SERVICE MARKETING

M.Com

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(Marketing Specialization)

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Study Material

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IV SEMESTER
(Marketing Specialization)
SERVICE MARKETING

Prepared By:

Dr.K .SRAVANA
Asst.Professor
Govt.College
Madappally

Settings & Lay Out By :

@ SDE,Computer Cell

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Preface

This study material is prepared as a self learning key to understand the basic concept of service marketing. For a detailed understanding of the topics the students have to refer the suggested books the names of which are given at the end.

Dr. K.SRAVANA

CHAPTER 1

INTRODUCTION TO SERVICE MARKETING

The world economy nowadays is increasingly characterized as a service economy. This is primarily due to the increasing importance and share of the service sector in the economies of most developed and developing countries. In fact, the growth of the service sector has long been considered as indicative of a country's economic progress. Economic history tells us that all developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy. This shift has also brought about a change in the definition of goods and services themselves. No longer are goods considered separate from services. Rather, services now increasingly represent an integral part of the product and this interconnectedness of goods and services is represented on a goods-services continuum.

Agriculture ⟶ Industry ⟶ Service sector

Definition of Services

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

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

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

The Special Characteristics of Services:-
- Intangibility
- Inseparability of production and consumption
- Heterogeneity
- Perishability

Intangibility:- Services are activities performed by the provider, unlike physical products they cannot be seen, tasted, felt, heard or smelt before they are consumed. Since, services are not tangibles, they do not have features that appeal to the customers' senses, their evaluation, unlike goods, is not possible before actual purchase and consumption. The marketer of service cannot rely on product-based clues that the buyer generally employs in alternative evaluation prior to purchase. So, as a result of this, the services are not known to the customer before they take them. The service provider has to follow certain things to improve the confidence of the client. The provider can try to increase the tangibility of services. For example, by displaying a plastic or a clay model showing patients an expected state after a plastic surgery.

The provider can emphasize on the benefits of the service rather than just describing the features. Not all the service product has similar intangibility. Some services are highly intangible, while the others are low i.e. the goods (or the tangible component) in the service product may vary from low to high. For example: Teaching, Consulting, Legal advices are services which have almost nil tangible components; While restaurants, fast food centers, hotels and hospitals offer services in which their services are combined with product (tangible objective) , such as food in restaurants, or medicines in hospitals etc.

Inseparability:- Services are typically produced and consumed simultaneously. In case of physical goods, they are manufactured into products, distributed through multiple resellers, and consumed later. But, in case of services, it cannot be separated from the service provider. Thus, the service provider would become a part of a service. For example: Taxi operator drives taxi, and the passenger uses it. The presence of taxi driver is essential to provide the service. The services cannot be produced now for consumption at a later stage / time. This produces a new dimension to service marketing. The physical presence of customer is essential in services. For

example: to use the services of an airline, hotel, doctor, etc a customer must be physically present.

Heterogeneity:- Services are highly variable, as they depend on the service provider, and where and when they are provided. Service marketers face a problem in standardizing their service, as it varies with experienced hand, customer, time and firm. Service buyers are aware of this variability. So, the service firms should make an effort to deliver high and consistent quality in their service

Perishability:- This is attained by selecting good and qualified personnel for rendering the service. Services are deeds, performance or act whose consumption take place simultaneously; they tend to perish me the absence of consumption. Hence, services cannot be stored. The services go waste if they are not consumed simultaneously i.e. value of service exists at the point when it is required. The perishable character of services adds to the service marketers problems. The inability of service sector to regulate supply with the changes in demand; poses many quality management problems. Hence, service quality level deteriorates during peak hours in restaurants, banks, transportation etc. This is a challenge for a service marketer. Therefore, a marketer should effectively utilize the capacity without deteriorating the quality to meet the demand.

Meaning and definition of Service Marketing

Services marketing is marketing based on relationship and value. It may be used to market a service or a product Marketing a service - base business is different from marketing a product - base business. Services marketing is a sub-field of marketing, which can be split into the two main areas of goods marketing (which includes the marketing of fast-moving consumer goods (FMCG) and durables) and services marketing. Services marketing typically refer to both business to consumer (B2C) and business-to-business (B2B) services, and include marketing of services such as telecommunications services, financial services, all types of hospitality services, car rental services, air travel, health care services and professional services.

Definition

Service marketing is defined as "the integrated system of business activities designed to plan, price, promote and distribute appropriate services for the benefit of

existing and potential consumers to achieve organisational objectives". The perception of services marketing focuses on selling the services in the best interest of the customers. It is a systematic and coordinated effort of a service organisation to expand its market by delivering the best possible services. The objects of services marketing are the achievement of organisational goals like making profits, establishing leadership, long term survival and growth and the satisfaction of consumers by rendering excellent services. The concept of services marketing covers the following aspects: selling services profitably to target consumers and prospects delivering maximum satisfaction to consumers of services; and positioning the service firm in the market. Marketing is thus an integral part of service management. The managerial decisions are not found to be effective in the absence of a time bound implementation of marketing principles. Of late, customer satisfaction is found to be a focal point of the marketing decisions service the marketing process--can help in offering the right services to the right persons at the right time. Marketing simplifies the process of transforming prospects into actual customers of services.

Objectives

The four primary objectives of service marketing: building trust, empowering service delivery personnel, establishing uniform processes, and promoting customer satisfaction.

1) **Building Trust**

Since services are intangible, determining value and quality can be difficult. This is particularly true for services such as insurance, which may be purchased years before any benefit other than peace of mind is realized. As such, service customers look for tangible signs of quality to make purchasing decisions. Building trust in customer's eyes through tangible signs of quality is one of the principle objectives of service marketing. Cynthia Coldren, managing partner of rethink Marketing, identifies several tangible indicators of quality and value, including "personal interaction, trusted recommendations, clear communications, equipment used or processes followed, pricing, and the physical environment in which the business operates."

2) Empowering Personnel

The production and consumption of services are inseparable, meaning that a customers experience of a service occurs simultaneously with its delivery. As such, service delivery personnel play a critical role in customer satisfaction and retention. Service marketing should focus on empowering these key players to ensure that they are able to communicate effectively with customers, respond appropriately to feedback, and instill confidence throughout the service delivery process. As Jeffrey Tarter, executive director of the Association of Support Professionals, notes, "Our perception of the service company's people largely defines how we feel about the service itself."

3) Establishing Uniform Processes

The provision of services is inherently variable, since each instance is distinct from all others, varying by service delivery personnel, the circumstances of delivery, and the service environment. In order to minimize variation, service marketers must establish uniform processes to provide consistent delivery services. Cynthia Coldren recommends service marketers achieve consistency by developing special service packages tailored to the differing levels of service required by differently situated customers. Additionally, she suggests that service marketers can overcome customer concerns about consistency by leveraging case studies and positive customer recommendations to build trust, by responding quickly to remedy customer complaints, and empowering personnel to make customer-focused decisions.

4) Promoting Customer Satisfaction

Services are perishable, meaning they cannot be stored for later use. If the ticket you purchased for a concert goes unused, its value is lost. Greg Clarke, managing director of Smarter Marketing Ltd., suggests that the transient nature of services requires service marketers to manage the peaks and valleys of supply and demand to ensure optimal business performance. According to Clarke, the best way to manage variable demand is by cultivating repeat business from satisfied customers. Kim Gordon, marketing coach at Entrepreneur.com, points out, "it costs considerably less to keep a customer than to win a new one," so promoting customer satisfaction should be a primary goal of service marketers.

Need for Service marketing

The concept of marketing was not given much attention by most of the service organisations hitherto. Some service organisations like educational institutions, hospitals etc. once had so much demand that they did not need marketing until recently. Still others (legal, medical and accounting practices) believed that it was unethical to use marketing. With the passage of time the service economy has gained momentum and has achieved growth far exceeding the growth of the industrial economy especially in the developed countries. Services marketing ideas and techniques have thus grown alongside the growth of the service economy. Like manufacturing businesses, service firms ultimately felt the need to use marketing principles to position themselves strongly in the chosen target markets. The multi-faceted developments in the service sector and in the mounting intensity of competition have been engineering a strong foundation for the application of modern marketing principles in the service organisations. The following facts make it clear that the application of modern .- marketing principles by service generating organisations would pave avenues for qualitative and quantitative transformation:

Increase in the Disposable Income The disposable income of the people has been found increasing in recent years. This trend is also visible in developing countries like India. The increase in income in turn leads to demand for a number of services and thereby, new opportunities are created in the service sector. The positive developments in the service sector open new doors for an increase in disposable income. The moment an increase in the disposable income is found, the process of demand generation gains a rapid momentum creating more opportunities for the development of services sector. The intensity of competition is found at its peak and this necessitates application of marketing principles. Increasing Specialisation Organisations have now no option but to promote specialisation since this helps them to be cost effective. The firms prefer to engage specialists for almost all purposes. Experts and professionals like consultants; legal advisors, financial experts, technocrats etc. play a decisive role in managing an organisation. Greater specialisation in management requires the services of experts and consultants in almost all areas. It is right to mention that due to growing specialisation, service generating organisations would need a new culture influenced by corporate culture, and marketing practices can do a lot towards this end. Changing Lifestyles With the development of corporate culture and the emergence of a well established services

sector there would be a basic change in the lifestyles. The busy working environment and increased personal stress and strain would pave the way for development of innovative personal services like healthcare, fashion-designing, recreational centres, beauty parlours etc. The change in lifestyles creates new waves in the demand for specialised services and marketing can play a vital role in meeting the new aspirations of the consumers.

Professional Excellence Corporate culture makes an advocacy in favour of performance orientation. The development of human resources would be given greater importance by all organisations either producing goods or services. Professional excellence thus would get a new priority and the masses would be tempted to the professional education. Excellence and professionalism in knowledge require the development of world-class educational institutions for almost all disciplines. The services sector would be professionalised in which only the world-class human resources can get a place. This will lead to greater efficiency in service organisations. The application of marketing principles along with this professionalism will make it easier to achieve the corporate goals. Information Explosion The inventions and innovations in the field of communications have been found fuelling information explosion. The tremendous opportunities generated by communications would influence almost all the sectors especially service industries like entertainment, advertisement, fashion designs etc. It is in this context that it is essential to practice the modern marketing principles so that the marketing information system plays a positive role in improving the quality of decisions.

Sophistication in Market; There is more sophistication in the modern market where consumer expectations would be greater and more complex in nature. There would be frequent changes in the hierarchy of needs and requirements of consumers that result in the changes in the nature of market in terms of products or services required for that market. These multi-dimensional changes in the market necessitate the application of modern marketing principles. Increasing Governmental Activities; The expanding governmental activities in almost all sectors of the economy would also make ways for the development of the service sector. The latest trends in the trade and cultural exchange policies, the global partnership etc. would pave the way for more profitable growth of service sector. This will also lead to more positive and sophisticated qualitative changes in the service sector which call for intensive use of innovative marketing principles.

Significance of services marketing

Proper marketing of services contributes substantially to the process of development. If innovative marketing principles are followed in services marketing, the socio-economic transformation will take place at a much faster rate. In future, the service sector would operate in a conducive environment offering great potential. If the opportunities are properly utilised by the service sector, it will lead to an all round development of the economy. The significance of the service economy may be discussed under the following headings:

1. Generation of employment opportunities
2. Optimum utilisation of resources
3. Capital formation
4. Increased standard of living
5. Use of environment-friendly technology.

1. Generation of employment Opportunities :- The components of the service sector are wide and varied. For example, the service sector includes personal care services, education services, medicare services, communication services, tourism services, hospitality services, banking services, insurance services, transportation services, consultancy services, etc The organised and systematic development of the service sector would create enormous employment opportunities. Application of marketing principles in the I service sector is instrumental to the development of the economy. However, it is appropriate to mention that India has not been successful in utilising the potential of the service sector. As seen in Table 1.1, in USA about 80 per cent of job opportunities are offered by the service sector compared to India's 60%. So, the significance of the service sector lies in its capacity to create job opportunities. If the service sector is properly developed, it will solve the problem of unemployment in India to a great extent. After liberalisation policy, the service sector in India has been emerging as a dominant component in the economy.

2. Optimum Utilisation of Resources :- India is bestowed with rich resources. Particularly, the human resources available in India favour the growth of the service sector. While the labour content in most manufacturing activities is dropping steadily with use of technology, the labour content in the service sector is comparitively high. As India is rich in human resources, service sector can grow steadily. Moreover, service sector offers excellent export opportunities too. In fact, the important agenda of the World Trade Organisation (WTO) is opening up of market for services. So, by

exploiting these factors, India can maximise its services export. Though its performance in the export of computer software is quite commendable already, it should concentrate on other areas as well. Service firms such as personal care services, the entertainment services, tourism services, hotel service contribute to the growth of the economy without consuming any natural resources. In a sense, the growth of service firms of this kind conserve natural resources. Thus, services marketing help conserve the valuable resources for future generations.

3. Capital Formation :- There are indications that Services will grow more rapidly in the near future. Economic, social and political factors signal an expansion of the service sector. Investments and job generations are far greater in the service sector compared to manufacturing. It is estimated that telecom alone will account for an investment of Rs. 150,000 crores in the coming years. Investment encourages capital formation. For the development of a nation, the flow of capital should be directed towards the most productive uses. If investments are made in the service sector, it will contribute to the nation-building process. With increased developmental activities, the per capita income increases which, in turn, facilitates capital formation. Performance of profitable services can absorb higher investments, thereby accelerating the rate of capital formation.

4. Increasing the Standard of Living :- The standard of living of the people in any country would be decided on the basis of quality and standard of products consumed or services availed in the day-to-day living. Any development is transparent only when the living conditions of the masses improve. When compared with developed countries, the standard of living in India is far from satisfactory. Standard of living cannot be improved by offering more opportunities for earnings. On the other hand, the standard of living is determined by the availability of goods and services for citizens and a wise spending on them. The development of services industry is sure to promote the standard of living of the people. Use of Environment-friendly Technology; now-a-days, almost all services are found technology-driven. Developed countries are making full use of latest technology while rendering services. Technologies used by service generating organisations such banks, insurance companies, tourism, hotel services, communication services. and education services are not detrimental in any way to the environment. On the contrary, technologies used in manufacturing organisations may have harmful effects on the environment. So, services industry do not pollute the environment which is indeed laudable.

CHAPTER 2

GROWTH AND EVOLUTION OF SERVICE MARKETING

REASONS FOR THE GROWTH OF SERVICES IN INDIA:

1. Economic affluence: One of the key factors for the growth of demand for services is the economic affluence. According to the NCAER study the size of the middle income consumer is raising fast and the percentage of the very poor household's declining. The rural household in the upper income category is growing at a much faster pace than the urban households in the corresponding categories. The Economic liberalisation Process has had a positive impact on the Indian households. Their income as well as their expenditure has been pushed, creating a demand for many goods and services.

2. Changing Role of Women: Traditionally the Indian woman was confined to household activities. But with the changing time there has been a change in the traditional way of thinking in the society. Women are now allowed to work. They are employed in defence services, police services, postal services, software services, health services, hospital services, entertainment industries, Business Process Outsourcing and so on. The percentage of working women has been growing rapidly. The changing role of women has created a market for a number of product and services. Earning women prefer to hire services in order to minimise the innumerable roles that they are required to perform. The demand by woman is forcing service organisations to be more innovative in their approach.

3. Cultural Changes: Change is the underlying philosophy of culture place of change in Indian culture is not uniform. However, during the last century the factors of change are prominent. The emergence of the nuclear family system in place of the traditional joint family system creates a demand for a host of services like education, health care, entertainment, telecommunication, transport, tourism and so on. There has' been a marked change in the thought Processes relating to investment, leisure time perception and so on which has created a huge demand for services.

4. I.T. Revolution: For the last 15 years India is occupying a vital position in the area of Information Technology. IT became one of the key service businesses of the

country. India has the largest software skilled population in the world. The domestic market as well as the international market has grown substantially. Realising the potential for this area many state governments have made IT as their most, prioritized segment states such as Karnataka, Andhra Pradesh, Madhya Pradesh, Maharashtra and Delhi have already achieved substantial progress in Information Technology the In Ile years to come 'Lille IT enabled se Aces will have a bright future. The growths of population, industrialisation and indiscriminate consumptions have affected the, natural resources, environment and the ecological balance. Due to this there is an imbalance of the ecology various service organisations have been promoted in order to take up social marketing. Thousands of crores of rupees are being spent on safeguarding the rare animals and birds, water pollution, conservation of oil & energy and research to develop new technologies that can promote effective use of natural resources and safeguard the environment.

6. Development of Markets: During the last few decades the wholesaler and the retailer population has grown in the country. Urban India has become a cluster of wholesaling and retailing business. In the Semi – urban areas, retailing has spread to the nooks and corners of the streets and in the rural areas retail business is significantly present. A new breed of organisations, offering marketing services has come up. The government also offers marketing services to the small-scale agricultural farmers, artisans and other traditional business sectors such as promotion of regulated markets, export promotion councils, development boards etc.

7. Market orientation: The changing competitive situation and demand supply positions has forced the manufacturing organisation to shift their philosophy from production orientation to market orientation. Market is a service function that has been added in the organisation. The pressures in the market has further forced the manufacturing organisations to have marketing research, accounting, auditing, financial management, human resource management and marketing research divisions all of which are services functions.

8. Health-Care Consciousness: In India, the healthcare market has grown substantially. The increased life expectancy is the result of the consciousness of the people regarding the health issues. The growth of fitness clubs, diagnostic centres, medical counselling, health-related information sites are the reflections of the growing demands for health care services. The government as well as the social organisations

has taken up the mass campaigns in order to create awareness among the illiterate persons and the rural population on health service. Hence, the growth of health related services.

9. Economic liberalisation: The economic liberalisation of the 1991 has brought many changes in the Indian scenario. With the Disinvestment and the Privatisation policies the state owned monopolies in many service areas came to an end Multinationals were permitted to enter the Indian market. Liberal lending policies and lower interest rates motivated many people to become self-employed. Different sectors like Banking, Insurance, Power projects, Telecommunication, Hospitality sector, Health Services, Entertainment, Air transport, and Courier services witnessed intense competition, due to the entry of multinationals. The flow of time-tested service technology from various parts of the world changed the attitude of the Indian consumer towards sources.

10. Rampant migration: One of the important reasons for the growth of services in India is the rampant migration of rural to semi-urban and urban areas. Migration to urban areas for the want of jobs and livelihood has resulted in the expansion of cities and townships due to which businesses like real estates, rentals, transportation and infrastructure services are rapidly expanding.

11. Export potential: India is considered to be a Potential source for services. There are a number of services that India offers to various parts of the world like banking, insurance, transportation co data services, accounting services, construction labour, designing, entertainment, education, health services, software services and tourism. Tourism and software services are among the major foreign exchange earners of the country and that the growth rate is also very high as compared to the other sectors.

Environment of service marketing

All organizations operate within the marketing environment. The marketing environment is made up of two parts:-

1) Macro environment

2) Micro environment

The macro environment represents all the outside influences which have impact on an organisations' marketing or business activity. It includes economic and political factors and socio-cultural trends, for example the external environment influences will effect all organizations within a sector to a greater or lesser degree. The internal environment relates to a particular organization and its publics.

The Micro environment is the internal environment of the organization. The factors to be analysed in the internal environment will include the following:

Company management structure, Customers, Suppliers, Channel members, Competitors, Other publics which may include Government and political bodies, Pressure groups, financial institutions and shareholders. In effect any person or organization which can influence the company's marketing activities and marketing success in way should be included here. The list is not absolutely comprehensive as individual organizations may need to consider special influences.

The political legal, economic, social and technological forces exert the same type of services as they do on products; however certain environment features have a greater impact on service. These environmental factors are:-

- o Political – legal environment
- o Economic environment
- o Socio-cultural environment
- o Technological environment

Political-legal environment:- There is considerable influence of the political-legal environment on service marketing. Service industries are often more closely regulated than most other forms of private enterprise. Many service firms are being subject to government regulations in addition to the usual taxes and legislation. Service providers must understand and recognize the impact of such regulation on their competitive strategies. Regulation generally influences service business in four ways:-

1) Regulation generally influences the range and type of competition.

2) Regulation reduces the marketer's array of options and introduces certain rigidities into the marketing process.

3) Decision of the regulatory agencies being the binding part of the marketing decision-making process must be focused at understanding and predicting those agencies action.

4) Pressure groups may be established to lobby and effect change or modify the directions being taken by the regulatory bodies.

Economic environment:- In economic environment changing life style, changing world, changing economies and changing technological advances and changing consumer needs have contributed to increase spending on consumer services. Technological innovations have also helped to create a higher standard of living for a common man, who presently spends a lager portion of his or her increased disposable income of services. But the role of technology has also aided in circumventing barriers to trade, especially in its role in designing and delivering services. The urbanization has widened the demand for personal and public services. The demographic shift towards an older population in some countries has resulted in new service demands such as better healthcare, convenience products etc. in the global environment, due to cross country cultural issues, trade barrier (both tariff and non-tariff) tend to become more restrictive in marketing of services.

Socio-cultural environment:- Socio-cultural forces are set factors including life style, social values and beliefs that affect the marketing activities of an organization. These factors have significant impact on the marketing of services. The marketers have found the intensive use of consultants and counselors in their personal family and working lives. Health, Beauty, travel, culture, and higher education have partly replaced durable goods as status symbols in the mind of many consumers. There had been an increasing trend in the services like security, insurance, legal, medical and investment. Globally, the cultural dimensions affect services in more pronounced manner than do goods. Due to inseparability characteristics of services the firms may need to adapt their offerings to suit local taste and preferences. KFC and Mc'Donald's had to adapt its products in India to

suit local plates. Business negotiations are very much subject to local norms and local systems. Language is a major cultural influence.

Technological environment:- Technology has influenced our life styles consumption pattern and our economic well being tremendously. Just think of Internet, World Wide Web (www), E-commerce, video conferencing. World has become too small and boundary less. The service economies will be technologically driven soon. Instead of expecting service providers to improve results; management must see what kind of organizational structure, incentives, technology and skills can improve overall productivity.

Purpose of service environment

It helps companies to create distinctive image and unique positioning. And relate to the style and appearance of the physical surroundings and other experimental elements encountered by the customers at service delivery site. Service environment affects buyer behavior in three ways:-

  I.   Message-creating medium: symbolic cues to communicate the distinctive nature and quality of the service experience.

 II.   Attention-creating medium: make service environment stand out from competition and attract customers from target segments.

III.   Effect-creating medium: use colours, textures, sounds, scents and spatial design to enhance desired service experience.

PESTEL framework

A PESTEL analysis is a framework or tool used by marketers to analyse and monitor the macro-environmental (external marketing environment) factors that have an impact on an organisation. The result of which is used to identify threats and weaknesses which is used in a SWOT analysis.

PESTEL stands for:

- **P – Political**
- **E – Economic**
- **S – Social**

- **T – Technological**
- **E – Environmental**
- **L – Legal**
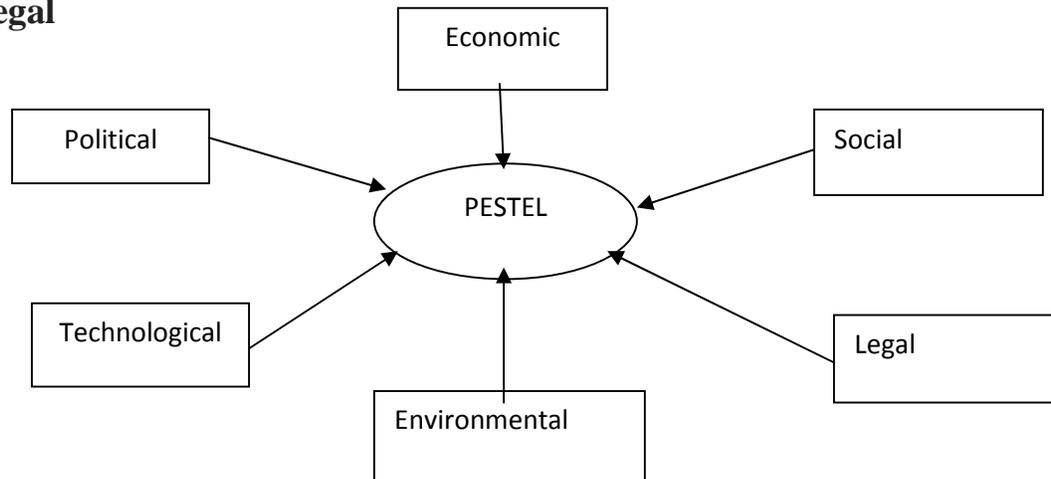
All the external environmental factors (PESTEL factors):-

Political Factors

These are all about how and to what degree a government intervenes in the economy. This can include – government policy, political stability or instability in overseas markets, foreign trade policy, tax policy, labour law, environmental law, trade restrictions and so on. It is clear from the list above that political factors often have an impact on organisations and how they do business. Organisations need to be able to respond to the current and anticipated future legislation, and adjust their marketing policy accordingly.

Economic Factors

Economic factors have a significant impact on how an organisation does business and also how profitable they are. Factors include – economic growth, interest rates, exchange rates, inflation, disposable income of consumers and businesses and so on. These factors can be further broken down into macro-economical and micro-economical factors. Macro-economical factors deal with the management of demand in any given economy. Governments use interest rate control, taxation policy and government expenditure as their main mechanisms they use for this. Micro-economic factors are all about the way people spend their incomes. This has a large impact on B2C organisations in particular.

Social Factors

Also known as socio-cultural factors, are the areas that involve the shared belief and attitudes of the population. These factors include – population growth, age distribution, health consciousness, career attitudes and so on. These factors are of particular interest as they have a direct effect on how marketers understand customers and what drives them.

Technological Factors

We all know how fast the technological landscape changes and how this impacts the way we market our products. Technological factors affect marketing and the management thereof in three distinct ways:

- New ways of producing goods and services
- New ways of distributing goods and services
- New ways of communicating with target markets

Environmental Factors

These factors have only really come to the forefront in the last fifteen years or so. They have become important due to the increasing scarcity of raw materials, pollution targets, doing business as an ethical and sustainable company, carbon footprint targets set by governments (this is a good example were one factor could be classes as political and environmental at the same time). These are just some of the issues marketers are facing within this factor. More and more consumers are demanding that the products they buy are sourced ethically and if possible from a sustainable source.

Legal Factors

Legal factors include health and safety, equal opportunities, advertising standards, consumer rights and laws, product labeling and product safety. It is clear that companies need to know what is and what is not legal in order to trade successfully. If an organisation trades globally this becomes a very tricky area to get right as each country has its own set of rules and regulations.

After you have completed a PESTEL analysis you should be able to use this to help you identify the strengths and weaknesses for a SWOT analysis.

Chapter 3

Service marketing mix

In this chapter, you will be introduced to the activities that comprise a firm's marketing program. Services Marketing Mix refers to the combination of marketing activities an organization engages in to promote and sell intangible services, as opposed to tangible products. In addition to the four Ps of traditional product marketing--product, price, place and promotion--the services marketing mix includes the three Ps of service marketing--people, process and physical evidence. The Services Marketing Mix is also referred to as the Extended Marketing Mix. In the services marketing context, these activities are popularly referred to as the 7 Ps – product, price, place, promotion, people, physical evidence and process. Marketing strategy involves segmenting the market, targeting one or more segments and positioning the product/service towards the targeted segments. After marketers select a target market, they direct their activities towards profitably satisfying that segment. Although they must manipulate many variables to reach this goal, marketing decision making can be divided into four areas: product, price, place (distribution) and promotion (marketing communication). The total package forms the marketing mix – the blending of the four elements to fit the needs and preferences of a specific target market. These are the four variables that a marketer can use in different combinations to create value for customers. However the strategies of the four Ps require some modifications when applied to services. Modification to the traditional marketing mix is necessitated by the characteristics (namely intangibility, perishability, heterogeneity and simultaneous production and consumption) of services. For example, since services are produced and consumed simultaneously, service delivery people (front desk personnel, guides, phone personnel and so on) are involved in realtime promotion of the service even if their jobs are typically defined in terms of the operational function they perform. As services are usually produced and consumed simultaneously, customers are often present in the firm's factory', interact directly with the firm's personnel and are actually part of the service production process.. The expanded marketing mix was popularized by Booms and Bitner.

Elements of the Marketing Mix

Sub-elements :-

Product :-

♣ Product design

♣ Product positioning

♣ Product name and branding

♣ Packaging and labeling

♣ Breadth and depth of product line

♣ Level and type of customer service

♣ Product warranty

♣ New product development process

♣ Product life cycle strategies

Price :-

♣ Manufacturer, wholesaler and retailer selling prices

♣ Terms and conditions

♣ Bidding tactics

♣ Discount policies

♣ New product pricing (Skim Vs. Penetrating pricing)

Promotion (marketing communications) :-

♣ Advertising

♣ Sales force policies

♣ Direct marketing (mail, catalog)

♣ Public relations

♣ Price promotions – for the consumers and the channel

♣ Trade shows and special events

Place (distribution channels) :-

♣ Direct Vs. Indirect channels

♣ Channel length

♣ Channel breadth (exclusive, selective or intensive)

♣ Franchising policies

♣ Policies to ensure channel coordination and control

People :-

♣ Employees - Recruiting - Training - Motivation - Rewards - Teamwork

♣ Customers - Education- Training Physical evidence

♣ Facility design

♣ Service ambience

♣ Equipment

♣ Signage
♣ Employee dress
♣ Point-of-sale displays
♣ Other tangibles (e.g. business cards)

Process :-

♣ Flow of activities
♣ Service script (number of steps)
♣ Customer involvement.

A selection of services developed to offer customers a choice within a particular range. The elements of a services marketing mix are sometimes called the seven Ps : the four Ps of the marketing mix, plus three Ps of services ; participants, physical evidence and process. Business involving aspects of tangible good and intangible service, the quality of service is more important than the physical product. For example, lodging, programming or training. Almost every product comprises of some degree of service – good mix. It is also called service – good mix. The service product is a service that can be sold and that is performed within Customer Service (for example, inspection of your car). You can use the sales order and the service order to process these service tasks. In a sales order, you can list both the service product and the material that you require in order to perform the service. The service product is entered as a service item in the sales order. A service order is created automatically for this item.

A service can be considered from two different perspectives:

- From a company-external perspective, meaning from the customer's point of view:
    o Which services should the customer pay for, and how much do they cost? This is defined using the sales order.
- From a company-internal view, meaning from the perspective of the technical execution:
    o Which tasks are required from a technical point of view in order to perform the service? This is defined using the service order.
    o You can perform billing on the basis of the flat-rate price of the service product in the sales order and/or on the basis of the costs (resource-related billing) that have arisen in the service order.
    o You can find more information on the characteristics of service products during resource-related billing in resource-related billing.
    o Configurable service products play an important role within service processing.

CHAPTER 4
PRICING OF SERVICES

Pricing decisions are of major importance in service marketing strategy. As with other marketing mix elements, the price of a service should be related to the achievement of marketing and organisational goals and should be appropriate for the service organisation's marketing program. Service pricing principles and practices tend to be based on principles and practices used in pricing goods. As with goods, easy generalisations about pricing are difficult to make. There is as much diversity in the service sector as in the goods sector. The great variety of environments in which service pricing decisions are made and the diversity of pricing practices which may apply, is partly reflected in the many different terms used to describe the prices of services.

Characteristics of Services and their Influence upon Service Prices

The characteristics of services as with all Products will influence prices set in markets. The influence of these characteristics will vary according to the type of service and market situation under consideration. They are however an added consideration when examining the traditional main forces influencing price; costs, competition and demand. Some impacts of these services characteristics include these five categories:

(a) **Service perishability -** the fact that service may be difficult (though not impossible) to be stored and that fluctuations in demand cannot be met as easily through using inventory, has price implications. Special price offers and price reductions to use up spare capacity may be used and marginal pricing may be more commonplace. This may happen in markets like airline travel and package holidays. Constant use of these forms of pricing may lead to increasing customer sophistication; buyers may deliberately hold off from purchasing certain services with the expectations that price reductions will occur. Sellers for their part may try to compensate for this effect by offering advantageous reductions on orders for services placed early. Again the holiday tour market exhibits some of these forces at work.

(b) **Customers may be able to delay or postpone the performance or use of many services -** Alternatively they may be able to perform certain services for themselves. These features can lead to keener competition amongst the sellers of

services. They can also encourage a greater degree of price stability in certain markets, in the short term.

(c) **Apparent Intangibility has many price implications -** First-time users may have great difficulty understanding what they get for their money but this may be influenced by the material content of the service product. The higher the material content, the more will prices set tend to be based on costs and the greater the tendency towards more standard prices. The smaller the material content the more customer orientated and the less standard will prices be. Service product intangibility also means that services provided may be more easily varied than physical products. Thus service level, service quality and service quantity can be adjusted to meet particular customer requirements. Prices may ultimately be determined by negotiation between buyer and seller.

(d) **Where service products are fairly homogeneous (e.g. car washes, dry cleaners) then pricing may be highly competitive -** On the other hand regulatory agencies may discourage price cutting through prescribed fees and charges (e.g. trade associations or government agencies). The more unique a service then the greater the discretion of the seller to vary price according to what buyers in the market are prepared to pay. In such situations price may be used as a quality indicator and the reputation of the individual or organisation offering the service may give considerable price leverage.

(e) **The inseparability of service from the person providing it may place geographic limits or time limits on markets that can be served** - Equally buyers of services may search for service provision within certain geographic or time zones. The degree of competition operating within these limits will influence prices charged.

Pricing and Marketing Strategy

Integrated marketing strategies imply that the various elements of the marketing mix are formulated and implemented with the objectives of those strategies clearly in mind. Pricing decisions are no exception to this principle. In setting price objectives for services a number of factors must be considered.

The more significant of these are:

(a)   The planned market position for the service product;

(b)   The stage of the life cycle of the service product;

(c)   Elasticity of demand;

(d)   The competitive situation;

(e)   The strategic role of price.

The Planned Market Position for the Service Product

Market position means the place the service product is intended to take up and does take up in the customer's eyes and in comparison with competitors. It refers to the customer's perceptual positioning of the service product; in other words how the service product is "seen" in relation to others available. Clearly price is an important element in the marketing mix influencing this position. Tangible products may occupy a particular position by virtue of their physical characteristics (e.g. a grade of industrial steel tubing). Services, on the other hand, are more often "positioned" on the basis of their intangible attributes.

The Stage of the Life Cycle of the Service Product

The price of the service product will also relate to its life cycle. For example in introducing a new service an organisation could opt to set low prices to penetrate markets and gain rapid market share. Alternatively an organisation could opt to charge high prices to make as much profit as possible in a short time (skimming policy). This strategy is only possible if there is no immediate competition and a high level of buyer need urgency (e.g. windscreen replacement services). However, the value of the life cycle as an analytical tool in services marketing was questioned earlier and the weaknesses identified there should be borne in mind.

Elasticity of Demand

The discretion a service organisation has to determine its pricing objectives will be influenced by elasticity of demand in the market. Elasticity of demand refers to the responsiveness of demand to changes in price. In some markets demand is much influenced by price changes (e.g. urban bus services) in others this is less so. Clearly it is vital for a service organisation to understand how elastic or inelastic demand for its services is in response to price change. For example, if a service company reduces its prices and demand is elastic then the effect would be to reduce margins with no

compensating increase in demand. Elasticity may impose limitations on certain price options.

The Competitive Situation

The strength of competition in the market influences a service organisation's direction over its prices. In situations where there is little differentiation between service products and where competition is intense (e.g. a seaside resort during a poor tourist season) then price discretion is limited. Competition of course has a number of dimensions apart from interbrand or intertype competition. In transport services, for example, there is competition between different modes of transport (e.g. rail v road), different brands as well as alternative uses of the potential customers' time and money (e.g. not to travel at all). Nevertheless a degree of price uniformity will be established in those markets with little differentiation between service products and strong levels of competition. In other settings tradition and custom may influence prices charges (e.g. Advertising agencies commission system).

The Strategic Role of Price

Pricing policies have a strategic role aimed at achieving organisational objectives. Thus the pricing decision on any particular service product should fit in with strategic objectives. For example, a new holiday company intent upon establishing itself in the package holiday market might use a deliberate policy of low prices to obtain substantial market share although this could mean unprofitable trading for some time. Maximum sales would be won through penetration pricing as a deliberate policy. Any pricing strategy must of course fit in with the way in which other elements of the marketing mix are manipulated to attain strategic ends.

Methods of Pricing Services

There are few schemes available which deal with pricing practices in services markets. Below is one of the more popular. Services organisations may use:

1. Cost-Based Pricing
(a) Profit orientated – aiming at a minimum profit target. Prices fixed by professional and trade associations belong to this category. If entry is severely

restricted, prices will be related more to the customer's ability and willingness to pay and less to costs.

(b)   Government-controlled prices – aiming at consumer protection by fixing prices on a cost-plus-a-modest-margin basis.

2. Market-orientated pricing

(a)   Competitive – either accepting the going rate or maintaining or increasing market share by an aggressive pricing policy.

(b)   Customer oriented – prices set with regard to consumers' attitudes and behaviour. Quality and costs of services may be varied to remain in harmony with prices.

In service businesses it is often difficult to establish, for cost purposes, what a "unit" of service is, let alone to calculate its cost. Particular difficulties occur with highly intangible services where people are the chief element of cost. For example it may be difficult to measure the time spent in performing a service; also overhead allocation may be problematic. Yet it is difficult to develop a pricing strategy for a service business without some clear idea of costs; if only to establish how costs act as a constraint on the lower limit of price discretion available to the price maker. People-intensive services like professional services have to develop more accurate methods of identifying and allocating costs to overcome the problems of costing in such service businesses, i.e.the product is difficult to describe and measure; costs are primarily people costs; other costs (e.g. rent, travel) are people-related costs; people are more difficult to cost than machines.

Price Tactics

Many of the tactical price techniques used to sell tangibles can be used to sell intangibles. In both cases the particular tactics used are dependent upon the kind of service involved, the target market and general conditions prevailing in that marketplace at the time (e.g. supply shortages therefore possible over-demand for service products). Some of the frequently used pricing tactics in services markets are now considered. They are:

(a)   Differential or flexible pricing;

(b)   Discrete pricing;

(c)   Discount pricing;

(d)   Diversionary pricing;

(e)   Guarantee pricing;

(f)   High price maintenance pricing;

(g)   Loss leader pricing;

(h)   Offset pricing;

(i)   Price lining.

CHAPTER 5
SERVICE PROMOTION AND COMMUNICATION MIX

Marketing communications involves advertising, sales promotion, personal selling, public relations and direct marketing. Promotion of marketing is a continuous and interactive process between company and its customers. Every aspects communicates like product styling, price, packaging, sales personnel dress and manners, channel partners behavior, office décor, sales personnel business card, stationery etc. in addition to being a global force, communication is the unique tool that marketers use to persuade the consumers to act in a desired way, say to vote, to buy, to donate, to patronize, etc. the location and atmosphere of a service delivery facility, corporate design features like the consistent use of colours and graphic elements, the appearance and behavior of employees, website design- all of these factors contribute to an impression in the customers' mind. Communications are in many forms, like verbal, visual or symbolic, and covey special meaning that the marketers want to impart to the consumers. Communications can evoke emotions that put consumers in more receptive frames of mind, and it can encourage purchases that help consumers solve problems or avoid negative outcomes. In short, communications is the bridge between marketers and consumers, and between consumers and their socio-cultural environments.

Marketing communication can be used to communicate with service employess as well as with external customers. Internal communication from senior managers to their employees play a vital role in maintaining and nurturing a corporate culture founded on specific service values. It may also be needed to nurture team spirit and support common corporate goals.

Communication strategies for services:-

Several of the differences distinguishing services from goods have important marketing communications implications. Thus communication strategies need to reflect the special characteristics of services. Since services are performances rather than objects, their benefits can be difficult to communicate to customers. Service providers should use tangible cues whenever possible in their advertising campaigns, especially for low, contact services that involve few tangible elements. It is also helpful to include "vivid information" that will produce a strong, clear impression on the sense, especially for services that are complex and highly intangible.

Communication issues in service marketing:-

A company's communication strategies help it project a desired image and position itself in the market. Firms use communication strategies to bring about awareness of their goods and services among their target audience. Further they try to attract customers to consume their services with various techniques as we will see. However, there are several challenges the service provider faces while communicating.

They are broadly:- **Technology**- it helps a company to communicate fast and efficiently. At the same time, since this is highly complex, there are several problems that need to be solved on a real time basis. Else, the business is lost or a wrong and detrimental message may be delivered. Example: the internet banking transaction is very convenient but highly complex and needs high degree of security; else it is risky and disastrous.

Budgetary constraints- some companies may not have sufficient funds to install a good communication system in their offices. In today's world the technology needs are costly and need sufficient technically competent manpower.

Content- content of communication is important. Any mistake while choosing messages with correct and accurate terminology may prove disastrous. Imagine what happens if tour operator mistakes 'family' or 'a couple' for a tour package.

Delivery- communication issues in delivery arise in wrong timing, wrong message, wrong place or wrong target audience. Marketing communication personnel must take extra precaution to see these don't happen. Example: sometimes, service providers communicate incomplete or wrong information to their customers; mostly happens with insurance and MF advisors.

Marketing communication mix:-

Most service marketers have access to numerous forms of communication, referred to collectively as the 'marketing communication mix'. Different communication elements have distinctive capabilities relative to the types of messages that they can convey and the market segments most likely to be exposed to them. The mix includes personal contact, advertising, publicity and public relations, sales promotion, instructional materials and corporate design. This is the way of looking at the whole marketing process from the viewpoint of the customer. The modern marketing communication mix consists of five major tools or models of communication; which may be further sub-divided, they are:-

(1) Advertising – any paid form of non personal presentation and promotion of ideas, goods, or services by an identified sponsor.

(2) Sales promotion – a variety of short term incentives to encourage trial or purchase of a product or service.

(3) Public relations and publicity – a variety of programmes designed to promote or protect a company's image or its individual products.

(4) Personal selling – face-to-face interactions with one or more prospective purchasers for the purpose of making presentations, answering questions, and procuring orders.

(5) Direct and interactive marketing – use of mail, telephone, fax, e-mail or internet to communicate directly with or solicit response or dialogue from specific customers and prospects.

In well-planned campaigns, several different communication elements may be used in ways that mutually reinforce each other. Effective sequencing of communications is important, since one element often paves the way for others. Eg: advertising may encourage prospects to visit a web site, request further information by mail, or shop in a specific store they will be exposed to 'retail displays' and can interact directly with a salesperson. There is a broad division between personal and impersonal communication. Personal communication involving personalized messages that move in both directions between two parties and impersonal communication, in which messages move in only one direction and are generally targeted at a large group of customers and prospects rather than at a single individual. However, technology has created a gray area between the two. It's now very easy for a firm to combine word-processing technology with information from a database to create an impression of personalization. Eg: think about the direct mail and e-mail messages that you have received, containing a personal salutation and perhaps some reference to your specific situation or past use of a particular product.

Advertising

Advertising plays a major role in promoting a company's products and service on a large scale. However, developing advertising campaigns for services it is a difficult aspect because of the intangible properties services. The features:-

1) Advertising is non-personal mass communication by an identified sponsor. This is a cost effective and powerful means to reach the masses.

2) The cost per unit of (audience) of exposure is the lowest in advertising, when compared to other promotional approaches. It has the capacity to attract the market.

3) Informative, educative and persuasive objectives can be achieved through advertising. Service firms use advertising for the achievement of the above mentioned objectives.

4) As the most dominant form of communications in consumer marketing, advertising is often the first point of contact between service marketers and their customers, serving to build awareness, inform, persuade, and remind.

5) It plays a vital role in providing factual information about services and educating customers about product features and capabilities.

6) One of the challenges facing advertisers is how to get their messages noticed. TV and radio broadcasts are cluttered with commercials where as news papers and magazines sometimes seem to contain more ads than news and features.

7) Longer, louder commercials and larger format ads are not necessarily the answers. Some advertisers stand out by using striking designs or a distinctively different format.

8) A broad array of paid advertising media is available, including broadcast (TV and Radio), print (magazines and news papers), movie theatres, and many types of outdoor media. Posters, Billboards, Electronic message boards and exterior of buses and autos.

9) Some media are more focused that others, targeting specific geographic areas or audiences, with a popular interest. Advertising messages delivered through mass media are often reinforced by direct marketing tools, such as mailing, telemarketing, fax or e-mail.

10) Service providers should involve front line employees in designing the advertising campaign as service personnel directly interact with customers during the process of selling and they would understand what appeals to them.

11) A company's image is damaged if their services personnel are inefficient behave rudely, or are careless in dealing with customers.

12) The word of mouth publicity is a powerful advertising tool or a company and its services. Service providers should therefore educate their employees on the importance of customer service and motivate them to perform better.

13) The second aspect to consider is the variability in services are delivered differs from one company to another.

14)   Even if the service offering is the same due to the attitude, expertise and skills of service personnel involved in delivering the services, the actual delivery can be different.

15)   Customers can easily find out these difference and they indulge in word of mouth publicity, thus making or marring the business of the service provider.

16)   Service customers face high perceived risks due to the intangibility of the services. Therefore, service providers should design ad campaigns that attach tangible clues to the intangible services.

17)   In addition, companies should advertise services that they can (possibly) deliver. Firms should not cheat the target audience by making unrealistic promises. A company's failure to keep its promise can prove to be more damaging to its business, than making no promise at all.

18)   Finally, a company that advertises its services through various media on a continuous basis is better recognized by customers than a company that rarely advertises its service.

19)   A company can improve can improve its brand image and brand equity with the help of advertising.

20)   It also helps the company in differentiating and positioning its services from those of its competitors.

Sales Promotion:-

Sales promotion is a variety of short-term incentive to encourage trial or purchase of a product or service. It's a key ingredient in marketing campaigns, and consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker and / or greater purchase of particular products or services. Sales promotions are used to intensity a brand contact for customers or prospects, especially when these people are in buying or using situations. Although the primary object of the consumer sales promotion is to affect behavior, it can also heighten awareness and reinforce a brand's image. Where the decision process takes weeks or months sales promotion can be used to help move prospects and customer through the decision process. Consumer promotional offers provide tangible added value and are generally available for a 'limited time only' to create a sense of urgency, which marketers think speeds up the decision making process. Some marketers consider sales promotion supplement to advertising and personal selling because it can make both more effective.

Sales promotional tools:-

There are basically three types of sales promotions:-

1. Consumer promotion – it may consists of samples, coupons, cash refund offers, price off, gifts and premiums, prizes, patronage, rewards, free trials, warranties, tie-in promotions, cross promotions, point of purchase displays, sweepstakes, lotteries, games, rebates, exhibits, low interest financing, entertainment and continuity programmes, etc.

2. Trade promotion – it may consist of prices off, advertising displaying allowances and free goods. Trade-in allowances, contests for sales representatives.

3. Business and sale force promotions – it may consist of fairs and trade shows and conventions, speciality advertising.

CHAPTER 6
SERVICE CHANNELS

We are well aware of the traditional distribution channel in products which generally looks as follows:-

Manufacturing >> C&F >> Distributor >> Dealer / Retailer

However, in Services too such channels exist though the channel will be different for each one of them. For example, in a restaurant, the service channel starts from the raw vegetables and meat being procured from a fixed vegetable vendor. These vegetables are then prepared for cooking by the helpers. Thus, the channel keeps changing for different types of services. For hospitals, medicine suppliers are the start of the channel. For real estate companies, brokers are at the start of the channel. Overall, service channels present their own line of challenges, which have to be fought by the business owners. Any channel, be it a product channel of service channel, is established to provide maximum value to the end customer. And if one link within the channel is a weak link, then the channel can fail in delivering value.

Service distribution

Channels for services are often direct – from creator of the service directly to the customer. Services cannot be owned, there are no titles or rights to most services that can passed along a delivery channel. Inventories cannot exist, making warehousing a dispensable function.

Intermediaries may co-produce service, fulfilling service principals' promises to customers. Eg: franchise services. They make service locally available and provide time and place convenience for the customers. They provide retailing function for customers because they represent multiple service principals. Eg: travel agents.

Following are the common issues involving intermediaries:-

1. Conflict over objectives and performance
2. Conflict over costs and rewards
3. Control of service quality
4. Empowerment v/s control
5. Channel ambiguity – lack of role clarity

Internal and External customers

A customer is a person or an organization that uses an output from another person or organization. A grocery shopper who is an external customer buys goods from the market. In the supermarket, internal customers include the manager who

depends on information from the accountant to make decisions or the stock person who needs to receive materials from the warehouse to put goods on the shelf.

Both external and internal customers are important to the success of a business or organization. Through their purchases, external customers provide the revenue stream that a business needs to survive. Satisfied external customers make repeat purchases and refer the business to other potential customers. On the other hand, customers who suffer as a result of negative experience with a business, such as rude treatment by an employee, can hamper a business by dissuading other people from patronizing it. An internal customer who does not work well with other elements of the company may have difficulty placing orders or obtaining answers to his external customers' questions, leading to poor service.

This chapter considers the internal and external customer, howmarketing marketing is used to build and nurture customer relationships, and will begin to build your knowledge on the customer loyalty. So let's begin by looking at external customers and internal customers. For the purposes of an introduction to marketing, the more generic terms for the different types and characteristics of people with which an organisation develops relationships would include: customers, users, connected stakeholders, and other stakeholders. We will now look at how we differentiate between the internal and external customer.

Internal customers are those colleagues and departments within your own organisation. Again in previous lessons we looked at internal functions and how marketing can be used internally for the flow of internal services and communication. Sometimes you are the customer and sometimes you are the service provider. We considered how marketing connected internally with how marketing interacts with research and development, production/operations/logistics, human resources, IT and customer service. There are of course many other internal parts of the business. While internal customers may not necessarily purchase the products or services offered by their employer, the internal customer relationship also plays a key role in the business's success. In the sales example, the salesperson who does not work well with customer service may have greater difficulty placing orders or obtaining answers to his external clients' questions, resulting in a poor level of service. Strained internal relationships can also adversely affect company morale.

Considerations :

As a business owner, you may have a natural tendency to focus on the relationship with external customers, as they are the ones who purchase your products and services. Still, seeking ways to improve internal customer relations can lead to a healthier work environment. You can take steps to improve internal relations by training employees to think of co-workers in the same manner as external customers and provide the same high level of service. Set an example by showing appreciation for your employees' efforts and encouraging their feedback. External customers are more likely to be customers, users, and stakeholders. Customers are those that exchange money for goods and services and consumers are those that actually use the product (and as we said they may or may not be the same person). So a user is the same as a consumer. According to Blythe (2011), stakeholders are people who are impacted by corporate activities. An obvious stakeholder might be a shareholder since they have voting rights at annual general meetings. A less obvious stakeholder would be the person that owns the land next to your factory, or the family that is supported by the father that works in your warehouse. So stakeholders would include 'publics' such as shareholders, customers, staff and the local community. A connected stakeholder is one with the direct association with your business, and this would be a supplier or a shareholder. Obviously other stakeholders would not have the same strength of connection, for example in the case of the local community. An external customer is someone who uses your company's products or services but is not part of your organization. If you own a retail store, for example, an external customer is an individual who enters your store and buys merchandise. An internal customer is any member of your organization who relies on assistance from another to fulfill her job duties, such as a sales representative who needs assistance from a customer service representative to place an order.

External Customer Significance : External customers are essential to the success of any business, as they provide the revenue stream through their purchases that the enterprise needs to survive. Satisfied external customers often make repeat purchases as well as refer your business to other people they know. A customer who suffers through a negative experience with a business, such as being treated rudely by an employee, can also hinder a business by dissuading others from patronizing it.

Physical evidence

Services being intangible, customers often rely on tangible cues, or physical evidence, to evaluate the service before its purchase and to assess their satisfaction with the service during and after consumption. General elements of physical evidence are shown in Table 9.1. They include all aspects of the organization's physical facility (the services cape) as well as other forms of tangible communication.

Elements of the services cape that affect customers include both exterior attributes (such as parking, landscape) and interior attributes (such as design, layout, equipment, and decor). Physical evidence examples from different service contexts are given in Table 9.2. It is apparent that some services communicate heavily through physical evidence (e.g. hospitals, resorts, child care), while others provide limited physical evidence (e.g. insurance, express mail).

Physical evidence is the environment in which the service is delivered and where the firm and the customer interact and any tangible commodities that facilitate performance or communication of service. It includes the service scape, a term used to describe the physical facility facility where the service is produced and / or delivered. Servicescape ceates mood, longing, attraction or desire to visit/ recommend service provider by tangibalisation. It includes every tangible touch point i.e. brochure, building, dress of the people, furniture, wall décor etc. Physical evidence is known as the sixth 'P'.

The role of physical evidence are:-

- Packaging the services

- Facilitates the flow of the service delivery process

- Socializes employees and customers

- Provides a means for differentiation

Table 9.1 : ELEMENTS OF PHYSICAL EVIDENCE

Servicescape	Other tangibles
Facility exterior	Business cards
Exterior Design	Stationery
Signage	Billing statements
Parking	Reports
Landscape	Employee dress
Surrounding environment	Uniforms, Brochures
Facility Interior	
Interior design	
Equipment	
Signage	
Layout	
Air quality/temperature	

Service mapping

A service map is a graphical display of a service that illustrates the various components upon which successful delivery of that service relies. These components generally include hardware, software and configurable settings or roles. It is a communication tool that illustrates the 'what' of a service (its components and their relationships) as a basis for managing the 'how' of a service (how the service is delivered and controlled to ensure expected availability, capacity, security and manageability).

If we want to control the quality of the experience to the user and customer, we must understand and control all of the components that make up the service. They present a service-centered view of the environment, organizing, technical capability in business-oriented terms. They more readily facilitate understanding of complex systems and component dependencies than text-based documents for both technical staff and customers.

Kinds of data gathered in the service mapping process :-

Software	→	Hardware	→	Services	→	Settings	→	Customers

Steps in building service maps:-
1. Identify the team
2. Define the mapping template
3. Select services for mapping
4. Gather data and draw the service maps
5. Establish service relationships

6. Maintain the service maps

Service blueprinting

Service Blueprinting is a tool that works within the Service Engineering process that enables the user to have a framework for viewing service improvement. Service Blueprinting alone does not lead to success; it is a visual tool designed to give valuable contributions to the service engineering process. What follows is a short description of the framework. Service Engineering is a systematic process for developing new services. This is usually conducted in project form and follows a basic process flow. The 5 standard phases of the Service Engineering project process:

Overlap and feedback loops are integral to the Service Engineering phases themselves. For example, service prototyping will typically repeat phases 3 and 4 as the service is developed and improved with each run of the cycle. Repeating the steps continues until the service design requirements correspond and implementation can begin. In the first phase, new ideas are found and their potential feasibility in the market is evaluated. In the second phase, concrete client and firm requirements for the service are collected. Phase 3, Service Design, defines the performance and provision of the services with Product, Process and Resource Models. Prior to market entry, the service must be tested; if the results are poor, the feedback loop is entered and the Service Design phase is repeated. There are many methods to be utilized during the course of the Service Engineering processes. While some are appropriate only for certain phases, there are many that are applicable for multiple phases. Examples include: Service Blueprinting, QFD, TRIZ, Desktop Walkthrough, Personas, Filming, Service Prototyping and Service Simulation, as well as creativity techniques such as Brainstorming/Brain writing, Mind mapping and Morphological Analysis. The Service Blueprinting method is applied mainly in the Service Design phase. In order to successfully apply this method, the previous phases should be completed with the outcomes integrated into the Service Blueprinting. A thorough Service Blueprint is a sound base for further Service Design methods.

Service-Blueprinting is a service planning help tool. It can be used for developing new innovative services as well as for improving existing services. The method is also appropriate for ensuring the quality of service processes. It can also be used for new employee training or for showing clients a service cycle overview. The Service-Blueprinting output consists of a graphically-presented overview of the service process and its activities. Service-Blueprinting allows for visualization of the service development process in its early stages. In each process step, contact points

between client and firm (and physical element, if a tangible service) become visible. It is possible to identify failure points and discover areas for innovation as well. This technique eases the identification of cost saving potentials and offers an excellent base for further Service-process management.

Services are difficult to conceptualize in development, due to their intangibility. It not possible to "experience" services with prototypes alone. Service-Blueprinting is a tool that gives a better understanding of the services and their basic processes. The objective is to establish the activities of the service production in a graphical representation. Service-Blueprinting with its strong client-focus differs from other methods of process analysis; Service Blueprinting supports client satisfaction. Service Blueprinting considers not only the client requirements during the process design, but also the firm's internal requirements. Before starting the Service Blueprinting, preliminary information is required. Service Blueprinting is a complete service production process that summarizes points of client interaction as well as the invisible client process steps.

Required information:
- Client requirements for each client-targeted segment
- Documentation of processes and sub-processes of existing services
- Related resources for each process step (personnel, machines, accessories, etc)
- Time frame of the processes, duration of the step

Especially for new developments, some information may not be available, take care to note it when it is discovered during the process.

Service Blueprinting for new services

A client-oriented process course (Service Blueprint) for new services is shown in the following four steps. Further development will be completed step-by-step and is based on the client's process.

1. Definition of the ideal customer interaction process, from initial contact to the end of service interaction
2. Identification of the contact points between the client and service provider. This includes all client-perceivable process steps performed by the service
3. Identification of the interactions between the front office and the back office
4. Definition of time standards, tolerance levels and of the resources required

CHAPTER 7

SERVICE MARKETING SEGMENTATION

Service marketing segmentation

Earlier, the emphasis was on the mass production of goods & services, and reaching them to people. So the goods & services used to be more or less homogeneous. The old and starting concept of 'mass marketing' where the seller engages in mass production, mass distribution and mass promotion of any goods & services for all buyers has assumed that all customers are alike and have the same types of needs. But things slowly changed. Today a market is rarely homogeneous as it consists of various groups of diversified nature or aggregate of consumers of any goods & services. But later this has given way to the concept of offering different products & services to different group/class of consumers known as segments. Market means the customers and the place where the marketing activities take place. For the purpose of segmentation the customers are taken.

Definition

Market segmentation is defined as the process of dividing a market into district sub-sets of consumers distinguished from one another, with common needs or characteristics and selecting one or more segments to target with a distinct marketing mix. But again, after having segmented a market, the marketers may choose the style of market coverage as follows:

Undifferentiated market:

A single common attribute of the requirements of all the segments are chosen and any goods & services are offered to all without differentiation, like the basic Risk Coverage Life Insurance schemes. Here there is an advantage of cost in all areas of marketing. Disadvantages are some customers whose needs are more are unsatisfied.

Differentiated marketing approach:

This approach is the middle approach where a few segments are chosen and the goods & services are offered to these target segments. Like three classes in air/train travel. Advantages are enhances customer satisfaction, but cost is higher, so the company needs more planning.

Concentrated marketing approach :

This is more or less specialized approach, where only one or two segments are chosen on the basis of company objectives & available resources, and the goods & services are offered. Eg.Ponds, Lakme

Benefits of market segmentation:-

No one can satisfy all the people all the time, can satisfy some people all the time or all people for some time. This concept is reflected in market segmentation.

1. Facilities proper choice of target market

2. Helps distinguish one customer group from another within a given market

3. Facilitates effective tapping of the market, adapting the offer to the target

4. The 'divide and rule' concept as a strategy of 'dividing the markets for conquering them'.

5. Helps crystalise the needs of the target buyers & elicit more predictable responses from them, helps develop marketing programs on a more predictable base, helps develop marketing offers that are most suited to each group.

6. Helps specialization required in products/services, distribution, promotion & pricing (marketing mix) for matching the customer group & developing marketing & appeals that match the needs of such a group.

7. Makes marketing effort more efficient and economic – helps identify less satisfied segments and concentrate on them to improve the level of satisfaction.

8. Helps concentrate efforts on the most productive & profitable segments instead of frittering them away over irrelevant, or unproductive, or unprofitable segments.

9. Bring benefits to the customer as well, in various ways.

10. When segmentation attains high sophistication, customers & companies can choose each other & stay together.

Bases for market segmentation

In market segmentation, it's the consumers, who are classified and not the products/services or the price. So product/service segmentation or price segmentation are sometimes mistaken for market segmentation. After the market is segmented the customers classified and the target is decided on then the relevant product/price can be developed. These are the broad bases of segmentation:

1. Geographic – religion, city, density, climate etc

2. Demographic – age, gender, marital status, family size, family cycle, income, purchasing capacity, price preference, education, occupation etc

3. Psychographic – lifestyle, personality etc.

4. Behaviouristic – buyer behavior, brand loyalty, attitude towards product, awareness status, usage status, purchase occasion etc.

Market targeting in services

The basis on which marketers target the identified markets : evaluating and selecting market criteria – once the firm has identified its market segment opportunity it has to decide how many and which one to target. The firm must look at two factors:

- Segment size & growth potential: the size of the different segments in the market should be compared on the basis of their present capacity and their future potential to grow.

- The segments overall attractiveness & profitability : marketers should analyse several factors like competition – present & future, presence of substitutes – present & future, availability – present & future. Then on the basis of the critical assessment this targeting should be decided.

- The company's objectives & resources : companies differ in sizes, styles, resources, specializations, expertise, standings, objectives, etc. the target selection should match the overall objectives & resources philosophy of the company.

Targeting strategies – having evaluated different segments the company can consider five patterns of target market selection:

- Single segment concentration (concentration strategy) – only a single segment is targeted and concentrated effort is given.

- Selective specialization (selective segmentation strategy) – only a few segments are targeted depending on the company criteria and concentrated effort is given.

- Product/service specialization strategy – all the available market segments are targeted for a single category of products & services.

- Market specialization strategy – only a particular market segment is targeted for all the categories of products & services.

- Full market coverage – all the available market segments are targeted for all the categories of products & services.

Counter segmentation – The market & its segmentation don't remain static. The difference between the segments may get more insignificant over time and some other segments no longer remain viable. This is a result of several variable factors changing independently or dependently. In such situation clubbing of two or more segments is done to have a common strategy of marketing mix. This is called counter segmentation.

CHAPTER 8

POSITIONING

Positioning & differentiation is the third logical step after the market segmentation and market targeting. Positioning is occupying a relative position in the minds of customers with respect to other service providers/competitors. Differentiation is slightly different but very close positioning – making the service offered something distinct or with some distinctive advantage from other offerings. Positioning is defined as 'the process of establishing and maintaining a distinctive place in the market for an organization and/or its products services offerings. This is the creating of a distinct place in the minds of a customer, or the perception of a customer.

Positioning strategies

According to Michael Porter, there are three basic positioning alternatives, like as a product/service differentiator, as a low cost leader, and as a niche market offered. He suggested that the marketer should be specialist for a few strategies rather than a generalist for several strategies. The strategies can be based on several attributes as:-

1) Attribute positioning – based on a single attribute or feature of a service.

2) Benefit positioning – based on some benefit the customer derives using a particular service.

3) Use/Application positioning - based on some uses or applications.

4) User positioning – based on requirements of some specific target groups.

5) Competitor positioning – this service is positioned primarily against a particular competitor.

6) Category positioning – positioning as a leader of a particular category, so that it becomes synonymous with that service.

7) Quality/Price positioning – on the basis of quality standard at a particular price.

Positioning maps

Perceptual mapping or Positional mapping is a diagrammatic technique used by asset marketers that attempts to visually display the perceptions of customers or potential customers. Typically the position of a company's product, product line, or brand is displayed relative to their competition.

Uses:-

Perceptual mapping enables companies to better understand their customers: the who, why, where, how and what of their behaviour. If a business is perceived in a manner they find unsatisfactory, further research then identifies what can be done to change that. Perceptual mapping also allows businesses to see what consumers think of other brands, particularly their competitors. Regular uses of the maps can help track preferences, and see changes as they happen. Perceptual mapping can help define market segments, showing clusters of businesses differentiated by key aspects (such as higher class or number of restaurants). Within the clusters found in perceptual maps of entire industries, a business can classify potential partners or possible businesses to merge with, since the clustering of brands signifies the similarity in businesses, meaning they have corresponding attributes. It can also help identify gaps in a market where a new product or service could be introduced. Perceptual maps can also be used to help keep track of how a new product, such as a recently introduced Smartphone, is being viewed in a specific market. It is important to see that the way a business is marketing its product is not only successful, but successful in a manner that aligns with the business's overarching goal for positioning.

Limitations:-

There are many limitations to perceptual mapping. The largest is the number of variables used. Traditionally, the map uses two variables and does not account for others. This assumption can hinder the reliability of results, as in some cases, it is not safe to assume that there are only two major factors influencing the decision of purchase for a consumer. For example, a graph may use quality of food and pricing, but not take into account other relevant variables such as the number of visits and locations. Also, there is often a blurred line between what a business can offer and what a consumer thinks the business can offer. This could be due to miscommunication, lack of knowledge, impact from social media, and so on. These

untruths can influence the result, creating a slight bias in the statistics. Another limitation is data gathering. The data needed to form a perceptual map is usually obtained through surveys, and can be difficult to obtain. The range of behaviours that the map covers is also a constraint, as the limitation to two variables means that its application works mainly with purchase decisions made with little thought and effort, such as purchasing a beverage at a store or going to a fast food restaurant. Example:- Perceptual maps can have any number of dimensions but the most common is two dimensions. The first perceptual map below shows consumer perceptions of various automobiles on the two dimensions of sportiness/conservative and classy/affordable. Cars that are positioned close to each other are seen as similar on the relevant dimensions by the consumer. For example, consumers see Buick, Chrysler, and Oldsmobile as similar. They are close competitors and form a competitive grouping. A company considering the introduction of a new model will look for an area on the map free from competitors. Some perceptual maps use different-sized circles to indicate the sales volume or market share of the various competing products.
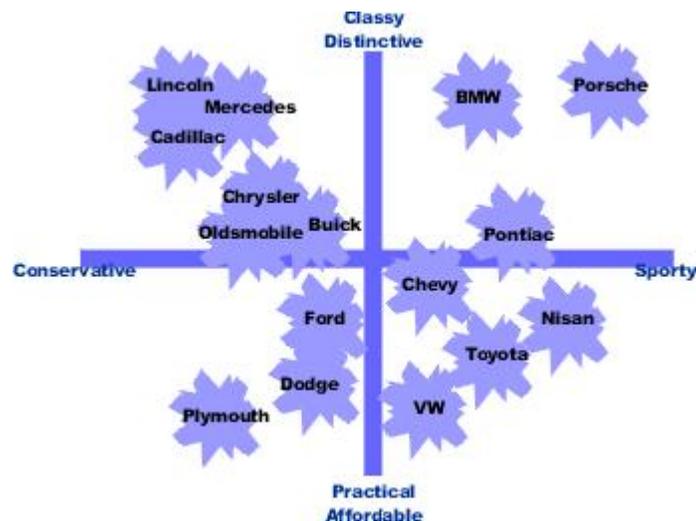
Service encounter

To effectively manage customers, organizations must be concerned with the entire experience a customer has with a company. While much of the value sought by customers is obtained directly from the consumption or use of goods or services they purchase (i.e., offers benefits that address a need), customers' satisfaction is not limited to direct product benefits. Instead the customer's buying experience covers the entire purchasing experience and is a mix of product and non-product benefits. In many industries customers' experience with a company's customer service can

significantly affect their overall opinion of the product. Companies producing superior products may negatively impact their products if they back these up with shoddy service. On the other hand, many companies compete not because their products are superior to their competitors' but because they offer a higher level of customer service. In fact, many believe that customer service will eventually become the most significant benefit offered by a company because global competition (i.e., increase in similar products) makes it more difficult for a company's product to offer unique advantages. Customer service manifests itself in several ways, with the most common being a dedicated department to handle customer issues. Whether a company establishes a separate department or spreads the function among many departments, being responsive and offering reliable service is critical and in the future will be demanded by customers.

Most of the customer services are characterized by an encounter between a provider of product or services and a customer. From the service perspective, one of the unique characteristics or the service act is the active participation of the customer. Each of them has a role to play in an environment dominated by the service organization. The service triad, captures the relationship between the three parties in the service of attention for customer service and care. While for-profit organizations have an interest in delivering the service act as efficiently as possible, nonprofit organizations might substitute effectiveness for efficiency, but under budgeting constraints. Some authors define efficiency as doing things right, while effectiveness is doing the right things. Formally, it is possible to say that efficiency is the rational use of resources; while effectiveness is the degree in which objectives are reached (Some authors argued that efficacy is the degree of objectives reached while effectiveness is the combination of efficacy and efficiency). Thus, a tradeoff between efficiency and effectiveness is necessary in order to maintain control in the delivery of the service act and in customer satisfaction.

To control service delivery, management imposes rules and procedures to the contact personnel to limit their autonomy and discretion when serving the customer. These same rules and procedures also are intended to limit the extent of service provided for the customer and the resulting lack of customization that might result in an unsatisfied customer. Finally, the interaction between customer and contact personnel has the element of perceived control by both parties. The contact people tries to control the behavior of the customer to make their own work more

manageable; at the same time the customers attempt to gain control of the service encounter to derive the most benefit from it.

Ideally, the three parties gain much by working together to create a beneficial encounter. This relationship might not be functional, however, when one party dominates the interaction by focusing solely on his or her own control of the encounter. These conflicts can be in one of three ways: - Encounter dominated by the organization: To be efficient and, perhaps, to follow a cost leadership strategy, an organization may standardize service delivery by imposing strict operating procedures and, thus severely limiting the discretion of the contact personnel. Customers are presented with a few standard service options from which to chose, and personalized service is not an options. Success is based on teaching customers what not to expect from their service, but frustration is the result of lack of autonomy of contact personnel. - Encounter dominated by the contact personnel: In general, service personnel attempt to limit the scope of the service encounter to reduce their own stress in meeting demanding customers. When contact personnel are placed in an autonomous position, they may perceive themselves as having a significant degree over customers. The customer is expected to place considerable trust in the contact person's judgment because of the provider's perceived expertise. - Encounter dominated by customer: The extreme of standardized and customized services represent opportunities for customers to control the encounter. For standardized services, self-service is an option that gives customers complete control over the limited service that is provided. The result can be very efficient and satisfying to the customer who needs or desires very little service. The contrary would be in the case of a much customized service, where all the organization's resources may be needed, at great cost in efficiency but with a great degree of effectiveness, satisfying the specific and unique needs of the customer. A satisfactory and effective service encounter should balance the need of control by all three participants in the service encounter process. The organization's need for efficiency can be satisfied when contact personnel are trained properly and the customer's expectations and role in the delivery process are communicated effectively. In the following sections a more detailed analysis in the different elements of the service encounter will be presented.

Service marketing profitability and productivity

Productivity shows whether the activity of an organization is efficient and effective. Though the terms like productivity, efficiency and effectiveness are used together and practicing sometimes alternate their meanings, however we must not identify productivity with efficiency and/or effectiveness. Productivity requires both efficiency and effectiveness, because a certain activity will not be productive if it is only efficient, but not effective, or effective, but not efficient. Productivity in economic position is defined as the relation between output and input. Input element in an organization consists of resources used in the product creation process, such as labour, materials, energy. Output consists of a given product, service and the amount of both. Mostly productivity is analyzed in manufacturing sphere. Productivity in the service sector was not analyzed before the end of the twentieth century, while productivity in manufacturing has been analyzed for more than two hundred years. Many researchers argued that application of productivity concept in service sector is more complicated task than its application in manufacturing.

Productivity concept in manufacturing is analyzed in the scope of organization, but in the service sector this scope is larger and involves an external element from the organizational position – customer. Some of the service organizations reduce an input element by including customer to their activity and thus boosting service productivity. The quality aspect in manufacturing is not gauged, because input and output are measured by quantity units which quality is seemingly the same. The quality in service sector is very important. Customers often evaluate a given service not only by its amount. If only one unit or package of service is purchased, output is mostly gauged only by the quality aspect. Input commonly is gauged both by the quantity and quality aspects. Quantity and quality aspects in the determination of productivity will differ in different spheres of service sector.

Service sector input elements such as materials, machines and energy are not as important as in manufacturing. The main element in service sector is labour because service sector is more personnel-intensive comparing to manufacturing. Output in manufacturing is measured by quantity units and boosted by increasing the amounts of production, its realization. Service sector output usually has no high values by the quantity aspect, therefore it is mostly increased by the attempt to provide higher quality services to the customer, seeking for better customer satisfaction.

The definition of service productivity

The term of productivity economically is defined as the ratio between output and input (Mohanty, 1998). ;

$$Productivity = Input / Output$$

On the one hand productivity is related to utilization of resources, on the other hand productivity is related to the creation of value. Therefore good productivity is achieved when activity of an organization and resources in the product creation process create value for getting product. Productivity can also be related to loss, which must be eliminated if productivity increases. A common mistake is to relate productivity to the amount of services offered. Therefore a common mistake is to think that the more products are made the more productivity increases. It is important to keep in mind the fact that productivity is a relative concept and it cannot be said to increase or decrease by making such comparisons. Productivity depends on variations from competitors or other standards at a certain point of time or on changes over time. According to Misterik et.al. (1992), an increase in productivity can be caused by five different relationships of input and output:

Output and input increases, but the increase in input is proportionally less than increase in output;

Output increases while input stays the same;

Output increases while input is reduced;

Output stays the same while input decreases;

Output decreases while input decreases even more.

ISO 9000 series standard defines productivity as an extent to which planned activities are realized and planned results achieved (LST EN ISO 9001:2001). The concept of productivity is often confused with the efficiency term. Therefore it is important to understand that efficient performance of unnecessary work is not productive. Therefore productivity requires both efficiency and effectiveness

Relationship marketing in services

Relationship marketing terminology in the services literature is described in 1983. But recognition of the need to the market formally to existing customers appeared earlier. Four convergent influences the accelerated interest in relationship marketing in services: - Maturing of services marketing, Increased recognition of potential benefits for the firm and customers and Technological advances. Benefits to the customers through relationship marketing are high involvement services that hold relationship appeal for customers, services illustrate some or all of the significant characters – importance, complexity, involvement etc.

CHAPTER 9

APPLICATION OF SERVICE MARKETING

Hospitability

In any business, a solid marketing strategy is critical to building a brand, attracting new customers and maintaining loyalty. The hospitality industry is no different. Because customer loyalty is key, marketing managers and executives devote a lot of time and resources to building brand awareness and creating ongoing, interconnected campaigns. These marketing efforts usually include both print and digital collateral that target former guests while also attracting new clientele. However, this particular industry has a unique set of challenges that must be overcome. Understanding the importance of marketing in the hospitality industry can help you get ahead and stand out in the competitive job market.

Hospitality sales are different from consumer goods sales because marketers must sell tangible as well as intangible products. In many cases this means that they are marketing services rather than goods, and success hinges on creating the right *feeling* in the consumer. For example, a resort will want to cultivate a relaxing, fun atmosphere that is recognizable to customers and inspires those same feelings in the consumer. Because the hospitality industry is mostly made up of tourism and other experiential services, a consistent brand identity is also very important. Marketers want to ensure that brand recognition exists so that customers will use their services again and again. Repeat customers bring in a sizeable portion of revenue, so marketing strategy must be split between maintaining relationships with past customers while seeking out new ones.

Strategies for success

Companies in the hospitality industry use various methods to develop and maintain an effective marketing plan. The following are some of the general strategies that marketers use for brand success.

Research: Customers choose hotels and other hospitality services for a variety of reasons. From location to facilities and perks, companies have to be sure that they're providing what buyers are looking for. The role of marketers is to identify what factors make customers choose a particular hospitality service, and this requires

extensive research. By speaking to current and former guests, monitoring customer reviews on websites, reviewing industry data and more, marketing professionals learn what makes a hospitality service stand out, as well as how it can be improved.

Awareness: If potential customers don't know about a service, they can't purchase it. That's where brand awareness comes in. Marketers make sure information on hotels, resorts and restaurants is easy to find and up-to-date. They can do this by buying ad space on relevant travel sites, creating an engaging website and collaborating with other, noncompeting hospitality services in the same market.

Promotion: Another smart strategy for attracting customers is to run promotions during certain times of the year, usually when business is slower. Introducing incentives and offering incentives are just some of the ways that marketing professionals achieve this. Have you purchased a Group on for a spa weekend? That's promotion at work.

Relationships: To ensure high levels of repeat business, good customer relationships are vital. Not only do repeat customers usually promote a service through word-of-mouth and social media, but they also create a stable revenue base. One way to build relationships is through customer loyalty programs, which reward customers who regularly use a particular hospitality service.

Travel and tourism

Like consumer products, tourism has also assumed huge proportions, resulting in a multiplicity of products and sales intermediaries trying to get maximum share in the market. Today, tourism is the fastest growing industry in the world and also one of the most competitive sector. This competition is constantly growing as more and more destinations seek to attract tourists and more companies and organizations become involved in highly skilled business of destination planning, transportation, accommodation and catering for the tourists. Travel and tourism needs to be marketed more vigorously than other products as it is an industry in which the customer has immense variety of choice and also varied motivations for travel. As long as the inherent sense of curiosity and adventure dwells in the hearts of human beings, the desire to travel, in order to see new sights and experience new things and to live under different environments, will always grow. Hence marketing in the tourism industry is greatly simplified, as part of the process has already been completed by the desire for

travel in people. Tourism is a very complex industry because of its multi-faceted activities which together produce the 'tourist product'. It is also complex because of various subsectors that are in themselves complex industries, if considered independently. Its complexity lies in the tourism promotion in its various forms directed at large number of people in various lands of different socio-economic structures, having different needs, expectations and behaviour patterns. Tourism marketing can be defined as the systematic and coordinated efforts exerted by the National Tourist Organisations and the tourist enterprises at international, national and local levels to optimize the satisfaction of tourists, groups and individuals, in view of the sustained tourism growth.

Marketing in tourism is concerned with the needs of identifiable consumer groups. Marketing involves much more, including product/service development, place (location and distribution), and pricing. It requires information about people, especially those interested in what you have to offer (your "market"), such as what they like, where they buy and how much they spend. Its role is to match the right product or service with the right market or audience. Modern marketing is heavily based on the "marketing concept" which holds that businesses and organizations should:

(1) design their products/services to meet customer needs and wants;

(2) focus on those people most likely to buy their product rather than the entire mass market; and

(3) develop marketing efforts that fit into their overall business objectives.

Marketing for services : The important characteristics of marketing for services are: Intangibility, Inseparability, Heterogenity, Perishability, Ownership.

Financial services

All financial organisations are focusing on long term relationships with a view to:

• Acquisition

• Satisfaction

• Retention.

Relationship marketing within financial services has evolved as a means to achieve these objectives and provided a vehicle for the transition from the conventional transaction-based marketing approach to the more interactive activities facilitated by more sophisticated customer databases. Most financial services organisations realise that markets do not contain an infinite number of new customers. Retaining customers and maximising their lifetime value through relationship marketing is based on the supposition that it is more cost effective to cross-sell to an existing customer than to acquire a new one. Remember the cost, not to mention the effort that it takes to induce satisfied customers to switch away from their current suppliers. Therefore a customer should not be seen as the purchaser of a series of discrete transactions but rather as someone with whom the organisation has an ongoing relationship. This means that the organisation should be anticipating what each customer is likely to need throughout their life and when they are likely to need it. This is dependent on the organisation being knowledgeable about the characteristics of its customers – most, if not all, financial services organisations have developed customer-based computer systems which hold data on the characteristics of each of their customers and their behaviours. A large amount of this information is collected by front-line staff or contact centre advisers during meetings or discussions with customers. By combining this information with: – geographic data – transaction data – family life cycle information – details of customer balances – details of other products held a financial services organisation can ensure that customers are only targeted with products and promotions that are appropriate to their circumstances and needs. The organisation's success at doing this is dependent on the accuracy of the data that is held and the frequency with which it is updated. The organisation maintaining customer loyalty – in order to increase loyalty, financial services organisations employ a number of marketing tools such as: – newsletters to keep customers informed :

– Cross-selling programmes

– Relationship pricing (special reduced prices for customers who consolidate a number of their requirements from one organisation)

 – Freephone numbers to handle customer enquiries and complaints.

 The emphasis of any relationship marketing activity should be on maintaining relationships with profitable customers.

Banking and insurance

Marketing approach in banking sector had taken significance after 1950 in western countries and then after 1980 in Turkey. New banking perceptiveness oriented toward market had influenced banks to create new market. Banks had started to perform marketing and planning techniques in banking in order to be able to offer their new services efficiently. Marketing scope in banking sector should be considered under the service marketing framework. Performed marketing strategy is the case which is determination of the place of financial institutions on customers' mind. Bank marketing does not only include service selling of the bank but also is the function which gets personality and image for bank on its customers' mind. On the other hand, financial marketing is the function which relates uncongenitalies, differences and non similar applications between financial institutions and judgement standards of their customers. The reasons for marketing scope to have importance in banking and for banks to interest in marketing subject can be arranged as: Change in demographic structure: Differentiation of population in the number and composition affect quality and attribute of customer whom benefits from banking services. Intense competition in financial service sector: The competition became intense due to the growing international banking perceptiveness and recently being non limiting for new enterprises in the sector. Increase in liberalization of interest rates has intensified the competition. Bank's wish for increasing profit: Banks have to increase their profits to create new markets, to protect and develop their market shares and to survive on the basis of intense competition and demographic chance levels. The marketing comprehension that are performed by banks since 1950 can be shown as in following five stages:

 1. Promotion oriented marketing comprehension

2. Marketing comprehension based on having close relations for customers

3. Reformist marketing comprehension

 4. Marketing comprehension that focused on specializing in certain areas

5. Research, planning and control oriented marketing comprehension.

Marketing activities of firms begin with determination of the market that they offer their services or goods. Firms must find out the features of the market that it f

anging market condition. While marketing manager is arranging the variables under firm's control, she/he should also adopt the external variables. We could call the factors that affect banks' market as technological developments, legal arrangements and competition.

THE MARKETING MIX IN BANKING SECTOR

SERVICE : Recently, banks are in a period that they earn money in servicing beyond selling money. The prestige is get as they offer their services to the masses. Like other services, banking services are also intangible. Banking services are about the money in different types and attributes like lending, depositing and transferring procedures. These intangible services are shaped in contracts. The structure of banking services affects the success of institution in long term. Besides the basic attributes like speed, security and ease in banking services, the rights like consultancy for services to be compounded are also preferred.

PRICE : The price which is an important component of marketing mix is named differently in the base of transaction exchange that it takes place. Banks have to estimate the prices of their services offered. By performing this, they keep their relations with extant customers and take new ones. The prices in banking have names like interest, commission and expenses. Price is the sole element of marketing variables that create earnings, while others cause expenditure. While marketing mix elements other than price affect sales volume, price affect both profit and sales volume directly. Banks should be very careful in determining their prices and price policies. Because mistakes in pricing cause customers' shift toward the rivals offering likewise services. Traditionally, banks use three methods called "cost-plus", "transaction volume base" and "challenging leader" in pricing of their services.

DISTRIBUTION : The complexity of banking services are resulted from different kinds of them. The most important feature of banking is the persuasion of customers benefiting from services. Most banks' services are complex in attribute and when this feature joins the intangibility characteristics, offerings take also mental intangibility in addition to physical intangibility. On the other hand, value of service and benefits taken from it mostly depend on knowledge, capability and participation of customers besides features of offerings. This is resulted from the fact that production and consumption have non separable characteristics in those services. Most authors argue

that those features of banking services makes personal interaction between customer and bank obligatory and the direct distribution is the sole alternative. Due to this reason, like preceding applications in recent years, branch offices use traditional method in distribution of banking services.

PROMOTION : One of the most important element of marketing mix of services is promotion which is consist of personal selling, advertising, public relations, and selling promotional tools.

PERSONAL SELLING : Due to the characteristics of banking services, personal selling is the way that most banks prefer in expanding selling and use of them. Personal selling occurs in two ways. First occurs in a way that customer and banker perform interaction face to face at branch office. In this case, whole personnel, bank employees, chief and office manager, takes part in selling. Second occurs in a way that customer representatives go to customers' place. Customer representatives are specialist in banks' services to be offered and they shape the relationship between bank and customer.

ADVERTISING : Banks have too many goals which they want to achieve. Those goals are for accomplishing the objectives as follows in a way that banks develop advertising campaigns and use media.

1. Conceive customers to examine all kinds of services that banks offer

2. Increase use of services

3. Create well fit image about banks and services

4. Change customers' attitudes

5. Introduce services of banks

6. Support personal selling

7. Emphasize well service Advertising media and channels that banks prefer are newspaper, magazine, radio, direct posting and outdoor ads and TV commercials.

In the selection of media, target market should be determined and the media that reach this target easily and cheaply must be preferred. Banks should care about following criteria for selection of media.

1. Which media the target market prefer

 2. Characteristics of service

3. Content of message

4. Cost

5. Situation of rivals Ads should be mostly educative, image making and provide the information as follows: 1. Activities of banks, results, programs, new services 2. Situation of market, government decisions, future developments 3. The opportunities offered for industry branches whose development meets national benefits.

PUBLIC RELATIONS : Public relations in banking should provide; 1. Establishing most effective communication system 2. Creating sympathy about relationship between bank and customer 3. Giving broadest information about activities of bank. It is observed that the banks in Turkey perform their own publications, magazine and sponsoring activities.

Insurance sector

Insurance companies are in a unique position when it comes to marketing. They have no tangible products to sell, but must instead rely on strong relationships with loyal customers and word of mouth to help them compete. Still, despite the challenges, the marketing strategies for insurance companies are really no different than for any other company, and require a strong focus on the basics of effective marketing.

Know the Market : First and foremost, insurance companies must know their market. This means having a strong understanding of their target audience, their competition and the most effective ways to connect with that audience, according to Lin Grensing-Pophal, author of "Marketing With the End in Mind." Competition is fierce, but service organizations like insurance agencies that thoroughly understand the needs and concerns of their target audience can effectively motivate that audience to connect with them.

Establish a Plan : Successful marketers don't just go out and "do things." Based on their knowledge of the market, and their overall goals and objectives, successful marketers identify and prioritize the communication strategies most likely to generate

the results they need. This generally involves a combination of activities that include both traditional and new media, direct and indirect sales.

Measure Effectiveness : It is important for insurance companies to measure the effectiveness of their marketing efforts based on the goals they have established. This may be as simple as comparing the number of clients before and after a campaign. It may also involve using online analytics to monitor website visits after launching a promotion.

Gather Feedback : For insurance marketers, word of mouth is key. In addition to measuring the effectiveness of marketing efforts based on quantitative data, insurance marketers can seek input from their existing and new clients about their communication efforts. What worked well? What was unclear? How might they communicate more clearly in the future? In addition, clients can be excellent advocates and part of the marketing process. Successful insurance marketers will take advantage of the opportunity to leverage their clients as word-of-mouth marketing advocates.

Health care

As the healthcare organizations provide different kinds of services, they need to follow the principles of marketing in order to market the healthcare services. By the mid - 1980s, marketing departments had been established in most of the large healthcare organizations in the West. By early 1990s, market orientation at the level of the firm has been achieved to a substantial extent in the healthcare industry. But, infiltration of such customer orientation down into the personnel involved in providing healthcare services has not been observed remarkably. No doubt, healthcare organizations like health insurance, pharmaceuticals, and medical supplies, which are more in retail business of healthcare products, had been found registered themselves with practice of incorporating the marketing activities, but, so far as health services providers are concerned, they still have not resisted for consumer - oriented services. It is found to be more true with developing country like India as her culture found it hard for a long time even to imagine an equivalent of the "customer is the king" philosophy especially in the healthcare services. The initial marketing efforts of the healthcare industry were on few of the marketing activities, such as, relationship development among the physician, community services, and public relations. The philosophy of customer centralism is found to be observed more from the mid - 1990s with an increased over-supply of healthcare facilities along with other environmental

compulsions. The healthcare practitioners had initiated providing more convenient customer services and have moved far beyond providing the core healthcare services of mere prevention of or cure from a disease by developing better marketing mix offerings. Yet, in the initial period, there indeed was an unseen and lethargic approach towards need for such development and after initiation, healthcare practitioners have begun to consider customer relations executives and the hospitals as hospitality undertakings. The smart hospitals follow a patient friendly approach to provide service alike hotels and have changed traditional belief of hospitals where people would like to stay away so far as possible.

MARKETING OF HEALTHCARE SERVICES:

Marketing of services is confronted with many problems such a cannibalization, customization, segmentation, and communication. Understanding how consumers actually perceive all the different service elements is regarded as an important task as it will lead to better synchronization of marketer's perception and customer's perception of the services and result into the success of service business. Though, marketing mix is considered as a fair combination of Product. Price, Place and Promotion, in marketing of services, but still the traditional marketing mix can be considered as inadequate because of need for tangibilisation, lack of standardization and need for different marketing models and concepts for service marketing. The marketing of services extended marketing mix beyond four Ps. In addition to product, price, place and promotion they added people, physical evidence and process. Service quality is more difficult to evaluate than quality of physical purchases by the consumer as services are inseparable; produced and consumed simultaneously; the judgment about quality of service can be made during an interaction between the customer and service provider. The satisfaction from service provided is a result of comparison of consumers' expectations with actual service performance and quality evaluations which involve evaluation of process of services and are not solely on the service outcome. To overcome the difficulties inherent in evaluating service quality, consumers use five determinants to evaluate service quality viz., tangibility; reliability; accuracy; assurance and empathy. Importance of each dimension may vary depending on the type of services being evaluated.

Entertainment marketing

Entertainment services include all those services that help a person feel entertained and relaxed. The various forms of entertainment include music, movies, sports, animation, television shows, and the more modern forms such as go-karting, bowling alleys, theme parks and family entertainment centers. Music and movies have a worldwide appeal and provide the service providers with a lot of scope for growing their business. An understanding of how entertainment services influence consumer behavior is essential for marketers of entertainment services to promote their services. The global music and movie industry has been segmented on the basis of revenue generated and geographic territory or location of markets. The free MP3 downloads and piracy of content has been the concern of music and movie producers across the world. In order to counter the threat from these sources, entertainment service providers have to devise strategies that will help them counter the threats they face as well enhance the growth of their business. After having developed a marketing strategy, entertainment service firms must exploit all the seven marketing mix elements (product, price, place, promotion, people, physical evidence and process) to differentiate themselves from their competitors and attract new consumers to their service. The recent trends taking place in the global entertainment sector include the online availability of entertainment content, piracy or unauthorized duplication of content, mergers and consolidation taking place among entertainment companies, both at a global as well as domestic level, and the evolving forms of media, digitization and other media technologies. These trends in entertainment services make it crucial for entertainment service providers to develop new strategies to take advantage of these trends and counter threats, if any. Compared to the entertainment industry in other parts of the world, especially that in the USA, the entertainment industry is relatively fragmented and disorganized and makes it necessary for the Indian companies in the industry to adopt an entirely new business model in order to achieve growth in the industry.

Education

Marketing of education is gaining momentum with the entry of private institutions, change in people's attitude towards education and the changing scope for the different courses being offered. The technological changes and shrinking global boundaries have increased the significance of marketing for education services. The

education services can be described as a high consumer and people based service. However, innovative methods like using multi-media kits while providing the service are making interaction between and instructor and student less significant. With the changes in customer education and the job market, the market for unconventional courses is increasing. So no marketer can afford to ignore these markets. As the education service is intangible, inseparable and perishable, certain implications exist for marketing. And service quality is not consistent for all customers, or even a single customer at all times. So the marketers' job becomes tough. They are required to ensure that these features of the education service are better utilized to meet the varying needs of customers. The marketing mix can be better utilized to overcome the problems associated with the service specific features of education.

By offering education with enhanced features like updated syllabus and industry interaction, they can improve the quality of the product. With franchising and better infrastructure facilities experienced instructors, marketers can meet customer expectations. With the right mix of all the Ps, tailor-made customer focused courses can be offered. Technology like computers, LCD projectors and multimedia, has helped service providers offer better service to more customers. It has enabled instructors to deliver the service in less time in an effective manner to even a large group in high contact regular education. It has enabled them to concentrate more on knowledge management rather than than on preparation of teaching notes.

Web market

The Internet has fundamentally changed nearly every aspect of our lives. From how we interact with friends, family, coworkers, and businesses, a technology that was in its infancy just 20 years ago is now considered indispensable to many people. Companies understand the value that the Internet offers to them, providing interactive opportunities to connect with current customers and attract new consumers. As the Internet evolves, businesses will continue to refine their online marketing efforts, reaching a greater number of potential buyers than before. Web marketing refers to a broad category of advertising that takes many different forms, but generally involves any marketing activity conducted online. Marketers have shifted their efforts online because it tends to be significantly less expensive. Many online advertising spaces are free to use. Companies can upload videos to Youtube or start a blog for no cost at all. Other outlets like official websites or paid search marketing cost a fraction of what a

major television advertising campaign would. The web also presents exciting new opportunities for companies to profile their customers. The interactive space of the Internet simplifies a company's ability to track, store, and analyze data about a customer's demographics, personal preferences, and online behavior. This data allows the advertiser to provide a more personalized and relevant ad experience for the customer.

Types of web marketing

1. **Display Advertising** – The use of banner ads and other graphical advertisements to market products online.
2. **Search Engine Marketing** – Using search engines to help connect users with the products and services they are most interested in. Companies can pay to receive preferential ranking in a list of search results.
3. **Search Engine Optimization** – A free and organic way for companies to improve their visibility on search engines.
4. **Social Media Marketing** – Using sites like Facebook and Twitter to connect with customers.
5. **Email Marketing** – Communicating with customers through the use of carefully designed emails.
6. **Referral Marketing** – Using internet channels to encourage consumers to recommend products to their friends and families.
7. **Affiliate Marketing** – Working with other businesses to make it easier for consumers to shop for products online.
8. **Inbound Marketing** – Boosting the value of a company's web presence by adding unique content like blogs, games, and tutorial videos.
9. **Video Marketing** – Using web videos for promotional purposes.

Green marketing

Green marketing is the marketing of products that are presumed to be environmentally safe.Thus green marketing incorporates a broad range of activities, including product modification, changes to the production process, sustainable packaging, as well as modifying advertising. Yet defining green marketing is not a simple task where several meanings intersect and contradict each other; an example of this will be the existence of varying social, environmental and retail definitions attached to this term. Other similar terms used are environmental marketing and ecological marketing.

CHAPTER 10

SERVICE MARKETING MODELS

There are three kinds of service marketing triangle that includes:

1.   External Marketing

In an external marketing, marketers interact directly to the end users. They try to understand the need of customers and satisfy them after fulfilling their demands. In an external marketing, marketers set the pricing policies and create awareness about the products and design promotional strategies and techniques that help to attract the customers towards their products and services.They communicate with their customers directly and convince them to buy their products. They involve in constructive group of activities that helps to design excellent products that meet the customer's demands efficiently. Their goal is to create awareness about their products or services among users by communicating with them directly. They also grab the attention of the market and produce interest in their services. External marketing is one of the important parts of service marketing triangle.

2.   Internal Marketing

In an internal marketing, marketers try to interact with their employees in order to know about the strengths and weaknesses of their organization. The owner of the company tries to involve all of his employees in general discussion, believe on teamwork. Internal marketing involves general discussions, teamwork, training, motivation and rewards on best performance. Employees communicate with themselves on specific project. Teamwork helps to involve employees in their assigned tasks and generate output quickly. Organizational rewards motivate employees to make their performance effective. All employees understand the goals and objectives of the company clearly and try to meet organizational goals. They also know how to grab the attention of their customers. Customers are highly satisfied with their products or services. They always try to satisfy their clients at any cost. If employees of the company are satisfied with their job and performance rewards, they can become an effective asset of any organization. Executives of the organizations fully understand the service marketing triangle if they want to gain a competitive advantage in the market.
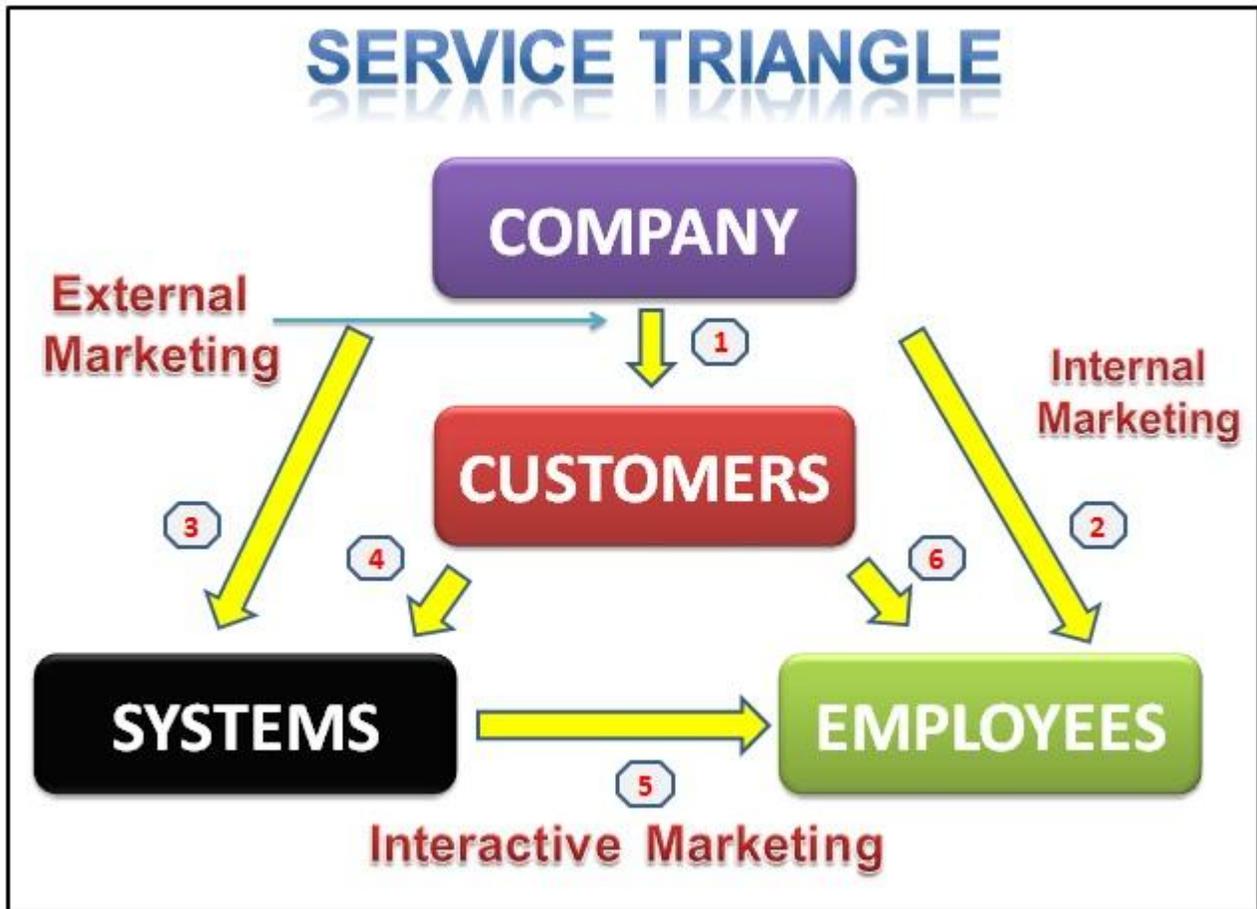
3.   Interactive Marketing

Interactive marketing involves in the delivery of products or service to the customers and front –office employees of the company. It is the most important part of the service marketing triangle because it establishes a long term or short term relations with customers. Customers who are highly satisfied with their products or services can become regular customers of their brand. Marketers who cannot compromise on quality and deliver high quality products to their customers have a great community of loyal customers. Their loyal customers always prefer them to buy products. Service marketing triangle has great importance and its components are essential in the success of any business. A well established business always follows the strategies of service marketing triangle. Today, marketers who know how to remove the company's weaknesses and increase the strengths and assets are market leaders. They are aware of external threats and opportunities that boost up their business. They also know how to communicate with their customers, clients and employees in order to achieve organizational goals.

The service marketing triangle

The service marketing triangle or the Service triangle as it is commonly called, underlines the relationships between the various providers of services, and the

ustomers who consume these services.

As the name suggests, the service marketing triangle can also be used to market the service to consumers. The marketing completely depends on the interaction going on between the customer and the service provider. We will look at each of these interactions in detail, and also read on how to market to your customer based on the interaction. There are **6 main relationships in the Service triangle**. And based on these relationships, there are three ways to apply marketing tactics.

a) *Company to Customers* **–** One of the critical thing is to communicate the service strategy to the customers. Most of the E-commerce companies are nowadays employed in convincing the customers to buy from their portal only. For this buying, they are communicating various service advantages which the customers have. Communication of the service strategy to customers is important to build the trust of customers and hence to convert the customers to be loyal to the company.

b) *Company to employees* – Another important relationship in the service triangle is that between the company and the employees. Imagine an Airline where the flight

attendants themselves are frustrated with the company. You, as a customer, will land up with the poorest services. Hence, training employees, building value and trust, and empowering employees are some of the ways that the company can make their employees a positive influencing force for the customers.

c) Company to systems – To keep customers happy, efficient and productive systems need to be developed. Imagine your bank in the 1960's where everything was done by paper. If you wanted to transfer money, you will have to fill many forms, and the recipient had to fill many forms. Ultimately it was a tedious process. However, due to advanced systems, nowadays you can not only transfer money to others sitting at home, you can practically do 80% of the banking work sitting at home from your laptop. That's the importance of systems in a service marketing triangle.

d) Customers to systems – Although building systems are important, these systems should be most useful to customers. Taking the same example of banking systems above, it is surprising that even today when you go to a bank, there is a queue. Look at retail stores. There's always a big line to check out. The interaction between customer and system is critical to build the service brand. Taking the example of E-commerce systems, when the customer is promised various service advantages, and when he fails to return a product due to system errors or logistics errors, he becomes dissatisfied with the service. For a company, it is important not only to build systems, but ensure that the systems comply to the customers and give excellent experience to customers.

e) Employees to system – Not only do systems leave customers frustrated, they also leave the employees frustrated. Imagine a McDonald's where orders taken at the front desk are not reaching the kitchen. Or imagine a service center, where although you have entered a grievance, the employee is not getting your complaint and hence not calling you. Ultimately it is the employee on whom you are going to get angry! In one of the consumer durable companies know, the systems were top of the line, but they had so many processes with regards to outstanding and inventory, that a simple order processing took 20 minutes. This same company had at least 1 lakh dealers and distributors. So imagine the continuous delay in order processing and the pressure on employees due to this system issue. The system was working excellently, but it was creating friction between the employees and the system. Both, Employee motivation, and the empowerment of employees depends on the type of system you hand over to your employees. If the systems are very good and your employees are able to make good use of it, you will get very happy and satisfied customers.

Servuction Model:

Servuction model is used to illustrate factors that influence service experience, including those that are visible and invisible to consumer. It consists of Servicescape, Other Customer, Contact Personnel/Service Providers and Invisible organizations and system.

SERVICE QUALITY

Service quality is an elusive and abstract concept that is difficult to define and measure. This particular problem is challenging for academicians and practitioners alike. f the complexities involved in measuring service quality enhancements, the productivity of education and government services is notoriously difficult to measure. Service quality is an attitude formed by a long-term, overall evaluation of a performance. The two concepts of customer satisfaction and service quality are intertwined. However, the relationship between these two concepts is unclear. Some believe that customer satisfaction leads to perceived service quality, while others believe that service quality leads to customer satisfaction. In addition, the relationship between customer satisfaction and service quality and the way these two concepts relate to purchasing behavior remains largely unexplained.

Diagnosing Failure Gaps in Service Quality:-

Implementing and evaluating service quality is a difficult task. In the hopes of better understanding how a firm can improve its overall service quality, the service quality process can be examined in terms of five gaps between expectations and perceptions on the part of management, employees, and customers.

Gap 1: The knowledge gap - the difference between what consumers do expect of a service and what management perceives that consumers expect.

Gap 2: The standards gap - the difference between what management perceives that consumers expect and the quality specifications set for service delivery.

Gap 3: The delivery gap - the difference between the quality specifications set for service delivery and the actual quality of service delivered. For example, do employees perform the service as they were trained?

Gap 4: The communications gap - the difference between the actual quality of service delivered and the quality of service described in the firm's external communications (e.g., advertising, point-of-purchase materials, and personal selling efforts).

Gap 5: The most important gap, the service gap (for our purposes also known as Gap 5), describes the distance between customers' expectations of service and their perception of the service actually delivered. Ultimately, the goal of the service firm is to close the service gap, or at least narrow it as much as possible. However, remember that service quality focuses on the customer's cumulative satisfaction toward the firm, which is collected by the consumer from a number of successful or unsuccessful service experiences. Hence, the service gap is a function of the knowledge gap, the specifications gap, the delivery gap, and the communications gap. In other words, Gap 5 (Gap 1 Gap 2 Gap 3 Gap 4). As each of these gaps increases or decreases, the service gap responds in a similar manner.

The SERVQUAL Measurement Scale:-

While satisfaction compares consumer perceptions to what consumers would normally expect, service quality compares perceptions to what a consumer should expect from a firm that delivers high-quality services. SERVQUAL is a diagnostic tool that uncovers a firm's broad weaknesses and strengths in the area of service quality. The SERVQUAL measurement scale is based on five service quality dimensions that were obtained through extensive focus group interviews with consumers. The five dimensions include tangibles, reliability, responsiveness, assurance, and empathy, and they provide the basic "skeleton" underlying service quality. The SERVQUAL measurement scale consists of two sections of questions. The first section is comprised of 22 questions that ask respondents to record their expectations of excellent firms in the specific service industry. The second section of questions is comprised of 22 matching questions that assess consumer perceptions of a particular company in that service industry.

Dimensions of SERVQUAL

(1) The Tangibles Dimension:- Because of the absence of a physical product, consumers often rely on the tangible evidence that surrounds the service in forming evaluations.

(2) The Reliability Dimension:- In general, the reliability dimension reflects the consistency and dependability of a firm's performance.

(3) The Responsiveness Dimension:- Responsiveness reflects a service firm's commitment to provide its services in a timely manner.

(4) The Assurance Dimension:- assurance dimension addresses the competence of the firm, the courtesy it extends to its customers, and the security of its operations. Competence pertains to the firm's knowledge and skill in performing its service.

(5) The Empathy Dimension:- Empathy is the ability to experience another's feelings as one's own. Empathetic firms have not lost touch of what it is like to be a customer of their own firm.