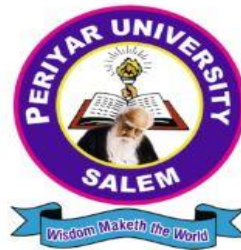


PERIYAR UNIVERSITY

**(NAAC 'A++' Grade with CGPA 3.61 (Cycle - 3)
State University - NIRF Rank 59 - NIRF Innovation Band of 11-50)
SALEM - 636 011**

**CENTRE FOR DISTANCE AND ONLINE EDUCATION
(CDOE)**

**BACHELOR OF COMMERCE
SEMESTER - IV**



**SKILL ENHANCE COURSE – VI: SERVICE MARKETING
(Candidates admitted from 2024 onwards)**

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SEMESTER IV

Subject Name	Category	L	T	P	O	Credits	Hours	Marks		
								CIA	External	Total
Service Marketing	Skill Enhance Course	2	-	-	-	2	2	25	75	100

Unit	Content	No. of Hours	Learning Objectives
1	Introduction to Services – Service Marketing – Meaning and Definition - Nature and Scope Characteristics – Challenges and issues of service marketing - Service marketing in India – Classifications of services	6	CLO1
2	Marketing Mix in Service Marketing: The Seven P’s: Product Decision, Pricing, Strategies and Tactics, Promotion of Service - additional dimension in Services Marketing – People, Physical Evidence and Process.	6	CLO2
3	Positioning of services – Designing service delivery System – Pricing of services – objectives – methods – Services on retail sector –Service Level Agreements (SLA) –Service marketing triangle.	6	CLO3
4	Managing service operations - Participants in services - Employees and customer’s role in service delivery - Mass production and delivery - Importance of quality in services - Delivering Quality Service.	6	CLO4
5	Service Marketing Strategies for health – Hospitality – Tourism –Financial & Information technique Services – Applying technology to Service settings – e-services.	6	CLO5
	Total	30	

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SEMESTER IV

Subject Name **Service Marketing**

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UNIT 1 Introduction to Service Marketing		
Introduction to Services – Service Marketing – Meaning and Definition - Nature and Scope Characteristics – Challenges and issues of service marketing - Service marketing in India – Classifications of services.		
Unit Module Structuring		
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Hello Learners.... Welcome to the intriguing world of Service Marketing, where mastering the principles and practices is crucial for enhancing business operations in the service sector. Explore the Meaning and Definition of Service Marketing, and grasp its Nature and Scope. Understand the unique Characteristics that distinguish service marketing and tackle the Challenges and Issues inherent in this field. Delve into the landscape of

Service Marketing in India, gaining insights into its unique dynamics. Finally, learn about the various Classifications of Services, providing a comprehensive understanding of this vital domain. Everything you need to know about Service Marketing....!

1.1.1 Introduction of Services

In today's economy, the service sector is a key driver of growth and innovation. Unlike tangible products, services consist of a broad spectrum of activities designed to provide value and benefits to customers without the exchange of ownership. The true essence of services lies in their intangibility and the distinctive experiences they offer to consumers. As businesses increasingly acknowledge the crucial role of the service sector, they are implementing innovative marketing strategies to effectively promote and deliver their offerings. This approach is especially critical for service-oriented industries such as banking, insurance, hospitality, and transportation.

A service can be defined as an act or performance provided by one party to another. These services are economic activities that generate value and offer benefits to customers. They are intangible activities that can either stand alone or be linked to a physical product. However, the nature of a service is inherently intangible and typically does not involve the transfer of ownership, distinguishing it from products.

In recent times, business organizations have been creatively marketing their diverse services. For service-centric organizations such as banks, insurance companies, hotels, and transportation firms, the application of marketing principles has become essential for their growth and success. This involves strategically planning, promoting, and delivering services to meet customer needs and enhance satisfaction. As a result, services

marketing emphasize the importance of selling services in a way that fulfills the expectations and satisfaction of users or customers, ensuring a positive and memorable experience.

Definitions of Services

1. Philip Kotler and Gary Armstrong (1991): "A service is an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product."

2. William J. Stanton: "Services are those separately identifiable, essentially intangible activities, which provide want satisfaction when marketed to consumers and/or industrial users and which are not necessarily tied to the sale of a product or another service."

Meaning of Services

Services encompass a broad range of activities that provide value and benefits to individuals, businesses, and society. These activities are characterized by their intangibility, meaning they cannot be physically touched or owned. Services can be delivered independently or alongside tangible products, and they often aim to meet various needs such as convenience, comfort, assistance, or improvement of well-being.

Examples include personal services like cooking and laundry, professional services such as legal and accounting work, and institutional services provided by sectors like banking, transportation, and insurance. Fundamentally, services are designed to enhance the quality of life and operational efficiency for their recipients.

Concept of Services

❖ Variety of Services:

Services encompass various types that cater to both individuals and organizations. These form the foundation of service establishments, providing a wide range of offerings.

❖ Social Services:

Organizations such as hospitals, health centers, communication centers, and educational institutions provide social services through dedicated social efforts.

❖ **Human Effort:**

Services are fundamentally human efforts, which are typically offered in exchange for a fee. Services are not provided merely for the sake of offering them; they involve transactions.

❖ **Well-being Focus:**

The concept of services emphasizes the importance of improving the well-being of people. This is a core aspect when defining services.

❖ **Intangibility and Benefits:**

Services are characterized by their intangible nature, offering activities, benefits, or satisfaction that are often not tied to physical products. These intangible elements are crucial in the marketing and sale of services.

❖ **Commercial Transactions:**

Services include activities, benefits, and satisfaction that are offered for sale, emphasizing their commercial nature.

❖ **Provider's Resources:**

When purchasing a service, the customer essentially buys the provider's time, knowledge, skill, or resources. The service provider can be an individual, a firm, a company, or any institution specializing in selling certain benefits or satisfaction.

❖ **Customer Satisfaction:**

The buyer receives satisfaction or benefits from the provider's activities, highlighting the exchange of value in service transactions.

❖ **Augmented Services:**

Services are often accompanied by tangible products, enhancing the overall service offering.

❖ **Core and Supplementary Services:**

Some definitions of services, such as Stanton's, exclude supplementary services that support the sale of goods or other services, focusing on the core service itself.

❖ Service Research:

Organizations that identify as service operators can leverage specialized research developed to address service-related issues, enhancing their service delivery.

❖ Intangible Products:

Products that are primarily intangible are classified as services, reinforcing the idea that services are distinct from physical goods.

Components of Service

Understanding the nature of a service is crucial in services marketing as it provides valuable insights into the benefits customers expect. Once the marketer identifies customer needs, it is essential to determine if the products meet those specifications. Typically, customer needs are not fully satisfied by physical products alone, as the intangible elements play a significant role in maintaining customer satisfaction. Services can be divided into four main components:



- (1) Physical Product,
- (2) Service Product,
- (3) Service Environment, and
- (4) Service Delivery.

These components must be effectively managed to meet customer needs. Figure illustrates these components.

❖ The Physical Product

The physical product involves the tangible goods that a firm markets, which include the physical transfer of ownership. These products are tangible and have standardized quality. Examples of physical products include TVs, radios,

refrigerators, computers, hair oil, vacuum cleaners, and washing machines. However, service firms primarily offer intangible products, and the nature of these services varies by firm. For instance, colleges and schools provide education, insurance companies offer risk coverage, banks provide credit and financial services, beauticians offer personal and beauty care, hotels provide accommodation and convenience, cinemas offer entertainment, dry cleaners provide cleaning services, solicitors offer legal advice, police provide security and protection, management consultants offer professional advice, and couriers offer communication and delivery services. All these service offerings are customer-oriented.

Manufacturing organizations should develop standards to ensure that their products meet customer specifications. Ensuring product quality is vital in modern organizations, with quality control departments responsible for compliance. Japan pioneered the development of Quality Function Deployment (QFD) in the 1970s to coordinate marketing managers and production engineers in meeting customer needs. QFD links engineering design features to specific customer needs, thereby increasing the product's value to customers.

❖ Service Product

A service is an activity or benefits one party offers to another that is essentially intangible. Services involve interactions with customers without transferring ownership. For example, visitors to exhibitions and trade fairs can inspect consumer durables without being approached by sales representatives. Salespeople are trained to appropriately engage with customers visiting showrooms. Products with price labels reduce anxiety for price-sensitive customers and relieve them from price negotiations. Service providers should plan their customer interactions to enhance the service experience.

❖ Service Environment

The service environment significantly influences potential customers' impressions of the service. It represents the physical backdrop surrounding the service. For example, providing hygienic food is the core service in a hotel or restaurant, but customers also expect clean premises, flexible dining hours, prompt service, soft music, attractive decor, and an exotic menu. These elements of the service

environment greatly impact the service experience. The appropriate service environment varies by firm. For instance, a fast-food restaurant requires bright lighting, whereas a luxurious and romantic restaurant needs high decor and dim lighting. A hairdressing salon might display pictures of famous stylists, a range of treatments, and offer light reading materials.

❖ Service Delivery

Service delivery is a crucial component of service and significantly impacts customers' overall perception of service quality. The manner in which the service is rendered is vital. Services are created and consumed simultaneously, often with the customer involved in the production process. Therefore, services should be tailored to meet individual customer needs. When deciding on the method of service delivery, several questions should be considered:

- ✓ Should the service be delivered at a single site or through multiple outlets?
- ✓ What is the most convenient type of transaction for customers?
- ✓ If the type of interaction is changed, would the service quality improve or deteriorate?
- ✓ Is it possible to use suitable intermediaries to achieve multiple outlets?

Nature of service	Physical product	Service product	Service Environment	Service Delivery
Super market	-Goods	-Display -Assortment -Assistance -Credit -Inventory	Sales floor Racks	-Speed -Friendliness -Market Information
Hotels	-Stay -Food	-Bill settlement -Messages -Wake-up calls	-Lobby -Parking space -Rooms -Reception	-Laundry -Transport Arrangement -Multi cuisines -Room Service -Room Cleaning

Services delivered through multiple outlets help ensure quality and consistency. There are two types of interaction between customers and service organizations: (i) customers go to the service organization, and (ii) the service organization comes to the customers. When customers visit the supplier, there is greater control over the service delivery. For example, a patient visiting a dentist may be positively influenced by the waiting room decor and the receptionist's courtesy.

Characteristics of Services

Every product is a combination of physical (tangible) and non-physical (intangible) attributes. Products that are intangible in nature are classified as services. Goods are produced, while services are performed. The unique nature of services stems from several distinctive characteristics. These characteristics necessitate marketing programs that differ significantly from those used in product marketing. Therefore, service marketers must carefully study the characteristics of services, which are:

1. Intangibility
2. Inseparability
3. Perishability
4. Heterogeneity
5. Pricing of Services
6. Ownership

❖ Intangibility

Services are inherently intangible, making it impossible for customers to see, feel, taste, hear, or smell them before purchase. This abstract nature requires service providers to focus on the benefits derived from the service in their promotional efforts. For instance, insurance companies promote benefits such as guaranteed payments for a child's education or retirement income. Holiday packages emphasize elements like flights, transfer coaches, and hotel stays. Strategies for communicating service benefits include:

i. **Tangible Representation of the Service:** Developing a physical object that represents the service makes it more tangible. For example, banks promoting credit cards emphasize the physical manifestation of credit. The credit card symbolizes the convenience of availing credit and allows banks to market their services under different brand names.

ii. **Focus on the Service Provider:** Sometimes, service providers are more tangible than the services they offer. For example, airline ticket agents, insurance agents, and doctors are more tangible than the services of air travel, life insurance, and medical care. Advertising campaigns often focus on the competence of the service providers, with quality inferred from their place, people, equipment, sales literature, and pricing. Service marketers must effectively manage these physical attributes to make the intangible more tangible.

❖ **Inseparability**

Physical products are typically manufactured, inventoried, distributed through resellers, and consumed later. In contrast, services are produced and consumed simultaneously. The service provider is part of the service, and personal services cannot be separated from the individual providing them. Service providers such as dentists, musicians, and dancers create and offer services in real-time. Both the provider and the client influence the outcome of the service. Due to inseparability, direct sales of services are the only distribution channel. Individual providers can serve a limited number of customers daily, while institutions can market services extensively through agents. Inseparability has several market implications:

i. **Simple Distribution:** Services are produced and consumed simultaneously, necessitating simpler distribution than goods. Active consumer participation in the service production process is inevitable. For example, by extending working hours, a dentist can serve more patients.

ii. **Multiple Locations:** Services cannot be stored or transported, eliminating the need for intermediaries. However, services must be offered in multiple locations, which can increase costs. Service establishments like banks, cinemas, restaurants, beauty parlors, and dry cleaners must be located close to consumers. The number of service locations should be optimal to balance costs and accessibility.

iii. **Image of the Service Provider:** In entertainment and professional services, buyers often prefer specific providers. When clients have strong preferences, prices may rise due to the provider's limited availability. The service provider's image extends to their service facilities, leading professionals to invest in office decor to convey competence.

❖ Heterogeneity (Individuality or Variability)

Standardizing service quality across competing firms is challenging, and even within a single provider, service quality can vary. Each unit of service differs from others, as seen with mechanics repairing refrigerators or surgeons performing operations. Equipment-based services tend to have less variability, as failures often result from equipment issues. Service variability affects the provider's image and makes it difficult to develop a service brand. Service firms should enhance quality by hiring and training the right employees, standardizing service performance, and monitoring customer satisfaction through feedback and surveys.

❖ Perishability

Services cannot be stored, meaning unused capacity represents lost business. For example, unused electric power, vacant transport seats, empty hotel rooms, and idle mechanics are lost opportunities. Service providers must maintain a constant demand, despite seasonal fluctuations. Sasser suggests strategies to balance demand and supply in service businesses:

i. **Demand Side:** Differential pricing can shift demand from peak to non-peak periods. For example, lower rates for long-distance calls during slack times. Hotels offer attractive packages during weekdays to stimulate demand during non-peak periods. Complementary services like ATMs in banks can be developed during peak times. Reservations systems help regulate client flow.

ii. **Supply Side:** Hiring part-time employees during peak demand, focusing on essential tasks during peak periods, sharing services like laboratories or equipment, and introducing self-service systems can help manage supply.

❖ Ownership

Ownership cannot be transferred in services. Service users cannot buy and own the services; they are consumed as provided. Unlike goods, where ownership is transferred, services remain intangible and are consumed without transferring ownership. This lack of ownership requires marketers to be careful when marketing services, as there is no transfer act to motivate buyers and sellers.

❖ Absence of Quantitative Measurement

Services are intangible and do not permit quantitative measurement. Measuring service quality is challenging. While quantifiable aspects like transport distance can be measured, the quality of service provided cannot be ignored. Service quality is often assessed through customer satisfaction levels.

1.1.2 Service Marketing - Overview

Introduction to Services Marketing

Services marketing is a specialized branch of marketing focused on the promotion and selling of intangible services rather than tangible products. It encompasses a wide range of industries, including finance, hospitality, transportation, and healthcare, each with unique challenges and strategies. Unlike product marketing, which deals with physical goods, services marketing emphasizes creating value and satisfaction through experiences and relationships. The intangibility, variability, and perishability of services necessitate a distinct approach, often centered around building trust and delivering consistent quality. This field is crucial for businesses aiming to differentiate themselves in competitive markets and achieve long-term success.

Meaning of Services Marketing

Services marketing involve the scientific and planned management of services, aligning the interests of both service providers and users. Marketing a service means promoting something intangible and aims at profit-making through customer satisfaction. For example, a life insurance company sells the service of protection, appealing to potential buyers and generating profits for the company. Banks offer customers savings, investment, and credit facilities. Transport companies provide safe and economical transport services. Similarly, tourist organizations, hotels, and communication companies offer various services to their customers. Generally, all service-generating organizations engage in marketing to achieve their organizational goals. It is within this context that the growth of the service sector should be examined.

Definitions

"Service marketing is a form of marketing that focuses on selling services rather than tangible products. It emphasizes building long-term relationships with customers through the creation and delivery of high-quality service experiences." - Christopher Lovelock and Jochen Wirtz (2016)

"Service marketing is the marketing of services, as opposed to tangible products. It includes the strategies and tactics that a company uses to promote and sell services, manage customer relationships, and deliver value to customers." - Philip Kotler and Kevin Lane Keller (2016)

Nature of Service Marketing

Service marketing is distinct from product marketing due to the inherent characteristics of services, which make their marketing unique and complex. Understanding the nature of service marketing involves examining the key attributes that differentiate services from tangible products.

❖ Intangibility:

Services are intangible, meaning they cannot be seen, touched, or owned like physical products. This intangibility makes it challenging for customers to evaluate services before purchasing. Consequently, service marketers need to emphasize creating strong brand perceptions, offering guarantees, and using tangible cues to communicate the quality and benefits of their services.

❖ Inseparability:

Services are often produced and consumed simultaneously, meaning the service provider and the customer are involved in the service delivery process at the same time. This inseparability requires a focus on managing customer interactions and ensuring that service encounters are positive and satisfactory. The quality of the service experience is heavily dependent on the interaction between the service provider and the customer.

❖ Perishability:

Services cannot be stored or inventoried; they are perishable and exist only at the moment of delivery. This perishability necessitates efficient capacity and demand management to ensure that services are available when needed. Service marketers must balance supply and demand, often through scheduling, pricing strategies, and managing peak and off-peak periods to optimize service delivery.

❖ Variability (Heterogeneity):

The quality of services can vary significantly depending on who provides them, when, where, and how they are provided. This variability is inherent in services due

to the human element involved in service delivery. To manage this, service marketers must implement standardized procedures, extensive training programs, and quality control measures to minimize inconsistencies and ensure a uniform service experience.

❖ **Lack of Ownership:**

Unlike physical products, services do not result in ownership. Customers experience services but do not own them. This lack of ownership requires service marketers to focus on creating memorable and valuable experiences for customers. The emphasis is on delivering value through service performance, customer satisfaction, and building long-term relationships.

Scope of Service Marketing

Service marketing encompasses a wide range of activities and strategies aimed at promoting and delivering intangible services effectively to meet customer needs and expectations. The scope of service marketing includes various dimensions and sectors, highlighting its significance in the modern economy. Here are the key areas within the scope of service marketing:

❖ **Sectoral Diversity:**

Service marketing spans numerous sectors, including:

- **Hospitality and Tourism:** Marketing hotels, resorts, travel agencies, and tour operators.
- **Healthcare:** Promoting hospitals, clinics, telemedicine services, and health insurance.
- **Financial Services:** Marketing banks, insurance companies, investment services, and fintech solutions.
- **Education:** Promoting schools, universities, online learning platforms, and professional training services.
- **Entertainment and Leisure:** Marketing theme parks, cinemas, sports events, and recreational facilities.
- **Professional Services:** Marketing consulting firms, legal services, accounting firms, and advertising agencies.
- **Information Technology:** Promoting IT services, software development, cloud services, and tech support.

❖ **Customer Relationship Management (CRM):**

Building and maintaining strong relationships with customers is a core aspect of service marketing. CRM involves strategies and tools to understand customer needs, preferences, and behavior, allowing for personalized service offerings and enhanced customer satisfaction. Effective CRM leads to customer loyalty and long-term engagement.

❖ **Service Quality Management:**

Ensuring high-quality service delivery is essential for customer satisfaction and retention. This involves setting quality standards, training employees, implementing quality control measures, and continuously monitoring service performance. Tools such as SERVQUAL can be used to measure service quality and identify areas for improvement.

❖ **Brand Building and Positioning:**

Establishing a strong brand identity and positioning the service effectively in the market is crucial. This involves creating a unique brand image, communicating the service's value proposition, and differentiating it from competitors. Brand building also includes managing brand equity and ensuring consistent brand messaging across all channels.

❖ **Integrated Marketing Communications (IMC):**

Coordinating various promotional activities to deliver a consistent and coherent message about the service is a key aspect of service marketing. IMC involves using advertising, public relations, social media, content marketing, and direct marketing to create a unified communication strategy that reaches the target audience effectively.

❖ **Service Innovation:**

Innovating and developing new service offerings to meet evolving customer needs and market trends is essential. Service innovation can involve creating new services, enhancing existing ones, and leveraging technology to improve service delivery. Staying ahead of market trends and customer expectations is crucial for maintaining a competitive edge.

❖ Customer Experience Management (CEM):

Managing and enhancing the overall customer experience is a central focus of service marketing. This involves mapping the customer journey, identifying touchpoints, and ensuring each interaction is positive and consistent. Personalization, responsiveness, and emotional engagement are key elements in delivering exceptional customer experiences.

❖ Digital and Online Marketing:

Leveraging digital channels to market services is increasingly important. This includes using websites, social media platforms, email marketing, search engine optimization (SEO), and online advertising to reach and engage customers. Digital marketing allows for targeted, measurable, and cost-effective marketing efforts.

❖ Pricing Strategies:

Developing effective pricing strategies that reflect the value of the service, market conditions, and customer willingness to pay is crucial. This includes strategies such as value-based pricing, dynamic pricing, bundling, and discounting. Pricing strategies need to be flexible and responsive to market changes and competitive pressures.

❖ Service Recovery and Complaint Management:

Addressing service failures and customer complaints effectively is essential for maintaining customer trust and loyalty. Service recovery involves recognizing and rectifying mistakes, offering apologies, providing compensation, and implementing corrective measures to prevent future issues. Effective complaint management can turn dissatisfied customers into loyal advocates.

❖ Market Research and Analysis:

Conducting market research to understand customer needs, market trends, and competitive dynamics is fundamental. This involves collecting and analyzing data to inform marketing strategies, identify opportunities, and make informed decisions. Market research helps in tailoring services to meet customer demands and gain a competitive advantage.

❖ Ethics and Social Responsibility:

Incorporating ethical practices and social responsibility into service marketing is increasingly important. This involves promoting services in an honest and

transparent manner, ensuring fair treatment of customers, and engaging in sustainable and socially responsible practices. Ethical marketing builds trust and enhances the service provider's reputation.

Characteristics of Service Marketing

Service marketing has unique characteristics that differentiate it from product marketing. Understanding these characteristics is essential for developing effective marketing strategies for services. Here are the key characteristics of service marketing:

❖ Intangibility:

Services are intangible, meaning they cannot be seen, touched, or owned like physical products. This intangibility makes it challenging for customers to evaluate services before purchasing. As a result, service marketers must focus on creating strong brand perceptions, using testimonials and reviews, offering guarantees, and providing tangible cues (such as a clean and professional environment) to communicate the quality and benefits of their services.

❖ Inseparability:

Services are often produced and consumed simultaneously, meaning the service provider and the customer are involved in the service delivery process at the same time. This inseparability requires a focus on managing customer interactions and ensuring that service encounters are positive and satisfactory. The quality of the service experience is heavily dependent on the interaction between the service provider and the customer, making training and customer service skills crucial.

❖ Perishability:

Services cannot be stored or inventoried; they are perishable and exist only at the moment of delivery. This perishability necessitates efficient capacity and demand management to ensure that services are available when needed. Service marketers must balance supply and demand, often through scheduling, pricing strategies, and managing peak and off-peak periods to optimize service delivery. For example, airlines and hotels use variable pricing to manage demand and maximize revenue.

❖ Variability (Heterogeneity):

The quality of services can vary significantly depending on who provides them, when, where, and how they are provided. This variability is inherent in services due

to the human element involved in service delivery. To manage this, service marketers must implement standardized procedures, extensive training programs, and quality control measures to minimize inconsistencies and ensure a uniform service experience. Consistency in service delivery is key to building trust and reliability.

❖ **Lack of Ownership:**

Unlike physical products, services do not result in ownership. Customers experience services but do not own them. This lack of ownership requires service marketers to focus on creating memorable and valuable experiences for customers. The emphasis is on delivering value through service performance, customer satisfaction, and building long-term relationships. For instance, a gym membership provides access to facilities and classes, but the customer does not own the equipment or the gym.

❖ **Customer Participation:**

Customers often play an active role in the delivery of services. Their participation can influence the quality and outcome of the service experience. For example, in a fitness training session, the customer's effort and engagement directly impact the results. Service marketers need to encourage and facilitate positive customer participation to enhance the overall service experience.

❖ **Simultaneity:**

Services are often consumed at the same time they are produced. This simultaneity means that service providers must be present and ready to deliver the service whenever the customer needs it. This characteristic requires real-time response and flexibility in service delivery. For example, a restaurant must have staff available to serve food as soon as customers order.

❖ **Subjectivity:**

The perception of service quality is subjective and can vary from one customer to another. What one customer perceives as excellent service, another might view as merely satisfactory. This subjectivity means that service marketers must strive to understand individual customer needs and tailor their services accordingly. Personalization and attention to detail are crucial for meeting diverse customer expectations.

❖ **Interpersonal Nature:**

Many services involve direct interaction between customers and service providers. This interpersonal nature requires strong communication and interpersonal skills from service staff. The demeanor, attitude, and behavior of service providers can significantly impact customer satisfaction and the overall service experience.

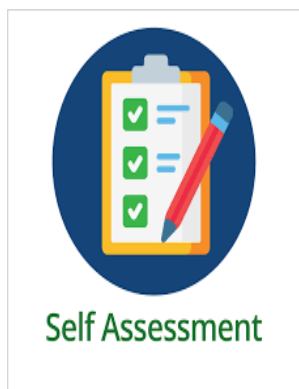
❖ **Service Blueprinting:**

Due to the complexity and variability of services, creating a service blueprint can be helpful. A service blueprint is a detailed map that outlines the service delivery process, touch points, and customer interactions. It helps service marketers identify potential bottlenecks, streamline operations, and ensure a seamless service experience.



1.1.3 Let's Sum up

The service sector is a crucial component of modern economies, driving growth and innovation through activities that deliver value without transferring ownership. Services, characterized by their intangibility and unique customer experiences, require innovative marketing strategies to effectively meet customer needs. Businesses in industries like banking, insurance, hospitality, and transportation have increasingly focused on the importance of service marketing, emphasizing customer satisfaction and the creation of memorable experiences. Service marketing highlights the unique challenges of promoting intangible offerings and underscores the need for a distinct, customer-oriented approach to ensure success.



1.1.4 Self-Assessment

1. Which of the following best defines a service?
 - a) A tangible product that can be owned and transferred
 - b) An intangible activity or benefit offered by one party to another
 - c) A physical good that is produced and inventoried
 - d) A type of product that results in ownership of something

2. What is a key characteristic of services that differentiates them from tangible products?
- Tangibility
 - Perishability
 - Transferability
 - Physical ownership
3. In service marketing, the term "inseparability" refers to:
- The ability to separate production from consumption
 - The simultaneous production and consumption of services
 - The transfer of ownership from provider to consumer
 - The storage and inventory of services
4. Which of the following is an example of a service environment that influences customer perception?
- The quality of a physical product
 - The packaging design of a product
 - The ambiance and cleanliness of a restaurant
 - The price tag attached to a product
5. What strategy can service marketers use to make an intangible service more tangible to consumers?
- Focus on product inventory
 - Use testimonials and reviews
 - Increase the physical stock of the service
 - Standardize the physical product features

1.2.1 Challenges of Service Marketing

Service marketing faces unique challenges due to the inherent characteristics of services. Here are the key challenges, each explained with detailed examples:

❖ Intangibility

Services are intangible, meaning they cannot be seen, touched, or tried before purchase. This creates a significant challenge for customers in evaluating the quality and effectiveness of a service prior to consumption. For instance, consider a financial advisory service. Prospective clients cannot see or test the advice before they receive it, making it difficult for them to judge its value. This intangibility often

leads to uncertainty and perceived risk, which can be a significant barrier to customer acquisition.

❖ Inseparability

Services are produced and consumed simultaneously, necessitating the presence of both the provider and the customer during the service delivery. This direct interaction between the service provider and the customer means that the service experience is heavily influenced by this interaction. For example, in healthcare, a patient's satisfaction is directly impacted by their interaction with the doctor or nurse. The quality of care and the professionalism of the medical staff play crucial roles in determining the patient's overall experience and satisfaction.

❖ Perishability

Services cannot be stored for later use, meaning that if a service is not sold or utilized, the revenue opportunity is lost forever. This is particularly challenging during periods of fluctuating demand. For example, airline seats represent a classic case of perishability. Once a flight departs with empty seats, the opportunity to sell those seats is permanently lost. This perishability requires service providers to carefully manage capacity and demand to minimize wasted opportunities.

❖ Heterogeneity (Variability)

The quality of services can vary significantly each time they are delivered due to the human element involved in service provision. This variability can lead to inconsistent customer experiences. For instance, a restaurant may have different chefs and waitstaff on different days, leading to variations in food quality and service standards. Such variability makes it challenging to ensure a consistent level of service, which is crucial for customer satisfaction and retention.

❖ Ownership

Unlike physical products, customers do not own a service after purchasing it. This lack of ownership can make it harder for customers to perceive the value of the service compared to tangible products. For example, when someone pays for a gym membership, they are essentially paying for access and usage rather than owning a tangible product. This challenge requires service providers to effectively communicate the benefits and value of their services to customers.

❖ Customer Participation

The involvement of customers in the service process can significantly impact the outcome and their satisfaction. High levels of participation can result in varied service experiences. For example, in educational services, a student's engagement and participation play a crucial role in determining their learning outcomes. The varying levels of engagement among students can lead to inconsistent experiences and results, making it a challenge to ensure a uniformly high-quality service.

❖ Balancing Demand and Supply

Matching service capacity with customer demand is complex, especially with fluctuating demand during peak and off-peak times. For instance, hotels face the challenge of varying occupancy rates throughout the year, experiencing higher demand during holidays and lower demand during off-peak seasons. This fluctuation necessitates careful management to ensure that supply meets demand without incurring significant losses during low-demand periods.

1.2.2 Issues of Service Marketing

Service marketing faces a range of issues that are distinct from those encountered in product marketing. These issues stem from the unique characteristics of services, such as intangibility, inseparability, variability, and perishability. Here are some key issues in service marketing, elaborated with detailed examples:

❖ Intangibility and Perceived Risk

Services are intangible and cannot be seen, touched, or tried before purchase, which leads to higher perceived risk for customers. This intangibility makes it difficult for customers to evaluate the quality and value of the service beforehand. For example, consider a legal consultancy service. Prospective clients may find it challenging to assess the expertise and effectiveness of a lawyer without first experiencing the service, leading to hesitation and uncertainty.

❖ Managing Service Quality

Due to the variability in service delivery, maintaining consistent service quality is a significant challenge. Different service providers may deliver varying levels of service quality, and even the same provider may offer different experiences on different occasions. For example, a customer visiting a hair salon may receive

excellent service from one stylist but a less satisfactory experience from another. This inconsistency can affect customer loyalty and satisfaction.

❖ Customer Participation

The level of customer participation in the service process can greatly influence the outcome and overall satisfaction. Services often require active engagement from customers, which can be variable. For instance, in educational services, the effectiveness of a course depends not only on the instructor's skills but also on the students' active participation and engagement. This variability can result in inconsistent service experiences and outcomes.

❖ Balancing Supply and Demand

Services cannot be stored for future use, making it challenging to balance supply and demand. For example, airlines and hotels must manage fluctuating demand and capacity effectively. During peak travel seasons, airlines may struggle to meet the high demand, while during off-peak periods, they may face excess capacity, leading to lost revenue opportunities.

❖ Customer Relationship Management

Building and maintaining strong customer relationships are crucial in service marketing, yet challenging due to the intangibility and variability of services. For instance, in the healthcare industry, maintaining patient loyalty requires consistent high-quality care and positive interactions with healthcare providers. Any lapse in service quality can lead to dissatisfaction and loss of trust.

❖ Service Differentiation

Differentiating a service in a crowded market is often difficult because services can be easily replicated. For example, in the hospitality industry, many hotels offer similar amenities such as Wi-Fi, breakfast, and fitness centers. Differentiating on the basis of these common features is challenging, so hotels must find unique ways to stand out, such as exceptional customer service or unique experiences.

❖ Effective Communication

Communicating the value and benefits of an intangible service to potential customers is complex. Service providers must rely on testimonials, reviews, and

word-of-mouth to convey their service quality. For instance, a new restaurant must leverage customer reviews and social media endorsements to attract new patrons, as potential customers cannot taste the food or experience the ambiance before visiting.

❖ Employee Training and Performance

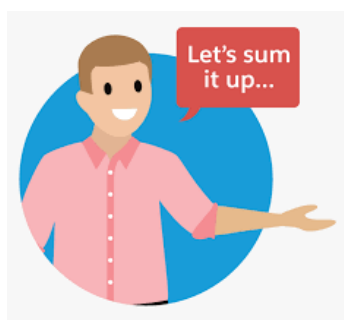
Since employees are often the face of service delivery, their performance is critical to service quality. Inconsistent or inadequate employee training can lead to poor service delivery. For example, in the retail sector, employees who are not well-trained in customer service techniques can negatively impact the shopping experience, leading to dissatisfied customers and lost sales.

❖ Pricing Strategies

Setting the right price for services is challenging due to their intangibility and the difficulty in measuring the value provided. Service providers must consider various factors such as cost, competition, and perceived value. For instance, a luxury spa must balance pricing to reflect the high-quality experience it offers while remaining competitive and attractive to its target market.

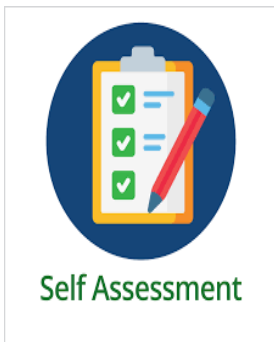
❖ Technology Integration

Integrating technology into service delivery can enhance customer experience but also poses challenges such as high implementation costs and potential resistance from employees and customers. For example, banks introducing online banking services must ensure the technology is user-friendly and secure while training employees to assist customers in adopting the new service.



1.2.3 Let's Sum up

Service marketing faces distinct challenges due to the intangible, inseparable, perishable, and variable nature of services. These challenges include difficulty in evaluating service quality before purchase, the need for customer participation, and the challenge of maintaining consistent service quality. Issues like managing customer relationships, balancing supply and demand, and differentiating services in a crowded market further complicate service marketing. Additionally, effective communication, employee training, and integrating technology into service delivery are critical yet challenging aspects that service marketers must navigate to succeed.



1.2.4 Self-Assessment

1. What is a primary challenge in service marketing due to the intangibility of services?
 - a) Difficulty in managing service inventory
 - b) Difficulty in evaluating service quality before purchase
 - c) Difficulty in standardizing service offerings
 - d) Difficulty in ensuring customer participation

2. The concept of "inseparability" in services refers to:
 - a) The simultaneous production and consumption of services
 - b) The ability to separate the provider from the service delivery
 - c) The storage of services for future use
 - d) The uniformity of service quality across different providers

3. Which of the following is a challenge related to the perishability of services?
 - a) Managing physical inventory
 - b) Balancing fluctuating demand with service capacity
 - c) Ensuring consistent service quality
 - d) Enhancing customer ownership of the service

4. How does the heterogeneity (variability) of services pose a challenge for service marketers?
 - a) By making it difficult to store services for later use
 - b) By causing inconsistent customer experiences
 - c) By reducing the perceived value of services
 - d) By increasing customer participation in service delivery

5. What is a significant issue in service marketing due to the intangibility and variability of services?
 - a) Managing physical product quality
 - b) Building and maintaining strong customer relationships
 - c) Reducing the cost of service delivery
 - d) Enhancing the ownership experience for customers

1.3.1 Service Marketing in India

Marketing of Services in India

India's economy continues to showcase robust growth and development. With an approximate GDP of \$3.1 trillion, India maintains its position as a global economic powerhouse. The projected growth rate for 2024 stands at an impressive 6-7%, following a 7.2% growth rate in 2023. The service sector is a significant contributor, constituting around 55% of the GDP, while industry and agriculture make up the remaining 45%. This sectoral distribution highlights the dominance and vitality of services in the Indian economy.

Globally, India is ranked as the 5th largest economy and holds the third position in terms of purchasing power parity. This indicates a strong and growing economic influence on the global stage. The per capita income has seen a substantial rise, reaching approximately \$2,300 in 2024, which is a significant improvement compared to two decades ago. However, challenges remain, with about 22% of the population still living below the national poverty line. This figure underscores the ongoing need for inclusive growth and poverty alleviation measures to ensure broader economic benefits reach all segments of the population.

India at a Glance

India, with a population of 1.4 billion, has a significant urban population constituting 34% of the total. The retail market size has reached an impressive \$1 trillion, with approximately 10% being organized retail. This sector is experiencing rapid growth, fueled by increasing disposable incomes among the middle and upper-middle classes. The retail landscape is further enhanced by the presence of over 600 shopping malls, offering an estimated retail space of 120 million square feet, reflecting the boom in retail infrastructure.

The Indian middle class is a key economic driver, with over 400 million individuals and growing at a rate of 6% annually. This demographic shift is accompanied by the country's youthful population, where over 50% are under the age of 25, providing a significant demographic dividend and a promising consumer base for various sectors.

Technological advancements have positioned India as a global leader in IT services and software development. The country is at the forefront of the global outsourcing market and is witnessing rapid growth in fintech, health tech, and edtech sectors. This technological prowess is complemented by a robust innovation and R&D ecosystem, with over 200 of the Fortune 500 companies having R&D facilities in India. Cities like Bengaluru, Hyderabad, and Pune have become hubs for startups and innovation, driving economic growth and technological advancements.

Service Marketing Trends in India

❖ Digital Transformation:

The landscape of service delivery in India has been revolutionized by the increased adoption of digital platforms. This transformation is particularly evident in sectors such as banking, healthcare, education, and retail, where digital solutions have streamlined operations and enhanced accessibility. E-commerce and online services are experiencing significant growth, driven by widespread use of mobile technology and internet penetration, with over 600 million internet users. This digital shift has enabled businesses to reach a broader audience and deliver services more efficiently.

❖ Customer Experience (CX):

Enhancing customer experiences has become a focal point for service marketing in India. Businesses are increasingly investing in personalized services and loyalty programs to retain customers and build long-term relationships. The use of AI and big data analytics is becoming more prevalent, allowing companies to understand customer preferences and tailor their services accordingly. This data-driven approach helps in creating more relevant and satisfying customer experiences, thereby fostering brand loyalty.

❖ Sustainability and Social Responsibility:

Sustainability and social responsibility are gaining prominence in the service sector. Companies are recognizing the importance of incorporating eco-friendly practices into their service delivery models. This includes reducing carbon footprints, promoting sustainable consumption, and engaging in corporate social responsibility (CSR) initiatives. By prioritizing sustainability, businesses are not only

contributing to environmental conservation but also appealing to the growing segment of environmentally conscious consumers.

❖ **Healthcare Services:**

The healthcare sector in India has seen a significant expansion in telemedicine and online health consultations. The pandemic has accelerated investment in healthcare infrastructure and services, highlighting the need for accessible and efficient healthcare delivery. Telemedicine platforms have made it possible for patients to receive medical consultations from the comfort of their homes, reducing the burden on traditional healthcare facilities and improving healthcare accessibility.

❖ **Education and EdTech:**

Online education platforms and e-learning services have surged in popularity, transforming the education sector. Partnerships between traditional educational institutions and technology companies are enhancing learning experiences by integrating digital tools and resources. This collaboration is making education more accessible and interactive, catering to the diverse needs of students across the country. The rise of EdTech is also supporting continuous learning and skill development, crucial in today's rapidly evolving job market.

❖ **Financial Services:**

The financial services sector is witnessing rapid growth in digital banking, fintech, and mobile payment solutions. Government initiatives like Jan Dhan Yojana are promoting financial inclusion, ensuring that banking services reach the underserved and unbanked populations. The adoption of digital financial services is simplifying transactions, reducing costs, and increasing transparency, thereby enhancing the overall efficiency of the financial ecosystem in India.

❖ **Tourism and Hospitality:**

The tourism and hospitality industry is experiencing a revival of domestic tourism post-pandemic. There is a growing focus on offering unique and personalized travel experiences that leverage India's rich cultural heritage. Businesses in this sector are creating tailored travel packages and experiences that cater to the evolving preferences of modern travelers. This trend not only boosts the domestic tourism market but also contributes to the preservation and promotion of cultural assets.

1.3.2 Classifications of Services

Classification of Services

Service marketers often face challenges in differentiating their services due to the wide range of activities within the service sector, leading to a diversity of firms. This diversity makes it difficult to generalize strategies. Therefore, classifying services is essential for understanding their nature clearly and provides insight into the effective application of marketing principles in service industries. A thorough understanding of competitive service firms is necessary for a company to formulate its service strategy. Experts have devoted significant attention to classifying services, and the classification methods developed by Adrian Payne and Christopher Lovelock are discussed in the following paragraphs.

Classification of Services by Adrian Payne

Adrian Payne provides a straightforward approach to classifying services, which can help students understand the diverse nature of the service sector. According to Payne, the simplest way to classify services is by excluding other major economic activities such as agriculture, manufacturing, and mining. This means that services encompass everything else in the economy that doesn't fall under these categories. Another effective way to understand services is by listing the different types of service industries. Payne identifies several key categories:

- ❖ **Communications and Information Services:**

This includes industries like telecommunications, internet services, and information technology. These services are essential for facilitating communication and information exchange in today's digital age.

- ❖ **Public Utilities, Government, and Defence:**

These services are provided by public institutions and include electricity, water supply, waste management, public administration, and defense. They are crucial for maintaining infrastructure and public safety.

- ❖ **Health Care:**

This sector includes hospitals, clinics, medical practitioners, and other health-related services. Health care services are vital for maintaining the well-being and health of individuals.

❖ Business, Professional, and Personal Services:

This broad category encompasses a wide range of services such as legal and financial services, consulting, real estate, personal care services (like salons and spas), and more. These services support both businesses and individuals in their professional and personal lives.

❖ Recreational and Hospitality Services:

This includes entertainment, tourism, hotels, restaurants, and other leisure activities. These services enhance the quality of life by providing opportunities for relaxation, entertainment, and travel.

❖ Education:

Educational services include schools, colleges, universities, and training centers. They play a crucial role in personal and professional development by imparting knowledge and skills.

❖ Other Non-Profit Organizations:

This category includes services provided by non-profit organizations such as charities, religious institutions, and community organizations. These services often focus on social welfare and community development.

Classification of Services by Christopher Lovelock

Christopher Lovelock developed a classification scheme for services that addresses five specific questions:

1. What is the nature of the service act?
2. What type of relationship does the service organization have with its customers?
3. How much room is there for customization and judgment?
4. What is the nature of demand and supply for the services?
5. How is the service delivered?

We will briefly explore each of these aspects.

❖ Nature of Service Act

This classification is based on the intangibility of services and their recipients. Service acts can involve both tangible and intangible actions. Tangible actions are directed either at people or things. For instance, tangible actions directed at people

include health care, beauty salons, and restaurants. Tangible actions directed at things include freight transportation, dry cleaning, and veterinary services.

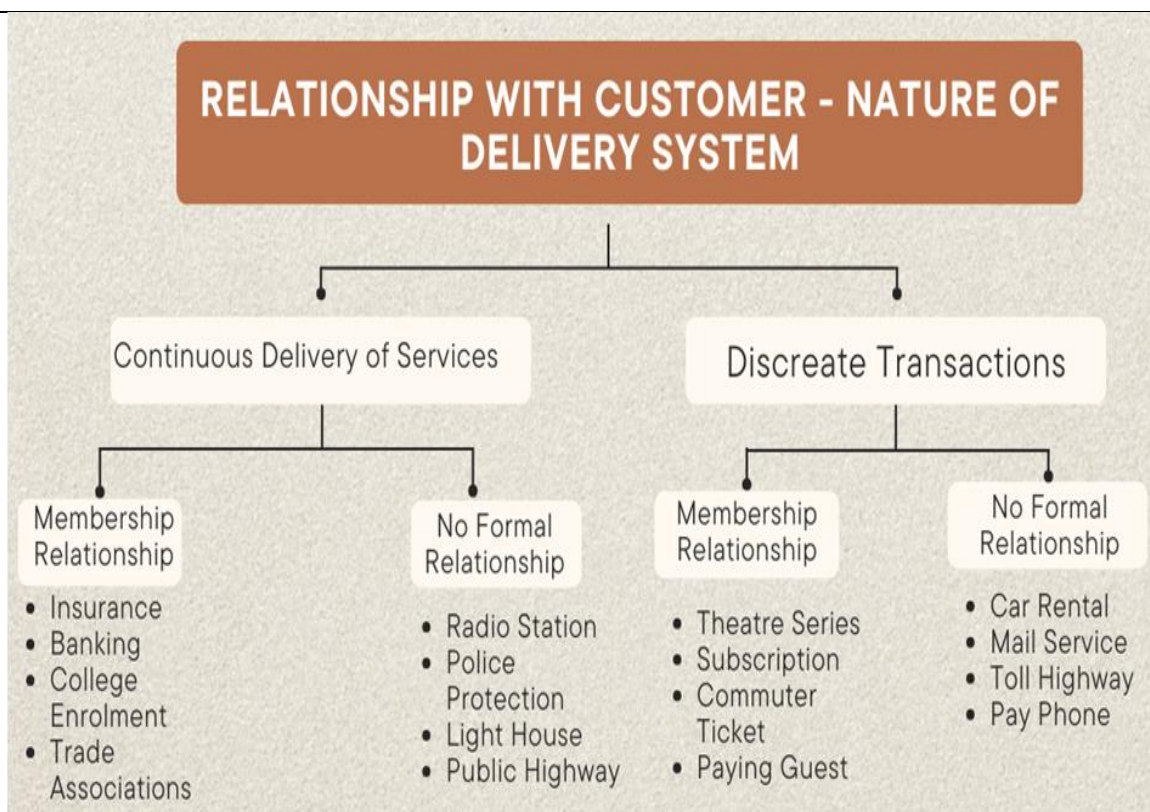
Intangible actions are directed at the customer's intellect and their assets. Understanding whether the customer needs to be physically or mentally present during service delivery helps service providers determine the optimal location and schedule for delivering services. For example, if physical presence is required, customers must travel to the service facility, such as an ATM. Alternatively, service providers might travel to the customer's location, like banks opening extension counters in educational institutions.

Nature or Service Act	Recipient of Services	
	People	Things
Tangible Actions	.Health care .Beauty Saloons .Restaurants	.Freight, Transportation .Dry cleaning .Veterinary services
Intangible Actions	.Education .Information Services .Entertainment	.Banking .Legal Services .Insurance

❖ Type of Relationship with Customers

Services can be classified based on the type of relationship between the service provider and the customers. This relationship can be formal or informal. Formal relationships involve continuous delivery of services, such as those provided by insurance companies, telephone subscriptions, colleges, banks, and trade associations. In contrast, informal relationships involve discrete transactions where the service provider does not have a formal relationship with the user, like radio stations, police services, and lighthouses.

These discrete transactions often mean that customers remain anonymous, and the service provider has limited information about them. Service providers might attempt to establish enduring relationships through membership clubs or subscriptions.



❖ **Scope for Customization and Judgment**

Services are typically produced and consumed simultaneously, with customer participation in the process. This inseparability of services allows for significant customization to meet individual customer needs. Customization means tailoring services to be customer-oriented. Service marketers must decide the extent to which they will customize their services. For example, an educational institution might offer English lessons through one-to-one tutoring or via mail with audio or video tapes and tutorial books. Airlines offer different classes (first, business, economy), and hotels offer various room types (luxurious suites, double rooms, single rooms). Banks and housing finance companies offer home loans with varying repayment periods, requiring careful assessment of delivery systems to meet customer needs.

❖ **Nature of Demand and Supply**

Services are perishable and cannot be stored like tangible products (e.g., soaps, toothpaste). If the demand for a service exceeds supply, the business might lose customers to competitors. For example, if a restaurant is full, a hungry customer will go elsewhere. Service managers need to understand demand patterns over time to

design strategies for smoothing demand. These strategies might include charging premiums during peak periods and offering discounts during non-peak periods or increasing capacity during peak times. For instance, Indian Railways operates special trains during festivals and summer to cope with increased demand.

❖ Methods of Service Delivery

'Customer convenience' is a key consideration, and service providers explore ways to achieve it. When services are available at multiple sites, it greatly enhances customer convenience. For example, Paramount Airways plans to operate daily flights from Coimbatore to New Delhi and has innovative ticket sales plans. Tickets will be sold at shopping malls, airports, railway stations, amusement parks, cinemas, hotels, and other major business complexes to facilitate round-the-clock ticket purchases. With internet-driven kiosks, they will accept all major credit cards and provide printed e-tickets instantly. These kiosks will also provide information on fares, departure and arrival timings, and details of frequent flyer programs.

Additional Classification of Services

Apart from the classifications provided by Adrian Payne and Christopher Lovelock, services can be broadly categorized into:

❖ Consumer Services

1. Food Services
2. Hotels and Motels
3. Personal Care Services
4. Car Service Firms (Garages)
5. Entertainment Services
6. Transport Services
7. Communication Services
8. Insurance Services
9. Financial Services

❖ Industrial Services

1. Financial Services
2. Insurance Services
3. Transport and Warehousing Services

4. Engineering Services
5. Advertising and Promotion Services
6. Office Services
7. Management Consultancy Services

Classification of Services by Philip Kotler

Philip Kotler categorizes services into five main types, each highlighting the mix of goods and services in an offering. This classification helps in understanding the varying degrees of tangibility and the role of accompanying services.

❖ Pure Tangible Goods

These offerings consist primarily of tangible goods with no accompanying services. Examples include soap, toothpaste, or salt. The focus is entirely on the physical product.

❖ Tangible Goods with Accompanying Services

These offerings include tangible goods accompanied by one or more services. For instance, technologically sophisticated products like computers often depend heavily on accompanying customer services such as repairs, maintenance, application aids, operator training, installation advice, and warranty fulfillment. For example, General Motors relies significantly on its services to support its sales, suggesting it is more service-intensive than manufacturing-intensive.

❖ Hybrid

A hybrid offering consists of equal parts of goods and services. For example, restaurant patrons seek both food and service, making it a balanced combination of tangible goods (food) and intangible services (dining experience).

❖ Major Service with Accompanying Minor Goods and Services

These offerings consist primarily of a major service accompanied by additional services or supporting goods. For instance, airline passengers primarily buy transportation services, but they also receive tangible items like food, drinks, a ticket stub, and an airline magazine. While these services require a capital-intensive good (an airplane), the primary offering is a service.

❖ Pure Service

These offerings consist entirely of services. Examples include babysitting, psychotherapy, and massage, where the service itself is the core offering without any accompanying tangible goods.

Generalizations About Services

Kotler's classification also points out several generalizations about services:

❖ Equipment-Based Services

Services can be either equipment-based or people-based. Equipment-based services include automatic car washes and vending machines, where the service is delivered through machinery. People-based services involve human effort, such as watch repairs, television repairs, and accounting services. The personnel involved in delivering these services can range from unskilled workers to skilled professionals.

❖ Client's Presence

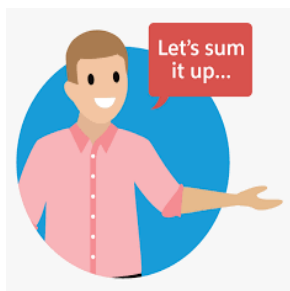
The presence of the client is required for certain services to be performed, such as hairdressing or brain surgery. However, other services like watch repair do not require the customer's presence. When customers are present, service providers must consider their special needs, which can include the decor of the service environment, background music, and engaging conversation with clients.

❖ Personal Services vs. Business Services

Services can cater to either personal needs or business needs. For example, when a physician attends to patients at a clinic, personal needs are met. Conversely, if a physician conducts general medical check-ups for employees under a company health plan, business needs are addressed.

❖ Objectives and Ownership

Service providers differ in their objectives and ownership. Some services are performed for profit, while non-profit organizations provide services without seeking profit. Additionally, the ownership of the service unit can be public or private, which affects the pricing and quality of the service.



1.3.3 Let's Sum up

Service marketing in India reflects the country's dynamic and rapidly growing economy, with the service sector contributing significantly to its GDP. Key trends include digital transformation, where sectors like banking, healthcare, and education are increasingly leveraging technology to enhance service delivery. The focus on customer experience, sustainability, and social responsibility is also rising, driven by technological advancements and a growing middle class. Classifications by experts like Payne, Lovelock, and Kotler offer frameworks to understand services based on factors such as customer relationships, demand and supply, and the mix of goods and services, aiding in strategic marketing efforts across diverse service industries.



Self Assessment

1.3.4 Self-Assessment

1. Which sector contributes the most to India's GDP?

- a) Agriculture
- b) Industry
- c) Services
- d) Manufacturing

2. Which of the following classifications focuses on the mix of goods and services in an offering?

- a) Adrian Payne's Classification
- b) Christopher Lovelock's Classification
- c) Philip Kotler's Classification
- d) None of the above

3. In Christopher Lovelock's classification, what determines the "nature of service act"?

- a) The equipment used
- b) The level of customization
- c) The intangibility of services and their recipients
- d) The type of customer relationship

4. What is the main focus of the trend "Digital Transformation" in India's service sector?

- a) Enhancing customer experiences
- b) Incorporating eco-friendly practices

- c) Streamlining operations through digital platforms
d) Expanding healthcare infrastructure
5. According to the content, which of the following services requires the client's presence during its delivery?
- a) Watch repair
b) Brain surgery
c) Vending machine service
d) Automatic car wash

1.4.1 Unit Summary

- ✚ Services Marketing involves the planning, execution, and control of marketing strategies tailored to intangible services.
- ✚ It aims to ensure that services are effectively marketed, meeting customer expectations and quality standards.
- ✚ Services Marketing addresses various service types, including business, consumer, and social services.
- ✚ Effective service design is essential for enhancing customer experiences and optimizing service delivery.
- ✚ Market segmentation involves identifying target customer groups and defining tailored marketing approaches for services.
- ✚ Selecting appropriate distribution channels is crucial for service accessibility and customer satisfaction.
- ✚ Factors such as technology adoption, customer proximity, and ease of access influence distribution channel decisions.
- ✚ Service marketing trends include considerations for digitalization, customer engagement, and global market expansion.
- ✚ Services Marketing strives to balance customer satisfaction, service quality, and competitive pricing.
- ✚ Continuous innovation and responsiveness are key for maintaining competitiveness in services marketing.

1.4.2 Glossary

Intangibility	The characteristic of services that makes them unable to be touched or possessed, unlike physical products.
Inseparability	The simultaneous production and consumption of services, meaning the service provider and consumer often interact directly.
Perishability	The attribute of services indicating that they cannot be stored or inventoried; if not consumed, the opportunity is lost.
Variability	The potential for differences in service quality and delivery each time a service is provided, due to human factors and other variables.
Service Differentiation	Strategies used to distinguish a service offering from competitors, focusing on unique features or customer experiences.
Service Gap Model	A framework for understanding and addressing gaps between customer expectations and perceptions of service quality.

1.4.3 Self – Assessment Questions

1. Define the term "service marketing."
2. List the key characteristics that distinguish services from goods.
3. Describe the nature and scope of service marketing.
4. Identify the different classifications of services.
5. Explain why intangibility is a significant challenge in service marketing.
6. Summarize the main challenges and issues faced in service marketing.
7. Discuss the role of service marketing in the context of the Indian market.
8. Apply the concept of service intangibility to a real-world service example and explain how businesses address this challenge.
9. Illustrate how service classification can influence marketing strategies for different types of services.
10. Compare and contrast the nature of services with physical goods in terms of their marketing implications.
11. Analyze the impact of service characteristics on marketing strategies and customer experience.

12. Differentiate between the challenges faced by service marketing in developed countries versus developing countries like India.
13. Evaluate the effectiveness of various strategies used to overcome the challenges of service marketing.
14. Assess the impact of service classification on customer perceptions and marketing effectiveness.
15. Design a marketing strategy for a new service based on its classification, and justify how the strategy addresses its unique characteristics and challenges.

Activities / Exercises / Case Studies



Activities

- ❖ Form small groups and discuss real-life examples of service businesses, focusing on their characteristics and the challenges they face in marketing their services.
- ❖ Select a well-known service company in India and analyze how it addresses the unique challenges of service marketing, such as intangibility and customer relationship management.

Answers for Self-Assessment to check your progress

Module I

1. b) An intangible activity or benefit offered by one party to another
2. b) Perishability
3. b) The simultaneous production and consumption of services
4. c) The ambiance and cleanliness of a restaurant
5. b) Use testimonials and reviews

Module II

1. b) Difficulty in evaluating service quality before purchase
2. a) The simultaneous production and consumption of services
3. b) Balancing fluctuating demand with service capacity
4. b) By causing inconsistent customer experiences
5. b) Building and maintaining strong customer relationships



Module III
<ol style="list-style-type: none"> 1. c) Services 2. c) Philip Kotler’s Classification 3. c) The intangibility of services and their recipients 4. c) Streamlining operations through digital platforms 5. b) Brain surgery

1.4.4 Suggested Readings

1. <https://sabpaisa.in/blog/service-marketing/>
2. http://www.mmmut.ac.in/News_content/12145tpnews_10142020.pdf
3. https://www.researchgate.net/publication/314949424_Services_Marketing
4. https://www.researchgate.net/publication/329047152_Problems_and_Strategies_in_Services_Marketing
5. https://www.brainkart.com/article/Challenges-and-Issues-in-Service-Marketing_6000/

1.4.5 Open-Source E-Content Links

1	Introduction to Services Marketing	https://youtu.be/dHKiNdAsePc?si=rnAB3Ofr4uvdJNV	
2	Services Marketing: Overview	https://youtu.be/QwqDABGEWfo?si=6eTP7ut1m2MKzHz6	
3	Characteristics of Services Marketing	https://youtu.be/tv0Uw3jGCdk?si=uHUJCWidlN16gLpC	

4	Classification of Services Marketing	https://youtu.be/rd3yeEnW-XM?si=RyRhhrM6YbH2uO30	
5	Types of Services Marketing	https://youtu.be/scmKR4K3Ho0?si=sQ_CVq9Li1trDUQr	

1.4.6 References

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2. <https://www.ifheindia.org/dlp/selflearningmaterial2021/Book/7.2%20Services%20Marketing%20Block%202.pdf>
3. https://books.google.co.zm/books?id=WdIWROIQ3_4C&printsec=frontcover#v=onepage&q&f=false
4. [https://biz.libretexts.org/Bookshelves/Marketing/Principles_of_Marketing_\(OpenStax\)/03%3A_Product_Promotion_Price_and_Place/11%3A_Services-The_Intangible_Product/11.01%3A_Classification_of_Services](https://biz.libretexts.org/Bookshelves/Marketing/Principles_of_Marketing_(OpenStax)/03%3A_Product_Promotion_Price_and_Place/11%3A_Services-The_Intangible_Product/11.01%3A_Classification_of_Services)
5. <https://timespro.com/blog/what-is-services-marketing-everything-you-need-to-know>

Self-Learning Material Development – STAGE 1		
UNIT 2 Marketing Mix in Service Marketing		
Marketing Mix in Service Marketing: The Seven P's: Product Decision, Pricing, Strategies and Tactics, Promotion of Service - additional dimension in Services Marketing – People, Physical Evidence and Process.		
Unit Module Structuring		
STAGE – 2 – Modules Sections and Sub-sections structuring		
Section	Topic	Page No
2.1.1	Introduction of Marketing Mix	42
2.1.2	Marketing Mix in Service Marketing	43
2.1.3	Let's sum up	46
2.1.4	Module Self-assessment	47
2.2.1	Product Decision	48
2.2.2	Pricing	50
2.2.3	Strategies and Tactics	51
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Hello Learners.... Welcome to the dynamic world of Service Marketing Mix, where understanding the Seven P's is essential for creating effective marketing strategies in the service industry. Dive into Product Decisions and explore Pricing Strategies and Tactics that drive business success. Learn about the Promotion of Services and the additional

dimensions in Services Marketing – People, Physical Evidence, and Process – which play a crucial role in shaping customer experiences and satisfaction. Everything you need to know about the Marketing Mix in Service Marketing....!

2.1.1 Introduction of Marketing Mix

In the service industry, developing and implementing successful marketing programs is essential to fostering a customer-oriented approach. Services marketing places significant emphasis on selecting and balancing the right marketing mix elements. The term 'marketing mix' was first introduced by Prof. Neil H. Borden of Harvard Business School and has since become widely used worldwide.

In the early stages of industrialization, organizations would first establish their production facilities and then adjust all other functional activities around them. In other words, marketing efforts began only after the product was manufactured. However, with the advent of rapid industrialization and the increase in product variety, marketing activities gained greater importance. Consequently, the role of service-oriented organizations became more significant. Creating the marketing mix is a crucial task for management that supports customer-oriented marketing decisions.

Meaning of Marketing Mix

The marketing mix refers to the combination of ideas, concepts, and features that are put together to best appeal to target market segments. It is tailored to each target segment to meet the specific needs of consumers within those segments. The conceptual framework of the marketing mix, as designed by various experts, remains consistent. Experts like Kotler, Keeley Lazar, and Davar agree that the marketing mix comprises four

elements: product, price, promotion, and place. These elements encompass marketing variables that are directly controlled by organizations.

- ❖ **Product Mix:** This includes product line and quality, brand, packaging, and services.
- ❖ **Promotion Mix:** This involves advertising, public relations, sales promotion, word-of-mouth promotion, personal selling, and telemarketing.
- ❖ **Price Mix:** This covers strategic decisions related to pricing.
- ❖ **Place Mix:** This focuses on the distribution process.

These four elements can be combined in various ways to produce desirable results in the market. The marketing mix serves as a bridge between marketing strategy and marketing tactics.

- ❖ **Marketing Strategy:** Establishes a match between the organization's skills and capabilities and the needs of the target market.
- ❖ **Marketing Tactics:** Involve decisions on how to deliver the product or service offering that reflects this matching process.

Thus, the marketing mix has both strategic and tactical dimensions, aiding in the effective implementation of customer-oriented marketing decisions.

2.1.2 Marketing Mix in Service Marketing

Service Marketing Mix

The traditional marketing mix, often referred to as the four Ps (Product, Price, Promotion, Place), is expanded in the context of services to address their unique characteristics. Services require a different marketing mix due to factors such as heterogeneity, customer requirements, customer interaction during service delivery, perishability, and intangibility. These challenges necessitate an extension of the traditional marketing mix, leading to the inclusion of additional elements. Thus, the service marketing mix comprises seven elements, known as the 7 Ps:

1. **Product:** Refers to the core service offering, including its features, quality, and benefits provided to the customer.
2. **Price:** Involves strategic decisions related to pricing, including discounts, pricing strategies, and perceived value.

3. **Promotion:** Encompasses advertising, public relations, sales promotions, personal selling, and digital marketing efforts to communicate the service to the target market.

4. **Place:** Deals with the distribution channels and methods used to deliver the service to the customer, ensuring convenience and accessibility.

5. **People:** Represents the staff and personnel involved in delivering the service, emphasizing the importance of training, customer service skills, and interaction quality.

6. **Process:** Involves the procedures, mechanisms, and flow of activities by which the service is delivered, focusing on efficiency, customer experience, and service consistency.

7. **Physical Evidence:** Refers to the tangible aspects that support the service, such as the physical environment, facilities, equipment, and any other elements that help customers evaluate the service.



These seven elements provide a comprehensive framework for managing and marketing services, helping service marketers effectively address the unique challenges and characteristics of service offerings.

Definition

1. "The marketing mix concept is a well-established tool used as a framework by marketers. It consists of the various elements of a marketing program that need to be considered to successfully implement the marketing strategy and positioning in the company's market. It comprises the essential internal elements or components that

constitute an organization's marketing program." - Adrian Payne

2. "It is a combination of different submixes of the marketing mix, such as product mix, promotion mix, price mix, and place mix. Some experts also include submixes like people, physical evidence, and process." - S. M. Jha

Meaning of Service Marketing Mix

The service marketing mix is a strategic framework used by marketers to effectively implement their marketing strategies and positioning. It consists of various elements—product, price, promotion, place, people, physical evidence, and process—that must be considered to create a successful marketing program. These elements, or submixes, work together to address the unique challenges of marketing services, such as intangibility and customer interaction. Marketers act as creators, combining these ingredients to tailor the marketing mix to meet the specific needs of their target market.

Characteristics of Service Marketing Mix

The marketing mix, a tool used by marketers, exhibits the following features:

❖ Internal Elements

The marketing mix represents the essential internal components or ingredients that constitute an organization's marketing program.

❖ Differentiation from Traditional Mix

The services marketing mix differs from the traditional marketing mix in the context of services. The four Ps—product, place, price, and promotion—originated from a list developed by Harvard Business School in the 1960s. This original list included twelve elements: product planning, pricing, branding, channels of distribution, personal selling, advertising, promotion, packaging, display, servicing, physical handling, and fact-finding and analysis. Over time, the marketing mix gained wide acceptance, and the four Ps were adopted. Many authors have since extended the four Ps to five, seven, and even eleven key elements to consider in the marketing mix, emphasizing that services require a different mix. Marketing mix elements for service industries like banking and airlines differ from those for professional services.

❖ Factors Determining Marketing Mix Elements

According to Simon Majaro, three factors determine whether a specific element should be included in a firm's marketing mix:

- The level of expenditure on a given ingredient.
- The perceived level of elasticity in customer responsiveness. For example, in a government body, prices might be set externally and not included in the marketing mix.
- Allocation of responsibilities, which involves a clear-cut assignment of duties in a well-structured marketing mix.

❖ Decision-Making

Decisions about the marketing mix depend on how the service is positioned and the market segments to be targeted.

❖ Blending Process

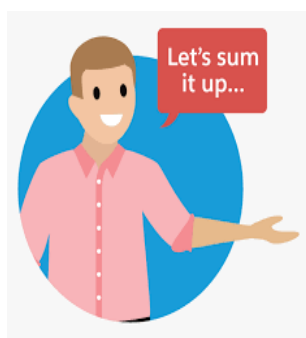
The marketing mix involves a blending process.

❖ Extended Form

The service marketing mix is an extended form of the traditional marketing mix. The inclusion of additional elements (people, process, and physical evidence) is due to the intangibility, inseparability, and heterogeneity of services.

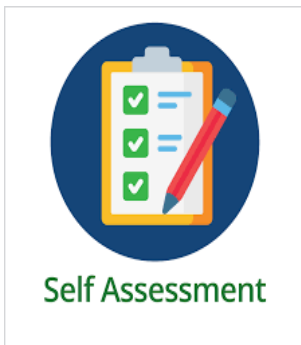
❖ Interdependence of Elements

Each element in the marketing mix supports the others. They work together to reinforce the product's positioning and deliver appropriate service quality, thereby achieving a competitive advantage.



2.1.3 Let's Sum up

The marketing mix is a strategic framework comprising various elements—product, price, promotion, and place—that organizations use to create customer-oriented marketing programs. In service marketing, the traditional mix is expanded to include people, process, and physical evidence, addressing the unique characteristics of services such as intangibility and customer interaction. The mix's components work together to implement effective marketing strategies, tailored to meet the specific needs of target market segments. This blend of elements supports the organization's overall marketing objectives and helps achieve a competitive advantage.



2.1.4 Self-Assessment

1. Who first introduced the term "marketing mix"?
 - A) Philip Kotler
 - B) Adrian Payne
 - C) Neil H. Borden
 - D) Simon Majaro

2. Which of the following is not one of the traditional four elements of the service marketing mix?
 - A) Product
 - B) People
 - C) Price
 - D) Promotion

3. In service marketing, why are additional elements like People, Process, and Physical Evidence included in the marketing mix?
 - A) To simplify the marketing process
 - B) To address the intangibility and customer interaction involved in services
 - C) To reduce costs
 - D) To align with traditional marketing practices

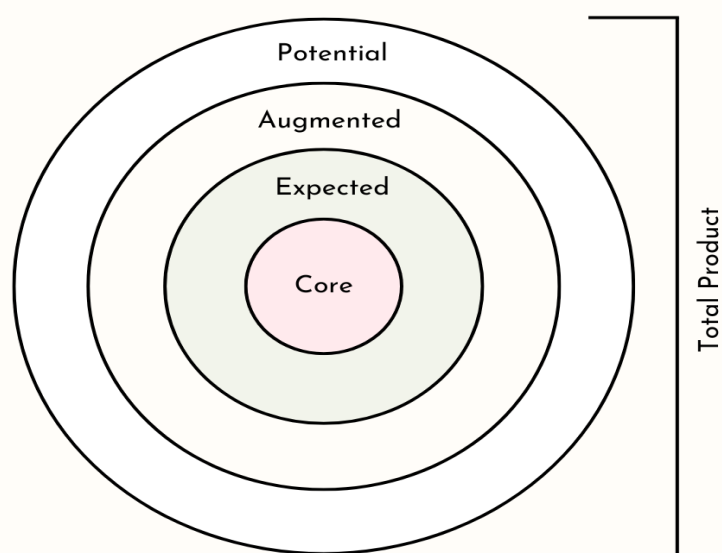
4. What is the main focus of the "Place" element in the service marketing mix?
 - A) The quality of the service
 - B) The strategic pricing of the service
 - C) The distribution channels and methods of service delivery
 - D) The promotional activities

5. Which of the following is a key characteristic of the service marketing mix as compared to the traditional marketing mix?
 - A) It focuses solely on tangible products.
 - B) It includes the original four Ps of marketing.
 - C) It involves extended elements due to the unique nature of services.
 - D) It eliminates the need for a promotion mix.

2.2.1 Product Decision

Service Product

According to Adrian Payne, a product encompasses objects or processes that provide value to customers, which can be goods or services. In this broad sense, the term "product" includes both manufactured goods and services. Customers are not merely buying goods or services; they are seeking specific benefits and value from the total offering, termed as the "offer." This offer is divided into four categories: a prime good, a tangible good with accompanying services, a major service with accompanying minor goods and services, and a prime service.



The offer can be viewed at several levels:

1. **Core or Generic Product:** This represents the basic service of a product at its fundamental level. For instance, food in a restaurant, a bed in a hotel, or the safety of deposits in a bank.
2. **Expected Product:** This includes the core product along with the minimum purchase conditions that need to be met. For example, a restaurant customer expects not only food but also cleanliness, timely service, and polite staff. Similarly, bank customers expect accuracy, timely service, and courteous interactions.
3. **Augmented Product:** This includes additional offerings that differentiate a product from its competitors. For instance, IBM's excellent customer service adds value to their core products. In a restaurant, this might include an appealing ambiance and courteous staff.

In banking, it could be congenial waiting areas and a "May I help you" attitude.

4. Potential Product: This refers to everything that could be done to attract and retain customers. For a restaurant, this might involve flower arrangements or a manager's thank-you note. For a bank, it could include personalized greetings and surprise gifts. The potential product offers added features that may redefine the product to attract new customers.

Understanding these four levels helps service providers deliver a complete and differentiated offering to their customers.

Product level	Customer 's view	Marketer's view	Personal computer example
Core product	Customer's generic need which must be met.	Basic benefits which make product of interest.	Data storage, processing, speed of processing, retrieval
Expected product	Customer's minimal set of expectations.	Marketer's product decisions on tangible and intangible components.	Brand name, warranty, service support, the computer itself.
Augmented product	Seller's offering over and above what customer expects or is accustomed to.	Marketer's other mix decisions on price, distribution, and promotion.	Diagnostic software, trade in allowance, base price plus options, dealer network, user clubs, personal selling.
Potential product	Everything that potentially can be done with the product that is of utility to the customer.	Marketer's actions to attract and hold customers regarding changed conditions or new applications.	Use as a system controller, facsimile machine, music composer, and other areas of application.

2.2.2 Pricing

Price

Price plays a crucial role in the marketing mix by generating revenue. Pricing decisions are important for determining the perceived value of the service, establishing an image, and serving as a quality indicator. Pricing strategy should align with the overall marketing strategy to gain a competitive advantage. Typically, firms add a percentage markup on cost, but this approach may not be effective in a competitive market for several reasons:

❖ **Impact on Marketing Channels:**

Pricing decisions affect suppliers, salespeople, distributors, competitors, and customers.

❖ **Intangibility of Services:**

Since services are intangible, their pricing significantly indicates their quality. For example, a restaurant's menu prices can reflect the quality of its food and service.

❖ **Delivery and Availability:**

Pricing informs customers about delivery immediacy and availability. Premium pricing is used during high-demand periods, while discounts are offered during low-demand periods. Pricing can be complex in sectors like holiday packages, railways, airlines, entertainment, and media services.

❖ **Differentiation:**

Pricing helps differentiate homogeneous services and allows for premium pricing strategies.

❖ **Consistency with Marketing Strategy:**

Pricing should align with the overall marketing strategy. Discriminatory pricing, or charging different prices in different markets, may be appropriate depending on the customer type.

❖ **Bundles of Services:**

Firms may offer service bundles at special prices, such as package holidays that include travel, hotel stays, transportation, and sports facilities.

A simple cost-plus price structure cannot offer these advantages.

2.2.3 Strategies and Tactics

Pricing Objectives

Service marketers' pricing policies should align with general marketing practices and be based on specific pricing objectives, such as:

❖ **Survival**

Quoting lower prices in adverse market conditions to ensure survival, even at the expense of profitability.

❖ **Profit Maximization**

Ensuring maximum profitability over a given period.

❖ **Sales Maximization**

Capturing market share, sometimes selling services at a loss initially to achieve this goal.

❖ **Prestige**

Positioning as a unique player with high prices, such as prestigious restaurants.

❖ **Return on Investment (ROI)**

Achieving desired returns on investment.

Pricing Considerations

Service marketers base pricing decisions on various considerations, including:

- Service Positioning
- Corporate Objectives
- Nature of Competition
- Service Life Cycle
- Demand Elasticity
- Cost Structures
- Shared Resources
- Prevailing Economic Conditions
- Service Capacity

Place

The "Place" element of the service marketing mix involves decisions about location and channels through which services are delivered to customers. It ensures that the promised services reach the ultimate users without distortion. Key aspects include:

1. Location:

- Importance of Location: The significance of location depends on the interaction between the service provider and the customer.

Types of Interaction:

- Customer Goes to Service Provider: Examples include visiting a restaurant or a bank.
- Service Provider Goes to Customer: Examples include home delivery services or in-home consultations.
- Arm's Length Transactions: Examples include online services or telephone banking.

2. Channels of Distribution:

- Traditional distribution channels used for goods (like wholesale and retail) are often unsuitable for services. Instead, services may use intermediaries such as agents, brokers, and consultants.

Types of Distribution Channels:

- Direct Distribution: The service is delivered directly from the provider to the customer without intermediaries.
- Through Agents or Brokers: Intermediaries facilitate the delivery of the service between the provider and the customer.
- Two-Level Middlemen: This involves more complex distribution with additional layers of intermediaries.

Levels of a Distribution Channel

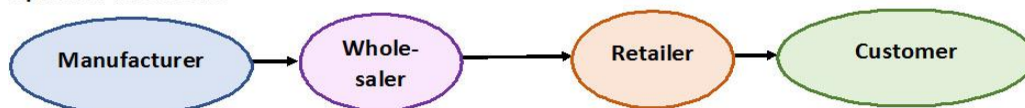
Option 1: Zero Levels (Direct distribution)



Option 2: One Level



Option 3: Two Levels



3. Franchises and Contracted Service Deliveries:

- Franchising is a common method for distributing services in sectors like fast food, dry cleaning, soft drinks, and courier services. Franchisees operate under the brand and guidelines of the franchisor, ensuring consistent service delivery.
- Contracted services involve third-party providers delivering services on behalf of the primary service provider, ensuring wider reach and efficiency.

2.2.4 Promotion of Service

Promotion

Promotion is a crucial part of the marketing mix, especially for services, as it communicates the service's positioning to customers. It adds tangibility and aids in evaluating the service offer. The promotion mix for services includes several elements:



1. Advertising:

Advertising is an impersonal form of communication used by service firms to inform customers, persuade them to buy, and differentiate the service from competitors. Persistent advertising is essential for success in service marketing.

Objectives of Advertising:

- ✓ Creates awareness of the service firm's offerings, activities, and expertise.

- ✓ Builds a positive image of the firm.
- ✓ Converts customer needs and values into a strong sense of identification.
- ✓ Facilitates the sales process by creating a positive backdrop for the service.

2. Personal Selling:

Personal selling is critical in service firms due to the personal interaction between the service provider and the customer. The service is delivered by a person, making "people" an integral part of the service product.

Advantages of Personal Selling:

- ✓ Personal Contact: Selling, servicing, and monitoring functions maintain customer satisfaction.
- ✓ Relationship Enhancement: Close contact enhances the relationship between the service provider and the customer.
- ✓ Cross-Selling: Personal contact can lead to cross-selling other services.

Function	Responsibilities	Examples
1.Selling	To persuade potential customers to purchase services and/or to increase the use of services by existing customers.	Insurance agent, stock broker, calling bank officer, real estate sales person.
2.Servicing	To inform, assist and advise customers	Airline flight attendant, insurance claims adjuster, ticket agent, bank branch manager.
3.Monitoring	To learn about customer's needs and concerns and report them to management.	

3. Sales Promotion:

Sales promotion includes marketing activities other than personal selling, advertising, and publicity that stimulate customer and dealer interest. Tools include samples, contests, demonstrations, and coupons.

Examples of Sales Promotion Tools:

- ✓ Premiums and Free Offers: Companies like Aristocrat Luggage and Suzuki

Shogun offer free items with purchases.

- ✓ Discounts and Price-Offs: Hawkins pressure cookers offer discounts for trade-ins.
- ✓ Installment Offers: Washotex washing machines allow for installment payments.
- ✓ Exchange Schemes and Money-Back Offers: Akai exchange schemes offer discounts for trading in old TVs.
- ✓ Consumer Contests: Bombay Dyeing contests offer substantial prizes.
- ✓ Point of Purchase Displays: ITC and Pepsi use branded outlets and cool zones for visual impact.
- ✓ Internet Promotions: Brands like Levis and Sony run online contests with exciting prizes.

4. Public Relations (PR):

PR is the planned effort to establish and maintain goodwill between an organization and its publics. It includes activities like building or maintaining an image, supporting other communication activities, handling problems, reinforcing positioning, influencing publics, and assisting new service launches.

5. Word of Mouth:

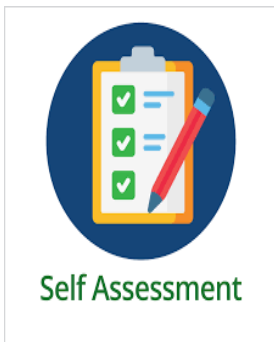
Word-of-mouth promotion involves customers sharing their service experiences with potential customers. Personal recommendations are a crucial information source, and service buyers often trust them. Word of mouth supplements advertising and can significantly influence service adoption.



2.2.5 Let's Sum up

In service marketing, the product encompasses both goods and services, focusing on delivering value through core, expected, augmented, and potential offerings. Pricing is crucial for reflecting service quality, aligning with market strategy, and supporting revenue generation.

Place decisions involve selecting strategic locations and distribution channels to ensure efficient service delivery. Promotion combines advertising, personal selling, sales promotion, public relations, and word-of-mouth to communicate the service's value, build customer relationships, and enhance market presence, ensuring a competitive edge.



2.2.6 Self-Assessment

1. Which of the following is not one of the four categories of an "offer" in service products?
 - A) Prime Good
 - B) Expected Product
 - C) Augmented Product
 - D) Potential Product

2. What is the primary role of pricing in the service marketing mix?
 - A) To determine the location of service delivery
 - B) To generate revenue and reflect perceived value
 - C) To define the core product offering
 - D) To create a positive brand image through advertising

3. Which of the following is not a typical pricing objective for service marketers?
 - A) Sales Maximization
 - B) Cost Reduction
 - C) Profit Maximization
 - D) Return on Investment (ROI)

4. In service marketing, which distribution channel is most commonly used when a service is delivered directly to the customer without intermediaries?
 - A) Direct Distribution
 - B) Through Agents or Brokers
 - C) Two-Level Middlemen
 - D) Franchise Distribution

5. Which promotional element is described as "an impersonal form of communication used by service firms to inform customers, persuade them to buy, and differentiate the service from competitors"?
 - A) Personal Selling
 - B) Advertising
 - C) Sales Promotion
 - D) Public Relations (PR)

2.3.1 People

People

In service organizations, people play a critical role in determining the success of the business. Employees in service sectors like banks, hotels, and salons are often the first point of contact with customers, making their interactions pivotal. Here are the key aspects:

1. Role of Frontline Employees

- Frontline employees are crucial as they directly interact with customers.
- Their behavior, attitude, and quality of service significantly influence customer satisfaction and perceptions.
- For example, a waiter's demeanor in a restaurant can determine whether customers will return.

2. Employee Management

- Service organizations must attract, develop, motivate, and retain qualified employees to ensure high-quality customer service.
- Employees are considered the "first level of customers" and should be well-trained and highly motivated.

3. Internal Marketing

Internal marketing is vital for fostering a customer-oriented mindset among employees.

- It involves developing responsiveness, responsibility, and unity of purpose among service personnel.
- Internal marketing helps eliminate functional barriers and aligns internal and external marketing efforts.
- According to N. Piercy and N. Morgan, "Internal marketing is concerned with the development of a customer orientation, the alignment of internal and external marketing, and ensures coherent relationship marketing."

4. Customer Influence

- Satisfied customers can significantly influence others through word of mouth.
- Positive experiences with service professionals, such as doctors or lawyers, often lead to new customer referrals.

- Conversely, dissatisfied customers can harm the service provider's reputation by sharing negative experiences.
- Ensuring total customer satisfaction is essential to maintain a positive image and attract new customers.

2.3.2 Physical Evidence

Physical Evidence

Physical evidence is a crucial element in services marketing because it helps customers evaluate intangible services. These tangible clues are critical in shaping customer perceptions and experiences.

1. Importance of Physical Evidence:

- Since services are intangible, clients rely on physical evidence to assess the quality and value of the service.
- Tangible clues help describe the service product and its unique qualities.
- According to Lowe, service firms must understand that every aspect of the company that consumers interact with will influence their perception of the service's quality.

2. Types of Physical Evidence:

Physical evidence can be categorized into two components: peripheral evidence and essential evidence.

Peripheral Evidence:

- Peripheral evidence can be owned by the consumer but has no independent value on its own.
- For example, a cheque book from a bank is valuable only if the account has sufficient funds.
- Though peripheral evidence might have little standalone value, it plays a significant role in differentiating services and influencing customer perceptions.

Essential Evidence:

- Essential evidence cannot be owned by the consumer but is vital in forming the service experience.
- Examples include a bank branch, an airplane, a hotel building, or a university campus.

- These elements have an independent value and are integral to the service provided.

3. Effective Coordination:

- Successful service providers effectively coordinate both peripheral and essential evidence to enhance the customer experience.
- For instance, an airline must combine essential evidence like the airplane with peripheral elements such as food, beverages, uniforms, and magazines to create a favorable image in the minds of customers.

2.3.3 Process

Processes

The seventh component of the marketing mix is processes. This element is critical in services marketing because it involves the methods and procedures through which services are created and delivered to customers. The process by which a service is provided can significantly influence customer perceptions and satisfaction.

1. Importance of Processes:

- Customers often perceive the delivery system as an integral part of the service itself.
- Decisions regarding process management are crucial for the success of service marketing.
- Processes include procedures, tasks, schedules, mechanisms, activities, and routines involved in delivering the service to the customer.
- Effective process management is essential for improving service quality and ensuring customer satisfaction.

2. Components of Processes:

- Processes are based on policy decisions regarding customer involvement and employee discretion.
- Efficient process management ensures the availability of the service with consistent quality.
- For instance, banks use automatic teller machines (ATMs) to meet customer needs efficiently by diverting cash withdrawals to these machines.

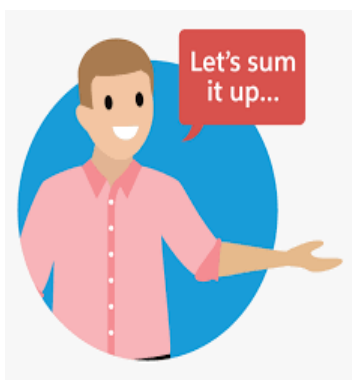
3. Types of Delivery Processes:

There are three primary types of delivery processes:

- **Line Operations:** In these operations, consumers move through logically arranged sequences. This method is suitable for standardized services where customer requirements are routine.
- **Job Shop Operations:** This type is used when customers need a combination of different service sequences. Examples include restaurants, repair shops, management consultants, hospitals, and educational institutions.
- **Intermittent Operations:** These are used when a type of service is rarely repeated. Organizations providing consultancy and advertising services typically use intermittent operations.

4. Ensuring Quality and Availability:

- Process management must assure that services are delivered in the right quantity, with the right quality, and promptly.
- Consistent and efficient service delivery processes contribute significantly to customer satisfaction and the overall success of the service provider.



2.3.4 Let's Sum up

In service marketing, people are crucial as their interactions directly impact customer satisfaction. Frontline employees must be well-trained and motivated, supported by internal marketing to foster a customer-centric culture. Physical evidence, including both peripheral and essential elements, helps customers evaluate intangible services, shaping their perceptions and experiences. Lastly, processes refer to the methods and procedures of service delivery, with effective management ensuring consistent quality and customer satisfaction. Different delivery processes—line operations, job shop operations, and intermittent operations—are tailored to meet varying service needs.



Self Assessment

2.3.5 Self-Assessment

1. What is the role of frontline employees in service organizations?
 - A) They handle only administrative tasks.
 - B) They directly interact with customers and influence their satisfaction.
 - C) They manage the internal marketing of the organization.
 - D) They are responsible for pricing strategies.

2. Which of the following is not a type of physical evidence in service marketing?
 - A) Peripheral Evidence
 - B) Essential Evidence
 - C) Core Evidence
 - D) None of the above

3. In service marketing, what is the purpose of internal marketing?
 - A) To attract new customers through advertising.
 - B) To develop a customer-oriented mindset among employees.
 - C) To reduce the cost of service delivery.
 - D) To improve the design of physical evidence.

4. Which type of delivery process is used for standardized services with routine customer requirements?
 - A) Job Shop Operations
 - B) Intermittent Operations
 - C) Line Operations
 - D) Continuous Operations

5. What is the primary function of process management in service marketing?
 - A) To design promotional strategies.
 - B) To determine pricing structures.
 - C) To ensure the availability and quality of service delivery.
 - D) To manage the physical layout of service locations.

2.4.1 Unit Summary

- ✚ The Marketing Mix in Service Marketing extends the traditional 4 P's (Product, Price, Place, and Promotion) to include three additional P's: People, Physical Evidence, and Process.
- ✚ Product Decision focuses on defining and delivering service offerings that meet customer needs and expectations.
- ✚ Pricing Strategies and Tactics involve setting competitive and value based pricing that reflects the service quality and customer perceptions.
- ✚ Promotion of Service includes communicating service benefits and building brand awareness through various channels.
- ✚ People play a crucial role in service delivery, emphasizing the importance of employee training and customer interactions.
- ✚ Physical Evidence encompasses the tangible aspects that support service delivery, such as the environment and branding elements.
- ✚ Process involves designing efficient workflows and customer journeys to enhance service quality and satisfaction.
- ✚ The Seven P's aim to create a comprehensive strategy that balances customer experience, service quality, and business objectives.

2.4.2 Glossary

Product Decision	The process of defining and designing the service offering to meet customer needs and preferences, including service features and benefits.
Service Quality Management	Techniques and practices used to ensure that services meet or exceed customer expectations, often involving standardization and continuous improvement.
Service Differentiation	Strategies to make a service stand out from competitors by highlighting unique features, superior service delivery, or exceptional customer experiences.
Process (in Service Marketing)	The procedures and workflows involved in delivering a service, focusing on efficiency, customer experience, and service consistency.

2.4.3 Self – Assessment Questions

1. Define the Seven P's of the marketing mix in service marketing.
2. Describe the importance of Product Decision in service marketing.
3. List and explain the key considerations for Pricing Strategies and Tactics in services.
4. Discuss the role of Promotion in service marketing and provide examples of effective promotional strategies.
5. Explain how People contribute to the delivery and perception of service quality.
6. Describe the concept of Physical Evidence in service marketing and its impact on customer perceptions.
7. Analyze the Process dimension in service marketing and its significance in service delivery.
8. Apply the Seven P's framework to a specific service industry and identify how each element can be optimized.
9. Compare and contrast the marketing mix for services with that of physical goods.
10. Evaluate the effectiveness of integrating the Seven P's in a service marketing strategy.
11. Illustrate how changes in the Physical Evidence dimension can influence customer satisfaction.
12. Discuss how the Process dimension affects the overall customer experience in service settings.
13. Assess how the People component can be managed to improve service delivery and customer interactions.
14. Design a promotional campaign for a new service and explain how it incorporates the Seven P's.
15. Critique a real-world service marketing strategy based on the Seven P's and suggest improvements.

Activities / Exercises / Case Studies



Activities

- ❖ Form small groups between students and let them discuss how the 7 P’s (Product, Price, Place, Promotion, People, Physical Evidence, and Process) can be applied in establishing a new service-oriented business of your choice.
- ❖ Select a local service business in your area and evaluate how it implements the 7 P’s of service marketing.

Answers for Self-Assessment to check your progress

Module I

1. C) Neil H. Borden
2. B) People
3. B) To address the intangibility and customer interaction involved in services
4. C) The distribution channels and methods of service delivery
5. C) It involves extended elements due to the unique nature of services.

Module II

1. B) Expected Product
2. B) To generate revenue and reflect perceived value
3. B) Cost Reduction
4. A) Direct Distribution
5. B) Advertising

Module III

1. B) They directly interact with customers and influence their satisfaction.
2. C) Core Evidence
3. B) To develop a customer-oriented mindset among employees.
4. C) Line Operations
5. C) To ensure the availability and quality of service delivery.

2.4.4 Suggested Readings

1. <http://www.uop.edu.pk/ocontents/marketing%20mix.pdf>
2. https://www.researchgate.net/profile/Aykan-Candemir/publication/346781690_Marketing_Mix_Elements_Services/links/5fd8ab95a6fdccdc8c9f323/Marketing-Mix-Elements-Services.pdf
3. https://www.researchgate.net/publication/309665014_The_dimension_of_service_quality_and_its_impact_on_customer_satisfaction_Trust_and_loyaltypdf
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2.4.5 Open-Source E-Content Links

1	Marketing Mix: Overview	https://youtu.be/30wsxsZjEGs?si=2r5UIZQxYI8qf9rG	
2	Product Decision	https://youtu.be/CfRs60MHpEM?si=lcI740idvJjPvUBN	
3	Pricing in Marketing Mix	https://youtu.be/2tzd7XivFqk?si=3-K-tWk_iglGyhoQ	
4	7P's of Marketing Mix: Examples	https://youtu.be/g_gEOf0UePw?si=HGvmoRWkz7sMTASW	
5	Additional Dimensions of Marketing Mix	https://youtu.be/tHCf6uM4O0w?si=28XctBsaFp7iJhzC	

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Self-Learning Material Development – STAGE 1		
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Positioning of services – Designing service delivery system – Pricing of services – Objectives – Methods – Services on Retail sector – Service Level Agreements (SLA) – Service Marketing Triangle.		
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Hello Learners.... Welcome to the comprehensive study of Service Positioning and Delivery Systems, where mastering these concepts is key to excelling in the service industry. Understand the nuances of Positioning of Services and learn how to design an effective Service Delivery System. Dive into the Pricing of Services, exploring its Objectives and Methods. Gain insights into Services in the Retail Sector and the importance of Service Level Agreements (SLAs). Finally, explore the Service Marketing Triangle, a fundamental framework for delivering exceptional service experiences. Everything you need to know about Positioning and Managing Services....!

3.1.1 Introduction of Positioning

Positioning of Services

Common phrases like “value for money,” “our people are the key,” or “convenience” often lack descriptive or distinguishing value when it comes to developing a competitive strategy. Without a clear understanding of which product features are most important to customers, managers struggle to craft effective competitive strategies for their firms and products. This makes it even harder to assess a product’s performance in the marketplace. Once the target segment or market is identified, the service marketer must position the firm appropriately within that segment. Positioning is a crucial part of strategy for any new service provider. Even in mature businesses, service marketers must reaffirm their positioning in the minds of their target customers. Sometimes, a subtle shift in positioning is needed to adapt to changing consumer preferences or to respond to competitive challenges.

1.3 Understanding Positioning

Positioning involves identifying, developing, and communicating a differentiated advantage that makes an organization’s products and services appear superior and unique compared to competitors in the minds of the target customers.

Services possess certain characteristics that significantly impact how they are positioned and which attributes are emphasized. Three key characteristics for service positioning are intangibility, variability (or heterogeneity) in quality, and inseparability of service from the provider.

Essentially, positioning is about creating a mental image or perception that a service provider wants to establish in the consumer's mind. It is a strategic effort to build a particular identity for the service. For example, McDonald's in India has a slightly more upscale image compared to its perception in the U.S., where it is seen as affordable American fast food. In the U.S., McDonald's capitalized on the everyday nature of hamburgers. However, in India, where this market segment is already occupied by local foods like idli-dosa stalls, paratha vendors, and tea-samosa corners, McDonald's has targeted a different market space. It has positioned itself to appeal to affluent, Westernized teenagers and modern, upscale families, often driven by children who enjoy the experience of eating at McDonald's.

Positioning is closely linked to the target segment a company chooses to market to, and involves elements like pricing, packaging, communication, and ambiance, all of which reinforce the positioning strategy.

Banks, for example, traditionally positioned themselves as austere and reliable, a place customer could trust. However, with changing consumer tastes and new competitors bringing modern concepts from advanced countries, banks now strive to offer a friendlier ambiance, with smiling young tellers, receptionists, and customer service representatives, not to mention call centers and photo opportunities for opening bank accounts. Thus, positioning can be influenced by time, place, and consumer expectations.

Importance of Positioning

❖ To Make the Entire Organization Market-Oriented:

Product positioning is a key aspect of a broader marketing philosophy that involves identifying superior product features and matching them with consumer needs more effectively than competitors. This philosophy drives the entire organization to be market-oriented.

❖ To Adapt to Market Changes:

Successfully positioning a product is not the end of the manager's task. Continuous monitoring of the market is necessary. As new developments emerge, managers must identify, discover, or develop new competitive advantages to meet changing market expectations, keeping them active, alert, and dynamic.

❖ To Meet Consumer Expectations:

Product positioning helps fulfill consumer expectations by aligning the advantages of the product with the needs and desires of the target buyers.

❖ To Build Consumer Goodwill and Loyalty:

Effective product positioning reinforces the company's brand and helps build consumer goodwill and loyalty.

❖ To Design a Promotional Strategy:

A well-designed promotional strategy can be created by focusing on the benefits that matter most to consumers. Positioning highlights these benefits, making them more appealing when promoted through appropriate advertising channels.

❖ To Attract Diverse Consumer Groups:

Consumers have different expectations, such as durability, unique features, novelty, safety, or low prices. By promoting various competitive advantages, a company can attract a wide range of buyers.

❖ To Face Competition:

Product positioning is essential for responding effectively to competitors, strengthening the company's competitive position.

❖ To Successfully Introduce New Products:

Positioning can help a company introduce new products by highlighting superior advantages, enabling easier market penetration.

❖ To Communicate New and Enhanced Features:

When a company enhances the qualities or features of its existing products, these improvements can be positioned against competitor offerings, enhancing the company's competitive strength. Positioning showcases the superiority of a company's offerings, helping consumers make informed purchasing decisions.

Positioning's Role in Marketing Strategy

Positioning connects market analysis and competitive analysis to internal corporate analysis. From these three areas, a positioning statement can be developed, enabling the service organization to answer key questions like:

- ✓ What is our product (or service concept)?
- ✓ What do we want to become?
- ✓ What actions must we take to achieve our goals?

Positioning can vary for different products, outlets, or the entire organization. However, there must be coherence among different positioning strategies.

Failing to implement effective positioning, especially for intangible services, can lead to undesirable outcomes such as:

- The organization (or one of its products) facing direct competition from stronger competitors.
- The organization (or product) being positioned in a market segment with little demand.
- The organization's (or product's) positioning being unclear, leaving consumers uncertain about its distinctive competency.
- The organization (or product) lacking any recognizable position in the marketplace.

Steps in Positioning of Services

According to Jack Trout, a positioning strategy should establish a clear position for the firm or product in the minds of customers. It should be distinctive, delivering one simple, consistent message, set the firm or product apart from competitors, and concentrate its efforts effectively.

1. Determining the Levels of Positioning

The first step is to decide which level needs attention and focus in terms of positioning. For example, Vodafone has different plans for corporate clients and individual customers.

2. Identifying Attributes

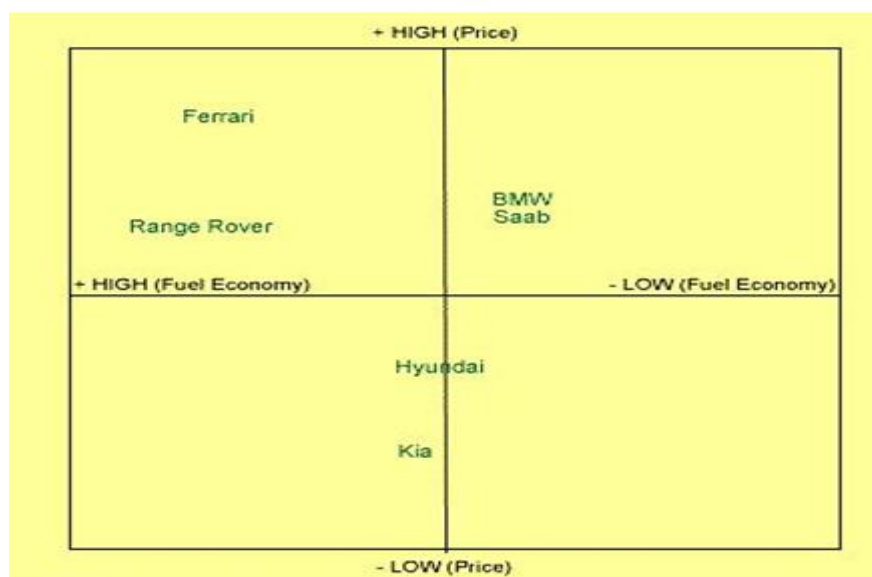
After determining the focus level, the next step involves identifying the specific attributes that customers seek. For example, the reasons for using banking services may differ between business clients and individual customers. Timing also plays a role in choosing a service; for instance, selecting a restaurant may differ for a corporate meeting versus a weekend family brunch. Service seekers evaluate their options and make choices based on their perceptions, which may not always align with the most important attribute they value. For instance, a customer may rank 'interest rates' as the most

important feature when choosing a bank, but since most banks offer similar rates, their decision may ultimately be influenced by factors like bank hours, atmosphere, friendly staff, or online banking options. These perceptions form the basis for creating a positioning map.

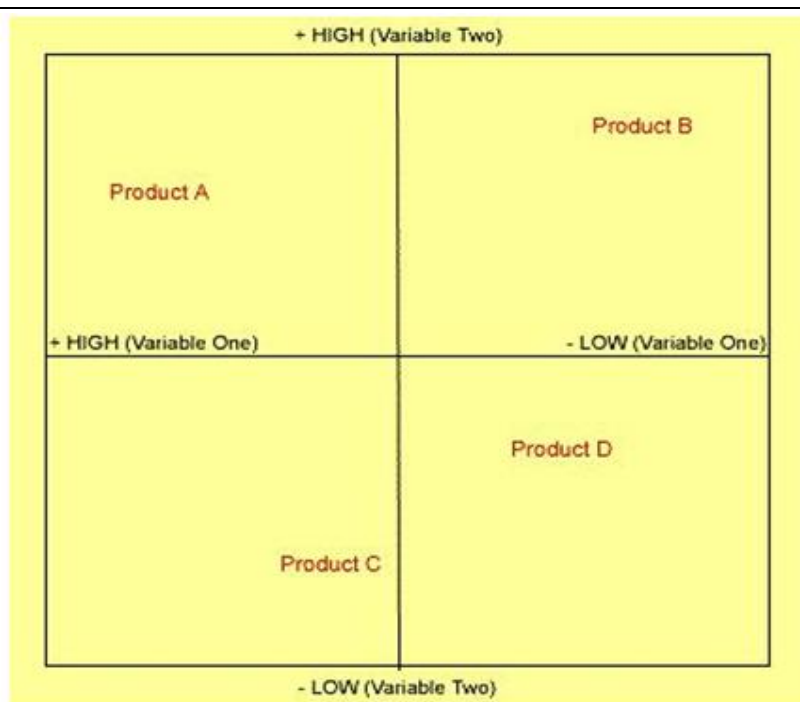
3. Mapping Attributes on a Positioning Map

Positioning maps, also known as perceptual maps, are useful tools for visually representing consumer perceptions of different products. Typically, they use two attributes, but 3-D models can also be used to represent three attributes simultaneously. Positioning maps can be developed for each segment within the target market, showing the positions of different competitors as perceived by consumers. Mapping future scenarios can help identify potential competitive responses and assist in strategic visualization.

Example: Auto Market



Consider products like Ferrari, BMW, Kia, Range Rover, Saab, and Hyundai. When these products are plotted on a positioning map, they tend to cluster in the high price/low economy (fast) sector and the low price/high economy sector. This indicates an opportunity in the low price/low economy (fast) sector, where Hyundai or Kia could consider introducing an affordable sports sedan. However, it is important to remember that positioning is all about perception, which varies from person to person. While individual perceptions of quality or value for money may differ, there are often similarities.



Products or services are compared and contrasted on a positioning map, which is the primary strength of this tool. Marketers can then determine a competitive position that distinguishes their products from those of competitors. A basic positioning map template involves labeling each axis (e.g., price versus quality, or comfort versus price) and mapping individual products or services accordingly. Any gaps on the map could represent potential areas for new products.

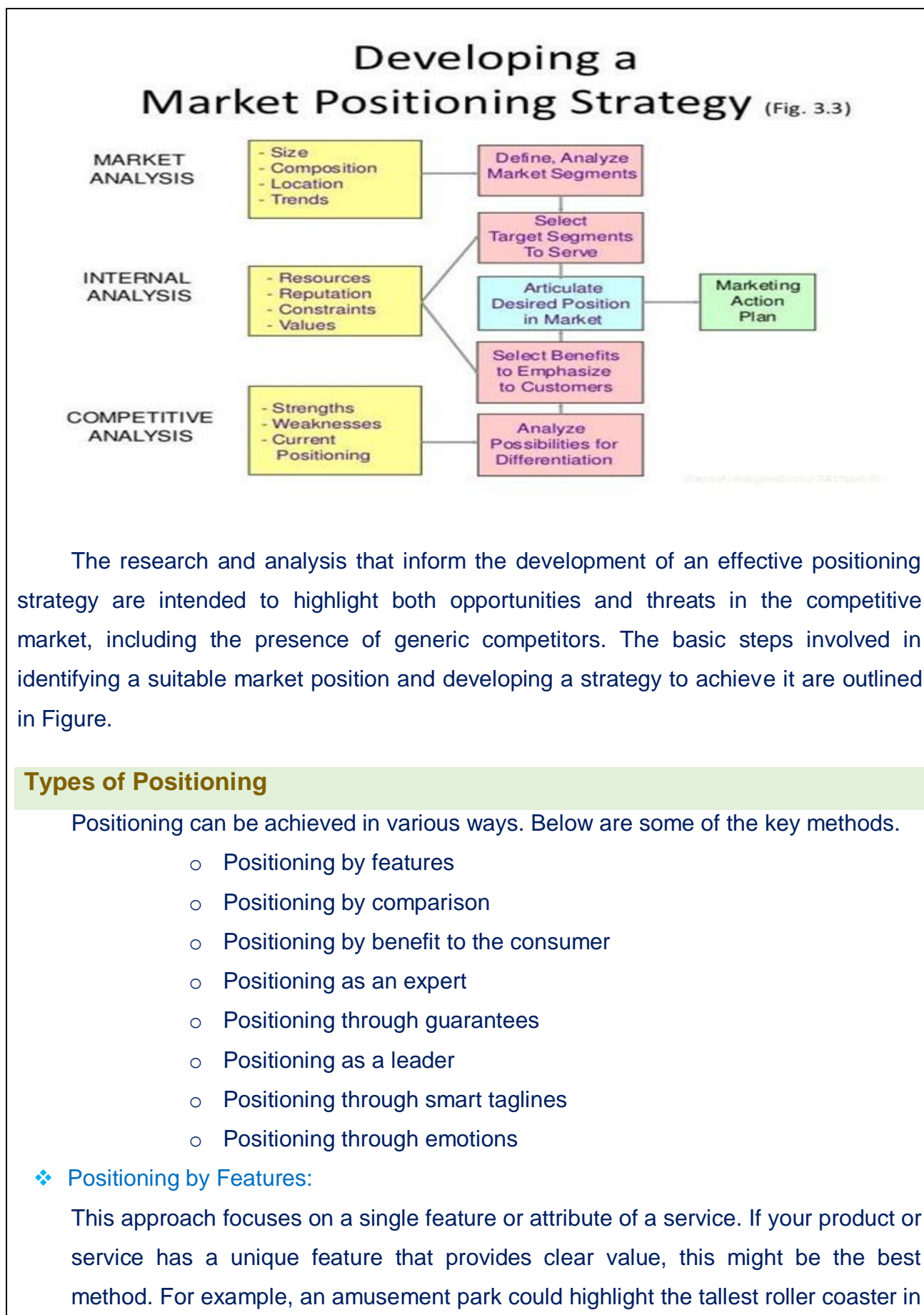
4. Evaluating Position Options

According to Ries and Trout, there are three positioning options:

- Strengthening the current position against competitors: This involves improving one's services to reinforce the current position relative to competitors.
- Identifying an unoccupied market position: This involves finding and filling gaps in the market that have gone unnoticed, through better service delivery.
- Repositioning the competition: This involves frequently adjusting one's position to achieve a better standing compared to competitors, which can be done through advertising and innovation.

5. Implementing Positioning

The chosen positioning should be communicated to the target audience by all employees through consistent messaging and advertising.



The research and analysis that inform the development of an effective positioning strategy are intended to highlight both opportunities and threats in the competitive market, including the presence of generic competitors. The basic steps involved in identifying a suitable market position and developing a strategy to achieve it are outlined in Figure.

Types of Positioning

Positioning can be achieved in various ways. Below are some of the key methods.

- Positioning by features
- Positioning by comparison
- Positioning by benefit to the consumer
- Positioning as an expert
- Positioning through guarantees
- Positioning as a leader
- Positioning through smart taglines
- Positioning through emotions

❖ Positioning by Features:

This approach focuses on a single feature or attribute of a service. If your product or service has a unique feature that provides clear value, this might be the best method. For example, an amusement park could highlight the tallest roller coaster in

town, or a theme park might emphasize that it adds a new ride every month. A restaurant might feature live music with dinner.

❖ **Positioning by Comparison:**

This strategy involves positioning your service in direct comparison to a competitor. For instance, a hotel might claim the highest occupancy rates in town, an airline might highlight the highest customer satisfaction, or an educational institution might boast the highest percentage of successful candidates. Business schools often use rankings from independent surveys to claim a top spot, such as being in the top 10 or 15 in the country. The Indian Institute of Planning and Management (IIPM), for example, positions itself against the Indian Institutes of Management (IIMs) with the slogan “Dare to Think Beyond the IIMs.”

❖ **Positioning by Benefit to the Consumer:**

This method emphasizes the benefit the customer receives from using the service. For example, a computer training institute might promote itself with the message, “You have a dream of becoming an expert programmer, working for a multinational, going abroad, etc., and we help you fulfill it.” A caterer could position their service as “taking the hassle out of cooking and cleaning for a party,” or a resort might market itself as a “getaway from the year-round hectic pace of life.” Airlines like Indian Airlines position themselves by offering the most extensive connections to towns and cities across India.

❖ **Positioning as an Expert:**

This approach involves positioning the company as a specialist in its field. For instance, an airline might promote itself with the message, “We understand air travel,” or a tour operator might position themselves as the expert in budget tours.

❖ **Positioning through Guarantees:**

This strategy involves offering full satisfaction or a money-back guarantee, with policies such as no-questions-asked returns in retail stores.

❖ **Positioning as a Leader:**

This involves claiming a leadership position, such as being the number one furniture retailer or leading the banking industry in responsiveness.

❖ Positioning through Smart Taglines:

This approach uses clever slogans that subtly convey a benefit. For example, Met Life Insurance in the USA used the tagline “Get Met. It Pays.” In India, they currently use “Have you met life today?” These slogans suggest that the company handles claims more efficiently than its competitors and imply additional value, even if not explicitly stated.

❖ Positioning through Emotions:

This strategy leverages emotions like fear, love, kinship, or concern for the environment. For instance, a hotel chain in India brands its properties as “Ecotels” to emphasize environmental consciousness. Sahara Airlines, a later entrant in the airline industry, positioned itself with the slogan “Emotionally Yours.”

3.1.2 Designing Service Delivery System

Service Design

Service design involves the creation and delivery of core benefits to meet the specific needs of customers. It encompasses both the planning and execution of how a service is provided, ensuring that it aligns with customer expectations and performance standards. In a competitive market, the effectiveness of the service delivery process has become crucial, with many service providers leveraging process design as a key competitive advantage. Advances in technology have further enhanced the ability to design and manage service processes efficiently. Service design focuses on the framework and planning necessary to deliver a service that meets customer needs. This includes various components:

❖ Product Design

This aspect involves defining the core product or service that meets the fundamental needs of the customer. It is essential to understand what the core offering is and how it addresses customer requirements effectively.

❖ Facilities Design

This component involves the physical layout and infrastructure where the service is delivered. It includes considerations such as location, facility design, and how these elements contribute to the overall service experience.

❖ Service Operations Process Design

This refers to the detailed planning of the procedures and workflows that facilitate the delivery of the service. It involves structuring the service delivery process to ensure efficiency, consistency, and quality.

❖ Customer Service Process Design

This focuses on how customer interactions are managed throughout the service experience. It includes designing processes that enhance customer satisfaction and address any issues that may arise during service delivery.

Service Delivery:

Service delivery is influenced by several factors, including:

❖ Service Encounter Environment

The environment in which the service is delivered plays a significant role in shaping customer perceptions and satisfaction. This includes the physical setting, ambiance, and overall atmosphere.

❖ Provider Behavior

The conduct and attitude of service providers significantly impact the service experience. Professionalism, courtesy, and responsiveness are crucial for ensuring a positive interaction.

❖ Customer-Provider Interaction

The interaction between the customer and service provider is a key determinant of service quality. Effective communication, empathy, and understanding are essential for meeting customer expectations and enhancing their overall experience.

Service Product Design

Service product design refers to the creation and structuring of the physical attributes associated with a service. Every service involves certain tangible elements that contribute to its delivery. For example:

- Magazines and Subscription Options: Designing the physical format, subscription plans, and distribution methods.
- ATM Services: Developing the hardware and software for automated banking transactions.
- Airline Classes: Designing seating arrangements and amenities in different

classes of aircraft.

The service product design focuses on assembling and arranging these physical components to meet customer needs and expectations effectively.

Service Facility Design

Service facility design differs from service product design as it pertains to the physical layout and environment where the service is delivered. Key aspects include:

❖ Interior and Exterior Arrangements

For instance, a hotel's design may encompass parking spaces, reception areas, decor, and reading rooms. These elements contribute to creating an inviting and functional environment for guests.

❖ Service Environment

Attributes such as cleanliness, spaciousness, lighting, and communication facilities are crucial in shaping the service environment. These elements impact the customer's experience and satisfaction.

❖ Back-End Facilities

Areas like kitchens, storage spaces, and staff accommodations, although not visible to customers, are essential for operational efficiency and overall service quality.

Service Operations Process Design

Service operations process design involves planning and managing the activities necessary to deliver and maintain a service. Key aspects include:

❖ Customer Interactions

Activities that customers experience directly upon entering the service environment. For example, in a hotel, this might include a warm greeting from the receptionist, room preferences, credit card processing, room assignment, and assistance with luggage.

❖ Operational Efficiency

Ensuring that these interactions are handled smoothly contributes to a positive first impression and overall service quality.

❖ Customer Service Process Design

Customer service process design focuses on managing the interactions between customers and service providers. It encompasses:

❖ Post-Service Activities

Activities that follow the initial service delivery, such as promptly greeting the customer, directing visitors, accommodating special requests like dietary preferences, and arranging transportation.

❖ Holistic Approach:

This design integrates with the service operations process design to ensure that all customer interactions and operational steps are seamlessly coordinated to enhance the overall service experience.

Factors to Consider in Designing a Service Process

Designing an effective service process involves a thorough understanding of various factors that impact both the service delivery and customer experience. The following factors are crucial in the design and implementation of a service process:

❖ The Service Itself

The essence of a service lies in its delivery process, which is integral to its effectiveness. The service's nature and characteristics significantly influence how it is designed. Even intangible services, such as legal advice or automated services through ATMs, rely heavily on their delivery processes. Therefore, it's essential to comprehensively understand the service's dependencies and ensure that the design aligns with these requirements to meet customer expectations effectively.

❖ Customer Participation in the Process

Customer involvement can vary from passive observation to active participation. In some services, such as self-service restaurants or beauty salons, the customer is directly involved in the service delivery process. This participation can enhance customization and improve the overall service quality. For instance, in educational services, the level of student engagement impacts the effectiveness of the service provided. Active customer involvement helps service providers tailor their offerings and understand the customer's impact on the service experience.

❖ Location of Service Delivery

The accessibility and convenience of the service location are critical for customer satisfaction. The choice of location can affect service delivery significantly. Services may be delivered at the service provider's premises, like in a dry-cleaning

shop, or at the customer's location, such as in home-based air conditioning repairs. Ensuring that services are easily accessible to customers is vital, especially for public services like banking and insurance, which should be conveniently located to serve customers effectively.

❖ Level of Customer Contact

Customer contact refers to the extent of interaction between the customer and the service provider. This can range from high contact, such as in professional or medical services, to low contact, as seen with automated services like ATMs or self-service machines. The service process should be designed to accommodate varying levels of customer contact to maintain service quality. High-contact services require a different approach compared to low-contact services, affecting how the service is structured and delivered.

❖ Degree of Standardisation

Services can be standardized or customized. Standardized services are delivered in a uniform manner to achieve consistency and efficiency, suitable for high-volume scenarios. For example, pre-recorded messages from telephone companies represent a standardized service. On the other hand, customized services involve a higher degree of flexibility and judgment, addressing individual customer needs. Customization requires skilled personnel and involves more personalized interactions, as seen in services like counseling or bespoke tailoring.

❖ Complexity of the Service

Complexity refers to the number of steps and the degree of intricacy involved in delivering the service. Services with high complexity often involve numerous activities and require specialized skills. For example, medical services are complex due to the varied and detailed nature of each patient's case. Conversely, some services may be complex but involve less divergence, such as catering, where the processes are intricate but follow a standard approach. Understanding the complexity of the service helps in designing a process that effectively manages the required activities and ensures smooth delivery.

Guiding Principles in Service Design

Ronald T. Rust provides several key principles for effective service design, which are consistent with practices in manufacturing, computing, and other fields. Here's a breakdown of these guiding principles:

❖ Continuous Service Improvement

Customer needs are constantly evolving, and services must be designed to adapt to these changes. For instance, Titan watches entered the market during a time when mechanical watches were prevalent. To meet the shifting demands, Titan introduced a variety of stylish watches with modern features such as dual time zones, alarms, and extended battery life. By frequently updating their product lineup, Titan ensures they stay relevant and responsive to customer preferences.

❖ Focus on Customer Retention

Instead of solely aiming to attract new customers, service providers should prioritize retaining existing ones. Customers evaluate services based on the perceived value of benefits offered. For example, Standard Chartered Bank provides a global credit card at no additional cost, distinguishing itself from competitors that offer country-specific cards. By understanding and enhancing the value perceived by customers, service providers can improve retention and build long-term loyalty.

❖ Leveraging Customer Satisfaction to Boost Revenue

The core of the marketing concept is to identify and fulfill customer needs. This approach emphasizes that businesses should revolve around customer satisfaction rather than solely focusing on internal objectives. As Peter Drucker suggests, viewing the business from the customer's perspective is crucial. By aligning organizational actions with customer needs, businesses can drive revenue growth and enhance market share, ultimately benefiting shareholders with increased profits.

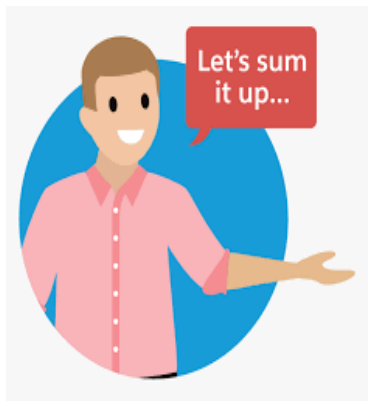
❖ Financial Accountability in Service Improvement

While customer satisfaction is important, it should not come at the expense of the organization's financial health. Service improvements should be seen as investments that contribute to achieving organizational goals and delivering returns to shareholders. Companies need to ensure that their expenditures on service enhancements are financially justified and contribute to long-term profitability.

❖ Surprising and Delighting Customers

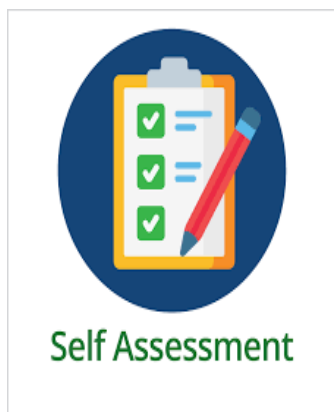
In a competitive market, exceeding customer expectations can provide a significant advantage. Achieving "customer delight" involves going beyond mere satisfaction to offer exceptional and unexpected services. For example, public

sector telecom companies like MTNL and BSNL have used aggressive pricing and promotional schemes to surpass regulatory norms and delight customers. This approach not only retains customers but also helps expand revenue by fostering strong customer loyalty.



3.1.3 Let's Sum up

The importance of positioning in service marketing, highlighting how it helps businesses differentiate themselves in competitive markets. Positioning involves creating a unique image in the minds of target customers by focusing on attributes like pricing, packaging, and communication. The text outlines the steps in positioning, including determining focus levels, identifying key attributes, and using positioning maps. It also emphasizes the need for service design that aligns with customer needs, covering aspects such as service operations, facility design, and customer interactions. Finally, it touches on principles like continuous improvement and customer retention as critical to successful service delivery.



3.1.4 Self-Assessment

1. What is the primary purpose of positioning in service marketing?
 - A) To develop new products
 - B) To identify the most important service features for customers
 - C) To increase production efficiency
 - D) To reduce operational costs

2. Which of the following is NOT a key characteristic of services that impacts positioning?
 - A) Intangibility
 - B) Variability
 - C) Inseparability
 - D) Tangibility

3. In positioning by features, what is emphasized?
- A) Comparison with competitors
 - B) The unique attribute of a service
 - C) Emotional connection
 - D) Guarantees and warranties
4. What does service operations process design focus on?
- A) Planning and managing the physical layout of facilities
 - B) Structuring procedures and workflows for service delivery
 - C) Creating promotional materials
 - D) Developing customer service training programs
5. Which of the following principles is crucial for effective service design according to Ronald T. Rust?
- A) Reducing customer interaction
 - B) Focusing solely on attracting new customers
 - C) Continuous service improvement
 - D) Minimizing operational costs

3.2.1 Pricing of Services

Pricing is a critical element of the marketing mix and the only one that generates revenue for a business. Organizations should use a sophisticated approach to pricing. When pricing services, it is important to consider shifts in demand, the rate at which supply can be expanded, the price-volume relationship, and the availability of future substitutes.

Service companies must understand how customers perceive service prices. The price charged by the service provider must be acceptable to the target customers and should align with the other components of the marketing mix. Pricing decisions impact suppliers, the sales force, distributors, competitors, and customers. Price also signals to customers the expected quality of service. For instance, the prices on a restaurant menu indicate the quality of its food and service.

Additionally, businesses should monitor competitor pricing strategies to stay competitive. Understanding the cost structure and maintaining flexibility to adjust prices in

response to market changes is also crucial. Employing psychological pricing tactics, such as setting prices just below round numbers (e.g., \$9.99 instead of \$10), can influence customer perception and increase sales.

Price is the amount paid for goods, services, or ideas. It is known by different terms in various sectors: fare in transportation, fee in education, rent in real estate, and charge in certain services. Generally, price represents the exchange value between the seller and the buyer. For marketers, price is the amount charged for a product or service, encompassing the total market offering. For buyers, price signifies a sacrifice of purchasing power and reflects the quality and quantity of the service acquired. Price is a key source of revenue and a primary determinant of profit for service providers. In the service sector, price reflects the relationship between the customer and the provider.

Pricing

Pricing encompasses the entire service offering, including the brand name, delivery, and other benefits. It translates the qualitative aspects of a service into quantitative terms. Pricing involves setting pricing objectives, identifying the factors that influence price, determining pricing methods, and formulating pricing strategies and policies.

Objectives of Pricing

A firm approaches its target market with a customized marketing mix of variables. The marketing strategy represents the combination of strategic variables (product, price, promotion, and place). This strategy will vary from one market segment to another, necessitating the development of pricing objectives. A firm may have various objectives in pricing, some of which are long-term, while others are short-term. Some objectives may be primary, while others are secondary.

❖ Survival Price

Survival pricing is a short-term objective used when there is intense competition and changing consumption patterns in the target market. It involves setting low prices to maintain demand and ensure the firm's survival, often at the expense of desired profit levels. For example, many ready-made garment sellers dealing in foreign brands like Lee, Arrow, Peter England, and Van Heusen have followed pricing below cost during competitive periods.

❖ Current Profit Maximization Price

Profit maximization is an older, long-term pricing objective. It involves setting high prices to maximize current profits, typically when there is strong demand for the firm's services. For example, luxury car manufacturers like Rolls-Royce and Ferrari set high prices to maximize profitability over the product's lifecycle.

❖ Market Share Price

Pricing to improve market share involves setting lower prices to increase or maintain a firm's portion of the industry's sales. This strategy is often adopted by firms that can achieve economies of scale in distribution and promotion. For instance, companies like Walmart set low prices to maximize market share, resulting in lower costs and higher long-term profits.

❖ Service Quality Leadership

A service company may use a high pricing policy to convey prestige and quality. High prices can impress upon customers the quality of the service and lead to price-quality leadership in the target market. For example, high-priced restaurants and personal care centers, such as Michelin-starred restaurants and luxury spas, set high prices to build a quality image and achieve service quality leadership.

Profit maximization cannot be the only objective of pricing. Firms often seek to meet a variety of interests through their pricing policy, which can vary from one firm to another. Therefore, no firm is satisfied with a single pricing objective.

Factors Affecting Pricing Decisions

Pricing decisions are influenced by a variety of factors, which can be divided into two categories: internal factors and external factors.

Internal Factors

Internal factors are generally within the control of the organization and can be adjusted as needed. These include:

❖ Organizational Policies:

Organizational policies provide guidelines for decision-making. Pricing policies vary from one organization to another, reflecting their overall objectives. A firm may use its pricing strategy to project a specific public image.

❖ Service Differentiation:

Services are intangible and often uniform. Service providers differentiate their offerings from competitors through pricing. This differentiation helps customers perceive the value of the services they receive. Effective differentiation adds value and helps build a distinct brand, making consumer choices less dependent on functional benefits alone.

❖ Service Cost:

Understanding the costs of providing services is crucial for service marketers. Costs are categorized into fixed, variable, and semi-variable costs. Fixed costs do not change with the level of output, while variable costs fluctuate with the quantity of service provided. Semi-variable costs have both fixed and variable components, such as telephone expenses and salaries for staff working overtime.

❖ Marketing Mix:

The marketing mix includes product, promotion, price, and place. Pricing is influenced by the nature of the service, its novelty, and the distribution channels. The pricing objectives for service lines, such as survival, profit maximization, prestige, and return on investment, also play a significant role.

External Factors

External factors are outside the organization's control and include demand, competition, and government controls.

❖ Demand:

Markets should be segmented based on different groups of users, points of consumption, and times of production. Service providers may charge different prices to different user groups to exploit market opportunities. For example, a sports club may offer concessional prices to senior citizens. The price may also vary across different consumption points, such as lower prices at the head office compared to branches. Additionally, services are perishable and cannot be stored, requiring a balance between supply and demand. Prices may fluctuate based on demand, such as higher rates during peak tourist seasons.

❖ Competition:

Intense competition exists among service providers offering similar services. For example, the banking sector in India has seen significant changes, with banks

offering similar services at different prices. Homogeneous services, like money transfers, can attract more customers with even slight price reductions.

❖ **Government Controls:**

Some service organizations, such as healthcare, electricity, and water supply, are subject to government regulations. These organizations must frame their pricing policies within government guidelines to ensure compliance.

Internal Factors Affecting Pricing Decisions

❖ **Organizational Policies:**

Organizational policies shape pricing decisions by providing guidelines that reflect the firm's objectives and desired public image. Different organizations adopt different pricing policies to align with their strategic goals.

❖ **Service Differentiation:**

Due to the intangible nature of services, differentiation through pricing is essential. By setting distinct prices, service providers can help customers assess the value of their offerings, creating a unique brand identity and reducing reliance on functional benefits alone.

❖ **Service Cost:**

Service providers must understand the costs associated with delivering their services. Costs are categorized into fixed (constant regardless of output), variable (fluctuate with service quantity), and semi-variable (a mix of fixed and variable elements). This understanding helps in setting prices that cover costs while achieving profitability.

❖ **Marketing Mix:**

The pricing of services is influenced by the overall marketing mix, which includes product, promotion, price, and place. The nature of the service, its novelty, distribution channels, and pricing objectives (such as survival, profit maximization, prestige, or return on investment) significantly impact pricing decisions.

External Factors Affecting Pricing Decisions

❖ **Demand:**

Service providers segment markets based on user groups, consumption points, and production times. They may use discriminatory pricing to cater to different segments, such as offering discounts to senior citizens. Prices may vary by

location and season, with higher rates during peak demand periods and lower rates during off-seasons.

❖ **Competition:**

Intense competition among service providers offering similar services affects pricing decisions. For instance, banks in India offer similar services at different prices, and even small price reductions can attract more customers in highly competitive markets.

❖ **Government Controls:**

Certain service sectors, like healthcare, electricity, and water supply, are regulated by the government. These organizations must follow government guidelines when setting prices, ensuring compliance and fairness.

3.2.2 Methods of Pricing

Approaches to Pricing Services

There are several common pricing structures used to determine service prices:

1. Cost-Based Pricing
2. Competition-Based Pricing
3. Demand-Based Pricing

Cost-Based Pricing

The fundamental formula for cost-based pricing is:

Price = Direct costs + Overhead costs + Profit margin

Service providers determine the price of their services by adding a profit margin to the total costs. This approach, known as cost-plus pricing, is widely used in industries such as utilities, contracting, wholesale, advertising, building construction, engineering, and consulting. For professionals like consultants, psychologists, accountants, and lawyers, the "fee for service" strategy is based on the time spent providing the service.

Challenges in Cost-Based Pricing for Services

❖ **Complex Cost Calculation:**

Cost-plus pricing is straightforward for products but complicated for services due to the difficulty in tracking and identifying costs.

❖ Defining Units of Service:

It is challenging to define units for purchasing services, leading to sales in terms of input units (e.g., hours) rather than output units. This is common in professional services like consulting, engineering, architecture, psychotherapy, and tutoring.

❖ Multiple Services Cost Allocation:

For firms providing multiple services, calculating the cost of each service can be difficult. For example, banks find it hard to allocate teller time accurately across different transactions, complicating the determination of service charges.

❖ Employee Time as Major Cost:

In services, employee time is a significant cost component. Accurately valuing the time spent by both professional and non-professional staff is challenging.

❖ Value Representation:

The actual costs of services often do not adequately represent their value to customers.

❖ Consumer Price Perception:

Cost-based pricing does not take into account how consumers perceive the price.

❖ Fixed and Variable Costs Allocation:

In cost-oriented pricing, it's essential to separate fixed and variable costs. However, this is difficult when offering multiple services.

Approaches Under Cost-Based Pricing

Various methods are commonly used under cost-based pricing, as illustrated in Figure. These approaches include:

❖ Mark-Up Pricing:

Mark-up pricing involves setting the selling price by adding a margin to the cost price. The mark-up can vary significantly depending on the nature of the service product and market conditions. Higher unit costs and slower turnaround times typically result in larger mark-ups. This method assumes that while demand is uncertain, costs are known. The goal of mark-up pricing is to maximize short- and medium-term profits. This approach is commonly used by distributive trade and marketing firms without their own manufacturing units.

❖ Absorption Cost Pricing:

Also known as full cost pricing, this method is based on the estimated unit cost of the service at normal production and sales levels. It involves calculating both

variable and fixed costs associated with manufacturing, selling, and administering the service, then adding a desired profit margin. Absorption cost pricing assumes that price is a function of cost alone, disregarding demand factors. This method is less suitable in competitive markets where the demand at the predetermined price is uncertain, risking market share loss for the service provider.

❖ **Target Rate of Return Pricing:**

Similar to absorption cost pricing, this method also includes a mark-up towards profits. However, unlike the arbitrary mark-up in absorption costing, target rate of return pricing uses a rational basis linked to production and sales levels. This approach is often used by general insurance companies, like National Insurance and New India Assurance Company, which set premiums based on the expected rate and amount of claims.

❖ **Marginal Cost Pricing:**

Marginal cost pricing aims to maximize the contribution towards fixed costs by covering all direct variable costs of services and a portion of the fixed costs. Although primarily a cost-based method, it also considers demand factors, making it effective in competitive markets. This flexible approach helps in realizing fixed costs across different service products. Marginal costing requires classifying costs into fixed and variable components, though semi-variable costs complicate this classification. In capital-intensive firms, selling based on marginal costs may not be appropriate.

Competition-Based Pricing

Competition-based pricing sets prices based on the prices charged by other firms within the same market. This approach is commonly used in two scenarios:

❖ **When Services Are Standardized:**

In markets where services are similar across providers, such as basic dry cleaning services, competition-based pricing is effective.

❖ **In Oligopolies:**

In markets dominated by a few large players, like the airline industry, pricing decisions are heavily influenced by the actions of competitors.

The degree of competition in the market affects how much freedom a service organization has in setting its prices. When there is little differentiation between service offerings, competition-based pricing often leads to price uniformity across providers.

There are several strategies within competition-based pricing:

- Premium Pricing: Setting prices higher than those of competitors.
- Discount Pricing: Pricing below competitors' levels.
- Parity Pricing (or Going Rate Pricing): Charging the most common price in the market.

This strategy is suitable when:

- Supply exceeds demand.
- The market is competitive and stable.
- Channels and consumers are well-informed about their options.
- A market leader has established a prevailing price.

Small firms often adopt parity pricing to remain competitive.

Problems with Competition-Based Pricing:

❖ **Lack of Cost and Demand Consideration**

This approach does not account for the service provider's cost structure or demand levels, which can lead to pricing that does not cover costs or meet demand effectively.

❖ **Low Pricing by Small Firms**

Smaller firms may resort to very low pricing, which might only cover their minimal costs and leave little room for profit. Not Suitable for Heterogeneous Services

Demand-Based Pricing

Demand-based pricing is a method where the price of a service is determined by the demand and perceived value from the customer's perspective, rather than by the cost of providing the service. This approach involves setting prices that reflect what customers are willing to pay based on their perceived value of the service.

Customer Perception of Value

Customers evaluate the value of a service in several ways:

1. **Low Price:** They may perceive high value if the service is offered at a lower price.
2. **Fit for Purpose:** The extent to which the service meets their specific needs or desires.

3. **Quality for Price:** The quality of the service relative to the price paid.

4. **Value for Money:** The overall worth of what they receive compared to what they give up (cost).

According to Zeithaml and Mary Jo Bitner, perceived value is "the consumer's overall assessment of the utility of a service, based on perceptions of what is received and what is given." Thus, the service provider must align the service price with the perceived value to the customer.

Challenges of Demand-Based Pricing

1. Non-Monetary Costs

Customers face non-monetary costs such as time, inconvenience, and psychological costs. The monetary price must be adjusted to compensate for these non-monetary costs. For instance, if a service saves time or reduces inconvenience, customers may be willing to pay a higher price.

2. Lack of Cost Transparency

Customers often lack detailed information about the actual costs of the service. They may judge the price based solely on the perceived quality, which can be subjective and may not always reflect the true value.

3. Subjectivity of Quality

Quality is an abstract concept and may vary greatly among customers. This can lead to discrepancies in perceived value and fairness in pricing, making it challenging to set a price that aligns with all customers' expectations.

Methods of Demand-Based Pricing

Demand-based pricing methods set prices based on customer willingness to pay and perceived value. Here are the key methods:

1. "What the Traffic Will Bear" Pricing

This method involves setting the highest price customers are willing to pay under current conditions. It maximizes profits in the short term but is not sustainable in the long run. This approach is effective when demand is inelastic (i.e., customers are less sensitive to price changes) and competition is low. However, it often faces consumer backlash and may attract new competitors looking to capitalize on the high prices.

2. Skimming Pricing

Skimming pricing targets new products or services by setting a high initial price to maximize profits from early adopters who are less sensitive to price. This strategy is effective when:

- The initial market segment (innovators and early adopters) is willing to pay a premium for the new offering.
- The product or service is unique or highly desirable to this segment.
- The price can be lowered over time to attract the early majority, late majority, and finally laggards as the product becomes more established.

Skimming is often used to recoup development costs quickly and is common with innovative products or services.

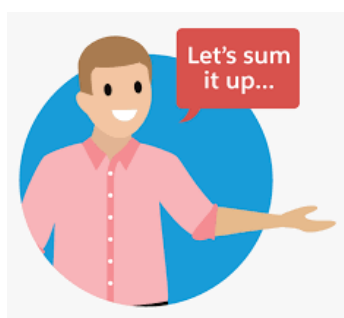
3. Penetration Pricing

Penetration pricing involves setting a low price to achieve a large market share quickly.

This strategy is suitable when:

- The product is not a luxury item.
- There is a price-sensitive market segment.
- The product can generate high sales volume.

The low price helps to attract a large customer base and deter competitors. As sales volume increases, the firm can achieve economies of scale, reducing the cost per unit. Penetration pricing establishes the product or service in the market and can help build brand loyalty before competitors enter. However, it requires significant sales volume to cover initial costs and reach profitability.



3.2.3 Let's Sum up

Pricing of services is a critical element in the marketing mix, directly influencing revenue. Service pricing must consider factors such as demand shifts, supply flexibility, and competitor strategies. Organizations should set pricing objectives—such as survival, profit maximization, market share, and service quality leadership—while accounting for internal factors like costs, organizational policies, and service differentiation, and external factors like demand, competition, and government controls. Common pricing methods include cost-based, competition-based, and demand-based approaches, each tailored to align with market conditions and customer perceptions.



Self Assessment

3.2.4 Self-Assessment

1. Which of the following is not a key factor influencing service pricing decisions?
 - A) Service Differentiation
 - B) Marketing Mix
 - C) Government Controls
 - D) Employee Satisfaction

2. What is the primary goal of survival pricing?
 - A) To maximize long-term profitability
 - B) To ensure the firm's survival during periods of intense competition
 - C) To increase market share
 - D) To convey a high-quality image

3. Which pricing method involves setting prices based on the total costs of providing a service plus a desired profit margin?
 - A) Competition-Based Pricing
 - B) Demand-Based Pricing
 - C) Cost-Based Pricing
 - D) Value-Based Pricing

4. Demand-Based Pricing primarily focuses on:
 - A) The cost of providing the service
 - B) Competitor pricing strategies
 - C) Customer willingness to pay and perceived value
 - D) Regulatory guidelines

5. In which scenario is penetration pricing most appropriate?
 - A) When launching a luxury service with limited initial availability
 - B) When aiming for a quick market share with a price-sensitive market
 - C) When trying to recover high development costs quickly
 - D) When setting prices above competitors to signal high quality

3.3.1 Services on retail sector

Introduction to Retail Services

The retail sector is a critical part of the Indian economy, bridging the gap between producers and consumers. It includes a wide range of services that cater to the needs and preferences of consumers, making shopping experiences more convenient, personalized, and satisfying. The sector has evolved rapidly in India due to changing consumer behavior, technological advancements, and the growth of organized retail.

Importance of Retail Services

Retail services play a vital role in enhancing customer satisfaction and loyalty. These services help retailers differentiate themselves from competitors, build brand value, and improve the overall shopping experience. In a diverse and competitive market like India, offering superior services can be a key differentiator for retail businesses.

Types of Services in the Retail Sector

1. Pre-Sales Services

- **Customer Assistance:** Offering guidance and information to help customers make informed decisions. This can include personalized shopping assistance, product demonstrations, and expert advice.
- **Product Customization:** Allowing customers to customize products according to their preferences. This service is becoming increasingly popular in categories like apparel, electronics, and furniture.

2. In-Store Experience Services

- **Ambiance and Store Layout:** Creating a welcoming and comfortable shopping environment through store design, lighting, music, and cleanliness.
- **Trial and Fitting Rooms:** Providing well-maintained and private trial rooms, especially in apparel stores, to allow customers to try on products before purchasing.
- **Product Availability:** Ensuring a wide variety of products are available in-store, reducing the chances of stockouts and improving customer satisfaction.

3. Sales Services

- **Payment Options:** Offering multiple payment methods, including cash, credit/debit cards, mobile wallets, and Buy Now, Pay Later (BNPL) services, to cater to different customer preferences.
- **Loyalty Programs:** Implementing loyalty programs that reward repeat customers with points, discounts, and special offers, encouraging customer retention.

4. Post-Sales Services

- **Home Delivery:** Providing home delivery services, which have become crucial in the era of e-commerce. Retailers may offer free or paid delivery options depending on the order value and location.
- **Return and Exchange Policies:** Offering hassle-free return and exchange policies to build trust and ensure customer satisfaction.
- **After-Sales Support:** Providing support such as product installation, repairs, and maintenance, especially for electronics, appliances, and furniture.

Technological Integration in Retail Services

1. E-Commerce and Omni-Channel Retailing

- **Online Shopping Platforms:** Many Indian retailers have expanded their services online, offering e-commerce platforms that allow customers to shop from the comfort of their homes.
- **Click-and-Collect Services:** Customers can order products online and pick them up from a nearby store, combining the convenience of online shopping with the immediacy of in-store pickup.
- **Omni-Channel Experience:** Retailers are increasingly adopting omni-channel strategies, integrating physical stores, online platforms, and mobile apps to provide a seamless shopping experience.

2. Personalization and AI

- **Personalized Recommendations:** Using data analytics and AI to offer personalized product recommendations based on customer browsing and purchase history.
- **Chatbots and Virtual Assistants:** Implementing AI-powered chatbots and virtual assistants on websites and apps to provide instant customer support and answer queries.

3. Digital Payments and Fintech

- **UPI and Mobile Wallets:** The adoption of digital payments, especially through UPI (Unified Payments Interface) and mobile wallets like Paytm, PhonePe, and Google Pay, has surged in India, making transactions faster and more secure.
- **EMI and Credit Options:** Retailers are partnering with fintech companies to offer easy EMI (Equated Monthly Installments) and instant credit options, making high-value purchases more accessible.

Challenges in Retail Services in India

1. Supply Chain Management

Efficient supply chain management is critical to ensuring product availability and timely delivery, especially in a vast and diverse market like India. Retailers must address challenges such as infrastructure gaps, logistics costs, and inventory management.

2. Consumer Diversity

India's diverse consumer base presents a challenge in terms of catering to varied tastes, preferences, and purchasing power. Retailers need to offer a wide range of products and services to meet the needs of different segments.

3. Competition from E-Commerce

The rapid growth of e-commerce giants like Amazon and Flipkart has intensified competition for traditional brick-and-mortar retailers. To stay competitive, physical stores must enhance their service offerings and leverage technology.

4. Regulatory Compliance

Retailers must navigate complex regulatory requirements, including taxation, consumer protection laws, and environmental regulations. Compliance is crucial to avoid legal issues and maintain a good reputation.

Future Trends in Retail Services

1. Sustainability and Green Retailing

Indian consumers are increasingly aware of environmental issues, prompting retailers to adopt sustainable practices. This includes offering eco-friendly products, reducing plastic use, and implementing recycling programs.

2. Experiential Retail

As consumers seek more than just products, experiential retail is gaining traction. This involves creating immersive shopping experiences through interactive displays, events, and in-store activities.

3. Expansion into Tier II and Tier III Cities

Retailers are expanding their presence beyond metro cities into Tier II and Tier III cities, tapping into the growing purchasing power and aspirations of consumers in these regions.

4. Use of Big Data and Analytics

Retailers will increasingly rely on big data and analytics to understand consumer behavior, optimize inventory, and personalize marketing strategies.

3.3.2 Service Level Agreements (SLA)

The service concept is a framework for designing and delivering services that address different aspects of customer needs. This concept is broken down into various levels, each representing different facets of the service experience. These levels are essential for understanding how to meet and exceed customer expectations effectively.

Core Service Level:

This is the fundamental service or benefit that customers seek. It forms the basis of the service transaction and addresses the primary reason for the service purchase. The core service level is what customers are primarily buying. For example, when a customer buys an airline ticket, the core service is the transportation provided by the airline. Similarly, for a car hire company, the core service is the provision of temporary transportation solutions. This level is crucial because it directly fulfills the primary need or problem that customers are addressing with their purchase.

Expected Service Level:

Building on the core service, the expected service level includes the basic features and standards that customers anticipate as part of their service experience. These expectations are often shaped by industry norms and past experiences. For instance, when purchasing an airline ticket, customers expect not only a seat on the plane but also

additional benefits such as a comfortable waiting area, prompt in-flight service, high-quality food, clean restrooms, and punctuality. In the case of hotels, guests expect cleanliness, basic amenities such as room service, and functional telephone services. Meeting these expectations is vital for maintaining customer satisfaction and preventing dissatisfaction, as falling short can lead to negative perceptions and reduced customer loyalty.

Augmented Service Level:

The augmented service level involves adding extra features and benefits that differentiate the service from competitors. These enhancements go beyond the core and expected levels, providing additional value to the customer. For example, a credit card that offers global usage without extra charges or includes additional perks like travel insurance or rewards programs exemplifies the augmented service level. These added benefits are designed to set the service apart in a competitive market, creating a unique value proposition that can attract and retain customers. Augmented services help build brand loyalty by offering more than just the basic service.

Potential Service Level:

The potential service level focuses on future enhancements and possibilities that could be introduced to further improve the service. It includes all the possible features and benefits that could be added to the service to exceed current offerings and pleasantly surprise customers. For instance, mobile phone users might be delighted by unexpected increases in talk time or new features that enhance their experience. This level is aimed at building strong customer loyalty and satisfaction by continually innovating and adding value beyond what is currently offered. Potential services can transform customer experiences and lead to increased loyalty by consistently exceeding their expectations and adapting to their evolving needs.

A Service Level Agreement (SLA) outlines the agreed-upon service levels between a service provider and the customer. It ensures that the service provider meets specific performance criteria and provides transparency in service delivery. Key components typically include:

- Service Description: Detailed explanation of the services provided.
- Performance Metrics: Specific criteria for measuring service performance, such as

response times, resolution times, and quality standards.

- Responsibilities: Duties and obligations of both the service provider and the customer.
- Monitoring and Reporting: How service performance will be tracked and reported.
- Penalties and Remedies: Consequences for failing to meet agreed-upon service levels, including potential compensation for the customer.

3.3.3 Service Marketing Triangle

Christian Gronroos developed the Service Triangle model to illustrate the interplay between three critical groups in achieving organizational goals: the company (top management), employees, and customers. This model emphasizes the need for a comprehensive approach to service marketing, integrating three key areas: Internal Marketing, External Marketing, and Interactive Marketing.

1. Internal Marketing

Internal Marketing focuses on the importance of treating employees as the first market. The premise is that satisfied and motivated employees are more likely to deliver excellent service, which in turn benefits the organization and its customers. Key aspects of Internal Marketing include:

- **Motivation and Satisfaction:** Ensuring that employees are well-compensated, motivated, and satisfied with their work environment. This includes competitive pay, promotions, and other benefits.
- **Morale and Commitment:** High employee morale and commitment are crucial for delivering quality service and achieving organizational goals. Efforts should be made to enhance employee satisfaction and engagement.

2. External Marketing

External Marketing addresses the relationship between the company and its customers. This involves understanding and responding to customer needs and expectations. Key aspects of External Marketing include:

- **Customer Awareness:** Developing a deep understanding of customer behavior, preferences, and expectations. Marketing professionals should stay informed about changes in customer needs and trends.

- **Service Design:** Designing services that align with customer expectations and preferences. Effective service design responds proactively to customer feedback and evolving needs.

3. Interactive Marketing

Interactive Marketing, also known as service encounters, focuses on the interaction between employees and customers during service delivery. This includes:

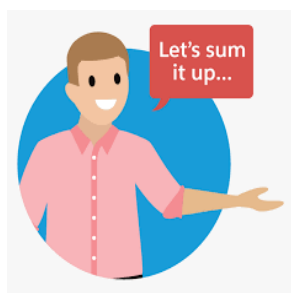
- **Service Encounters:** The direct interactions between employees and customers that significantly impact the customer's experience. Employees must be aware of their role in these interactions and be equipped to handle them effectively.
- **Service Delivery:** Ensuring that the service delivery process is well-supported by systems, techniques, and tangibles, enhancing the overall customer experience.

Importance of the Service Triangle

The Service Triangle model underscores the interconnectedness of Internal, External, and Interactive Marketing. For a successful marketing strategy, organizations must:

- **Develop Internal Marketing Programs:** Ensure that employees are motivated and aligned with organizational goals.
- **Implement Effective External Marketing:** Understand and cater to customer needs and preferences.
- **Enhance Interactive Marketing:** Focus on high-quality service encounters to positively impact customer satisfaction.

3.3.4 Let's Sum up



The retail sector in India encompasses a variety of services crucial for enhancing customer satisfaction and loyalty. These services include pre-sales assistance; in-store experiences, sales transactions, and post-sales support, all of which help retailers differentiate themselves in a competitive market. Technological advancements, such as e-commerce and AI-driven personalization, are reshaping retail services, while challenges like supply chain management and competition from e-commerce remain significant. The Service Level Agreement (SLA) framework ensures service performance meets agreed-upon standards, while the Service Marketing Triangle model highlights the importance of aligning internal marketing, external marketing, and interactive marketing to achieve organizational success.



Self Assessment

3.3.5 Self-Assessment

1. Which of the following is considered a pre-sales service in the retail sector?
 - A) Home Delivery
 - B) Trial and Fitting Rooms
 - C) Customer Assistance
 - D) Return and Exchange Policies
2. In the context of Service Level Agreements (SLA), which component outlines the specific criteria for measuring service performance?
 - A) Service Description
 - B) Responsibilities
 - C) Performance Metrics
 - D) Penalties and Remedies
3. What does the 'Augmented Service Level' involve according to the service concept framework?
 - A) Basic features and standards that customers expect
 - B) The fundamental service or benefit that customers seek
 - C) Extra features and benefits that differentiate the service from competitors
 - D) Future enhancements and possibilities that could be introduced
4. In the Service Marketing Triangle, which of the following is emphasized in Internal Marketing?
 - A) Understanding and responding to customer needs
 - B) Ensuring high employee motivation and satisfaction
 - C) Enhancing service encounters between employees and customers
 - D) Designing services that align with customer expectations
5. Which future trend in retail services focuses on creating immersive shopping experiences through interactive displays and events?
 - A) Omni-Channel Retailing
 - B) Digital Payments and Fintech
 - C) Experiential Retail
 - D) Expansion into Tier II and Tier III Cities

3.4.1 Unit Summary

- ✚ Positioning of Services involves creating a distinct image and identity for a service in the minds of customers.
- ✚ Designing the Service Delivery System focuses on creating an efficient and customer friendly process for delivering services.
- ✚ Pricing of Services includes setting pricing strategies that align with the objectives of value perception, competition, and profitability.
- ✚ Objectives and Methods in service pricing emphasize the balance between customer value, cost recovery, and competitive positioning.
- ✚ Services in the Retail Sector explore how service offerings are integrated and marketed within retail environments to enhance customer experience.
- ✚ Service Level Agreements (SLA) are formal agreements that define the expected service quality and performance standards between providers and clients.
- ✚ Service Marketing Triangle highlights the relationship between the company, employees, and customers, emphasizing the importance of internal and external marketing efforts.

3.4.2 Glossary

Pricing Objectives	Goals that guide pricing decisions, such as maximizing profit, increasing market share, or achieving a specific return on investment.
Pricing Methods	Techniques used to determine service prices, including cost-plus pricing, value-based pricing, and competition-based pricing.
Service Level Agreements (SLA)	Formal agreements between service providers and clients that outline the expected service standards, performance metrics, and responsibilities.
Service Marketing Triangle	A model illustrating the relationship between the company, employees, and customers, highlighting the need for effective internal and external marketing to ensure service quality.

Service Blueprinting	A method used to map out the service delivery process, identifying key interactions, touchpoints, and back-end processes to improve service design and execution.
Service Quality Metrics	Standards and measures used to assess the quality of service delivery, such as customer satisfaction, service reliability, and response time.

3.4.3 Self – Assessment Questions

1. Define the concept of positioning in service marketing.
2. Describe the process of designing a service delivery system.
3. List the key objectives of pricing services and explain their importance.
4. Identify and explain different methods used for pricing services.
5. Discuss the role of services in the retail sector and how they influence customer experiences.
6. Explain what a Service Level Agreement (SLA) is and its importance in service provision.
7. Describe the Service Marketing Triangle and its components.
8. Apply the concept of service positioning to a real-world example and explain how it differentiates the service from competitors.
9. Analyze the impact of service delivery system design on overall service quality and customer satisfaction.
10. Evaluate various pricing strategies for a service and their impact on profitability and customer perception.
11. Discuss how Service Level Agreements (SLAs) can be used to manage customer expectations and service quality.
12. Illustrate how the Service Marketing Triangle can be used to align internal and external marketing efforts.
13. Compare different methods of service pricing and assess their suitability for different types of services.
14. Design a service delivery system for a new service and justify your design choices.
15. Critique a real-world service marketing strategy based on the positioning, pricing, and service delivery system elements.

Activities / Exercises / Case Studies



Activities

- ❖ Form a small group and discuss a scenario where learners can analyze how a local service provider, such as a restaurant or a hospital, positions its services within the market. Reflect on the strategies used for designing its service delivery system to meet customer expectations.
- ❖ Select a local IT services company and identify the key elements of its Service Level Agreements (SLAs). Discuss how these agreements are structured and the role they play in maintaining service quality and customer satisfaction.

Answers for Self-Assessment to check your progress

Module I

1. B) To identify the most important service features for customers
2. D) Tangibility
3. B) The unique attribute of a service
4. B) Structuring procedures and workflows for service delivery
5. C) Continuous service improvement

Module II

1. D) Employee Satisfaction
2. C) Customer willingness to pay and perceived value
3. B) To ensure the firm's survival during periods of intense competition
4. C) Cost-Based Pricing
5. B) When aiming for a quick market share with a price-sensitive market





Module III


1. C) Customer Assistance
2. C) Performance Metrics
3. C) Extra features and benefits that differentiate the service from competitors
4. B) Ensuring high employee motivation and satisfaction
5. C) Experiential Retail

3.4.4 Suggested Readings

1. https://epgp.inflibnet.ac.in/epgpdata/uploads/epgp_content/S000023MA/P001404/M022200/ET/15046083377q1.pdf
2. <https://is.muni.cz/el/fi/podzim2016/J008/5. Service Design and Service Delivery Process.pdf>
3. [https://nscpolteksby.ac.id/ebook/files/Ebook/Accounting/Pricing%20Research%20in%20Marketing%20\(2009\)/25%20-%20Pricing%20in%20services.pdf](https://nscpolteksby.ac.id/ebook/files/Ebook/Accounting/Pricing%20Research%20in%20Marketing%20(2009)/25%20-%20Pricing%20in%20services.pdf)
4. https://www.arubacloud.com/documents/tc-files/en/3_servicelevelagreement.pdf
5. <https://www.researchgate.net/publication/225840843 Specification of Service Level Agreements Problems Principles and Practices>

3.4.5 Open-Source E-Content Links

1	Positioning of Services	https://youtu.be/jzwUAv9nryY?si=JkYf5iaP9f8FMzXD	
2	Pricing the Service	https://youtu.be/74mlBfQD68c?si=zW70IK0foH-figT	
3	Methods of Pricing	https://youtu.be/UA7VRWpcE2I?si=E9IELGjEYrsl3aok	
4	Service Level Agreement	https://youtu.be/DBqedi6Bm3s?si=MtysEO6YaCCUiPCE	

5	Service Marketing Triangle	https://youtu.be/jUT5xfUssyo?si=fbDNMIVk0uOwqFZH	
3.4.6 References			
<ol style="list-style-type: none">1. https://www.shiksha.com/online-courses/articles/positioning-in-marketing/2. https://www.researchgate.net/publication/354623174 Positioning Services in _Competitive Markets3. https://hingemarketing.com/blog/story/brand-positioning-strategy-for-the- professional-services4. https://fastercapital.com/topics/designing-a-service-delivery-strategy.html5. https://www.techtarget.com/searchchannel/definition/service-level- agreement			

Self-Learning Material Development – STAGE 1		
UNIT 4		Service Operations Management
Managing service operations - Participants in services - Employees and customer's role in service delivery - Mass production and delivery - Importance of quality in services - Delivering Quality Service.		
Unit Module Structuring		
STAGE – 2 – Modules Sections and Sub-sections structuring		
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Hello Learners.... Welcome to the essential field of Managing Service Operations, where understanding the intricate roles and processes is vital for delivering outstanding services. Learn about the key Participants in Services, including the crucial roles of Employees and Customers in Service Delivery.

Explore the concepts of Mass Production and Delivery in the service sector and recognize the paramount Importance of Quality in Services. Discover strategies for Delivering Quality Service that ensures customer satisfaction and operational excellence. Everything you need to know about Managing Service Operations....!

4.1.1 Introduction of Service Operations Management

Definition

"Service operations involve the design, management, and delivery of services that satisfy customer needs. It encompasses the planning, organizing, and controlling of resources to achieve the efficient production and delivery of services." - Fitzsimmons and Fitzsimmons

"Service operations refer to the activities and processes that are essential to deliver the service promise to customers. It involves managing the interaction between service providers and customers, ensuring the alignment of service quality with customer expectations." - Haksever et al.

Meaning

Service operations can be understood as the systematic management and coordination of processes, resources, and activities involved in delivering services to customers. It focuses on efficiently designing, producing, and delivering services that meet or exceed customer expectations. This includes the entire service delivery process, from planning and organizing to managing interactions between service providers and customers, ensuring that the service promise is fulfilled with consistent quality.

4.1.2 Managing Service Operations

Managing service operations involves overseeing and optimizing the processes that deliver services to customers. Unlike manufacturing operations, service operations must account for the intangible, perishable, and variable nature of services. Effective management ensures that services are delivered efficiently, consistently, and at a high level of quality to meet or exceed customer expectations.

Key Components of Managing Service Operations:

1. Service Design:

- **Service Blueprinting:** This tool helps map out the entire service process from the customer's perspective, identifying customer interactions, service processes, and potential failure points.
- **Process Design:** Focuses on creating processes that are both efficient and capable of delivering the desired service quality. It includes flowcharting, capacity planning, and layout design to ensure that services are delivered smoothly.
- **Customer Journey Mapping:** Identifies the steps a customer takes from the initial contact to the completion of the service. It helps in understanding customer needs and expectations at each stage.

2. Demand and Capacity Management:

- **Matching Supply with Demand:** Services need to adjust their capacity to meet customer demand, which can fluctuate. Techniques include scheduling, queuing systems, and workforce management.
- **Demand Forecasting:** Predicting customer demand to better align service capacity and ensure resources are available when needed.
- **Flexibility in Operations:** Includes cross-training employees, using part-time or temporary staff, and deploying technology to handle varying levels of demand.

3. Quality Management:

- **Service Quality Dimensions:** Includes tangibles (physical evidence), reliability, responsiveness, assurance, and empathy. Managing these dimensions ensures consistent service quality.

- **Continuous Improvement:** Implementing processes like Total Quality Management (TQM) to continually refine and enhance service delivery.
- **Customer Feedback:** Regularly gathering and analyzing feedback to identify service gaps and areas for improvement.

4. Employee Management:

- **Training and Development:** Ensures that employees have the skills and knowledge needed to perform their roles effectively, particularly in customer-facing positions.
- **Empowerment:** Giving employees the authority to make decisions and resolve customer issues on the spot can improve service delivery and customer satisfaction.
- **Motivation and Engagement:** Keeping employees motivated and engaged is essential for high service performance. This can be achieved through recognition, rewards, and a positive work environment.

5. Customer Relationship Management (CRM):

- **Personalization:** Using customer data to tailor services to individual needs and preferences, enhancing the customer experience.
- **Service Recovery:** Effective management of service failures and complaints can turn dissatisfied customers into loyal ones. Strategies include prompt resolution, compensation, and follow-up.

6. Technology in Service Operations:

- **Automation:** Streamlining repetitive tasks through technology (e.g., self-service kiosks, online reservations) can improve efficiency and reduce errors.
- **Data Analytics:** Analyzing customer data to understand patterns, forecast demand, and make informed decisions about service delivery.
- **Integration:** Ensuring that all technological systems (CRM, ERP, etc.) work together seamlessly to support service operations.

Challenges in Managing Service Operations:

❖ Service Variability:

Unlike manufactured goods, services can vary greatly depending on who delivers them, when, and how. Managing this variability requires robust processes and training.

❖ **Customer Expectations:**

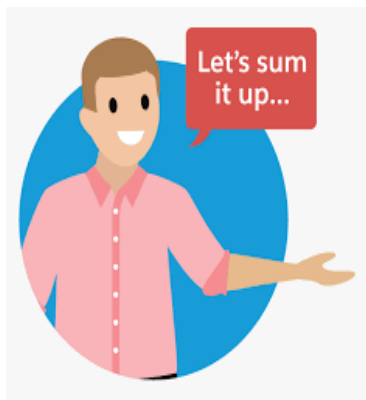
Service operations must manage and often exceed customer expectations, which can be influenced by factors like prior experiences, marketing, and word-of-mouth.

❖ **Scalability:**

Scaling service operations while maintaining quality is challenging. As a service operation grows, maintaining personalized service and consistent quality becomes more difficult.

❖ **Intangibility:**

Since services are intangible, it's harder to measure and manage them compared to physical goods. Service quality is often subjective, based on customer perceptions.



4.1.3 Let's Sum up

Service operations management involves the efficient design, production, and delivery of services that meet or exceed customer expectations. Key components include service design, demand and capacity management, quality management, employee management, customer relationship management, and the use of technology. The challenges in managing service operations stem

from the inherent variability, customer expectations, scalability, and intangibility of services. Effective management ensures that services are delivered consistently, efficiently, and with high quality, focusing on continuous improvement and customer satisfaction.



Self Assessment

4.1.4 Self-Assessment

1. Which of the following best describes 'Service Operations' according to Fitzsimmons and Fitzsimmons (2008)?

- A) The management of manufacturing processes.
- B) The design and delivery of services to satisfy customer needs.
- C) The production and distribution of physical goods.
- D) The management of employee relationships.

2. What is the primary focus of 'Service Design' in managing service operations?
 - A) Forecasting customer demand.
 - B) Creating processes that deliver the desired service quality efficiently.
 - C) Managing employee motivation.
 - D) Automating repetitive tasks.
3. Which tool is used to map out the entire service process from the customer's perspective?
 - A) Customer Journey Mapping
 - B) Process Design
 - C) Service Blueprinting
 - D) Demand Forecasting
4. What does 'Service Recovery' primarily focus on?
 - A) Automating customer interactions.
 - B) Managing service failures and complaints.
 - C) Forecasting demand fluctuations.
 - D) Designing customer journey maps.
5. Which of the following is NOT a challenge in managing service operations?
 - A) Service Variability
 - B) Customer Expectations
 - C) Scalability
 - D) Mass Production Efficiency

4.2.1 Employee's role in service delivery

In service operations, the primary participants are employees and customers, both of whom play integral roles in the delivery and experience of services. Employees, particularly those on the frontline, are directly involved in the service process, shaping the quality and outcome of the service encounter. Meanwhile, customers are not just recipients but often active participants in the service delivery, influencing the process and final outcome. The interaction between these two groups during service encounters is crucial in determining the overall success and satisfaction of the service experience.

Employees are central to the service delivery process, particularly in industries where human interaction is a key component of the customer experience. The role of employees in service delivery is multifaceted, involving direct customer interaction, problem-solving, and maintaining the quality of the service. Below is a detailed exploration of the roles employees play in service delivery, along with examples.

1. Frontline Employees: The Face of the Service

Frontline employees are those who directly interact with customers during the service process. They are the face of the organization and significantly impact the customer's perception of the service.

Key Roles:

Service Provision:

In a restaurant, the waiter or waitress takes the order, serves food, and attends to customer needs. The quality of their service—such as attentiveness, friendliness, and efficiency—directly influences the dining experience.

Customer Interaction:

A hotel receptionist not only checks guests in and out but also provides information about the hotel services, local attractions, and handles special requests. The way they communicate—whether they are courteous, knowledgeable, and helpful—affects the guest's overall experience.

Service Customization:

A financial advisor in a bank may tailor their advice based on the customer's specific financial situation, goals, and preferences. This personalized service helps build trust and ensures that the customer feels valued.

2. Employee Empowerment and Decision-Making

Empowerment refers to giving employees the authority and responsibility to make decisions on their own, especially in situations where quick action is needed to satisfy the customer.

Key Roles:

Problem-Solving:

In a retail setting, if a customer is unhappy with a purchase, an empowered sales associate might be able to offer an immediate exchange or refund without needing to consult a manager. This quick resolution can prevent the situation from escalating and leave the customer satisfied.

Service Recovery:

In an airline, if a flight is delayed, an empowered gate agent might offer complimentary refreshments, rebooking options, or upgrades to affected passengers. This helps to mitigate the inconvenience and turn a negative situation into a positive one.

3. Maintaining Service Quality

Employees play a crucial role in maintaining and enhancing the quality of the service provided. This includes adhering to established service standards and contributing to continuous improvement.

Key Roles:

Adherence to Standards:

A barista in a coffee shop follows specific procedures for making different coffee drinks, ensuring consistency in taste, temperature, and presentation. Consistency is key to maintaining quality across all customer interactions.

Continuous Improvement:

A team of customer service representatives might regularly review common customer complaints and work together to develop better responses or suggest improvements to the service process. This could include simplifying procedures or providing additional training to handle specific issues more effectively.

4. Employee Training and Development

Ongoing training and development are essential for employees to keep their skills up to date and to ensure they can meet the evolving needs of customers.

Key Roles:

Skill Enhancement:

In healthcare, nurses and medical staff undergo regular training to stay updated on the latest medical procedures, technology, and patient care practices. This ensures they can provide high-quality care and respond effectively to patient needs.

Customer Service Training:

In a call center, employees may receive training in soft skills like communication, empathy, and conflict resolution. This helps them handle customer inquiries and complaints more effectively, leading to better customer experiences.

5. Emotional Labor and Relationship Building

Emotional labor involves managing one's emotions to present a positive and professional demeanor during interactions with customers, even in challenging situations.

Key Roles:

Emotional Labor:

Flight attendants must remain calm, cheerful, and patient even when dealing with difficult passengers or stressful situations, such as turbulence or delays. Their ability to maintain a positive attitude helps to reassure and comfort passengers.

Relationship Building:

A personal trainer at a gym builds relationships with clients by understanding their fitness goals, motivating them, and providing personalized advice. This relationship encourages clients to stick with their fitness programs and improves their overall experience.

4.2.2 Customer's role in service delivery

Customers are not just passive recipients of services; they often play an active role in the delivery process. Their participation can significantly influence the outcome and quality of the service experience. Understanding the various roles customers play in service delivery is essential for organizations to design and manage services effectively.

1. Customers as Co-Producers

In many service settings, customers contribute to the production and delivery of the service. They participate in activities that traditionally might be performed by the service provider.

Key Roles:

Self-Service Participation:

At a self-service gas station, customers pump their own fuel, select the type of fuel, and handle the payment process. The service is designed around the customer performing these tasks themselves.

Customization and Personalization:

In a build-your-own pizza restaurant, customers select their own toppings, sauces, and crust type, effectively customizing the final product. Their choices directly influence the service outcome.

2. Customers as Contributors to Service Quality

The quality of the service experience can be directly influenced by how well customers perform their role, including how they communicate their needs and follow instructions.

Key Roles:

Clear Communication of Needs:

When visiting a healthcare provider, a patient who clearly communicates their symptoms, medical history, and concerns allows the doctor to diagnose and treat them more effectively.

Following Instructions:

In a fitness class, participants are expected to follow the instructor's guidance for exercises. Adhering to instructions not only ensures safety but also maximizes the benefits of the workout.

Providing Feedback:

After staying at a hotel, a customer might complete a survey about their experience, providing valuable feedback on aspects like room cleanliness, staff behavior, and amenities.

3. Customers as Consumers of the Service

Customers ultimately consume the service and are the judges of its quality. Their satisfaction depends on how well the service meets or exceeds their expectations.

Key Roles:

Judging Service Quality:

A diner at a restaurant evaluates the quality of the meal based on factors like taste, presentation, and service speed. Their satisfaction depends on how well these elements meet their expectations.

Managing Expectations:

A customer booking a budget airline flight might have different expectations regarding service levels compared to a full-service airline. Understanding the service level they have chosen helps align their expectations with the actual service delivered.

4. Customers as Co-Creators of Value

The concept of value co-creation involves customers and service providers working together to create value through their interactions and the service experience.

Key Roles:

Engagement in the Service Process:

In a consulting service, a business client actively engages with the consultant by providing detailed information about their operations and goals. This collaboration leads to a more tailored and effective solution.

Participating in Loyalty Programs:

A frequent flyer participating in an airline's loyalty program accumulates points with each flight, which they can redeem for future benefits. Their continued participation enhances the value they receive from the service.

5. Customers as Advocates or Detractors

Customers often share their service experiences with others, acting as either advocates or detractors for the service provider.

Key Roles:

Word of Mouth and Reviews:

A customer who enjoys a meal at a restaurant might leave a positive review on social media or recommend the restaurant to friends. Conversely, a customer who has a poor experience might share their dissatisfaction publicly.

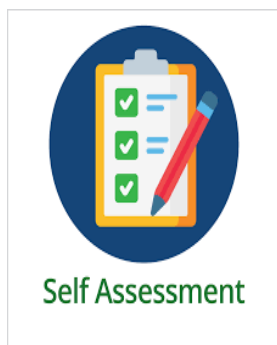
Referral and Advocacy:

A satisfied customer of a financial advisor might refer friends or colleagues to the advisor, effectively acting as an advocate for their services.



4.2.3 Let's Sum up

Employees and customers both play critical roles in service delivery, directly influencing the quality and success of the service experience. Employees, especially frontline staff, are essential in service provision, problem-solving, maintaining quality, and building customer relationships. Empowerment and ongoing training enhance their effectiveness. Customers, on the other hand, actively participate as co-producers, contribute to service quality, and judge the final outcome. Their engagement, communication, and feedback are crucial for co-creating value and shaping perceptions, while their advocacy or criticism can significantly impact the service provider's reputation.



4.2.3 Self-Assessment

1. Who are considered the primary participants in service operations?
 - A) Employees and managers
 - B) Employees and customers
 - C) Managers and suppliers
 - D) Customers and suppliers

2. Which of the following is a key role of frontline employees in service delivery?
 - A) Designing new products
 - B) Interacting directly with customers during the service process
 - C) Managing the supply chain
 - D) Handling financial transactions only

3. What does 'Employee Empowerment' refer to in service delivery?
 - A) Providing employees with better salaries
 - B) Giving employees the authority to make decisions independently
 - C) Training employees on technical skills
 - D) Increasing the number of employees in an organization
4. In what way can customers act as 'Co-Producers' in service delivery?
 - A) By only consuming the service without any involvement
 - B) By contributing to the service process, such as self service participation
 - C) By managing the service provider's operations
 - D) By reducing the quality of service
5. How can customers act as 'Advocates' for a service provider?
 - A) By avoiding any interaction with the service provider
 - B) By sharing their positive experiences with others and providing referrals
 - C) By complaining publicly about the service
 - D) By ignoring the service provider's offers and promotions

4.3.1 Mass Production and Delivery

Mass Production and Delivery in Services

Mass production, traditionally associated with manufacturing, refers to the large-scale production of standardized products. However, in the context of services, mass production involves delivering standardized services to a large number of customers in a consistent, efficient, and cost-effective manner. This approach is essential in industries where consistency and efficiency are key, such as fast food, retail, and financial services.

Mass delivery, on the other hand, is the process of ensuring these standardized services reach a wide audience, often using technology and systems that allow for scalability without compromising on quality.

1. Mass Production in Services

Mass production in services involves creating a standardized service process that can be replicated across multiple locations or customer interactions with minimal variation.

Key Characteristics:

Standardization:

Standardization ensures consistency in service delivery, which builds brand trust and meets customer expectations regardless of location. It also reduces costs by streamlining operations and minimizing the need for specialized training or equipment at each site.

Example: Fast-food chains like McDonald's standardize their menu items, preparation methods, and service procedures across all locations. A Big Mac in New York will taste and be served the same way as one in Tokyo.

Efficiency:

Efficiency in mass production reduces operational costs and allows the service provider to serve more customers in less time, increasing overall profitability. Customers benefit from faster service and reduced waiting times.

Example: Automated teller machines (ATMs) offer standardized banking services such as cash withdrawals, deposits, and account inquiries. The process is highly efficient, allowing banks to serve large numbers of customers without requiring a physical branch visit.

Technology Integration:

Technology enables the scalability of services, making it possible to handle large volumes of transactions and interactions while maintaining quality and consistency. It also allows for the collection and analysis of data to further refine and optimize the service process.

Example: E-commerce platforms like Amazon use sophisticated algorithms and automated processes to manage inventory, process orders, and handle customer service inquiries. This allows them to deliver a consistent service experience to millions of customers worldwide.

2. Mass Customization: Balancing Standardization and Personalization

Mass customization refers to the ability to deliver customized services on a large scale. It combines the efficiency of mass production with the flexibility to tailor services to individual customer needs.

Key Characteristics:

Customization Options:

Mass customization enhances customer satisfaction by allowing them to personalize the service or product to their preferences while still benefiting from the efficiency and consistency of mass production. It also differentiates the service provider in a competitive market.

Example: Nike's "Nike By You" service allows customers to design their own shoes by selecting colors, materials, and features, while the production process remains standardized. The customization options are integrated into a mass production framework.

Flexible Processes:

Flexibility in service delivery allows businesses to cater to diverse customer needs without sacrificing efficiency. This approach increases customer engagement and loyalty, as the service feels more relevant and personalized.

Example: Streaming services like Netflix offer personalized content recommendations based on a standardized algorithm that analyzes user behavior. The platform itself is standardized, but the user experience is customized.

3. Mass Delivery in Services

Mass delivery involves the distribution of standardized services to a large number of customers across various channels or locations, often leveraging technology to ensure scalability and consistency.

Key Characteristics:

Scalability:

Scalability allows service providers to expand their reach and serve more customers without significantly increasing costs. It also ensures that service levels remain consistent across different regions and markets.

Example: Ride-sharing services like Uber operate on a mass delivery model, where the same standardized service (a ride from point A to point B) is delivered to millions of users globally. The platform scales by using a large network of drivers and a centralized app to manage operations.

Multi-Channel Delivery:

Multi-channel delivery increases customer convenience and accessibility, allowing customers to choose the channel that best suits their needs. It also helps the service provider reach a broader audience and generate more revenue streams.

Example: Retail giants like Walmart offer mass delivery of services through multiple channels, including physical stores, online platforms, and mobile apps. Customers can shop online, pick up in-store, or have items delivered to their homes.

Automation:

Automation reduces the need for manual intervention, increasing the speed and accuracy of service delivery. It also allows businesses to handle higher volumes of orders while maintaining consistent quality.

Example: Automated food delivery services, like those offered by Domino's Pizza, use a combination of online ordering systems, automated kitchen equipment, and GPS tracking to deliver pizzas consistently and quickly to a large number of customers.

4. Challenges and Considerations in Mass Production and Delivery**Key Challenges:****Maintaining Quality:**

Inconsistent quality can lead to customer dissatisfaction and harm the brand's reputation. Service providers must invest in continuous training, quality control, and feedback mechanisms to ensure that standards are met uniformly.

Example: A hotel chain that standardizes its service offerings across all locations might struggle to maintain the same level of quality in every hotel, especially if there are differences in staff training, local management, or facilities.

Balancing Efficiency with Personalization:

Overemphasis on efficiency at the expense of personalization can lead to a commoditized service experience, where customers feel undervalued. Service providers must find the right balance to ensure that customers feel recognized and appreciated.

Example: An airline might offer a highly efficient boarding process, but if customers feel like they are being treated as "just another number," they may be less satisfied with the overall experience.

Technology Dependence:

High dependence on technology for mass delivery can be a vulnerability. Service providers need robust backup systems and contingency plans to minimize the impact of any technological failures.

Example: Online banking services rely heavily on technology to deliver mass services. However, if the system goes down, it can cause widespread disruption, affecting a large number of customers simultaneously.

4.3.2 Importance of Quality in Services

Quality of Service

The quality of service (QoS) is vital for both customers and service providers, playing a crucial role in maintaining a competitive advantage. Service quality encompasses multiple aspects, including the quality of the output, the process involved in delivering the service, the delivery system, and the overall organizational philosophy. Here's a detailed look at how service quality is perceived and measured:

1. Fitness for Purpose

This aspect refers to how well the service meets the specific needs and requirements for which it was intended. A service is considered high quality if it effectively fulfills the purpose for which it was designed. For example, a hotel's quality can be judged by how well it provides the accommodations and amenities that travelers need for a comfortable stay. The service must align with the intended use and function to be deemed fit for purpose.

2. Totality of Features

Quality of service involves a comprehensive evaluation of all features and attributes of the service that contribute to meeting customer needs. This includes both tangible and intangible elements, such as the range of services offered, the user experience, and additional features that enhance the overall service. For instance, a healthcare service's quality is judged not only on the medical care provided but also on factors like the friendliness of the staff, the cleanliness of the facility, and the efficiency of the appointment scheduling system.

3. Difference Between Customer Expectations and Performance Delivery

Service quality can be assessed by comparing customer expectations with the actual performance delivered. A high-quality service is one where the service delivery meets or exceeds customer expectations. If there is a significant gap between what customers anticipate and what they actually receive, the perceived quality of the service will be lower. For example, if a restaurant promises gourmet meals but delivers average food, the quality of service is judged negatively.

4. Meeting or Exceeding Customer Expectations

Ultimately, the quality of service is determined by how well it meets or surpasses the expectations of the customer. When a service provider consistently delivers services that meet or exceed the anticipated standards, it is considered to be of high quality. This expectation-driven evaluation means that service providers need to understand and anticipate customer needs effectively to ensure satisfaction. For example, a luxury spa that provides exceptional relaxation experiences and personalized treatments will be viewed as delivering high-quality service if it aligns with or surpasses customer expectations.

Dimensions of Quality of Service

In today's competitive market, maintaining high Quality of Service (QoS) is crucial for organizations to gain and retain a competitive edge. Customers increasingly prioritize the quality of service they receive, and their assessment involves evaluating both the service delivery and the outcome. Just as the quality of an automobile is judged on factors like reliability and durability, or a food product on its flavor and freshness, service quality is evaluated through specific dimensions.

Parasuraman, Zeithaml, and Berry identified five key dimensions of service quality:

1. Reliability

Reliability refers to the ability of a service provider to deliver promised services consistently and accurately. It reflects the trustworthiness and dependability of the service.

Customers view reliability as the most critical dimension of service quality because it directly impacts their trust in the service provider. For instance, a banking institution is considered reliable if it consistently handles transactions accurately and securely.

2. Responsiveness

Responsiveness is the willingness and readiness of a service provider to assist customers and address their needs promptly and efficiently.

This dimension is crucial for customer satisfaction, especially when customers require additional support or have urgent needs. For example, in the hospitality industry, a responsive hotel staff is quick to address guest requests and resolve issues swiftly.

3. Assurance

Assurance encompasses the service provider's ability to instill confidence and trust in customers. It includes the competence, courtesy, and credibility of employees, as well as their ability to convey trustworthiness.

Customers feel reassured when they believe that their needs will be handled by knowledgeable and trustworthy professionals. For example, a healthcare provider demonstrates assurance by having qualified staff who communicate clearly and provide competent care.

4. Empathy

Empathy involves providing individualized attention and understanding the unique needs of each customer. It is characterized by the personalized care and consideration given to each customer's situation.

By showing empathy, service providers build strong relationships with customers and demonstrate that they genuinely care about their needs. For example, a personal financial advisor who listens to and understands a client's financial goals and concerns shows empathy.

5. Tangibles

Tangibles refer to the physical elements of the service environment that customers can see, hear, or touch. This includes the appearance of facilities, equipment, personnel, and the overall ambiance.

Tangibles contribute to customers' first impressions and overall perception of service quality. For example, a well-maintained restaurant with clean tables, modern decor, and professional staff uniforms enhances the perception of quality.

Examples of the Five Dimensions in Various Service Industries

1. Hospitality Industry (Hotels)

Reliability: Consistent room cleanliness and accurate reservation handling.

Responsiveness: Quick response to guest requests for extra amenities or room changes.

Assurance: Friendly, knowledgeable staff who provide clear information and assistance.

Empathy: Personalized service, such as remembering repeat guests' preferences.

Tangibles: Well-maintained rooms, attractive decor, and high-quality furnishings.

2. Healthcare Industry (Hospitals)

Reliability: Accurate diagnosis and effective treatment plans.

Responsiveness: Prompt attention to patient inquiries and emergency situations.

Assurance: Skilled healthcare professionals who provide clear explanations and show competence.

Empathy: Compassionate care and understanding of patients' emotional and physical needs.

Tangibles: Clean and well-equipped facilities, professional appearance of medical staff.

3. Retail Industry (Stores)

Reliability: Consistent product quality and accurate billing.

Responsiveness: Assistance with finding products and addressing customer concerns.

Assurance: Knowledgeable staff who can provide reliable product information and support.

Empathy: Understanding customer preferences and offering personalized recommendations.

Tangibles: Neat store layout, well-organized shelves, and appealing visual displays.

Gap Analysis in Service Quality

Gap analysis is a tool used to identify and address discrepancies between customer expectations and the actual service received. This analysis helps organizations understand where and why these gaps occur, and how they impact the overall Quality of Service (QoS). The central concept is that a gap arises whenever there is a shortfall

between expected and perceived service quality. This gap, known as the "customer gap," represents the difference between what customers expect and what they actually experience.

Causes of the Customer Gap

The customer gap is influenced by several provider gaps that occur within an organization. These gaps can be classified into four key areas:

1. Provider Gap 1: Not Knowing What Customers Expect

Provider Gap 1 represents the difference between customer expectations and the company's understanding of those expectations. It occurs when the company does not fully grasp what customers expect from their services.

Implications: If a company lacks a clear understanding of customer expectations, it may make decisions that lead to service offerings that do not meet customer needs. This gap can result in decreased QoS and customer dissatisfaction.

Key Factors:

- Inadequate market research
- Poor communication with customers
- Lack of feedback mechanisms

2. Provider Gap 2: Not Selecting the Right Service Quality Designs and Standards

Provider Gap 2 occurs when there is a disconnect between the company's understanding of customer expectations and the actual service designs and standards implemented. This gap reflects difficulties in translating customer needs into actionable service standards.

Implications: Even with a good understanding of customer expectations, if the service designs and standards are not appropriately developed, the service delivered may still fall short of customer expectations.

Key Factors:

- Inadequate design of service processes
- Poor alignment of service standards with customer expectations
- Insufficient involvement of customer feedback in the design process

3. Provider Gap 3: Not Delivering to Service Standards

Provider Gap 3 arises when there is a discrepancy between the established service standards and the actual service performance delivered by employees. This gap highlights issues in the execution of service standards.

Implications: Even if service standards are well-defined and aligned with customer expectations, failing to deliver according to these standards due to inadequate resources or training will result in a poor service experience.

Key Factors:

- Insufficient training for employees
- Lack of appropriate resources or technology
- Ineffective service delivery systems

4. Provider Gap 4: When Promises Do Not Match Performance

Provider Gap 4 represents the difference between the service delivery and the service promised through external communications such as advertising and sales promotions. This gap occurs when there is a mismatch between what is promised to customers and what is actually delivered.

Implications: If a company makes promises through its marketing or sales efforts that it cannot fulfill, it will create customer disappointment and reduce trust in the brand.

Key Factors:

- Over-promising in advertisements or sales pitches
- Poor coordination between marketing and operations
- Inconsistencies in service policies across different outlets

Addressing the Customer Gap

To effectively narrow the customer gap, organizations need to focus on addressing the key factors contributing to each provider gap:

Improving Understanding (Provider Gap 1): Conduct thorough market research and enhance communication channels with customers to better understand their expectations.

Aligning Design and Standards (Provider Gap 2): Ensure that service designs and standards are developed based on accurate customer insights and are consistently updated.

Enhancing Delivery (Provider Gap 3): Invest in employee training, resource allocation, and technology to meet established service standards.

Matching Promises with Performance (Provider Gap 4): Ensure that marketing communications accurately reflect service capabilities and maintain consistent policies across all service outlets.

Importance of Quality in Services

Quality in services is crucial for the success and sustainability of any service-oriented organization. Unlike tangible products, services are intangible, which means customers cannot inspect or test them before consumption. As a result, the perceived quality of a service often relies on the customer's experience and expectations. Ensuring high service quality is vital for several reasons:

1. Customer Satisfaction and Loyalty

High service quality directly contributes to customer satisfaction, which in turn fosters customer loyalty.

Key Aspects:

Meeting Expectations:

When customers' expectations are met or exceeded, they are more likely to be satisfied with their experience, leading to repeat business and long-term loyalty.

Example: A luxury hotel that consistently delivers exceptional service, from personalized check-ins to attentive room service, ensures that guests' expectations are met or exceeded.

Building Trust:

Trust is essential for retaining customers and encouraging them to engage in repeat business. High service quality helps establish and maintain this trust.

Example: A financial advisor who provides accurate, timely, and personalized advice builds trust with clients. This trust encourages clients to continue using their services and recommend them to others.

2. Competitive Advantage

High service quality differentiates a company from its competitors, providing a competitive edge in the marketplace.

Key Aspects:**Differentiation:**

Superior service quality can be a key differentiator in competitive markets, attracting customers who value exceptional service and are willing to pay a premium for it.

Example: In a crowded restaurant market, a restaurant that offers exceptional service, such as attentive waitstaff and a personalized dining experience, stands out from competitors.

Brand Reputation:

A strong reputation for quality can attract new customers and create positive word-of-mouth marketing, further enhancing the company's competitive position.

Example: Companies like Apple are known for their high-quality customer service and product support, which enhances their brand reputation.

3. Increased Customer Retention

Maintaining high service quality helps in retaining existing customers, which is often more cost-effective than acquiring new ones.

Key Aspects:**Repeat Business:**

Retaining existing customers through high service quality leads to stable revenue streams and reduces the costs associated with acquiring new customers.

Example: A subscription-based service that consistently delivers high-quality content and reliable service keeps subscribers engaged and reduces churn.

Loyalty Programs:

Loyalty programs combined with high service quality can further strengthen customer retention and increase the lifetime value of each customer.

Example: Many hotels and airlines offer loyalty programs that reward repeat customers with benefits and upgrades, incentivizing them to stay loyal to the brand.

4. Positive Word of Mouth and Referrals

Satisfied customers are likely to share their positive experiences with others, leading to referrals and organic growth.

Key Aspects:**Customer Advocacy:**

Positive word-of-mouth recommendations are a powerful form of marketing, often leading to new customers who trust the recommendations of their peers.

Example: A customer who has a great experience with a service provider, such as a dentist who is both skilled and personable, is likely to recommend the dentist to friends and family.

Online Reviews:

Positive online reviews enhance the service provider's reputation and attract new customers, contributing to overall business growth.

Example: Restaurants with high service quality receive positive online reviews, which can influence potential customers' decisions when choosing where to dine.

5. Operational Efficiency and Cost Reduction

High service quality is often associated with efficient operations, which can reduce costs and improve overall productivity.

Key Aspects:**Reduced Errors:**

Fewer errors lead to cost savings and improved resource utilization, enhancing the efficiency of operations.

Example: In a healthcare setting, high-quality service includes accurate diagnoses and treatments, which reduces the likelihood of costly mistakes or readmissions.

Streamlined Processes:

Efficient processes improve operational performance and customer satisfaction, reducing costs and improving profitability.

Example: An online retailer with a well-designed website and efficient order fulfillment process delivers a high-quality shopping experience and reduces the need for returns and customer service interventions.

6. Compliance and Risk Management

Ensuring high service quality helps organizations comply with industry standards and regulations, reducing legal and financial risks.

Key Aspects:**Regulatory Compliance:**

Compliance with industry standards and regulations reduces the risk of legal actions and financial penalties, protecting the organization's reputation and financial stability.

Example: In the financial services industry, adherence to regulations and high-quality customer service help avoid legal issues and penalties.

Risk Mitigation:

High service quality contributes to risk management by ensuring that services are delivered according to established standards and practices.

Example: A construction company that follows strict quality control procedures in project management reduces the risk of project failures and safety incidents.

4.3.3 Delivering Quality Service

1. Understanding Customer Expectations

Customer Research:

Conduct surveys and interviews to gather insights into what customers value. For instance, a retail store might ask customers about their preferences for product variety and store layout. This helps in tailoring services to meet specific needs.

Customer Journey Mapping:

Visualize the entire service experience from the customer's perspective. For example, a hotel might map out the guest experience from booking to check-out to identify areas for improvement and ensure a smooth experience.

2. Setting and Maintaining Service Standards

Defining Standards:

Establish specific benchmarks for service delivery, such as response times or cleanliness levels. For instance, a call center might set a standard to resolve customer issues within 24 hours to ensure timely service.

Regular Monitoring and Evaluation:

Conduct quality checks and audits to ensure compliance with service standards. This might include mystery shopping or performance reviews to identify and address deviations.

3. Training and Empowering Employees

Comprehensive Training Programs:

Develop training that covers technical skills, customer service techniques, and company policies. For a restaurant, this could involve training on food safety, effective communication, and handling complaints.

Empowerment and Autonomy:

Allow employees to make decisions and resolve issues independently. For example, customer service representatives might have the authority to offer discounts or refunds to address customer complaints promptly.

4. Implementing Effective Processes and Systems

Standard Operating Procedures (SOPs):

Create SOPs for key service processes to ensure consistency. This could involve procedures for handling customer complaints or processing orders, ensuring a uniform approach across all interactions.

Technology and Automation:

Use technology to automate tasks like appointment scheduling or order processing. An online booking system for a salon can streamline scheduling and reduce errors, improving overall service efficiency.

5. Fostering a Customer-Centric Culture

Leadership Commitment:

Leaders should model customer-focused behaviors and emphasize the importance of service quality. Highlighting customer success stories and feedback can motivate employees to prioritize customer satisfaction.

Employee Engagement:

Involve employees in improving service delivery and recognize their contributions. Regular team meetings or suggestion programs can encourage employees to take ownership of service quality.

6. Measuring and Analyzing Service Quality

Customer Feedback Mechanisms:

Implement systems to collect customer feedback through surveys, comment cards, or online reviews. Analyzing this feedback helps identify strengths and areas for improvement in service delivery.

Performance Metrics and KPIs:

Track key performance indicators such as customer satisfaction scores and response times. This data provides insights into service performance and helps in making informed decisions for improvement.

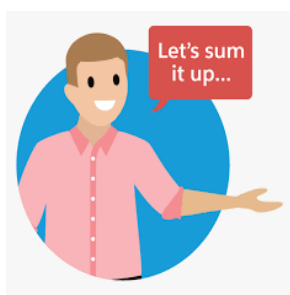
7. Continuous Improvement

Feedback-Driven Improvements:

Use customer feedback to make service enhancements. For example, if feedback indicates long wait times, adjustments in scheduling or staffing can be made to address this issue.

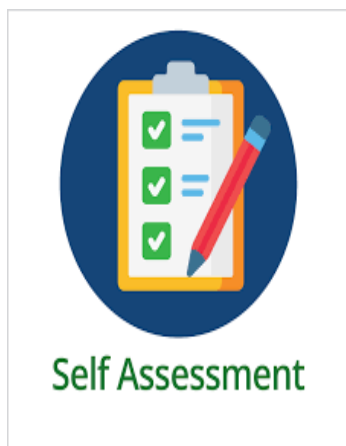
Benchmarking and Best Practices:

Compare service delivery against industry standards or leading organizations. Adopting best practices can elevate service quality and ensure the organization remains competitive.



4.3.4 Let's Sum up

Mass production in services involves delivering standardized services to a large number of customers efficiently and consistently, often using technology for scalability. It's crucial in industries like fast food and retail, where consistency builds brand trust and reduces costs. However, challenges include maintaining quality across all locations and balancing efficiency with personalization. Mass delivery ensures these services reach a wide audience through scalable and automated systems, while customization options allow for personalization within a standardized framework, enhancing customer satisfaction.



4.3.5 Self-Assessment

1. Which of the following best describes mass production in services?
 - A) Customizing services for individual customers
 - B) Delivering highly specialized services to a niche market
 - C) Creating a standardized service process that can be replicated across multiple locations or customer interactions
 - D) Providing unique services based on customer preferences

2. Which of the following is a key challenge associated with mass production and delivery in services?
 - A) Achieving scalability without compromising quality
 - B) Reducing the dependency on technology
 - C) Avoiding standardization of services
 - D) Personalizing services for each customer interaction

3. The "Nike By You" service is an example of which concept in service operations?
 - A) Mass Production
 - B) Mass Customization
 - C) Mass Delivery
 - D) Quality Control

4. Which dimension of service quality refers to the ability of a service provider to deliver promised services consistently and accurately?
 - A) Responsiveness
 - B) Assurance
 - C) Reliability
 - D) Empathy

5. Gap analysis in service quality primarily aims to address discrepancies between:
 - A) Customer expectations and actual service received
 - B) Company profits and customer satisfaction
 - C) Service standards and employee performance
 - D) Marketing promises and service capabilities

4.4.1 Unit Summary

- ✚ Managing Service Operations involves overseeing and optimizing the processes required to deliver services effectively and efficiently.
- ✚ Participants in Services include both service providers and customers, each playing a crucial role in the service delivery process.
- ✚ Employees and Customers' Role in Service Delivery highlights the interaction between staff and customers, emphasizing the importance of employee engagement and customer involvement.
- ✚ Mass Production and Delivery focuses on standardizing services to ensure consistency and scalability while meeting customer demands.
- ✚ Importance of Quality in Services stresses the need for high standards to meet customer expectations and maintain competitive advantage.
- ✚ Delivering Quality Service entails implementing practices and systems that ensure consistent, high-quality service delivery at every customer touch-point.

4.4.2 Glossary

Managing Service Operations	The practice of overseeing and optimizing the processes involved in delivering services, ensuring efficiency and effectiveness in service provision.
Service Customization	The adaptation of services to meet the specific needs and preferences of individual customers, balancing personalization with operational efficiency.
Service Performance Metrics	Indicators used to measure the effectiveness and quality of service delivery, such as service speed, accuracy, and customer satisfaction levels.
Service Encounter	A critical interaction between a service provider and a customer during which the service is delivered, often significantly impacting the customer's perception of service quality.
Service Ecosystem	The network of interrelated service providers, customers, and other stakeholders that collectively influence and contribute to the delivery and experience of a service.

4.4.3 Self – Assessment Questions

1. Define the concept of managing service operations and its key components.
2. Describe the roles of different participants in the service delivery process.
3. Explain the role of employees in service delivery and their impacts.
4. Discuss the role of customers in the service delivery process and their impact on service outcomes.
5. Analyze the approach of mass production and delivery in services.
6. Evaluate the importance of maintaining high-quality standards in service delivery.
7. Illustrate how service quality can be managed and improved in an organization.
8. Compare the roles of employees and customers in influencing service quality.
9. Apply strategies for managing service operations to enhance efficiency and customer satisfaction.
10. Discuss how mass production can be adapted to deliver high-quality services.
11. Assess the impact of service quality on customer loyalty and business success.
12. Explain how organizations can measure and ensure quality in their service operations.
13. Design a plan for improving service quality in a specific service sector.
14. Analyze how different service delivery models impact the management of service operations.
15. Critique a real-world service operation based on its approach to managing participants, service quality, and delivery systems.

Activities / Exercises / Case Studies



Activities

- ❖ Form a small group and discuss a situation where learners can examine the roles of employees and customers in the delivery of a specific service, such as in a retail store or a hotel. Analyze how the interaction between employees and customers affects the overall service experience.
- ❖ Select a service provider known for its large-scale operations, such as a fast-food chain, and identify the practices it adopts to ensure the delivery of quality service. Discuss how the company balances mass production with the need to maintain high service quality.

<p>Answers for Self-Assessment to check your progress</p>	<p>Module I</p> <ol style="list-style-type: none"> 1. B) The design and delivery of services to satisfy customer needs. 2. B) Creating processes that deliver the desired service quality efficiently. 3. C) Service Blueprinting 4. B) Managing service failures and complaints. 5. D) Mass Production Efficiency
	<p>Module II</p> <ol style="list-style-type: none"> 1. B) Employees and customers 2. B) Interacting directly with customers during the service process 3. B) Giving employees the authority to make decisions independently 4. B) By contributing to the service process, such as self-service participation 5. B) By sharing their positive experiences with others and providing referrals
	<p>Module III</p> <ol style="list-style-type: none"> 1. C) Creating a standardized service process that can be replicated across multiple locations or customer interactions 2. A) Achieving scalability without compromising quality 3. B) Mass Customization 4. C) Reliability 5. A) Customer expectations and actual service received
<p>4.4.4 Suggested Readings</p>	
<ol style="list-style-type: none"> 1. https://www.researchgate.net/publication/315950251_Customer_participation_in_services_domain_scope_and_boundaries 2. https://course.cutm.ac.in/wp-content/uploads/2020/05/Customers-role-in-Service-Delivery.pdf 	

3. https://epgp.inflibnet.ac.in/epgpdata/uploads/epgp_content/S000023MA/P001404/M016118/ET/1465363364_10_36.Q1.pdf
4. https://www.researchgate.net/publication/317074131_Mass_customization_and_mass_production
5. https://www.researchgate.net/publication/220412677_The_importance_of_service_quality_for_competitive_advantage_-_With_special_reference_to_industrial_product

4.4.5 Open-Source E-Content Links

1	Introduction to Service Operations Management	https://youtu.be/9HHwZ7vFe7Q?si=y6YDJE4KtPejbRdG	
2	Manufacturing Operations v/s Service Operations	https://youtu.be/Sx5n1rgYqto?si=fmDRnpzw2uGXayXQ	
3	Employee and Customer Role in Service Delivery	https://youtu.be/ZVrQ9_GQvoE?si=lz9SHAnioJZL_IsI	
4	Importance of Quality in Services	https://youtu.be/wQ68XtwTQ8E?si=gPsultkyLlwaRq7q	
5	Delivering Quality Services	https://youtu.be/EBw7n8wbYbk?si=Oq-DudK47MMBQTWt	

4.4.6 References

1. https://openlibrary.org/books/OL2201894M/Delivering_quality_service
2. <https://www.quantanite.com/blog/how-to-manage-a-quality-service/>
3. <https://www.lawinsider.com/dictionary/participation-service>
4. <https://blog.hubspot.com/service/service-operations>
5. https://www.academia.edu/64689016/Managing_service_operations_based_on_customer_preferences

Self-Learning Material Development – STAGE 1		
UNIT 5	Service Marketing Strategies	
Service Marketing Strategies for health – Hospitality – Tourism – Financial & Information technique Services – Applying technology to Service settings – e-services.		
Unit Module Structuring		
STAGE – 2 – Modules Sections and Sub-sections structuring		
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5.1.2	Health Services	145
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Hello Learners.... Welcome to the strategic domain of Service Marketing, where effective strategies are crucial for various service industries. Explore Service Marketing Strategies tailored for Health, Hospitality, Tourism, Financial, and Information Technology Services. Understand how to Apply Technology to Service Settings and the growing importance of e-Services in enhancing customer experiences and operational efficiency. Everything you need to know about crafting and implementing Service Marketing Strategies....!

5.1.1 Introduction of Service Marketing Strategies

Service marketing strategies focus on how organizations promote and deliver intangible services rather than physical products. Unlike product marketing, where tangible goods are the primary focus, service marketing requires a different approach due to the unique characteristics of services, such as intangibility, perishability, variability, and inseparability.

Key Service Marketing Strategies:

1. Service Differentiation:

Since services are intangible and often similar, differentiating your service offering is crucial. This can be done through branding, creating unique service features, or providing exceptional customer experiences.

Example: A luxury hotel differentiates itself through personalized services, like a dedicated concierge for each guest.

2. Service Quality Management:

Ensuring consistent service quality is vital for customer satisfaction and retention. This involves training staff, standardizing processes, and collecting feedback to improve service delivery.

Example: Airlines often conduct regular staff training and customer surveys to maintain high service standards.

3. Relationship Marketing:

Building and maintaining strong relationships with customers is more critical in service marketing. It involves personalized communication, loyalty programs, and excellent after-sales service.

Example: A bank may offer personalized financial advice and exclusive offers to long-term customers to strengthen relationships.

4. Service Pricing:

Pricing strategies for services must consider factors like perceived value, competition, and customer demand. Value-based pricing, where prices are set based on the perceived value to the customer, is often effective.

Example: Premium consulting firms may charge higher rates due to their reputation and the perceived value of their expertise.

5. Promotion of Services:

Promoting services requires educating customers about the benefits and features of the service. Advertising, word-of-mouth marketing, and content marketing are common tactics.

Example: Health clubs often use testimonials and before-and-after stories in their advertising to show the benefits of their services.

6. Service Distribution (Place):

The distribution of services involves ensuring the service is available where and when the customer needs it. This might involve physical locations, online platforms, or a mix of both.

Example: Telemedicine services provide healthcare through online platforms, making it convenient for patients to access care from anywhere.

7. People:

Employees play a crucial role in service delivery. Their attitude, behavior, and skills directly impact the customer's experience, making training and employee satisfaction essential.

Example: Restaurants often train staff in customer service skills to enhance the dining experience.

8. Physical Evidence:

Since services are intangible, physical evidence like the environment, brochures, or uniforms help customers form an impression of the service quality.

Example: A spa might use a calming environment with soothing music and scents to enhance the perception of its services.

9. Process:

The process of delivering the service is critical in ensuring customer satisfaction. It involves the steps taken to provide the service, which should be efficient and customer-friendly.

Example: Fast-food chains have streamlined processes to ensure quick and consistent service delivery.

5.1.2 Health Services

India is a significant player in the global healthcare industry, offering low-cost, high-quality facilities that have spurred the development of healthcare services. Hospitals in India contribute to public health by launching mass awareness programs aimed at preventing ailments and promoting healthy living. The marketing principles for healthcare services focus on effectively distributing these services to users.

The World Health Organization (WHO) has expanded the functional areas for modern hospitals. A hospital is seen as a social institution for delivering healthcare, providing substantial benefits to both patients and society. It is a place for diagnosing and treating illnesses, as well as restoring health and well-being. Hospitals are responsible for protecting social interests. Hospitals in India are classified based on objective, ownership, path, and size.

Marketing Mix for Hospitals

The marketing mix for hospitals includes product mix, promotion mix, price mix, place mix, people, and process.

1. Product

A product is a set of attributes in an identifiable form, and it is the central component of any marketing mix. The product mix involves developing, presenting, and

managing the services offered to the market, covering issues like service packages, core services, and peripheral services. Hospitals offer:

- Emergency services
- Ambulance services
- Diagnostic services
- Pharmacy services
- Consultancy services

Emergency services are crucial and advanced, with fully equipped medical and paramedical personnel. Super specialty hospitals in India treat patients from Asia, the Middle East, Africa, and Europe, with international patients making up around 8% of the total. For instance, Wockhardt Hospitals Ltd. (WHL) in Mumbai is the first super specialty hospital in South Asia to meet stringent quality standards. Modern hospitals offer a wide range of specialties like cardiology, neurology, orthopedics, ophthalmology, plastic surgery, and oncology. Many hospitals also have 24-hour pharmacies and casualty departments to cater to emergency needs.

2. Price

Price is a crucial element of the marketing mix. As social institutions, hospitals must charge prices acceptable to their target customers. Prices are based on the treatment prescribed and the facilities offered, with a fee structure that is discriminatory to ensure access for weaker sections of society. Unlike in the U.S., where 72% of people have medical insurance, India does not have widespread coverage.

3. Promotion

Promotion is vital for motivating prospects and converting them into actual users. It includes advertising, sales promotion, personal selling, and publicity. In healthcare, 'word of mouth' communication is significant. Hospitals introduce various health services like master health programs, diabetes check-ups, and annual health check-ups for the corporate sector. They also conduct mass awareness programs through rural camps and advertise their services in health magazines.

4. Place

Place refers to the contact point between the service provider and the customer. Suitable locations are essential for distributing healthcare services. Hospitals must be

easily accessible to customers, ensuring convenience in purchasing, using, or receiving services. Factors influencing place decisions include market size and structure, number and types of competitors, potential consumer segments, and local infrastructure.

5. People

People are crucial in service provision. Efficient medical, paramedical, and frontline staff are essential for offering quality treatment. Customers evaluate the performance of medical personnel. Hospitals should reward staff serving vulnerable sections and focus areas. Quality service can be ensured by:

- Employing dedicated and service-oriented personnel
- Providing training for up-to-date healthcare knowledge
- Hiring professionally competent medical consultants
- Using the latest technology
- Satisfied users often act as hidden sales agents.

6. Process

Process refers to the sequence of activities where inputs are converted into outputs. Hospitals emphasize the process involved in service provision, which is divided into four stages:

- **Joining phase:** Includes patient arrival, registration, and initial deposit, with a file opened to record medical history.
- **Intensive consumption phase:** Involves diagnosis through various tests and careful treatment of the illness. Post-treatment, patients receive instructions on diet, medication, etc.

Hospitals must ensure the best medical attention to foster patient satisfaction, which in turn promotes the hospital's services.

Indian Health Care Industry

The healthcare industry in India is rapidly gaining popularity due to increasing literacy rates, improved standards of living, and greater health consciousness among the population. Indians now spend five to six times more on healthcare compared to 10 or 15 years ago.

The Indian healthcare market is among the fastest-growing globally. By 2008, it is expected to be worth over \$40 billion, compared to over \$20 billion currently, and is projected to reach \$70 billion by 2012, according to a study by UK Trade and Investment.

India presents vast opportunities, with a significant demand for quality healthcare facilities. Consequently, the Indian government is actively supporting the industry's growth. In India, private hospitals constitute more than 75% of the country's healthcare infrastructure, with quality becoming a crucial concern for patients.

Factors Contributing to the Growth of Healthcare in India

The following key indicators are driving the industry's high growth:

- 1. Government Prioritization:** The Government of India is prioritizing the healthcare sector with increased budget allocations, reduced customs duties on medical equipment imports, and higher depreciation rates on equipment for fiscal incentives for new hospitals.
- 2. Supreme Court Ruling:** It is now mandatory for all hospitals to establish advanced infrastructure for emergency medical devices and an effective clinical waste management system.
- 3. Infrastructure Upgrades:** The government has plans to enhance the infrastructure of most sub-health centers.
- 4. Investment in Equipment:** Significant investments are being made by both private and government healthcare players in world-class equipment and devices.
- 5. Growing Number of Doctors:** The increasing number of doctors annually is leading to higher demand for medical equipment.
- 6. Custom Duty Reductions:** Reductions in custom duties are attracting multinational companies to invest in manufacturing medical equipment in India.
- 7. Privatization of Insurance:** With the privatization of the insurance sector, more Indians are being covered under medical insurance, necessitating proper and quality healthcare infrastructure (Source: Economic Times).

Phases in Healthcare Services

Detachment Phase: The patient is discharged from the hospital based on the consultant's advice after settling the account.

Feedback Phase: Feedback is obtained from the patients, who evaluate the quality of services received. Patient suggestions are considered crucial for further service improvements.

Physical Evidence

Physical evidence refers to the environment where the service is delivered, including both tangible and intangible elements. Tangibles, such as the physical environment, are significant to customers as they assess the quality of healthcare services. Modern hospitals should offer a pleasant ambiance with good ventilation, lighting, clean and well-equipped rooms. Both physical and peripheral evidences are given utmost importance to form positive patient opinions about the hospitals.

5.1.3 Hospitality Services

Service Marketing Strategies for Hospitality Services

Hospitality services, including hotels, restaurants, and resorts, rely heavily on delivering exceptional customer experiences. To thrive in this competitive industry, businesses must adopt comprehensive marketing strategies tailored to their unique service characteristics. Below are detailed service marketing strategies for hospitality services:

Characteristics of Marketing Hospitality Services

1. Intangibility

Experiential Offerings: Since hospitality services are intangible, focus on creating memorable experiences. Highlight unique features of your services such as exclusive amenities, themed rooms, or unique dining experiences.

Tangible Enhancements: Complement the intangible aspects with tangible elements like high-quality brochures, well-designed websites, and elegant décor that reflect the quality of the service.

Example: A luxury resort could showcase its exquisite views and lavish amenities through high-resolution imagery and virtual tours on its website.

2. Inseparability

Service Delivery: Ensure that service delivery is seamless and customer interactions are smooth. Train staff to offer consistent and high-quality service, as their performance directly impacts customer satisfaction.

Customer Engagement: Engage with customers before, during, and after their stay. Use personalized communication to make guests feel valued and ensure their needs are met throughout their visit.

Example: A high-end restaurant may use a guest's previous dining preferences to tailor their experience for each visit, enhancing overall satisfaction.

3. Variability

Standardization and Customization: Strive for a balance between standardizing core service elements and personalizing experiences. Implement quality control measures to minimize variability in service delivery.

Staff Training: Regularly train staff to handle different customer needs and adapt to various situations, ensuring a consistently high level of service.

Example: A hotel chain might have a standardized check-in process but allow staff flexibility to offer personalized greetings or special requests based on individual guest preferences.

4. Perishability

Demand Management: Utilize strategies to manage demand and optimize occupancy rates. This includes dynamic pricing, promotions, and special offers during low-demand periods.

Booking Systems: Implement advanced booking systems and forecasting tools to predict demand and adjust inventory and pricing accordingly.

Example: An airline might offer discounted fares for off-peak travel times to ensure that flights remain full and revenue is maximized.

5. High Investment and Long-Term Purchases

Customer Decision Process: Recognize that customers often take considerable time to decide on hospitality services. Provide comprehensive information, engaging visuals, and customer reviews to aid in their decision-making.

Long-Term Engagement: Develop loyalty programs and long-term engagement strategies to retain customers who make significant financial commitments.

Example: A resort might offer a membership program with benefits such as discounted rates and exclusive offers for frequent guests.

6. Brand Loyalty

Building Relationships: Foster strong relationships with customers through personalized service and consistent quality. Use loyalty programs and exclusive offers to encourage repeat business.

Feedback and Improvement: Regularly seek customer feedback and make improvements based on their suggestions to enhance satisfaction and loyalty.

Example: A hotel chain could implement a loyalty program that rewards guests with points for each stay, which can be redeemed for free nights or other perks.

Role of Personal Selling in Hospitality Services

1. Personalized Service: Personal selling in hospitality involves face-to-face interactions where staff use their knowledge and skills to enhance the guest experience. This includes personalized recommendations and addressing specific guest needs.

Example: A travel concierge at a luxury hotel might provide tailored recommendations for local attractions and activities based on guest preferences.

2. Direct Communication: Personal selling allows for direct communication with potential guests, enabling the delivery of detailed information and addressing any questions or concerns.

Example: A sales representative for a resort might meet with corporate clients to discuss and customize event packages for their upcoming conferences or retreats.

3. Customizable Offerings: Personal selling facilitates the customization of services to meet individual guest needs, enhancing the overall service experience.

Example: A wedding planner at a resort may work closely with couples to design and execute personalized wedding packages that align with their vision.

4. Relationship Building: Personal selling helps in building strong relationships with clients, leading to higher customer satisfaction and repeat business.

Example: A restaurant manager may personally greet and thank guests, ensuring they have a memorable dining experience and encouraging them to return.

Marketing Mix for Hospitality Services

1. Product Mix

Service Portfolio: Develop a diverse portfolio of services to meet various customer needs. This could include room types, dining options, recreational activities, and event spaces.

Quality Assurance: Ensure that all services meet high standards of quality and are aligned with customer expectations.

Example: A resort might offer a range of accommodations from standard rooms to luxury suites, along with dining options, a spa, and adventure activities.

2. Promotion Mix

Advertising: Utilize targeted advertising to reach potential customers through channels such as social media, travel websites, and local media.

Public Relations: Build a positive image through public relations efforts, including media coverage, press releases, and partnerships with influencers.

Sales Promotions: Implement promotions such as limited-time discounts, special packages, or bundled services to attract new customers and retain existing ones.

Personal Selling: Use personal selling techniques to directly engage with potential guests and offer personalized service.

Word of Mouth: Encourage satisfied guests to share their experiences with others, leveraging positive reviews and referrals.

Example: A hotel might run a social media campaign showcasing guest testimonials and offer a limited-time discount for bookings made through their website.

3. Price Mix

Dynamic Pricing: Adjust pricing based on demand, seasonality, and competition. Offer different pricing tiers to cater to various customer segments.

Value-Based Pricing: Set prices based on the perceived value of the services to the customer, rather than just cost or competition.

Example: A high-end restaurant may charge premium prices for exclusive dining experiences, while offering value menus during off-peak times.

4. Place Mix

Location Strategy: Choose locations that are convenient and attractive to your target market. Ensure accessibility and safety for guests.

Distribution Channels: Utilize multiple distribution channels, including direct bookings, online travel agencies, and travel agents, to reach a broader audience.

Example: A hotel chain might have a central reservation system and partnerships with online booking platforms to maximize reach and convenience for customers.

5. People

Staff Training: Invest in training programs to ensure staff deliver high-quality service and maintain professional standards.

Customer Interaction: Focus on building positive relationships with guests through courteous and attentive service.

Recruitment and Retention: Hire skilled and motivated staff and implement retention strategies to maintain a high level of service quality.

Example: A resort might offer regular training sessions for its staff on hospitality skills and customer service, ensuring a consistent and exceptional guest experience.



5.1.4 Let's Sum up

Service marketing strategies emphasize the unique aspects of promoting intangible services. Key strategies include differentiating services through branding and exceptional experiences, managing service quality consistently, building strong customer relationships, and using value-based pricing. In healthcare, hospitals focus on comprehensive service offerings, equitable pricing, effective promotion, and efficient service delivery processes. The Indian healthcare industry is expanding rapidly due to increased government support and private investment. For hospitality services, strategies involve creating memorable experiences, managing variability and perishability, and building brand loyalty through personalized service and targeted promotions.



Self Assessment

5.1.5 Self-Assessment

1. What is a key strategy for differentiating services in service marketing?
 - a) Increasing the price of the service
 - b) Standardizing all service processes
 - c) Creating unique service features and providing exceptional customer experiences
 - d) Limiting the service options available

2. In the context of healthcare marketing, what does the 'Place' aspect refer to?
 - a) The physical appearance of the hospital
 - b) The location and accessibility of the healthcare service
 - c) The pricing structure of medical treatments
 - d) The promotional activities used to advertise the hospital

3. How does variability in hospitality services impact service marketing strategies?
 - a) By allowing for standardized service delivery across all locations
 - b) By necessitating a balance between standardization and customization in service delivery
 - c) By reducing the need for staff training and quality control measures
 - d) By focusing solely on the tangible aspects of the service

4. What is one key factor driving the growth of the healthcare industry in India?
- Decreased number of doctors annually
 - Increased government prioritization and investment in healthcare infrastructure
 - Higher custom duties on medical equipment imports
 - Reduced health consciousness among the population
5. In hospitality services, how does personal selling contribute to enhancing the guest experience?
- By offering standardized services to all guests
 - By facilitating direct communication and customizing offerings to meet individual needs
 - By minimizing direct interactions between staff and guests
 - By focusing only on promotional activities and advertising

5.2.1 Tourism Services

Marketing in Tourism

Tourism marketing involves the systematic and coordinated execution of business policies by tourism entities, whether privately or state-owned, at local, regional, national, and international levels. According to Burkart and Medlick, "tourism marketing activities are systematic and coordinated efforts by National Tourist Organizations and tourism enterprises at international, national, and local levels to optimize the satisfaction of tourist groups and individuals for sustained tourism growth." Key points include:

- Tourism marketing involves creating a product or service.
- It includes fact-finding and market research.
- The goal is to transform potential tourists into actual tourists.
- It focuses on generating demand and increasing market share.
- It is a managerial process with activities aimed at customer satisfaction.

Users of Tourism Services

Tourism refers to traveling for pleasure and denotes the temporary, short-term movement of people to destinations outside their usual environment, including activities

during their stay. The term "tourist" originated in 1292 AD and describes voluntary travelers seeking pleasure from novelty and change. Tourists can be:

1. Persons traveling for pleasure
2. Persons arriving during a sea cruise
3. Persons traveling for business purposes
4. Persons traveling for conventions

Tourism users can also be classified into various categories such as domestic, foreign, children, teenagers, youths, students, executives, artists, politicians, actors, men, women, rural, urban, literate, illiterate, rich, poor, and more. Additionally, users can be:

1. **Non-users:** Not interested in using the services due to lack of willingness or pursuit of leisure.
2. **Potential users:** Prospective users who may use the services if influenced by marketing strategies.
3. **Actual users:** Currently using the tourism services.
4. **Occasional users:** Travel occasionally.
5. **Habitual users:** Regularly use tourism services.

Marketing Mix for Tourism

1. **Product Mix:** Tourism products are intangible and non-material, including multi-dimensional services like attractions, accommodation, transportation, recreation, restaurants, and shopping. Key features include:

Perishability: Tourism services are used when offered; business is lost if tourists do not visit.

Service product: Involves various aspects like accommodation, recreation, catering, transportation, and shopping.

Pleasure-oriented: Tourists travel for pleasure, adventure, or religious purposes.

Infrastructure dependency: Requires hotels, transportation, communication facilities, clean accommodation, and hygienic food.

Heterogeneous users: Includes diverse demographics such as men, women, children, youth, rich, poor, literate, illiterate, etc.

2. Promotion Mix: Various promotional measures are used to attract tourists:

Advertisement: Promotes destinations, accommodation, and transportation through newspapers, magazines, and telecast media with attractive slogans.

Publicity: Strengthens public relations and develops a rapport with media for positive image projection.

Sales Promotion: Uses techniques like discounts and packages to attract tourists, utilizing both pull and push strategies.

Word of Mouth: Effective communication by satisfied customers promotes tourism, while negative experiences deter potential tourists.

Personal Selling: Utilizes personal skills to transform motivation into persuasion, with travel agents and guides acting as information carriers.

3. Price Mix: Pricing decisions are crucial as tourism is a multi-segment industry involving expenses on transportation, accommodation, communication, and shopping. Strategies should balance distribution and promotion costs to avoid high pricing that discourages budget-conscious tourists. A mix of high-priced packages for the elite and low-priced packages for the mass market is essential for profitability.

4. Place Mix: Refers to the methods through which services reach tourists. Middlemen like tour operators and transport operators are essential in increasing tourist flow.

Distribution channels include:

- **One-stage system:** Direct selling by providers to users.
- **Two-stage system:** Travel agents operate between providers and users.
- **Three-stage system:** Involves a retail travel agent and a wholesaler or tour operator.
- **Four-stage system:** Includes an additional middleman known as a specialty chancellor.

5. People: Human resources management is vital for tourism. Essential roles include:

- **Tour Operators:** Buy and combine travel products, then sell them as packages.
- **Travel Agents:** Act on behalf of service originators and customize package tours.
- **Travel Guides:** Explain historical and cultural aspects of tourist sites, requiring patience, humor, tact, in-depth knowledge, communicative ability, and leadership skills.

5.2.2 Financial Services

Financial services, including banking and insurance, play a crucial role in the economy and require ongoing improvements in efficiency and performance. In India, financial sector reforms from the 1990s have expanded the range of financial instruments and increased market participation. Despite significant private involvement, banks and insurance companies remain predominantly government-owned. Both sectors have adopted technology to enhance customer convenience, with "customised services" now being a competitive standard.

Characteristics of Marketing Financial Services

1. Intangibility

Financial services are inherently intangible. They are offered in various forms, such as current accounts, savings accounts, mortgages, and credit cards by banks, as well as diverse insurance policies. Although these services themselves are intangible, they are accompanied by tangible elements like passbooks, cheque books, and policy documents that enhance the service provider's image and customer trust.

2. Inseparability

Financial services are inseparable from their providers. Transactions often occur through automated services, with banks interacting with different types of customers including general users, industrial users, and prospects. A prospective customer can become a regular client if the service is appealing. Customers typically engage with banks and insurance companies directly to utilize their financial services.

3. Variability

The delivery of financial services can vary between institutions and even within the same institution. However, computerization helps standardize services to a degree. While some customers may seek rapid transactions, others may value a more personal and attentive approach.

4. Perishability

The perishable nature of financial services depends on the transaction type. For instance, if a cheque isn't cleared on time, the benefit to the consumer is lost, rendering

the service perishable. Similarly, insurance policies become perishable upon expiry. Unlike immediate consumption of services like dining at a restaurant, financial services such as savings plans or mortgages offer long-term benefits.

5. High Investment and Long-Term Purchases

Customers often take considerable time to plan and decide on significant financial purchases. They gather information from various sources, including advertisements, colleagues, and consultants, and compare different options. Major purchases, like cars or other assets, involve substantial financial services and require careful consideration due to the high risk and complexity involved.

6. Brand Loyalty

Brand loyalty is significant in banking and insurance. Once a customer opens an account with a bank, they are likely to maintain a long-term relationship with it. Customers often use the same bank for various needs, including savings and loans. However, they may switch service providers if dissatisfied. Service providers must continuously adapt to evolving customer needs and introduce new financial products to retain loyalty.

Role of Personal Selling in Financial Services

Personal selling plays a crucial role in promoting financial services such as banking and insurance. It involves informing and persuading customers to utilize various financial services. The marketing personnel use their tact, skill, and knowledge to influence the buyer effectively. The advantage of personal communication in this context is the immediate feedback it allows. Personal selling facilitates one-to-one communication and customization of financial services.

For instance, a customer seeking a housing loan requires more than just finance; they need additional services like loan counseling or legal advice to ensure the property title is clear and technical advice to ensure the structural integrity of the property. These "add-on services" enhance the quality of the services provided. Personal selling can elaborate on various types of housing loans, including pure home loans, home improvement loans, extension loans, land loans, loans for non-residential premises, and other simple home loans.

The key aspects of personal selling in financial services include:

- Direct personal relationship between buyer and seller.
- Oral presentation in a conversation.
- Two-way communication.
- Selling of goods and services.
- Higher effectiveness in service-oriented organizations.
- Reliance on professional excellence or expertise of individuals.
- An important component of the promotion mix.

Importance of Personal Selling

The significance of personal selling in the marketing of financial services can be summarized as follows:

1. Personal selling informs potential customers about new financial services launched in the market.
2. It captures customers' attention towards financial transactions, with transactional analysis being a core aspect.
3. Personal selling helps service providers understand the circumstances under which customers make purchase decisions.
4. It provides insights into buyer behavior, following the process described by John Dewey, which includes problem recognition, search, alternative evaluation, choice, and outcome.
5. Personal selling views consumer behavior as a process rather than a single act.
6. It communicates general information about financial services, their uses and benefits, the relationship of services with customers, and justifications for the services offered.

Marketing Mix of Financial Services

The marketing mix comprises various submixes, including the product mix, promotion mix, price mix, and place mix. These components are vital for marketing financial services like banking and insurance, with the goal of profitably marketing service schemes.

1. Product Mix

The product mix involves the different services included in the product portfolios. A portfolio is a combination of various types of products, and the quality of this portfolio

determines the level of success. It's essential that all services in the portfolio are customer-oriented. For banks, this means combining different services or schemes to offer multiple benefits conveniently.

2. Promotion Mix

Bank professionals blend different components of promotion, such as advertising, publicity, sales promotion, word of mouth promotion, personal selling, and telemarketing.

Advertising: Advertising is a paid form of communication that informs and persuades customers to act favorably towards the purchase of a product or service. Key decisions in advertising include formulating a budget, selecting a suitable vehicle to carry the message, creating a distinct advertisement program to influence purchase impulses, and testing the effectiveness of advertisements before launching them.

Public Relations: Banks use public relations to promote their business, emphasizing the credibility of their services. Public relations can reach prospects that advertisements might not and can dramatize the products of banking organizations.

Personal Selling: Personal selling is crucial in promoting banking business by influencing customers' impulse buying. It provides customized one-to-one communication and imparts accurate knowledge of financial products to potential customers, enabling managers to understand buyer behavior deeply.

Word of Mouth Promotion: Many customers learn about banking services through friends, relatives, and other well-wishers. Therefore, bank professionals and staff must maintain high service quality to avoid negative impacts.

Sales Promotion: Sales promotion tools include gifts, contests, fairs, shows, discounts, low-interest financing, and insurance-linked accounts. These tools stimulate both new and old customers, with innovation in sales promotion being crucial for introducing new services.

Telemarketing: Telemarketing, popularized in the late 1960s with Wide Area Telephone Service (WATS), involves offering toll-free numbers for customers to place orders. It includes direct response advertising and shopping channels dedicated to selling goods and services, reducing the bank's dependence on sales personnel.

3. Price Mix

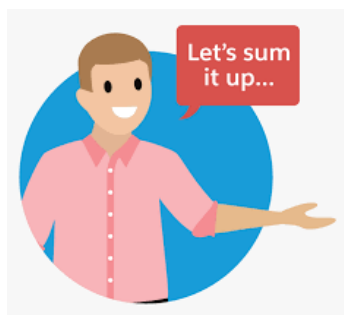
The pricing policy of a bank is crucial for expanding its customer base. The Reserve Bank of India (RBI) plays a key role in pricing, and its policy should be more liberal to allow public sector banks to make price decisions based on changing business conditions. Pricing in banking relates to charges for different transactions, overdrafts, loans, service fees, and interest rates on various accounts.

4. Place Mix

The selection of a suitable location for a bank branch is vital. It should be easily accessible, offer protection to bank assets, and ensure user safety. Even with telephone services, a good location is essential as most day-to-day banking transactions occur with customers visiting the bank. ATM outlets should also be conveniently located for easy access. Changes in distribution systems, technology, and consumer demands significantly influence the place component of the marketing mix.

5. People

Managing people is crucial in the marketing mix of service organizations. Banks face challenges like staff shortages due to retirements and voluntary retirement schemes, impacting service efficiency. Efficient and courteous service is essential for good customer relationships. Hence, banks prioritize quality staff for organizational development, giving due weightage to ethical values in their selection process.



5.2.3 Let's Sum up

Tourism marketing involves systematically promoting and managing tourism services to satisfy tourists and drive growth. It includes creating and researching tourism products, generating demand, and using a mix of product, promotion, price, and place strategies. Key tourism service features include intangibility, perishability, and diverse user types. In financial services, including banking, marketing focuses on overcoming the intangibility and variability of services, emphasizing personal selling to build customer relationships and trust. The marketing mix for financial services also involves product offerings, promotions, pricing strategies, and effective placement, with a strong emphasis on personal interaction and high service quality to maintain customer loyalty.



Self Assessment

5.2.4 Self-Assessment

1. What is the primary goal of tourism marketing?
 - a) To develop new tourist destinations
 - b) To optimize the satisfaction of tourist groups and individuals for sustained tourism growth
 - c) To reduce the number of tourist visits
 - d) To standardize all tourism services

2. Which category of tourism users is characterized by traveling occasionally?
 - a) Non-users
 - b) Potential users
 - c) Actual users
 - d) Occasional users

3. In the marketing mix for financial services, what does the 'Place Mix' primarily focus on?
 - a) The quality of financial service products offered
 - b) The methods and locations through which financial services are distributed to customers
 - c) The pricing strategies for different financial products
 - d) The promotional techniques used to attract new customers

4. How does personal selling contribute to marketing financial services?
 - a) By standardizing all financial service products
 - b) By providing direct one-to-one communication and customizing services to meet individual needs
 - c) By reducing the need for marketing research
 - d) By focusing solely on digital marketing strategies

5. What is one of the significant characteristics of financial services that affects their marketing?
 - a) Tangibility
 - b) Standardization
 - c) Inseparability
 - d) Homogeneity

5.3.1 Information Technique Services

In the modern era of advanced information technology, knowledge management holds significant importance. The human brain, considered the best model of knowledge management, is a good starting point for understanding this concept. Our brain processes data through the five senses—touch, taste, vision, hearing, and smell—acting like a computer by converting data into information and storing it in memory. Both parts of the brain are involved in interpretation and application: the left side is active in interpretation, while the right side applies logic and initiates thought processes. Feedback is gathered from the environment, and intuition plays a role in forming knowledge, combining information, intelligence, intuition, investigation, and inquisitiveness.

The technological revolution led to the invention of computers, simplifying the task of managing knowledge. Over time, computers have become more powerful and compact, with rapid development cycles. This evolution has driven demand, leading to increased participation from organizations, including those in India. Initially, IBM and ICL dominated the IT industry, but many players joined in the 1980s and 1990s, spurred by technological advancements like chip development and satellite communication. These advancements led to cost-effective IT services and intensified competition, necessitating modern marketing principles in this multi-billion dollar industry. Key areas in IT services include software application, professional excellence, system integration, maintenance services, education and training, technology-oriented applications, and software packages. Despite economic challenges, the IT industry offers vast marketing opportunities, requiring world-class professionalism to meet the needs of various sectors such as banking, finance, mining, steel, and transportation.

Information Technology presents numerous marketing opportunities with a diverse product range, from educational games for children to business tools for executives. Its applications extend to the Stock Exchange of India, environmental management, and energy transmission monitoring, among others. The rapid growth of the IT industry, initially hardware-focused, has evolved into a multi-dimensional force. The 21st century marked significant developments in this sector, with organizations achieving national and global excellence, earning foreign exchange, creating jobs, and raising awareness about IT's multifaceted uses. The establishment of over 7,500 Software Technology Parks in

India highlights this progress. States like Maharashtra, Andhra Pradesh, and Karnataka led the IT revolution in India. As the industry emerged, professional marketing efforts became essential to benefit the industry and the national economy, advocating for a conceptual approach to marketing in IT.

Marketing IT services requires professionals to study emerging national and global markets, understand user needs, and capitalize on opportunities. The IT industry offers a wide range of products, necessitating a well-formulated product portfolio for marketing. Ensuring product quality is crucial for international market success. Professionals must intensify promotional activities creatively to raise awareness among national and international customers about available products and service packages. Competitive pricing is essential, producing quality products at affordable prices to motivate use. Efficient distribution channels, including wholesalers and retailers, ensure timely product availability. Services must be processed with quality technology and efficient personnel to minimize delivery gaps. Attractive service designs and tangible properties enhance customer realization of service quality. Effective communication and personal touch in service are vital in competitive markets.

By adopting a conceptual marketing approach, the IT industry can successfully market products, ensuring organizational profitability and high customer satisfaction.

Emergence of IT as a Service Industry

The complexity of business operations has driven the development of sophisticated IT devices, leading to the emergence of IT as a service industry. In the 1980s, the need for advanced accounting management prompted organizations to depend on computers. Initially, IT services faced challenges due to a lack of customer service focus, but this changed with the increasing competition and technological advancements in the 1980s.

By the end of the 20th century, many organizations had become users of IT services, making computer literacy and internet access common. The 21st century brought quantitative and qualitative improvements, increasing demand for IT services across various sectors. This shift necessitated redefining customer service concepts and marketing strategies to meet the growing demand and competition.

The IT sector has significantly contributed to foreign exchange reserves and job markets, with a substantial number of professionals employed in India. The sector has evolved from being primarily hardware and accounting-focused to a service-oriented industry. To capitalize on the growing opportunities, IT professionals need multidimensional skills, combining marketing expertise with technical knowledge. This ensures they can identify and meet clients' changing needs effectively.

Behavioral Profile of Users of IT Services

Users of IT services come from diverse segments, complicating the marketers' task due to varying behavioral profiles. Marketing professionals must stay aware of the changing needs and requirements of IT service users. The multi-faceted IT services include software applications, professional services, system integration, maintenance services, education and training, and technology-driven applications. Users can be individual or institutional and span almost all sectors globally.

To fulfill and satisfy users, marketing professionals need to study and understand niche markets. Users may expect specialized services, come from specific locations, or require service packages. Understanding users' requirements for operating systems and databases is crucial before entering the market.

The beginning of the 21st century saw a significant increase in the number of users and uses of IT services, with microprocessors found in various applications. Marketing professionals must develop their awareness of multi-segment users expecting multifaceted services. This requires an in-depth analysis of national and international markets to identify users' expectations.

Marketing IT services within geographical and cultural boundaries is simpler compared to offshore marketing, which involves cross-border cultural diversity and time zone differences. Professionals need to establish early contact with clients to understand their requirements accurately. Effective communication and managing client expectations are vital for successful project outcomes and customer satisfaction.

Understanding the varying expectations of different user segments is essential. Institutional customers typically expect comprehensive solutions, while retail customers prefer user-friendly tools with alerts and reminders. Independent specialists and middle

segments require more sophisticated strategies and customized solutions. Professionals must provide configurable solutions to meet the diverse needs of all user segments.

A thorough study of different user groups helps professionals understand their changing requirements. Frequent communication, feedback, and coordination with clients are crucial for meeting their expectations and ensuring satisfaction. Developing expertise in marketing IT services involves understanding clients' needs and providing solutions that align with their expectations.

Marketing Mix for IT Services

Marketing professionals in IT services need to develop a robust marketing mix to identify and satisfy users effectively. In the IT sector, identifying key customers can be challenging due to the diverse mix of domestic and global clients, which complicates direct communication and persuasion efforts. A well-formulated marketing mix helps achieve organizational goals.

Product Mix

A strong product mix in IT organizations must adapt to the evolving needs of users. The components of the IT services product mix include:

- 1. Software Applications:** Developing customized software for specific organizations requires expertise in both IT and the client's industry. IT professionals collaborate with experts in various sectors, such as banking, finance, mining, transportation, and power, to create software that enhances efficiency and productivity. For example, the power sector has benefited significantly from tailored software solutions.
- 2. Professional Services:** This involves offering skilled services either onsite or offshore. Finding experts in overseas locations can be costly, so marketing professionals must stay aware of user requirements and provide top-notch professionals at competitive prices. Subcontracting is often used, and client satisfaction with the quality of experts can lead to repeat business.
- 3. Systems Integration:** Providing turnkey solutions requires integrating multiple databases, applications, and software. IT professionals need a thorough understanding of organizational capabilities and must offer comprehensive services, including maintenance and warranty support, to build credibility.

4. **Maintenance Services:** IT services heavily rely on maintenance for existing hardware and software. Large users often subcontract maintenance services, benefiting from comprehensive packages that save time and money. Marketing professionals should emphasize the value of these maintenance services in their packages.

5. **Education and Training:** IT organizations must not only develop new technologies but also train professionals to use them. Given the rapid changes in software, marketing professionals need to make strategic, innovative decisions and gather feedback to understand user needs, especially in offshore markets. Offshore teams, with onsite representatives, can help reduce costs and improve quality.

A well-formulated product mix is crucial for developing other marketing inputs, and professionals must consider the changing needs of niche markets to ensure satisfaction.

Promotion Mix

Promoting IT services requires a professional touch and creativity, considering the rapid changes and cultural variations. Effective promotion is hindered by communication gaps, making it essential for marketers to clearly explain cost-benefit aspects. The most effective promotional tool is word-of-mouth from satisfied users, emphasizing the importance of delivering quality services consistently. Marketing professionals should rationalize the use of various promotional components and consider personal selling by knowledgeable professionals to bridge communication gaps.

Price Mix

Pricing decisions in IT are complex due to increasing competition. Although demand has driven high prices historically, the growing supply side necessitates rational pricing strategies. High establishment costs, including competitive pay packages, contribute to the high price structure. Marketing professionals prefer differential pricing based on demand and service frequency, aiming to remain competitive. They should study potential users, bridge communication gaps, and use pricing as a motivational tool to thrive even in economic downturns.

Place Mix

IT services reach users through various channels, involving representatives, salespeople, advisors, and coordinators. Cultural, regional, and language barriers

complicate marketing across national boundaries. IT organizations must minimize distribution costs while ensuring timely service delivery. Long distribution channels may be necessary to educate users about IT services' complexities. Marketing professionals should strive to minimize costs, especially in domestic markets, to remain competitive.

Process

Processing IT services involves understanding client needs, generating services with expert support, and delivering them through designated channels. Maintenance services require ongoing feedback and prompt resolution of issues. Education and training services must meet the evolving needs of organizations. The quality of people and processes is crucial in IT services, and professionals must ensure timely and accurate service delivery.

Physical Evidence and Attractions

Creating a conducive service environment is vital. Distribution centers and service creation centers must focus on effective displays and positive impressions. Quality interiors, exteriors, and professional presentations help project a positive image. Tangible physical facilities and appealing service environments enhance persuasion efforts.

People Mix for IT Services

The IT sector requires highly knowledgeable professionals. The popularity and lucrative nature of IT jobs attract many, but professionals often lack communication skills and ethical awareness. Effective marketing relies on strong communication and cultural understanding, especially in offshore services. Institutions should focus on developing multi-dimensional skills in potential IT professionals to ensure quality service delivery and client satisfaction.

5.3.2 Applying Technology to Service Settings

Technology can be applied to service activities in three primary ways: hard technology, soft technology, and hybrid technology. Each type enhances service delivery in unique ways.

1. Hard Technology

Hard technologies involve using machinery, tools, and engineering devices to

replace labor-intensive service tasks. These technologies improve convenience and efficiency.

Examples include:

- **Automatic Car Washes:** Automates washing and waxing, serving many customers quickly.
- **Airport X-Ray Surveillance:** Replaces personal body searches with non-invasive equipment.
- **Automatic Vending Machines:** Provide easy access to products without human intervention.
- **Computer Systems:** Manage tasks such as credit card transactions and balance checks.
- **Automatic Toll Collectors:** Facilitate smooth vehicle passage through toll areas without stopping.

Hard technologies streamline operations, making services faster and more convenient for customers.

2. Soft Technology

Soft technology involves implementing pre-planned systems rather than individual technology solutions. These systems focus on optimizing service processes.

Examples include:

- **Fast Food Restaurants:** Chains like McDonald's and Pizza Hut use standardized procedures to ensure quality, efficiency, and low costs.
- **Pre-Packaged Vacation Tours:** Simplify the booking process by eliminating the need for personalized selling.
- **Open Tool Rooms and Libraries:** Provide organized access to resources, enhancing efficiency and service quality.

Soft technologies focus on improving operational efficiency and service delivery through structured systems and processes.

3. Hybrid Technology

Hybrid technologies combine hardware with engineered systems to enhance service efficiency.

Examples include:

- **Truck Routing and Scheduling:** Optimizes routes based on traffic, road conditions, and costs, saving energy and reducing operational costs.
- **Automated Teller Machines (ATMs):** Offer personalized banking services such as mortgage information and insurance quotes.
- **Electronic Point of Sale (EPOS) Systems:** Used by supermarkets to track product sales and inventory.
- **Electronic Data Interchange (EDI):** Facilitates automatic order and invoice processing between retailers and suppliers.
- **Insurance Software:** Integrates underwriting decisions and customer information to provide rapid quotes and service.
- **Electronic Signal Boxes:** Used in railways to automate signal control, replacing manual operations.
- **Pre-Order Shipment Systems:** Anticipate demand and manage inventory accordingly.
- **Self-Diagnosing Machines:** Enhance repair services by identifying issues and suggesting solutions.
- **Courier Services:** Use technology for parcel tracking, invoicing, and payment processing.
- **Automated Postal Sorting:** Speeds up mail processing and improves reliability.
- **Computer-Aided Design (CAD):** In construction, reduces design and revision time.

Hybrid technologies integrate various technological advancements to streamline processes and improve service quality across different industries.

Role of Technology in the Service Process

Technology has profoundly transformed service delivery, enabling new service offerings, improving accessibility, and enhancing the efficiency of both customers and service providers. Here's a summary of its roles:

1. Easy Accessibility of Service

Technology enhances accessibility by making services available in new and convenient ways.

Examples include:

- **Internet-Based Services:** Services like interactive editions of newspapers (e.g., The Wall Street Journal) allow customers to customize content.
- **Online Bill Payment:** Provides convenience and eliminates the need for physical transactions.
- **Connected Cars:** Offer navigation and access to various services while on the road.
- **Mobile Access:** Enables customers to use web services via cell phones, making access to services more flexible and immediate.

2. New Ways to Deliver Service

Technology introduces innovative methods for delivering services:

- **Centralized Customer Service:** Large organizations often use call centers to handle customer service functions, improving efficiency. For example, IBM consolidates its customer service through global call centers.
- **Automated Systems:** Automated voice response systems and online appointment scheduling (e.g., Ford Motor Company) enhance customer service by providing quick and easy access to information and services.
- **Online Health Information:** Websites offering health-related advice and resources represent new service delivery methods.

3. Close Link with Customers

Technology fosters closer relationships between service providers and customers:

- **Integrated Systems:** Financial service companies link their computers with clients' systems to offer seamless service.
- **Order and Inventory Control:** Equipment installed at client sites helps manage orders and inventory, leading to better service.
- **Online Financial Services:** Allow customers to manage their finances and access services with minimal human intervention.

4. Higher Level of Service

Technology enhances both customer and employee effectiveness:

- **Self-Service Technologies:** Customers can access their accounts, check balances, apply for loans, and transfer money independently.
- **Real-Time Data Access:** Banks and insurance companies use computer systems to provide instant data to customers, allowing for customized services.
- **Customer Relationship Management (CRM) and Sales Support Software:** Help employees deliver better service by providing comprehensive information and support.

5. Global Reach of Service

Technology enables services to reach a global audience:

- **Internet Services:** Allow providers to offer services to customers worldwide without geographical limitations.
- **Information Sharing:** Facilitates global communication and information exchange within international companies.
- **International Customer Base:** Technology extends service availability to customers around the globe.

6. Cost Rationalization

Technology helps reduce costs and meet high customer expectations:

- **Substitution of Manual Labor:** Automated systems (e.g., car washes, cash dispensers) reduce the need for manual labor, cutting costs.
- **Cost-Efficient Solutions:** Websites offering detailed medical information provide valuable resources at a lower cost compared to in-person consultations.

Overall, technology drives efficiency, customization, and global reach in the service sector, ultimately enhancing service quality and reducing operational costs.

5.3.3 e-services

E-services refer to services delivered electronically over the internet or other digital platforms. They encompass a wide range of online services including e-banking, e-learning, e-commerce, and telemedicine. As digital technologies continue to advance, e-services have become a crucial aspect of service marketing strategies. Below is a detailed overview of e-services in service marketing strategies:

Characteristics of E-Services

1. Intangibility

Digital Presence: E-services are inherently intangible, meaning they cannot be physically touched or experienced before purchase. To mitigate this, businesses invest in creating a robust digital presence, including informative websites, user-friendly interfaces, and interactive features.

Visual and Functional Design: Use high-quality graphics, engaging content, and intuitive design to convey the value of the e-service and create a compelling online experience.

Example: An e-learning platform may use interactive course previews, testimonials, and detailed descriptions to showcase the value and quality of its educational offerings.

2. Inseparability

Customer Interaction: E-services often involve online interactions between the service provider and the customer. Effective communication channels, such as chatbots, customer support emails, and online forums, are essential for addressing customer needs and queries.

Real-Time Support: Implement real-time support options like live chat or video consultations to bridge the gap created by the lack of physical presence.

Example: An online banking platform might offer 24/7 chat support and video call options to assist customers with their banking needs.

3. Variability

Consistency and Quality Control: Ensure consistency in service delivery through automated systems and standardized procedures. Regular updates and maintenance are crucial to prevent variability in service quality.

Personalization: Use data analytics to offer personalized experiences, such as customized recommendations or tailored content, while maintaining consistent service quality.

Example: An e-commerce site might use customer purchase history to provide personalized product recommendations and targeted promotions.

4. Perishability

Service Availability: E-services are not subject to physical perishability but can face issues with service availability and uptime. Implement robust infrastructure and backup systems to ensure continuous service availability.

Timeliness: Focus on timely delivery of digital services and content updates to enhance customer satisfaction and meet expectations.

Example: A cloud storage service should ensure high uptime and quick data retrieval to prevent disruptions for users.

5. High Investment and Long-Term Engagement

Customer Decision-Making: Recognize that customers often take time to decide on e-services. Provide ample information, free trials, and demonstrations to aid in decision-making.

Long-Term Relationships: Develop strategies to retain customers, such as loyalty programs, subscription models, and regular updates to keep the service relevant and engaging.

Example: A software-as-a-service (SaaS) company might offer a free trial period and a subscription model with regular updates and new features to encourage long-term use.

6. Brand Loyalty

Building Trust: Establish trust through reliable service, secure transactions, and excellent customer support. Utilize customer feedback and reviews to build credibility.

Engagement and Rewards: Implement loyalty programs and regular engagement activities to foster brand loyalty and encourage repeat usage.

Example: An online streaming service might offer rewards for frequent usage and personalized content recommendations to keep users engaged and loyal.

Marketing Mix for E-Services

1. Product Mix

Service Offering: Define the range of e-services offered and ensure they meet customer needs and expectations. Continuously innovate and expand the service portfolio to stay competitive.

Service Features: Highlight key features and benefits of the e-service, including user-friendly interfaces, accessibility, and additional functionalities.

Example: An e-learning platform might offer a variety of courses, interactive tools, and certification options to cater to different learning needs.

2. Promotion Mix

Digital Advertising: Utilize online advertising channels such as search engine ads, social media ads, and display ads to reach potential customers. Tailor messages to target audiences based on their online behavior and preferences.

Content Marketing: Create valuable and engaging content to attract and educate potential customers. Use blogs, videos, webinars, and infographics to showcase expertise and drive interest.

Social Media Marketing: Leverage social media platforms to promote e-services, engage with customers, and build a community around your brand.

Email Marketing: Use targeted email campaigns to inform customers about new services, updates, and promotions. Personalize emails based on customer behavior and preferences.

Search Engine Optimization (SEO): Optimize website content and structure to improve visibility in search engine results and attract organic traffic.

Example: An online marketplace might use targeted Google Ads and social media campaigns to drive traffic to its platform, alongside content marketing efforts to provide value and attract users.

3. Price Mix

Pricing Models: Implement various pricing models such as subscription-based, pay-per-use, or freemium to cater to different customer preferences and usage patterns.

Competitive Pricing: Analyze competitor pricing strategies and adjust your pricing to remain competitive while ensuring profitability.

Discounts and Promotions: Offer discounts, promotions, and special deals to attract new customers and retain existing ones.

Example: A SaaS provider might offer tiered pricing plans with different levels of features and a freemium model to attract a wide range of customers.

4. Place Mix

Online Channels: Ensure that the e-service is accessible through various online channels, including websites, mobile apps, and partner platforms.

User Experience: Optimize the user experience on digital platforms to ensure easy navigation, quick access to services, and seamless transactions.

Example: An online travel agency should have a well-designed website and mobile app that provide easy booking and travel management features.

5. People

Customer Support: Provide excellent customer support through various channels, including live chat, email, and phone. Ensure that support staff are well-trained and knowledgeable.

User Training: Offer training and resources to help users make the most of the e-service. This could include tutorials, FAQs, and user guides.

Staff Expertise: Hire skilled professionals with expertise in digital services and customer interaction to enhance the quality of service.

Example: An online financial services provider might offer comprehensive customer support, including educational webinars and detailed guides to help users understand and utilize the platform effectively.

5.3.4 Let's Sum up



Information Technology (IT) has revolutionized knowledge management and service delivery, integrating data, equipment, and methods to enhance business operations. IT services encompass software applications, system integration, maintenance, and professional services, driven by technological advancements and competition. Marketing IT services involves understanding diverse user needs, creating effective product portfolios, and employing strategic pricing, promotion, and distribution. Technology in services can be categorized into hard, soft, and hybrid types, each improving efficiency and customer experience. E-services, delivered electronically, leverage digital platforms for accessibility and

personalization, requiring robust marketing strategies and effective customer support to build loyalty and maintain service quality.



Self Assessment

5.3.5 Self-Assessment

1. Which type of technology focuses on using machinery and tools to replace labor-intensive service tasks?
 - A) Soft Technology
 - B) Hybrid Technology
 - C) Hard Technology
 - D) Digital Technology
2. What is a key characteristic of e-services related to their inability to be physically touched or experienced before purchase?
 - A) Perishability
 - B) Intangibility
 - C) Inseparability
 - D) Variability
3. Which promotional strategy involves using content like blogs, videos, and infographics to attract and educate potential customers?
 - A) Digital Advertising
 - B) Email Marketing
 - C) Content Marketing
 - D) Social Media Marketing
4. What role does technology play in improving the accessibility of services?
 - A) Reduces the need for customer support
 - B) Enhances service delivery by optimizing routes
 - C) Provides convenient ways for customers to access services
 - D) Increases the cost of service delivery
5. Which component of the marketing mix involves offering various pricing models like subscription-based or pay-per-use?
 - A) Product Mix
 - B) Place Mix
 - C) Price Mix
 - D) Promotion Mix

5.4.1 Unit Summary

- ✚ Service Marketing Strategies for Health focus on promoting healthcare services with an emphasis on trust, quality, and patient satisfaction.
- ✚ Hospitality Service Marketing involves creating memorable customer experiences through personalized service and brand differentiation.
- ✚ Tourism Marketing Strategies highlight destination promotion, customer experience enhancement, and seasonal marketing approaches.
- ✚ Financial Services Marketing centers on building customer trust, transparency, and delivering tailored financial solutions.
- ✚ Information Technology Services Marketing includes strategies to market IT solutions, emphasizing innovation, reliability, and customer support.
- ✚ Applying Technology to Service Settings explores the integration of digital tools to enhance service efficiency and customer interaction.
- ✚ e-services focus on delivering services through online platforms, emphasizing convenience, accessibility, and digital customer engagement.

5.4.2 Glossary

e-services	The provision of services through digital channels, such as online banking, e-learning, and virtual consultations, emphasizing convenience, accessibility, and digital engagement.
Omni-channel Service Delivery	An integrated approach to delivering services across multiple channels (online, mobile, in-person) to provide a seamless and consistent customer experience.

5.4.3 Self – Assessment Questions

1. Define the key service marketing strategies used in the healthcare sector.
2. Describe effective marketing strategies for the hospitality industry and their impact on customer satisfaction.
3. Explain the main strategies for marketing tourism services and how they attract travelers.

4. Identify the key marketing approaches for financial services and discuss their significance.
5. Discuss marketing strategies for information technology services and their role in business growth.
6. Analyze how technology can be applied to enhance service delivery in various service settings.
7. Describe the concept of e-services and explain their benefits for both businesses and customers.
8. Compare and contrast service marketing strategies for health services versus hospitality services.
9. Evaluate the role of technology in transforming traditional service marketing practices.
10. Illustrate how e-services can be marketed effectively to different customer segments.
11. Discuss how marketing strategies for financial services differ from those for tourism services.
12. Assess the impact of applying technology on service quality and customer experience.
13. Design a marketing strategy for a new e-service, considering its unique characteristics and target audience.
14. Analyze the challenges faced in marketing information technology services and propose solutions.
15. Critique the effectiveness of current service marketing strategies in the hospitality sector and suggest improvements.

Activities / Exercises / Case Studies



Activities

- ❖ Form a small group and discuss a scenario where learners can explore the service marketing strategies used by a local hospital, hotel, or tourism agency. Analyze how these strategies are tailored to meet the specific needs of their target audience and the unique characteristics of each industry.
- ❖ Select a well-known health, hospitality, or tourism service provider in your city and identify the key marketing strategies it uses to attract and retain customers. Discuss how these strategies differentiate the service provider from its competitors.

<p>Answers for Self-Assessment to check your progress</p>	<p>Module I</p> <ol style="list-style-type: none"> 1. C) Creating unique service features and providing exceptional customer experiences 2. B) The location and accessibility of the healthcare service 3. B) By necessitating a balance between standardization and customization in service delivery 4. B) Increased government prioritization and investment in healthcare infrastructure 5. B) By facilitating direct communication and customizing offerings to meet individual needs <p>Module II</p> <ol style="list-style-type: none"> 1. B) To optimize the satisfaction of tourist groups and individuals for sustained tourism growth 2. D) Occasional users 3. B) The methods and locations through which financial services are distributed to customers 4. B) By providing direct one-to-one communication and customizing services to meet individual needs 5. C) Inseparability <p>Module III</p> <ol style="list-style-type: none"> 1. C) Hard Technology 2. B) Intangibility 3. C) Content Marketing 4. C) Provides convenient ways for customers to access services 5. C) Price Mix
<p>5.4.4 Suggested Readings</p>	
<ol style="list-style-type: none"> 1. https://marketing.expertjournals.com/ark:/16759/EJM_1007rahman73-84.pdf 2. https://www.researchgate.net/publication/290448158_Hospitality_Marketing_Principles_and_Practices 	

3. https://epgp.inflibnet.ac.in/epgpdata/uploads/epgp_content/S001827/P001853/M030180/ET/152593453814.30_ET.pdf
4. https://www.researchgate.net/publication/46444602_Tourism_Marketing_A_Service_Marketing_perspective
5. https://www.boj.or.jp/en/about/press/koen_2016/data/ko160823a.pdf

5.4.5 Open-Source E-Content Links

1	Healthcare Marketing Strategies	https://youtu.be/kZvN7E7vfsE?si=gj5p9u0bgL5SF28J	
2	Hospitality Marketing	https://youtu.be/WnqDO7PwbcE?si=D8BvLwWlway1vENz	
3	7P's in Tourism Services	https://youtu.be/7j-bUdH9h4Q?si=PqdaH5X0GtlpGPsL	
4	Applying Technology to Service Management	https://youtu.be/zSvOajJXMxA?si=jxDMVtNBhc6lpjFt	
5	e-services	https://youtu.be/pag6kRgDwkg?si=1WXajE8TccJz-fdf	

5.4.6 References

1. <https://odondo.co/blog/the-importance-of-technology-in-customer-service/>
2. <https://www.sciencedirect.com/topics/computer-science/e-services>
3. <https://www.oliverwyman.com/our-expertise/industries/financial-services/financial-infrastructure-technology-services.html>
4. <https://www.ihmnotes.in/assets/Docs/Ignou/TS-06/Unit-1,INTRODUCTION%20TO%20TOURISM.pdf>
5. <https://www.howandwhat.net/hospitality-marketing/>