



**MEASI INSTITUTE OF MANAGEMENT
CHENNAI-14**

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**Elective Course - X
Semester – III & IV
PMF10 – Services Marketing
Course Material**

Course Material Prepared

By

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VISION & MISSION STATEMENTS OF THE INSTITUTE

VISION;

- To emerge as the most preferred Business School with Global recognition by producing most competent ethical managers, entrepreneurs and researchers through quality education.

MISSION;

- **Knowledge through quality teaching learning process;** To enable the students to meet the challenges of the fast challenging global business environment through quality teaching learning process.
- **Managerial Competencies with Industry institute interface;** To impart conceptual and practical skills for meeting managerial competencies required in competitive environment with the help of effective industry institute interface.
- **Continuous Improvement with the state of art infrastructure facilities;** To aid the students in achieving their full potential by enhancing their learning experience with the state of art infrastructure and facilities.
- **Values and Ethics;** To inculcate value based education through professional ethics, human values and societal responsibilities.

PROGRAMME EDUCATIONAL OBJECTIVES (PEOs)

PEO 1; Placement; To equip the students with requisite knowledge skills and right attitude necessary to get placed as efficient managers in corporate companies.

PEO 2; Entrepreneur; To create effective entrepreneurs by enhancing their critical thinking, problem solving and decision-making skill.

PEO 3; Research and Development; To make sustained efforts for holistic development of the students by encouraging them towards research and development.

PEO4; Contribution to Society; To produce proficient professionals with strong integrity to contribute to society.



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Program Outcome;

PO1; Problem Solving Skill; Apply knowledge of management theories and practices to solve business problems.

PO2; Decision Making Skill; Foster analytical and critical thinking abilities for data-based decision making.

PO3; Ethical Value; Ability to develop value based leadership ability.

PO4; Communication Skill; Ability to understand, analyze and communicate global, economic, legal and ethical aspects of business.

PO5; Individual and Leadership Skill; Ability to lead themselves and others in the achievement of organizational goals, contributing effectively to a team environment.

PO6; Employability Skill; Foster and enhance employability skills through subject knowledge.

PO7; Entrepreneurial Skill; Equipped with skills and competencies to become an entrepreneur.

PO8; Contribution to community; Succeed in career endeavors and contribute significantly to the community.



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Subject Code	Subject Name	L	T	P	S	C
PMF10	SERVICES MARKETING	3	0	0	1	3
Course Objectives						
C1	To make the students understand the concept of services marketing and its growth.					
C2	To provide insights on the services marketing mix.					
C3	To highlight on effective management of services marketing.					
C4	To throw light on delivering quality service and services gap.					
C5	To understand different services and marketing of those services.					
SYLLABUS						
Unit No.	Details					Hours
Unit I	Marketing Services: Introduction - Growth of the service sector - The Concept of Service - Characteristics of Service – Classification of Service – Designing of the Service, Blueprinting, Using Technology, Developing Human Resources, and Building Service Aspirations.					9
Unit II	Marketing Mix In Service Marketing: The Seven Ps; Product Decision, Pricing, Strategies And Tactics, Promotion Of Service And Placing Of Distribution Methods For Services. Additional Dimension In Services Marketing – People, Physical Evidence And Process.					9
Unit III	Effective Management of Service Marketing: Marketing Demand And Supply through Capacity Planning and Segmentation – Internal Marketing of Services – External versus Internal Orientation of Service Strategy.					9
Unit IV	Delivering Quality Service: Causes Of Service – Quality Gaps. The Customer Expectations Versus Perceived Service Gap. Factors And Techniques To Resolve This Gap Customer Relationship Management. Gaps in Services – Quality Standards, Factors and Solutions – The Service Performance Gap – Key Factors and Strategies for Closing the Gap. External Communication to the Customers – The Promise versus Delivery Gap – Developing Appropriate and Effective Communication about Service Quality.					9
Unit V	Marketing Of Service With Special Reference: Financial Services – Health Service -Hospitality Services including travel, hotels and tourism - Professional Service - Public Utility Services - Educational Services.					9
TOTAL HOURS						45



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Reference Books		
Bateman, J.E. and Hoffman, D., Services Marketing, 4 th Edition, Cengage Learning, 2011.		
Gronoos, C., Service Management and Marketing; Customer Management in Service Competition, 3 rd Edition, Wiley India, 2011.		
Jauhari, V. and Dutta, K., Services; Marketing, Operations and Management, Oxford University press, 2009.		
Lovelock, C., Wirtz, J. and Chatterjee, J., Services Marketing, 7 th Edition, Pearson, 2011.		
Srinivasan, R., Services Marketing; Indian Context, PHI Learning, 2012.		
Zeithaml, V., Bitner, M.J., Gremler, D. and Pandit, A., Services Marketing, 5 th Edition, Tata McGraw-Hill Education, 2010.		
E-Sources		
https://examupdates.in/mba-service-marketing/		
https://www.ebsglobal.net/documents/course-tasters/english/pdf/h17se-bk-taster.pdf		
https://globaljournals.org/GJMBR_Volume11/10-The-Role-Of-Service-Marketing-Mix-And-Its.pdf		
http://store.ectap.ro/articole/237.pdf		
https://www.marketingteacher.com/introduction-to-services-marketing		
Assessment Tools Used		
Assignments	6.	Group Discussions
Internal Assessment Tests	7.	Background Knowledge Probe
Model Exam	8.	Focused listing
Seminar	9.	Empty Outlines
Case Studies	10.	Minute Paper
Content Beyond Syllabus		
1.	Services Quality function development.	
2.	Services marketing trends—service marketing trends in new services.	
3.	Services Marketing trends in new services.	
Additional Reference Books		
1.	Chiristopher H.Lovelock and JochenWirtz, Services Marketing, Pearson Education, New Delhi, 7 th edition, 2011.	
2.	Hoffman, Marketing of Services, Cengage, 4th Edition, 2010.	
3.	Kenneth E Clow, et al, Services Marketing Operation Management and Strategy, Biztantra, 2 nd Edition, New Delhi, 2004.	
4.	Gronroos, Service Management and Marketing –Wiley India, 3rd Edition, 2009.	
Course Outcomes		
CO. No.	On completion of this course successfully the students will;	Program Outcomes (PO)
C310.1	Be able to understand service marketing and its growth.	PO4, PO6
C310.2	Be able to understand services marketing mix.	PO4, PO6
C313.3	Have insights on effective management of services marketing.	PO6, PO7
C313.4	Learn delivery of quality service and service gaps.	PO6, PO7
C313.5	Have better understanding on different types of services marketing.	PO6, PO7



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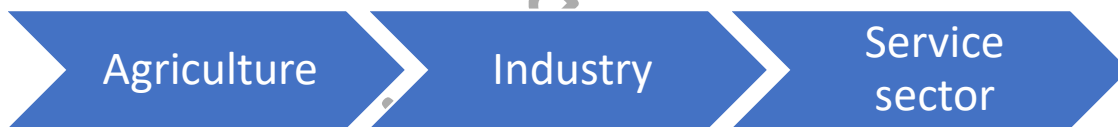
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UNIT -I: Marketing Services:

Introduction - Growth of the service sector - The Concept of Service - Characteristics of Service – Classification of Service – Designing of the Service, Blueprinting, Using Technology, Developing Human Resources, and Building Service Aspirations.

INTRODUCTION

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.



DEFINITION OF SERVICES:

1. “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**).
2. “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**).

REASONS FOR GROWTH OF SERVICES:

Manufacturing industries grew because they produced tangible goods which satisfied man's physiological needs of food, shelter and clothing. As the basic need was fulfilled there was demand for improved satisfaction, and this led to a proliferation of variations of the same product and a number of companies involved in its manufacture. The growth of service



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industries can be traced to the economic development of society and the sociocultural changes that have accompanied it. Changing environmental forces brought out the various types of services in forefront of the economy. These environmental forces separately or in combination create new type of service. The following environmental factors are responsible to make a new service.

(i) Consumer affluence: Due to the fast rise in the income of consumers, they are attracted towards the new areas like clubs, health clubs, domestic services, travel and tourism, entertainment, banking, investment, retailing, insurance, repairs, etc. and these are growing much faster than ever before. There is a significant change in the pattern of family expenditure.

(ii) Working women: During the recent times a large number of women have come up in a variety of professions. The work performance of women in most of services sector like bank, insurance, airlines, etc. is highly appreciable. In short, women are getting involved in almost all male dominated activities. Due to increasing involvement of women in commercial activities, the services like domestic activities, fast food restaurants, marriage counselling, personal care, financial services, retailing, etc. have emerged in the recent times.

(iii) Double income no kids (DINK): Dinks are the working couples who have consciously postponed parenthood plans indefinitely or in an increasing number of cases, have decided not to have any children ever. The dink culture is getting stronger and spreading wider day by day. The realisation that parenthood is likely to result in more commitments at home and demands on their time, thereby slowing down their career plans and ambitions, make them postpone their parenthood plans. Whatsoever be their life style, they have double income and no kids, resulting in the emerging and enhancing of services like, entertainment, hotels and restaurants, career institutes, domestic services, travel resorts, personal care, etc.

(iv) Leisure time: People do get some time to travel and holiday, and therefore, there is a need for travel agencies, resorts, hotels and entertainment. There are others who would like to utilise this time to improve their career prospects, and therefore, there is a need for adult education, distance learning, part time courses, etc.

(v) Greater life expectancy: According to the World Development Report and World Human Resource Index, the life expectancy of people has increased significantly all over the world barring few developing countries. It may be due to the advancement in the medical technology,



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and greater awareness about health and education. Greater life expectancy invites opportunities in services like hospitals, Nursing Homes, entertainment, leisure services, investment banking and so on.

(vi) Product innovations: In the changing time the consumers have become more conscious of quality than cost. They need high quality goods at par with international standards. Having this in mind the manufacturers have focused their attention on quality improvement, innovations, etc. In this process many more services have emerged on account of product innovation. Some of them are servicing services, repairs, computer, training and development, education, etc.

(vii) Product complexity: A large number of products are now being purchased in households which can be serviced only by specialised persons e.g. water purifiers, microwave oven, computers, etc., giving rise to the need for services. The growing product complexities create greater demand for skilled specialists to provide maintenance for these complex products and brings out other services like expert advise, consultancy services, etc.

(viii) Complexity of life: Certain product and services have made human life more comfortable and complex as well. Also, life itself has become more complex due to the socio-economic, psycho-political, technological and legal change. This has brought about the emergence of services like legal aid, tax consulting, professional services, airlines, courier services, insurance, banking, etc.

(ix) New young youth: Every new generation has its own characteristics and enjoys a different life style. There is a lot of difference between the generations in respect to their living conditions/ styles, maturity, thinking, attitudes, behaviour, beliefs, satisfactions, performance values and so on. Today's generation with all these changes provide more opportunities to services like entertainment, fast food, computers, travel, picnic resorts, educational institution, counselling, retailing, etc.

(x) Resource scarcity and ecology: As the natural resources are depleting and need for conservation is increasing, we have seen the coming up of service providers like pollution control agencies, car pools, water management, etc.



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(xi) **Corporate crowd:** The phenomena of globalisation, privatisation and liberalisation coupled with faster urbanization have created the corporate world crowd and its support services. This crowd is responsible in bringing the new services, and redefining the old ones. The services like hotels and restaurants, banking, insurance, travel and tourism, advertising, airlines, courier services, marketing research, health care, legal services, etc. will emerge and flourish more and more.

CONCEPT / NATURE OF SERVICES:

It is utmost important to explore the distinctive features of services, because recognition of these special characteristics will provide insights for enlightened and innovative management. One reason for the poor quality of service levels across different service industries is that managers often tend to solve service marketing problems with tools and techniques that are essentially meant for tangible products. It happens because of inadequate understanding about the nature of services. As our knowledge of the characteristics of services grows, so does our ability to deal with them from both an economic and marketing perspective. Services have a number of unique characteristics that make them different from products.

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



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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 School of Distance Education Service Marketing Page 7 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 in 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.



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The difference between goods and services can be best understood from the table 1.1.

Table 1.1

Differences between physical goods and services

Physical Goods	Services
A thing	An activity or process
Tangible	Intangible
Homogeneous	Heterogeneous
Production and distribution are separated from consumption	Production, distribution and consumption are simultaneous process. Core
Core value produced in factory	Core value produced in buyer-seller interactions.
Customers do not participate in the production process.	Customer may participate in the production
Can be kept in stock.	Cannot be kept in stock.
Transfer of ownership.	No transfer of ownership.

Source: Christian Gronross, Service management and Marketing, Massachusetts : Lexington Books, 1990, p. 28.

CLASSIFICATION OF SERVICES:

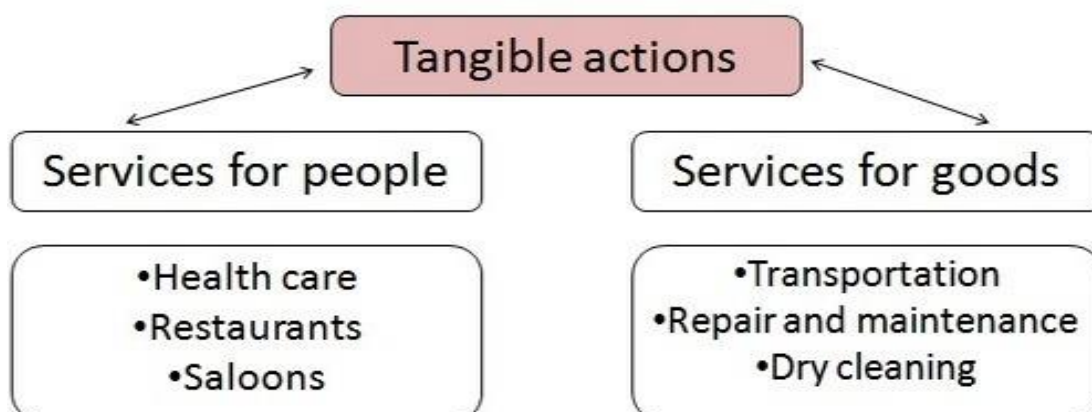
Classification of services can be done on the basis of Tangible actions and Intangible actions:

1) Classification of service based on tangible action

Wherever people or products are involved directly, the service classification can be done based on tangibility.

a) Services for people – Like Health care, restaurants and saloons, where the service is delivered by people to people.

b) Services for goods – Like transportation, repair and maintenance and others. Where services are given by people for objects or goods.





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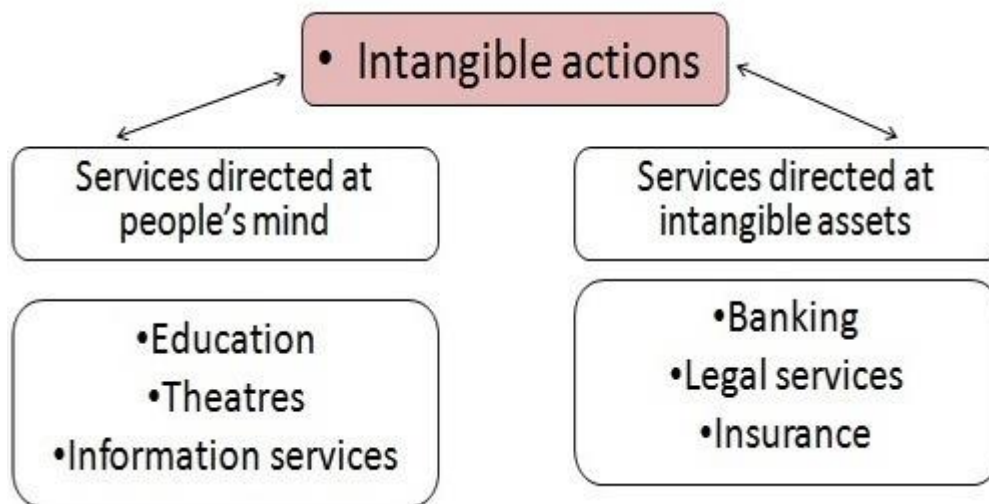
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2) Classification of services based on intangibility

There are objects in this world which cannot be tangibly quantified. For example – the number of algorithms it takes to execute your banking order correctly, or the value of your life which is forecasted by insurance agents. These services are classified on the basis of intangibility.

a) **Services directed at people's mind** – Services sold through influencing the creativity of humans are classified on the basis of intangibility.

b) **Services directed at intangible assets** – Banking, legal services, and insurance services are some of the services most difficult to price and quantify.



DESIGNING OF SERVICE:

A service involves creation and delivery of core benefits in order to satisfy an identified need of the customer. As a process, it refers as to how a service is provided or delivered to a customer. In a competitive market, the importance of the actual process is service delivery has been recognised.

FACTORS INFLUENCE DESIGNING SERVICE PROCESS:

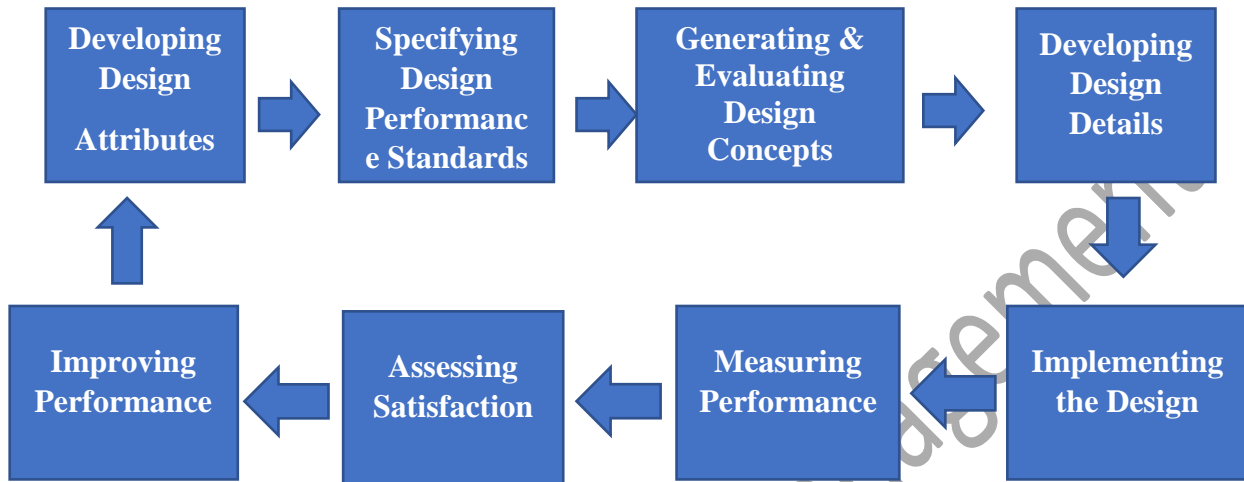
1. The Service Itself
2. Customer Participation in the Process
3. Location of service delivery
4. Level of customer contact
5. Degree of standardization
6. Complexity of the service



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MANAGEMENT MODEL FOR SERVICE DESIGN / STAGES / PROCESS:



BLUEPRINTING:

A Service blueprint is a flow chart of the service process. It Conveys the service concept by showing all the elements or activities and their sequencing and interaction. It is pictorial description of the service system showing the service at an overview level. It explains how each job or department functions in relationship to the service as a whole. Blueprinting was developed by Shostak in 1987.

STAGES IN PREPARATION OF BLUEPRINTING:

1. Put the service in the form of its molecular structure.
2. Divide the Process into logical steps
3. Recognize the variability in the process
4. Identify the backstage actions in the process.

USING TECHNOLOGY AND SERVICE PRODUCTIVITY:

Service organisations can improve their productivity by introducing systems and technology in their operations. Under the systems approach to services marketing technology, engineering and management sciences are implemented into service industries. The systems approach looks at the task as a whole. The systems approach identifies the key operations to be performed, devises new ways of performing each operation, eliminates superfluous practices through new methods and improves the coordination of process within the system.

APPLICATION OF TECHNOLOGY TO SERVICE ACTIVITIES:





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1. Hard Technology:

Hard technology substitute machinery, tools and other engineering devices for labour intensive performance of service work. The following examples can be offered for the application of hard technologies in the service sector.

Example: Automatic car washes, Airport x-ray equipment, automatic car parking, automatic vending equipment, audio visual equipment, computers, the consumer credit card and bank balance checking machine.

2. Soft Technology:

Soft technology means substituting pre-planned systems for individual service operations. Though the systems involve some technology, the basic characteristic is the system itself.

Example: Fast food restaurants such as MC Donald, pizza hut follow rationale division of labour. Use of sot technologies in these organizations ensures the benefits in the forms of high quality, cost control, speed and efficiency, cleanliness and low prices.

3. Hybrid Technology:

Hybrid technologies combine hardware with carefully engineered systems to bring greater efficiency, order and speed to the service process.

Example: The cost of energy can be substantially saved by careful programming for types and grades of roads, location of stops, congestion of roads, tool road costs and maxing point access.

ROLE OF TECHNOLOGY IN SERVICE PROCESS:

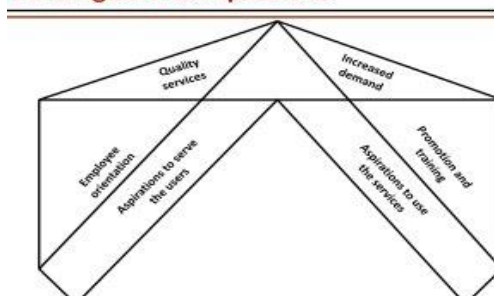
1. Easy accessibility of service
2. New ways to deliver service
3. Higher level of service
4. Global reach of service
5. Cost Rationalization.

BUILDING SERVICE ASPIRATIONS:

The service generating organisations building service aspirations in the process of generating demand for the services. The aspirations may be generated in two ways, namely, generating aspirations to serve the users and generating aspirations to use the services.

Service aspirations of organisation engaged in generating services focus on offering quality services. Quality is generally conceptualised as an attitude towards service.

Building Service Aspirations





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UNIT – II - Marketing Mix In Service Marketing

The Seven Ps; Product Decision, Pricing, Strategies And Tactics, Promotion Of Service And Placing Of Distribution Methods For Services. Additional Dimension In Services Marketing – People, Physical Evidence And Process.

SERVICE MARKETING MIX:

The traditional marketing mix is considered in the context of services. Since a different marketing mix is needed for services some have expanded the traditional four Ps.

1. Product
2. Pricing
3. Promotion
4. Place
5. People
6. Process
7. Physical evidence

Service Marketing Mix



SERVICE MARKETING MIX – DEFINITION:

“The marketing mix concept is a well-established tool used as a structure by marketers. It consists of the various elements of a marketing programme which need to be considered in order to successfully implement the marketing strategy and positioning in the company’s market. It is important internal elements or ingredients that make up an organisation’s marketing programme.” - **Adrian Payne**

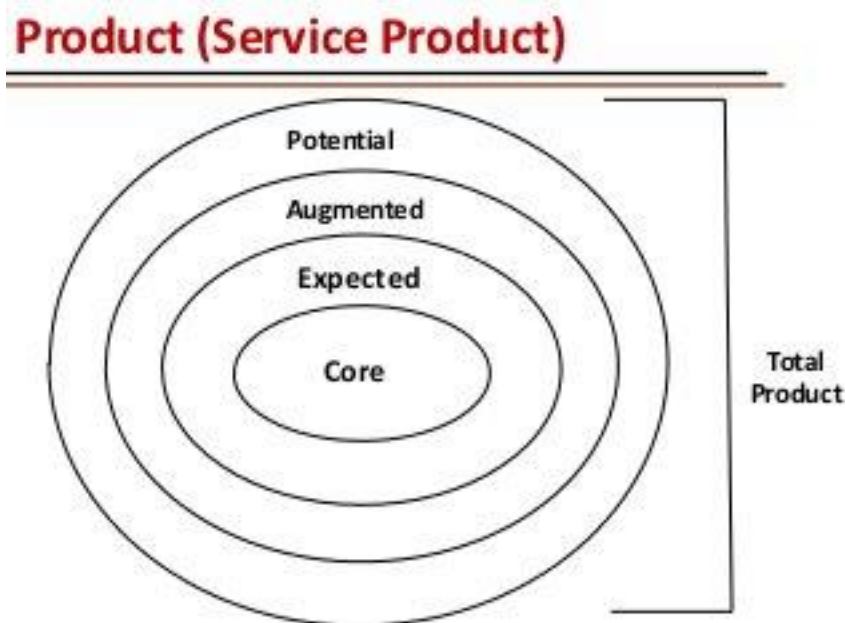


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1. PRODUCT (SERVICE PRODUCT):

According to **Adrian Payne**, a product is an overall concept of objects or processes which provide some values to customers. Goods and services are sub-categories of product. The term produce is used in a broad sense to denote either a manufactured good or product and a service. Strictly speaking, customers are not buying goods or services but specific benefits and value from the total offering. This total offering to the customer is termed as “offer”.



1. The core or generic product:

The core product represents the basic services of a product. This product is at its basic level. For example, food served in a restaurant a bed in a hotel room for the night safety of deposits and loanable funds in a bank.

2. The expected product:

The expected product consists of the core product together with the minimal purchase conditions which need to be met. For example in a restaurant in addition to basic food served, aspects such as cleanliness, timely service polite and courteous service of bearer, availability of menu and background music are expected.



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3. The augmented Product:

Augmented product refers to offerings (product benefit or services in addition to what customers expect). This concept enables a product to be different from another. For example, though IBM has got technologically advanced core product they are praised for excellent customer service. This adds value to their core product in terms of reliability and responsiveness.

4. The Potential Product:

Potential product refers to doing everything potentially feasible to hold and attract the customers. The concept of potential product of a restaurant is viewed in terms of a pleasing flower arrangement, manager's word of thanks, readiness to go out of the way to serve, etc.

2. PRICE:

Price plays a significant role in the marketing mix by attracting revenue to the marketer. Pricing decisions are important for determining the value of the service as perceived by the customer and building of an image for the service. Price serves as a basis for perception of quality. The pricing strategy should be in tune with the marketing strategy. Pricing strategy should gain competitive advantage for the firm.

PRICING OBJECTIVES:

The price policies for service marketers should be on the lines of those used throughout the general field of marketing. The pricing policy to be followed should be based on pricing objectives, The important pricing objectives are

- survival,
- profit maximization,
- sales maximization
- prestige
- Return on Investment.

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.



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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.

(a). 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.

(b) 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.

(C). 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



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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 School of Distance Education Service Marketing Page 28 compensating increase in demand. Elasticity may impose limitations on certain price options.

(d) 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).

(e) 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:



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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 School of Distance Education Service Marketing 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 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:



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- (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.

3. PROMOTION:

Promotion is an important part of the marketing mix for many marketers. The promotion element of the service marketing mix communicates the positioning of the service to customers. Promotion adds tangibility and helps the customer evaluate the service offer. The promotion mix includes six elements, namely

- (a). Advertising
- (b). personal Selling
- ©. Sales Promotion
- (d). Public Relations
- (e). Word of Mouth
- (f). Direct mail.

PROMOTION





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(a). Advertising for Services:

Advertising is the impersonal communication used by service firms. Advertising in service marketing adds to the customer's knowledge of the service, persuades the customer to buy and differentiates the service from other service offerings. Persistent advertising is, therefore, a must for the success of the marketing of the service.

(b). Personal Selling:

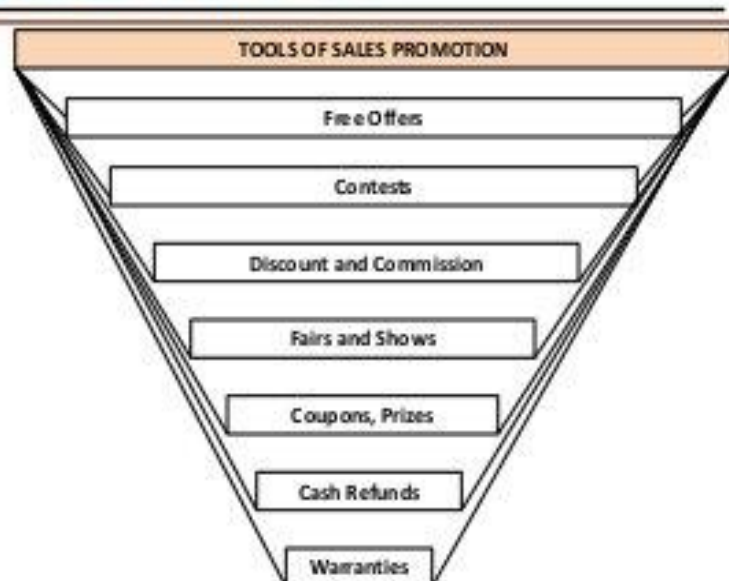
Personal Selling has assumed much importance in service firms owing to the following reasons.

- (a). There is a personal interaction between the service provider and the customer
- (b). The service is provided by a person not a machine.
- ©. People are becoming part of the service product.

©. Sales Promotion:

Those marketing activities other than personal selling, advertising and publicity that stimulate customers and dealers effectively such as display shows, exhibitions, demonstrations and various non-recurrent selling efforts not in the ordinary routine are the sales promotional measures.

(c) Sales Promotion





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(d) Publicity or Public Relations:

Publicity consists of non-personal stimulation of demand for a product or service by way of arranging commercially significant news to have appeared in mass media free of cost (not paid for the sponsor). Publicity is a free news appearing in mass media about a company and its products.

(e). Word of Mouth Promotion:

Customers who are already exposed to the delivery of a service, share their experiences with other potential customers. They offer advise on service providers and businesses who are established already. Personal recommendations through word of mouth constitute the most important information source. Service buyers trust a particular service when recommendations for buying come from friends, associates colleagues or experts.

4. PLACE:

In order to bring the products to the customer, the marketer has to work with distribution channels that are the interdependent set of organisations involved in the process of making the goods or services available. Service marketers, like goods marketers, also have to handle distribution channel problems. They too, have to make their services available to target customers without which marketing cannot take place. Because of intangibility of services, they cannot be stored, transported and inventoried. Similarly, because of inseparability, that is, in case of services production cannot be separated from selling, services must be created and sold at the same time. These characteristics of services make distribution strategy more complex and difficult.

There are three critical issues that must be sorted out while evolving the distribution channels for a service:

(1) Location of the service:

Location is concerned with the decisions a firm makes about where its operations and staff are situated. The importance of location for a service depends upon the type and degree of interaction involved. When the customer has to go to the service provider, location becomes very important. For a service business such as a restaurant, location may be one of the main reasons for patronage. In this type of interaction, service providers seeking growth can



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consider offering their services at more than one location. Where the service provider can go to the customer, site location becomes much less important provided it is sufficiently close to the customers for good quality service to be received. In some circumstances, the service provider has no discretion in going to customer as certain services must be provided at the customer’s premises. This is the case with a wide range of maintenance services such as, lift repair, cleaning services etc. However, when the customer and service organisation transact at arm’s length location may be largely irrelevant. Customers are not concerned with where the physical locations are of suppliers of services such as electricity, telephone or insurance. There are three important questions that would help service provider in deciding where to locate service:

- How important is the location of the service to the customers?
- Is the service, technology - based or people-based?
- How important are complementary services to the location decision?

The selection of location and site for a service depends on a number of factors and trade-offs among benefits and costs. The table 2.2 depicts the critical factors affecting the location decisions, vary from one service to another.

Table 2.2

Critical factors affecting choice of location

Critical Factor	Services
Convenience	Retail stores, health centres, banks, repair services, theatres, personal care.
Cost operating	Speciality shops, wholesalers, clerical services.
Proximity with competition to share	Furniture, fast food, antique shops, tailors, designers.
Support system availability	Hotels, jewellers, tourism.
Geographic of environmental factors	Beach resorts, Ski resorts
mental factors	
Business climate	Insurance companies, private educational institutions, gambling resorts.
Communication Networks	Banks, financial services.
Transport facilities	Mail order houses, couriers, ware houses.

Source: Harish V. Verma, “Marketing of Services”, (Delhi; Global Business Press),1993, p.62.



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(ii) Channels through which services are provided:

The second decision variable in the distribution strategy is whether to sell directly to the customers or through intermediaries. Traditionally it has been argued that direct sales are the most appropriate form of distribution for services. Whilst this form of distribution is common in some service sectors, e.g., professional services, companies in other areas of the service sector are increasingly seeking other channels to achieve improved growth and to fill unused capacity.

Many services are now being delivered by intermediaries and these can take a variety of forms. The broad channel options for services are direct sales, agent or broker, sellers' and buyers' agents, franchises or contracted service deliverers, etc. Table 2.3 provides an illustrative list of the intermediaries who sell services.

Table 2.3

Typical intermediaries for services

Service	Intermediaries
Hotels	Travel agents, Tour operators, Airlines
Airlines	Travel Agents, Hotels
Life Insurance	Agents
Shares	Stock Brokers
Employment	Employment agencies
Financial Services	Banks, Financial Institutions.

Source : L. Johari "Marketing of services : Conceptual framework", (New Delhi : IGNOU Study Material on Service marketing) 1996, pp-22.

(iii) How to provide service to maximum number of customers:

The third decision variable in the distribution strategy is how to provide the service to a maximum number of customers in the most cost-effective manner. Some of the innovations in the area are:

- Rental or leasing-leasing or rental offers an easy solution for companies which want to expand and diversify but do not have the necessary resources to buy the required plant and machinery. This trend is now also becoming popular in services. Today we have the concept of time-sharing for holiday resorts.
- Franchising-franchising is the granting of rights to another person or institution to exploit a trade name, trade mark or product in return for a lump-sum payment or a royalty. In service industries franchises operate in the area of hotels, restaurants, car rentals, fast food outlets, beauty parlours, travel agencies, couriers, computer education, etc.



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- Service integration - recent times have also witnessed the growth of an integrated service system. Hotels offer local tours and airlines offer holiday resort services. Travel agencies offer 'package tours' in which they take care of all formalities such as visa, foreign exchange, reservations, local travel, etc.

All these trends highlight the importance of using innovative methods to overcome the inherent characteristics of service products which make their distribution a complex affair.

5. PEOPLE:

In services, 'People' refers to all human actors who play a part in service delivery and thus influence the buyer's perceptions; namely, the firm's personnel, the customer, and other customers in the service environment. All of human actors participating in the delivery of a service provide cues to the customer regarding the nature of the service itself. How these people are dressed, their personal appearance, and their attitudes and behaviours all influence the customer's perception of the service. If the service personnel are cold and rude, they can undermine all the marketing work done to attract the customers. If they are friendly and warm, they increase customer satisfaction and loyalty. Employee behaviour is often an integral part of the service product. This is not true in a manufacturing operation, where employee behaviour may affect product quality, but is not a part of the product.

People constitute an important dimension in the management of services in their role both as performers of services and as customers. People as performers of service are important because, a customer sees a company through its employees. The employees represent the first line of contact with the customer. They must, therefore, be well informed and provide the kind of service that wins customer approval. The firm must recognise that each employee is a salesman for the company's service. If these employees are not given training in how to go about face-to-face customer contact, the entire marketing effort may not prove to be effective. The importance of customers in services stems from the fact that most services imply active and involved customer-organisation interface. In many service situations, customers themselves can also influence service delivery, thus affecting service quality and their own satisfaction. Customers not only influence their own service outcomes, but they can influence other customers as well. People can be subdivided into:



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(1) Service personnel:

Service personnel are important in all organisations but more so in an organisation involved in providing services. The behaviour and attitude of the personnel providing the service is an important influence on the customer's overall perception of the service and he can rarely distinguish between the actual service rendered and the human element involved in it. Customer contact is very important concept in services, which refers to the physical presence of the customer in the system. The extent of contact refers to the percentage of time a customer ought to be in the system out of the total time it takes to serve him. The low contact services include bank, post offices or retailing and the high contact services include hotels, educational institutions, restaurants and hospitals. Services with high contact are more difficult to control and manage because a longer customer contact is more likely to affect the time of demand, and nature of service and its quality; whereas, in low contact services such contact has much less impact on the service. Therefore, the high contact personnel must be dexterous in public relations and interpersonal skills, and the low contact personnel must have high technical and analytical attributes. The quality and performance of service personnel can be improved through:

- Careful selection and training of personnel;
- laying down norms, rules and procedures to ensure consistent behaviour;
- ensuring consistent appearance; and
- reducing the importance of personal contact by introducing automation and computerization wherever possible.

(ii) Customers:

Customers are important because they are a source of influencing themselves, being actively involved in service delivery, and other customers as well. In case of doctors, lawyers, consultants one satisfied customer will lead to a chain reaction, bringing in his wake a number of other customers. So, its an important task of service marketers to ensure complete satisfaction of the existing customers. The kind of customers that a firm attracts exerts an important influence on prospective customers. The prospective customer may feel attracted towards the organisation e.g., club, restaurant, school, because it has his type of customers or the customer may turn away if he perceives the existing customers to be a kind with whom he would not like to associate.



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6.PROCESS:

Process in services refers to the actual procedures, mechanisms, and flow of activities by which the service is delivered- the service delivery and operating systems. In a service organisation, the system by which customer receives delivery of the service constitutes the process. In fast food outlets the process comprises buying the coupons at one counter and picking up the food against that at another counter. The process of a delivery function which can be compared with that of operations management implies the conversion of input into the finished product. But, in a service organisation, there is no clear cut input or output. Rather, it is the process of adding value or utility to system inputs to create outputs which are useful for the customers.

The process by which services are created and delivered to the customer is a major factor within the services marketing mix, as services customers will often perceive the service delivery system as part of the service itself. Thus, decisions on operations management are of great importance to the success of the marketing of the service. In fact, continuous coordination between marketing and operations is essential to success in most services businesses. Identification of process management as a separate activity is a prerequisite of service quality improvement. The importance of this element is especially highlighted in service businesses where inventories cannot be stored. Through the introduction of automatic teller machines (ATMs) banks have been able to free staff to handle more complex customer needs by diverting cash only customers to the ATMs. If the processes supporting service delivery cannot, for example, quickly repair equipment following a breakdown or provide a meal within a defined period, an unhappy customer will be the result. This suggests that close cooperation is needed between the marketing and operations staff who are involved in process management. By identifying processes as a separate marketing mix element, its importance to service quality is duly recognized.



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7. PHYSICAL EVIDENCE:

It refers to the environment in which service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service. The physical evidence of service includes all of the tangible representations of the service such as, brochures, letterhead, business cards, report format, signage, equipment, etc.

Packaging importance stems from the fact that it is what comes in between the product and the customer's eye. The product package is a visual representation of the whole marketing effort. The customer judgement and evaluation are often based on the product packaging.

Physical evidence is to a service, what the packaging is to a product. In services, the product itself being intangible, the need is to tangibles it as far as possible. Thus, physical entities can be successfully employed to describe the service product and its distinguishing qualities. Since the potential customers form impressions about the service organisations on the basis of physical evidence, like building, furniture, equipments, stationery and brochures, it becomes imperative that the marketers manage the physical evidence in a manner that reinforces the proposed position and image of the organisation.

Cleanliness in a doctor's clinic, the exterior appearance and interior decor of a restaurant, the comfort of the seating arrangement in a cinema hall, adequate facility for personal needs at the airport, all contribute towards the image of the service as perceived by the customer. The common element in these is that they are all physical, tangible and controllable aspects of a service organisation. There may be two kinds of physical evidence:

(i) Peripheral evidence:

It is actually possessed as a part of the purchase of service but by itself is of no value. An airline ticket, cheque book, or receipt for a confirmed reservation in a hotel are examples of peripheral evidence. A cheque book is of value only if customer has money in the bank, without that it is of no significance. Peripheral evidence adds on to the value of essential evidence, such as writing pad, pen, match box, complimentary flowers and drinks, etc. in a hotel, which customer may take away. Such evidence must be designed keeping in mind the overall image which the organisation wishes to project and the reminder value of the evidence in its ability to remind the customer about the organisation.



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(ii) Essential evidence:

Whereas the peripheral evidence is possessed and taken away by the customer, the essential evidence cannot be possessed by the customer; the building, its size and design, interior layout and decor, logo, etc. of the organisations are constituents of essential evidence. The essential evidence is a very critical input in determining the atmosphere and environment of the service organisation.

Physical evidence can be used to build strong association in the customers' minds and service can be differentiated from the competitor's similar offering. By making the service more tangible and making it easier for the customer to grasp the concept of the service, marketers can create the ideal environment for the service offering.



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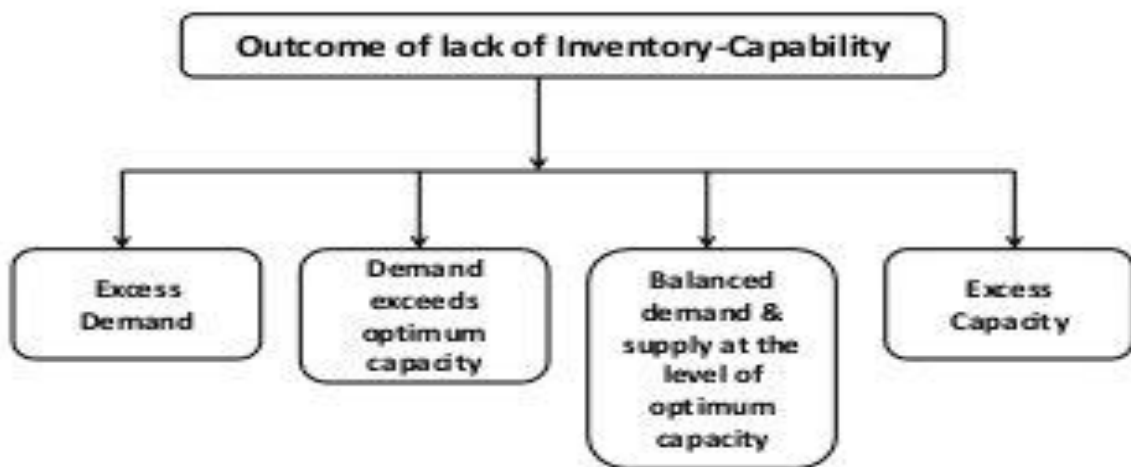
Unit – III - Effective Management of Service Marketing

Marketing Demand And Supply through Capacity Planning and Segmentation – Internal Marketing of Services – External versus Internal Orientation of Service Strategy.

MANAGING DEMAND AND SUPPLY:

Service marketers encounter challenges of matching supply and demand in a dynamic environment. Services are perishable. Production and consumption of service take place simultaneously. Services also cannot be transported from one place to another or transferred from one person to another. So, service firms are not able to build inventories during periods of slow demand to use later when the demand increases.

Managing Demand & Supply



1. Excess Demand:

Every service firm has a maximum capacity to serve customers. Maximum capacity represents the absolute limit of service availability, When demand for the service of a particular firm exceeds its maximum capacity, it results in undesirable consequences. First, the existing customers of the firm may cross over to the competitor, selling similar service. As a result, the service firm may lose considerable business. Second, in case of excess demand for service, the working hours of staff may be stretched.



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2. Demand exceeds optimum capacity:

Both optimum and maximum capacity may not be the same. At optimum capacity level, resources are fully employed but not over-used. As a result, customers will receive quality service on time. But when demand exceeds optimum capacity, the staff and facilities are stretched, resulting in poor service.

3. Demand and supply are balanced at the level of optimum capacity:

Optimum capacity refers to the efficient use of the capacity from the point of view of both the customers and the company. When demand and supply are balanced at the level of optimum capacity, staff and facilities are regarded to be occupied at an ideal level. No employee is over-stretched and facilities are maintained well. As a result, customers stand to benefit. Moreover, utilisation of optimum capacity gives a psychological satisfaction to customers too.

4. Excess Capacity:

Excess capacity means the demand is below the optimum capacity. Staff and facilities will be under-utilized. Under – utilization of facilities like labour and equipment results in loss of profit to the firm. However, customers may prefer such a situation as they can avail full facilities at will. On the other hand, customers may be disappointed by low demand too in the long run. They may even worry that they have chosen an inferior service provider.

STRATEGIES FOR MANAGING DEMAND AND SUPPLY:

1. Understanding capacity constraints
2. Understanding demand patterns
3. Capacity Planning
4. Managing capacity to match capacity
5. Managing demand to match capacity
6. Strategies to be used when demand and capacity cannot be matched.

1. Understanding capacity constraints:

- a. Time
- b. Labour
- c. Equipment
- d. Infrastructure



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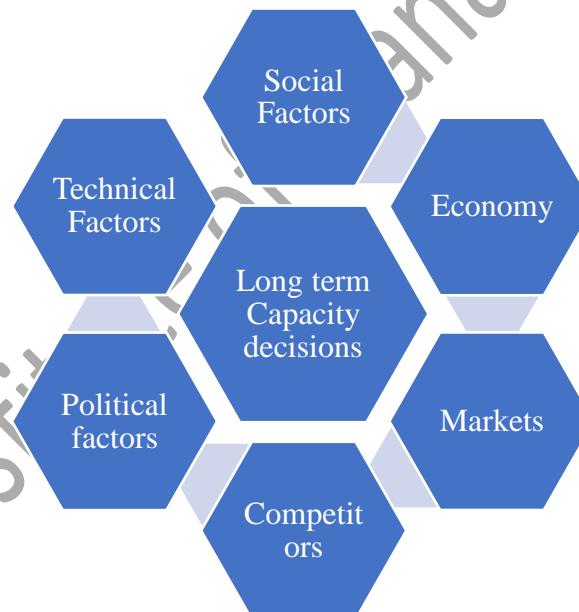
2. Understanding demand patterns:

- a. Charting demand pattern
- b. Predicting cycles
- c. Identifying random demand fluctuations
- d. Disaggregating demand pattern by market segment.

3. Capacity Planning:

Types of capacity planning:

- a. Long term capacity planning
- b. Short term capacity planning



4. Managing Capacity to match demand:

The strategic approach to matching supply and demand focuses on adjusting capacity. So, the service firm should build into its capacity some degree of flexibility. The extent of flexibility depends upon the type of service offered, cost, labour availability and other factors.

5. Managing Demand to Match Capacity:

This strategy involves shifting demand to match capacity when demand exceeds capacity. Then, the organization tries to shift customers to periods of slow demand. This is just convincing the customers to use the service during periods of slow demand. So people who cannot shift their demand represent lost business for the firm.



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5. Managing demand to match capacity

Demand too high

Shift Demand

Demand too low

- Use signage to communicate busy days and times.
- Offer incentives to customers for usage during non-peak times
- Take care of loyal or regular customers first.
- Advertise peak usage times and benefits of nonpeak use.
- Charge full price for the service – no discounts.

- Use sales and advertising to increase business from current market segments.
- Modify the service offering to appeal to new market segments.
- Offer discounts or price reductions.
- Modify hours of operation
- Bring the service to the customer

6.Strategies to follow when demand & capacity cannot be matched:

Sometimes, it may not be possible for the services organisations to manage capacity to match demand or vice versa. For example, in a health clinic patient wait longer to be examined by the doctor during monsoon/inclement weather when more people catch “flu”. The demand is flexible but the service capacity is inflexible and it is not economical for health clinics to add additional facilities or physician to handle peaks in demands.



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INTERNAL MARKETING – DEFINITION:

1. “The means of applying the philosophy and marketing to people who serve the external customers so that:

- a) The best possible people can be employed and retained; and
- b) They do the best possible work”.

- **Berry**

2. “Treating with equal importance the needs of the internal market (the employees) and the external market (customers) through proactive programmes and planning to bring about organisational objective by developing employee and customer satisfaction”.

- **Helen Woodruffe**

Objectives of Internal Marketing





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ROLE OF INTERNAL MARKETING:

1. Internal marketing motivates the personnel to work better and satisfy customers.
2. Every employee needs information for his effective functioning in an organization. Internal marketing builds a good communication network which provides information to all employees thereby supporting the service environment.
3. Internal marketing enables the service organization to gain additional market share.
4. It signifies the role of every employee and reduces conflict between the functional areas of business.
5. Customer service gets a high priority and the entire organization focuses on a customer- oriented approach.
6. Internal Marketing helps to develop committed personnel who can provide best possible service to customers.
7. Internal marketing equips people with technical skill and knowledge required for their effective functioning.
8. It builds the corporate image by creating awareness and appreciation of the company's aims and strength.

COMPONENTS OF INTERNAL MARKETING:

1. Latest methods of training
2. Continuous interaction with the management
3. Internal communication
4. Marketing research
5. Other human resource management activities.

STEPS IN DEVELOPING INTERNAL MARKETING:

1. Market Definition
2. Market Research
3. Market Segmentation
4. Selection of Techniques
5. Marketing Communication
6. Marketing Orientation



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EXTERNAL MARKETING:

The objective of external marketing is to attract every customer to participate in the service process. All consumers are over exposed to marketing communication. Service companies should design an effective promotional campaign to inform, educate, persuade, train, and encourage buying and experiencing the service offered. Consumers do have certain service expectations. Managing these expectations is one of the major purposes of external marketing. 'Services promised' in external marketing should be delivered effectively. Developments of promotional mix strategies are vital to the success of external marketing. The most powerful media in services is word of mouth communication. Service organisation should be careful of negative word-of-mouth. In the absence of relevant and effective communication, consumers may have doubts and suspicions about the service offering. Campaigns through appropriate media provide customer with evidence. Service quality depends, to a large extent, on the ability and effective participation of customers. Participation ability, skill, involvement, etc. of consumers depend upon the way they are informed, educated, and trained through external marketing.

COMPONENTS OF EXTERNAL MARKETING:

External marketing in services is popularly known as promotion in traditional marketing. There are five major components of external marketing:

(i) Advertising: It is any kind of paid, non-personal method of promotion by an identified organisation or individual. The role of advertising in service marketing is to build awareness of the service, to add to customer's knowledge of the service, to help persuade the customer to buy, and to differentiate the service from the other service offerings. Relevant and consistent advertising is therefore, of great importance to the success of the marketing of the service. Advertising has a major role in helping deliver the desired positioning for the service. Since the core product is intangible, it is difficult to promote and service marketers therefore, frequently choose tangible elements within the product for promotion. Thus, airlines promote the quality of their cuisine, seat width, and the quality of their in-flight services. Certain services such as entertainment, transportation, hotel, tourism and travel, insurance, etc. have been advertising heavily in newspapers, magazines, radio, TV to promote greater usage and attract more customers. However, certain service professionals such as doctors and lawyers rarely use advertising as a means of increasing their clientele. But, this situation is changing



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and one can occasionally see an advertisement in the newspapers giving information about the location and timings that a particular doctor is available for consultation. These advertisements may also carry the message 'Honorary doctor to the president of India' or ex-director of a prestigious medical college, etc. Such messages help create a positive image and credibility.

(ii) Personal selling: Personal selling has a vital role in service making as a large number of service businesses involve personal interaction between the service provider and the customer, and service is provided by a person, not a machine. The problem with using personal selling to promote services is that the service cannot be separated from the performer. Moreover, it is not a homogeneous service in which exact standards of performance can be specified. In such situations, personal selling implies using an actual professional rather than a salesman to sell the service. A firm of management consultants may send one of its consultants for soliciting new business. This kind of personal selling is certainly effective but also very expensive. One way of making personal selling more cost effective is to create a derived demand by tying up with associated products and services. A management consultant may associate with a bank, so that the bank recommends his name as a consultant to any new entrepreneur coming for a loan. A chain of hotels may team up with an airline to offer a concessional package tour. The other way is to maintain a high visibility in professional and social organisations, getting involved in community affairs and cultivating other professionals so as to maximize personal exposure and the opportunities for getting work from new sources. Personal selling has a number of advantages over other promotion mix elements, such as, Personal contact- Three customer contact functions have been identified; selling, servicing and monitoring. These personal contacts should be managed to ensure that the customer's satisfaction is increased or maintained at a high level.

Relationship enhancement- The frequent and sometimes intimate contact in many service businesses provides a great opportunity to enhance the relationship between the seller/ service provider and the customer.

Cross selling- The close contact frequently provides the opportunity for cross-selling other services. The sales persons are also in a good position to communicate details of other services which they may offer to customers.



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(iii) Sales promotion: In the case of services, the sales promotion techniques which are used are varied and various in number. Traditionally, sales promotion has been used mainly in the fast moving consumer goods market. However, in the recent past we have seen a trend for many service firms to use sales promotion. Sales promotion tools are aimed at these audiences:

Customers - Free offers, samples, demonstrations, coupons, cash refunds, prizes, contests and warranties, early bird incentive etc.

Intermediaries- Discounts, advertising allowances, cooperative advertising, distribution contests and awards.

Sales force- Bonuses, awards, contests and prizes for best performer.

A number of activities can be undertaken which aim at providing incentive to encourage sales. A doctor may charge lesser amount as fee on subsequent visits to encourage patient's loyalty, a car mechanic may offer a guarantee for repairs undertaken upto three months, a chartered accountant may offer his services free for the first two visits to allow the customer to evaluate his work.

In services, sales promotion techniques are also used to offset their perishability characteristic, e.g., family discounts offered by hotels in off-season in which two children under twelve are allowed free of charge. Sales promotion helps to overcome the problem faced by customers in evaluating and judging the quality before making the purchase, thus, it reduces the risk associated with the purchase.

(iv) Publicity: It is unpaid for exposure which is derived by getting coverage as a news or editorial item. It is possible to get publicity when the service offering is unique and, therefore, newsworthy, by holding a press conference in which offered services can be associated with some issues of greater social relevance or by involving the interest of the newspaper or its staff in covering the service. The important point about publicity is that the choice of medium should be correct. The vehicle which is chosen must be credible and enjoy a reputation of being trustworthy. A wrong choice of media vehicle will result in adverse publicity.

(v) Word of mouth: One of the most distinctive features of promotion in service businesses is the 'word of mouth'. This highlights the importance of the people factor in services promotion. Customers are often closely involved in the delivery of a service and then talk to other potential customers about their experiences. Research points to personal recommendations through word



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of mouth being one of the most important information sources. Where people are the service deliverers personal recommendation is often the preferred source of information. Thus, word of mouth can have a more important impact than other promotion mix elements in a number of services, including professional and health care services. Positive or negative word of mouth communication will then influence the extent to which others use the service. However, negative experiences tend to have a greater impact than positive experiences. Customers who are dissatisfied tend to tell more than twice as many people of their poor experiences as those who are satisfied relate good experiences.

Each of these components of external marketing has distinctive capabilities and also limitations of suitability. The major task for service marketers is to design a proper mix of it. The effectiveness of external marketing depends upon how effectively the mix of components is designed.

THEMES OF EXTERNAL MARKETING CAMPAIGNS :

Service organisations need to focus on the different themes of external marketing in order to achieve organisational objectives. The important themes are given below:

(a) Information: Information relating to the service offering package will be the focal theme in different situations. When a service company introduces a new or modified service; or introduces the service in a new market through a new channel; or introduces change in marketing mix, information becomes the central theme of the communication programme.

(b) Education: customers need to be educated properly before they participate in service production and consumption. In service organisations production and consumption are simultaneous, so educated customers may help in improving service quality. The educational theme aims at managing service promises and influencing consumer expectations of the service. The management of service promises involves coordinating all promises made by the company and the employees in order to ensure that execution is consistent and feasible. Service organisation should make only realistic promises. It is necessary to offer service guarantees in order to strengthen the organisation's stand on the service promise. In case of any deficiency or failure in service, the company should assure compensation on the loss suffered by the customer. Innovation is a continuous process in services. The changes brought in the service package and process need to be communicated to consumers, otherwise there may be a danger of misunderstanding between the company and customers.



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‘Customer expectation management’ is another important responsibility of the service organisation that can be achieved through customer education. It is necessary to study the level of service expectations by the customers and design a communication programme to influence the customers to have proper and correct expectations. Some customers develop unrealistic expectations. The organisation should negotiate these unrealistic expectations and bring them down to realistic propositions without hurting customer’s feelings. Service employees should have transactional skills to effectively negotiate customer expectations.

When a company wants to down size its activities or shift focus to such services which yield more revenue, it is necessary to reset consumer expectations gracefully without affecting sales potential.

(c) Persuasion: Persuasive communication aims at influencing the decision making process of consumers. By showing the reasons for preferring a service and particular service provider, as well as the special benefits and values to consumers, service organisations persuade the target market to become the customers of the organisation. Persuasive communication is used against the defensive or offensive approaches of competition.

(d) Reinforcement: This aims at developing loyalty among the customers. It focuses on the credibility, reliability, and continuity of all the quality factors and gives an assurance to the target market that they can have similar or better experiences by using the service. Reinforcement reduces cognitive dissonance among consumers. It supports and strengthens the earlier decision of using a service and encourages consumers to continue with the same service.

(e) Training: In services, production and consumption are simultaneous and consumers are co-producers. The expertise and involvement of the service provider coupled with the expertise and involvement of the consumer in service production process results in better service quality. Service organisations cannot expect all consumers to have the ability and expertise to participate in service production process. Service organisations are responsible for training the customers. They are the joining phase, production process phase, and detachment phase. The series of activities the consumer has to pass through and the activities he has to perform need to be communicated and proper assistance provided to ensure that consumers are performing their tasks affectively. Designing consumer support systems and training customers to access such systems is an important dimension of service communication programme.



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(f) Efficiency: Service organisations may choose several parameters to communicate their efficiency. The growth achieved over a period in market expansion and networking, the loyal consumer network, the success percentage in service, the relationship networking with other services, and the size and strength of the corporate group in the economy are some of the themes used to communicate efficiency.

(g) Leadership: A leader can attract better prospects. Leadership positioning, either in terms of market share or innovations, creates a solid position for the organisation in the market. Thus theme can be undertaken only by leaders either at the corporate level or at the local level.

(h) Relationship: Service organisations are taking up special programmes for building, maintaining, and enhancing relationships. The theme focuses not only on customer retention but also on turning each customer into a brand ambassador and an indirect sales personnel of the organisation.

(i) Image building: A company cannot buy its image overnight. It has to build it over a period of time through service excellence. Image building programmes are essential for service organisations because the image influences customer's perceived quality.

(j) Price v/s Quality: The price v/s quality communication programme focuses on attracting different market segments. It also motivates consumers to compare the pricequality offerings of the company with the competitive offerings. The campaign helps customers to choose a service that suits their economic conditions and develop expectations accordingly.

DIFFERENCE BETWEEN INTERNAL & EXTERNAL MARKETING:

EXTERNAL MARKETING	INTERNAL MARKETING
1. There is interaction between the organisation and customers.	1. There is interaction between the organisation and its employees.
2. Customers influence the operations of the organisation.	2. Management plays a crucial role in finalising tasks and directing employees.
3. organisation makes promises to customers.	3. Internal marketing enables the employees to fulfil the promises made during external marketing.
4. customers makes promises to customers	4. Employees derive benefits from compensation plan adopted by the company.
5. External Marketing aims at achieving customer satisfaction.	5. Internal marketing increases job satisfaction among employees.
6. Market research is conducted on customer trends, competitors strategy etc, in then market	6. Feedback is obtained from employees. Training and appraisal of employees are suitably adopted.



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UNIT – IV - Delivering Quality Service:

Causes Of Service – Quality Gaps. The Customer Expectations Versus Perceived Service Gap. Factors And Techniques To Resolve This Gap Customer Relationship Management.

Gaps in Services – Quality Standards, Factors and Solutions – The Service Performance Gap – Key Factors and Strategies for Closing the Gap. External Communication to the Customers – The Promise versus Delivery Gap – Developing Appropriate and Effective Communication about Service Quality.

DEFINING SERVICE QUALITY:

Being an intangible concept, defining service quality poses a lot of problems. It is very difficult to quantify the abstract elements of service quality, which are highly idiosyncratic and customer-specific. Several attempts have been made to define the same. However, the most commonly accepted definition of service quality is:

Service quality is the delivery of excellent or superior service relative to customer expectations.
- Zeithaml and Bitner

This is the simplest way to understand service quality, although this definition is far from being adequate. In general terms, quality is defined as 'conformance to standards'. Therefore, when service measures upto some predefined parameters of performance, it is said to be of higher quality. The real issue is in identifying these parameters of performance and then measuring the service in relation to these parameters. For example, for some person, waiting for 15 minutes at a bank counter is 'OK', while it may be 'too much' for another. If a teller disposes off the customer in 10 minutes, the first customer would be very delighted, but the second customer will be protesting for the delay. The problem for the banker would lie in establishing the 'normal' time, which a customer should wait at the counter. Despite these short-comings, a lot of research has been done to understand service quality and now it is quite possible to quantify the same.

The following are some important ways of judging quality of service:

- a. Fitness for purpose
- b. The totality of features of service that meet the customer needs.
- c. The difference between customer expectations and performance delivery.
- d. Meeting or exceeding the customer expectations.



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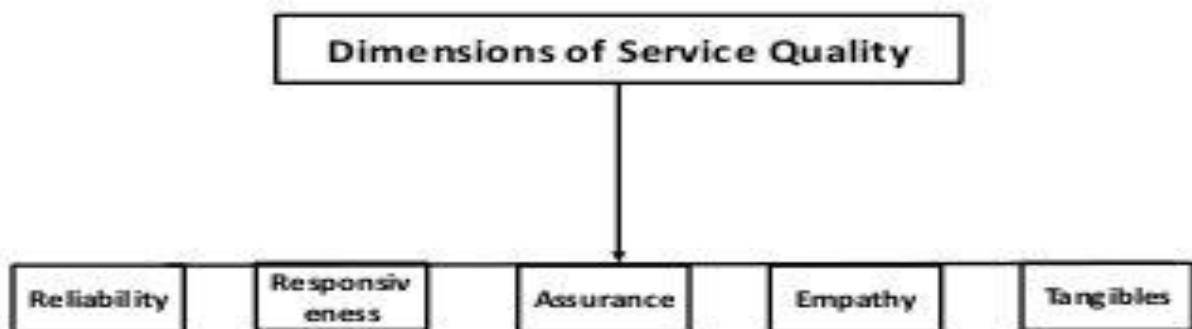
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DIMENSIONS OF SERVICE QUALITY:

Research done by Zeithaml and Berry has identified five basic key areas of service quality, which seem to fit in for most of the services. These key areas of service quality and their respective components are

Key area of Service Quality	Components of Key Areas
Reliability	Ability to perform the service dependably and accurately
Responsiveness	Willingness to help customers and provide prompt service.
Assurance	Employees knowledge and courtesy and their ability to inspire trust and confidence.
Empathy	Caring, individualised attention given to customers
Tangibles	Appearance of physical facilities, equipment, personnel, and written materials.

Dimensions of Quality of Service



These dimensions represent how consumers organize information about service quality in their minds. On the basis of exploratory and quantitative research, re-searchers have found these five dimensions relevant for many services, including banking, insurance, appliance



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repair and maintenance, securities brokerage, long-distance telephone service, automobile repair service. The dimensions are also applicable to retail and business services. These dimensions are discussed in detail in the following discussion.

Reliability:

Out of the five dimensions of service quality, reliability has been consistently found to be the most important determinant of perceptions of service quality. It is defined as the ability to perform the promised service dependably and accurately. It is an indicator of how a company delivers its promises about delivery, service provision, problem resolution, and pricing. Customers want to do business with companies that keep their promises, particularly their promises about the core service attributes. For example, in railway time table Shatabdi Express leaves a station at say 1430 hours. Reliability will be the measure of whether Indian Railways will be able to adhere to its promised departure time or not.

All firms need to be aware of customer expectations of reliability. Firms that do not provide the core service, that customers think they are buying, fail in the eyes of their customers in the most direct way. The importance of reliability is further dramatized by the finding that customers' expectations for service are likely to go up when the service is not performed as promised. When service failures occur, customers' tolerance zones are likely to Shrink and their adequate and desired service levels are likely to rise. For example, the expected core service of railways is transportation. Hence Shatabdi has to leave the station at promised 1430 hours. If it is late by, say more than say 30 minutes everyday, customers are likely to lose faith in the service and may resort to airlines or use their own car.

Responsiveness

Responsiveness is the willingness of the service providers to help customers and to provide prompt service. This dimension emphasizes attentiveness and prompt-ness in dealing with customer requests, questions, complaints, and problems. There are strong similarities between the employee behaviors noted in those critical service encounters and the responsiveness dimension of service quality. Responsiveness is communicated to customers by the length of time they have to wait for assistance, answers to questions, or attention to problems. Responsiveness also captures the notion of flexibility and ability to customize the service to customer needs. For example, if a customer wants to know the exact departure time



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of Shatabadi, the rail fare, facilities available, Indian Railways has to provide for the same. If a customer rings up inquiry office and nobody picks up the phone, the service is likely to be viewed negatively by the customer. The customer will feel neglected.

To excel on the dimension of responsiveness, a company must be able to view the process of service delivery and the handle the requests queries or complaints of from the customers. It must be able to understand customers' point of view rather than impose its own point of view. Standards for speed and promptness that reflect the company's view of internal process requirements may be very different from the customer's requirements for speed and promptness.

Assurance

Assurance is defined as employees' knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence. This dimension is likely to be particularly important for services that the customer perceives as involving high risk and/or about which they feel uncertain about their ability to evaluate outcomes, for example, banking, insurance, brokerage, medical, and legal service.

Trust and confidence may be embodied in the person who links the customer to the company, for example securities brokers, insurance agents, lawyers, counselors. In such service contexts the company seeks to build trust and loyalty between key contact people and individual customers. The "personal banker" concept captures this idea-customers are assigned to a banker who will get to know them individually and who will coordinate all of their banking services.

In the early stages of a relationship, the customer may use tangible evidence to assess the assurance dimension. Visible evidence of degrees, honors, and awards and special certifications may give a new customer confidence in a professional service provider. Even in the public sector banks, the concept of personal banking and customizing the services is gaining popularity. Despite heavy marketing of private sector banks, people feel assured of the security only with the public sector banks. This is the 'assurance' dimension, encompassing trust and confidence.



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Empathy

Empathy is defined as the caring, individualized attention the firm provides to its customers. The essence of empathy is conveying, through personalized or customized service, that customers are unique and special. Customers want to feel understood by and important to firms that provide service to them. Personnel at small service outlets often know customers by name and build relationships that reflect their personal knowledge of customer requirements and preferences. When such a small firm competes with larger firms, the ability to be empathetic may give the small firm a clear advantage.

In business-to-business services, customers want supplier firms to understand their industries and issues. Many small computer consulting firms successfully compete with large vendors by positioning themselves as specialists in particular industries. Even though larger firms have superior resources, the small firms are perceived as more knowledgeable about customer's issues and needs and able to offer more customized services.

Tangibles

Tangibles are defined as the appearance of physical facilities, equipment, personnel, and communication materials. All of these provide physical representations or images of the service that customers, particularly new customers, will use to evaluate quality. Every service has an element of tangibility, although its significance may vary. For example, in medical services, hospital, equipment, medicines are the tangible dimensions. Despite being of very high value, the service is incomplete in absence of a skilled doctor. Alternatively, despite having a skilled doctor, a hospital is likely to be rejected if it is dirty and unhygienic. Service industries that emphasize tangibles in their strategies include hospitality services where the customer visits the establishment to receive the service, such as restaurants and hotels, retail stores, and entertainment companies.

Tangibles are often used by service companies to enhance their image, provide continuity, and signal quality to customers.

GAPS IN SERVICE QUALITY

Quality can be viewed from two perspectives - internal and external. Internal quality is based on conformance to specifications. External quality is based on relative customer perceived quality. The important point is that quality must be seen from the customer's



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viewpoint, not the company's. It is essential that quality be measured from the customer's perspective, not from what managers within a company think their customers' views are:

Several reasons have been identified as to why it is unsafe to rely on managerial opinions of customer perceptions. These include the following:

1. Management may not know what specific purchase criteria users consider important. For example, customers frequently identify key purchase criteria not identified by management. Even when the criteria are correctly identified, management may misjudge the relative importance of individual criteria.

2. Management may misjudge how users perceive the performance of competitive products on specific performance criteria. These differences in perception of performance may exist for the most basic of criteria.

3. Management may fail to recognize that user needs have evolved in response to competitive product developments, technological advances, or other market or environmental influences.

GAP MODEL:

A model has been developed by Parasuraman and his colleagues which helps identify the gaps between the perceived service quality that customers receive and what they expect. The model identifies five gaps:

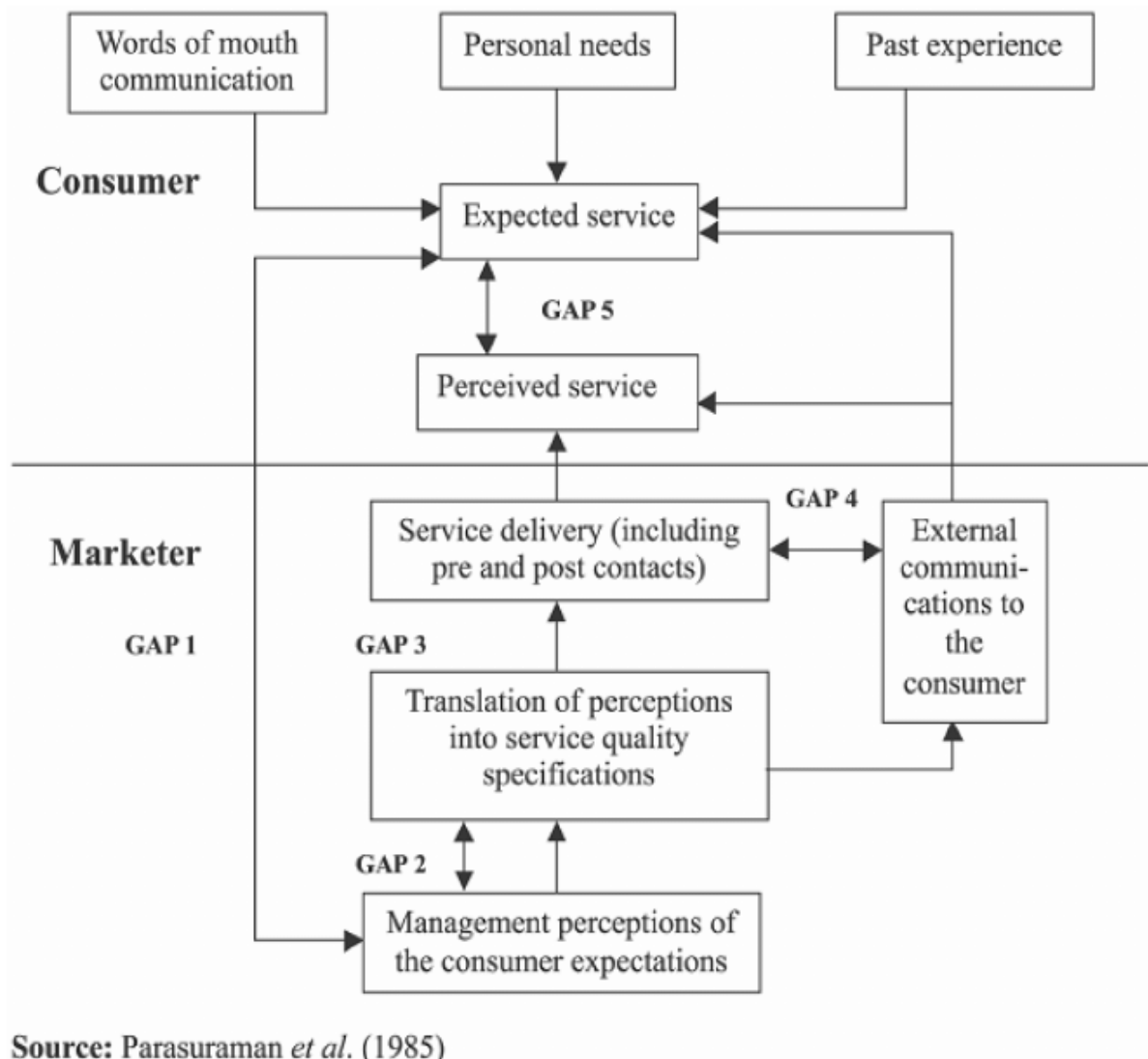
Gap No.	Dimension of Gap
Gap 1 – The Knowledge Gap	Consumer expectation and management perception
Gap 2 – The Policy Gap	Management perception and service quality expectation.
Gap 3 – The Delivery Gap	Service quality specification and service deliver
Gap 4 – The Communication Gap	Service delivery and external communications to consumers
Gap 5 – The Customer Gap	Expected service and perceived service



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GAPS MODEL OF SERVICE QUALITY:



Gap - I: Consumer expectation and management perception:

The first gap is the difference between consumer expectations and management perceptions of consumer expectations. Research shows that financial service organizations often treat issues of privacy and confidentiality as relatively unimportant, whilst consumers considered them very important.

In India, very little research is done by the companies to know the customers' expectations. Often, management believes that their estimate of what customers want is final. They make an error of judgment at this stage. The customers themselves are also to be blamed because they do not protest or complaint, when they do not get the desired service. This keeps



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the management in dark and they continue to live by their belief that what they think is correct.

For example, advert the coming of private telephone companies, the PSUs never bothered to listen to their customers. This kept the customers dissatisfied and the private players were able to make a rapid entry into the market by taking the advantage of this gap of the PSU telecom service provider.

Gap – II: Management perception and service quality expectation:

The second gap is the difference between the management perceptions of consumer expectations and service quality specifications. Managers will set specifications for service quality based on what they believe the consumer requires. However, this is not necessarily accurate. Hence, many service companies put much emphasis on technical quality, when in fact the quality issues associated with service delivery are perceived by clients as more important.

For example, some foreign banks believe that the customers will maintain high minimum balance (to the tune of Rs. 10000/-) in their accounts. This is too heavy an amount for any bank, which aspires to become a “mass” bank and not remain a “class” bank. Probably, these banks extrapolate the minimum balance maintained by the customers in foreign countries. In India, same specifications cannot work.

Gap - III: Service quality specification and service deliver:

The third gap is the difference between service quality specification and the service actually delivered. This is of great importance to services where the delivery system relies heavily on people. It is extremely hard to ensure that quality specifications are met when a service involves immediate performance and delivery in the presence of the client. This is the case in many service industries: for example, a medical practice is dependent on all the administrative, clerical and medical staff performing their tasks according to certain standards. The practice may set a goal of a maximum fifteen-minute patient waiting time, however, a doctor who keeps a poor schedule will upset the system for all of the staff.

For example, it happens in most government offices in India that one or more dealing clerks are on leave or do not process the files, leading to delay in the decisions. This upsets the whole working of the office.



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Gap – IV: Service delivery and external communications to consumers:

The fourth gap is the difference between service delivery intention and what is communicated about the service to customers. This establishes an expectation within the customer which may not be met. Often this is result of inadequate communication by the service provider.

Indian Railways is a good example to show this gap. Late arrival of trains is more of a routine than being an exception. Even the clerk at the reception is unable to tell the exact time of delay. No officer of the railways takes any responsibility for the delay.

Gap – V: Expected service and perceived service:

The fifth gap represents the difference between the actual performance and the customers' perception of the service. Subjective judgement of service quality will be affected by many factors, all of which may change the perception of the service, which has been delivered. Thus a guest in a hotel may receive excellent service throughout his stay, apart from poor checking out facilities. But this last experience may damage his entire perception of the service, changing his overall estimation of the quality of the total service provided from good to poor.

ADVANTAGES OF GAP MODEL:

The gap model has following advantages:

- It provides a framework for understanding the factors of service quality.
- It helps in identifying shortfalls in service quality.
- It suggests the means to fill the gaps.

LIMITATION OF GAP MODEL:

The problem of the gap model lies in defining and quantifying various specifications to identify these gaps.

IMPROVING SERVICE QUALITY:

Improving service quality is an important activity, which needs to be followed. Some of the commonly used techniques for improving service quality are:



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- Benchmarking
- Service Blueprinting

Benchmarking

In order to evaluate service quality it is important to establish a firm's performance relative to its competitors. Benchmarking involves looking for the best ways to achieve competitive advantage. It stems from the Japanese practice of 'dantotsu' which means striving to be 'best of the best'. The company's products, service and practices are continually compared with the standards of the best competitors and identified industry leaders in other sectors. By observing and measuring the best within and outside the industry it is possible to improve the performance of the company.

An early firm to adopt benchmarking was Xerox Corporation who use it as a major tool in gaining competitive advantage. Xerox first started benchmarking in their manufacturing activities and focused on product quality and feature improvements. Xerox is now seen as a world role model for quality improvement with some 240 different functional areas of the company routinely involved in benchmarking against comparable areas. Service companies can identify improvement opportunities from a wide range of different industries, not just services. The value chain concept developed by Micheal Porter can be especially useful in benchmarking competitors. By systematically comparing processes within each element of the firm's value chain with those of competitors, areas for improvement can be identified. Such systematic comparisons can make transparent areas where competitive advantage can be secured. Benchmarking can be used to improve service quality or reduce cost. For example, it may show where competitors are subcontracting activities out to third parties at prices lower than it would cost them to perform the activities themselves.

Service blueprinting/process analysis

Service companies who wish to achieve high levels of service quality and customer satisfaction need to understand all the factors which may influence customer perception. 'Blueprinting' or service process analysis is a concept which breaks down the basic systems and structures of an organization in order to develop a greater understanding of the service process. The approach requires the identification of all of the points of contact between the customer and the service provider. Possible breakdowns in the service encounter can then be



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identified. These can then be acted upon and improved, thereby improving service quality. Several approaches to carrying out a blueprinting exercise have been suggested:

a) Blueprinting/cycle of service analysis:

The concept suggests that each contact with the customer is a 'moment of truth', each being an opportunity to either increase or decrease customer satisfaction. The customer's perception is a continuous stream of experiences which together determine the service quality. The company will very often not perceive the service in this way as their employees are constrained in their view by the particular part of the overall service with which they are involved. The blueprinting/cycle of service approach enables a service company to shift its employees' perception so that they have a better understanding of the customer's experience.

b) Value chain analysis:

This important analytical tool involves breaking down each of the activities of a firm into its various activities, and showing where value is added for its customers. Each activity can be analyzed to determine its contribution to customer satisfaction and service quality.

c) Storyboarding:

This concept was developed by the Walt Disney organization in designing its theme parks in order to engineer the customer experience and ensure the greatest customer satisfaction. When a film is made, each scene is outlined in advance, using a series of sketches arranged in a sequence known as a storyboard. Similarly, sketches of each contact a customer has with the service provider can be used to identify points for improvement in customer service. Scenes can be rearranged to improve the quality of the customer experience.



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UNIT – V - Marketing Of Service With Special Reference:

Financial Services – Health Service -Hospitality Services including travel, hotels and tourism
- Professional Service - Public Utility Services - Educational Services.

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



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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.



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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, Heterogeneity, Perishability, Ownership.

FINANCIAL SERVICES

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

- Acquisition
- Satisfaction
- Retention.



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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.



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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 uncongenialities, 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 anging market



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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 make personal



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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.



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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 Gensing- 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.



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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



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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



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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



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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 on preparation of teaching notes.

PROFESSIONAL SERVICES:

Not very many years ago, professionals could count on their reputations and country club contacts to obtain a steady stream of clients or patients. Today, though, lawyers, accountants, management consultants, architects, engineers, dentists, doctors, and other professionals must do extensive marketing to maintain and build their practices.

Several developments during the last few years have accelerated this trend, among them the following:

1. **Legal sanctions.** Several highly publicized court cases have opened the door to such previously banned marketing tools as advertising.
2. **Too many professionals.** Law, architecture, dentistry, and other professions have become overcrowded and their members must increasingly compete for customers.
3. **A declining public image.** In an era of consumerism and malpractice suits, professionals are no longer on a pedestal. This condition has made it necessary—and, ironically, more acceptable—for professionals to use marketing to enhance their public images and to improve their clients' and patients' satisfaction.



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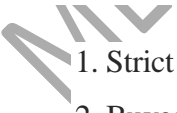
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These developments are pushing numerous professional service firms into the marketing arena.

Professionals of all types now aggressively use marketing tools. For example, many newspapers, magazines, and Yellow Pages directories are filled with advertisements for lawyers, dentists, optometrists, and accountants. At the same time, storefront legal, dental, and tax-preparation clinics have become accepted as part of the suburban shopping center scene. Furthermore, newsletters, press releases, and other public relations tools are widely used by accounting, law, architectural, engineering, and management consulting firms. And, in a less visible way, professional service firms of all types and sizes are employing marketing research and strategic planning with increasing frequency.

As competition intensifies, many professionals are discovering the limits of conventional marketing wisdom. They are finding that marketing concepts and approaches employed by organizations selling toothpaste, cereal, and other tangible products, or even other types of services, aren't readily transferred to professional services. Indeed, marketing such services *is* different.

Professional services reviews seven marketing challenges that confront professional providers more frequently and affect them more intensely than they do the marketers of goods and nonprofessional services. These challenges, which I have isolated through extensive interviews and discussions with a diverse group of professional service marketing practitioners, are:

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1. Strict ethical and legal constraints.
 2. Buyer uncertainty.
 3. Need to be perceived as having experience.
 4. Limited differentiability.
 5. Immeasurable benefits of advertising.
 6. Converting “doers” into “sellers.”
 7. Allocating time for marketing.



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PUBLIC UTILITY SERVICES:

A public utility is a company that operates as a public-service corporation, and provides essential services to the public such as electricity, telephone service, natural gas, water or postal services. The public utility is typically regulated by the national, state or local government. The term '*public utility*' may also refer to the service or product itself – water, natural gas, sewage, etc. – that these organizations supply to members of the public.

A public utility often forms part of a natural monopoly. A natural monopoly is a monopoly that exists because a specific market's economies of scale make it the most cost-effective way to provide consumers with the best quality and price.

