Apple, often recommend the brand to all their friends and family, thus creating a huge customer base, which in turn increased its sales.

  - Social Media: The customers share their experience about the product or service, thereby influencing the prospect customers and generating value for the brand.

- *Loyalty:* Loyal customers mean revenue and profits for the long haul, thus bringing value to the company.

- *Innovation*: Customers can come up with ideas for new products or services, adding more value.

  - Lego Ideas: The platform allows fans to send in their own Lego product ideas, and occasionally popular ideas come into production.

  - Crowdfunding: Many successful products and services start as crowdfunded projects that prove the value of customer input in bringing new ideas to market.

In other words, the customers are not only consumers but are active contributors or collaborators in the creation of value. The goals of this process, therefore, go beyond improved customer satisfaction to the building of better relationships, the cultivation of loyalty, and competitive advantage.

3. Customers as Competitors in Service

Though it may seem paradoxical, customers can indeed be regarded as the competitors of service providers. The idea primarily stems from the increasing tendency towards self-service and customer empowerment.

How Customers Can Become Competitors

Self-Service:

With the aid of technological advancement, customers are now able to do more and more things that were formerly done by service providers. Instances of this include online banking, self-service checkout counters, and DIY services that avoid human touch.

Genuinely speaking, the customer is pitted against the service provider in winning their own business.

Knowledge Sharing:

Customers tend to share tips and inform each other, thereby building a competitive knowledge bank. It reduces the dependency on the service provider, in terms of fixing a problem or finding some information.

Online forums, social media groups, and recommendations from peers can replace professional services.

Internalization of Services:

These customers occasionally choose to reinternalize services that they have outsourced before. An example is when a firm decides to employ an in-company IT team instead of hiring external freelance consultants.

Implications for the Service Providers

Understanding customers as competitors will be crucial for service providers to make relevant changes in their strategies. Some key implications are as follows:

Focus on Value-Added Services: As customers start to become more self-sufficient, service providers need to focus on selling unique value propositions that customers cannot easily replicate.

Building Resilient Relationships: Two ingredients in maintaining customers in a highly competitive environment are trust and loyalty.

Innovate Continuously: One prime role of the service providers should always be ahead by coming up with new and innovative solutions.

Customer Education: Help customers understand the benefits that come with using the service provider.

By understanding the customer as a possible competitor, it becomes easier for the service providers to maintain a competitive advantage through the delivery of extraordinary value.

15.5 SELF – SERVICE TECHNOLOGIES

Self-service technologies are technological interfaces that allow customers to be able to perform some kind of service on their own, independent of direct employee assistance. They give customers the power to perform transactions, gain information, and even do

tasks of their own free will. With the ever-increasing advancements in technology, SSTs are observed in almost every industry today.

Characteristics of Self-Service Technologies

Convenience and Accessibility:

Convenient access to services is provided to customers through SSTs, often via online websites, mobile applications, or kiosks, at any time and from any location. This frees the customer from restrictions to business hours or location for executing a task.

Efficiency:

These technologies smoothen the process, often cutting down on time taken to complete a service. Customers can execute transactions, make inquiries, or troubleshoot problems on their own without having to wait for help from the service representatives.

Control and Empowerment:

SSTs provide control to the customers regarding the management of their interaction based on their preferences. This may lead to personalization because customers can opt for the time and the modality of interaction they will use to contact the service.

Cost Effectiveness:

In businesses, SSTs reduce operational costs by cutting down the need for human staff in some areas. To customers, most of these technologies eliminate the need to travel or wait in a queue, hence saving time and sometimes money.

Examples of Self-Service Technologies

Automated Teller Machines (ATMs):

Banking: One of the very early examples, and one of the most pervasive, of SSTs would be ATMs. They provide a channel through which the client can execute a number of banking operations, such as drawing cash, viewing account balances, and depositing checks, without having to interact personally with a bank teller.

Online Banking and Mobile Apps:

Financial Services: Online banking portals and mobile applications make it possible for customers to manage accounts, transfer funds, pay bills, and even apply for loans or credit cards from the convenience of their devices.

Self-Checkout Kiosks:

Retail: In this sector, the machines are set up at grocery stores and retail outlets. Customers can independently scan and pay for items and place them in their carry away bags, eliminating the need for a cashier. This quickens the checkout process and reduces lines.

Ticketing and Check-In Kiosks:

Travel and Transportation: Other places using self-service kiosks include airports, train stations, and movie theatres, where customers can buy tickets, check in for their flights, and print out boarding passes in order to make their travel experience much more efficient.

E-Commerce Platforms:

Online Shopping: With the advent of e-commerce websites and apps like Amazon, Flipkart, and eBay, customers get the freedom to view, choose, and buy at one's own pace. There are more facilities, including reviews of the products, creation of wish lists, and order tracking, all controlled by the customer.

Self-Service Portals:

Telecommunications: Companies like Airtel, Jio, and BSNL offered self-service portals where customers could recharge their mobile plans and manage their accounts, even troubleshoot their problems without contacting customer support.

Food Ordering Kiosks and Apps

Restaurants: Many fast food chains or restaurants introduce self-service kiosks or even mobile apps from which one can order food. There, a customer can personalize orders, select options for making a payment, and even an option to dine in or take out without one's having to interact with the staff.

Healthcare Kiosks:

Health care: Kiosks are used in some hospitals and clinics for self-service check-in, enabling patients to register their appointments, update medical information, and pay bills all by themselves. Telemedicine platforms open up facilities such as consultation by video calls and management of prescriptions online for patients.

Ride-hailing apps:

Transport: Customers can avail of rides, select vehicle categories, and pay for them directly through their mobile phones in both Uber and Ola, providing a smooth transport facility with minimum interaction.

Learning Management Systems (LMS):

Education: Online learning portals and LMS, like Coursera, Udemy, Khan Academy, offer self-service education where students can enroll in courses, access materials, take examinations, and track progress on their own.

Benefits of Self-Service Technologies

Enhanced Customer Satisfaction:

It often leads to higher customer satisfaction due to the fact that SSTs provide increased speed, flexibility, and control over the service process.

Scalability:

The ability to deploy these technologies means that companies are able to deal with large numbers of customers all at once without corresponding linear staff increases.

Data Collection and Personalization:

SSTs capture useful data about customer preferences and behavior that can be used to personalize future interactions and to improve service offerings.

Improved Customer Experience:

By decreasing wait times and facilitating processes in a more intuitive way, SSTs can enhance the customer experience on all levels.

Challenges and Considerations

1. *Technology Adoption*:

Not all customers are savvy about, nor will they be able to use, self-service technologies; in particular, older ones or those with limited access to digital devices.

2. *Technical Problems:*

Glitches, system downtime, or poor user interfaces can puzzle customers and lead them to have negative emotions about the company.

3. *Loss of Personal Interaction:*

While SSTs provide efficiency, they also possibly reduce the human factor in service, which may be missed or less satisfying to some customers.

4. *Security Issues:*

Processing of transactions and sensitive information on self-service platforms requires secure measures that protect customer data.

Self-service technologies are changing how customers communicate with businesses in the search for better convenience, efficiency, and control. The more sophisticated they become, the more they are going to be part and parcel of customer experience in most industries. However, it will be important for firms to balance the advantages that SSTs have with the maintenance of accessibility, personal interaction, and security elements in ensuring a positive customer experience.

15.6 STRATEGIES FOR ENHANCING CUSTOMER PARTICIPATION

Higher customer participation is associated with higher value creation and greater service quality, which drive customer satisfaction. The following are some of the major stimuli that organizations can use to motivate and raise customer participation in service delivery:

1. Customer Education and Training

Clearly Instruct Customers: Organizations can provide customers with clear, step-by-step instructions on how to engage with services for them to feel empowered to participate. This could consist of tutorials, FAQs, and customer support associated with online platforms or self-service technologies.

Run Training Programs: Firms can organize training sessions, webinars, or workshops that will teach customers to use services such as software or financial services more effectively to derive maximum value.

2. Simplify Processes

User-Friendly Interfaces: Make services with user-friendly interfaces that are easy to navigate and participate in by customers. This is more required in online platforms, mobile apps, and self-service kiosks.

Simplify Procedures: Service processes must be simplified by reducing the steps, forms, or points of customer contact that are required to execute a process for service. The less complex a process, the more involved customers will be.

3. Personalize the Experience

Personalization Options: Allow customers to personalize their service experience with options that more suit their needs and preferences. In the case of e-commerce platforms, customers would have an avenue to customize product features, delivery alternatives, and even payment options.

Dynamic Services: Use customer data to dynamically adjust services in real-time, depending on individual preferences and behaviors. If the interaction is made personal, customers may appreciate the feeling of being valued and become willing to actively participate.

4. **Incentives Rewards and Loyalty Programs**:

Reward engagement of customers with rewards, discounts, or loyalty points against their contribution towards a particular behavior, like using self-service or sending in feedback.

Gamification: Add gamification aspects wherein customers get badges or points for their status of participation, be it filling in profiles, referring friends, or contributing content.

5. **Feedback and Collaboration**

Feedback Channels: Build channels through which customers can easily comment, such as questionnaires, comment boards, or dedicated feedback forms. If customers are heard and their suggestions put to action, it will foster continued participation.

Customer Co-Creation: Involve customers in co-creation of products or services by inviting their ideas, opinions, and suggestions; this can be crowdsourcing sites, customer panels, or beta testing programs.

6. Improve Communication

Tell customers what is happening in the course of service through regular notifications, reminders, and confirmations. This keeps the customer in the loop and makes the individual feel more engaged and involved.

Two-Way Interaction: Build a two-way communication environment that assists customers in easily reaching out with inquiries or even areas of concern, and get quick, personalized replies.

7. Utilize Technology

SSTs: Introduce self-service technologies that allow customers to manage and govern their service experience on their own. This involves online portals, mobile applications, chatbots, and kiosks that allow customers to process transactions, manage their accounts, and even get access to information on their own.

Social Media Engagement: Engage customers in a discussion, solicit their opinions, and build a community with the brand. This channel is also pretty effective in crowdsourcing ideas and solutions.

8. Create a Participative Culture

Customer-Centric Culture: The culture has to take into account customers' contributions and participation. This can be reflected within the company's mission, values, and even employee training programs.

Employee Empowerment: Empower employees to encourage and facilitate customer participation. The employees should be trained to guide customers on how they can effectively participate in the service process.

9. Facilitate Community Building

Customer Communities: Create online or offline communities where customers can share their experiences, ask questions, and offer advice to each other. This would not only bring about participation but also brand loyalty.

Peer Support Networks: Establish mechanisms that enable customers to assist each other through forums or user groups, or even online P2P support. In this way, it will not only enhance the customer experience but also help offload traditional customer support channels.

10. Measure and Adapt

Monitoring Extent of Participation: on a periodic basis, measure participation rate of customers along with data regarding how customers are taking part in the service. The information obtained should show the areas where participation may be enhanced.

Co-Create: Continue to adapt and improve service processes based on customer feedback and participation metrics. Through this approach, services remain relevant and engaging to customers over time.

Sector Examples

Retail: Retailers such as Amazon foster customer engagement with user-generated reviews, ratings, and wish lists that improve the experience for other shoppers but generate valuable data as well.

Banking: Banks like HDFC and ICICI have developed fully integrated online banking services through which customers can manage their accounts, get loans, and invest in various instruments on their own. Thus, perceptions of control and involvement are enhanced.

Healthcare: The provision of patient portals by hospitals can make customers active participants in their care by having them view medical records, schedule appointments, and communicate with health practitioners.

Education: The interactivity in learning management systems, such as Coursera and Udemy, promotes student engagement through quizzes and discussion forums with peers and class mates, increasing learning outcome and improving the overall experience. Conclusion

Customer participation is the key to delivering a high-quality, personalized service to customers by understanding their needs and expectations. Education, simplification, personalization, and harnessing technology are the four strategies that would allow the company to ensure customers participate in an active way throughout the service process for better business and customer outcomes.

Check Your Progress-A

Q1. State the meaning of co-creation?

Q2. Explain the customer as productive resources?

Q3. MCQs

    1. Customers level of participation in Banking is

        a. Low   b. Medium   c. High

2. _____represents joint work between the customer and the company, whereby each party has an input in the results.

   a. Creation   b. Co-creation

15.7 SUMMARY

Customers as creators and co-creators are two concepts central in the modern service and marketing theories, portraying the changing role of customers in the service delivery process. The unit discuss in more detail the three major roles played by customers in service co-creation and delivery; 1. customers as productive resources; 2. customers as contributors to quality, satisfaction and value; and 3. Customers as competitors. Higher customer participation is associated with higher value creation and greater service quality, which drive customer satisfaction.

15.8 GLOSSARY

Co-creation: A collaborative process where customers and service providers work together to create value.

Complaints: Customers express dissatisfaction with the service.

Co-producer: The customer actively participates in the service delivery process, contributing resources or skills.

Customer Experience (CX): The overall perception a customer has of a company, based on interactions with the business.

Customer Journey: The complete experience a customer goes through when interacting with a business.

Customer Loyalty: The degree to which a customer is committed to a brand and will continue to purchase its products or services.

Customer Participation: The degree to which customers are involved in the service creation and delivery process.

Customer Satisfaction: The degree to which a customer's expectations are met or exceeded.

Decision-maker: The customer makes choices about products or services, influencing the service provider's offerings.

Evaluator: The customer assesses the quality of the service and provides feedback.

Feedback: Customers provide input on product or service improvements.

Loyalty: Customers continue to purchase from the same provider.

Promoter: The customer advocates for the brand through word-of-mouth and online reviews.

Resource: The customer provides valuable information, expertise, or other resources to the service provider.

Self-service: Customers perform tasks previously done by service providers (e.g., online banking, self-checkout).

Switching: Customers choose a different service provider.

15.9 ANSWERS TO CHECK YOUR PROGRESS

 Check Your Progress   A

1. **Refer 15.3**

2. **Refer 15.4**

3. **1b   2b**

15.10 REFERENCES

- Services Marketing: Integrating Customer Focus Across the Firm by Valarie Zeithaml, Mary Jo Bitner, and Dwayne Gremler
- Services Marketing: People, Technology, Strategy" by Christopher Lovelock and Jochen Wirtz
- Marketing of Services by Vinnie Jauhari and Kirti Dutta

15.11   SUGGESTED READINGS

1. Services Marketing by Christopher Lovelock and Jochen Wirtz

15.12 TERMINAL QUESTIONS

1. Based on your own experience, discuss the general importance of customers in the successful creation and delivery of service experiences.

2. Discuss the customer's role as a contributor to service quality and satisfaction.

3. Discuss the customers' role as a potential competitor.

15.13 CASE LETS/CASES

Caselet: "Empowerment of the Customer: A Telemedicine Journey"

MedCare Solutions is one of the frontline healthcare providers that have continuously leveraged technology in improving their patient care. One aspect of this digital transformation strategy was the introduction of the telemedicine platform—MedConnect—to afford patients a great deal more control over their healthcare experience. Enabling patients to book appointments, consult with doctors via video calls, access medical records, and even monitor health metrics with integrated wearable devices, MedConnect is an exhaustive solution.

Rohit, a 45-year-old marketing professional, had been struggling with controlling his diabetes for years. With the nature of his job keeping him on his toes, he could never afford the time to visit regularly for follow-up checkups and would end up with variations in his health. When his health provider, MedCare Solutions, introduced the MedConnect platform, Rohit was very fascinated but at the same time wondered how this could fit into his routine.

After some hesitation, Rohit decided to use MedConnect for his next consultation. He used the platform to book a video consultation with his endocrinologist, Dr. Mehta. Before the appointment, through the platform, which was integrated with his wearable device, Rohit logged the levels of his blood sugar, diet, and physical activity. This overview provided him with an update on his health metrics and helped him track trends and fluctuations.

Dr. Mehta scrolled through Rohit's data in real-time during the consultation, explaining how his lifestyle choices had been impacting his blood sugar levels. They adjusted his medication together and set new health targets. The ease of the video call meant that Rohit could take the consultation from his office, which he does with so much time and stress saved. The ability to participate actively in monitoring his health gave Rohit a sense of empowerment.

For the next few months, Rohit continued using MedConnect to keep tabs on his health. The reminders regarding medication and follow-up appointments worked well for him in staying on track. That, with the ease of viewing all his medical records and consultation history online, further put him in control of his journey.

Rohit's health started improving, his blood sugar levels were more under control, and he was feeling better. His experience with MedConnect was so good that he began to recommend the platform to friends and family. MedCare Solutions also benefited by way of an increased engagement and satisfaction of patients, as more patients like Rohit came onboard the platform to take an active interest in their healthcare.

Questions

1. What specific features of MedConnect contributed to Rohit's sense of empowerment in managing his health?

2. Describe the role of technology in enhancing Rohit's engagement with his healthcare provider.

3. How did MedCare Solutions' introduction of the MedConnect platform change the traditional patient-provider relationship?

4. In what ways did Rohit's role in his healthcare shift from being a passive recipient to an active participant?

5. How does MedConnect exemplify the concept of customers as co-creators in service delivery?

Block IV
Marketing of Financial Services

UNIT 16 MARKETING OF FINANCIAL SERVICES, BANKING, FINANCIAL INSTITUTIONS

16.1   **Introduction**

16.2   **Meaning of Financial Service Marketing**

16.3   **Who uses Financial Services?**

16.4   **Segmentation of Financial Service Industry**

16.5   **Strategies for Financial Services Marketing**

16.6   **How segmentation works for Banks and Financial Institutions**

16.7   **Marketing Mix of Financial Products offered by Banks and Financial Institutions**

16.8   **Financial Market Strategy**

16.9   **Marketing Mix for Financial Services**

16.10   **Financial Regulatory Mechanism**

16.11   **Summary**

16.12   **Glossary**

16.13   **Answers to check your progress**

16.14   **Reference/ Bibliography**

16.15   **Suggested Reading**

16.16   **Terminal and Model Questions**

16.17   **Case Study**

16.1   INTRODUCTION

India's financial services sector is a crucial component of the nation's economy, encompassing a wide range of services provided by banks, insurance companies, investment firms, and fintech startups. This sector includes traditional banking services such as savings and checking accounts, loans, and mortgages, as well as non-banking financial services like insurance, mutual funds, and wealth management. The emergence of fintech companies has further expanded this landscape, introducing innovations such as digital wallets, peer-to-peer lending platforms, and robo-advisors.

The sector is characterized by its diversity, with a mix of large, established institutions and agile startups. The sheer scale and scope of financial services in India reflect its importance in supporting economic growth, facilitating investment, and managing financial risks.

India's financial services market has experienced significant growth over the past two decades, driven by economic reforms, increased financial inclusion, and technological advancements. The sector's growth is underpinned by several key factors:

1. Economic Growth: India's robust economic growth has expanded the middle class and increased disposable incomes, leading to higher demand for financial products and services.

2. Financial Inclusion: Initiatives such as Pradhan Mantri Jan Dhan Yojana (PMJDY) have dramatically increased access to banking services for underserved populations, creating new customer segments.

3. Digital Transformation: The rise of digital technologies, including mobile banking, online investing, and digital payments, has revolutionized how financial services are delivered and consumed.

4. Investment and Savings Culture: Growing awareness and investment in financial planning and wealth management have spurred demand for a wide range of financial products.

   The marketing of financial services in India is a dynamic field, influenced by economic trends, technological advancements, and regulatory frameworks. Understanding the landscape of this sector, along with effective marketing strategies, is essential for financial institutions aiming to thrive in this competitive and evolving market.

16.2   MEANING OF FINANCIAL SERVICE MARKETING

Financial services marketing refers to the strategies and practices used to promote and sell financial products and services, such as banking services, insurance, investment products, and financial planning. This type of marketing is designed to attract new customers, retain existing ones, and build a strong brand presence in a competitive and heavily regulated industry.

Key Components of Financial Services Marketing

1. Understanding the Market:

   i.   Market Research: Analysing market trends, customer needs, and competitive landscape to identify opportunities and threats.

   ii. Customer Segmentation: Dividing the market into distinct groups based on demographics, psychographics, behaviors, and needs to tailor marketing efforts effectively.

2. Product and Service Offerings:

    i.   Product Development: Designing financial products and services that meet the specific needs of target segments, such as tailored insurance policies or customized investment portfolios.

    ii.   Value Proposition: Clearly communicating the benefits and unique features of financial products, such as high returns, low fees, or comprehensive coverage.

3. Branding and Positioning:

    i.   Brand Identity: Creating a strong brand image that conveys trust, reliability, and expertise. This includes brand name, logo, and messaging.

    ii.   Market Positioning: Differentiating the financial services from competitors through unique selling points, such as innovative features, customer service excellence, or competitive pricing.

4. Marketing Channels and Communication:

    i.   Digital Marketing: Utilizing online platforms such as social media, search engine marketing (SEM), and content marketing to reach and engage customers.

    ii.   Traditional Marketing: Employing traditional media like television, print, and radio to build brand awareness and drive customer acquisition.

    iii.   Direct Marketing: Personalized communication through emails, newsletters, and direct mail to target specific customer segments.

5. Sales and Customer Acquisition:

    i.   Lead Generation: Attracting potential customers through various marketing tactics, including referrals, promotions, and online campaigns.

    ii.   Sales Strategies: Implementing effective sales processes and techniques to convert leads into customers, such as consultative selling or providing personalized financial advice.

6. Customer Relationship Management (CRM):

    i.   Customer Service: Providing exceptional support and service to address customer queries and concerns, fostering loyalty and satisfaction.

    ii.   Retention Strategies: Implementing loyalty programs, regular communication, and personalized offers to retain existing customers and encourage repeat business.

7. Compliance and Regulation:

   i.   Regulatory Adherence: Ensuring all marketing practices comply with financial regulations and standards set by regulatory bodies like the Reserve Bank of India (RBI) or Securities and Exchange Board of India (SEBI).

   ii. Disclosure and Transparency: Providing clear and accurate information about financial products and services to avoid misleading customers.

8. Performance Measurement and Analytics:

   i.   Tracking Metrics: Measuring the effectiveness of marketing campaigns through key performance indicators (KPIs) such as customer acquisition cost, conversion rates, and return on investment (ROI).

   ii. Data Analysis: Analyzing customer data and campaign performance to refine strategies and improve marketing efforts.

Objectives of Financial Services Marketing

1. Attract New Customers: Increasing the customer base by reaching out to potential clients and showcasing the benefits of the financial products.

2. Enhance Customer Retention: Building strong relationships with existing customers to encourage continued use of services and foster loyalty.

3. Build Brand Awareness: Establishing a recognizable and trustworthy brand in the financial services market.

4. Educate and Inform: Providing valuable information to help customers make informed financial decisions and understand the benefits of various products.

Effective financial services marketing requires a deep understanding of customer needs, a strategic approach to product and service development, and a commitment to maintaining high standards of customer service and compliance.

16.2.1 CHARACTERSTICS OF FINANCIAL PRODUCTS AND SERVICES

Financial products and services possess distinct characteristics that differentiate them from other types of products and services:

1. Intangibility: Financial products, like insurance policies and investment funds, are not physical items; they represent promises or contracts.
2. Risk and Uncertainty: They often involve varying degrees of risk and uncertainty, such as market fluctuations for investments or potential claims for insurance.
3. Regulation: Financial products are heavily regulated to protect consumers and ensure market stability, requiring compliance with laws and guidelines.
4. Complexity: Many financial products are complex, requiring thorough understanding and careful consideration, such as mortgage terms or investment portfolios.
5. Customization: They can be tailored to individual needs and financial goals, such as personalized investment strategies or insurance coverage options.

6. Long-term Orientation: Financial services often involve long-term commitments, like retirement planning or loans with extended repayment periods.
7. Interconnectedness: Financial products are frequently interconnected, affecting and being affected by broader economic factors and other financial products.
8. Value Proposition: They promise future value, whether through potential returns, risk protection, or liquidity, which is a key factor in their appeal.

16.3 WHO USES FINANCIAL SERVICES

Financial services are used by a wide range of individuals and entities, including:

1. Individuals: People use financial services for personal banking, investment, insurance, retirement planning, and credit. This includes everyday consumers managing savings accounts, mortgages, car loans, and health or life insurance.

2. Businesses: Companies utilize financial services for managing cash flow, securing loans, investing in growth, and handling payroll. They also use services like corporate insurance and treasury management.

3. Institutional Investors: Organizations such as pension funds, mutual funds, and hedge funds invest in financial markets to achieve returns and manage large-scale investment portfolios.

4. Government Entities: Governments use financial services for budgeting, issuing bonds, and managing public funds. They also regulate and oversee financial markets and institutions.

5. Nonprofit Organizations: Charities and other nonprofit entities use financial services to manage donations, investments, and operational funds.

6. Financial Institutions: Banks, insurance companies, investment firms, and fintech companies themselves use financial services for internal financial management, compliance, and risk management.

Each group has unique needs and goals, which financial services are designed to meet through a diverse range of products and solutions.

16.4 SEGMENTATION OF FINANCIAL SERVICE INDUSTRY

Segmentation of financial services involves dividing the market into distinct groups based on specific criteria to tailor offerings effectively. Key segmentation strategies include:

1. **Demographic Segmentation**: Based on age, income, education, and occupation. For example, retirement plans target older adults, while student loans focus on younger individuals.

2. **Geographic Segmentation**: Differentiates services by location, such as urban vs. rural areas or specific regions, to address local economic conditions and needs.

3. **Psychographic Segmentation**: Considers lifestyle, values, and interests. For instance, high-net-worth individuals may prefer wealth management services, while eco-conscious clients might be interested in sustainable investment options.

4. **Behavioral Segmentation**: Based on customer behaviors, such as spending habits, loyalty, or financial goals. This includes targeting frequent investors or customers with a high propensity for digital banking.

5. **Firmographic Segmentation**: For business financial services, segmentation is based on company size, industry, or financial status, tailoring products like business loans or corporate insurance to specific business needs.

These segmentation approaches help financial institutions customize their offerings and marketing strategies to meet the diverse needs of different customer groups.

16.5 STRATEGIES FOR FINANCIAL SERVICE MARKETING

Marketing financial services effectively requires a nuanced approach, given the complexity of the products and the competitive landscape. Here are key strategies for marketing financial services:

1. Customer Segmentation and Targeting
   i.   Market Research: Conduct detailed research to understand different customer segments and their specific needs. This includes demographic, psychographic, and behavioral analysis.
   ii. Tailored Offerings: Develop customized financial products and services for distinct segments, such as retirement plans for seniors or student loans for young adults.
   iii. Personalization: Use data analytics to offer personalized recommendations and solutions based on individual financial profiles and behaviors.

2. Digital Marketing and Technology Integration
   i.   Website Optimization: Ensure your website is user-friendly, informative, and optimized for search engines (SEO). It should provide clear information on financial products and facilitate easy navigation.
   ii. Content Marketing: Create valuable content such as blog posts, videos, webinars, and infographics to educate customers and establish authority in the field.
   iii. Social Media Engagement: Utilize platforms like LinkedIn, Twitter, Facebook, and Instagram to engage with customers, share updates, and address queries.

iv. Email Marketing: Use targeted email campaigns to nurture leads, provide updates, and offer personalized advice.

3. Building Trust and Credibility

i. Transparency: Clearly communicate the benefits, risks, and terms of financial products to build trust and avoid misunderstandings.

ii. Customer Testimonials and Reviews: Showcase positive feedback from existing customers to build credibility and trust.

iii. Certifications and Awards: Highlight any industry certifications, awards, or endorsements to enhance your reputation.

4. Customer Education and Financial Literacy

i. Educational Resources: Offer tools and resources such as calculators, e-books, and guides to help customers understand financial concepts and make informed decisions.

ii. Workshops and Seminars: Host events, both online and offline, to educate customers about financial planning, investment strategies, and risk management.

5. Customer Experience and Service Excellence

i. Personalized Service: Provide tailored advice and solutions to meet individual needs, and ensure a high level of customer service.

ii. Responsive Support: Offer multiple channels for customer support, including phone, email, and chat, with prompt and helpful responses.

iii. Loyalty Programs: Implement programs that reward customers for their loyalty and continued use of services.

6. Strategic Partnerships and Alliances

i. Fintech Collaborations: Partner with fintech companies to leverage new technologies and enhance your service offerings.

ii. Affiliate Marketing: Work with affiliates or influencers who can promote your financial services to their audience in exchange for a commission.

7. Compliance and Ethical Practices

i. Regulatory Adherence: Ensure all marketing practices comply with industry regulations and standards to avoid legal issues and maintain trust.

ii. Ethical Marketing: Promote financial products honestly and avoid misleading claims or high-pressure sales tactics.

8. Performance Measurement and Optimization

i. Analytics and Metrics: Track key performance indicators (KPIs) such as lead generation, conversion rates, customer acquisition cost, and return on investment (ROI).

ii. A/B Testing: Experiment with different marketing tactics and messages to determine what works best for your target audience.

iii. Feedback and Improvement: Regularly gather customer feedback and analyze marketing performance to refine strategies and improve effectiveness.

9. Brand Positioning and Differentiation

i.   Unique Selling Proposition (USP): Clearly define and communicate what makes your financial services unique compared to competitors.

ii.   Brand Storytelling: Use compelling stories and narratives to connect emotionally with customers and reinforce your brand values.

10. Innovative Marketing Approaches

i.   Gamification: Incorporate elements of gamification into financial education and engagement activities to make them more interactive and appealing.

ii.   Artificial Intelligence (AI): Use AI for predictive analytics, chatbots, and personalized recommendations to enhance customer experience.

By implementing these strategies, financial service providers can effectively market their products and services, build strong customer relationships, and differentiate themselves in a competitive market.

16.6 HOW SEGMENTATION WORKS FOR BANKS AND FINANCIAL INSTITUTIONS?

Segmentation for banks and financial institutions involves dividing the market into distinct groups based on various criteria to tailor products and marketing strategies effectively. Here's how it works:

1. Demographic Segmentation

i.   Criteria: Age, income, occupation, education level, marital status.

ii.   Application: Banks may offer youth accounts and student loans for younger clients, while retirement plans and pension products target older demographics.

2. Geographic Segmentation

i.   Criteria: Location, region, urban vs. rural.

ii.   Application: Banks tailor their services to local needs, such as offering rural microloans or region-specific investment options.

3. Psychographic Segmentation

i.   Criteria: Lifestyle, values, interests, financial goals.

ii.   Application: Financial institutions might create bespoke investment products for high-net-worth individuals or sustainable investment options for eco-conscious clients.

4. Behavioral Segmentation

i.   Criteria: Spending habits, usage patterns, brand loyalty, financial behavior.

ii.   Application: Banks may offer premium services and rewards for high spenders or loyalty programs for long-term customers.

5. Firmographic Segmentation (for B2B)

i.   Criteria: Company size, industry, revenue, number of employees.

      ii.   Application: Banks design specific financial products like business loans or corporate investment services tailored to the needs of different types of businesses.

<u>Steps in Implementation:</u>

1. Data Collection and Analysis: Gather data through customer surveys, transaction records, and market research to identify distinct segments.
2. Segment Identification: Analyze data to define clear customer segments based on identified criteria.
3. Product Development: Create or adjust products and services to meet the needs of each segment.
4. Targeted Marketing: Develop marketing strategies and campaigns that address the specific needs and preferences of each segment.
5. Monitoring and Adjustment: Continuously monitor the effectiveness of segmentation strategies and make adjustments based on customer feedback and market changes.

By effectively segmenting their market, banks and financial institutions can offer more personalized and relevant services, improve customer satisfaction, and enhance overall business performance.

16.6.1 BENEFITS OF SEGMENTATION

The segmentation process adopted by banking and financial institution illustrates the following advantages:

1. Segmentation explores the opportunities: The segmentation explores the profitable opportunities. While segmenting, the market is divided into different groups and subgroups and this simplifies the process of studying and understanding the customers in a right perspective.
2. Segmentation helps to frame a workable marketing strategy: According to the changing needs and requirements of a segment the bank develops the marketing resources in tune with the needs and requirements of a segment. The Promotional measures and pricing strategy can be made optionable in the aviation industry.
3. Segmentation helps to decide the budget: Segmentation helps to plan the budgetary provisions, allocation in the face of changing requirements, optimal distribution of funds of different heads and monitoring expenses.
4. Segmentation helps to build the marketing resources: Segmentation helps to know the preferences needs, requirements, attitudes and lifestyle to develop the marketing resources accordingly. The process of innovation is encouraged very much here. It makes the

services the promotional measures, the pricing tools and process of offering more competitive.

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16.7 MARKETING MIX OF FINANCIAL PRODUCTS OFFERED BY BANKS AND FINANCIAL INSTITUTIONS

The marketing mix, often referred to as the 4Ps (Product, Price, Place, and Promotion), is a crucial framework for developing and executing marketing strategies. For banks and financial institutions in India, the marketing mix needs to be tailored to address the unique characteristics of financial products and the diverse needs of the Indian market. Here's how the marketing mix applies to financial products offered by banks and financial institutions in India:

1. Product
   i. Diverse Offerings: Banks and financial institutions offer a wide range of products, including savings accounts, fixed deposits, loans (personal, home, car), credit cards, insurance policies, mutual funds, and investment products.
   ii. Customization: Tailor products to meet specific customer needs, such as customized loan packages for different income groups or insurance plans with flexible coverage options.
   iii. Innovative Solutions: Incorporate new technologies and features, such as digital banking services, mobile apps, and online investment platforms, to enhance customer convenience.
   iv. Customer Experience: Focus on creating a seamless and user-friendly experience, from application to service delivery, including features like online account management and 24/7 customer support.

2. Price
   i. Competitive Pricing: Set competitive interest rates, fees, and charges compared to market standards. For example, offer attractive interest rates on savings accounts and fixed deposits.
   ii. Transparency: Ensure clear and transparent pricing with no hidden fees. Provide detailed information on all charges, interest rates, and terms and conditions.
   iii. Discounts and Offers: Introduce promotional offers such as discounted processing fees for loans, cashback on credit card spending, or waiver of annual fees for new customers.
   iv. Value for Money: Highlight the value proposition of financial products, such as higher returns on investments or comprehensive coverage in insurance plans.

3. Place

i. Branch Network: Utilize an extensive network of branches and ATMs to provide easy access to financial services. Ensure strategic placement in urban and rural areas to cater to diverse customer segments.

ii. Digital Channels: Leverage digital platforms, including mobile apps, internet banking, and online investment portals, to reach tech-savvy customers and provide convenient access to services.

iii. Partnerships: Collaborate with retail outlets, e-commerce platforms, and fintech companies to expand distribution channels and offer financial products through non-traditional avenues.

iv. Customer Support: Provide multiple support channels, such as phone, email, live chat, and in-person assistance, to ensure customers can access help whenever needed.

4. Promotion

i. Advertising: Use a mix of traditional media (TV, radio, print) and digital media (social media, search engine marketing, display ads) to reach a broad audience. Tailor campaigns to highlight key benefits and features of financial products.

ii. Content Marketing: Create informative content such as blogs, videos, and infographics that educate customers about financial products, market trends, and financial planning tips.

iii. Social Media Engagement: Engage with customers on platforms like Facebook, Twitter, LinkedIn, and Instagram. Share updates, offer financial advice, and respond to customer inquiries and feedback.

iv. Public Relations: Use PR strategies to build and maintain a positive brand image. This includes press releases, media coverage, and thought leadership articles.

v. Events and Sponsorships: Participate in or sponsor financial literacy programs, community events, and industry conferences to enhance brand visibility and credibility.

vi. Referral Programs: Encourage existing customers to refer new clients by offering incentives or rewards for successful referrals.

Additional Considerations

i. Regulatory Compliance: Ensure all marketing activities comply with regulations set by authorities like the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), and Insurance Regulatory and Development Authority of India (IRDAI).

ii. Cultural Sensitivity: Tailor marketing messages and campaigns to reflect local cultures, languages, and traditions, especially in a diverse country like India.

iii. Customer Feedback: Continuously gather and analyze customer feedback to refine products, services, and marketing strategies.

By carefully managing each element of the marketing mix, banks and financial institutions in India can effectively attract and retain customers, differentiate themselves from competitors, and achieve their business goals.

16.8 FINANCIAL MARKETING STRATEGY

The beginning of the decade 1980s brought a significance change in the concept of financial service marketing. The advent of electronic fund transfer system probably in the late 1970s, made possible Induction of Automated Teller Machines (ATMs). Direct deposit of payroll. Pay by phone system, points of sale systems, credit and debit cards, preauthorized funds transfer and automated clearing houses.

Hence, it is right to say that automation made possible a transformation in the nature and character of financial services. Thus, the new concept of bank marketing assigned due weightage to customer satisfaction. In a true sense, the hallmark of the changed concept aimed at having a full view of customer's needs, fulfilling the identification of potential customers on the basis of market segmentation.

1. **Creating a brand:** Branding and effective advertising are two strategies which can play a decisive role. While branding helps the investor distinguish one product from another. Advertising enables the marketer to communicate based on information that an investor requires in selecting a particular product. Branding is to two types-individual branding which is one time affair like the Reliance Public Issue "Khazana" or Umbrella branding, the practice of labelling more than one product with single brand name, e.g., Citibank's- "Citihome, Citimobile etc.

   Developing a brand requires a great deal of long-term investment, especially advertising, promotion etc. It is quite an expensive proposition and hence it is worthwhile mostly for large public issues or long-term plans like a bank's schemes.

2. **Developing the profile of target segment:** Developing a target segment profile for banks or financial institutions involves creating a detailed representation of a specific customer group to tailor products, services, and marketing strategies effectively. Here's a step-by-step guide to creating this profile:

A. Define the Segment

Segment Name: Assign a name to the segment based on its characteristics, such as "Young Professionals" or "High-Net-Worth Individuals."

B. Demographic Characteristics

   a. Age Range: Define the age group, e.g., 25-35 years.
   b. Gender: Note if the segment is gender-specific or balanced.
   c. Income Level: Specify income brackets, e.g., ₹5-15 lakhs per annum.

      d. Occupation: Identify common professions or industries, e.g., IT professionals, entrepreneurs.

      e. Education Level: Indicate typical educational qualifications, e.g., postgraduates or MBAs.

C. Geographic Characteristics

      a. Location: Identify where the segment is based, e.g., metropolitan cities like Mumbai, Delhi, or Bangalore.

      b. Urban/Rural: Determine if the segment is primarily urban or rural.

D. Psychographic Characteristics

      a. Lifestyle: Describe the lifestyle preferences, e.g., tech-savvy, frequent travelers.

      b. Values: Identify core values, such as sustainability or financial security.

      c. Interests: Note interests relevant to financial products, e.g., investment opportunities, luxury goods.

E. Behavioral Characteristics

      a. Financial Behavior: Outline behaviors such as savings habits, investment tendencies, or loan usage.

      b. Product Usage: Specify how frequently they use financial products, e.g., daily online banking, occasional investments.

      c. Customer Needs: Identify key needs and pain points, such as high returns, easy credit, or comprehensive insurance.

F. Market Needs and Preferences

      a. Product Preferences: Detail preferred products and services, e.g., high-yield savings accounts, credit cards with travel perks.

      b. Service Expectations: Outline expectations regarding customer service, e.g., 24/7 support, personalized advice.

G. Communication Preferences

      a. Preferred Channels: Identify preferred communication channels, e.g., mobile apps, email, social media.

      b. Content Type: Determine the type of content that resonates, e.g., educational articles, promotional offers.

H. Competitive Positioning

      a. Current Providers: Note existing financial institutions serving this segment.

      b. Differentiators: Highlight what differentiates your offerings, such as unique features or better customer service.

I. Create the Profile

Combine the above characteristics into a detailed profile. For example:

Segment Profile: Young Professionals

Age Range: 25-35 years

Income Level: ₹5-15 lakhs per annum

Occupation: IT professionals, consultants, young entrepreneurs

Location: Metropolitan cities (Mumbai, Delhi, Bangalore)

Lifestyle: Tech-savvy, frequent travelers, career-focused

Values: Financial security, personal growth, technology adoption

Interests: Investment opportunities, luxury experiences

Financial Behavior: Regularly invests in mutual funds, uses credit cards frequently, saves for short-term goals

Product Preferences: High-yield savings accounts, travel credit cards, investment advisory services

Service Expectations: 24/7 online banking, personalized financial planning

Preferred Channels: Mobile apps, social media, email newsletters

Competitive Positioning: Offers cutting-edge digital banking features and exclusive investment opportunities

This profile helps banks and financial institutions tailor their product offerings, marketing strategies, and customer engagement efforts to effectively meet the needs of the target segment.

16.9 MARKETING MIX FOR THE FINANCIAL SERVICES

The marketing mix for the financial services aims to market the financial services and schemes profitably. Generally, the needs and requirements, the likes and dislikes, the preferences attitudes and expectations and lifestyle remain dynamic. There are several factors influencing the process of change. Today we sell credibility and therefore a basic change in the perception of marketing is quite natural. This is essential for fulfilling the increasing level of expectations and even for increasing market share. The marketing mix, a combination of different sub mixes mainly includes the product mix, promotion mix, the price mix and the place mix found significant even to the banking organization. To be more specific in the service providing organizations, employees looking impressive, smart and having aesthetic sense are found more effective in attracting the customers. In the corporate world, the personal care dimension thus becomes important.

1. **The Financial Product Mix:** While designing service mix the financial institutions can follow two guidelines, the first is related to the processing of product to market needs and the second is concerned with the processing of market needs to product. The needs of the target market are anticipated and

visualized. In the second process the bank reacts to expressed needs and therefore we consider it reactive. This is because no customer would buy a product which contains technical faults. Technical perfection in service includes prompt delivery, quick disposal and presentation of right facts and figures, right filling and proper documentation and so on.

A sound Portfolio creates a conductive environment and succeeds in increasing the sensitivity of marketing decisions and customer segments, The financial institutions must have a sound product portfolio, and the banker is responsible for getting it done suitably and effectively.

2. **New Financial Product development:** New financial product development involves creating innovative financial products and services that meet the evolving needs of customers and adapt to market trends. This process requires a structured approach to ensure that new products are viable, competitive, and aligned with customer expectations.

Here's a comprehensive guide to new financial product development:

1. Market Research and Analysis
   a. Identify Market Needs: Conduct research to understand emerging customer needs, gaps in existing products, and new trends. Use surveys, focus groups, and industry reports.
   b. Competitive Analysis: Analyze competitors to identify their offerings, strengths, and weaknesses. Determine what differentiates their products and identify opportunities for innovation.

2. Idea Generation
   a. Brainstorming: Generate ideas for new products through brainstorming sessions with cross-functional teams, including marketing, finance, and technology.
   b. Customer Feedback: Gather insights from existing customers to identify their pain points and desired features.
   c. Industry Trends: Explore new technologies, regulatory changes, and market trends to inspire product ideas.

3. Concept Development
   a. Define Product Concept: Outline the core idea of the product, including its purpose, target market, and key features.
   b. Feasibility Study: Assess the technical and financial feasibility of the concept, including required resources, potential costs, and expected returns.
   c. Business Case: Develop a business case that includes market potential, revenue projections, cost estimates, and risk assessment.

4. Design and Development

   a. Product Design: Create detailed product specifications, including features, benefits, and customer experience aspects.
   b. Prototyping: Develop a prototype or pilot version of the product to test its functionality and gather initial feedback.
   c. Regulatory Compliance: Ensure the product complies with relevant regulations and standards set by authorities like the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), and Insurance Regulatory and Development Authority of India (IRDAI).
5. Testing and Refinement
   a. Market Testing: Conduct market testing with a select group of customers to validate the product concept and identify areas for improvement.
   b. Feedback Integration: Analyze feedback from testing phases and make necessary adjustments to the product design, features, or pricing.
   c. Risk Management: Evaluate and mitigate potential risks associated with the product, including operational, financial, and reputational risks.
6. Go-to-Market Strategy
   a. Pricing Strategy: Determine the pricing structure based on cost, market demand, and competitive positioning. Consider introductory offers or discounts to attract early adopters.
   b. Distribution Channels: Select appropriate distribution channels, such as digital platforms, branches, or partnerships, to reach the target audience effectively.
   c. Marketing and Promotion: Develop a marketing strategy that includes advertising, promotions, content marketing, and public relations to create awareness and drive adoption.
7. Launch and Implementation
   a. Product Launch: Execute the launch plan, including rollout activities, promotional campaigns, and customer onboarding.
   b. Training and Support: Provide training for sales and support teams to ensure they can effectively communicate the benefits and features of the new product.
   c. Customer Support: Establish support mechanisms to assist customers with inquiries, issues, or feedback related to the new product.
8. Post-Launch Evaluation
   a. Performance Monitoring: Track key performance indicators (KPIs) such as sales volume, customer satisfaction, and market share to evaluate the product's success.

b. Continuous Improvement: Gather ongoing feedback from customers and stakeholders to identify areas for improvement and make iterative updates to the product.

c. Market Adaptation: Adapt the product or marketing strategy based on market changes, emerging trends, or new customer needs.

Examples of New Financial Products

i. Digital Wallets: Mobile apps that allow users to store payment information, make transactions, and manage finances digitally.

ii. Robo-Advisors: Automated investment platforms that provide personalized financial advice and portfolio management using algorithms.

iii. Customized Insurance Plans: Flexible insurance products that offer tailored coverage options based on individual needs and preferences.

iv. Blockchain-Based Solutions: Financial products utilizing blockchain technology for secure, transparent transactions and smart contracts.

Key Considerations

i. Innovation and Differentiation: Focus on creating unique features or benefits that differentiate the product from existing offerings.

ii. Regulatory Compliance: Ensure adherence to financial regulations and industry standards to avoid legal issues and build customer trust.

iii. Customer-Centric Approach: Prioritize customer needs and preferences throughout the development process to enhance the product's relevance and appeal.

By following these steps, banks and financial institutions can successfully develop new financial products that meet market demands, drive growth, and enhance customer satisfaction.

3. **Typical financial products:** Banks and financial institutions offer a variety of financial products designed to meet different needs and preferences. Here's an overview of typical financial products:

A. Banking Products

i. Savings Accounts: Interest-bearing accounts for everyday deposits and withdrawals, often with features like online banking and ATM access.

ii. Current Accounts: Designed for businesses and individuals who need frequent transactions and may come with overdraft facilities.

iii. Fixed Deposits (FDs): Time deposits with a fixed interest rate for a specified term, providing a safe investment with guaranteed returns.

iv. Recurring Deposits (RDs): Savings plans where individuals make regular deposits over a period, earning interest at maturity.

v.

B. Loans and Credit

    i.   Personal Loans: Unsecured loans for personal expenses, such as medical emergencies, vacations, or home renovations.

   ii.   Home Loans: Loans for purchasing or constructing a home, often with long repayment terms and lower interest rates.

  iii.   Car Loans: Loans specifically for purchasing vehicles, usually with fixed terms and interest rates.

  iv.   Business Loans: Financing solutions for business needs, including working capital, expansion, and equipment purchases.

   v.   Credit Cards: Payment cards offering revolving credit with features like rewards programs, cashback, and travel benefits.

C. Investment Products

    i.   Mutual Funds: Investment vehicles pooling money from multiple investors to invest in stocks, bonds, or other assets, managed by professional fund managers.

   ii.   Stocks and Shares: Equity investments in publicly traded companies, allowing investors to buy ownership stakes and benefit from price appreciation and dividends.

  iii.   Bonds: Debt securities issued by governments or corporations, providing regular interest payments and returning the principal amount at maturity.

  iv.   Exchange-Traded Funds (ETFs): Investment funds traded on stock exchanges, similar to mutual funds but with greater flexibility and liquidity.

D. Insurance Products

    i.   Life Insurance: Policies providing financial protection to beneficiaries in the event of the policyholder's death, with options for term, whole, and universal life insurance.

   ii.   Health Insurance: Coverage for medical expenses, including hospitalization, outpatient services, and prescription drugs.

  iii.   Motor Insurance: Coverage for vehicle-related damages and liabilities, including comprehensive and third-party insurance.

E. Property Insurance: Protection against risks to property, including fire, theft, and natural disasters.

F. Retirement and Pension Plans

    i.   Retirement Savings Accounts: Accounts like Provident Funds (PF) or Public Provident Funds (PPF) offering tax benefits and long-term savings for retirement.

   ii.   Pension Plans: Insurance products providing a regular income after retirement, often with options for annuities or lump-sum payouts.

G. Wealth Management and Advisory Services

    i.   Financial Planning: Personalized services to help clients plan and manage their finances, including budgeting, tax planning, and estate planning.

ii. Investment Advisory: Professional advice on investment strategies, portfolio management, and asset allocation tailored to individual goals and risk tolerance.

H. Foreign Exchange and Remittance Services

i. Currency Exchange: Services for converting one currency to another for travel or trade purposes.

ii. International Remittances: Services allowing individuals to send money across borders, often with options for both online and in-person transactions.

I. Digital and Technology-Driven Products

i. Digital Wallets: Mobile applications for storing payment information and making transactions electronically.

ii. Online Trading Platforms: Digital platforms enabling users to trade stocks, bonds, and other financial instruments online.

iii. Robo-Advisors: Automated investment platforms providing algorithm-driven financial planning and portfolio management.

These products cater to various aspects of personal and business financial needs, providing customers with tools to save, invest, borrow, and manage their finances effectively.

16 .9.1 PROMOTION MIX

The promotion mixes for financial products involves a strategic blend of communication and marketing tactics to effectively reach and engage target audiences. Here is a breakdown of the key elements.

1. **Advertising**

   a. Traditional Media: Use TV, radio, and print ads to reach a broad audience. These are effective for building brand awareness and reaching potential customers in various demographics.

   b. Digital Advertising: Leverage online channels such as search engine marketing (SEM), display ads, and social media ads to target specific customer segments with tailored messages.

2. **Public Relations (PR)**

   a. Press Releases: Issue announcements about new products, company news, or financial results to media outlets to generate positive coverage and increase visibility.

   b. Media Relations: Build relationships with journalists and financial bloggers to gain coverage and expert commentary on industry trends and product innovations.

c. Events and Sponsorships: Sponsor or host industry events, seminars, and webinars to position the institution as a thought leader and engage with potential customers directly.

3. **Sales Promotions**

    a. Discounts and Offers: Provide special promotions such as reduced interest rates on loans, waived fees, or cashback offers to attract new customers or retain existing ones.

    b. Limited-Time Offers: Create urgency with time-sensitive promotions to encourage quick decision-making and action from potential customers.

4. **Direct Marketing**

    a. Email Campaigns: Send personalized emails with product offers, updates, and financial advice to targeted customer lists based on their preferences and behavior.

    b. Direct Mail: Use postal mail to send brochures, promotional materials, and personalized offers to specific segments or geographic areas.

5. **Content Marketing**

    a. Educational Content: Develop and share valuable content such as blogs, articles, e-books, and infographics that educate customers about financial products and services.

    b. Videos and Webinars: Create video content and host webinars to explain complex financial concepts, showcase product features, and engage with customers interactively.

6. **Social Media Marketing**

    a. Engagement: Actively engage with customers on platforms like Facebook, Twitter, LinkedIn, and Instagram by sharing relevant content, responding to inquiries, and participating in discussions.

    b. Influencer Collaborations: Partner with financial influencers or bloggers to reach a wider audience and build credibility through their endorsements.

7. **Personal Selling**

    a. Financial Advisors: Employ trained advisors to provide personalized consultations, offer tailored product recommendations, and address individual customer needs.

    b. Branch Visits: Use in-branch representatives to promote products, explain features, and provide face-to-face customer service.

8. **Digital and Online Presence**

a. Website Optimization: Ensure the website is user-friendly, with clear information on financial products and easy navigation for prospective customers.

b. Search Engine Optimization (SEO): Optimize website content to rank higher in search engine results, making it easier for potential customers to find information about your products.

9. **Referral Programs**

a. Customer Referrals: Encourage existing customers to refer friends or family members by offering rewards or incentives for successful referrals.

b. Affiliate Marketing: Partner with affiliates who can promote your financial products through their networks in exchange for commissions.

10. **Integration and Coordination**

a. Consistency: Ensure messaging and branding are consistent across all promotional channels to build a cohesive brand image.

b. Cross-Promotion: Use a mix of promotional strategies to complement each other, such as running social media ads in conjunction with email campaigns.

By effectively utilizing these elements of the promotion mix, financial institutions can enhance product visibility, engage potential customers, and drive growth in a competitive market.
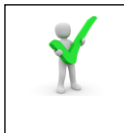
 Check Your Progress-A

1. Which regulatory body oversees the securities market in India?
    a) Reserve bank of India (RBI)
    b) Insurance Regulatory and Development Authority of India (IRDAI)
    c) Pension Fund Regulatory and Development Authority (PFRDA)
    d) Securities and Exchange Board of India
2. Which of the following is a common method used by banks to attract new customers?
    a) Offering discount on utility bills
    b) Providing high interest rates on saving account
    c) Selling personal data to third parties
    d) Limited access to customer support system

3. Which does the term brand positioning refer to in context of financial service marketing?
    a) The geographical location of a bank's branches
    b) The process of creating a unique image and identity for a financial institution in the mind of customer
    c) The financial performance of a bank
    d) The number of products financial institute offers
4. Which digital tool is commonly used by financial institution to engage with customers and offer services?
    a) Physical brochures
    b) Telemarketing calls
    c) Social media platform
    d) In person events

16.10 FINANCIAL REGULATORY MECHANISM

The financial regulatory mechanism in India is designed to ensure the stability, integrity, and efficiency of the financial system. It involves a framework of laws, regulations, and institutions that oversee and govern financial activities, protect investors, and maintain systemic stability. All functions and responsibilities of banks (both Indian and foreign) and finance companies are governed bt the regulations stipulated by the reserve Bank of India (RBI) . For banks RBI fixed the two critical elements of Cash Reserve Ratio and Statutory Liquidity Ratio. From time-to-time strictures are issued for matters such as revision of interest rates, change of policy, foreign exchange regulations. Since all Indian banks and finance companies go by the directions of Reserve Bank Of India. It becomes mandatory that pricing of all their products conform to RBI regulations.

16.11 SUMMARY

Marketing financial services offered by banks and financial institutions involves a strategic approach to effectively reach and engage diverse customer segments. The marketing landscape is shaped by the need to address unique financial needs and preferences through a mix of targeted strategies. Banks and financial institutions utilize various tools in their promotion mix, including traditional advertising, digital marketing, content creation, and direct marketing, to build brand awareness and attract customers. They leverage customer segmentation to tailor their offerings, focusing on demographic, geographic, psychographic, and behavioral factors to develop personalized products and services. Effective marketing also involves using digital platforms, such as mobile apps and online

portals, to enhance customer experience and accessibility. Additionally, these institutions emphasize the importance of building trust and credibility through transparent communication, regulatory compliance, and exceptional customer service. Innovations in financial products, like digital wallets and robo-advisors, are frequently introduced to meet evolving customer demands. Public relations efforts, including media interactions and sponsorships, play a critical role in shaping the public perception of financial institutions. To remain competitive, institutions continuously adapt their marketing strategies based on market trends, regulatory changes, and technological advancements. Overall, successful marketing in the financial sector is about aligning products and services with customer needs while maintaining a strong, trustworthy brand presence.

16.12 GLOSSARY

Account Management: The process of managing customer accounts to ensure satisfaction and retention, involving regular interactions and updates.

Brand Awareness: The extent to which customers recognize and recall a financial institution's brand.

Customer Segmentation: The practice of dividing a customer base into distinct groups based on characteristics such as demographics, behaviors, or needs.

Digital Transformation: The integration of digital technology into all areas of a financial institution, changing how they operate and deliver value to customers.

Direct Marketing: Promotional activities that communicate directly with potential customers through channels such as email or direct mail.

Financial Product: Any service or instrument offered by financial institutions, including savings accounts, loans, insurance, and investment vehicles.

Integrated Marketing Communications (IMC): The coordination of various promotional tools and messages to present a consistent and unified message to customers.

Market Research: The process of gathering, analyzing, and interpreting information about a market or customer preferences to guide marketing decisions.

Personalization: Tailoring marketing messages and product offerings to meet the specific needs and preferences of individual customers.

Public Relations (PR): The practice of managing and influencing the public perception of a financial institution through media and community engagement.

16.13 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress   A

Answer to 1 is (d), 2 (b), 3 (b), 4 (c)

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16.15 SUGGESTED READINGS

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16.16 TERMINAL QUESTIONS

1. Explore the concept of customer experience in the context of financial service marketing. How can banks and financial institutions enhance the overall customer experience through marketing efforts.
2. What do you mean by Marketing of Financial services?
3. Discuss the marketing mix for financial services.
4. Explain the benefits of segmentation.

16.17 CASE LETS/CASES

One notable case study in financial services marketing conducted by banks in India is the digital transformation initiative undertaken by HDFC Bank. In response to the growing demand for digital banking solutions, HDFC Bank launched its "Smart Banking" campaign aimed at enhancing customer experience through technology. The bank introduced a suite of digital products including a user-friendly mobile banking app, online account opening, and digital payment solutions.

The campaign focused on addressing the needs of tech-savvy customers who preferred managing their finances through digital platforms. HDFC Bank utilized various marketing channels such as social media, online advertising, and email campaigns to promote these digital services. The bank also invested in educational content to help customers understand the benefits of digital banking and how to use the new features effectively.

The success of the campaign was evident in the significant increase in the number of digital transactions and the growth in active users of their mobile banking app. By leveraging technology and targeted marketing strategies, HDFC Bank not only improved customer satisfaction but also strengthened its position as a leader in digital banking in India. This case study illustrates how banks can effectively use marketing to drive adoption of digital financial services and meet evolving customer expectations.

UNIT 17 COMMUNICATION & INFORMATION SERVICE MARKETING - TELECOM, COMPUTER, COURIER

17.1   Introduction

17.2   Meaning of Communication Media

17.3   Telecommunication

17.4   Service Mix for Computers

17.5   Courier Marketing

17.6   Summary

17.7   Glossary

17.8   Answers to check your progress

17.9   Reference/Bibliography

17.10   Suggested Reading

17.11   Terminal and Model Questions

17.12   Case Study

17.1   INTRODUCTION

The globalization of economy gained a rapid momentum due to sophisticated communication technologies and masses get an opportunity to taste the fragrance of world class goods and services. The hierarchy of needs and requirements, taste preference are now found completely changed. Our food habits, dresses, family structures, choice for entertainment and lifestyles, of late are fantastically influenced by mass media. We can not deny that globalization of economy has substantially been successful in monuments in the globalization of fashion, culture and civilization. Of course, we now get an opportunity to taste the sweetness of several material assets which yesterday were not found in our family preferences but if not all of us undoubtedly a majority of us feel the tastes now turning sour.

Communication media such as information media and entertainment media, e.g., telecasting, broadcasting and print media. There are several public and private sector organizations engaged in the process. They have been offering a number of services to society. Communication plays an important role in sensitizing the masses about national

policies and programmes to providing information and education in addition to the healthy environment. In the nation building endeavours we find playing an outstanding role. The Ministry of Information and Broadcasting is responsible for development and regulation of information, broadcasting and d film sectors in the country. The information sector includes the print media which is regulated by the Press Council of India. There are several developments in the field of mass communication. The benefits of new generation of technology are now also to the mass communication. This necessitates a microscopic audit of the performance of both information and entertainment.

In today's rapidly evolving digital landscape, communication and information services have become fundamental to both personal and professional life. These services encompass a wide range of sectors including telecommunications, computer services, and courier logistics. As these sectors grow and diversify, the need for effective marketing strategies becomes increasingly important to capture and retain customers in a competitive environment.

17.2 MEANING OF COMMUNCIATION MEDIA

Communication Media refers to the various channels or platforms used to convey messages and information from a sender to a receiver. These media can be categorized based on their format, reach, and the nature of communication they facilitate. They play a crucial role in shaping how information is distributed and consumed in different contexts, including marketing, education, journalism, and interpersonal communication.

In the communication media we find information media. Especially newspaper and magazines and entertainment media or electronic media in which we find broadcast and telecast media or say radio and television. It is a combination of both traditional and modern media which by communicating to masses is supposed to play a significant role in the nation building endeavour. In the age of information explosion the spread in the dissemination of information has virtually become an index of country's development.

17.2.1 INFORMATION MEDIA

Information Media refers to the various channels, formats, and platforms used to disseminate, store, and access information. Unlike communication media, which is often focused on facilitating interactions between people, information media specifically deals with the presentation and management of data and content. This encompasses how information is delivered, organized, and consumed across different contexts, including education, business, and media.

Types of Information Media

1. **Print Media:**

   a. **Examples:** Books, newspapers, magazines, journals, reports.

b. **Characteristics:** Physical formats that provide detailed, often in-depth information. Print media is useful for long-form content, reference materials, and archival purposes.

2. **Digital Media:**

   a. **Examples:** Websites, blogs, online articles, e-books, digital libraries.

   b. **Characteristics:** Electronic formats that allow for easy access, searchability, and updating. Digital media supports multimedia content (text, images, video) and is often interactive.

3. **Broadcast Media:**

   a. **Examples:** Television news programs, radio news segments, documentaries.

   b. **Characteristics:** Audio-visual formats that can deliver information to a broad audience. Useful for real-time news updates, educational programs, and informational content.

4. **Social Media:**

   a. **Examples:** Facebook, Twitter, LinkedIn, Instagram.

   b. **Characteristics:** Platforms for sharing information quickly and interactively. Social media allows for real-time updates, user-generated content, and community engagement.

5. **Multimedia:**

   a. **Examples:** Interactive presentations, educational videos, infographics.

   b. **Characteristics:** Combines text, audio, and visuals to present information in an engaging and accessible way. Multimedia is often used for training, marketing, and educational purposes.

6. **Database Systems:**

   a. **Examples:** SQL databases, data warehouses, cloud storage solutions.

   b. **Characteristics:** Systems for storing, managing, and retrieving structured data. Databases are crucial for handling large volumes of information and supporting decision-making processes.

7. **Educational Media:**

   a. **Examples:** Online courses, e-learning modules, educational apps.

   b. **Characteristics:** Tools designed to facilitate learning and knowledge acquisition. They often include interactive elements, assessments, and multimedia content.

8. **Libraries and Archives:**

   a. **Examples:** Public libraries, digital archives, research repositories.

   b. **Characteristics:** Institutions and systems dedicated to the organization, preservation, and access to information and historical records.

Importance of Information Media

1. **Information Dissemination:** Information media are vital for distributing knowledge, news, and educational content to various audiences.

2. **Access and Convenience:** Digital and multimedia formats provide easy access to information, enabling users to retrieve and interact with content efficiently.

3. **Data Management:** Systems like databases help in organizing and managing large volumes of information, supporting effective data analysis and decision-making.

4. **Engagement and Learning:** Interactive and multimedia formats enhance engagement and facilitate better learning and understanding.

Choosing the Right Information Media

Selecting the appropriate information media depends on several factors:

- **Purpose of Information:** Different media are suited for different types of information (e.g., detailed reports, quick updates, interactive learning).

- **Audience Needs:** Understanding how the target audience prefers to access and engage with information.

- **Format and Accessibility:** Considering the best format for presenting the information and ensuring it is accessible to the intended audience.

In summary, **information media** encompasses the various tools and platforms used to present, manage, and access information. Each type offers unique advantages and is suited to different contexts and purposes, from detailed print resources to interactive digital formats. Choosing the right information media is crucial for effective information delivery and engagement.

17.2.2 MARKETING MIX FOR COMMUNICATION MEDIA

There are a number of points to justify the conceptualization of marketing principles in the communication media e.g., formulating a sound service mix, identify the sensitive problems and the thrust areas, formulating an optimal promotion strategy, rationalizing the pricing decision having an optimal distribution strategy, making possible, cost effectiveness and satisfying the users of services.

1. Service Mix: In the formulation of service mx for communication media, we include both the core and supportive services offered by the information media, telecast media and broadcast media. The information media has information value whereas the entertainment media have entertainment value.

2. Promoting Mix Like other organizations, mass communication organizations also need to promote their business so that they serve the society in right fashion and

at the same time also succeed in maintaining their commercial viability. Inter-media promotion may help them in optimizing the promotion budget. While promoting they are supposed to protect social cultural values.

3. Pricing Mix: To be more specific for newspapers and magazines, the pricing dimension occupies a place of outstanding significance. The mounting establishment and intermediation costs have been found increasing the total cost, but the demand side is not showing a positive trend. The information media thus need to inculcate habits of buying newspapers and magazines among the prospects which would increase circulation vis a vis would make possible cost effectiveness in the services. For entertainment media, the dimension is found insignificant.

4. Place Mix: The information media in particular need to assign due weightage to this dimension of marketing because the agents and distributors play here an outstanding role. Both the media information and entertainment are supposed to assign due attention on reception, enquiry and service distribution centers.

5. Process Mix: To process the services related to mass communication. We Find a team of people combining technical experts, managerial professionals and supporting staff. The operational flow is increased with the help of new generations of technology. The services are processed and offered to users.

6. Physical Evidence and attraction: The mix of marketing for communication services draws our attention on the services ambience helping employees and performers in delivering and customers and visitors in strengthening their realization about the services to be used, In the entertainment media, we find services ambience playing an incremental role in attracting the viewers and potential viewers. The employees working need to wear uniforms and dresses in tune with the situations and occasions inside and outside the studio.

7. People: In the communication media we find involvement of a brigade of performing and supporting staff in different capacities. The need perfection and personal commitment to their profession and delivering with a sense of dedication. In a true sense, they need passion for their profession.

17.3 TELECOMMUNICATION

Telecommunication and mobile phone services are an essential component of economic infrastructure. Telecommunication organizations traditionally generate higher levels of profit but competition made them adopt aggressive defensive strategies of bundling more services at cheap rates. Further the advent of latest communication technologies like 5G, we find multifaced services offered by various service providers like Jio, Airtel, and BSNL. A sound information system may help to innovate service offerings which include voice clarity, network coverage and other value added services. The telecommunication marketing provides the following benefits:

1.   The development of the world class telecommunication industry which facilitates economic growth through trade and investment

2.   It helps to design a sound marketing mix for the value-added customers services for various services providers in a global setting

3.   By helping individuals and institutions, it activates the process of social transformation. It also provides useful services at a highly competitive rate to the people at large.

4.   It helps to develop a new perception of service by offering innovative, competitive and profit oriented personal and professional services.

5.   It provides superior customer-satisfaction and analyzes the users profile and usage rate of different customer groups.

The telecommunications sector has undergone remarkable growth and transformation over recent decades, driven by technological advancements and increasing demand for connectivity. Initially dominated by landline networks and basic mobile services, the sector has evolved with the advent of mobile phones, internet services, and advanced data technologies. The introduction of 3G and 4G networks revolutionized communication by enabling faster data speeds, more reliable connectivity, and the proliferation of smartphones, which in turn spurred the growth of mobile applications and digital services. The sector's evolution continued with the rollout of 5G technology, promising even higher speeds, lower latency, and the capacity to support a vast array of connected devices, including the Internet of Things (IoT). This rapid advancement has significantly impacted various industries, facilitating innovations such as smart cities, autonomous vehicles, and advanced healthcare solutions. Additionally, the growth of satellite communications and fiber-optic networks has enhanced global connectivity, bridging gaps between urban and remote areas. Overall, the telecommunications sector has not only expanded in terms of infrastructure and service offerings but has also become integral to modern life, driving both economic development and social progress.

In India, the major telecommunications providers are:

1. Bharti Airtel
2. Reliance Jio
3. Vi (Vodafone Idea)
4. BSNL (Bharat Sanchar Nigam Limited)

17.3.1 MARKETING MIX/ PRODUCT MIX

Telecommunication products include several services such the telephonic services, telegraphic services, fax services, internet services. Due to arrival of latest communication technologies the product/ service range of telecommunication have increased. Telecommunication organizations provide a variety of product services to the different categories of individuals and institutional users. The internet provides an opportunity to the users to communicate with various people in different parts of world. In addition to

that it is useful for business and academic exchanging information knowledge or entertainment. Today the internet comes with sound and video capabilities.

While designing a variable product mix, in addition to the core services, the telecom organization must mix the peripheral services. They develop a package which is widely used by educational institutions, business organizations and the government administration. While designing the product mix, it must be ensured that the services included in the mix are in the face of changing needs and requirements of different categories of users. The peripheral services promote the users of fax and internet services, The innovation needs to be given due weightage.

In the telecommunications sector, the product mix is diverse and tailored to meet a wide range of consumer and business needs. At the core of the product mix are **voice services**, which include both mobile and landline calling plans. These are complemented by **data services**, offering varying levels of internet connectivity through 3G, 4G, and increasingly, 5G networks, allowing users to browse, stream, and download content at high speeds. **Broadband services** provide high-speed internet access for homes and businesses, often bundled with additional services such as television and telephone in **triple-play packages**. **Value-added services** include a range of offerings such as digital TV, cloud storage, and various applications for entertainment, finance, and productivity. For businesses, providers offer **enterprise solutions**, including unified communications, managed services, and customized data plans to support large-scale operations. Additionally, **IoT (Internet of Things) solutions** are increasingly part of the product mix, enabling smart devices and applications across various sectors, from smart homes to industrial automation. This comprehensive product mix addresses the diverse needs of consumers and businesses, reflecting the dynamic nature of the telecommunications industry.

17.3.2 MARKETING MIX/ PROMOTION MIX

The promotion mix for telecommunications companies encompasses various strategies and tools designed to enhance brand visibility, attract new customers, and retain existing ones.

1. **Advertising:** Telecom companies employ extensive advertising campaigns across multiple platforms, including television, radio, print media, and digital channels. These campaigns often highlight special offers, new services, and technological advancements to reach a broad audience.

2. **Sales Promotions:** Promotional tactics such as discounts on new plans, free trials, bundled services, and limited-time offers are commonly used to entice customers. These promotions can include reduced rates for the first few months, bonus data, or complimentary devices.

3. **Public Relations:** Building and maintaining a positive public image is crucial. Telecom companies engage in public relations activities such as press releases, media interactions, and corporate social responsibility initiatives to foster a favorable reputation and enhance credibility.

4. **Direct Marketing:** Personalized communication through emails, SMS, and direct mail allows telecom companies to target specific customer segments with tailored offers and updates. This approach helps in driving customer engagement and conversion.

5. **Digital Marketing:** Leveraging social media platforms, search engine optimization (SEO), and online advertising, telecom companies engage with customers through targeted digital campaigns. Social media marketing also includes content creation, influencer partnerships, and interactive campaigns to boost brand presence and customer interaction.

6. **Sales Force:** On-ground sales teams and customer service representatives play a crucial role in direct interaction with potential and existing customers. They provide information, answer queries, and facilitate sign-ups and upgrades, contributing to customer acquisition and retention.

7. **Event Sponsorship and Experiential Marketing:** Telecom companies often sponsor events, sports, and entertainment activities to increase brand visibility and connect with consumers in an engaging way. Experiential marketing campaigns allow customers to experience the brand's services firsthand through interactive installations and demonstrations.

This integrated promotion mix helps telecommunications companies effectively communicate their value propositions, drive customer acquisition and loyalty, and differentiate themselves in a competitive market.

17.3.3 MARKETING MIX/ PRICE MIX

In India, the price mix for telecommunications services is designed to cater to a diverse and price-sensitive market, reflecting a range of strategies to attract and retain customers while addressing competitive pressures.

1. **Competitive Pricing:** Indian telecom providers often employ competitive pricing strategies to capture market share in a highly price-sensitive environment. This includes offering lower rates compared to competitors and introducing value-for-money plans to attract budget-conscious consumers.

2. **Tariff Plans:** The price mix includes a variety of tariff plans such as prepaid and postpaid options. Prepaid plans offer flexibility with pay-as-you-go models, while postpaid plans often provide bundled services with fixed monthly charges, appealing to customers who prefer predictable costs.

3. **Bundling:** Telecom companies frequently bundle services to provide greater value and encourage higher spending. Common bundles include combining mobile data, voice calls, and SMS with additional services such as digital TV subscriptions and broadband, often at discounted rates.

4. **Data Packages:** Given the high demand for internet services, telecom providers offer a range of data packages tailored to different usage levels. These packages include daily, weekly, and monthly data plans with varying data limits, catering to light, moderate, and heavy users.

5. **Promotional Pricing:** To attract new customers and encourage upgrades, companies implement promotional pricing strategies. This may include introductory offers, discounts on first-time subscriptions, and special rates for new customers or during festive seasons.

6. **Volume-Based Pricing:** Telecom providers offer volume-based pricing where the cost per unit decreases with higher usage. This can be seen in data plans where larger data packages come at a lower cost per GB compared to smaller packages.

7. **Customizable Plans:** Some providers offer customizable plans that allow customers to select and pay only for the specific services they need, such as choosing different data, voice, and SMS allowances. This flexibility helps in catering to individual preferences and budgets.

8. **Tariff Revisions and Adjustments:** Due to regulatory changes and market dynamics, telecom companies periodically revise their tariffs. This includes adjustments to align with new regulations, changing cost structures, or competitive pressures.

Overall, the price mix in the Indian telecommunications sector is characterized by a focus on affordability, flexibility, and value-added services, aiming to meet the diverse needs of a broad customer base in a competitive market environment.

17.3.4 MARKETING MIX/PLACE MIX

The place mix for telecommunications involves the strategies and channels used to deliver products and services to customers, ensuring accessibility and convenience. Here's a breakdown of the place mix in the telecommunications sector:

1. **Retail Outlets:** Telecom companies operate a network of branded retail stores and partner outlets where customers can purchase SIM cards, handsets, and service plans. These physical stores also offer customer support, bill payments, and account management services.

2. **Online Channels:** With the rise of digitalization, telecom providers have expanded their presence online through official websites and mobile apps. Customers can buy new plans, manage their accounts, pay bills, and get customer support through these digital platforms, providing a convenient and 24/7 service option.

3. **Direct Sales:** Telecom companies often deploy direct sales teams who engage with customers in person or over the phone to offer tailored solutions, assist with plan

selection, and facilitate sign-ups. This approach helps in reaching specific customer segments and providing personalized service.

4. **Distribution Partners:** Collaborations with distribution partners, such as local retailers, multi-brand outlets, and mobile phone shops, extend the reach of telecom products and services. These partners help in broadening the availability of SIM cards, handsets, and recharge services, especially in remote or underserved areas.

5. **Customer Service Centers:** Dedicated customer service centers handle a range of functions, including service inquiries, technical support, and account management. These centers are strategically located to serve high-density urban areas and provide assistance to customers who prefer face-to-face interaction.

6. **Franchisee Networks:** Telecom providers often use franchise models to expand their reach. Franchisees operate retail outlets under the telecom brand, offering products and services while adhering to company standards and benefiting from the established brand reputation.

7. **Mobile Vans and Kiosks:** In rural and remote areas where establishing permanent retail outlets may not be feasible, mobile vans and temporary kiosks are used to bring telecom services closer to customers. These mobile units can offer SIM card sales, recharge services, and basic customer support.

8. **Partnerships with Service Providers:** Partnerships with other service providers, such as banks and retail chains, can enhance distribution channels. For example, telecom services might be offered through banking branches or retail stores, making it easier for customers to access services in familiar locations.

Overall, the place mix in telecommunications is designed to ensure widespread availability, accessibility, and convenience for customers, leveraging a combination of physical and digital channels to meet diverse needs and preferences.

17.3.5 ADDITIONAL MIX

In addition to the traditional 4 Ps (Product, Price, Place, Promotion), the telecommunications sector often incorporates additional elements into its marketing mix to better address the needs of a modern, tech-savvy consumer base. These additional mixes include:

1. **People:** The quality of customer service plays a crucial role in the telecommunications industry. Training and development of customer service representatives, sales staff, and technical support teams are vital to ensure a positive customer experience. Friendly, knowledgeable, and efficient personnel enhance customer satisfaction and loyalty.

2. **Processes:** Efficient and user-friendly processes are essential for customer engagement and retention. This includes streamlined procedures for service

activation, troubleshooting, billing, and customer support. The implementation of self-service options through apps and websites, as well as effective management of service requests and complaints, contributes to a smooth customer experience.

3. **Physical Evidence:** In telecommunications, physical evidence includes all tangible aspects that reinforce the brand's credibility and reliability. This encompasses the design and functionality of retail stores, customer service centers, and branded materials. High-quality, well-designed stores, user-friendly interfaces on websites and apps, and professional branding help create a positive impression of the company.

4. **Performance Metrics:** Tracking and measuring performance metrics such as network reliability, customer satisfaction, and service delivery efficiency is crucial. This involves collecting data on service uptime, call drop rates, and customer feedback to continuously improve service quality and address any issues promptly.

5. **Partnerships and Alliances:** Collaborating with other companies and technology providers can enhance service offerings and expand market reach. Partnerships with content providers, hardware manufacturers, and technology firms enable telecom companies to offer bundled services, exclusive content, and advanced technologies, thereby adding value to their offerings.

6. **Customer Experience Management (CEM):** Focused on creating a seamless and positive experience for customers, CEM involves mapping the customer journey, personalizing interactions, and proactively addressing issues. Leveraging data analytics to understand customer preferences and behaviors helps in tailoring services and enhancing overall satisfaction.

By incorporating these additional elements into the marketing mix, telecommunications companies can better address the complexities of the modern market, ensuring a holistic approach that enhances customer satisfaction and supports business growth.

17.4 SERVICE MARKETING FOR COMUPTERS

Service marketing for computers in India involves a strategic approach to addressing the unique needs and expectations of consumers and businesses in a rapidly evolving technological landscape. Here's an overview of the key aspects:

1. **Product Service Mix:** The service marketing for computers encompasses a range of offerings beyond the initial sale of hardware. This includes **technical support**, **repair services**, **software installation**, and **system maintenance**. Service providers also offer **warranty packages**, **extended support**, and **customization services** to meet specific user needs.

2. **Customer Segmentation:** The Indian market is diverse, with varying needs across individual consumers, small businesses, and large enterprises. Service marketing strategies are tailored to address these segments, offering personalized solutions

such as **home-based tech support** for individuals and **comprehensive IT solutions** for businesses.

3. **Pricing Strategies:** Pricing for computer services can be based on different models such as **hourly rates**, **fixed-price packages**, or **subscription-based services**. For example, consumers might pay for one-time repairs or opt for annual maintenance contracts that offer ongoing support.

4. **Promotion:** Effective promotion in the computer service sector involves **advertising** through digital channels, print media, and local events. **Online marketing** strategies, including SEO and social media campaigns, are crucial for reaching tech-savvy consumers. **Content marketing**, such as blogs and how-to videos, can educate potential customers about services and build trust.

5. **Place (Distribution):** Services are typically delivered through **authorized service centers**, **online platforms**, and **onsite support**. The use of **service centers** in key urban areas ensures accessibility, while **online platforms** allow for remote troubleshooting and support. **Onsite services** cater to businesses and individuals requiring immediate assistance.

6. **People:** Skilled technicians and customer service representatives play a critical role in service marketing. Training and expertise are essential for delivering high-quality support, troubleshooting, and building customer trust. **Customer interaction** through phone, chat, and in-person services must be handled professionally to enhance satisfaction.

7. **Processes:** Efficient service processes are vital for maintaining customer satisfaction. This includes **streamlined service requests**, **quick response times**, and **effective problem resolution**. Implementing robust **ticketing systems** and **service management software** helps in tracking and managing service requests efficiently.

8. **Physical Evidence:** The quality of physical evidence, such as the professionalism of service centers, the appearance of technicians, and the user-friendliness of service websites, significantly impacts customer perceptions. Well-maintained service centers and clear, accessible service information enhance credibility and customer confidence.

9. **Customer Experience Management:** Focusing on delivering an exceptional customer experience through personalized interactions, timely service, and proactive support is key. **Feedback mechanisms** and **customer satisfaction surveys** help in continuously improving service quality and addressing any concerns.

By integrating these elements, service marketing for computers in India can effectively address the needs of a diverse and growing market, providing reliable support and fostering long-term customer relationships.

Check Your Progress-A

1. What is an example of communication media?

    a. Blogs

    b. TV and radio

    c. E-mail campaign

    d. Messaging apps

2. Which media type is used for providing information through regular updates?

    a. Email Campaigns
    b. Blogs
    c. Messaging Apps
    d. Courier Services

3. What does computer marketing primarily involve?
    a. Print Ads
    b. Phone systems
    c. Direct Mail
    d. Digital tools and platforms

4. What is the focus of courier marketing ?
    a. Social media engagement
    b. Data Analysis
    c. Promoting logistics and delivery services
    d. Print advertising

5. Which of the following is not a form of telecommunication?
    a. Phone Systems
    b. Messaging Apps
    c. Digital Advertising
    d. Customers Support

17.5 COURIER MARKETING

Marketing the courier services focuses our attention on the application of marketing principles in the business process. It is the managerial process that makes possible the planned development of services. It is an organized effort to make the services commercially viable to the courier organization vis -a vis affordable to the suers who make

use of the multidimensional services. It is even a social process that draws our attention on subserving the social interests by offering concessional, subsidized services to the selected segments who deserve it.

Courier marketing focuses on promoting delivery services to attract businesses and individuals who need reliable shipping solutions. It involves highlighting speed, reliability, and cost-efficiency. Effective strategies include targeted advertising, leveraging customer testimonials, and offering promotional discounts to build brand trust and attract new clients.

In the Indian context, we find courier services of recent origin. However, they have developed and we find a number of leading courier organizations working and serving the users. The focus is in implementation of marketing principles, especially by the leading courier organization where the users have been found reporting cases of delay in service delivery. The courier organizations working regionally, nationally and globally need to identify the changing level of expectations of users of different categories. In most cases, we find image problems mainly due to the negligence of people supposed to deliver the services. By making use of new generation of information and communication technology, they would be no doubt, be potentially sound but if the working force fail in maintaining, the time schedule for service delivery, our all efforts for improving and service quality would be turned into a fiasco. This necessitates professional excellence for managing the marketing activities of courier organizations. The big players and small players need to innovate their perception of service quality.

17.5 .1 MARKET SEGMENTATION OF COURIER MARKETING

Market segmentation in the courier industry, particularly in India, involves dividing the market into distinct groups based on various criteria to tailor marketing strategies effectively. Here's a breakdown of how market segmentation can be applied to the courier industry in India:

1. Geographic Segmentation

a. **Urban vs. Rural**: Differentiate services between urban areas with high demand for express and same-day deliveries and rural areas with different needs.

b. **Regional Segmentation**: Focus on regions with high e-commerce activity, like metropolitan cities (Delhi, Mumbai, Bangalore) versus less densely populated areas.

2. Demographic Segmentation

a. **Business vs. Individual Customers**: Tailor services for corporate clients needing bulk shipments and individuals needing personal delivery services.

b. **Income Levels**: Offer premium services for high-income segments and budget-friendly options for cost-sensitive customers.

3. Behavioral Segmentation

a. **Delivery Needs**: Segment based on delivery urgency—same-day, next-day, or standard delivery.

b. **Service Usage Patterns**: Identify frequent shippers versus occasional users to customize loyalty programs or discounts.

4. Psychographic Segmentation

a. **Lifestyle Preferences**: Cater to tech-savvy customers who prefer tracking and automated services versus traditional customers who might value personal touch.

b. **Values and Attitudes**: Address eco-conscious consumers with sustainable delivery options and businesses focused on fast, efficient service.

5. Industry-Specific Segmentation

a. **E-commerce**: Target online retailers needing reliable logistics solutions.

b. **Healthcare**: Provide specialized services for pharmaceuticals and medical supplies.

c. **Retail and FMCG**: Focus on rapid distribution and supply chain solutions for fast-moving consumer goods.

6. Service Type Segmentation

a. **Express Delivery**: For urgent shipments requiring fast turnaround.

b. **Standard Delivery**: Cost-effective options for less urgent needs.

c. **Specialized Services**: Such as temperature-controlled logistics for perishable goods or high-value item insurance.

Key Considerations for India:

i. **Diverse Infrastructure**: Adapt strategies to address varying infrastructure quality across regions.

ii. **Cultural Factors**: Recognize regional preferences and festivals that might affect delivery patterns.

iii. **Regulatory Environment**: Stay informed about local regulations and compliance requirements in different states.

By leveraging these segmentation strategies, courier companies in India can better target their marketing efforts, tailor their services to meet specific needs, and enhance overall customer satisfaction.

17.5 .2 MARKETING MIX

The courier organizations are required to formulate a sound marketing mix to improve the quality of services. The courier services are required to be made competitive, and this make it essential that courier organization conceptualizing marketing in such a way that the processes of qualitative cum quantitative transformation are activated in the face of

emerging business conditions. It is again this background that marketing professionals are supposed to make creative marketing decisions. This focuses our attention on the formulation of different sub mixes.

1. The Product Mix: Mounting intensity of competition makes it essential that courier organizations formulate a sound product mix. By formulating a sound product mix, they would be in a position to understand the changing needs and requirements of different segments of users on prospects and the service profile would be made user friendly. In India, a diverse product mix for courier marketing could include express delivery, bulk shipments, and specialized logistics like temperature-controlled transport. For example, companies like Blue Dart offer same-day and next-day delivery, while Delhivery focuses on e-commerce and bulk logistics. Marketing strategies might include digital advertising, partnerships with e-commerce platforms, and region-specific promotions to target various customer needs. Product mix can be formulated in this way :

   a. Delivery Options: Offer a variety of services such as express (overnight or same-day delivery), standard (economical but slower), and international shipping.

   b. Specialized Services: Include temperature-controlled transport, fragile item handling, and bulk or oversized item delivery.

   c. Additional Features: Provide tracking systems, delivery insurance, and value-added services like packaging solutions.

2. **Price**:

   a. Pricing Strategy: Implement competitive pricing to attract different customer segments. Use strategies like tiered pricing based on delivery speed and distance.

   b. Discounts and Offers: Provide volume discounts for businesses, promotional offers for new customers, and loyalty programs for repeat customers.

   c. Flexible Pricing Models: Include options for subscription models or pay-as-you-go services to cater to various user preferences.

3. **Place**:

   a. **Network Coverage**: Ensure a broad service area with efficient delivery networks, including both urban and rural regions.

   b. **Convenient Locations**: Establish easily accessible drop-off and pick-up points, such as partner stores, kiosks, or dedicated courier hubs.

   c. **Partnerships**: Collaborate with e-commerce platforms and businesses to integrate services seamlessly into their logistics chains.

4. **Promotion**:

    a. **Digital Marketing**: Utilize social media, search engine advertising, and email marketing to reach a wide audience. Highlight unique selling points and customer testimonials.

    b. **Traditional Advertising**: Leverage print ads, billboards, and radio spots to increase brand visibility in targeted regions.

    c. **Sales Promotions**: Offer limited-time discounts, referral bonuses, and special campaigns to attract and retain customers.

    d. **Partnerships and Sponsorships**: Engage in strategic partnerships with other businesses and sponsor local events to enhance brand presence and credibility.

Each element of the marketing mix is designed to effectively position the courier service in the market, addressing customer needs and differentiating us from competitors.

17.6 SUMMARY

In marketing, communication media encompasses channels like TV, radio, print, and digital platforms used to disseminate promotional messages and engage audiences. Information media involves the dissemination of information through websites, blogs, and social media to educate and inform customers about products and services. Telecommunication focuses on using phone systems and messaging apps for direct communication and customer service. Computer marketing leverages online tools such as email campaigns, digital ads, and data analytics to target and optimize marketing efforts. Lastly, courier marketing deals with promoting logistics and delivery services through various methods including targeted ads, partnerships, and customer engagement strategies, emphasizing efficiency and reliability in the delivery process. Each medium plays a crucial role in creating a comprehensive marketing strategy, addressing different aspects of customer interaction and engagement.

17.7 GLOSSARY

Analytics: The process of using data to understand and optimize marketing strategies.

Blog: A regularly updated website or page used for content marketing and information dissemination.

Campaign: A coordinated series of marketing activities aimed at promoting a product or service.

Communication Media: Channels used to transmit marketing messages, such as TV, radio, and digital platforms.

Computer Marketing: The use of digital tools and platforms for promoting products and services.

Courier Marketing: Strategies focused on promoting logistics and delivery services.

Digital Advertising: Paid ads displayed on digital platforms, including search engines and social media.

Email Campaigns: Marketing efforts involving sending promotional messages directly to customers' email inboxes.

Information Media: Channels used to provide information, such as websites and social media.

Logistics: The management of the flow of goods and services, including transportation and delivery.

Messaging Apps: Communication tools used for direct messaging and customer support.

Partnerships: Collaborative arrangements with other businesses to enhance marketing reach.

Print Media: Traditional media formats like newspapers and magazines used for advertising.

Social media: Platforms like Facebook and Instagram used for engaging with customers and promoting products.

Telecommunication: The use of telephones and messaging systems for direct communication and support.

17.8 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress   A

Answer to 1 is (b), 2 (b), 3 (d), 4 (c) , 5 (c)

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17.10 SUGGESTED READINGS

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17.11 TERMINAL QUESTIONS

1. How can media companies effectively utilize the marketing mix (product, price, place, and promotion) to address the diverse needs of different audience segments?
2. Discuss the role of market segmentation in the computer and telecommunication industries.
3. How can courier companies apply the marketing mix to effectively reach and serve different market segments, such as e-commerce businesses, individual customers, or international clients?
4. Discuss the challenges and opportunities of market segmentation in the communication media industry

17.12 CASE LETS/CASES

Case Study: Delhivery - Revolutionizing Courier Marketing in India

Background:

Delhivery, founded in 2011, is one of India's leading logistics and courier service providers. It has transformed the courier industry with its innovative marketing strategies and technology-driven approach. The company initially started with a focus on e-commerce logistics and has since expanded its services to cover a broad

spectrum of logistics needs, including express parcel delivery, freight, and supply chain solutions.

Challenges:

1. Market Penetration: India's courier and logistics sector is highly competitive with numerous players like Blue Dart, DTDC, and India Post. Gaining market share and building brand recognition was a significant challenge for Delhivery.

2. Infrastructure and Efficiency: With a vast and diverse geographic landscape, establishing a reliable and efficient delivery network was complex. Ensuring timely deliveries across both urban and rural areas required substantial investment in infrastructure and technology.

3. Customer Trust: Building trust in a market where reliability and timely delivery are crucial was essential. Delhivery needed to differentiate itself from competitors and demonstrate its value proposition effectively.

Marketing Strategies:

1. Technology Integration:

    o   Advanced Tracking Systems: Delhivery invested heavily in technology to offer real-time tracking of parcels, which significantly enhanced customer experience and trust.

    o   Data Analytics: Utilized data analytics to optimize delivery routes, manage inventory, and predict demand patterns, leading to improved operational efficiency.

2. Strategic Partnerships:

    o   E-Commerce Platforms: Delhivery formed partnerships with major e-commerce platforms like Flipkart and Amazon to become their preferred logistics partner. This strategy helped in securing a substantial volume of business.

    o   Retail Partnerships: Collaborated with retail chains to offer integrated delivery solutions and reach a broader customer base.

3. Brand Positioning and Communication:

    o   Customer-Centric Approach: Focused on a customer-centric approach by ensuring timely deliveries, offering flexible return policies, and maintaining high standards of service quality.

    o   Marketing Campaigns: Launched digital marketing campaigns emphasizing reliability, speed, and technology-driven solutions. Campaigns were targeted through social media, search engines, and influencer partnerships.

4. Infrastructure Development:

o Fulfillment Centers: Built state-of-the-art fulfillment centers across major cities to streamline sorting and dispatch processes.

o Fleet Expansion: Invested in expanding its fleet of delivery vehicles, including motorcycles, vans, and trucks, to handle a large volume of parcels efficiently.

5. Innovation and Expansion:

o Service Diversification: Expanded its service offerings to include warehousing, supply chain solutions, and specialized logistics for sectors like pharmaceuticals and perishable goods.

o Geographic Expansion: Gradually extended its services to Tier 2 and Tier 3 cities, thus capturing a larger market segment.

Results:

1. Market Share Growth: Delhivery's innovative strategies helped it capture a significant market share in India's competitive logistics sector. It became one of the most preferred logistics partners for e-commerce businesses.

2. Increased Brand Recognition: Effective marketing campaigns and strategic partnerships elevated Delhivery's brand visibility and recognition in the Indian market.

3. Operational Efficiency: The integration of technology and investment in infrastructure improved operational efficiency, leading to faster and more reliable deliveries.

4. Customer Satisfaction: High standards of service and real-time tracking capabilities contributed to enhanced customer satisfaction and loyalty.

5. Financial Success: Delhivery's successful marketing and operational strategies attracted significant investments and led to its successful IPO in 2021, reflecting its robust market position.

Conclusion:

Delhivery's case highlights the importance of leveraging technology, forming strategic partnerships, and focusing on customer satisfaction in the courier marketing domain. By addressing the challenges of infrastructure and customer trust through innovative solutions and effective marketing, Delhivery has established itself as a leader in India's logistics industry. The company's approach serves as a valuable lesson for other players in the courier and logistics sector looking to navigate the complexities of the Indian market.

UNIT 18 GLOBALISATION OF MARKETING OF SERVICES

18.1   **Introduction**

18.2   **Meaning of Globalisation**

18.3   **Features of Current Globalization**

18.4   **Overview of Service Marketing**

18.5   **Importance of Studying Globalisation in Service Marketing**

18.6   **Globalisation Theories in Service Marketing**

18.7   **Service Marketing Theories**

18.8   **Integrating Globalisation with Service Marketing**

18.9   **Global Trends in Service Marketing**

18.10 **Strategies for Global Service Marketing**

18.11   **Challenges**

18.12 **Summary**

18.13 **Glossary**

18.14 **Answers to check your progress**

18.15 **Reference/Bibliography**

18.16 **Suggested Reading**

18.17 **Terminal and Model Questions**

18.18 **Case Study**

18.1   INTRODUCTION

The 19th century period of liberalization is often referred to as "The First Era of Globalization." This era is characterized by significant economic integration and openness among nations. It began to unravel with the onset of the First World War, and its decline was further exacerbated by the collapse of the gold standard in the late 1920s and early 1930s. During this initial era of globalization, countries engaged in this system—including those on the European periphery as well as various European settlements in the Americas and Oceania—experienced considerable prosperity. Inequality between these states diminished as goods, capital, and labor flowed relatively freely across borders.

Throughout the 20th century, economic nationalism was a dominant policy, particularly among European nations. After the Second World War, economic nationalism became a crucial strategy for many countries in Asia and Europe. Even nations like the United States and France were not immune to the influence of economic nationalism during this period.

When the U.S. began losing jobs due to globalization, it responded vigorously. During the 20th century, it took various protective measures for domestic industries, such as automobiles and motorcycles, including imposing quantitative restrictions on Japanese car imports. Similarly, in 2006, when a Britain-based NRI attempted to bid for Europe's largest steel market, the financial community reacted sharply.

Economic nationalism refers to policies aimed at protecting domestic consumption, labor, and capital formation, even if this requires imposing tariffs and other restrictions on the movement of labor, capital, and goods. It often challenges globalization by questioning the perceived benefits of unrestricted free trade. Economic nationalism can encompass doctrines such as protectionism and import substitution.

Globalization is the process of increasing interconnectedness and interdependence among countries through various means such as trade, investment, technology, and cultural exchange. It involves the breaking down of barriers that once separated economies, societies, and cultures, leading to a more integrated global system. This phenomenon is driven by advancements in transportation and communication technologies, which facilitate the flow of goods, services, capital, and information across borders.

The impact of globalization is multifaceted. Economically, it can lead to increased trade opportunities, economic growth, and efficiency gains, but it can also contribute to job displacement and economic inequality. Culturally, globalization promotes the exchange of ideas and cultural practices, fostering greater diversity but sometimes leading to cultural homogenization. Politically, it influences international relations and governance, often requiring cooperative approaches to global challenges like climate change and security.

Overall, globalization has reshaped the modern world by creating a more interconnected global community, but it also presents challenges and complexities that require careful management and adaptation.

18 .2 MEANING OF GLOBALISATION

People around the world are now more connected than ever. Information and money move faster than ever before, while goods and services produced in one region are increasingly accessible globally. International travel has become more frequent, and communication across borders is commonplace. This widespread integration and interaction is referred to as globalization.

Globalization refers to the increasing integration of global economies, particularly through trade and financial flows. It also encompasses the movement of people (labor) and

knowledge (technology) across international borders. This modern term describes the profound changes in societies and the global economy driven by a surge in international trade and cultural exchange. It highlights the rise in trade and investment due to reduced barriers and the growing interdependence of nations. In economic terms, globalization often focuses on the impacts of trade, especially trade liberalization or free trade.

The International Monetary Fund defines globalization as "the growing economic interdependence of countries worldwide through increasing cross-border transactions in goods and services, free international capital flows, and the rapid dissemination of technology" (IMF, World Economic Outlook, May 1997).

Meanwhile, the World Bank defines it as "the freedom and ability of individuals and firms to engage in voluntary economic transactions with residents of other countries."

Globalisation can also mean

- It shares several characteristics with internationalization and is often used interchangeably. Some prefers the world globalization to emphasize the erosion of the nation-state or national boundaries.
- The formation of a global village—closer contact between the different parts of the world with increasing possibilities of personal exchange, mutual understanding and friendship between " World Citizen". And creation of a global civilization.
- Economic Globalisation—there are four aspects to Economic Globalisation, referring to four different flows across boundaries, namely free flow of goods/ services, free trade, flow of people (migration), flow of capital and flow of technology. A consequence of economic globalisation is increasing relations among members of an industry in different parts of the world (called globalisation of an industry), with a corresponding erosion of national sovereignty in the economic sphere.
- In the field of management. globalization is marketing or strategic term refers to the emergence of international markets for consumer goods characterized by similar customer needs and tastes enabling, for example, selling the same cars or soaps or foods with similar ad campaigns to people in different cultures. This usage is often contrasted with internationalization, which describes the activities of multinational companies dealing across borders in either financial instruments, commodities or products that are extensively tailored to local markets.
- Globalisation in its true sense is a way of corporate life necessitated, facilitated and nourished by the transnationalisation of the world economy and developed by corporate strategies. Globalization is an attitude of mind—it is a mindset which views the entire world as a single market so that the corporate strategy is based on the dynamics of the global business environment. International marketing or international investment does not amount to globalisation unless it is the result of such a global orientation.

- Globalisation encompasses the following:
    i.   Doing, or planning to expand business globally
    ii.   Giving up the distinction between domestic market and foreign market and developing a global outlook of the business.
    iii. Locating the production and other physical facilities on a consideration of the global business dynamics, irrespective of national considerations.
    iv.   Basing product development and production planning on the global market considerations.
    v.   Global sourcing of factors of production i.e., raw materials, components, machinery, technology, finance etc. are obtained from the best source anywhere in the world.
    vi.   Global orientation of organizational structure and management culture.

    A true global corporation views the entire world as a single market—it does not differentiate between domestic market and foreign markets. In other words, there is nothing like a home market and a foreign market—there is only one market, the global market.

18.3 FEATURES OF CURRENT GLOBALISATION

Contemporary globalization is defined by several key features that illustrate its complexity and dynamism. Here are the main aspects:

1. **Technological Advancements**: Rapid progress in communication and information technology has propelled globalization forward. The internet, smartphones, and social media enable instantaneous global communication and access to information.

2. **Economic Integration**: The global economy is increasingly interconnected. Trade and investment span multiple countries, with multinational corporations influencing economies across various regions. Financial markets and economic policies are more interlinked than ever.

3. **Cultural Exchange**: There's a notable exchange of cultural practices, ideas, and products worldwide. This is visible in the global spread of entertainment (films, music), fashion, cuisine, and lifestyle trends. While this fosters greater cultural understanding, it also raises concerns about cultural homogenization and the erosion of local traditions.

4. **Migration and Mobility**: The movement of people across borders for work, education, and asylum has surged. This migration affects labor markets, cultural diversity, and demographic trends in different regions.

5. **Global Challenges**: Issues such as climate change, pandemics, and terrorism necessitate coordinated global responses. These challenges emphasize the interconnectedness of nations and the need for collaborative solutions.

6. **Economic Disparities**: Globalization has driven economic growth and development in many areas but has also intensified inequalities both within and between countries. The benefits of globalization are unevenly distributed, leading to economic and social disparities.

7. **Political and Regulatory Changes**: National governments and international organizations significantly influence globalization through policies, trade agreements, and regulations. Additionally, there is a rise in regional and global governance structures aimed at addressing global issues.

8. **Digital Economy**: The expansion of digital platforms and e-commerce has revolutionized business models and consumer behavior. Individuals and companies can now conduct transactions and operate on a global scale more easily.

9. **Environmental Impact**: Globalization has contributed to increased environmental degradation and resource depletion, prompting calls for sustainable practices and international environmental agreements.

10. **Rise of Populism and Nationalism**: In reaction to the challenges posed by globalization, there has been a rise in populist and nationalist movements. These movements often advocate for protectionist policies and emphasize national sovereignty.

These features highlight the multifaceted nature of modern globalisation, showcasing both its opportunities and challenges.

18.4 OVERVIEW OF SERVICE MARKETING

Services by nature are those economic activities that bring about a desired change in the consumer in terms of creating values, distinction and image in his mindset. Services that constitute the so-called buyout services sector and considered to be the driving force for the economic well-being of any nation have shown tremendous growth. Manifold increase in the consumption of different services is fueling the economies globally.

Organisation todays are offering a range of services to derive a competitive edge in the market. Services and their marketing have gained importance over the last decade to an extent that it has emerged to be the most debated topic of discussion. Cut-throat competition, deregulation and relaxation in professional and financial sectors has encouraged tremendous growth in this sector. Almost 60 percent of the global economy is being driven by the service sector and its contribution to the economy is increasing daily. The word service marketing has its origin from two different words Service and Marketing.

The American Marketing Association defines services as activities, benefits or satisfactions which are offered for sale and are provided with sale of goods.

 "Services are an act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything". - Philip Kotler

"Services are deeds, processes and performances" - Zeithemal and Bitner

From the above definitions of services some common elements that emerge are: -

   a. Services lack any form of physical output
   b. Presence of performance and satisfaction standards
   c. Services result is needing fulfillment

On the other hand Marketing has been defined as: Marketing is a social and managerial function that attempts to create, expand and maintain a collection of customers. It attempts to deliver demand satisfying output through profitable exchanges.

According to Philip Kotler Marketing may be defined as "Human activity directed at satisfying needs and wants through exchange process."

Hence a comprehensive definition of service marketing may be given as:

"The marketing of all those economic activities whose output is not a physical product or construction is consumed at the time it is produced and provide added value in forms that are essentially intangible concerns of its purchase.

COMPONENTS OF SERVICE

Generally, physical goods alone rarely satisfy the customer's needs. The market must find out the needs of the customers, whether they are being met and how to meet them better. For this today, the market requires to meet the customer needs and make him to stay by providing intangible services. Thus, it is imperative that services marketing do not just refer to advertising and selling of services, rather it is a kind of managerial approach ensuring that the organization's offering is serving customer needs-whether it sells telephone services or dump trucks. The intangible components of a product are a key element in winning and maintaining a satisfied customer. These are four essential components in services. They are as follows:

   a. The Physical Product: The physical product provided by the firm is tangible and physically real, Examples include houses, automobiles, computers, books, soap and shampoo. The service and the product are the customer oriented. The marketing managers and engineers work towards a common goal of meeting customer needs. By linking engineering design features to specific customer needs, the product's value to customers is improved.

b. The Service Product: It refers to the core performance that is purchased by the customer. In addition to the transfer of physical goods, it includes interactions with the firm's personnel. For example-Maruti Udyog. The car comes with a strong service guarantee, and dealer personnel are trained and empowered to make exceptional efforts to keep customers happy and solve their problems. All these aspects of the firm's interaction with customers must be planned and they help determine the nature of the overall service experience.

c. The Service Environment: The service environment refers to the physical setting that frames the service experience. For instance, when watching a movie, our enjoyment is influenced by factors such as the cleanliness of the venue, the comfort of the seats, and the availability of a spacious parking lot. The environment plays a crucial role in shaping the overall service experience. Additionally, it can signal the target market segment and the positioning of the organization. There are three key elements that can be adjusted within the service environment: ambient conditions, spatial layout, and signs and symbols.

d. The Service Delivery: This refers to the real-world execution of services when customers engage with them. According to Roland T. Rust, while the service product outlines how the service is designed to function theoretically, service delivery represents how it operates in practice. The adage "Plan your work and work your plan" captures this distinction well: the service product is the outcome of "planning your work," while service delivery reflects the effectiveness of "working your plan."

CHARACTERSTICS OF SERVICES

Services possess several distinct features that set them apart from tangible goods. These features include:

1. **Intangibility**: Services cannot be seen, touched, or stored. Unlike physical products, they are experienced rather than possessed.

2. **Inseparability**: Services are typically produced and consumed simultaneously. The provider and the consumer often interact in real-time during the service delivery.

3. **Variability**: The quality and consistency of services can vary depending on who provides them, when, and where. This variability can be influenced by factors such as the service provider's skills and the customer's expectations.

4. **Perishability**: Services cannot be stored or saved for later use. Once a service opportunity is missed (e.g., an empty hotel room or unsold airline seat), it cannot be reclaimed.

5. **Heterogeneity**: Services are often customized and tailored to individual needs, leading to variations in the service experience. Each service encounter can be unique based on the context and interaction.

6. **Simultaneity**: Services are often created and consumed at the same time, meaning the service experience is immediate and cannot be separated from the production process.

7. **Customer Participation**: In many services, the customer's involvement and interaction with the service process can significantly impact the outcome and quality of the service.

Understanding these features helps businesses design and deliver services that meet customer expectations and manage the inherent challenges of service delivery.

SERVICE MARKETING MIX

The Service Marketing Mix, also known as the 7 Ps of Services Marketing, extends the traditional marketing mix (Product, Price, Place, Promotion) to address the unique aspects of service marketing. Here's a breakdown of the 7 Ps:

1. **Product**: In the context of services, the product refers to the service itself, including its features, quality, and benefits. It encompasses what the service offers and how it meets customer needs. For instance, in a healthcare service, the product would include the medical care provided and any associated services.

2. **Price**: This involves the pricing strategy for the service. Pricing can be complex for services due to factors like time, expertise, and variability. Pricing strategies may include hourly rates, subscription models, or value-based pricing.

3. **Place**: This refers to the location and distribution channels through which the service is delivered. Unlike physical products, services are often consumed at the point of delivery, so the focus is on accessibility and convenience. For example, a restaurant's location and ambiance are critical elements of its service delivery.

4. **Promotion**: This encompasses the activities and strategies used to communicate and promote the service to potential customers. It includes advertising, sales promotions, public relations, and personal selling. For services, promotion often involves highlighting service benefits and differentiators.

5. **People**: This element emphasizes the role of employees and customer interaction. The skills, appearance, behavior, and attitude of service staff are crucial as they directly impact the customer experience and perception of service quality.

6. **Process**: This involves the procedures, mechanisms, and flow of activities by which the service is delivered. Efficient and effective processes contribute to service quality and customer satisfaction. For example, the process of booking a flight and checking in at the airport are key aspects of airline service delivery.

7. **Physical Evidence**: Since services are intangible, physical evidence refers to the tangible aspects that help customers evaluate and perceive the service. This includes the physical environment, facilities, equipment, and any materials that customers encounter. For example, the cleanliness of a hotel lobby or the professional appearance of a financial advisor's office provides physical evidence of the service quality.

Together, these 7 Ps help businesses design a comprehensive strategy to deliver high-quality services and create a positive customer experience.

18.5 IMPORTANCE OF STUDYING 'GLOBALISATION' IN SERVICE MARKETING

Studying globalization in service marketing is crucial for several reasons:

1. **Market Expansion**: Globalization opens up new markets and opportunities for service providers to expand beyond their domestic borders. Understanding global trends and consumer behavior helps businesses tap into international markets effectively.

2. **Competitive Advantage**: As companies enter global markets, they face competition from both local and international players. Studying globalization enables businesses to identify unique value propositions and strategies to differentiate themselves in a crowded global marketplace.

3. **Consumer Expectations**: Globalization influences consumer expectations and preferences. Consumers are becoming more sophisticated and are often influenced by global trends and standards. Understanding these expectations helps service providers tailor their offerings to meet diverse and evolving needs.

4. **Standardization vs. Customization**: Globalization presents the challenge of balancing standardization with localization. Companies need to decide which aspects of their service can be standardized for efficiency and which need to be customized to cater to local cultural and market differences.

5. **Cultural Sensitivity**: Different regions have varying cultural norms, practices, and values that impact how services are perceived and consumed. Studying globalization helps service providers understand these cultural differences and design culturally appropriate and sensitive services.

6. **Regulatory and Legal Compliance**: Operating in different countries involves navigating diverse regulatory environments and legal requirements. Understanding the global landscape helps service providers ensure compliance with local laws and regulations, reducing legal risks.

7. **Technological Advancements**: Globalization often brings about technological advancements that impact service delivery. Studying these changes helps businesses leverage new technologies and innovations to enhance their service offerings and operational efficiency.

8. **Economic Factors**: Global economic conditions, such as currency fluctuations and economic crises, can affect international service operations. Understanding these factors helps businesses develop strategies to mitigate risks and capitalize on economic opportunities.

9. **Supply Chain Management**: For services that involve physical components or support services, globalization affects the supply chain. Effective global supply chain management ensures that services are delivered seamlessly and efficiently across different regions.

10. **Brand Management**: Managing a global brand involves maintaining consistency while adapting to local markets. Studying globalization helps businesses navigate brand positioning, messaging, and reputation management on a global scale.

Overall, studying globalization in service marketing equips businesses with the knowledge and tools needed to successfully navigate international markets, adapt to diverse consumer needs, and maintain a competitive edge in a globalized world.

18.6 GLOBALISATION THEORIES IN SERVICE MARKETING

Globalization theories in service marketing help explain how and why services are internationalized and the impacts of globalization on service delivery and strategy. Here are some key theories and frameworks relevant to service marketing in a global context:

1. **Standardization vs. Localization Theory**

   - **Standardization**: This theory suggests that companies can apply the same marketing strategies and service models across different international markets. The idea is that uniformity in service delivery can help in building a global brand and achieving economies of scale. For example, international fast-food chains often use standardized menus to ensure a consistent brand experience worldwide.

   - **Localization**: In contrast, this theory advocates for adapting services to meet local market needs and cultural preferences. Localization involves modifying service features, delivery methods, and marketing strategies to align with local

customs, tastes, and regulations. For instance, a global hotel chain might adapt its services to fit local cultural norms and expectations in different countries.

2. The Uppsala Internationalization Model

- **Incremental Internationalization**: This model proposes that companies gradually increase their international involvement through a series of incremental steps. It suggests that businesses start with low-risk entry modes (such as exporting) and progressively move to more committed modes (such as joint ventures or wholly owned subsidiaries) as they gain experience and knowledge about foreign markets.

- **Learning and Adaptation**: According to this model, firms learn from their initial international experiences and gradually adapt their strategies to better fit foreign markets. This approach helps in managing uncertainties and complexities associated with international service marketing.

3. The Eclectic Paradigm (OLI Framework)

- **Ownership**: This component focuses on the firm's unique assets, such as proprietary technology or strong brand reputation, which give it a competitive advantage in international markets.

- **Location**: This element examines the attractiveness of a foreign market, including factors like market size, growth potential, and regulatory environment.

- **Internalization**: This part of the framework looks at the advantages of managing international operations internally rather than outsourcing them to local partners.

The Eclectic Paradigm helps firms decide whether to enter a market and what mode of entry to use, based on their ownership advantages, location-specific factors, and the benefits of internalizing operations.

4. Global Service Quality Theory

- **Service Quality Dimensions**: This theory focuses on how service quality can be managed and maintained across global operations. It emphasizes the importance of consistently meeting or exceeding customer expectations and the role of service quality dimensions (such as reliability, responsiveness, and assurance) in shaping global service strategies.

- **Cross-Cultural Service Quality**: The theory also explores how service quality perceptions can vary across different cultures and the need for companies to address these variations to maintain high service standards globally.

5. The Global Branding Theory

- **Brand Consistency**: This theory emphasizes the importance of maintaining a consistent brand image and messaging across different markets while adapting

to local cultural and market conditions. It highlights how global brands can leverage their equity and reputation to create a unified brand experience worldwide.

- **Brand Adaptation**: At the same time, it recognizes the need for brands to adapt their positioning, communication, and service delivery to fit local preferences and cultural norms.

6. Service-Dominant Logic

- **Value Co-Creation**: This theory posits that value is co-created through interactions between service providers and customers. It emphasizes the importance of understanding customer needs and actively engaging with them in the service delivery process, particularly in a global context where cultural differences can impact these interactions.

- **Service as a Process**: It views services as a process rather than a product, highlighting the dynamic and interactive nature of service delivery, which is crucial for managing global service operations effectively.

7. Global Value Chain Theory

- **Value Chain Integration**: This theory focuses on how service firms manage and optimize their global value chains. It examines how services are sourced, produced, and delivered across international borders and the strategic implications of value chain integration for service firms.

- **Competitive Advantage**: It also explores how firms can leverage global value chains to gain competitive advantage through efficiencies, specialization, and access to global resources.

These theories provide a comprehensive understanding of how globalization affects service marketing strategies and operations, offering valuable insights for businesses seeking to navigate the complexities of international markets.

18.7 SERVICE MARKETING THEORIES

Service marketing theories provide frameworks and insights for understanding and managing the unique aspects of marketing services compared to tangible goods. Here are some key theories and concepts in service marketing:

1. **Service-Dominant Logic (SDL)**
   Core Idea: SDL shifts the focus from goods to services, proposing that all economic exchanges are fundamentally service based. It emphasizes that value is co-created through interactions between service providers and customers rather than being embedded in a product.

Value Co-Creation: According to SDL, customers and providers collaboratively create value through their interactions. This theory stresses the importance of understanding customer needs and engaging them actively in the service process.

2. SERVQUAL Model

Developed By: A. Parasuraman, Valarie Zeithaml, and Leonard Berry.
Core Idea: SERVQUAL is a widely used model for measuring service quality based on five key dimensions: Tangibles, Reliability, Responsiveness, Assurance, and Empathy. It helps businesses assess the gap between customer expectations and perceptions of service quality.
Application: Organizations use the SERVQUAL model to identify service quality gaps and improve their service delivery by addressing specific areas of concern.

3. SERVPERF Model

Developed By: Cronin and Taylor.
Core Idea: SERVPERF focuses on performance rather than expectations. It measures service quality based solely on customer perceptions of service performance, arguing that perceived service performance is a more accurate indicator of service quality than the gaps identified by SERVQUAL.
Application: This model simplifies the assessment of service quality by focusing directly on performance rather than comparing expectations and perceptions.

4. Gaps Model of Service Quality

Developed By: A. Parasuraman, Valarie Zeithaml, and Leonard Berry.

Core Idea: The Gaps Model identifies five key gaps that can affect service quality: Gap 1 (Between customer expectations and management perceptions), Gap 2 (Between management perceptions and service quality specifications), Gap 3 (Between service quality specifications and service delivery), Gap 4 (Between service delivery and external communications), and Gap 5 (Between customer expectations and perceptions of service).
Application: By identifying and addressing these gaps, organizations can improve service quality and enhance customer satisfaction.

5. The Services Marketing Triangle

Developed By: Leonard Berry and others.
Core Idea: The Services Marketing Triangle emphasizes the relationships between three key stakeholders in service marketing: the company (or management), the employees (or service providers), and the customers. It highlights the importance of aligning internal marketing, external marketing, and interactive marketing to deliver high-quality services.
Application: This model helps businesses focus on internal training and development (internal marketing), effective communication and branding (external marketing), and managing the customer experience (interactive marketing).

6. Service Experience Management (SEM)

Core Idea: SEM focuses on managing and optimizing the entire customer experience, from initial contact through service delivery and post-service interactions. It emphasizes creating a positive, memorable experience to drive customer satisfaction and loyalty.

Application: SEM involves designing service processes, training employees, and using customer feedback to continuously improve the service experience.

7. Moment of Truth

Developed By: Jan Carlzon.

Core Idea: The "Moment of Truth" concept refers to critical points of interaction between customers and service providers where the customer forms an impression of the service quality. These moments are pivotal in shaping the overall customer experience.

Application: Organizations focus on these critical interactions to ensure they meet or exceed customer expectations and build strong relationships.

8. Relationship Marketing

Core Idea: Relationship marketing emphasizes the importance of building and maintaining long-term relationships with customers rather than focusing solely on individual transactions. It involves personalized service, customer engagement, and loyalty programs.

Application: Businesses use relationship marketing strategies to foster customer loyalty, encourage repeat business, and create a competitive advantage.

9. Customer Lifetime Value (CLV)

Core Idea: CLV measures the total worth of a customer over their entire relationship with a company. It considers factors such as acquisition costs, retention rates, and profit margins.

Application: By understanding and maximizing CLV, businesses can make informed decisions about marketing investments and customer relationship management.

10. Internal Marketing

Core Idea: Internal marketing focuses on treating employees as internal customers and ensuring they are motivated, trained, and equipped to deliver high-quality service. It recognizes that employee satisfaction directly impacts customer satisfaction.

Application: Organizations invest in employee development, communication, and engagement to improve service delivery and overall customer experience.

These theories and models provide valuable insights for designing and implementing effective service marketing strategies, helping businesses address the unique challenges and opportunities inherent in the service sector.

18.8 INTEGRATING GLOBALISATION WITH SERVICE MARKETING

Integrating globalization with service marketing involves adapting marketing strategies to effectively operate in international markets while leveraging global opportunities. Here's how globalization can be integrated with service marketing:

1. Global Market Research

- **Understand Local Markets**: Conduct thorough research to understand the cultural, economic, and regulatory conditions of the target markets. This includes consumer behavior, preferences, and competitive landscape.

- **Adaptation and Segmentation**: Use market research to identify different customer segments and tailor service offerings to meet local needs and preferences, while also recognizing global trends.

2. Standardization vs. Localization

- **Global Brand Consistency**: Develop a consistent global brand image and messaging that aligns with your overall brand identity. This helps in maintaining a unified global presence.

- **Local Adaptation**: Customize service features, delivery methods, and marketing campaigns to fit local cultural norms, regulatory requirements, and consumer expectations. This might include adjusting language, service delivery methods, or promotional strategies.

3. Global Service Quality Management

- **Unified Quality Standards**: Implement global standards for service quality to ensure consistency across different markets. This includes training staff and setting up quality control measures.

- **Local Adjustments**: Adapt these standards as necessary to address local expectations and regulatory requirements. Ensure that quality is maintained while being responsive to local nuances.

4. Cross-Cultural Training and Management

- **Employee Training**: Provide training for employees on cultural sensitivity and international business practices to enhance interactions with global customers and partners.

- **Local Expertise**: Employ local staff or consultants who understand the cultural and business environment of the target market. Their insights can help in tailoring service delivery and marketing efforts.

5. Technology and Innovation

- **Leverage Technology**: Use global technology platforms and digital tools to streamline service delivery and marketing efforts across different regions. This includes customer relationship management (CRM) systems, analytics, and online platforms.

- **Innovation**: Stay abreast of global technological trends and innovations that can enhance service delivery, such as AI, automation, and digital communication tools.

6. Integrated Marketing Communications

- **Global Campaigns**: Design integrated marketing campaigns that can be used across various markets but are flexible enough to be adapted to local contexts.

- **Localized Content**: Create marketing content that resonates with local audiences while maintaining a consistent global brand message. This involves translating and culturally adapting promotional materials and messages.

7. Global Service Delivery Networks

- **Standardized Processes**: Establish standardized processes for service delivery to ensure consistency and efficiency across international operations.

- **Local Adaptation**: Customize delivery processes based on local market conditions and consumer expectations. For example, logistics and supply chain adjustments may be necessary for different regions.

8. Customer Relationship Management (CRM)

- **Global CRM Systems**: Implement global CRM systems to manage customer interactions and data across different markets. This helps in maintaining a unified view of customer relationships and improving service delivery.

- **Localized Approaches**: Tailor CRM strategies to address local customer needs and preferences, such as personalized communication and localized customer service.

9. Compliance and Regulatory Adaptation

- **Understand Local Regulations**: Stay informed about and comply with local regulations, including data protection laws, consumer protection regulations, and industry standards.

- **Adapt Policies**: Adjust service policies and practices to meet local legal and regulatory requirements while aligning with global standards.

10. Performance Measurement and Feedback

- **Global Metrics**: Develop global performance metrics to evaluate service quality and customer satisfaction across different markets.

- **Local Feedback**: Collect and analyze feedback from local customers to identify areas for improvement and ensure that services are meeting local expectations.

11. Strategic Partnerships

- **Global Alliances**: Form strategic partnerships with local businesses, distributors, or service providers to enhance market entry and service delivery.

- **Local Networks**: Leverage local networks to gain insights, improve service offerings, and navigate market complexities.

12. Cultural Sensitivity and Adaptation

- **Cultural Research**: Invest in understanding cultural differences and preferences to adapt marketing strategies and service offerings accordingly.

- **Responsive Strategies**: Be flexible and responsive to cultural shifts and emerging trends in different markets to stay relevant and competitive.

By integrating globalization with service marketing, businesses can effectively manage their international operations, cater to diverse customer needs, and leverage global opportunities for growth. This approach ensures that service offerings are both globally consistent and locally relevant, enhancing overall customer satisfaction and business success.

18.9 GLOBAL TRENDS IN SERVICE MARKETING

Global trends in service marketing reflect the evolving landscape of consumer expectations, technological advancements, and market dynamics. Here are some key global trends shaping service marketing today:

1. Digital Transformation

- **Omnichannel Experience**: Consumers expect a seamless experience across various channels, including online, mobile, and in-store. Businesses are integrating their service delivery channels to provide a consistent and unified customer experience.

- **Automation and AI**: Technologies like artificial intelligence (AI) and automation are being used to enhance service delivery through chatbots, virtual assistants, and automated processes. These technologies help in providing quick responses, personalized interactions, and efficient service management.

2. Personalization

- **Customized Services**: There is a growing demand for personalized services tailored to individual preferences and needs. Businesses are leveraging data

analytics to create customized service experiences, offers, and recommendations.

- **Targeted Marketing**: Marketing strategies are increasingly focused on delivering personalized content and promotions based on customer behavior, purchase history, and demographic information.

3. Customer Experience (CX) Focus

- **Experience Design**: Companies are investing in designing exceptional customer experiences that go beyond traditional service delivery. This includes creating memorable touchpoints and emotional connections with customers.

- **CX Metrics**: Organizations are measuring customer experience through metrics like Net Promoter Score (NPS), Customer Satisfaction Score (CSAT), and Customer Effort Score (CES) to continuously improve their service offerings.

4. Sustainability and Corporate Social Responsibility (CSR)

- **Green Services**: There is increasing consumer awareness and demand for environmentally sustainable services. Businesses are adopting green practices and promoting their sustainability efforts as part of their service offering.

- **Ethical Practices**: Companies are focusing on ethical practices and social responsibility, which include fair labor practices, community engagement, and supporting social causes.

5. Globalization and Localization

- **Cross-Border Expansion**: Companies are expanding their services to new international markets, necessitating a balance between global consistency and local adaptation.

- **Localized Offerings**: To cater to diverse cultural and market needs, businesses are localizing their service offerings, including language, marketing strategies, and service delivery methods.

6. Data Privacy and Security

- **Regulatory Compliance**: With growing concerns about data privacy, businesses are focusing on complying with regulations like the General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA).

- **Secure Service Delivery**: Ensuring the security of customer data and maintaining trust is critical. Companies are investing in cybersecurity measures to protect sensitive information.

7. Service Innovation

- **New Service Models**: Innovations such as subscription-based services, on-demand models, and sharing economies are transforming traditional service delivery. Companies are exploring new ways to deliver value and engage customers.

- **Technology Integration**: Emerging technologies like the Internet of Things (IoT), blockchain, and augmented reality (AR) are being integrated into service offerings to enhance functionality and customer engagement.

8. Customer Empowerment

- **Self-Service Options**: There is a growing preference for self-service options where customers can access information and manage their service interactions independently, such as through mobile apps and online portals.

- **Social Media Influence**: Customers are using social media to share their experiences and influence others. Businesses are actively managing their online presence and engaging with customers through social media platforms.

9. Health and Wellness Services

- **Holistic Wellness**: There is increasing interest in services that address overall well-being, including mental health, fitness, and preventive healthcare. Companies are expanding their offerings to include wellness-related services.

- **Telehealth and Remote Services**: The rise of telehealth and remote consultations has been accelerated by the global pandemic, offering convenience and accessibility to healthcare services.

10. Customer Feedback and Analytics

- **Real-Time Feedback**: Businesses are leveraging real-time feedback tools to gauge customer satisfaction and make immediate improvements to their services.

- **Advanced Analytics**: Data analytics is used to gain insights into customer behavior, preferences, and trends, enabling more informed decision-making and targeted marketing strategies.

11. Collaboration and Partnerships

- **Strategic Alliances**: Companies are forming strategic partnerships and alliances to enhance their service offerings, expand market reach, and leverage complementary strengths.

- **Cross-Industry Collaborations**: Collaborations across different industries are creating innovative service solutions and new value propositions for customers.

12. Service Quality and Innovation

- **Continuous Improvement**: There is an ongoing focus on improving service quality through continuous feedback loops, employee training, and process optimization.

- **Innovative Service Design**: Companies are investing in innovative service design to enhance customer engagement, streamline service delivery, and differentiate themselves in the market.

These global trends highlight the dynamic nature of service marketing and the need for businesses to adapt to changing consumer expectations, technological advancements, and market conditions to remain competitive and relevant.

18.10 STRATEGIES FOR GLOBAL SERVICE MARKETING

18.10.1 Market Entry Strategies

Approaches for Entering International Markets

When expanding into international markets, businesses can choose from various market entry strategies depending on their goals, resources, and the specific characteristics of the target market. Here's a detailed look at common approaches:

1. Franchising

- **Definition**: Franchising involves a business (the franchisor) allowing another party (the franchisee) to operate a business using its brand, systems, and support in exchange for fees and royalties.

- **Advantages**:

  o **Rapid Expansion**: Allows quick market entry with lower capital investment compared to direct investment.

  o **Local Expertise**: Franchisees provide local market knowledge and connections.

  o **Reduced Risk**: Shared risk with franchisees who bear a significant portion of the investment.

- **Disadvantages**:

  o **Control**: Less control over day-to-day operations and service quality.

  o **Brand Risk**: Potential for brand inconsistency if franchisees do not adhere to standards.

2. Joint Ventures

- **Definition**: A joint venture involves partnering with a local company to create a new business entity, sharing both the investment and profits.

- **Advantages**:

  - **Local Knowledge**: Leverages the local partner's market knowledge and existing networks.

  - **Shared Risk**: Investment and operational risks are shared with the local partner.

  - **Regulatory Advantages**: Can facilitate entry into markets with stringent regulations.

- **Disadvantages**:

  - **Complexity**: Requires careful negotiation and management of joint venture agreements.

  - **Conflict**: Potential for conflicts of interest and management disagreements with the local partner.

3. Direct Investment

- **Definition**: Direct investment involves establishing wholly-owned subsidiaries or operations in the target market, providing full control over the business.

- **Advantages**:

  - **Control**: Complete control over operations, branding, and service delivery.

  - **Market Presence**: Stronger presence and commitment to the market.

  - **Profit Retention**: Full retention of profits generated from the market.

- **Disadvantages**:

  - **High Investment**: Requires significant capital investment and resources.

  - **Risk**: Greater exposure to market risks and regulatory challenges.

  Time-Consuming: Longer time to establish operations and achieve profitability

18.10.2 Adaptation vs. Standardization

Balancing Between Adapting Services to Local Markets and Standardizing Them Across Borders

When marketing services globally, companies must decide the extent to which they should adapt their services to local markets versus standardizing them across different regions. This balance affects how services are perceived and accepted in various markets.

1. Adaptation

- **Definition**: Adapting services involves modifying elements of the service offering to meet local market conditions, preferences, and cultural norms.

- **Advantages**:

- o **Customer Relevance**: Tailors services to meet local needs, increasing customer satisfaction and acceptance.

- o **Competitive Advantage**: Differentiates the service offering from competitors who may not be as locally attuned.

- **Disadvantages**:

  - o **Increased Costs**: Higher costs associated with customization and managing multiple variations of the service.

  - o **Complexity**: Increased complexity in operations and marketing strategies.

Examples of Adaptation:

- **Service Features**: Modifying service features to suit local tastes or regulatory requirements.

- **Marketing Messages**: Customizing advertising messages and promotions to align with local cultural norms and values.

2. Standardization

- **Definition**: Standardizing services involves maintaining uniform service offerings and processes across all markets, ensuring consistency and coherence.

- **Advantages**:

  - o **Brand Consistency**: Ensures a consistent brand experience across different regions.

  - o **Cost Efficiency**: Reduces costs associated with service development and management by leveraging economies of scale.

- **Disadvantages**:

  - o **Limited Local Relevance**: May not fully meet the specific needs and preferences of local customers.

  - o **Potential Resistance**: Risk of lower acceptance in markets with significantly different cultural or economic conditions.

Examples of Standardization:

- **Service Protocols**: Implementing uniform service delivery protocols and quality standards.

- **Brand Identity**: Maintaining a consistent global brand image and message.

18.10.3 Branding and Positioning

Global Branding Strategies and How to Position Services Effectively in Different Markets

Effective branding and positioning are crucial for establishing a strong presence in international markets. Here's how companies can approach these aspects:

1. Global Branding

- **Definition**: Developing a cohesive brand identity that resonates globally while allowing for local customization.

- **Strategies**:

  o **Unified Brand Message**: Maintain a core brand message and visual identity that reflects the company's values and vision.

  o **Adapt Local Elements**: Adjust branding elements such as language, imagery, and cultural references to align with local preferences while keeping the core brand consistent.

  o **Global Brand Equity**: Build and leverage global brand equity to enhance recognition and trust across different markets.

2. Brand Positioning

- **Definition**: Positioning a brand effectively in different markets to differentiate it from competitors and appeal to target audiences.

- **Strategies**:

  o **Market Research**: Conduct thorough research to understand local market dynamics and customer perceptions to position the brand effectively.

  o **Differentiation**: Highlight unique selling propositions (USPs) that resonate with local needs and preferences.

  o **Positioning Statement**: Develop clear and compelling positioning statements tailored to each market, emphasizing how the brand meets specific local needs.

Examples:

- **Product Positioning**: A global fast-food chain may position itself as a provider of quick and affordable meals worldwide but might adapt its menu to include local flavors and ingredients in different countries.

- **Luxury Brands**: A luxury brand may maintain a consistent premium image globally while tailoring its marketing campaigns to reflect local cultural nuances and luxury consumption patterns.

18.10.4 Digital Marketing Strategies

Utilizing Digital Channels and Platforms for Global Service Marketing

Digital marketing is essential for reaching and engaging with international audiences. Here's how to leverage digital channels effectively:

1. Website Optimization

- **Multilingual Sites**: Create multilingual websites to cater to different language speakers and enhance local user experience.

- **Localized Content**: Customize website content to reflect local culture, preferences, and search behaviors. This includes local SEO optimization to improve search engine visibility in different regions.

2. Social Media Marketing

- **Platform Selection**: Choose social media platforms that are popular in each market. For example, use WeChat and Weibo in China, while focusing on Facebook and Instagram in Western markets.

- **Localized Campaigns**: Develop social media campaigns tailored to local trends, cultural norms, and audience preferences. Engage with local influencers to increase brand visibility and credibility.

3. Search Engine Marketing (SEM)

- **Local Keyword Strategy**: Conduct keyword research to identify local search terms and incorporate them into paid search campaigns and SEO strategies.

- **Ad Customization**: Create ad copies and landing pages tailored to local languages and cultural contexts to improve relevance and conversion rates.

4. Email Marketing

- **Segmented Lists**: Segment email lists based on geographic regions and tailor email content to address local interests and preferences.

- **Personalization**: Use data to personalize email content, offers, and recommendations based on customer behavior and demographics in different markets.

5. Content Marketing

- **Local Relevance**: Develop content that addresses local issues, interests, and trends. This includes blog posts, articles, and multimedia content that resonate with local audiences.

- **Global Content Strategy**: Implement a global content strategy that ensures consistent messaging while allowing for localized adaptations.

6. Analytics and Measurement

- **Track Performance**: Use digital analytics tools to monitor and analyze the performance of global digital marketing campaigns. Measure metrics such as website traffic, conversion rates, and engagement levels.

- **Optimize Campaigns**: Continuously optimize digital marketing strategies based on data insights to improve effectiveness and achieve better results in different markets.

By applying these strategies, businesses can effectively navigate the complexities of global service marketing, achieve successful international expansion, and create a strong global presence while addressing local market needs and preferences.

 Check Your Progress-A

1. What does 'adaption' refer to in the context of global service marketing?
   a) Maintaining a consistent global brand image
   b) Customizing service to fit local marketing needs
   c) Partnering with local companies for market entry
   d) Using the same marketing strategy in all markets
2. In global service marketing. What does "Consistency" aim to achieve?
   a) Adapting services for each local market.
   b) Partnering with local business
   c) Keeping a uniform approach or image across different market
   d) Customizing marketing strategies for each region
3. Which term describes the practice of adjusting services to meet cultural and regional differences?
   a) Localization
   b) Standardization
   c) Joint Venture
   d) Franchising
4. What does 'franchising' involve in the content of international market expansion'?
   a) Creating and maintaining a unique identity for a service
   b) Adjusting services offering in local preferences
   c) Allowing others to operate a business under your brand
   d) Partnering with local companies to share risk and resources

18.11 CHALLENGES

The globalization of marketing services presents several challenges, each of which requires careful management to achieve successful international expansion. Here are some key challenges:

1. Cultural Differences

- **Challenge**: Different cultures have unique preferences, values, and expectations, which can impact how services are received.

- **Impact**: Services that work well in one country may not be effective or well-received in another due to differing cultural norms and practices.

- **Solution**: Conduct thorough market research to understand local cultures and adapt service offerings accordingly.

2. Regulatory and Compliance Issues

- **Challenge**: Each country has its own set of regulations and compliance requirements related to business operations, including labor laws, health and safety standards, and consumer protection.

- **Impact**: Navigating these regulations can be complex and time-consuming, with potential legal risks if not properly managed.

- **Solution**: Engage local legal and regulatory experts to ensure compliance and to navigate the legal landscape effectively.

3. Economic Variability

- **Challenge**: Economic conditions can vary widely between countries, affecting purchasing power, pricing strategies, and demand for services.

- **Impact**: Fluctuations in economic conditions can impact profitability and market stability.

- **Solution**: Develop flexible pricing strategies and adjust business models to accommodate local economic conditions.

4. Brand Consistency vs. Local Adaptation

- **Challenge**: Maintaining a consistent global brand image while adapting services to meet local preferences can be challenging.

- **Impact**: Striking the right balance between a unified brand presence and local customization is crucial for global success.

- **Solution**: Implement a strategic framework that allows for local adaptations while preserving core brand values and messaging.

5. Logistical and Operational Complexities

- **Challenge**: Managing operations across multiple countries involves dealing with different supply chains, infrastructure, and logistical issues.

- **Impact**: Inefficiencies and coordination challenges can arise, affecting service delivery and quality.

- **Solution**: Optimize supply chain management and establish robust operational processes to handle international logistics efficiently.

6. Technological Differences

- **Challenge**: Variations in technology infrastructure and digital adoption levels across countries can impact the delivery and accessibility of services.

- **Impact**: Technological barriers can limit the effectiveness of digital service platforms and marketing strategies.

- **Solution**: Adapt technological solutions to local infrastructure and invest in technology that supports varying levels of digital access.

7. Competitive Landscape

- **Challenge**: Local competitors may have a better understanding of the market and established relationships with customers.

- **Impact**: Competing with well-entrenched local businesses can be difficult for new entrants.

- **Solution**: Conduct competitive analysis to identify unique value propositions and differentiate services effectively.

8. Consumer Behavior and Preferences

- **Challenge**: Understanding and predicting consumer behavior and preferences can be challenging due to diversity in tastes and buying habits.

- **Impact**: Misalignment between service offerings and consumer expectations can lead to poor market performance.

- **Solution**: Use data-driven insights and customer feedback to tailor services to local preferences and behaviors.

9. Communication Barriers

- **Challenge**: Language differences and communication styles can create misunderstandings and affect marketing effectiveness.

- **Impact**: Ineffective communication can lead to misinterpretation of marketing messages and poor customer engagement.

- **Solution**: Employ local language experts and culturally aware marketing professionals to ensure clear and effective communication.

10. Political and Economic Instability

- **Challenge**: Political and economic instability in certain regions can create uncertainties and risks for international operations.

- **Impact**: Instability can affect market conditions, disrupt operations, and pose financial risks.

- **Solution**: Conduct risk assessments and develop contingency plans to mitigate the impact of political and economic instability.

Addressing these challenges requires a strategic approach, combining local market knowledge with global best practices to navigate the complexities of international service marketing successfully.

18.12 SUMMARY

The globalization of service marketing involves expanding service offerings into international markets while navigating a complex landscape of local needs and global opportunities. Key to this process is selecting appropriate market entry strategies. Franchising allows for rapid expansion with lower capital investment by leveraging local partners who operate under established brand systems. Joint ventures involve partnering with local firms to share resources and risks, facilitating smoother entry and compliance with local regulations. Direct investment entails establishing wholly owned operations in foreign markets, providing full control over service delivery and brand management but requiring significant capital and risk management.

Balancing adaptation and standardization is crucial for global service marketing. Adaptation customizes services to meet local preferences and cultural norms, enhancing relevance and customer acceptance, though it may increase costs and complexity. Standardization maintains uniform service offerings and brand messaging across markets, ensuring consistency and cost-efficiency but potentially overlooking local needs and preferences. Effective branding and positioning involve creating a cohesive global brand identity while allowing for local adjustments to align with regional preferences. Tailoring the brand's value proposition to fit local market conditions and competitive landscapes is essential for successful positioning.

Digital marketing strategies play a vital role in global service marketing. This includes optimizing websites for local languages and search behaviors, leveraging region-specific social media platforms, and adapting search engine marketing tactics to reflect local contexts. Email marketing should involve segmenting lists and personalizing content to address local interests, while content marketing must balance global themes with local trends. Analytics and measurement are crucial for monitoring digital performance and optimizing strategies based on data insights.

Overall, the globalization of service marketing requires a strategic blend of global consistency and local adaptation. Understanding cultural differences, adhering to local regulations, leveraging local expertise, and maintaining a coherent global brand are all essential elements for successfully managing and growing service offerings in diverse international markets.

18.13 GLOSSARY

Adaptation - Adjusting services to meet local market needs and preferences.

Branding - Creating and managing a unique identity for a service.

Consistency - Keeping a uniform approach or image across different markets.

Cultural Sensitivity - Being aware of and respecting cultural differences.

Franchising - Allowing others to operate a business under your brand.

Globalization - Expanding business activities to international markets.

Joint Venture - Partnering with a local company to enter a new market.

Localization - Customizing products or services for a specific region or culture.

Marketing Strategy - Plans and actions to promote and sell services globally.

Standardization - Keeping the same service offerings and processes across all markets.

18.14 ANSWERS TO CHECK YOUR PROGRESS

Answer to 1 is (b), 2 (c), 3 (a), 4 (c)

18.15 REFERENCES

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18.16 SUGGESTED READINGS

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18.17 TERMINAL QUESTIONS

1. Explain the global trends in service marketing.
2. How can we integrate globalization and service marketing?
3. Explain the strategies for global service marketing.
4. Explain the importance of studying globalization in service marketing.
5. Discuss various challenges faced in globalization of marketing of services.

18.18 CASE LETS/CASES

Case Study: Starbucks' Globalization Strategy in India

Background: Starbucks, the American coffeehouse chain, entered the Indian market in 2012 through a joint venture with Tata Global Beverages, forming Tata Starbucks Limited. The move marked Starbucks' entry into one of the world's fastest-growing coffee markets.

Adaptation Strategy: To cater to local tastes and preferences, Starbucks adapted its menu to include a variety of Indian-inspired beverages and food items. This included offering chai tea lattes and masala sandwiches, which resonated with Indian consumers' preferences for strong flavors and local spices. Starbucks also adjusted its store design to blend with local aesthetics, incorporating elements of Indian culture and architecture.

Brand Positioning: Starbucks positioned itself as a premium coffee brand, appealing to urban, middle-to-upper-class consumers seeking a modern café experience. The brand emphasized its global quality standards while celebrating local culture through store décor and menu options.

Challenges and Solutions: Starbucks faced challenges related to India's diverse market and price sensitivity. To address this, the company used a tiered pricing strategy, offering products at various price points to cater to different customer segments. Additionally,

Starbucks focused on creating an experience-driven store environment, positioning itself as a social and lifestyle destination rather than just a place to buy coffee.

Results: Starbucks' localization strategy, combined with its global brand reputation, helped it establish a strong presence in India. The company successfully attracted a loyal customer base and expanded its footprint, with numerous stores across major Indian cities. By effectively blending global standards with local adaptation, Starbucks demonstrated a successful approach to the globalization of service marketing.

UNIT 19 MARKETING OF HEALTH SERVICES, HOSPITALITY SERVICES INCLUDING TRAVEL, HOTELS AND TOURISM

19.1 INTRODUCTION TO SERVICE MARKETING

In this unit, you will study the fundamental concepts and strategies involved in Service Marketing—a field that focuses on marketing intangible offerings, such as healthcare, hospitality, financial services, and education. Unlike physical goods, services are characterized by their intangibility, inseparability, perishability, and variability, which present unique challenges and opportunities in marketing.

You will explore the differences between goods and services marketing, learning how the traditional marketing mix (Product, Price, Place and Promotion) is expanded to include additional elements crucial for services: People, Process, and Physical Evidence. This unit will delve into how service organizations design, deliver, and promote their offerings to meet customer expectations and build long-term relationships.

19.2 OBJECTIVES

After reading this unit you will be able to:

- Understand Key Concepts
- Analyze Industry-Specific Marketing Strategies
- Implement Service Design and Delivery Techniques
- Develop Effective Branding and Pricing Strategies
- Address Ethical and Legal Considerations

19.3 OVERVIEW OF THE HEALTH SERVICES INDUSTRY

1. Nature and Scope of Health Services Nature of Health Services:

• Health Services encompass a broad range of activities aimed at maintaining or improving individual and public health. These services include medical care (diagnosis, treatment, and prevention of illness), emergency services, mental health care, dental care, rehabilitation, and wellness programs.

• Health services are provided by a variety of entities, including hospitals, clinics, private practices, government agencies, and non-profit organizations. They can be categorized into primary care (general health care), secondary care (specialist care), and tertiary care (advanced, specialized treatment).

Scope of Health Services:

• Preventive Services: Services aimed at preventing illness or injury, such as vaccinations, health education, and screenings.

• Curative Services: Services that treat or cure diseases and health conditions, including surgery, medication, and therapy.

• Rehabilitative Services: Services that help individuals recover from illness, injury, or surgery, such as physical therapy, occupational therapy, and speech therapy.

• Palliative Care: Services designed to provide comfort and improve the quality of life for patients with serious, chronic, or terminal illnesses.

• Mental Health Services: Services addressing psychological and emotional well-being, including counseling, therapy, and psychiatric care.

Stakeholders in Health Services:

• Patients: The primary consumers of health services, whose needs and preferences drive the demand for various services.

• Healthcare Providers: Professionals such as doctors, nurses, therapists, and support staff who deliver health services.

• Payers: Entities responsible for financing health services, including insurance companies, government programs (e.g., Medicare, Medicaid), and patients themselves.

• Regulatory Bodies: Government agencies and organizations that establish and enforce health care standards and regulations (e.g., FDA, WHO).

2. Importance of Marketing in Health Services Why Marketing is Crucial in Health Services:

• Patient Engagement: Effective marketing helps engage and educate patients about available health services, encouraging them to seek care when needed. It also empowers patients to make informed decisions about their health.

• Building Trust and Reputation: Health services are inherently intangible and involve high stakes. Marketing plays a critical role in building trust and a positive reputation, which are essential for attracting and retaining patients.

• Competitive Differentiation: In a competitive healthcare environment, marketing helps differentiate one provider or institution from another. This differentiation can be based on factors such as quality of care, specialized services, or patient experience.

• Service Awareness: Many patients may not be aware of the full range of services available to them. Marketing helps raise awareness about specific treatments, preventative care options, and new technologies.

• Patient Loyalty and Retention: Marketing efforts such as loyalty programs, personalized communication, and patient education can enhance patient satisfaction and encourage repeat visits, fostering long-term relationships.

• Community Outreach: Marketing in health services often involves public health campaigns and community outreach programs that promote health awareness, disease prevention, and healthy lifestyles.

Marketing Strategies in Health Services:

• Digital Marketing: Using websites, social media, and online advertising to reach and engage patients.

• Content Marketing: Providing valuable information through blogs, articles, and videos to educate patients.

• Branding: Creating a strong and recognizable brand that reflects the values and mission of the healthcare provider.

• Patient-Centered Marketing: Customizing marketing messages and services to meet the specific needs and preferences of different patient segments.

3. Challenges in Marketing Health Services

i.   Intangibility and Perceived Risk:

• Health services are intangible and often involve high levels of uncertainty and perceived risk. Patients are often anxious about the outcomes and costs associated with healthcare, making it difficult to market these services effectively.

• Overcoming this challenge requires building a strong brand, providing clear and transparent information, and offering reassurances through testimonials and evidence of quality.

ii.   Ethical and Regulatory Constraints:

• The marketing of health services is subject to strict ethical guidelines and regulations. Healthcare marketers must navigate issues such as patient privacy (HIPAA in the U.S.), advertising restrictions, and the need to avoid misleading claims.

• Adhering to these regulations while still effectively promoting services requires a deep understanding of legal and ethical standards.

iii.   Complex Decision-Making Process:

• The decision to seek healthcare is often complex, involving multiple stakeholders, including patients, family members, and healthcare providers. Additionally, the decision-making process can be influenced by insurance coverage and financial considerations.

• Marketing strategies must address the concerns and needs of all parties involved and provide clear, accessible information to support informed decision-making.

iv.   Variability in Service Quality:

• The quality of healthcare services can vary based on factors such as the healthcare provider, location, and time of service. This variability can impact patient satisfaction and complicate marketing efforts.

• Consistency in service delivery, coupled with effective communication of quality measures and patient outcomes, is essential to overcoming this challenge.

v.   Trust and Credibility Issues:

• Trust is a critical factor in healthcare, and any perception of dishonesty or poor quality can significantly damage a provider's reputation. Marketing messages must be carefully crafted to build and maintain trust, focusing on transparency, ethical practices, and patient care.

vi.   Patient Privacy Concerns:

• Marketing efforts, especially in the digital space, must be mindful of patient privacy. Compliance with regulations like HIPAA (Health Insurance Portability and Accountability Act) is essential to protect patient information and maintain trust.

•Marketers must balance personalization with privacy, ensuring that patient data is used responsibly and ethically.

vii.   Rapid Technological Changes:

• The healthcare industry is constantly evolving due to technological advancements. Marketers must keep up with these changes to effectively communicate the benefits of new treatments, procedures, and technologies to patients.

• Continuous education and adaptation are necessary to ensure that marketing strategies remain relevant and effective.

viii.   Cultural Sensitivity:

• Health services often cater to diverse populations with varying cultural backgrounds, beliefs, and languages. Marketing strategies must be culturally sensitive and inclusive, addressing the unique needs of different patient groups.

• This requires an understanding of cultural nuances and the ability to tailor messages and services accordingly.

19.4 MARKETING OF HEALTH SERVICES

1.   Service Design and Delivery

Service Design and Delivery in Health Services:

• Service Design refers to the process of planning and organizing a healthcare service to improve its quality and the interaction between the service provider and patients. It involves designing the processes, environment, and customer interactions to create a seamless and positive experience.

• Service Delivery is the actual provision of healthcare services to patients. It encompasses everything from how patients access care to the manner in which healthcare professionals deliver services.

Service Blueprinting in Health Services:

• Service Blueprinting is a tool used to map out the entire service process from the patient's perspective. It visually represents the steps involved in service delivery, highlighting the interaction points between the patient and service provider, as well as the back-end processes.

• Key Components of a Service Blueprint:

   ▪ Customer Actions: All the steps taken by the patient to access and receive the service.
   ▪ Frontstage (Visible Contact Employee Actions): Actions that are visible to the patient, such as interactions with healthcare staff.
   ▪ Backstage (Invisible Contact Employee Actions): Activities that occur behind the scenes, such as administrative tasks or preparation of medical equipment.
   ▪ Support Processes: Internal processes that support service delivery, like lab work or insurance processing.
   ▪ Physical Evidence: Tangible elements that the patient encounters, such as brochures, signage, or the healthcare facility environment.

Customization and Standardization of Health Services:

• Customization involves tailoring health services to meet the specific needs of individual patients. This approach acknowledges that each patient is unique and may require personalized care. Customization can lead to higher patient satisfaction and better health outcomes.

  Examples: Personalized treatment plans, flexible appointment scheduling, patient-specific health education.

• Standardization refers to offering uniform healthcare services that adhere to established protocols and guidelines. Standardization ensures consistency in service delivery, which is crucial for maintaining quality and safety in healthcare.

 Examples: Standard operating procedures (SOPs) for surgeries, standardized patient intake processes, and use of clinical guidelines for treatment.

• Balancing Customization and Standardization: While customization can enhance patient satisfaction, standardization is necessary for ensuring quality, efficiency, and compliance with regulations. Healthcare providers must find the right balance to meet individual patient needs while maintaining consistency and efficiency.

2.   Patient-Centered Marketing

Understanding Patient Needs and Expectations:

•   Patient-Centered Marketing involves focusing on the needs, preferences, and values of patients when designing and promoting health services. Understanding what patients expect from healthcare services is crucial for delivering personalized care and building strong patient relationships.

•   Key Patient Needs:

- Quality of Care: High standards of clinical care and positive health outcomes.
- Accessibility: Easy access to healthcare services, including convenient locations and flexible hours.
- Communication: Clear, transparent, and empathetic communication from healthcare providers.
- Emotional Support: Addressing the emotional and psychological needs of patients.
- Respect and Dignity: Treating patients with respect, ensuring privacy, and involving them in decision-making.

Patient Segmentation and Targeting:

• Patient Segmentation is the process of dividing the patient population into distinct groups based on shared characteristics or needs. This allows healthcare providers to tailor their marketing strategies to specific segments, improving relevance and effectiveness.

- Common Segmentation Criteria:
- Demographics: Age, gender, income, education.
- Geographics: Location, urban vs. rural.
- Psychographics: Lifestyles, attitudes, health beliefs.
- Behavioral: Health conditions, treatment history, service usage patterns.

• Targeting involves selecting one or more of these segments to focus marketing efforts on, based on the organization's goals, resources, and the needs of the segment. Effective targeting can improve patient engagement and satisfaction.

Building Patient Loyalty and Trust:

• Patient Loyalty refers to a patient's willingness to continue using a healthcare provider's services and to recommend them to others. Trust is a critical component of loyalty in healthcare.

Strategies to Build Loyalty and Trust:

- Consistent Quality Care: Ensuring high standards of care across all interactions.
- Personalized Communication: Sending follow-up messages, reminders, and health tips tailored to individual patients.
- Transparency: Being open about treatment options, costs, and potential outcomes.

- Patient Involvement: Engaging patients in their care decisions, respecting their preferences, and providing them with clear information.
- Loyalty Programs: Offering incentives like discounts on health services, free health checks, or access to exclusive health content.

3.   Health Service Branding

Developing a Strong Brand for Health Services:

• Health Service Branding involves creating a distinct identity for a healthcare provider or service that resonates with patients. A strong brand communicates the values, quality, and reliability of the service, helping to build trust and recognition.

• Elements of a Strong Health Service Brand:

- Brand Identity: The visual and verbal representation of the brand, including logos, colors, slogans, and messaging.
- Brand Promise: The commitment made to patients, such as "Quality care you can trust" or "Your health, our priority."
- Brand Values: The core principles that guide the organization, such as compassion, integrity, and innovation.
- Brand Experience: The overall experience patients have with the service, from their first contact to follow-up care.

Brand Positioning and Communication in Health Services:

•Brand Positioning refers to the strategic process of placing the healthcare brand in the minds of patients relative to competitors. Effective positioning differentiates the brand based on attributes like quality, affordability, specialized care, or patient experience.

- Positioning Strategies:
- Quality Leadership: Positioning the brand as the provider of the highest quality care.
- Patient-Centricity: Emphasizing personalized, patient-focused care.
- Innovation: Highlighting advanced technology or cutting-edge treatments.
- Accessibility: Promoting convenient locations, affordable care, or telehealth services.

•Brand Communication involves all the methods used to convey the brand's message to patients and the public. This can include advertising, public relations, social media, and direct marketing. Effective communication should consistently reinforce the brand's values and promises.

4.Pricing Strategies for Health Services Pricing Challenges in Health Services:

•Complexity of Pricing: Health services pricing is often complex due to the involvement of multiple stakeholders (patients, insurers, government agencies), varying costs of care, and differences in payer systems across regions.

•Transparency: Patients often find it difficult to understand healthcare pricing due to a lack of transparency and the bundling of services, leading to challenges in setting and communicating prices.

•Regulatory Constraints: Pricing in healthcare is often subject to government regulations and insurance company policies, limiting the flexibility of healthcare providers in setting prices.

•Perceived Value: Patients' perception of the value of healthcare services can vary significantly, influenced by factors like the quality of care, reputation of the provider, and personal health outcomes.

Strategies for Pricing Health Services:

•Cost-Based Pricing: Setting prices based on the cost of delivering the service, including fixed and variable costs, and adding a margin for profit.

•Value-Based Pricing: Pricing services according to the perceived value to the patient rather than the actual cost. This approach often applies to premium services or specialized care.

•Competitive Pricing: Setting prices based on what competitors are charging for similar services. This strategy requires market research and careful analysis of competitors' pricing.

•Bundling: Offering a package of services at a single price, which can provide better value to patients and simplify the pricing structure. For example, a wellness package might include a physical exam, lab tests, and follow-up consultations.

•Sliding Scale Pricing: Adjusting prices based on the patient's ability to pay, often used in non- profit or community health settings to ensure access to care for all patients.

•Subscription Models: Offering health services on a subscription basis, where patients pay a regular fee for ongoing access to certain services, such as primary care or wellness programs.

5.   Promotion in Health Services

Role of Digital Marketing and Social Media:

•Digital Marketing involves using online channels to promote health services, including websites, email, search engines, and social media platforms. It allows healthcare providers to reach a broad audience, engage with patients, and provide valuable health information.

- ▪ Key Digital Marketing Tactics:
- - Content Marketing: Creating and sharing informative content such as blog posts, videos, and infographics that educate patients and build trust.
- - Search Engine Optimization (SEO): Optimizing online content to rank higher in search engine results, making it easier for patients to find healthcare services.
- - Social Media Marketing: Using platforms like Facebook, Instagram, Twitter, and LinkedIn to engage with patients, share health tips, and promote services.
- - Email Marketing: Sending personalized emails to patients with updates, health tips, and appointment reminders.
- - Online Advertising: Using pay-per-click (PPC) ads, social media ads, and display ads to reach specific patient segments.

Public Relations and Community Outreach:

•   Public Relations (PR) involves managing the public image of a healthcare provider and building relationships with the community. Effective PR can enhance the reputation of the provider and increase patient trust.

- ▪ Key PR Strategies:
- - Media Relations: Working with journalists and media outlets to share positive stories about the healthcare provider, such as patient success stories, new services, or community initiatives.
- - Crisis Management: Responding to negative events or publicity in a way that protects

19.5 OVERVIEW OF THE HOSPITALITY SERVICES INDUSTRY

1.Nature and Scope of Hospitality Services Nature of Hospitality Services:

• Hospitality Services encompass a broad range of services aimed at providing comfort, entertainment, and leisure to guests. The industry includes various sectors such as lodging (hotels, resorts, motels), food and beverage (restaurants, cafes, catering), travel and tourism, event planning, and recreation.

• The core of hospitality is centered around guest satisfaction and creating memorable experiences. The industry is service-intensive, requiring high levels of customer interaction and personalized service.

Scope of Hospitality Services:

• Lodging Services: This includes a wide range of accommodations, from luxury hotels and resorts to budget motels and vacation rentals. Services often include room service, concierge, housekeeping, and amenities like pools, gyms, and spas.

• Food and Beverage Services: This sector covers restaurants, cafes, bars, catering services, and even food delivery. The emphasis is on providing quality food and beverages, along with excellent service.

• Travel and Tourism Services: These services include travel agencies, tour operators, airlines, cruise lines, and car rental companies. They focus on facilitating travel and enhancing the travel experience through guided tours, travel packages, and customer support.

• Event Planning and Management: Hospitality also includes organizing events like conferences, weddings, and festivals. This sector involves venue selection, catering, accommodation, and entertainment arrangements.

• Recreation and Entertainment Services: This includes services such as theme parks, casinos, museums, and cultural attractions, all aimed at providing leisure and enjoyment.

Interconnectedness of Sectors:

• The hospitality industry is highly interconnected, with each sector relying on and supporting others. For example, hotels often collaborate with local restaurants, tour operators, and event planners to offer comprehensive packages to guests.

2.Importance of Marketing in Hospitality Services Why Marketing is Crucial in Hospitality Services:

•Enhancing Guest Experience: Marketing in the hospitality industry is focused on understanding and meeting the needs and desires of guests. Effective marketing can enhance the guest experience by offering tailored services, personalized communication, and exceptional customer care.

•Building Brand Loyalty: The hospitality industry thrives on repeat business. Marketing helps in building brand loyalty by creating strong relationships with guests, encouraging repeat visits, and fostering positive word-of-mouth referrals.

•Differentiation in a Competitive Market: The hospitality industry is highly competitive, with numerous service providers vying for guests' attention. Marketing helps differentiate a brand by emphasizing unique selling propositions (USPs), such as exceptional service, exclusive experiences, or superior locations.

• Creating Awareness and Attracting Guests: Marketing plays a key role in creating awareness about the services offered by a hospitality business. This includes promoting new services, special offers, and seasonal packages to attract guests.

• Adapting to Guest Expectations: Marketing enables hospitality businesses to stay attuned to changing guest expectations and preferences. By analyzing market trends and customer feedback, businesses can adapt their offerings and marketing strategies to meet evolving demands.

• Maximizing Revenue: Through effective pricing strategies, promotional campaigns, and distribution channels, marketing helps hospitality businesses maximize revenue, occupancy rates, and profitability.

Marketing Strategies in Hospitality Services:

• Digital Marketing: Leveraging websites, social media, and online reviews to reach and engage guests.

• Content Marketing: Sharing valuable content like travel tips, local guides, and culinary experiences to attract and retain guests.

• Branding: Creating a strong, recognizable brand that conveys trust, quality, and a unique experience.

• Personalized Marketing: Customizing offers and communication based on guest preferences and past behavior.

3.Trends and Challenges in Hospitality Marketing Trends in Hospitality Marketing:

•Digital Transformation: The increasing importance of digital channels in hospitality marketing, including the use of social media, online booking platforms, and mobile apps. Many guests now prefer to research, book, and share their experiences online.

•Sustainability and Eco-friendly Practices: Guests are increasingly interested in sustainable travel and eco-friendly accommodations. Hospitality businesses are marketing their green initiatives, such as energy-efficient buildings, waste reduction programs, and support for local communities.

•Personalization: The trend towards personalized guest experiences, facilitated by data-driven marketing strategies. This includes personalized offers, recommendations, and services tailored to individual preferences and past behaviors.

•Experiential Marketing: Focus on creating unique, memorable experiences for guests. This can include immersive cultural experiences, adventure activities, or gourmet dining experiences that go beyond the basic offerings of accommodation and food.

•Health and Wellness: The growing demand for health and wellness services, including spas, fitness programs, and healthy dining options. Marketing efforts highlight these offerings to attract health-conscious travelers.

•Use of Technology: The adoption of technologies like virtual reality (VR) for virtual tours, AI for personalized recommendations, and chatbots for customer service is becoming prevalent in hospitality marketing.

Challenges in Hospitality Marketing:

•Intense Competition: The hospitality industry is highly competitive, with numerous players offering similar services. Differentiating a brand and standing out in a crowded market can be challenging.

•Managing Online Reputation: The rise of online reviews and social media means that guests can share their experiences widely. Managing online reputation and responding to negative feedback promptly and effectively is crucial.

•Seasonality: Hospitality services often face fluctuations in demand due to seasonality. Marketing strategies must address low-demand periods with promotions, special packages, or targeting alternative markets.

•Pricing Pressure: The presence of online travel agencies (OTAs) and price comparison websites puts pressure on hospitality businesses to offer competitive pricing while maintaining profitability.

•Customer Expectations: With the increasing availability of information online, guests have higher expectations for service quality and experience. Meeting these expectations consistently is a significant challenge.

•Cultural Sensitivity: The hospitality industry serves a global clientele, making it essential to be culturally sensitive in marketing efforts. Misunderstanding cultural preferences can lead to dissatisfaction and negative reviews.

19.6 MARKETING OF HOSPITALITY SERVICES

1.   Service Design and Delivery in Hospitality The Role of Customer Experience in Hospitality:

•   Customer Experience (CX) is the sum of all interactions a guest has with a hospitality brand, from booking to checkout. In the hospitality industry, CX is crucial because it directly impacts guest satisfaction, loyalty, and word-of-mouth referrals.

•   Key Elements of CX in Hospitality:

  - Personalization: Tailoring services to individual preferences and needs.
  - Consistency: Ensuring a consistently high standard of service across all touchpoints.
  - Empathy and Care: Providing warm, attentive, and empathetic service to make guests feel valued.

- Convenience: Making the guest journey as smooth and hassle-free as possible, from easy booking to quick check-in/check-out processes.

Designing Memorable Guest Experiences:

•Memorable Experiences are key to differentiating a hospitality brand and driving repeat business. These experiences go beyond basic service delivery to create lasting impressions that guests want to share with others.

•Strategies for Designing Memorable Experiences:

- Unique Offerings: Providing experiences that are unique to the location or brand, such as local cultural experiences, personalized amenities, or exclusive events.
- Attention to Detail: Focusing on small details that surprise and delight guests, such as personalized welcome notes, customized room settings, or complimentary services.
- Emotional Engagement: Creating emotional connections with guests through storytelling, personalized communication, and a welcoming atmosphere.
- Innovative Services: Incorporating innovative technologies like virtual reality (VR) tours, smart rooms, or mobile concierge services to enhance the guest experience.

2.Market Segmentation and Targeting

Identifying Key Segments in the Hospitality Industry:

•Market Segmentation in hospitality involves dividing the market into distinct groups of consumers with similar needs, preferences, or behaviors. This allows for more effective targeting and service customization.

•Key Segments in Hospitality:

- Leisure Travelers: Individuals or families traveling for vacations, holidays, or recreational purposes.
- Business Travelers: Professionals traveling for work-related reasons, often requiring amenities like Wi-Fi, meeting rooms, and quick service.
- Luxury Travelers: High-income guests seeking premium services, exclusive experiences, and luxurious accommodations.
- Budget Travelers: Cost-conscious   guests looking   for affordable accommodations with basic amenities.
- Group Travelers: Groups traveling together for events, conferences, or tours, often requiring specialized packages and group rates.
- Millennials and Gen Z: Younger travelers who value unique experiences, technology integration, and sustainable practices.

Tailoring Services to Different Customer Segments:

•Customization: Tailoring services to meet the specific needs of different segments. For example, offering business travelers express check-in and high-speed internet, while providing leisure travelers with family-friendly amenities and local tour packages.

•Targeted Marketing: Developing marketing campaigns that resonate with the unique preferences and behaviors of each segment. For example, promoting eco-friendly initiatives to attract environmentally conscious travelers or offering early bird discounts to budget travelers.

•Loyalty Programs: Creating segment-specific loyalty programs that reward repeat business and encourage customer retention. For instance, offering exclusive perks to luxury travelers or discounts to frequent business travelers.

3.Branding in Hospitality

Building and Maintaining a Strong Hospitality Brand:

•Branding in hospitality is about creating a distinct identity that resonates with guests and sets the brand apart from competitors. A strong brand conveys quality, trust, and a promise of a certain level of service and experience.

•Key Elements of a Strong Hospitality Brand:

- Brand Identity: The visual and verbal elements of the brand, including logos, color schemes, taglines, and messaging, that create a cohesive and recognizable brand image.
- Brand Promise: The commitment made to guests, such as "luxury redefined" or "home away from home," which sets expectations for the guest experience.
- Consistency: Maintaining a consistent brand experience across all locations, services, and guest interactions.
- Guest Engagement: Building relationships with guests through personalized communication, social media interactions, and loyalty programs.

Brand Differentiation in a Competitive Market

•Differentiation is critical in a highly competitive hospitality market, where many brands offer similar services. Effective differentiation highlights what makes a brand unique and desirable to target guests.

•Strategies for Brand Differentiation:

- Unique Value Proposition: Offering something distinctive that competitors don't provide, such as an exclusive spa experience, a unique architectural style, or a focus on sustainability.
- Storytelling: Using the brand's history, location, or mission to tell a compelling story that resonates with guests and differentiates the brand.

- Niche Targeting: Focusing on a specific market niche, such as eco-conscious travelers, luxury seekers, or adventure enthusiasts.
- Innovative Services: Introducing new technologies or services that enhance the guest experience, such as app-based room controls, AI-driven personalization, or virtual concierge services.

4.   Pricing Strategies in Hospitality

Revenue Management and Dynamic Pricing:

•Revenue Management is the practice of using data and analytics to optimize pricing and inventory based on demand, with the goal of maximizing revenue. This approach is particularly important in the hospitality industry, where demand fluctuates based on seasonality, events, and market conditions.

•Dynamic Pricing: Adjusting prices in real-time based on demand, competition, and other external factors. For example, room rates might increase during peak travel seasons or major events and decrease during off-peak times.

•Key Components of Revenue Management:

- Demand Forecasting: Predicting future demand based on historical data, current trends, and market conditions.
- Yield Management: Maximizing revenue by adjusting prices and managing inventory to match demand.
- Overbooking: Accepting more reservations than available capacity to account for cancellations and no-shows, balancing the risk of overcapacity with potential lost revenue.

Strategies for Pricing Hospitality Services:

•Cost-Based Pricing: Setting prices based on the cost of delivering the service, plus a margin for profit. This method ensures that all costs are covered and a desired profit margin is achieved.

•Value-Based Pricing: Pricing services based on the perceived value to the guest rather than the actual cost. This strategy is often used for premium services or unique experiences.

•Competitor-Based Pricing: Setting prices based on what competitors are charging for similar services. This approach requires careful analysis of the competitive landscape and differentiation strategies.

•Bundling: Offering packages that combine multiple services, such as accommodation, meals, and activities, at a discounted rate. Bundling can attract guests looking for convenience and value.

• Promotional Pricing: Offering temporary discounts, special offers, or early bird rates to attract bookings during low-demand periods or to fill last-minute vacancies.

5.Promotion and Distribution Channels Role of Online Travel Agencies (OTAs):

•OTAs are third-party platforms like Expedia, Booking.com, and Airbnb that help

guests find and book accommodations. They play a crucial role in hospitality marketing by providing broad visibility and access to a large customer base.

•Benefits of OTAs:

- Wider Reach: OTAs can significantly expand a hotel's reach by making it visible to a global audience.
- Ease of Booking: OTAs offer user-friendly platforms that simplify the booking process for guests.
- Marketing Support: OTAs often provide marketing support, including promotions, loyalty programs, and customer reviews, which can enhance a property's reputation.

•Challenges of OTAs:

- Commission Fees: Hotels must pay commission fees to OTAs, which can impact profitability.
- Brand Dilution: Reliance on OTAs can lead to a focus on price competition rather than brand loyalty.

Social Media Marketing in Hospitality:

• Social Media is a powerful tool for engaging with guests, promoting services, and building brand loyalty. Platforms like Instagram, Facebook, and Twitter allow hotels to showcase their properties, share guest experiences, and interact directly with potential guests.

•Strategies for Social Media Marketing:

- Visual Content: Sharing high-quality images and videos of the property, amenities, and guest experiences to attract attention and generate interest.
- User-Generated Content: Encouraging guests to share their experiences on social media, using hashtags or tagging the property, which can enhance credibility and reach.
- Influencer Partnerships: Collaborating with influencers who have large followings to promote the brand and attract new guests.
- Engagement: Responding to comments, messages, and reviews promptly to build relationships and show appreciation for guests.

Direct Marketing and Loyalty Programs:

• Direct Marketing involves communicating directly with potential or existing guests through channels like email, SMS, and direct mail. This approach allows for personalized communication and targeted offers.

•Loyalty Programs: Rewarding repeat guests with points, discounts, or exclusive perks encourages loyalty and repeat business. Effective loyalty programs can differentiate a brand and reduce dependence on OTAs.

•Benefits of Loyalty Programs:

- Guest Retention: Loyalty programs incentivize repeat visits and build long- term relationships with guests.
- Data Collection: Loyalty programs provide valuable data on guest preferences and behavior, which can inform future marketing strategies.
- Brand Advocacy: Loyal guests are more likely to recommend the brand to others, driving word-of-mouth referrals.

6.   Service Quality and Customer Satisfaction Importance of Service Quality in Hospitality:

•Service Quality is critical in the hospitality industry, where guest satisfaction is directly tied to the quality of service provided. High service quality leads to positive reviews, repeat business, and strong brand reputation.

•Dimensions of Service Quality (SERVQUAL Model):

- Tangibles: The physical appearance of facilities, equipment, and staff.
- Reliability: The ability to perform the promised service dependably and accurately.
- Responsiveness: The willingness to help guests and provide prompt service.
- Assurance: The knowledge and courtesy of employees and their ability to convey trust and confidence.
- Empathy: The provision of caring, individualized attention to guests.

Managing Customer Reviews and Feedback:

•   Customer Reviews play a significant role in shaping a property's online reputation. Managing reviews effectively is crucial for maintaining a positive brand image and attracting new guests.

•   Strategies for Managing Reviews:

- Encouraging Positive Reviews: Actively encouraging satisfied guests to leave positive reviews on platforms like TripAdvisor, Google, and OTAs.
- Responding to Reviews: Responding to both positive and negative reviews promptly and professionally, showing appreciation for feedback and addressing concerns.

- Handling Negative Feedback: Viewing negative reviews as opportunities to improve service quality and resolve issues. Responding to negative reviews with empathy and a commitment to making things right can turn dissatisfied guests into loyal customers.

19.7 OVERVIEW OF THE TRAVEL AND TOURISM INDUSTRY

1.   Nature and Scope of Travel and Tourism Services Nature of Travel and Tourism Services:

•   Travel and Tourism Services encompass a wide range of activities and experiences designed to meet the needs of travelers. The industry includes services such as transportation, accommodation, food and beverage, entertainment, and tour operations, all aimed at facilitating travel and creating enjoyable experiences for tourists.

•   Key Components of the Travel and Tourism Industry:

  - Transportation Services: This includes airlines, railways, cruise lines, car rentals, and other modes of transport that help travelers reach their destinations.
  - Accommodation Services: Hotels, resorts, hostels, vacation rentals, and other forms of lodging that provide a place for travelers to stay.
  - Tour Operations: Companies and agencies that organize and offer tour packages, including guided tours, adventure trips, and cultural experiences.
  - Food and Beverage Services: Restaurants, cafes, bars, and catering services that cater to the dining needs of travelers.
  - Attractions and Entertainment: Tourist attractions such as museums, historical sites, theme parks, natural reserves, and cultural performances that offer entertainment and educational experiences.
  - Travel Agencies and Online Travel Agencies (OTAs): These entities assist travelers in booking flights, accommodations, tours, and other travel-related services.

Scope of Travel and Tourism Services:

•Domestic Tourism: Travel within a traveler's home country, involving visits to local attractions, cities, and rural areas.

•International Tourism: Travel across national borders to explore new countries, cultures, and environments.

•Leisure Tourism: Travel primarily for relaxation, recreation, and leisure activities, including vacations, cruises, and beach holidays.

•Business Tourism: Travel for work-related purposes, such as attending conferences, meetings, or corporate events, often requiring specialized services like business centers and meeting rooms.

•Adventure Tourism: Travel that involves exploring remote or exotic locations and participating in physically challenging activities like hiking, scuba diving, or mountain climbing.

•Cultural Tourism: Travel focused on experiencing and learning about the cultural heritage of a destination, including its history, art, religion, and customs.

•Ecotourism: Environmentally responsible travel to natural areas, emphasizing conservation, education, and sustainable practices.

Interconnectedness of Travel and Tourism Services:

•The travel and tourism industry is highly interconnected, with different sectors relying on each other to provide a comprehensive travel experience. For example, transportation companies collaborate with hotels and tour operators to offer package deals, and travel agencies work with airlines and accommodation providers to streamline booking processes.

2.Importance of Marketing in Travel and Tourism Why Marketing is Crucial in Travel and Tourism:

•Attracting Tourists: Marketing plays a critical role in attracting tourists to a destination by showcasing its unique attractions, culture, and experiences. Effective marketing campaigns can inspire travelers to choose one destination over another.

•Building Destination Awareness: Marketing helps build awareness of lesser-known destinations, promoting them to a global audience and increasing tourism flow. This is particularly important for emerging markets and new attractions

•Enhancing the Tourist Experience: Marketing strategies are used to enhance the overall tourist experience by providing information, personalized services, and seamless booking processes. This includes the use of digital tools like mobile apps, virtual tours, and online customer support.

•Promoting Sustainability: In the context of growing environmental concerns, marketing can promote sustainable travel practices and responsible tourism. Destinations and travel companies are increasingly highlighting their eco-friendly initiatives and encouraging travelers to minimize their environmental impact.

•Fostering Repeat Visits and Loyalty: By creating memorable experiences and maintaining positive relationships with tourists, marketing helps foster repeat visits and build brand loyalty. This is particularly important for hotels, tour operators, and destinations that rely on repeat business.

•Managing Reputation: In an industry where word-of-mouth and online reviews heavily influence consumer decisions, marketing is essential for managing a destination's or service provider's reputation. Proactive marketing can mitigate the impact of negative feedback and enhance positive perceptions.

Marketing Strategies in Travel and Tourism:

•Content Marketing: Creating and sharing engaging content that highlights the experiences, attractions, and culture of a destination or service. This can include blogs, videos, social media posts, and virtual tours.

•Social Media Marketing: Leveraging platforms like Instagram, Facebook, and Twitter to connect with travelers, share real-time updates, and build a community around the destination or brand.

•Destination Branding: Developing a strong brand identity for a destination that conveys its unique attributes and appeals to target audiences.

•Promotional Campaigns: Offering special deals, discounts, or packages to attract travelers during low seasons or promote new services.

•Partnerships and Collaborations: Working with airlines, hotels, travel agencies, and local businesses to create joint marketing initiatives that benefit all parties involved.

3. Global Trends and Challenges in Travel and Tourism Marketing Global Trends in Travel and Tourism Marketing:

•Digital Transformation: The increasing role of digital platforms in travel marketing, including the use of online booking systems, mobile apps, and social media. Travelers now expect seamless digital experiences, from researching destinations to booking and sharing their travel experiences online.

•Personalization: The growing demand for personalized travel experiences, driven by advances in data analytics and customer relationship management (CRM) systems. Travel companies are using data to tailor recommendations, offers, and services to individual traveler preferences.

•Sustainability and Responsible Tourism: A rising trend towards eco-friendly travel and sustainable tourism practices. Marketing efforts are increasingly focused on promoting green initiatives, such as reducing carbon footprints, supporting local communities, and preserving natural and cultural heritage.

•Experience-Driven Travel: Travelers are increasingly seeking unique, immersive experiences rather than traditional sightseeing. This trend is driving the marketing of niche experiences, such as culinary tours, cultural immersion, adventure travel, and wellness retreats.

•Rise of Social Media Influencers: Social media influencers play a significant role in travel marketing, as their endorsements and content can significantly impact travel decisions. Destinations and brands are collaborating with influencers to reach targeted audiences and create authentic, relatable content.

•Emerging Markets: The rapid growth of outbound tourism from emerging markets, particularly in Asia, Africa, and Latin America, is reshaping global travel trends. Marketing strategies are increasingly focusing on attracting travelers from these regions by understanding their preferences and cultural nuances.

Challenges in Travel and Tourism Marketing:

•Over tourism: The challenge of managing the negative impacts of overtourism, such as environmental degradation, overcrowding, and strain on local infrastructure. Marketing must balance promoting tourism with encouraging responsible travel practices and spreading tourist traffic across less-visited areas.

•Crisis Management: The need for effective crisis management strategies in response to events like natural disasters, political instability, pandemics, or economic downturns. Travel marketing must be agile and adaptable to rapidly changing conditions, ensuring clear communication with potential travelers.

•Changing Consumer Preferences: The challenge of keeping up with rapidly changing consumer preferences and travel behaviors. For example, the rise of remote work has led to an increase in "workcations" or extended stays, requiring adjustments in marketing strategies to cater to this new trend.

•Competition: The highly competitive nature of the travel and tourism industry, with numerous destinations and service providers vying for travelers' attention. Effective differentiation and unique value propositions are essential to stand out in a crowded market.

•Regulatory and Environmental Challenges: Navigating complex regulations related to travel, such as visa requirements, travel restrictions, and environmental regulations. Marketing must align with these regulations while promoting compliance and responsible tourism.

19.8 MARKETING OF TRAVEL AND TOURISM SERVICES

1.Service Design and Delivery in Travel and Tourism Designing Travel Experiences:

•Travel Experience Design involves creating memorable and immersive experiences for travelers, extending beyond the mere logistics of transportation and accommodation. The

focus is on crafting an end-to-end journey that engages travelers emotionally and satisfies their desires for exploration, relaxation, or adventure.

- Key Elements of Travel Experience Design:

    - Immersion: Incorporating local culture, traditions, and customs to provide authentic experiences. This could include guided cultural tours, local cuisine tasting sessions, or participation in traditional festivals.
    - Convenience: Ensuring that the travel experience is smooth and hassle-free, with well-coordinated transfers, clear communication, and easy access to services.
    - Unique Offerings: Developing exclusive or one-of-a-kind experiences that differentiate the service provider or destination from competitors. Examples include private tours of historical sites, luxury glamping in remote locations, or personalized wellness retreats.
    - Engagement: Creating opportunities for travelers to interact with locals, other travelers, or nature, enhancing the overall experience.

Customization of Travel Services:

•Customization is the process of tailoring travel services to meet the specific needs, preferences, and expectations of individual travelers. In an industry where travelers seek personalized experiences, customization is a key factor in enhancing satisfaction and loyalty.

- Methods of Customization:

    - Personalized Itineraries: Creating bespoke travel plans that cater to the individual interests and preferences of travelers, such as adventure activities for thrill-seekers or relaxation-focused trips for wellness travelers.
    - Flexible Booking Options: Offering travelers the ability to customize their packages by choosing different components like accommodation type, activities, and transport options.
    - Special Requests: Accommodating specific traveler needs, such as dietary requirements, accessibility needs, or special occasions like honeymoons or anniversaries.
    - Technology Integration: Using data and technology (e.g., AI, CRM systems) to analyze traveller behavior and preferences, enabling service providers to offer personalized recommendations and services.

2.Market Segmentation and Targeting Understanding the Traveler's Journey:

•The Traveler's Journey refers to the entire process that a traveler undergoes, from the initial decision to travel, through planning and booking, to the actual trip, and post-travel experiences. Understanding this journey is crucial for effective marketing.

•Stages of the Traveler's Journey:

- Dreaming: The initial stage where travelers seek inspiration and ideas for their next trip. Marketing efforts at this stage often focus on storytelling, visual content, and social media to inspire potential travelers.
- Planning: The stage where travelers research destinations, compare options, and make decisions. At this point, detailed information, reviews, and recommendations are critical.
- Booking: The stage where travelers finalize their decisions and make bookings for transportation, accommodation, and activities. Here, ease of booking, transparent pricing, and flexible options are important.
- Experiencing: The actual travel period, where delivering on promises and ensuring high service quality are vital.

- Sharing: After the trip, travelers often share their experiences through reviews, social media posts, and word-of-mouth. Encouraging positive sharing can boost brand reputation.

Identifying and Targeting Different Traveler Segments:

•Market Segmentation involves dividing the broad market of travelers into distinct groups based on specific criteria such as demographics, travel behavior, and psychographics. This allows for more targeted marketing and service offerings.

•Common Traveler Segments:

- Adventure Seekers: Travelers looking for thrill, exploration, and outdoor activities. Marketing to this segment often highlights adrenaline-pumping experiences and unique landscapes.
- Luxury Travelers: High-income individuals seeking premium services, exclusive experiences, and high levels of comfort. Marketing should emphasize exclusivity, personalization, and high-end amenities.
- Family Travelers: Families traveling together, often with children. Marketing should focus on safety, family-friendly activities, and accommodations with amenities for all age groups.
- Business Travelers: Professionals traveling for work-related purposes. This segment values convenience, efficiency, and services that cater to their work needs, such as reliable Wi-Fi and conference facilities.
- Solo Travelers: Individuals traveling alone, often seeking independence and self-discovery. Marketing can focus on safety, social opportunities, and solo-friendly experiences.

- Cultural Enthusiasts: Travelers interested in exploring the history, art, and culture of a destination. Marketing should highlight cultural attractions, heritage sites, and immersive experiences.

3.Branding in Travel and Tourism Building Destination Brands:

•Destination Branding is the process of creating a unique identity and image for a destination that resonates with potential visitors and distinguishes it from other locations. A strong destination brand can attract tourists, boost the local economy, and enhance the destination's global reputation.

•Key Components of Destination Branding:

- Brand Identity: The visual and verbal elements that represent the destination, including logos, slogans, and imagery. For example, "Incredible India" or "Amazing Thailand."
- Brand Promise: The unique experience that the destination promises to deliver, such as adventure, relaxation, culture, or natural beauty.
- Brand Personality: The human characteristics associated with the destination, such as warmth, excitement, or sophistication.
- Storytelling: Using the destination's history, culture, and unique features to tell compelling stories that connect with potential visitors emotionally.

Positioning Travel Services in the Global Market:

•Positioning involves defining how a travel service or destination is perceived in the minds of target customers, relative to competitors. Effective positioning highlights the unique benefits and experiences that set a service apart.

•Strategies for Global Positioning:

- Differentiation: Emphasizing unique aspects of the service, such as exclusive locations, bespoke experiences, or superior service quality.
- Niche Marketing: Focusing on a specific niche market, such as luxury travel, eco-tourism, or adventure tourism, and positioning the brand as the leader in that niche.
- Cultural Adaptation: Adapting marketing strategies to align with the cultural preferences and behaviors of different target markets, ensuring relevance and resonance.
- Global Consistency: Maintaining a consistent brand message and identity across all markets, while allowing for local customization where necessary.

4.Pricing Strategies in Travel and Tourism Yield Management and Pricing in Tourism:

•Yield Management is a pricing strategy that aims to maximize revenue by adjusting prices based on demand, booking patterns, and other factors. It is particularly useful in the travel and tourism industry, where demand can fluctuate significantly.

•Key Concepts in Yield Management:

- Dynamic Pricing: Adjusting prices in real-time based on factors such as booking time, demand, seasonality, and competition.
- Inventory Management: Controlling the availability of rooms, seats, or packages to optimize revenue, such as overbooking strategies to account for cancellations and no- shows.
- Demand Forecasting: Using historical data and market trends to predict future demand and adjust pricing strategies accordingly.
- Segmentation-Based Pricing: Offering different prices to different segments based on their willingness to pay, such as offering discounts to early bookers or premium prices for last-minute bookings.

Strategies for Competitive Pricing:

•Cost-Based Pricing: Setting prices based on the cost of delivering the service, plus a margin for profit. This ensures that all costs are covered and a desired profit margin is achieved.

•Value-Based Pricing: Setting prices based on the perceived value to the customer rather than the actual cost. This is often used for luxury or unique travel experiences.

•Competitive Pricing: Setting prices based on what competitors are charging for similar services. This requires continuous monitoring of the market and competitor strategies.

•Bundling: Offering packages that combine multiple services (e.g., accommodation, meals, and activities) at a discounted rate. Bundling can attract cost-conscious travelers and encourage the purchase of additional services.

•Promotional Pricing: Offering discounts, special deals, or seasonal promotions to stimulate demand during off-peak periods or to attract new customers.

5.   Promotion in Travel and Tourism

Role of Digital Marketing and Influencer Marketing:

•Digital Marketing has become a cornerstone of travel and tourism promotion, leveraging online platforms to reach and engage with potential travelers. Key tools include social media, search engine marketing (SEM), email marketing, and content marketing.

•Influencer Marketing: Collaborating with influencers who have a large following on social media to promote travel destinations and services. Influencers can create authentic content that resonates with their audience, driving engagement and bookings.

•Key Digital Marketing Strategies:

- Social Media Campaigns: Using platforms like Instagram, Facebook, and YouTube to showcase destinations, share traveler experiences, and engage with potential customers.
- Content Marketing: Creating valuable, informative, and inspiring content such as blogs, videos, and infographics to attract and retain travelers.
- Search Engine Optimization (SEO): Optimizing online content to improve visibility in search engine results, making it easier for potential travelers to find and book services.
- Email Marketing: Sending targeted emails to past and potential customers with personalized offers, updates, and travel tips.

Developing Effective Tourism Campaigns:

•   Tourism Campaigns are designed to promote specific destinations, services, or experiences to a target audience, often through a combination of digital and traditional marketing channels.

•   Steps to Developing Effective Campaigns:

- Identifying Objectives: Clearly defining what the campaign aims to achieve, such as increasing bookings, boosting brand awareness, or promoting a new service.
- Target Audience: Identifying the target audience for the campaign, understanding their needs, preferences, and behaviors.
- Creative Development: Crafting compelling messages, visuals, and storytelling elements that resonate with the target audience and convey the campaign's key message.
- Channel Selection: Choosing the right mix of channels to reach the target audience effectively, such as social media, email, online ads, and print media.
- Monitoring and Evaluation: Tracking the performance of the campaign using metrics like engagement, conversions, and ROI, and making adjustments as needed.

6.   Service Quality and Customer Satisfaction

Enhancing Customer Experience in Travel and Tourism:

•Customer Experience is the sum of all interactions a traveler has with a brand throughout their journey, from the first point of contact to post-travel follow-up. Enhancing this experience is crucial for building loyalty and generating positive word-of-mouth.

•Strategies for Enhancing Customer Experience:

- Personalization: Offering personalized services and experiences based on traveler preferences and past behavior.
- Consistency: Ensuring that the quality of service is consistent across all touchpoints, from online interactions to in-person experiences.

- Proactive Service: Anticipating customer needs and addressing potential issues before they arise, enhancing the overall experience.
- Customer Support: Providing reliable and accessible customer support through multiple channels, including online chat, phone, and social media.

Managing Customer Expectations and Feedback:

•Managing Customer Expectations involves clearly communicating what travelers can expect from their experience, avoiding over-promising and under-delivering.

•Strategies for Managing Expectations:

- Transparent Communication: Providing clear and accurate information about services, prices, and policies.
- Setting Realistic Expectations: Being honest about what the service can and cannot deliver, particularly in terms of limitations or restrictions.
- Feedback Management: Actively seeking and responding to customer feedback to understand their experiences and identify areas for improvement.
- Handling Complaints: Addressing complaints promptly and effectively, turning negative experiences into opportunities for service recovery and improvement.

19.9 ETHICAL AND LEGAL ISSUES IN SERVICE MARKETING

1.Ethical Considerations in Marketing Health Services Key Ethical Principles:

•Non-Maleficence: The principle of "do no harm" is fundamental in health services marketing. This means that marketing strategies should not encourage or promote treatments, products, or services that could be harmful to patients.

•Beneficence: Marketing efforts should aim to benefit the patient, ensuring that the services promoted are in their best interest and that accurate information is provided to help them make informed decisions.

•Autonomy: Patients have the right to make informed choices about their health. Ethical marketing must respect patient autonomy by providing clear, truthful information and avoiding manipulative tactics.

•Justice: Health services should be marketed in a way that is fair and equitable, ensuring that all patients have access to the information and services they need, regardless of their socio- economic status.

Ethical Marketing Practices:

•Truthful Advertising: All marketing communications must be truthful and not misleading. Claims about the effectiveness of treatments or services should be based on solid evidence.

•Informed Consent: Marketing materials should provide enough information for patients to give informed consent before using a service or undergoing a treatment.

•Patient Confidentiality: Marketing strategies must protect patient privacy and confidentiality, especially in personalized marketing or when using patient testimonials.

•Avoiding Exploitation: Health services marketing should not exploit vulnerable populations, such as the elderly or those with serious health conditions, by creating fear or pressure to purchase services.

Challenges:

•Balancing Profit with Patient Care: Health services are often commercial enterprises, but marketing strategies must balance the goal of profitability with the ethical obligation to prioritize patient well-being.

•Regulating Advertising: There is a fine line between persuasive advertising and manipulation, especially in cases where the effectiveness of a treatment is uncertain.

2.   Legal Issues in Marketing Hospitality and Tourism Services Regulatory Compliance:

•Advertising Standards: Hospitality and tourism marketing must comply with local and international advertising laws that prohibit false, deceptive, or misleading claims. This includes accuracy in representations of services, pricing, and amenities.

•Data Protection: Marketing strategies must comply with data protection laws such as the General Data Protection Regulation (GDPR) in the EU. This includes obtaining consent for data collection, protecting consumer data, and ensuring data is used appropriately.

•Intellectual Property: The use of images, logos, and trademarks in marketing materials must respect intellectual property rights. Unauthorized use of copyrighted material can lead to legal disputes.

•Anti-Discrimination Laws: Marketing practices must not discriminate based on race, gender, nationality, or disability. This is particularly relevant in pricing strategies, service delivery, and promotional activities.

Consumer Protection Laws:

•Truth in Advertising: Legal frameworks often require that advertisements be honest and not misleading. Penalties for false advertising can include fines, corrective advertising, and damages.

•Contract Law: In hospitality and tourism, clear and fair terms and conditions must be presented in service contracts, including cancellation policies, refunds, and service guarantees.

•Liability for Service Failures: Service providers may face legal liability for failure to deliver the services as advertised, especially if this leads to consumer harm or significant inconvenience.

International Legal Considerations:

•Jurisdictional Issues: Hospitality and tourism businesses often operate across multiple jurisdictions, each with its own legal requirements. Marketers must ensure compliance with the laws of each country where they operate.

•Consumer Rights in Travel: International travelers are protected by various laws, such as the Montreal Convention for air travel. Marketing materials must accurately reflect travelers' rights and obligations.

3.Consumer Protection and Rights in Service Marketing Key Consumer Rights:

•Right to Information: Consumers have the right to clear, accurate, and comprehensive information about the services they are purchasing. This includes pricing, service quality, and any terms or conditions that apply.

•Right to Choose: Consumers should have access to a range of options and not be coerced into making a purchase. Marketing practices should not restrict consumer choice through unfair practices such as bait-and-switch tactics.

•Right to Safety: Consumers have the right to expect that the services they purchase will not cause harm. Marketing should not promote unsafe practices or services that do not meet health and safety standards.

•Right to Redress: Consumers have the right to seek redress or compensation if they are misled by marketing or if the services provided do not meet the advertised standards.

Consumer Protection Agencies:

•Role of Regulatory Bodies: Various governmental and non-governmental organizations oversee consumer protection in service marketing. They enforce laws, investigate complaints, and take action against unfair or deceptive practices.

•Consumer Advocacy Groups: These groups work to protect consumer rights by providing information, helping resolve disputes, and lobbying for stronger consumer protection laws.

Common Legal Issues in Service Marketing:

•False Advertising: Making exaggerated claims or omitting crucial information can lead to legal action from consumers or regulatory bodies.

•Unfair Contract Terms: Service providers must ensure that their terms and conditions are fair and transparent. Unfair terms can be challenged under consumer protection laws.

•Privacy Violations: Unauthorized use of consumer data for marketing purposes can result in penalties under data protection laws.

Global Consumer Protection Trends:

•Increased Transparency: There is a growing demand for transparency in service marketing, with consumers expecting more detailed and honest information.

•Stricter Regulations: Governments around the world are implementing stricter regulations to protect consumers from misleading marketing practices and to ensure fair competition.

19.10   FUTURE TRENDS IN SERVICE MARKETING

1.The Impact of Technology on Service Marketing Digital Transformation:

•Automation and AI: Artificial Intelligence (AI) and machine learning are transforming service marketing by enabling personalized customer experiences, predictive analytics, and efficient customer service through chatbots and virtual assistants. Automation also streamlines operations, making marketing efforts more efficient.

•Big Data Analytics: The use of big data allows businesses to analyze large volumes of consumer data to gain insights into customer behavior, preferences, and trends. This data-driven approach enhances targeting, segmentation, and personalization in marketing campaigns.

•Augmented Reality (AR) and Virtual Reality (VR): AR and VR technologies are being increasingly used in service marketing, particularly in hospitality and tourism. These technologies offer immersive experiences, such as virtual tours of hotels or destinations, helping customers make informed decisions.

•Omni-Channel Marketing: The integration of multiple marketing channels (online, offline, mobile, social media) creates a seamless customer experience. Omni-channel marketing ensures that customers receive consistent messages across all touchpoints, enhancing brand loyalty.

Personalization and Customer Experience:

•Hyper-Personalization: Leveraging AI and big data, businesses are moving toward hyper-personalized marketing, where services and offers are tailored to individual preferences, behavior, and real-time data.

•Customer Relationship Management (CRM): Advanced CRM systems are enabling businesses to build deeper relationships with customers by tracking interactions, preferences, and feedback, allowing for more effective retention strategies.

Social Media and Influencer Marketing:

•Social Commerce: Social media platforms are evolving into shopping channels, where users can discover, research, and purchase services directly. This trend is particularly

impactful in service industries like hospitality and tourism, where visual content drives engagement.

•Influencer Marketing: The role of influencers continues to grow, with brands leveraging their reach and credibility to promote services. Micro-influencers, who have smaller but highly engaged audiences, are becoming increasingly important in service marketing.

2.Sustainability and Green Marketing in Services Growing Consumer Demand for Sustainability:

•Eco-Conscious Consumers: There is a rising trend among consumers who prioritize sustainability and environmental responsibility when choosing services. This shift is driving businesses to adopt green marketing strategies that highlight their commitment to sustainability.

•Corporate Social Responsibility (CSR): Companies are increasingly incorporating CSR into their marketing strategies, showcasing their efforts in reducing carbon footprints, supporting local communities, and using sustainable resources.

Green Marketing Strategies:

•Sustainable Branding: Businesses are focusing on building brands that are synonymous with sustainability. This involves not only promoting eco-friendly practices but also ensuring that the entire service delivery process is sustainable.

•Eco-Friendly Services: Offering services that minimize environmental impact, such as energy- efficient hotels, carbon-neutral travel options, and zero-waste health services, are becoming key selling points.

•Transparency and Authenticity: As consumers become more knowledgeable, transparency in marketing is crucial. Greenwashing—falsely promoting a product or service as environmentally friendly—can lead to backlash and damage to brand reputation. Authentic and verifiable claims about sustainability efforts are essential.

Challenges in Green Marketing:

• Balancing Cost and Sustainability: Implementing sustainable practices can be costly, and businesses must find a balance between offering eco-friendly services and maintaining profitability.

•Consumer Skepticism: As greenwashing becomes more recognized, consumers are increasingly skeptical of sustainability claims. Building trust through third-party certifications and transparent communication is essential.

3.The Future of Health, Hospitality, and Tourism Marketing Health Services Marketing:

•Telemedicine and Digital Health: The rise of telemedicine is reshaping health services marketing. Providers must focus on marketing digital health services, emphasizing convenience, accessibility, and patient safety.

•Preventive Health and Wellness: There is a growing emphasis on preventive health and wellness services, driven by consumer demand for healthier lifestyles. Marketing strategies will increasingly focus on holistic health services, including mental health, nutrition, and fitness.

•Patient Empowerment: With greater access to information, patients are becoming more involved in their health decisions. Future marketing efforts will focus on patient education, engagement, and the use of technology to provide personalized health experiences.

Hospitality Services Marketing:

•Experience Economy: The future of hospitality marketing lies in the experience economy, where consumers value unique and memorable experiences over material goods. Marketing strategies will increasingly focus on creating and promoting these experiences.

•Health and Safety Focus: In the wake of global health concerns, particularly post-pandemic, marketing in hospitality will continue to emphasize health and safety measures, cleanliness, and hygiene protocols.

•Smart Hospitality: The integration of smart technology in hotels—such as smart rooms, mobile check-ins, and personalized guest experiences—will be a key trend. Marketing will highlight the convenience and innovation of these technologies.

Tourism Marketing:

•Sustainable Tourism: The future of tourism marketing will be heavily influenced by sustainability. Eco-tourism, responsible travel, and community-based tourism will become central themes in marketing campaigns.

•Personalized Travel: Advances in technology will enable hyper-personalized travel experiences. Marketing will focus on offering tailored travel packages that cater to individual preferences and desires.

•Resilience and Adaptability: The tourism industry must adapt to changing global conditions, such as climate change, political instability, and pandemics. Marketing strategies will need to communicate resilience, flexibility, and the ability to provide safe, enjoyable experiences even in challenging times.

Integration Across Industries:

•Convergence of Health, Hospitality, and Tourism: As health, hospitality, and tourism increasingly intersect, future marketing strategies will emphasize the integration of

wellness and health services within the hospitality and tourism sectors. For example, wellness tourism, medical tourism, and health-focused retreats are growing niches that combine elements of all three industries.

Check Your Progress-A

Q1.Multiple-choice questions (MCQs)

i.   Which of the following is a characteristic unique to services, as opposed to goods?

A)   Tangibility

B)   Standardization

C)   Perishability

D)   Durability

ii.   What does "service blueprinting" primarily focus on in service marketing?

A)   Creating promotional materials

B)   Mapping service processes and interactions

C)   Setting pricing strategies

D)   Identifying target market segments

iii.   Which pricing strategy adjusts prices in real-time based on demand and other factors?

A)   Value-based Pricing

B)   Dynamic Pricing

C)   Cost-Plus Pricing

D)   Penetration Pricing

iv.   What is the term used for promoting services based on their environmental benefits and sustainability practices?

A)   Greenwashing

B)   Corporate Social Responsibility

C)   Ethical Marketing

D)   Green Marketing

v.   Which of the following is an example of using technology to enhance customer experience in service marketing?

A)   Implementing a loyalty program

B)   Developing a mobile app for easy service access

C)   Conducting market research surveys

D)   Offering a discount on services

Q2.Fill-in-the-blanks:

I. The ………………. characteristic of services means that they cannot be stored or inventoried and are consumed in real-time.

ii. ………………. involves visualizing and analyzing service processes, including customer interactions and backend operations.

iii. A pricing strategy that adjusts prices in real-time based on market demand and other factors is known as ………………. .

iv…………………………is a practice that promotes services based on their environmental benefits and sustainable practices.

v.   ………………refers to tailoring marketing efforts to individual customer preferences and behaviors using advanced data analytics.

vi.   The 7 Ps of the service marketing mix include Product, Price, Place, Promotion, People, Process, and………………… .

vii.   ………………… is a key challenge in health services marketing that involves ensuring all advertisements are truthful and not misleading.

viii.………………… marketing uses online platforms, social media, and influencer endorsements to reach and engage potential customers in the hospitality industry.

ix.   The term ………………. describes the simultaneous production and consumption of services, where the service provider and consumer interact directly.

x.   To effectively manage service quality, businesses often use the …………………
          model to evaluate dimensions such as reliability, assurance, and empathy.

Q3. True/false statements

i.   Services are tangible and can be stored for future use, unlike goods.
ii.   Service blueprinting helps in visualizing the service delivery process and
        customer interactions.
iii.   Dynamic pricing involves setting fixed prices that do not change over time,
        regardless of demand.

iv. Green marketing focuses on promoting services that are environmentally friendly and
sustainable.

iv.   Inseparability means that services are produced and consumed simultaneously,
        with the service provider and customer interacting directly.
v.   Hyper-personalization involves creating generic marketing messages to appeal
        to a broad audience.
vi.   The SERVQUAL model is used to measure and assess the quality of services
        based on dimensions like reliability and responsiveness.
vii.   Ethical considerations in marketing health services include ensuring truthful
        advertising and respecting patient confidentiality.

Q4. SHORT QUESTIONS

i.   What characteristic of services means they cannot be stored for future use?

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ii.   What is the purpose of service blueprinting in service marketing?

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iii. How does dynamic pricing differ from fixed pricing?

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iv. What does green marketing emphasize in service promotion?

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v. Which model is used to measure and evaluate service quality based on dimensions like reliability and empathy?

19.11   SUMMARY

Service marketing encompasses strategies tailored to the unique characteristics of services, such as intangibility and inseparability. Unlike goods, services are produced and consumed simultaneously, requiring a focus on the 7 Ps: Product, Price, Place, Promotion, People,

Process, and Physical Evidence. In health services, marketing plays a crucial role in differentiating providers, addressing ethical issues like patient confidentiality and truthful advertising, and overcoming challenges like regulatory constraints and competition. Similarly, in the hospitality industry, marketing strategies emphasize creating memorable guest experiences, managing online reviews, and leveraging technology for personalization. The travel and tourism sector focuses on marketing unique travel experiences, utilizing digital and influencer marketing, and addressing global trends such as sustainability. Ethical and legal issues across these industries involve adhering to truthfulness in advertising, protecting consumer data, and ensuring fair practices. Future trends highlight the impact of technology, including AI, big data, and AR/VR, enhancing service delivery and customer engagement. Sustainability is becoming a key focus, with businesses adopting green marketing practices to meet consumer demand for eco-friendly services. The future of service marketing will also involve adapting to changing consumer preferences in health, hospitality, and tourism, including the rise of personalized, experience-driven, and sustainable service offerings.

19.12 GLOSSARY

Intangibility: The characteristic of services that makes them not physically touchable or owned, unlike goods.

Inseparability: The simultaneous production and consumption of services, where the service provider and consumer interact directly.

Variability: The tendency for service quality to vary due to the involvement of different people or processes.

Perishability: The inability to store or inventory services; services are consumed in real-time and cannot be saved for later.

Service Blueprinting: A visual mapping technique used to design and analyze service processes, illustrating customer interactions and backend operations.

Hyper-Personalization: Tailoring marketing efforts to individual customer preferences and behaviors using advanced data analytics.

Omni-Channel Marketing: An integrated approach that ensures a seamless customer experience across multiple marketing channels.

Revenue Management: A pricing strategy used to maximize revenue by managing demand and optimizing pricing based on consumer behavior and market conditions.

Dynamic Pricing: Adjusting prices in real-time based on demand, competition, and other factors.

Green Marketing: Promoting services based on their environmental benefits and sustainability practices.

Corporate Social Responsibility (CSR): A business approach that involves contributing to societal goals and ethical practices, including environmental sustainability.

Personalization: Customizing services or marketing messages to meet the individual preferences and needs of customers.

Influencer Marketing: Collaborating with influential individuals to promote services and reach targeted audiences through their endorsements.

Big Data Analytics: Analyzing large volumes of data to uncover patterns, trends, and insights for more effective marketing strategies.

Augmented Reality (AR): Technology that overlays digital information onto the real world, enhancing customer experiences through interactive features.

Virtual Reality (VR): Immersive technology that creates a simulated environment for customers to experience services in a virtual setting.

Customer Relationship Management (CRM): Systems and strategies for managing interactions with current and potential customers, enhancing relationships and loyalty.

Greenwashing: The practice of making misleading claims about the environmental benefits of a service to appear more eco-friendly than it actually is.

Service Quality (SERVQUAL): A model used to measure and evaluate service quality based on dimensions like reliability, assurance, tangibles, empathy, and responsiveness.

Ethical Marketing: Marketing practices that adhere to moral principles, ensuring honesty, transparency, and respect for consumer rights.
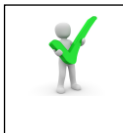
19.13 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress   A

Q1. MCQ's Solution i) -C) Perishability ii)- B) Mapping service processes and interactions iii)- B) Dynamic Pricing iv)- D) Green Marketing v)-B) Developing a mobile app for easy service access

Q2. Fill-in-the-blanks Solution i) Perishability ii) Service Blueprinting iii) Dynamic Pricing

iv) Green Marketing v) Hyper-Personalization vi) Physical Evidence vii) Ethical Considerations viii) Digital Marketing ix) Inseparability x) SERVQUAL

Q3. True/false statements Solution i) False ii) True iii) False iv) True v) True vi) False vii) True viii) True

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19.15 SUGGESTED READINGS

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19.16 TERMINAL QUESTIONS

1. Discuss the significance of the 7 Ps in the service marketing mix and how each element can be tailored to improve the marketing strategy for a health services provider. Provide examples to illustrate your points.
2. Analyze the role of service blueprinting in enhancing the service design and delivery process in the hospitality industry. How can a hotel use service blueprinting to identify and address service gaps?
3. Evaluate the impact of digital marketing and social media on promoting travel and tourism services. What strategies should a travel agency implement to effectively leverage these platforms for attracting and engaging customers?

4. Examine the challenges and strategies associated with pricing health services. How can healthcare providers balance cost considerations with the need to offer competitive and fair pricing while maintaining high-quality care?

5. Explore the ethical and legal issues involved in marketing services across health, hospitality, and tourism sectors. How can service providers ensure compliance with regulations while maintaining ethical standards and protecting consumer rights

19.17 CASE LETS/CASES

Hotel Harmony's Service Marketing Challenge

Hotel Harmony, a mid-sized hotel chain, has recently noticed a decline in guest satisfaction and bookings despite offering competitive prices and modern amenities. The management team is concerned and decides to re-evaluate their service marketing strategy to address these issues.

To understand the problem better, the hotel conducts a survey and finds that guests are unhappy with the check-in process, the inconsistency in room cleanliness, and the lack of personalized experiences. The hotel also recognizes that their current promotional strategies do not effectively highlight their eco-friendly practices.

In response, the management team decides to implement several changes. They plan to introduce a service blueprinting process to streamline the check-in experience, enhance staff training to ensure consistent service quality, and launch a new marketing campaign focusing on their sustainability efforts and personalized guest experiences.

Questions:

1. What service marketing tool can Hotel Harmony use to improve the check-in process and ensure a smoother guest experience?

2. How can the hotel address the issue of inconsistent room cleanliness to enhance overall service quality?

3. What should Hotel Harmony focus on in their new marketing campaign to better highlight their eco-friendly practices and personalized services?

UNIT 20 STRATEGIC MARKETING MANAGEMENT FOR SERVICES

20.1 INTRODUCTION

In the previous units you learnt about the marketing of various types of services and globalization of marketing of services. In this unit, you will study about the strategic marketing management of services. This unit will give you an in-depth understanding of the various aspects involved in taking strategic decisions in service marketing. The concept of strategic marketing of services inculcates planning, implementing and supervising the marketing strategies especially for service-oriented businesses.

The basic concepts of strategic marketing management of service are almost similar to that of products. However, the distinctive characteristics of services demand for specific service-related strategies. These unique characteristics of services pose a lot of challenges for their effective marketing, therefore strategic marketing management of services is implemented to face these challenges.   In this unit you will understand the various key

characteristics of services and various strategies that the marketers make to efficiently market services.

20.2 OBJECTIVES

After reading this unit you will be able to understand:

- The role of service marketing in gaining competitive advantage
- The process of strategic marketing management of services
- The formulation, implementation and evaluation of strategic marketing of services
- Strategic issues in service marketing
- Dealing with the challenges poses by the unique characteristics of services.

20.3 STRATEGIC MARKETING MANAGEMENT OF SERVICES

Strategic marketing management of services inculcates the formulation and implementation of marketing strategies and techniques tailored for the service, which includes healthcare, hospitality, finance, education, and professional services. In case of services there is direct interaction between the service provider and service consumer and the manufacturing and consumption of services takes place at the same time. This makes their marketing different from that of goods. Also, characteristics like intangibility and perishability makes them different, thus making their marketing different.

4I's of services

1. **Intangibility**: Unlike goods services cannot be seen, touched, or owned. This characteristic of services makes it very difficult for the customers to evaluate the quality of services before consuming, thus increasing the importance of trust and reputation in the marketing strategy.

2. **Inseparability**: Production of services and their consumption occur simultaneously. This means that the interaction of the service provider and the service consumer is very important part of the service delivery process. The customers are an integral part of the service delivery process.

3. **Inconsistency**: The quality of services and the service experience can vary depending on the who the service provider is, where the service is being provided and at what time. This characteristic to services makes them less standardized and uniform than goods and thus is a major challenge for the marketers.

4. **Inventory**: Services are perishable. They cannot be stored for future use. This characteristic leads to inadequate availability of services at the desired time and necessitates effective demand management strategies.

Strategic Marketing in Services:

Strategic marketing management in services involves aligning the organization's goals and synchronizing the organizational resources with market opportunities to create, deliver, and communicate value to customers. The strategic marketing management of services is as follows:

1- Situational analysis
   - Environmental Scanning\
   - Internal analysis
   - Customer analysis
   - Competitor analysis
2- Setting Marketing Objectives
3- Service strategy Development
   - Target Market Selection
   - Positioning strategy
   - Service design and development
4- Marketing Mix Strategy
   - Service
   - Price
   - Place
   - Promotion
   - People
   - Process
   - Physical Evidence
5- Implementation of service marketing strategy
   - Action plans
   - Allocation of resources
   - Synchronization and coordination
6- Supervision, control and evaluation
   - Measurement of strategy performance
   - Feedback and corrective actions

1. **Market Analysis and Research**: This includes identification of target audience and understanding their needs, preferences, and behaviour. Thereafter, market segmentation, targeting, and positioning (STP) strategies help in identifying and focusing on the most profitable market segments. Also, the marketers gather data on the current market trends and the industry. Scanning the environment continuously and gaining insights on all the current trends, competitors, customers and the other factors help the organizations in developing better quality services. Implementation of STP strategies in an effective manner also contributes to the success of service organizations.

2. **Service Design and Development**: It is very essential to develop a service that satisfies the needs and wants of the customers. This step enables the organizations to develop the service offering. Service concept is defined and then the entire service delivery process is

designed along with defining the core service, supplementary service and ensuring the service experience is in alignment with customer expectations. Service differentiation is also done in this stage wherein the organization identifies the factors that makes their offering different and unique as compared to the competitors. Creating an elaborate service blue print is very important as it outlines all the important points, process and other relevant details of the service production and delivery process.

3. Development of service strategy: This step deals with effective positioning of the services along with formulating pricing strategies. Effective service positioning helps in creating a distinctive image in the minds of the customer. Due to the intangibility of services the right positioning is very important as it can be one of the tangibalizing factors of services. Positioning influences the attitude of customers therefore it must focus on consistency, responsiveness and customer experience.

Setting the right price is very crucial for service organizations as profitability of the offering depends on the price to a great extent. A lot of tactical pricing strategies are used in service marketing due to the perishable nature of services.

4. Designing the Marketing Mix for Services: In this step the 7P's pf services are dealt with. Product, Price, Place, Promotion, People, Process and Physical Evidence.

5. Service Quality Management: Delivering consistent and high-quality services is very important for all the service organizations in order to survive, sustain and grow in the competitive scenario. In order to provide quality service to the consumers constant formulation and implementation of quality management tools like training employees, and establishing feedback mechanisms is very crucial.

6. Action Plan and Resource Allocation: the action plan related to all the details that are to be implemented in offering the service must be designed. This plan should consist of timelines, resources and responsibilities of everyone. Also, proper and optimum allocation of resources must be done to execute the service marketing strategy effectively.

7. Monitoring and Evaluation: Key performance indicators must be established to measure the effectiveness of the marketing strategy and customer feedback must be collected along with monitoring the market changes. The entire marketing strategy must be monitored and reviewed and if required must be aligned with the changes in the competitive landscape of the service industry.

It is very important for the marketers to design marketing strategies for services that can combat the effects of problems created by the 4I's of services. The following criteria must be taken into account by the organizations before designing the strategies for service marketing.

1- The service offering should have the right image and positioning and one must ensure that the right kind of service is being offered to the right people, at the right price and the right place.

2- Marketers must communicate with the customers so that the customers are aware about the service offering and how it can satisfy their needs and wants.

To ensure effective strategic marketing management of services the following points must be taken care of while formulating the strategies:

Strategies to stay proactive by differentiation	Strategies for dealing with intangibility	Strategies for dealing with inventory

Strategies for dealing with inconsistency	Strategies for dealing with inseperability

Fig. 20.1 Strategies for Marketing of Services

Check Your Progress-A

1- **What do you understand by strategic marketing management of services?**

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2- **Which characteristics of services that differentiates them from goods?**

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…………………………………………………………………………………………

3- **What points should be kept in mind while designing strategies for effective service marketing?**

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…………………………………………………………………………………………
…………………………………………………………………………………………

20.4 PRO- ACTIVITY: A STRATEGIC MARKETING TOOL

Proactivity in strategic management is defined as the approach that focuses on anticipating the needs of the customers and the market trends in advance. This approach does not wait for the situation or challenges to arise but prepares the organization for all the challenges that might arise in future.

In case of service marketing, it is very essential for marketers to have an understanding of the Core Service Offering and the Supplemental Services. The other name for supplemental services is Value Added Services or Peripheral or Surround Services.

Core Service is defined as the main or central component that is offered by the organization to satisfy the need of the customer or to resolve the problem. This is the actual problem-solving benefit that the customer actually seeks.

Supplemental Service is defined as the extra benefits provided by the organization that augment the core service and enhances the experience of the customers.

Example: Travelling from one place to another safely by airplane is the core service provided by the airlines. All the other facilities like meals, movies etc provided to the consumers during the flight are the supplemental services.

As per the customer expectations the core service must by of high quality but a good core service is not sufficient for customer satisfaction. At times the consumer evaluates the service quality based on their experience of the supplemental services more than the core service experience. Quality of core service also does not contribute much to service differentiation as the competitors do not provide much variation in the core offering. So, in order to create a differential advantage and outsmart competition the organizations must provide supplementals along with the core offering. Proactive servicing is a new approach being followed by marketers. This approach involves anticipating the needs of the consumers and cater to potential issues and challenges before they arise.

In order to include proactivity as a strategic service marketing tool, marketers must keep in mind the following points:

- Monitor usage patterns
- Regular communication with the consumers for constant feedback and resolving the issues before they escalate
- Personalized recommendations to customers
- Educate the customers via training, informational resources etc
- Alerts and notifications for potential updates and maintenance
- Predictive analysis
- Customer success programmes

All the service organizations should conduct market research and create dynamic proactive marketing strategies to differentiate their offering from that of competitors.

Netflix- Case study of proactive customer engagement

Netflix is a leading OTT platform and streaming service provider. It has used proactive servicing very successfully in order to create customer satisfaction and retention. Netflix is one of the most customer centric OTT platform.

Netflix identified a lot of issues that the customers were facing like disturbances due to internet connectivity, billing problems associated with their account and unintentional sharing of account. These issues were creating a lot of problems for Netflix like cancellation of subscriptions and negative customer experience. In order to combat these issues Netflix formulated and implemented Proactive marketing strategies to enhance the overall experience and association of the consumers.

Proactive Servicing Strategy Implemented:

1. **Data Driven Insights-** Advance data analytics are used to identify and monitor the usage pattern and behaviour of consumers. This is done in order to identify potential issues like internet connectivity problems that might cause buffering.
2. **Proactive Notifications-** In order to enhance the viewing experience of the consumers Netflix sends notifications to the user who are facing buffering issues. These notifications give suggestions to consumers like adjusting the streaming quality or checking the internet connectivity so that they can enjoy uninterrupted services.
3. **Automated Alerts for Biling Issues-** Netflix very proactively sends reminders to the consumers before the due billing date. Also, in case of any other potential billing problem (like expired credit card) timely reminders are sent to the consumers do that the interruptions due to any kind of payment issue can be prevented.
4. **Personalized Recommendations-** Movies and shows as per the personal interest of the consumers are recommended by Netflix in order to enhance engagement and satisfaction of consumers. This also increases the watch time and churring of consumers. For this Netflix closely monitors the viewing history and preferences of the consumers.
5. **Account Security Alerts-** In order to protect user data, maintain privacy and account integrity Netflix sends alerts to the users in case any unusual login activity or potential account sharing is detected.
6. **Proactive Customer Support-** 24*7 customer support with easy to access help centre is provided to the customers. Chatbots are also used to provide real time support and resolve common issues promptly.

Outcomes

By implementing the above-mentioned proactive marketing strategies Netflix was able to achieve the following results:

- **Increased Customer Retention**
- **Improved User Experience**

- **Enhanced Brand Reputation**

Conclusion

This case study provides a clear understanding as to how proactive servicing can improve customer satisfaction and enhance their experience by leveraging data analytics, focusing on engagement of customers. Also keeping the customers informed and understanding their needs and proactively addressing their problems together leads to the success of the service organization.

20.5 STRATEGIC MARKETING MANAGEMENT OF SERVICES FOR DEALING WITH INTANGIBILITY

Services cannot be touched, owned or seen unlike goods and have no features that demonstrate their existing benefits in advance which makes it very difficult for the customers to evaluate them. Intangibility presents a very unique challenge for the marketers. Assessing the quality of services is very difficult as they exhibit fewer search qualities. Search quality of products can be assessed before their purchase like colour or built quality of the product. Services tend to have more of experience and credence qualities. Experience quality can be assessed only after the use of a product like experience after using services at a spa. Cresence quality is one that cannot be assessed even after the purchase or use of a product like medical services. These quality assessment issues majorly arise due to intangibility of the services. However, marketers try to remove them by tangibilizing the intangibles.

Tangibilizing the intangibles involve strategies that make the unseen aspects of the service more relatable and concrete. This helps is building trust, reduces uncertainty and makes the service offering more lucrative. Services can be tangibilized using the following strategies.

1. **Physical Evidence**

Adding physical evidence to services is very important in order to deal with intangibility. Incorporation of branded material like business cards, signage, uniforms etc help in building trust of the consumers. The physical environment or the surrounding where the service is provided is also of vital importance as it serves as a tangible cue for service quality as anticipated by the customers. Creating a safe, clean and well-organized environment helps in tangibilizing services.

2. **Association**

Association of services with a tangible good, person, place or object also reduces intangibility and builds trust of consumers.

3. **Technology and Digital tools**

Inclusion of visual content like videos, infographics, virtual tours, visual service demonstrations etc help the customers to "see" the services. Also, apps and online platforms that help the customers to interact with the service and receive updates add tangibility to services.

4. Customer Experiences

Sharing of customer experience through testimonials, reviews and success stories about the service offering also educated the customers how the service has helped and solve problems and delivered value hence making the offering more concrete.

5. Personalize Customer Interactions

Sending personalized emails, follow up calls, update notifications make customers feel that the intangible service is more real. Marketers can also provide welcome gifts, kits and other branded gifts to the customers to enhance their experience.

6. Standardization and Documentation

Sharing blueprints of the service process and other relatable visual representations helps the customers in understanding the service delivery process. Provision of checklists and manuals also offer customers a tangible understanding of the service offering.

7. Employee Behavior

Professionalism and appearance of the employees is very importance to add tangibility in the service delivery. Organizations must ensure that the employees are well trained, presentable and educated.

8. Engagement of Senses

Elements that engage various senses must be inculcated in service delivery like music, scent, lighting etc. this makes the service experience more memorable for the consumers. The ambience in which the service is delivered adds to the customers experience and satisfaction.

Check Your Progress-B

Q1. What is search, experience and credence qualities?

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……………………………………………………………………………………………
………………..

Q2. Fill in the blanks

a- …………………………….. is the approach that focuses on anticipating the needs of the customers and the market trends in advance.

b- Inclusion of visual content like videos, infographics, virtual tours, visual service demonstrations etc help the customers to ………………….. the services.

c- …………….is defined as the main or central component that is offered by the organization to satisfy the need of the customer or to resolve the problem.

20.6 STRATEGIC MARKETING MANAGEMENT OF SERVICES FOR DEALING WITH INCONSISTENCY

Services are produced and consumed simultaneously and the involvement of human error makes it difficult to achieve consistency. Inconsistencies in services is also known as heterogeneity and variability. Strategic marketing management of service enables the marketers to address the issues caused due to inconsistency. The following strategies can be implemented to manage inconsistency in services:

1. Standardization of service process

Standing Operating Procedures (SOP's) must be created to minimise variability in service delivery. Also, detailed service blue prints must be created that outlines all the details and steps involved in the service delivery process.

2. Training and Development

The employees must be trained properly so that more consistent and standard services can be delivered everytime. Well trained staff is better equipped with delivering consistent services. Training also keeps the employees updated with the latest and best practices, thus reducing variability that can arise due to skill gap.

3. Automation

Routine and repetitive tasks involved in service delivery can be automated to reduce variability and human error.

4. Quality Control and Monitoring

Regular audits and inspections must be conducted to identify and rectify inconsistencies. Service standards must be maintained by using scorecards and checklists.

5. Performance Measurement and Feedback

Key performance indicators (KPI's) must be defined and monitored effectively to get an understanding of inconsistencies. Employees should be reviewed regularly and the performance should be measured against standard performance. Feedback related to the same must be given to the employees and the scope of improvement must be discussed. Consistent performance must be rewarded.

20.7 STRATEGIC MARKETING MANAGEMENT OF SERVICES FOR DEALING WITH INSEPARABILITY

Service production and consumption takes place simultaneously. This results in the unique characteristic of the services- inseparability. This means that the service provider and the service consumer both are present during the service delivery process. In service marketing the consumers are also referred to as the co producers of service. Customer's contact with the service is a very crucial part of the service experience. This service encounter is the moment of truth for the consumers as well as the service organization. This encounter also enables the customer to access the quality of service, which in turn also depends on the interaction between the provider and the consumer.

Strategic marketing management of services to deal with inseparability focuses on creating positive service encounters between the consumers and the service providers. The following strategies can be used for the same:

1- Enhancing Customer's Role in Service Delivery

As discussed, earlier customers are the co producers of service therefore it is very important that the consumers are educated about the service and its delivery. Well informed customers always contribute positively to the service outcome process. Customers can also be provided with self service options so that they can manage some parts of the service delivery in their own. This will reduce the need for direct interaction.

2- Personalization of Service

Personalization of services means to create close relationship with the customers so that the service provider gets acquainted with their needs and expectations. Customer relationship management can be used to create personalized experience for the consumers by tracking their preferences, history and interactions. Personalization makes the consumers feel more connected to the service.

3- Employee Training and Empowerment

Comprehensive training programs to cater to not only technical skills but also soft skills are very important. Well prepared staff always enhances the service delivery experience. Employees should be empowered with the authority to take decision in real time to address the issues of the customers. This will reduce delay in decision making.

4- Strong Service Culture

A culture of excellence should be fostered within the organization with committed employees and high-quality service. This collective effort reduces the challenges that arise due to inseparability. To create a seamless service delivery collaboration and coordination among all the staff members is very crucial.

20.8 STRATEGIC MARKETING MANAGEMENT OF SERVICES FOR DEALING WITH INVENTORY

Services are perishable, they cannot be stored, saved or returned. Due to fluctuating demand, ensuring resource optimization and loss of revenue from unsold services, perishability poses a lot of challenges for service marketers. The service organization must implement the following strategies to deal with the challenges:

1- Demand Management

Predictive analysis, market trends and historical data must be used to accurately forecast the demand of services. Resource allocation and service capacity can be managed by understanding peak and off- peak periods. Dynamic pricing strategies should be used to cater to price adjustments due to fluctuating demands.

2- Capacity Management

Flexible capacity strategies should be developed to handle the demand without compromising the quality of the service. Hiring part timers, using temporary spaces etc can be used to cater to this. Service capacity should be aligned with demand vis strategies like appointment scheduling and reservation systems. Service offerings can also be limited during peak time to maintain quality.

3- Service Bundling

Customers can be encouraged to consume more than one service by bundling services and creating attractive packages for them. During low demand periods value added service packages can also be introduced to help the sale of unused capacity.

4- Pre-Engagement and Customer Flexibility

Using reminders, updates and instructions the consumers can be engaged before the service encounter. This helps in reducing delays and cancellations. Rescheduling options, booking transfers and flexible policies enables customers to adapt their service use as per capacity availability.

5- Customer Loyalty and Retention Programmes

Repeat purchase during low demand periods can be encouraged using loyalty programs, special offers and rewards. Existing customers can also be retained by consistently providing them high quality service and incentives

☑ *Check Your Progress-C*

1- **What do you understand by service bundling?**

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2- **How does creating SOP's help in standardization of services?**

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…………………………………………………………………………………………
…………………………………………………………………………………………

3- **Services are inseparable. Explain**

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Airbnb- Success story by strategically managing 4I's of service marketing

Airbnb revolutionized the hotel industry by offering unique and varied lodging options regionally and globally. Being a service-based platform, Airbnb had to manage the four I's of service marketing: inventory, intangibility, inseparability, and inconsistency. These 4I's of service marketing poses many challenges and this case helps to gain an insight on how Airbnb strategically managed the challenges and emerged successful in its service-based business.

1. Intangibility

Airbnb have some major concerns due to intangibility. Given that visitors cannot view a house in person before making a reservation. Because of this, questions concerning the standard and appropriateness of the lodging are raised. the visitors were not able to assess the quality of rooms and service pre reservation.

Solution – To combat this problem Airbnb tangibalized the intangibles by providing virtual tours, thorough descriptions, and high-quality images to give listings a more physical feel for prospective guests.

They made good use of customer reviews and ratings on every listing to foster a sense of confidence and provide potential guests with firsthand accounts of other people's experiences.

Additionally, Airbnb launched the "Superhost" program to recognize hosts who continuously provide exceptional service, assisting travellers in selecting dependable lodging. Adding such tangibles was very successful for Airbnb.

2. Inseparability

In case of service delivery, the service provider and ser consumer are inseparable. The quality of the property and the host's involvement are inextricably linked, therefore it's imperative that they both work well together.

Solution - To guarantee a consistent experience, Airbnb provides hosts with tools such as best practices for hospitality, rules for maintaining the property, and systems for guest communication.

They include a messaging mechanism in the app that facilitates easy communication between hosts and guests, guaranteeing that any queries or problems are resolved quickly.

Using Airbnb's "Experience" function, homeowners may add more personalized and engaging aspects to guests' stays by providing extra services like cooking lessons, local tours, and other activities.

3. Inconsistency (Variability)

Due to not being very standardized and involvement of people the services are inconsistent. The service quality can vary due to a lot of factors like time, people or place.

Solution: In order to provide a more consistent experience to the consumers Airbnb has standardized the policies pertaining to cleanliness, cancellation, communication guidelines etc. The hosts are reviewed as per the ratings they receive from customers. The hosts who consistently get high rating are retained and the ones who get lower ratings everytime are removed.

4. Inventory (Perishability)

Because Airbnb's services are ephemeral, hosts lose money on nights that are not reserved. Solution: Through the use of dynamic pricing tools, Airbnb helps hosts establish competitive rates based on location, demand, and other variables, promoting bookings even during off-peak times. In order to draw customers during sluggish times, they give marketing assistance and promotional offers like last-minute discounts or savings for longer stays. - To optimize booking prospects, hosts are encouraged to update their availability on a frequent basis by the platform, which also provides flexible cancellation policies.

Results

Airbnb skilfully handles the 4 Is of service marketing using these tactics, building a solid and reliable platform that strikes a balance between the requirements of hosts and visitors. They have become a market leader in alternative accommodations thanks to

their emphasis on openness, consistency, and improved user experience, which has encouraged client loyalty and ongoing expansion.

Conclusion:

Using technology, customer input, and strategic partnerships to improve service quality and consistency is exemplified by Airbnb's approach to managing the 4I's of service marketing. Airbnb continues to provide a dependable and distinctive service that satisfies the requirements of contemporary travellers by tackling the issues of intangibility, inseparability, inconsistency, and perishability.

20.9 ROLE OF STRATEGIC MARKETING MANAGEMENT OF SERVICES IN ACHIEVING COMPETITIVE ADVANTAGE

In the current competitive business scenario, it is very important for organizations to be distinctive. Distinctiveness is one factor that contributes towards gaining a competitive advantage. Service organizations are also untouched with this. As the service sector is growing dynamically, a lot of service organizations are coming up with similar offerings. Strategic marketing management of services is very crucial in order to create competitive advantage and differentiate themselves from the competitors. It is essential for the organizations to create effective marketing strategies, create value, enhance customer experience and sustain leadership position in the market.

The following are the strategic marketing strategies that the marketers should follow to create competitive advantage:

1. **Differentiation**

Due to the unique characteristics of services organizations can make strategies that are different from that of the competitors to differentiate their services. This differentiation can be achieved by a lot of ways like developing a unique service design, enhancing the customer experience, adding tangibles, customizing the services as per the requirement of the customers. The differentiation strategy that the marketers make should help the service offering to stand out in the competition and create competitive advantage for the organization. Organizations should identify their key differentiators and create the marketing strategies accordingly. The services can be differentiated by adding more supplemental offering in addition to the core offering. These supplemental offerings also act as key differentiators.

2. **Strong Customer Relationships**

Establishing good relations with the customers plays a very crucial role in the success of any organization. This also helps in creating competitive advantage. Proper Customer Relationship Management must be implemented to create satisfied and loyal customers.

The customers should be assisted throughout the purchase, delivery and post purchase processes. This also enable the customers to make repeat purchases and spread a positive word of mouth. CRM also helps in collecting customer feedback and improve the offering accordingly. The customers can be engaged and their experience can be enhanced by using Customer loyalty programmes, personalized communication and proactive approach.

3. Enhancing Perceived Value through Service Quality

As the customers cannot assess the quality of the service before actually consuming it therefore the value that they perceive about the service is very important for the marketers. As the perceived value of a service is one of the most critical factors that contributes to the purchase of the service. The perception created should focus on reliability, trust, consistency and high service quality.

4. Digitalizing Systems

We are living in a digital era and digitalization of service processes have become the need of the hour. Leveraging digital platforms and creating AI powered customer service tools add to the competitive advantage as they provide convenience and accessibility. Superior service experience can be provided to the customers by using latest technology in service marketing.

5. Creating Emotional Connections and Brand Loyalty

It is very crucial for service organizations to emotionally connect with the customers so that they can be converted to loyal customers. These loyal customers have a deeper connection with the brand. Marketers can use strategies like personalized attention to the customers, memorable experience and smooth service delivery to emotionally connect with the customers. This emotional loyalty is a powerful competitive advantage, as emotionally connected customers are less sensitive to price changes and more likely to remain with a brand even in the face of competitive alternatives.

6. Effective Communication and Brand Positioning

Effective communication with the customers creates transparency, which leads to a better image of the service organization and builds trust. Testimonials, customer experiences and attractive marketing campaigns enable the marketers to covey their offering to the customers and create a good rapport with them. Clear and consistent messaging that aligns with customer expectations enhances brand credibility and trust, making it easier for the company to stand out in a crowded marketplace.

20.10 GLOSSARY

Churn rate: Marketing metric that talks about the percentage of customers lost during a specific period.

Capacity Management: The process of managing the available capacity in order to ensure that the optimum utilization of resources is done. This helps in improving service quality.

Customer Relationship Management (CRM): A system that helps to manage the interactions of the organization with its current and potential customers in order the maintain good relationship with them and enhance their experience

Competitor analysis: Scanning the competitors and their strategies to get insights into their processes and strategies.

Core Service: Core Service is defined as the main or central component that is offered by the organization to satisfy the need of the customer or to resolve the problem. This is the actual problem-solving benefit that the customer actually seeks.

Digitalization: Inculcating digital practices into organizations process.

Customer Satisfaction: Measurement of how well the customer's need and wants have been met by the service.

Customer Retention: Strategies that are made to convert the customers into loyal customers reducing their churn.

Interactive Marketing: Making the marketing communication process two way so that the organizations can interact with the customers in real-time. This makes the customers feel more involved and engaged.

Intangibility: Characteristic of services that focus on the fact that services cannot be A key characteristic of services, referring to the fact that services cannot be seen, touched, or stored before they are purchased, making it challenging for customers to assess their quality in advance.

Inseparability: the service provider and the service consumer are a part of the service delivery process as the service has to be consumed at the same time that it is produces. This characteristic of services is called inseparability.

KPI- Key Performance Indicators

Market Analysis: An in-depth analysis of the target market including its size, consumers, capacity to pay etc.

Moment of Truth: The moment where the customer encounters the service and forms an impression about it.

Perishability: The services cannot be saved or stored for future use. They have to be consumed and cannot be resold or reused. This characteristic of services id called perishability.

Pricing strategy: Process of determining ideal price for the product.

Segmentation: Process of dividing the heterogeneous market into homogeneous groups with similar needs and wants.

Service Marketing: Strategies that are developed for marketing of products that are intangible.

Service Encounter: The interaction between the service provider and the service consumer during the service delivery process.

Service Concept: Service concept is defined and then the entire service delivery process is designed along with defining the core service, supplementary service and ensuring the service experience is in alignment with customer expectations.

Service Quality: The measurement of the actual service delivered to the customers and their expectations.

Service Differentiation: The process of differentiating the service offering from that of the competitors.

Service Standardization: To make the process standard in order to remove inconsistencies from the process.

Strategic Marketing Management of services: It involves aligning the organization's goals and synchronizing the organizational resources with market opportunities to create, deliver, and communicate value to customers.

SOP- Standard Operating Procedures

Supplemental Service: Supplemental Service is defined as the extra benefits provided by the organization that augment the core service and enhances the experience of the customers.

Service Blueprint: This is a detailed map of the entire service delivery process. This has all the outline and detail of the service to increase the efficiency and understanding of the delivery process of services.

Variability (Inconsistency): Services are often delivered by service providers and are people drives, thus creating inconsistency. This can lead to difference in the service experience from one provider to the other. This characteristic of services is called variability.

Yield Management: This is a pricing strategy formulated and implemented to adjust the price as per the fluctuating demand of services.

Tangibilizing the Intangible: Adding physical evidence to services in order to make them more tangible. This is done in order to cater to the issues created by intangibility of services.

20.11 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress B

Fill in the blanks

a- Proactivity
b- See
c- Core Service

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20.14 TERMINAL QUESTIONS

1. What do you understand by strategic marketing of service?

2. what strategies can be implemented for dealing with inconsistency of service?

3. Discuss in detail the unique characteristics of services and the challenges they cause.

4. Explain the role of Pro-activity as a strategic tool.

5. Discuss in detail the process of strategic marketing of services.

6. How does effective strategic marketing management of services help in gaining competitive advantage?

7. What is intangibility? How can it be tangibalized in marketing services?

8. What do you understand by service quality management?

9. How are the challenges caused sue to inventory managed in strategic marketing management of services?

10. How can perceived value of services be enhance by service quality?

UNIT 21 INTERNAL MARKETING OF A SERVICE-EXTERNAL VERSUS INTERNAL ORIENTATION OF SERVICE STRATEGY

21.1 INTRODUCTION

The term "internal marketing of service" describes the strategic practice of viewing employees as internal clients in order to align, engage, and inspire them to provide outstanding customer service to external clients. In order to ensure that workers comprehend and uphold the company's vision, values, and service standards, it focuses on creating a unified organizational culture where they feel appreciated and empowered.

Internal marketing is the method used by service organizations to inspire and enable staff members in all levels of hierarchy to continuously provide customers with high-quality, fulfilling customer service. In order to increase service quality through favourable

customer employee interactions, the goal behind internal marketing was to involve the organization's workers in service encounters. Quality service may serve as a differentiator in industrial firms as well, thus internal marketing is not just important in-service organizations.

21.2 OBJECTIVES

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

- The meaning and nature of Internal Marketing.
- Process of Internal marketing and its benefits
- External orientation of a marketing strategy
- Hurdles in Service marketing

21.3 MEANING OF INTERNAL MARKETING

In a company that offers services, it is important to keep employees motivated and informed. This idea is called internal marketing. Imagine you are in a theatre. The actors need to know their lines well to give a good performance. In the same way, employees need to understand the services they provide. Internal marketing ought to be planned to enhance external marketing by fostering more interactions between clients and staff. The creation of external marketing communication and promotional initiatives should include the staff in a proactive manner. Second, it ought to encourage internal employees to provide the vital quality characteristics of efficiency and productivity.

Internal staff cannot produce sales unless they are persuaded of the value of the service they promote. Employees will only grow more dedicated and passionate about the services they promote if they are treated as internal customers and their needs and desires are satisfied. An employee is more likely to form a favourable opinion of a service and respond to a customer's inquiry right away if he is pleased with it and has personally experienced it.

Training is a key part of internal marketing. Employees need to learn new skills and improve old ones. Think about a restaurant. The staff should know how to make the dishes and serve them well. Proper training ensures they know the menu and how to make customers happy.

Communication is also very important. Regular meetings and newsletters can help share important news. Imagine if a store has a new product. Employees would be more excited to sell it if they knew all the details. Sharing information helps keep everyone on the same page. Finally, rewarding employees for good performance is part of internal marketing. Recognizing hard work makes employees feel valued. It could be as simple as

saying thank you or giving small rewards for great work. Recognition helps create a positive work environment and encourages employees to do their best.

21.4 PROCESS OF INTERNAL MARKETING

One of the first steps in internal marketing is involving the staff in the creation of the marketing plans. Nonetheless, the company can create internal marketing in a number of ways:

1) Aligning organizational goals with employee attitudes:

One of the most crucial internal marketing strategies is to match the overarching company goals with employee attitudes. When creating the plans for external promotion and communication marketing, the service personnel should be included and trusted. The organization's vision should always be made clear to the service staff, and they should also be instructed on their part in achieving it.

2) Understanding the Organization's Core Values:

All staff members must to be briefed on the organization's ideology and core values. This is significant since employees are the ones who represent the company's ideals to clients. Therefore, it is crucial that the service workers comprehend and cherish the organization's core values in order for them to be represented to the customers.

3) Coordination:

It is helpful to coordinate the activities of all employees to achieve the shared goal of customer pleasure and organizational growth when they have become familiar with the organization's guiding philosophy and overarching vision statement. Given the propensity for conflict among humans, this stage is crucial. The service manager is responsible for making sure that everyone in the organization is aware of their roles in the creation and delivery of services, as well as their responsibilities and deadlines. At this stage, the idea of Total Quality Management can also be presented to highlight the critical role that each and every person plays in providing services.

4) Creating a friendly environment:

The next phase in the internal marketing process is to create an environment that is transparent and reliable. For the sake of enhancing service quality or cutting down on customer wait times, staff members should feel comfortable voicing their opinions to both their immediate superiors and the highest authorities.

5) Employee empowerment:

Having empowered staff members within the company helps with internal marketing. The degree of empowerment provided to service professionals is closely correlated with their motivation and sense of belonging. Employees become more innovative and eager

to delight clients when they believe they have the authority to expedite and facilitate customer service delivery, which is also the organization's goal.

6) Reward:

Giving service staff praise for their outstanding work in carrying out their responsibilities is another way to engage in internal marketing. In addition to the regular services provided by the staff, critical cases may receive extra attention. This encourages healthy competition among the other service staff members in addition to motivating the successful employee.

21.5 INTERNAL MARKETING REQUIREMENTS

It is evident from the discussion above that internal marketing seeks to inspire and engage a service organization's internal employees and other partners to share the organization's vision and work frequently toward achieving its goals through customer satisfaction. For internal marketing to be successful, a few organizational factors must be taken into account.

1) Capabilities and Skills of Managers

Their ability to effectively plan and execute both short- and long-term projects demonstrates their managerial abilities. Building relationships with every employee in the chain of service creation and delivery reflects the managers' competencies in making internal marketing successful. Managers must be proficient in interpersonal connections, decision-making, dispute resolution, leadership, self-reflection, peer management, and other areas for internal marketing to be successful.

2) Internal correspondence

Creating customers and service quality-conscious employees is the main goal of internal marketing. This can only be accomplished through communication, which aims to inform staff members about the company's guiding principles, vision, long- and short-term goals, marketing strategies, customer needs and expectations, priorities of various customer segments, and other pertinent information. Top management must make sure that all employees share the organization's values and goals in order to achieve Internal Marketing's goal of developing customer-conscious service personnel, whether this is done through a top-down or bottom-up strategy. Similar to exterior communications, internal communications should be appealing and memorable so that staff members would be drawn to and persuaded by them.

3) Culture of the Organization

The term "organizational culture" describes the collection of accepted values and customs that shape the conduct of every person in the company. Culture acts as a guide for staff members and makes it easier to comprehend how a business operates. Workers from various organizational levels may interact with customers in order for a service

transaction to occur. Because of this, it's critical that everyone understands that they are a part of the organization and that their interests are connected to the firm's overall culture.

4) Connecting Communication Within and Outside the Company

Service marketers are responsible for making sure that the messages being communicated in internal and external communications are consistent throughout the implementation of internal marketing. The prospective clients would hear the contents of the message echoed by the service staff. Any discrepancy between the substance of internal and external communications can cause misunderstandings, which can negatively impact internal marketing results.

21.6 HURDLES IN SERVICE MARKETING

Even if the aforementioned elements are important for the effective execution of internal marketing, there are a few things that make the process more difficult.

a) Opposition to change

People who will be impacted by a proposed change or new idea are likely to oppose it whenever it is enacted. People frequently oppose change for a variety of reasons, including incomplete knowledge, fear of losing power, fear of losing chances for advancement, or fear of losing their jobs. Service managers need to address these issues that cause resistance to change and make sure that all staff members can understand and support the suggested marketing strategy implementation.

b) Not fixing obligations

Service businesses frequently struggle to determine the role and assign the necessary responsibility to carry out internal marketing successfully. This is seen when service staff members are capable of making decisions about providing high-quality services but are either unable or unwilling to carry them out.

c) Insufficient backing from upper management

Without the backing of upper management, nothing can be accomplished even when every aspect of an organization is in the proper perspective for internal marketing implementation. In order for internal marketing to be successful, top management must provide staff with encouraging and significant signals for its execution; otherwise, the entire endeavor will be ineffective.

d) Incapability of managers

Effective execution is impossible if the service managers in charge of internal marketing lack the necessary skills or do not understand the concept. Managers frequently fail in their responsibility to implement an internal marketing strategy and may simply give the

idea a token mention because they are unable to identify the indications influencing the degree of service quality or employee motivation.
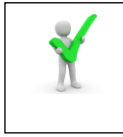
Check Your Progress-A

Q1. Match the following.

1. **What is the primary aim of internal marketing in a service-based company?**
   a) To increase brand awareness among customers
   b) To enhance external marketing efforts and improve customer service
   c) To streamline organizational operations and reduce costs
   d) To provide specialized training to employees

2. **Which of the following is not a key step in the internal marketing process?**
   a) Aligning organizational goals with employee attitudes
   b) Encouraging healthy competition among employees
   c) Ensuring employees understand the company's core values
   d) Coordinating the activities of all employees

3. **How should service personnel be involved in the creation of the company's marketing plans?**
   a) They should be consulted and their input should be incorporated
   b) They should be informed of the plans after they are finalized
   c) They should be responsible for implementing the plans only
   d) They should have no involvement in the marketing plan development

4. **What is the primary reason for employees to understand the organization's core values?**
   a) To enable them to make strategic decisions on behalf of the company
   b) To encourage them to develop their own personal values
   c) To ensure they can effectively represent the company's ideals to customers
   d) To motivate them to achieve their individual goals

5. **What is the main purpose of coordinating the activities of all employees in the internal marketing process?**
   a) To foster healthy competition and collaboration among team members
   b) To enhance communication and improve organizational efficiency
   c) To achieve the shared goal of customer satisfaction and growth
   d) To identify and resolve conflicts among employees.

21.7 BENEFITS OF INTERNAL MARKETING OF SERVICE

A service company might profit from internal marketing in a number of ways.

a) The Implementation of Change

To provide its customers with high-quality services, a service organization must continuously improve its system for creating and delivering services. A variety of adjustments may be needed to achieve this, such as technological advancements, a greater reliance on IT, and enhancements to service delivery procedures that call for service professionals to undergo refresher training. If the idea of internal marketing is present, all of these tasks can be carried out without any problems.

b) Building Corporate Brand Image

Internal Marketing commences with treating the service staff as the potential consumers. Efforts are made to convince them of the organisational practices and strategies so that in turn they are able to convey the same to the target consumers with conviction. In this process, Internal Marketing facilitates the Corporate Brand building.

c) Enhancing Arrangement

Internal marketing aligns company goals with individual attitudes and behaviours in an effort to reduce intra- and inter-departmental conflicts. It will be easier to build friendly relationships and enhance coordination among all employees in a company since all service organization employees are expected to look up to a shared direction to focus their efforts.

d) Boosts performance and inspires employees

Encouragement of service staff and sharing of the decision-making process are the first steps in internal marketing. This makes it easier to enhance employee performance and provide customers with a positive service transaction experience.

21.8 SERVICE MARKETING TRIANGLE

A strategy model known as the service marketing triangle illustrates the connections that exist between a business, its staff, and its clients and how they collaborate to provide top-notch service.

The service marketing triangle consists of the following three elements:

Internal Marketing

The most crucial aspect of services marketing is internal marketing. To enable the firm to fulfil its promises of providing customers with high-quality services, its employees should be encouraged to share the company's vision and actively participate in the

development of external marketing. Internal communication that uses a variety of channels or media to disseminate information might be categorized as internal marketing.

External Market*ing*

All communications and promotions aimed at potential customers with the goal of promoting the sale of a service to meet their requirements and desires are referred to as external marketing.

Interactive Marketing

This final aspect of services marketing emphasizes how crucial it is for staff members to communicate directly with prospective customers in order to provide high-quality services. The relationship between clients and service providers usually defines a service. This is due to the fact that services are created and consumed simultaneously, making communication between service providers and consumers inevitable. Because consumers may now communicate with service providers through technology-driven channels, particularly the Internet, marketing of services has become more interactive.

21.9 INTERNAL ORIENTATIONS OF SERVICE

Internal orientation is defined as concentrating on the organization's internal processes, assets, and capacity to provide high-quality services.

Important Features:

Employee Training: Emphasis on employee skill development, incentive, and training. Makes certain that staff members are aware of the organization's values and service standards.

Operational Efficiency: Pays attention to cutting waste and simplifying procedures. Gives top priority to creating workflows and systems that enable reliable service delivery.

Leadership and Culture: Creates an organizational culture that is focused on providing services. Leaders make ensuring that internal objectives and service delivery capacities are in line.

Infrastructure and Technology: Investments in equipment, systems, and technology to support service operations are referred to as infrastructure and technology. Guarantee is the ability to adjust to shifting demands.

Check Your Progress-B

Q1. State True or False.

1. Internal marketing helps employees understand the company's objectives.
2. Employees do not need training to improve their skills.
3. Good customer service is an important value for some companies.
4. Proper training is unnecessary for restaurant staff.
5. Employees who feel valued are likely to offer better service.

21.10 EXTERNAL ORIENTATION OF SERVICES

A strategic focus on comprehending and satisfying customer wants, preferences, and expectations as well as reacting to external market conditions is known as "external orientation of service." It places a strong emphasis on maintaining competitiveness, promoting customer satisfaction, and matching service delivery to market expectations. With this strategy, the client is at the forefront of both service design and implementation.

Important Features:

Customer-focused Strategy: Puts the opinions and pleasure of customers first. It adjusts services to satisfy client needs.

Market Awareness: Keeps a close eye on rivals and industry developments. It proactively modifies offerings in response to outside information. To remain relevant, service innovation focuses on creating new services or enhancing current ones. It aims to develop distinctive value propositions.

Brand and Relationships: Put your energy into creating enduring bonds with customers and encouraging brand loyalty maintains regular contact with clients in order to build trust.

21.11 SUMMARY

Internal marketing involves sharing the company's goals and values with the staff. When employees know the big picture, they can work together more effectively. This makes the service better for everyone. For example, if a company values good customer service, internal marketing will teach employees how to treat customers kindly. Training is a key part of internal marketing. Employees need to learn new skills and improve old ones.

Think about a restaurant. The staff should know how to make the dishes and serve them well. Proper training ensures they know the menu and how to make customers happy.

In conclusion, internal marketing is about training, communication, and recognition. When employees feel informed and appreciated, they are more likely to provide better service. This not only benefits the customers but also makes the workplace a happier place to be.

21.12 GLOSSARY

Customer-focused Strategy: Puts the opinions and pleasure of customers first. It adjusts services to satisfy client needs

Internal Marketing - Internal marketing means sharing the company's goals and values with the staff.

Interactive Marketing

This aspect of services marketing emphasizes how crucial it is for staff members to communicate directly with prospective customers in order to provide high-quality services.

21.13 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress-A

1) b
2) b
3) a
4) c
5) c

Check Your Progress- B

a) True
b) False
c) True
d) False
e) True

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21.16 TERMINAL QUESTIONS

1. Define internal marketing of services and explain its role in ensuring service excellence within an organization.
2. Discuss the key components of internal marketing and how they contribute to an organization's overall service strategy.
3. How does internal marketing enhance employee engagement and motivation in service organizations?
4. Discuss the process of internal marketing of a service.
5. What are the emerging trends in internal marketing of services, and how are they shaping the future of the industry?

UNIT 22 SERVICE QUALITY AND ISSUES

22.1 Introduction

22.2 Objectives

22.3 The nature and importance of service quality

22.4 Service quality: Expectations versus perceptions and the "Gaps" model

22.5 Service Quality and Profitability relationship

22.6 Offensive Marketing Effects of Service

22.7 Defensive Marketing Effect of Service

22.8 Customer perceptions of service quality and purchase intentions

22.9 The key drivers of Service quality, Customer retention and Profits

22.10 Summary

22.11 Glossary

22.12 Reference/ Bibliography

22.13 Suggested Readings

22.14 Terminal & Model Questions

22.15 Case/Caselet

22.1   INTRODUCTION

In this unit, you will study about the nature and the importance of service quality. We also discussed expectations versus perceptions and the "Gaps" model. The service quality and profitability relationship is detailed. The difference between offensive marketing and Defensive marketing effect of service is discussed. Further the customer perceptions of service quality and purchase intentions on the financial services delivery is elaborated. The key drivers of service quality, customer retention and profits implications are discussed.

22.2   OBJECTIVES

After reading this unit you will be able to:

- The nature and importance of service quality
- Understand Expectations versus perceptions
- Understand the various Gaps model and its implications
- Explain service quality and profitability relationship

- Differentiate Offensive and Defensive Marketing Effect of Service
- Understand how the key drivers of Service quality, Customer retention and Profits impacts service quality.

22.3 THE NATURE AND IMPORTANCE OF SERVICE QUALITY

Service quality in financial services is very important because it has direct impacts on customer satisfaction, trust, and loyalty in an industry offering such intangible products like advice on financial matters, banking, insurance, and investment management. The nature and importance of this are explained as follows:

Nature of Service Quality in Financial Services

Intangibility: Financial services are intangible—therefore, consumers cannot see, touch, or test them before making a purchase. Thus service quality becomes an important aspect of customer perception and choice.

Inseparability: In most financial services, the process of production and consumption go together, necessitating a high level of interaction between the service provider and the customer. This interaction considerably influences perceived service quality.

Perishability: Unlike goods, financial services cannot be held in an inventory or stored. Thus, consistency in quality should not deviate since poor quality cannot be corrected once the service is delivered.

Heterogeneity: The quality of financial services can vary depending on who provides it, when, where, and how. Variability thus makes standardization difficult, underpinning the need for good quality management practices.

Importance of Service Quality in Financial Services

Customer Loyalty and Trust: High service quality establishes trust, which is a very essential factor in financial services since most of the time, customers need to entrust their financial well-being into the hands of experts. Trust brings about loyalty, which is the backbone of any long-term customer retention.

Competitive Advantage: In a fiercely competitive market, the best service quality differentiates financial institutions from their competitors. Institutions known for providing high service quality generally have more customers and tend to retain them.

Regulatory Compliance: Financial services is an intensely regulated sector. By focusing on the delivery of high service quality, institutions reduce their exposure to potential fines and litigation resulting from non-compliance with regulatory requirements.

Customer Satisfaction: Good service quality raises customer satisfaction. Apart from increasing the probability of repeat business, it also creates the much-needed positive word-of-mouth for growth in financial services.

The quality of service is inextricably tied to the issue of customer satisfaction, and customer satisfaction is linked inextricably with profitability. Satisfied customers are more likely to generate higher sales by buying more services, leading to increased revenue per customer.

In financial services, where products are complex and customer relationships are long-term, high service quality is not only desirable but also a necessity for success.

22.4 SERVICE QUALITY: EXPECTATIONS VERSUS PERCEPTIONS AND THE "GAPS" MODEL

Service quality is a concept which plays very important role in service management particularly in the case of those industries where customer perception has more influence over the success of business than any other factor. The "Gaps Model" is the most frequently adapted model which help in describing the service quality either in terms of the mismatch amid customer's expectations and the service received or what was expected and what was perceived finally.

Expectation and Perceptions

Customer Expectations:

Expectations are standards or reference points of customers that customers bring into the service experience influenced by past experiences the customer has had, word of mouth, advertising, and other business-induced promises, and personal needs or wishes. Expectations play a crucial aspect of service quality since they represent the benchmark against which the performance customers receive can be evaluated. In other words, if expectations are satisfied or even surpassed, the customer experiences good-quality services, and in a case where the perception is below standard, then a bad-quality service has been provided.

Customer Perceptions:

Perceptions are the customers' judgments of the actual service they received. These are subjective and are shaped around the service delivery, while interacting with service staff and outcomes of the service.

Role in Service Quality: Perceptions turn into reality if the customer feels it. The quality of the customers' perceived service is the actual measure that determines customer satisfaction.

The "Gaps" Model of Service Quality

The five gaps model from Gaps Model may occur between customer expectations and perceptions, which play a key role in service quality.

Gap 1: Knowledge Gap - Customer expectations vs. management perception

Intent of the gap lies in the wrong understanding by the management regarding the customer's expectations. Might arise due to insufficient marketing research, no face to face interaction with customers, or poor communication chain.

Impact: If management does not see accurately what customers expect, the entire process of service delivery could be incongruent with the needs of customers and hence dissatisfy them.

Gap 2: Policy Gap—Management Perceptions against Service Quality Specifications

This gap lies when management is not aware of the service quality specifications that it has set in perspective to the customer's expectations. Even though the management has a clear understanding of what the customers want, deficient design of services, or resource allocation may cause failure to meet expectations.

Impact: This gap means that the right service standards are not properly set, and the result lies in failure to fulfill the given standards; thus, more inconsistency experienced in service delivery translates into perceived poor quality.

Gap 3: Delivery Gap (Service Quality Specifications vs. Service Delivery)

This gap is the difference between service quality specifications and the actual service delivered. Causes include inadequate training, lack of resources, and poor employee performance.

Impact: If the service design is perfect, but it will still fail in case of failure to carry out the delivery of the perfect service as inducted, thus causing customer dissatisfaction.

Gap 4: Communication Gap—Service Delivery vs. External Communications

This gap arises due to the mismatch created when the provided service differs from what was previously told to the customers. It is very common when marketing communication or sales promise is more than the actual delivery of services.

Impact: Misleading communication exaggerates customer expectations, which when not met at the end, bring severe disappointment and negative image.

Gap 5: Perception Gap (Customer Expectations vs. Perceived Service)

This is the final gap and it is all about what the customers expected and what they perceive they have received. This gap is directed exactly by the other four gaps.

Impact: The perception gap determines the general overall of satisfaction of the customers. The more the gap is, the more would be the customer dissatisfaction.

Application of the Gaps Model

Application of the Gaps Model in financial services identifies gaps that the institution has with their level of service. For example:

Customer research: the need for constant customer research to close the Knowledge Gap so that financial institutions will understand the dynamic requirements and expectations of their customers.

Service design and standards: setting clear, realistic and service standards that are aligned with customer expectations will close policy gap.

Training and Resources: This will help to close the Delivery Gap, provided the employees are trained and possess adequate resources to really deliver the targeted service.

Proper Communication: Marketing needs to design the right communication which will match the service actually meant to be delivered and reduce the scope for any kind of Communication Gap.

The systematic reduction of these gaps helps improve service quality in financial service providers, gaining customer satisfaction and loyalty for better business performance.

22.5 SERVICE QUALITY AND PROFITABILITY RELATIONSHIP

Service quality and profitability go hand in hand, especially for sectors such as financial services where customer satisfaction and loyalty are viewed as the drivers of business success. This section explains how there is a direct link between service quality and profitability:

1. Customer Satisfaction and Retention

Service quality generates satisfaction: if a company can deliver high-quality services, the level of customer satisfaction should tend to go up. Satisfied customers in financial services generate loyalty where trust and reliability are central.

Loyal customers ensure profitability: retaining existing customers is less costly compared to customer acquisition. Loyal customers are much more likely to keep using a company's services and maybe even for their lifetime, contributing to steady revenue streams.

2. Repeat Business and Cross-Selling

Satisfied Customers Buy More: High service quality encourages customers to make repeat purchases. For example, if it is a financial services company, then the customers will utilize more products such as loans, credit cards, or investment services.

Cross-Selling Opportunities: When the service quality is trusted, the customers are more willing to buy more products and services. Cross-selling enhances the value of the customer to the firm, thus enhancing overall profitability.

3. Positive Word-of-Mouth and Referrals

Satisfied Customers as Advocates: If the service quality is high, then more often than not it will result in positive word-of-mouth. The customers will more readily recommend the company to their friends and relatives, who will act as free marketing channels.

New Customer Acquisition at Lower Costs: Referrals lower the cost of new customer acquisition. New customers that are gained through a positive referral are most likely to start with a positive impression and would establish faster and more solid customer relationships.

4. Reduced Costs

Reduced Complaint Handling Costs: Less customer complaint and issues translate to reduced customer service intervention which is expensive.

Process Efficiency: If the quality of service is high, typically it happens as a result of an efficient and rationally designed process. Higher process efficiency reduc es waste and rework, thereby directly reducing operational costs and increasing profitability.

5. Price Premium

Ability to Charge Premium Prices: Firms that are known to provide quality service may charge premium prices for it. Customers may pay a little extra for a brand they trust for their personal banking, wealth management, or insurance needs.

Higher Margins: That automatically translates into higher margins because of premium pricing, thus adding to overall profitability.

6. Market Share and Competitive Advantage

Stealing Market Share: Higher quality service helps a firm to capture more market share, particularly in the fiercely competitive financial services industry. Greater market share almost always translates into higher revenues and, therefore, greater profitability.

Sustainable Competitive Advantage: For a competitor to copy high service quality is tough—more so when it is deeply embedded in the culture and processes of a firm. This delivers an advantage that is sustained over competition and therefore results in long-term profitability.

7. Customer Lifetime Value (CLV)

Service quality directly impacts Customer Lifetime Value, which is a measure of customer relationships over the long term. Customer satisfaction and loyalty can enable firms to capture the maximum revenues that can be generated by each customer in their lifetime.

Long-term profitability is higher when CLV is higher since more money is being generated from each customer in relation to their customer acquisition and service costs.

The linkage between service quality and profitability is direct in nature because high-quality service raises customer satisfaction, loyalty, and retention. This, therefore, brings opportunities for repeat business, cross-selling, and premium pricing, while at the same time reducing complaint and inefficiency costs. It is thus proper to infer that firms with a focus on high service quality and fairly successfully delivering the same are better placed to achieve and sustain profitability.

22.6 OFFENSIVE MARKETING EFFECTS OF SERVICE

Offensive marketing in services entails that particular strategy aimed at drawing in new customers very forcefully to win a marketplace, usually through superior service quality, innovation, or some other unique values of propositions. In a case like that, its marketing counterpart is defensive marketing, as there is concentration used to retain already existing customers. If performed correctly, offensive marketing can create a large positive impact on a service-based business. Here's how offensive effects involve market share, reputation and price premiums:

1. Perceived Value and Premium pricing

Enhanced Perceived Value: Aggressively advertising quality and benefits related to services can increase the perceived value of the services offered and supports premium pricing due to the willingness on the customers to pay a large amount for what they believe to be superior service.

Upselling and Cross-Selling: After acquisition of the new customers is made, offensive marketing can drive more upselling and cross-selling by offering complementary services to drive more value per transaction higher.

2. Reputation Building

A Strong Market Position: Offensive marketing could also help you build a strong market position by establishing your company in a position as a market leader in offering the highest service quality. A reputation for service excellence could last a long time and at the same time attract more customers through positive word of mouth.

Influencing Industry Standards: Because offensive marketing can set high standards, competitors will be pushed to match them, and it can thus help a company influence an entire industry. The industry will finally be at an advantage.

3. Market Share

Revenue Growth: The basic objective of offensive marketing is to drive revenues up by continuously getting new customers. Companies, through customer-base expansion and market-share increment, actually enjoy enormous top-line growth this way. Long-Term *Profitability*: The effects of offensive marketing, coupled with elevated quality of service, can lead to long-term profitability. A company will have sustainable growth and financial success together with the acquisition and retention of new customers.

22.7 DEFENSIVE MARKETING EFFECT OF SERVICE

The service sector-oriented defensive marketing is a strategic concept of customer retention and loyalty, which has various effects on profitability. The effects manifest themselves in the form of reduced costs, increased volume of purchases, price premiums that can be charged, and the amplification of word-of-mouth marketing. How each of the following factors contributes to profits is explained below:

1. Lower Costs

Reduced Customer Acquisition Costs: Defensive marketing is concentrated on the retention of customers the company already has, which tends to be less costly than the acquisition of new ones. This means that many of the customer acquisition costs through advertising, promotions, and onboarding are significantly lowered when the focus shifts to keeping existing customers satisfied.

Economies of Scale: Operational efficiencies can be achieved through a stable and loyal customer base, which again will help realize cost savings. Companies find it relatively easier and less expensive to serve existing customers since their preferences and needs are already known, which cuts the costs of customization or troubleshooting.

Lower Marketing Spend: Defensive marketing can allow companies to lower the frequency and intensity of acquisition campaigns that come with a hefty price tag. Resources are therefore shifted to customer retention strategies that have high returns.

2. Volume of Purchases

Increased Repeat Business: Loyal customers make repeated purchases, and thus this leads to an increased volume of transactions over a given period. This frequent and regular repurchase raises the total volume of sales, increasing the profits directly.

Cross-Selling and Upselling: Defensive marketing creates a platform where there are opportunities to increase volume per customer through cross-selling and upselling. While one is likely to be open to buying more services with a service provider whom they trust, they are also open to upgrading to more premium services, thereby boosting sales volume.

Customer Lifetime Value (CLV): Heavy volume purchases raise the value of each customer over their lifetimes. A higher CLV therefore means that each of the customers contributes more revenues in the long run to improved profitability.

3. Price Premium

Reduced Price Sensitivity: Satisfied and loyal customers often show less price sensitivity. They receive more value from the service in terms of quality, trust, and the place of the brand in their hearts. Thus, companies could charge a higher price without losing such customers, hence bringing more profit margins.

Premium Pricing Justification: It means that, through defensive marketing efforts, it transmits the real worth of superior service quality and customer experience to the customer. If the customer recognizes more value in a product or service, he or she is ready to pay a higher price for the additional value received, resulting in higher revenue per transaction.

Brand Equity and Loyalty: Very strong brand loyalty, a defensive function of marketing, can aid a firm in sustaining or even increasing prices over time. If loyal customers do not expect to switch to competitors even in the case of lower prices, then firms can easily retain profitability.

4. Word of Mouth

Positive Word-of-Mouth Marketing: Satisfied customers are likely to recommend the service to others, resulting in organic growth by way of word-of-mouth marketing. Since this form of marketing is very effective and basically free, it requires very little or no direct investment but can acquire new customers by a huge margin.

Customer Base Expansion: The major focus of defensive marketing is on retention. However, the positive word-of-mouth by loyal customers may attract new customers with less investment in customer acquisition through expensive advertising campaigns. This indirect customer acquisition will increase the size of the customer base at a lower cost, resulting in higher profits.

Strengthening Relationships with Customers: If existing customers become the brand advocates, then apart from attracting more customers, it also strengthens the relationship of their current ones. If others are getting good service, it will further strengthen their bond, reducing chances of churn and keeping the revenue streams steady.

The effects of defensive marketing on service profitability are therefore numerous: it reduces costs, increases the volume of purchases that existing customers make, enables price premiums, and exploits word-of-mouth marketing. All such effects combine to provide a stable and hence sustainable profit stream. Reduced costs have a direct effect on raising margins, while higher purchase volumes and price premiums raise revenues. Positive word-of-mouth extends the benefits of defensive marketing beyond retention to indirectly drive growth and further raise profits.

22.8 CUSTOMER PERCEPTIONS OF SERVICE QUALITY AND PURCHASE INTENTIONS

Customers perceive very strongly that the quality of service is deemed to greatly affect their choice to a marked extent. An in-depth view of how these two factors remain interlinked is detailed below:

1. Understanding Customer Perception of Service Quality

Service Quality Dimensions: Customers evaluate service quality on various dimensions, such as reliability, which relates to the consistency of performance; responsiveness, which relates to how promptly and helpfully the service is provided; assurance, or the knowledge and courtesy of employees; empathy, or the level of caring and personalized attention drawn from the service provider; and tangibles, or the physical aspects of the facilities and equipment. The following dimensions would determine the overall perception of the quality of service.

Expectation vs. Reality: Most perceptions regarding quality are formed from the gap between customer expectations and the service actually given to them. If results are better or match customers' expectations, they see quality in that line. Otherwise, it is poor.

Emotional and Psychological Factors: The perception is also influenced by emotional and psychological factors. Past experiences of customers, personal preference, and even the emotional link with the brand may influence customer perception about the quality of service.

2. Implication of Perceived Service Quality on Purchase Intentions

Reliability and Assurance: When a customer views the services as being of high quality, it evidently grants them a lot of trust and confidence in the service provider. This kind of trust will make customers feel much calmer using the service compared to choosing the alternatives, hence leading to a strong intention to use.

Customer Satisfaction: Greater perceived quality is directly related to greater customer satisfaction. Customer satisfaction stands as one of the purchase intention determinants. A satisfied customer will more likely keep buying and make reference to the service.

Brand Loyalty: Positive perceptions of better service quality tend to increase brand loyalty. Loyal customers are likely not only to buy more but also to remain with a service even when alternative choices come by.

3. Factors Affecting Purchase Intentions

Perceived Value: The customer develops a perception about the benefit somehow produced by a service in relation to the total cost being invested. If the perceived quality of the service is low or medium of the paid price, then the customers would perceive it as a good value and will have higher purchase intentions.

Word-of-Mouth and Recommendations: The perceptions of others regarding a certain service, which are shared via word-of-mouth, reviews, or recommendations, significantly have an impact on one's purchase intention. Future customers totally find themselves willing to experience an offering that other people can perceive well.

Risk Reduction: High perceived service quality reduces the perceived risk associated with purchasing the service. If customers perceive that they are going to receive good service, they will feel more secure in purchasing; this will, therefore, lead to higher purchase intentions.

4. Negative Perceptions and Their Consequences

Decreased Purchase Intentions: In the event that customers rely on a service whose quality is perceived to be low, then there is a likelihood of reduced intentions to purchase or repurchase the service. In simple terms, negative experiences are likely or unmet expectations will cause dissatisfied customers, hence adopting alternatives.

 Reputations: Low perceived quality can be a dumper on the brand. Low perceived quality is bad in that it makes it difficult to easily pull in new customers, hence bad. Word-of-mouth will then proliferate low perceptions making it a further reduction in potential customers and hence low purchasing intentions.

Price sensitivity: When perceived as being of low quality, the customer becomes price sensitive. Lower price may be demanded or customers may shift to cheaper variants thus reducing profit margins and loss in overall sale.

The perception of quality is very important to the customer-the better the perception, the higher the purchase intention. High-quality service that is perceived by customers leads to a trust in the provider, to satisfaction with the service, hence to higher repurchase and more loyal intention to purchase. Negative perceptions, on the other hand, largely reduce the intention to purchase, harm the reputation of a brand, and increase the sensitivity of price. High service perceived quality ensures customers of strong and steady purchase intentions.

22.9 THE KEY DRIVERS OF SERVICE QUALITY, CUSTOMER RETENTION AND PROFITS

There is a close relationship between these factors: service quality, customer retention, and profits. This leads to customer loyalty and, in turn, will put the company towards the high customer retention rate, impacting an increase in customer lifetime value. All of these collectively provide profit to the firm. Such high-quality and consistent services, personalized for the customer in efficient operations, will maximize profit realization from the business. Companies that focus on these drivers build strong and long-lasting customer relationships bound to bring in long-term profitable results.

Effective nonfinancial performance measurements are to measure those dimensions of an organization that financial metrics cannot. They help an organization understand its performance related to customer satisfaction and operational efficiency, employee engagement, and strategic alignment. Here are how some measurements of non-financial performance could work:

1**. The Satisfaction of the Customers:**

Customer Surveys and Feedback: Regular feedback through customer satisfaction surveys, Net Promoter Scores, and the like indicates the level to which customer expectations are being met. High satisfaction scores typically correlate with customer loyalty and repeat business.

Customer Complaints and Resolution Time: The number of complaints, nature of complaints, and the time that is taken for resolving them, the quality of services, and efficiencies in services are reflected in a way. A reduction in complaints and time taken to clear them out basically means that customer service is improved.

2. Customer Retention and Loyalty

Churn Rate: It provides the measure of the customers leaving the firm; thus, there is a view regarding the rate of customer retention. A lower churn rate means that the company retains a better customer base.

Loyalty Metrics: This shall be seen as metrics on the repeat purchase rate, customer lifetime value, and engagement within loyalty programs that measure the extent to which a company retains its long-term relationship with customers.

3. Employee Engagement and Satisfaction

Employee Surveys: Conduct periodic employee surveys on job satisfaction, engagement, and morale to know where there is a need for improvement. This also helps in the retention ability.

Turnover Rates: Maintain a record of employee turnover rates and an understanding of the cause of exit gives you valuable information about the workplace and culture of the organization. Less employee turnover is usually linked with a more highly engaged and more satisfied workforce and organization.

4. Operational Efficiency

Process Performance Metrics: Cycle times, error rates, resource utilization—these metrics all measure the efficiency of key processes and therefore assess operational effectiveness. Improvements in these metrics indicate more streamlined and cost-effective operations.

Service Delivery Metrics: On-time delivery rates, service availability, and adherence to SLAs all reflect how well service delivery is executed.

5. Innovation and Learning

R&D Investment: The investment in research and development reflects the commitment of the business to innovation. The higher the investment, the higher is the likelihood that innovation is the area under focus for new product and service development.

Training and Development: The reach and resultant influence emanating from the evaluation of employee training and development programs can be used as a mechanism to test how well the investment in workers' skills and capabilities is being done.

6. Brand Strength and Market Position

Brand Awareness and Perception: Continually monitor brand awareness through market research, and couple this with the monitoring of perceptions within customer feedback and through social media sentiment.

Market Share: An index to measure shifts in market share and thereafter to evaluate competitive position and the success of capturing market opportunities.

7. Compliance and Risk Management

Regulatory Compliance: This would guarantee that the company does not depart from what is provided in the industry regulations and standards. Non-compliance will expose the company to the wrong arm of the law and taint its character.

Risk Management Metrics: The risk management practices would be clear with the number of incident reports, and the findings from the risk assessment exercises. The metrics would also allow the identification of likely risks and steps would be taken to counter these risks.

8. Sustainability and Corporate Social Responsibility or CSR

Environmental Impact: It enables the measurement of environmental parameters such as carbon footprints, energy usage, and waste reduction programs to ascertain the level of the enterprise's dedication to sustainability

Social Impact: It can provide an overview of the company's social acts of responsibility and their impacts by monitoring CSR activities in the form of community involvement and charitable donations.

9. Customer and Market Insights

Customer Journey Analytics: It is the analysis of the customers' engagements with the enterprise at various touchpoints for understanding the customer experience and where to fine-tune it.

Market Trends and Competitive Analysis: The trends in the watchers' market and the competitive dynamics will help in identifying the various changes or developments that happen in shaping the industry and enable relevancy and apt competitiveness for the company.

Effective nonfinancial performance measurements cast light on other aspects of an organization that possibly may not be captured through financial metrics only. An organizational focus on customer satisfaction, employee engagement, operational efficiency, innovation, brand strength, compliance, sustainability, and market insight provides an overall all-around view of organizational performance. Measurement of these elements would identify the strengths, develop the weaknesses, and consequently move towards an overall culture of continuous improvement for long-term success and profitability.

Check Your Progress-A

Q1. State the offensive service marketing?

Q2. Explain the Gap 3 and measures to reduce the gap?

Q3. Write a short note on the applications of Gap models.

22.10 SUMMARY

Service quality in financial services is very important because it has direct impacts on customer satisfaction, trust, and loyalty in an industry offering such intangible products like advice on financial matters, banking, insurance, and investment management. Service quality and profitability go hand in hand, especially for sectors such as financial services where customer satisfaction and loyalty are viewed as the drivers of business success. The various offensive and defensive marketing strategies of service and effects are discussed. There is a close relationship between these factors: service quality, customer retention, and profits. This leads to customer loyalty and, in turn, will put the company towards the high customer retention rate, impacting an increase in customer lifetime value. All of these collectively provide profit to the firm. Such high-quality and consistent services, personalized for the customer in efficient operations, will maximize profit realization from the business. Companies that focus on these drivers build strong and long-lasting customer relationships bound to bring in long-term profitable results.

22.11 GLOSSARY

Assurance: The knowledge, competence, and courtesy of employees, and their ability to instill confidence and trust in customers.

Brand Awareness: The extent to which customers and potential customers recognize and recall a brand.

Brand Perception: The overall impression and reputation of a brand in the eyes of customers and the market.

Churn Rate: The rate at which customers leave or stop using the service, often used as an indicator of customer satisfaction and retention.

Customer Lifetime Value (CLV): The total revenue a customer is expected to generate throughout their relationship with a company, reflecting their long-term value.

Empathy: The degree of personalized attention and care provided to customers, demonstrating understanding and consideration of their individual needs.

Loyalty Programs: Programs designed to reward and incentivize repeat customers, aiming to increase retention and encourage continued business.

Market Share: The portion of the market controlled by a company, reflecting its competitive position and success in capturing market opportunities.

Reliability: The ability of a service provider to deliver consistent, dependable, and accurate services according to promises or agreements.

Responsiveness: The willingness and promptness of service employees to help customers and address their needs or concerns.

Tangibles: The physical elements of the service, including facilities, equipment, and the appearance of staff, which contribute to the overall impression of the service.

22.12 REFERENCES

- Services Marketing: Integrating Customer Focus Across the Firm by Valarie Zeithaml, Mary Jo Bitner, and Dwayne Gremler
- Services Marketing: People, Technology, Strategy" by Christopher Lovelock and Jochen Wirtz
- Services Marketing by Christopher Lovelock and Jochen Wirtz

22.13 SUGGESTED READINGS

1.Marketing of Services by Vinnie Jauhari and Kirti Dutta

22.14   TERMINAL QUESTIONS

1. Explain the relationships between service improvements and profitability.

2. Explain the difference between offensive and defensive marketing? How does service affect each of these?

3. Explain the various gap models and its applications.

22.15 CASE LETS/CASES

ABC Financial Services

Location: Urban area with a mix of individual and corporate clients

Services Offered: Wealth management, financial planning, investment advisory, and insurance.

ABC Financial Services had reached a point where, though the customer base was growing, the institution's profitability was plateauing. To its management, the flat profit margins were a major concern, and it desired to unravel the reasons behind the stagnation. It thus sought to find out if quality service improvement could help them boost their bottom line.

The management team focused its detailed analysis on the following critical areas:

Surveys: customer feedback surveys revealed that customers were not satisfied with the response time of financial advisors as well as with the understanding level of investment advices given. The customers often outline the insufficiency of personal attention and time-consuming problem-resolving process.

Client Retention:

Churn Rate: The churn rate of ABC had to be above the industry rate average. Most of clients were going to competitors due to attractive and customized services.

Loyalty Programs: The company was running a very basic loyalty program; however, it was not properly communicated and hence was not appreciated by the clients.

Service Quality:

Service Delivery Metrics: Metrics reflected that the quality of the service delivery was inconsistent. Some of the advisors were very prompt in response and delivered good advisory services; on the other hand, some advisors did not even meet the standards of minimum, resulting in haphazard experiences delivered to the clients.

Process Performance: Ineffectiveness in the client onboarding and advisory processes is marked as the process performance. Clients tend to delay and are least accepting of the

ineffective process, and this leads to irritation. Internal process synchronization also stays unclear.

Brand Strength

Perception of the Market: Market research shows that the brand of ABC is strong but not necessarily innovative. Clients believe that competitors are providing them services that are more sophisticated and client-personalized as compared to ABC.

In view of the identified problems, ABC implemented the following strategies for profitability:

Service Quality:

Training: Developed in-depth training for financial advisors on responsiveness, client-centered communication, and personalization in service.

Client Interaction: Developed a stronger client relationship management infrastructure in order to optimize personal services.

Technical Marketing:

Loyalty Programs: Increased the value account holders are receiving and communicated this more frequently about the benefits.

Feedback Loops – Implemented regular feedback loops to ensure that if there are problems they are solved fast, and the services are realigned to the clients' needs.

Operational Enhancements

Optimization of Processes – Processes for on boarding and advice for the clients were streamlined and minimized delays in general efficiency. Improved the source of internal communications to provide better coordination of delivering services to the clients.

Brand positioning

Innovation and Technology. Invested in new technology to access advanced financial planning tools to achieve a superior client experience. Publicized these innovations through target marketing.

Impact of strategies implemented were

Increased customer satisfaction:

Post-implementation customer surveys showed a significant increase in customer satisfaction scores, where the net outcome was reflected in the expression of greater satisfaction by scores of customers receiving better service responsiveness and personalization.

Reduced churn rate:

Churn rate was reduced by 25% in the next year due to the increase in customer satisfaction through the improved quality of service and the loyalty program.

Greater profitability:

Revenue Growth: The enhanced quality of service and better retention of clients were in favor of the department and generated more revenue from all the retained clients. More importantly, a new clientele generated from the word-of-mouth referrals regarding good services increased the revenues of the business.

Cost Efficiency: The automation of processes reduced the operational costs and encouraged the increment of revenues hence increased profitability.

Improved Brand Reputation:

The added improved brand value to be able to offer better-quality services and more innovative offerings helped in making a positive perception of the business in the market and hence become more competitive.

What can be clearly seen from ABC Financial Services is that quality improvements in financial services will hopefully result in profitability through the various key areas including customer satisfaction, retention, operational efficiency, and brand positioning, whereby it improved the relationship with its clients, cut churn rates, and boosted revenues.

QUESTIONS

1. What lessons can be learned from ABC's approach to improving service quality and profitability?

2. How can other financial services firms apply similar strategies to enhance their own service quality and financial performance?

3. What additional steps might ABC consider to sustain the improvements in service quality and profitability in the long term?

UNIT 23 EMERGING TRENDS OF SERVICE MARKETING AND ROLE OF INTERNET

23.1 Introduction

23.2 Objectives

23.3 Digital Transformation of Service Marketing

23.4 Evolution of e-commerce in Service Industry

23.5 Latest and Emerging trends in Service Marketing

23.6 Internet and Service Marketing

23.7 Issues and Challenges in Digital Service Marketing

23.8 Glossary

23.9 Answer to Check Your Progress

23.10 Reference/ Bibliography

23.11 Suggested Readings

20.12 Terminal & Model Questions

23.1 INTRODUCTION

This unit focuses on the emerging trends in service marketing. The entire landscape of business is undergoing a metamorphosis due to the advent of internet. This has bought about a lot of changes in all the domains. Marketing practices across all the industries have evolved. With these changes the customer expectations and behaviour has also changed. Catering to these changes and adapting to the emerging trends have become the need of the hour. This unit will give an insight how these trends can be leveraged to create better products and customer relationships, resulting in long term success of businesses. It is very vital of the service marketers to stay agile and active in order to develop an understanding and adapt to these emerging trends in order to thrive in the competitive scenario.

This unit will enable you to understand these emerging trends along with the evolution if AI and automation in the service industry which has made the service industry thrive and succeed in the current competitive scenario. Contemporary trends like personalization in services, omnichannel service marketing and sustainable and ethical service marketing will also be discussed to give you an understanding of the service industry in the current scenario.

23.2 OBJECTIVES

After reading this unit you will be able to understand:

- the emerging trends in service marketing
- digital transformation of service marketing
- the use of AI and automation in services
- role of internet in service marketing
- challenges in digital marketing of services
- sustainable marketing and ethical practices
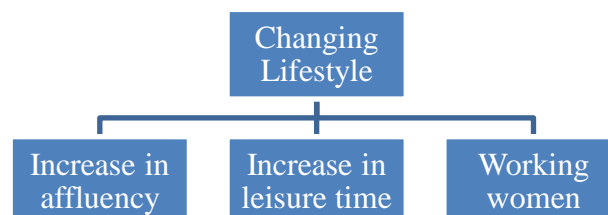- future trends in service marketing.

23.3 DIGITAL TRANSFORMATION IN SERVICE MARKETING

Service marketing is a specialized field of marketing that promotes and sells an intangible product for the satisfaction of the needs and wants of the consumer. In the recent times service industry has become very prominent in the growth of any country. This dramatic change in the service sector is due to the changing lifestyle, technological advancements, digitalization, modernization, globalization etc. Earlier the traditional practices in marketing were also followed in marketing of services, however with the changing times it became very evident that service marketing must be treated as a separate discipline. After that a lot of changes occurred and with passing time a lot of new trends emerged in service marketing.

Fig. 23.1 represents the reasons that have led to the recent changes in service industry.

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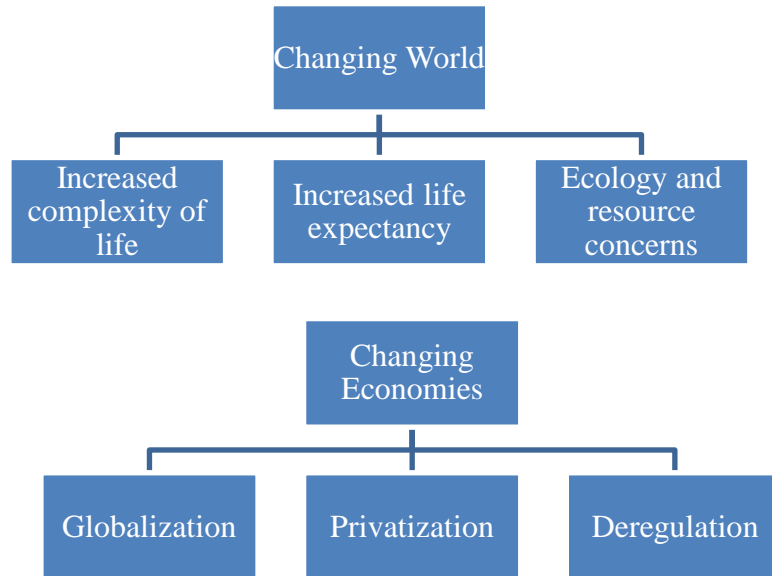
Digital transformation is one of the most crucial factors contributing to the latest trends and growth of the service industry. The digital landscape is evolving and the digital transformation wave has swept the entire service industry. It is the process of inculcating digitalization and technology in all the business processes, organizational culture, customer interaction and experiences. It can pave way to a lot of new avenues that lead to innovation, agility, better decision making and enhanced customer experiences.

• Role of Internet in Service Delivery

The advent of internet in the current scenario has transformed the way organizations deliver services by dynamically changing the customer interactions, operations and accessibility. The traditional methods of service delivery have been transformed to more modern and convenient methods like:

• Accessibility and Convenience

The services now can be made available 24*7 enabling their easy access and resulting in time and place utility. The traditional business hours and also the geographic boundaries have been eliminated. Along with this the services can now be accessed by consumers from remote locations as well. This has been very beneficial for some service sectors like education, banking, healthcare etc.

• Enhanced communication and engagement

With the evolution of tools like chatbots, real time interaction and communication with the consumers has become possible. Customer queries and other issues are being addressed promptly thus saving time and other resources. Two-way communication has enabled better and stronger customer relationships with the introduction of many online platforms.

• Cost efficiency and scalability

The overall operational cost has reduced due to digitalization in service delivery as it reduces the requirement for physical infrastructure and labour. Also, the internet enables organizations to scale their services to adjust with the fluctuating demand without incurring any extra cost.

•   Broadening market reach

The geographical barriers have been eliminated due to internet and the global reach has been increased. The businesses can now easily reach a global market to expand their operations. A lot of e commerce websites like Amazon connect the service providers and service consumers across the globe.

•   Service Quality

Internet has made real time monitoring convenient. This enables the organizations to receive instant feedback and promptly make the necessary changes wherever needed. The consumers also have access to online reviews, ratings and experiences, making it easier for them to access the quality of the service. They are now more informed due to the transparency created.

Check Your Progress-A

Q1. Define service marketing.

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Q2. Discuss the role of digitalization in broadening market reach.

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Q3. Multiple Choice Questions

1- ……………process of inculcating digitalization and technology in all the business processes, organizational culture, customer interaction and experiences.
   a- Service Marketing
   b- Digital Transformation
   c- Marketing

      d- Globalization
2- Which of the following is a benefit of digitalization of service marketing?
      a- Accessibility
      b- Convenience
      c- Enhanced service quality
      d- All of the above

23.4 EVOLUTION OF E-COMMERCE IN SERVICE INDUSTRY

E-commerce is the exchange of goods and services or transmitting funds via electronic channels, prominently via internet. And we all are aware that with the advent of internet e-commerce has evolved to an extent that no business is untouched by its presence. E-commerce also provides the organizations to opt for innovations and transformation of service operations. Therefore, the service industry has been affected by e-commerce to a much greater extent. This has bought about a paradigm shift in all the service operations including the promotion, selling and delivery of services. This shift has occurred due to several reasons. The major growth drivers being the rise of internet use, increased usage of smartphones, online payment system and the changing behaviour and expectations of the consumers. E-commerce has also been very important in enhancing the entire service experience of the customers and also reach new markets. This also has led to the growth of the service organizations.

Today the customers seek augmentation in the service offering as well. Accessibility, convenience and comfort have become very essential. The transformation of physical interactions between the organization and the customer to online interactions have made it possible for the service organizations to provide the customers with all the aforementioned essentials. This has also contributed to the rapid growth of various sectors like online education, digital entertainment etc. Reaching new marketing is one of the most important benefits of e-commerce. It has enabled the service providers to reach more and more people across geographical boundaries. They can now leverage the data and customize the offerings as per consumer behavior and preference. Online consulting platforms, online education platforms and online health care platforms are some examples of how e-commerce has revolutionised the service industry by enhancing customer experience and satisfaction viz a viz providing wider choice, customization and convenience. Some of the sectors that have benefited from the rise of e-commerce in service industry are-

- **Entertainment Sector**

OTT platforms like Netflix, Disney+, Amazon Prime, Amazon Music, Spotify, Apple Music etc provide subscription based and on demand content at the ease of the consumers. Similarly, the digital gaming platforms enable the users to play instantly, download and buy games. Audiences across the globe can be reached by live streaming platforms like

Youtube, where events and shows can be streamed without any one's physical presence. The viewers now have access to more original and diverse content which is customized as per their preference and is interactive.

- **Financial Services**

Customers can quickly and very securely conduct transactions using online platforms like online banking and digital payments. Consumers now have access to a wide range of financial services tailored to their needs. Digital banking, fintech solutions, Digital payments, Online investment platforms, Insurance services are some of the financial services provided via e-commerce platforms that provide accessibility, convenience, cost efficiency and personalization to the consumers and thus enhances their experience and saves time.

- **Education**

 The entire landscape of the education sector has changed with the evolution of e -commerce in the service industry. The rise of e-learning platforms has enabled the learners to access information and knowledge from anywhere. This has bought about a huge disruption in the traditional education system. By leveraging e-commerce, the education providers can reach a global audience and cater to their diverse learning needs. Virtual classrooms and e learning tools have democratized education. Learning Management Systems facilitate interaction between the educators and learners and also help in management of study material and progress tracking. E-commerce has given the learners a wide choice from academic subjects to skill development programmes. This is allowing them to learn and explore beyond the traditional curriculum.

Duolingo- Success Story in Language Learning leveraging E-commerce

Duolingo is a language learning platform of American origin founded by Luis von Ahn and Severin Hacker in 2022. It teaches over 40 languages across the globe using gamification and freemium e-commerce platform. The main objective of Duolingo is to make language learning accessible and free. This model combines education and e-commerce platform.

Challenge

Earlier the Duolingo language learning was time consuming, expensive and based on the traditional classroom setting method and using costly software. The founders analysed the market scenario and found that there was a need for a platform that was less expensive or free and could reach a global audience. Duolingo decided to democratize language learning by making it accessible to everyone with access to internet.

Solution

1- **Freemium Model**- Duolingo offers the primary or core product free of cost. However, in app purchases are available for users who wish to enhance their

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learning or use more advanced features. The free version has ads whereas the advanced versions are ad free and also have features like offline access and progress tracking.

2- **Gamification and Engagement**- to make the learning experience more engaging Duolingo uses game like features such as streaks, levels, rewards etc. This keeps the learners motivated. There are a lot of small and interactive exercises**.**

3- **Data Driven Personalization-** the content delivered by Duolingo is tailored as per the strengths and weakness of the learners as it uses data analytics to personalize the learning experience. The lessons are based on the individual progress of the learners.

4- **Global accessibility-** The mobile- first platform of Duolingo makes it accessible on all smartphones, tablets, laptops and desktops. Also, the app is available in multiple languages catering to the diverse needs of learners across the globe.

5- **Community and Crowdsourcing-** In this model the volunteer can contribute to new languages and help in expansion of the offerings along with keeping the content up to date.

Results

As a result of amalgamating education and e-commerce Duolingo was able to achieve the following results:

1- **Massive user base**- It became one of the most widely used language learning platform with more than 500 million registered users.

2- **High engagement and retention**- The approach adopted by Duolingo was helpful in maintain daily active users, keeping users engaged and this resulted in retention of learners. This was possible due to the interesting features like gamification and personalization.

3- **Recognition and Impact**- Duolingo has bagged awards like Apple's iPhone App of the year, Google Play's Best of the Best etc. because of its innovative approach.

4- **Financial Success-** Duolingo plus subscription, ads and in-app purchases helped Duolingo monetarily. Its valuation amounted to $4 billion when it went public in 2021.

Challenges

1- Balancing free and paid services
2- Quality of content provided to the learners
3- Constant innovativeness in user engagement

Conclusion

The success story of Duolingo explains the vital role of e-commerce in transforming education and making it more innovative and scalable. Leveraging e-commerce

effectively and efficiently has not only made Duolingo one of the most widely used language learning platform but also has significantly impacted global education**.**

Check Your Progress-B

1- Explain the role of e commerce in marketing of services.

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2- Discuss in detail any two service sectors that have been influenced by e commerce.

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23.5 LATEST AND EMERGING TRENDS IN SERVICE MARKETING

Extreme competition and the changing business environment have dynamically changed the marketing practices. Due to the changing customer demands, advent of internet and increased competition the marketing practices have shifted from just managing the marketing mix elements to much broader and holistic practices which include concepts like yield management, personalization, customer retention and enhancing the overall customer experience. Service marketing has also evolved and changed. Lot of new trends have been inculcated in the marketing of services. These trends are forcing the service organizations to adapt to these changes and stay alert and agile so as to stay ahead in the competition and grow. These trends also enable the organizations to differentiate their offering and maintain their competitive advantage in the industry. This section with highlight the latest emerging trends in service marketing and also focus on the importance of integrating the marketing strategies with these trends to combat the challenges posed by the changing landscape of business.

Some of the emerging trends in service marketing are as follows:

Fig 23.2 Emerging trends in service marketing

1- Personalization and Customer Experience

Personalization is the process of designing or creating something to meet the specific needs of an individual. Personalization has become a mandate to stay competitive and forms an integral part of the overall customer experience. Tailor made service offering always makes the customers feel valued and thus enhances their experience and thus makes them repeat buyers. This also has an impact on the loyalty of the customers.

- **Data driven personalization**- This focuses on the leveraging the customer data for developing an understanding about their preferences, interests and choices. This information is then used to make personalized offering for the customers. Data driven personalization also leads to enhanced customer engagement.
- **Customized Service Offering**- It is very essential for service marketers to make the customers feel special and customizing the service offering as per the needs and preferences of the customers solves the purpose.
- **Predictive Personalization**- In today's scenario it is very important for the organizations to be proactive in their approach. For this it is essential to anticipate the future needs of the customers. Predictive analysis plays a very important role in anticipating customer needs and also in aligning the solution of these need.

- **Dynamic content and communication**- Companies are making a stronger connect with the customers using customized emails, messages and also sharing content that aligns with the interest of the customers. This helps in making the customer feel valued.
- **Customer centric approach-** The entire concept of service marketing must revolve around enhancing the customer experience. Customers should be put at the heart of any service design and delivery. Customers' needs and wants should be properly understood and the strategies must be aligned accordingly. Also, the employees should be empowered to make customer satisfaction a priority. Collecting feedbacks and implementing them, focusing and understanding the pain points and constantly working towards improving and refining the service experience helps to attain customer satisfaction.
- **Emotional Engagement**- Creating an emotional connect with the consumers through better service delivery, personalized interactions and memorable experiences creates lasting relationship with the consumers.
- **Proactive service**- It is very essential for service organizations to be proactive in their approach. They must use predictive tools to identify and address the issues that the customers might face in future and be ready with a solution.
- **Instant gratification and speed-** Providing a quick and prompt service is very essential in the current scenario. Instant solutions, streamlined processes and quick response is the need of the hour.

2- AI and Automation

AI has empowered the service organizations to ensure 24/7 customer assistance, resolving queries and taking up inquiries without human intervention. Also, the advances in NLP (Natural Language Processing) have enabled the chatbots to understand and respond to customer queries in a more humanized and conversational manner.

AI provides algorithms that adjust the pricing in real time as per the demand, customer behaviour, competition, industry scenario etc.

RPA (Robotic process automation) frees the employees from repetitive tasks and rule-based tasks. Automation also reduces the probability of occurrence of errors leading to accurate and reliable service delivery.
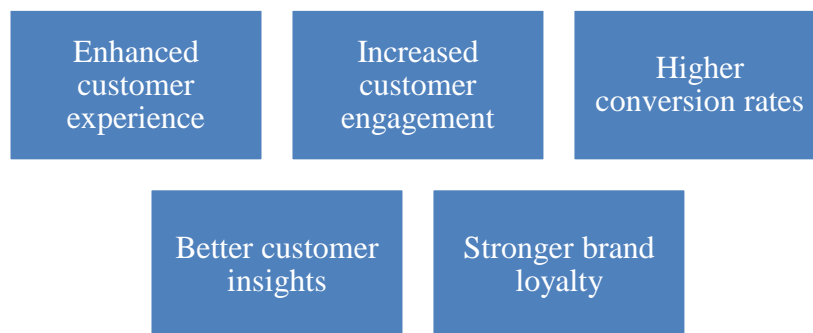
Interactive voice response system (IVR) guides the customers through self-service options and helps them to make their experience better and easily understandable. Self-service portals also offer great convenience to the customers.

AI also plays a very prominent role in workforce management. It ensures that the right number of employees are always available to cater to the customer needs. Furthermore, the performance of the employees, training and development and scheduling can be done using AI and overall workforce optimization can be attained.

3- Omnichannel Service Marketing

Omnichannel service marketing is an approach that enables the integration of multiple channels of communication and distribution to provide customers with a seamless, consistent and unified experience. This ensures that if the consumer has any kind of online or offline contact or interaction with the service organization, it should be interconnected and comfortable.

Physical stores, mobile aps, social media, email, websites etc, all the channels are interconnected in omnichannel marketing. This smooths the process in case the consumer switches between and two channels without losing the continuity. Brand identity and customer trust can be built as the service experience remains the same irrespective of the channel opted for. Also, the customer data from the different platforms are combined to create a comprehensive profile enabling communication and personalized service delivery.

Enhanced customer experience	Increased customer engagement	Higher conversion rates

| Better customer insights	Stronger brand loyalty

Fig 23.3- Benefits of omnichannel service marketing

4. Subscription Based and On Demand Services

Subscription based and on demand services are two major models that have reshaped the entire service industry by providing the consumers personalized experience, flexibility, convenience and comfort.

Subscription based services are those services that allows the consumers to pay a recurring fee as per their convenience in a monthly, quarterly or annual mode for accessing the service.

Recurring revenue	Cutomer retention and loyalty

| Personalization	Freemiums and Tiered models
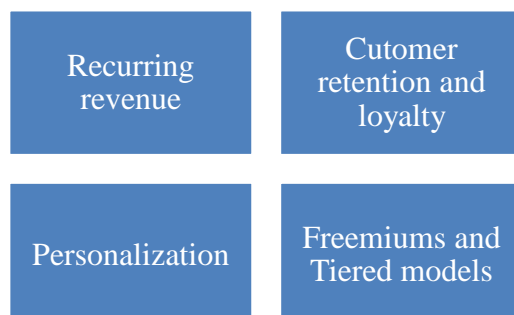
23.6 FEATURES OF SUBSCRIPTION BASED SERVICES

Streaming services, SaaS (software as a service), Product subscriptions are some of the subscription-based services that have changed the face of service industry.

Benefits of Subscription based services

- **Customer Convenience**- Features like auto renewal and hassle-free access offer convenience to the consumers
- **Enhanced Customer Insights**- It also provides valuable data regarding customer preferences and usage patterns through continuous engagement.
- **Scalabilit**y- The business offerings can be scaled to accommodate more subscribers without incurring much cost in case of business expansion.

On-demand services are the services facilitated by digital platforms that provide the consumers immediate access to services as and when they need them.

Instant access	Flexibility and convinience
Gig economy integration	AI and Automation
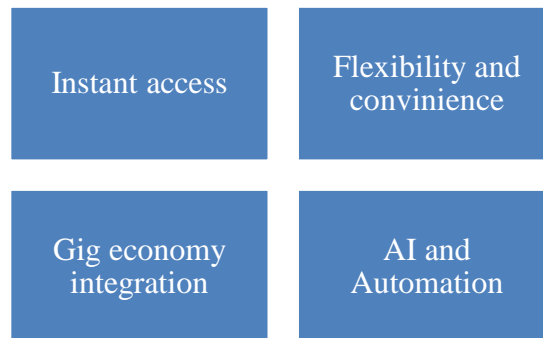
23.7 FEATURES OF ON-DEMAND SERVICES

Some of the examples of on-demand services are:

Ride-sharing services like Uber provide transportation facilities on demand.

Foord delivery platforms like Zomato and Grubhub enables food delivery from restaurants at the comfort of the consumers

Using streaming rental services like Netflix and Amazon consumers can rent content on demand.

Benefits of on-demand services

On-demand services have been very beneficial for the service providers as well as the service consumers as they provide customer control over the access of the content. Also, the consumers can enjoy hassle free access over the content without long term financial commitments.

Impact of Subscription based and on demand services on Service Marketing

These services have shifted the focus to customer-centric strategies from product-centric strategies. With the emergence of these service marketing trends the businesses are

emphasizing on customer experience by providing seamless and value driven experiences. Subscription based approach fosters communities that have loyal customers. This is because the customers feel connected and valued. These service approaches are reshaping the way by which the organizations deliver value and engage with the customers along with generating revenue.

5. Sustainable and Ethical Marketing in Services

In the current business landscape, it is very necessary for the business houses to for follow sustainable business practices and ensure ethical conduct. Sustainable and ethical marketing in services focuses on providing services in ways that are environmentally friendly, socially conscious and are in alignment with ethical principles. With the consumers being more aware and informed about their choices, it has become very crucial for the service providers to not only satisfy their need but also to be ethical and responsible.

Sustainability means using responsible and eco-friendly practices, reducing wate and conserving the natural resources to minimize harmful effects on the environment.

Ethical Practices in marketing are related to "doing good". Organizations must understand their role in the development of the society and always follow ethical practices like fair trade, good working conditions, etc.

Green Services	Transparency and Honesty	Fair Trade and Ethical Sourcing
Carbon Neutrality	Inclusive Marketing	Circular Economy Practices

23.8 TRENDS IN SUSTAINABLE AND ETHICAL MARKETING

Benefits of Sustainable and Ethical Marketing

- **Enhanced Brand Reputation**- sustainable marketing and adopting ethical practices improve the reputation of the organization. The customers today are very informed and aware about environmental protection and thus want to be associated with organizations that share their belief. Following ethical practices also proves that the organization is reliable and credible.
- **Competitive Advantage**- Sustainability is a key factor that differentiates the products of one company with the others. In todays cut throat competition the businesses can create a different and niche position in the market my implementing such practices.
- **Credibility**

Service organizations are focusing on positioning themselves as organisations that effectively deliver brand value by creating Emotional selling proposition rather than Unique Selling proposition. They are trying to create credibility and favour branding and creation good public relations instead of paying hefty amounts in advertising.

7. Simplification

Simplification of service offering plays a vital role in the success of service firms. Service organizations are moving towards decreasing consumer complexity and increasing consumer knowledge and enhancing their experience through simplified processes. Most of the marketers are designing marketing tools like customer friendly website that are highly interactive and engaging. This allows the consumer to consume services in easy, comfortable and convenient way.

8. Internationalization

Like all other businesses service sector is also going beyond boundaries. Trends are moving towards the dominance of global brands that are operating in service sector. This is possible because the service organizations are leveraging latest technologies to cater to the needs of the consumers globally. They are able employ advanced CRM tools that enable marketing and promoting their brands to consumers irrespective of geographical limitations.

9. Bundling

Bundling the services with other services or goods helps to develop physical evidence Also, it helps in reducing the impact of intangibility in marketing services consumer and makes it easier for the marketers to promote, sell and deliver the services more effectively.

10. Virtual experience

With the advent of technology and the revolution of internet service marketers are commonly using technological tools like virtual reality in service marketing. Marketers are also developing platforms like fan-clubs; forums where the consumers can share their experience to develop trust about the service offering. The virtual experience that the consumers get creates trust and reliability on the service offering.

Check Your Progress-C

1- **Define predictive personalization.**

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2- What is sustainable marketing?

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…………………………………………………………………………………………
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3- What is personalization of services? What role does it play in enhancing customer experience?

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………………….

4- Fill in the blanks

1- The virtual experience that the consumers get creates ………………….and ………… on the service offering.

2- Service organizations are focusing on positioning themselves as organisations that effectively deliver brand value by creating …………………. rather than ……………………..

3- ………………… and……………… are features of on demand services.

23.9 INTERNET AND SERVICE MARKETING

We are living in an ever-evolving digital age where the role of internet in marketing is very prominent. Internet marketing plays a vital role in the success of any organization. It is beneficial to nearly every aspect of the business be it, lead generation or facilitating the entire creation and delivery process.

Internet marketing goes by many names such as online marketing, digital marketing, web marketing, e-marketing, etc., is defined as the process of promoting brands, products, or services, over the Internet. It encompasses all the promotional activities that are done via internet or wireless media, like email marketing, blogging, search engine optimization (SEO), and social media. This growth of internet marketing is possible because of its worldwide reach and speed. It is now possible for the marketers to reach a mass audience across the globe which in turn has redefined customer relationships, business to business transactions (B2B) and also business to customer relationships (B2C). Service industry has benefitted a lot from this. Internet marketing of services has revolutionized the entire service industry and has made it possible for the marketers to share brands and services on a global scale. At the same time, it has benefitted the consumers also. They can now access information 24*7 from any location about the services, give feedback, read reviews and other details via websites, blogs and social media platforms. Better global branding and

greater service awareness can also be achieved by internet marketing. Also, online marketing helps organizations to strategically reach the target audience, position the services appropriately and ensure effective promotions. If Internet marketing is done right, campaigns can easily be tracked, measured, and tested to ensure that proper results are being received.

Having the right Internet marketing strategies is an important part in helping organizations successfully market and advertise their products and services to consumers, connect with customers, and make sales.

Role of internet in service marketing can be useful in many ways.

- **Attracting new consumers**

As we all know that the number of online shoppers has increased a lot, internet marketing strategies help the service organizations to build brand awareness and generate new leads. Social media platforms enable the organizations to extend their reach and also run online promotion campaigns to reach the right audience.

- **Increased visibility**

Search engine optimization (SEO), social media marketing and paid internet advertising are a few techniques by which the services can reach a large audience throughout the world. This presence and visibility on the internet attract potential customers.

- **Increasing brand loyalty**

Engaging the customer on social media platforms increases brand loyalty. Organizations can share information regarding the service in their websites, social media handles, blogs, emails etc. Organizations can also put reminders for events and discounts on their website.

- **Reaching a global audience**

Unlike some traditional marketing techniques (e.g., physical flyers or posters), internet marketing allows you to create global awareness of your brand from the comfort of your location. At one time you might have had to attract customers who lived physically close to your storefront, but now you are able to share information about your products and services online and people from all over the world can immediately purchase from you.

- **Targeting customers with accuracy**

Internet marketing enables the organizations to gain insight into real-time activities of the consumers. Unlike traditional marketing techniques, they are able to see the effects of the marketing efforts instantly through customer comments and likes on social media.

- **Cost Effective Advertising**

Advertising through the use of internet is more affordable than the traditional advertising methods. Pay-per-click (PPC), online ads help businesses in budgetary control making it more cost effective than the tv or print advertising.

Digital marketing metrics allow organizations to track, measure, and make adjustments to in their marketing strategy. This helps in understanding if a strategy is successful or not so that the necessary changes or corrective actions can be made.

- **Personalizing the customer experience**

Personalization of services can act as a major differentiator of services and also enhance the customer experience. Online activity plays a very important role in this. Live chats, comments, reply on comments, personalized suggestions to customers are some of the ways to personalize customer experience.

Internet has transformed the marketing of services and has become a prominent tool in promoting services in this digital era. It enables organizations to leverage digital platforms to reach a broader audience in a cost effective and better manner.

23.10 ISSUES AND CHALLENGES IN DIGITAL SERVICE MARKETING

Digital marketing of services is a very effective tool but it also comes with its own limitations. In this section we will discuss the limitations or challenges in digital or internet marketing of services.

- **Intangibility of services**

Intangibility is one of the most distinctive characteristics of services. Services are actions or performance that are done to satisfy the needs and wants of the customer unlike goods. Goods can be seen, tasted, touched whereas in case of services this is not possible. For example, teaching is a service in which the actions (teaching) are directed towards the students by the service providers (teachers). This service cannot be seen or touched by the students. They can only experience it. Intangibility presents several marketing challenges. This characteristic of services makes it very difficult for the service provider to convey to the consumers the real value and benefits of the service.

- **Building trust and credibility**

Building trust and credibility in case of promoting services online is very difficult for the organizations as the potential customers cannot physically touch or try the service before buying it. Also, negative online comments and feedback also spoil the reputation of the services provided as testimonials, reviews etc play a crucial role in case or service marketing.

- **High Competition and Market Saturation**

The digital space is over crowded with multiple service providers, making it very difficult for the organizations to stand out. Substantial efforts and monetary investment are required for competing with the well-established brands for creating a niche presence online.

- **Privacy concerns and data privacy**

Data security and privacy happens to be one of the biggest challenges in online marketing of services. Collecting customer data and using it for personalized marketing might lead to privacy issues. Businesses are required to protect and handle the data of customers very responsibly. Unable to do so might lead to violation of data protection regulations and also add complexity to digital marketing efforts by the organizations.

- **Content creation and management**

  Content creation on online platforms is very crucial. It becomes very difficult to create content that is in alignment with the value to the services and communicates the same to the audience. In case of services the content that is created to engage the customers should educate, inform and build trust. Management of content across multiple social media platforms can be a tedious and resource intensive task for the organizations.

- **Ad- Fatigue and Banner Blindness**

At times it becomes very difficult for the service ads to grab attention of the audience as they are bombarded with a lot of online ads. This leads to ad-fatigue and banner blindness. The consumers are annoyed by seeing so many ads and tend to ignore them.

- **Dynamic Customer Expectations**

In order to provide seamless and comfortable online experience to the customers the service providers must adapt to the dynamically changing customer demands and expectations. Their online marketing strategies must align with these changes.

- **Dependence on Technology**

Due to heavy reliance on technology and internet, digital marketing of services faces a lot of issues like website downtime, slow speed etc. These in turn effect the sales of the services.

Check Your Progress-D

Multiple choice questions

1- At times it becomes very difficult for the service ads to grab attention of the audience as they are bombarded with a lot of online ads. This leads…………..

    a- Discrimination
    b- Illusion
    c- Ad fatigue
    d- None of the above

2-Which of the following is a challenge in online service marketing?

a- Intangibility
b- Content creation and management
c- None
d- Both a and b

3-What is the full form of PPC

a- Payment process check
b- Pay per click
c- Public pay check
d- None

23.11 GLOSSARY

Artificial intelligence- It is a set of technologies that enables the machines/ computers to perform an array of functions.

Augmented reality- It is an interactive experience that combines real world with computer generated perceptual information.

Content Marketing- It focuses on creating relevant and enriching content to attract and engage customers. It also helps marketers to position their products.

Chatbots- A computer application designed to stimulate and process human conversation allowing them to interact. It is a conversational tool.

Data Driven marketing- It is a marketing strategy that uses data to understand the need, wants and expectations of the customers, thus enhancing their experience.

Digital Transformation- it is the adoption and implementation of digital technology by organizations to create new, or modify old, processes, culture, customer experiences.

Experiential Marketing- It enables the marketers to connect with their customers via experiences. It creates an experience for the customers rather than approaching them with traditional marketing tools.

Email Automation- It is a marketing automation tool that allows you to send email to multiple people at a specified time for a specific purpose.

Gamification- Addition of game or game like tools to encourage participation

Geo targeting- Marketing strategy used to target the potential customers based on their location

Influencer Marketing- Collaboration between famous and popular social media users and brands for marketing and promotion of products.

Interactive content- Content that educated while creating an engaging and interactive experience for the learners.

Knowledge based marketing- Marketing strategy which involves understanding the customer expectations, market and trends.

Live streaming- Delivering real time audio or video content to the audience.

Live chat support- Instant messaging support tools for solving the query of the customers

Mobile optimization- Making aps or websites and adjusting the content to make it more mobile friendly.

Niche targeting- Targeting strategy that focuses on a specific segment.

Omni channel marketing- The blend of different online and offline channels to communicate or interact with the consumers.

Predictive analysis- It is a process that uses data and analyses it to predict the future outcomes.

Quality Content- Content that is useful, accurate, educational, reliable to the targeted audience.

Social media marketing- Marketing strategies that use social media platforms for promotion of goods and services.

Voice search optimization- Using search engine operations using voice assistance

Webinars- an online seminar that allows a large group pf people to participate from across the globe.

23.12 ANSWERS TO CHECK YOUR PROGRESS

Check your progress A

MCQ

3-b

4-d

Check your progress C

Fill in the blanks

1- Trust, reliability
2- emotional selling proposition, unique selling proposition
3- instant access, flexibility & convenience

Check your progress D

Multiple choice questions

1- c
2- d
3- b

23.13 REFERENCES

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23.14 SUGGESTED READINGS

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2. Digital Transformation in Services Marketing: The Role of Big Data and AI" by Journal of Service Research
3. Emerging Trends in Digital Marketing" by HubSpot.

23.15 TERMINAL QUESTIONS

1. Discuss the role of internet in transforming the marketing of services in the current scenario.
2. What do you understand by digital transformation of service marketing?
3. Discuss in detail the factors that contributed to the latest trends in service marketing.
4. How has the use of internet made advertising of services cost effective?
5. Explain in detail the benefits of sustainable and ethical advertising.
6. What is the impact of subscription based and on demand services on service marketing?
7. Discuss in detail the emerging trends in service marketing.
8. Explain how digitalization has changed the face of education sector.
9. What are the various challenges faced by marketers in marketing the services online?
10. What is personalization? How can it be achieved while marketing the services online?

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