SERVICES MARKETING NOTES

Meaning of Services :-

A service is a non-material equivalent of goods. A service provision is an economic activity that does not result in ownership and this is what differentiates it from providing physical goods. It is claimed to be a process that creates benefits by facilitating a change in customers, a change in their physical possessions, or a change in their intangible assets.

Philip Kotler: "A service is an act of performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product."

Characteristics:

1.Intangibility, 2.Inseperatability,3.Variability,4.Perish ability,5.Ownership 6.Service in Performance,7.Simultaneously ,8.Quality measurement, 9.Nature of Demand, 10.Consumer, a part of production process

Service Marketing:-

Service marketing is marketing based on relationship and value. It may be used to market a service or a product. Marketing a service-based business is different from marketing a goods-base business. We term marketing as a function by which a marketer deliver, promotes and plans goods and services to customer and clients.

Characteristics of Services:

1. **Intangibility:** Services are not physical objects, and cannot be touched or directly perceived by thePhysical senses. While selling or promoting a service, one has to concentrate on the satisfaction andbenefit a customer can derive from the service.
2. **Perishability:** Services have a high degree of perish ability. The element of time assumes a significant position. If a service is not successfully sold today, the potential earnings from that are lost forever. It cannot be stored. Unutilized services are an economic waste. e.g. an unoccupied building, an unemployedperson, vacant seats in transport, etc.
3. **Inseparability:** Services are created and supplied simultaneously. There is no clear separation betweenthe creation and consumption of the service, and services and service providers areclosely associated. Donald Cowell states "Goods are produced, sold, and consumed, whereas services aresold, and then produced and consumed."
4. **Heterogeneity:** The quality of services cannot be standardized.Consumers rate the services in different ways. This is due to the difference inPerception and expectations of initials at the level of providers and users.
5. **Ownership:**· The very nature of services precludes transfer of ownership, as in the case of goods. Users only gain access to services. They cannot own the services.e.g a customer can use a hotel room or swimming pool, however the ownershipremains with the service providers.
6. **Simultaneity:**Services cannot move through channels of distribution and cannot be delivered to Potential customers. Either customeris brought to the services, or service providers go to theusers. Thus, the consumption and production of services happens at the same placesimultaneously.
7. **Quality Measurement:** It is very complicated to accurately quantify the value of services, in monetary terms.· Quality measurement of services is subjective, and may vary with various factors like

Expectations and perception of consumers, brand value of service provider, etc. E.g. we can easily quantify the food served in a restaurant, but it's difficult to do thesame to measure the performance of the restaurant staff.

8. **Nature of Demand:** Demand for many services is generally fluctuating. E.g. During holiday season, the demand for transport and tourism services increasesdrastically.

REASONS FOR THE GROWTH OF SERVICE INDUSTRY

- It is obvious that the growth in the services sector has been substantive. The reasons for this
- Growth are quite a few, some of which are summarized as follows.
- **Affluence**: - The increase in general affluence has given rise to services like financial, legal, personal security, interior designer, etc.
- **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 utilize this time to improve their career prospects and therefore there is a need for adult education/distance learning/part time courses.
- **Life expectancy**: - The health programmed have significantly contributed to an increase in life expectancy given rise to services like old age homes, nursing homes, health care, etc.
- **Working wives: -** As more and more women have started working, the need for day care for children has increased, and so is the care with packed food and home delivery.
- **Product complexity**: - A large no. of products are now being purchased in households which can be serviced only by specialized persons like water purifies, micro wave ovens, home computers, etc. giving rise to the need for services like after sales service agents for durables, maintenance service providers, etc.
- **Life complexity**: - As the daily routine gets busier, individuals find it difficult to manage things on their own. Their leads to an obvious need for tax consultants, legal advisors, property advisers, etc.
- **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.
- **New products**: - the development in information technology has given rise to services like PCOs, Pager service providers, Web Shoppe, etc.

Differences between services and goods:

Basis	Service	Goods
Intangible	Fully intangible may be physical evidence	Fully tangible
Inseperatability of buyer and provider	Both must be present	Remote transaction easy
Ease of inventory	Cannot store or ware house the service	Easily inventoried
Difficulty in Measuring and controlling quality	Measure and control people processes instead of product	Measure and control product quality only.
Sensitivity to time	Needed on demand or sale is lost	Can usually wait to receive the product
High degree of risk	Cost of failure very high	Product can be replaced
Consumption of the offering	Customization likely to enhance customer perception of perceived quality	Customization increases cost, but likely to enhance perceived product quality

Personalization of buyer relationship	**Relationship can be as important as service**	**Product is the focus of the transaction**

REASONS FOR THE GROWTH OF SERVICES IN INDIA:

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

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

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

4. I.T. Revolution: For the last 15 years India'6aste,en occupying a vital position in the area of Information Technology. IT became one of the key service businesses of the country. India has the largest software skilled population in the world. The domestic market as well as the international market has grown substantially. Realizing the potential for this area many state governments have made IT as their most, prioritized segment states such as Karnataka, Andhra Pradesh, Madhya Pradesh Maharashtra and Delhi have already achieved substantial progress in Information Technology the In Ile years to come 'Lille IT enabled se Aces will have a bright future. The growth of' population, industrialization and indiscriminate consumptions have affected the, natural resources, environment and the ecological balance. Due to this there is an imbalance of the ecology various service organizations have been promoted in order to take up social marketing. Thousands of crores of rupees are being spent on safeguarding the rare animals and birds, water pollution, conservation of oil & energy and research to develop new technologies that can promote effective use of natural resources and safeguard the environment.

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

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

7. Health-Care Consciousness: In India, the healthcare market has grown substantially. The increased life expectancy is the result of the consciousness of the people regarding the health issues. The growth of fitness clubs, diagnostic centers, medical counseling, and health-related information sites are the reflections of the growing demands for health care services. The governments as well as the social organizations have taken up the mass campaigns in order to create awareness among the illiterate persons and the rural population on health service. Hence, the growth of health related services.

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

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

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

11. Service tax: The growth in the service sector attracted the attention of the government as a tax generating source. Over the years, the number of services brought under service tax has increased- Service tax is levied on hotels and restaurants, transport, storage and communications, financial services, real states, business services and social and personal services.

1. There has been an increase in demand for the services of professionally qualified technicians with the establishment of technical institutes.
2. Communication services like entertainment, education and the right to information by the public is more important.
3. Due to the increasing standards in education there is an increasing demand for educational services. Primary, secondary, higher secondary schools, junior degree colleges are the institutes which are in great demand. As the number of students goes up the demand for private classes, tuitions, etc. also increases.
4. Banking services have become necessary to meet financial requirements of the public and the national industrial sector.

5. Personal care services are essential to develop potentiality of an individual for a perfect personality and positive image.
6. Electricity services are required for the benefit of society, industry and so on.
7. With the increasing amount of trade and business, done by road there has been a demand for transport services which benefits various automobile manufacturers. Large section of population prefers having their own vehicles, proving a good business proposition for automatic industry.
8. The tourism industry has geared itself to make the tourists enjoy the holiday seasons in the places of their choice and take them away from monotonous existence of cities.
9. Adequate hospital services are essential for the well-being of the society.
10. Hospitality services work on the strategies to satisfy the business class through their service in terms of comfort and satisfaction. The above activities have left the management scientists, professionals and socio-economic thinkers to analyze and understand that managing services need attention, stay in business.
11. As the natural resources are depleting and need for conservation is increasing we see the coming of service providers like pollution control agencies, car pools, etc.
12. The development in information, technology has given rise to services like pager service PCOs, worldwide, Professional requirements need a change when technology develops and evolves; this necessitates proficiency in the management level by giving a boost to abilities.

Significance:

- **i) Creation and expansion of job opportunities**
- **ii) An optimal utilization of resources**
- **iii) Paving avenues for the formation of capital**
- **iv) Increasing the standard of living**
- **v) Environment-friendly technology**

The Marketing Mix (THE 7P's OF SERVICES MARKETING)

In order for your business to sell its products and services as successfully as possible, you need to look at what products you are selling in detail to ensure they will be attractive and needed; the price to ensure it is not too cheap or too expensive; where you are best distributing your product; and finally, how you can create interest and awareness for your products. All these elements need to be targeted at the right people at the right time. In order for your business to tackle this correctly, you need to get the right type of mix (marketing mix), the mix should include four main elements: Product, Price, Place and Promotion, by examining each and carefully and adapting them to your customer's needs, you will continue to produce and needed products and services

1) Product element: Managers must select the feature of both the core product (either a good or service) and the bundle of supplementary service elements surrounding it, with reference to the benefit desired by customers and how well competing products perform. In short, they must be attentive to all aspects of the service performance that have the potential to create value for customers

2) Price and other user costs: - This components addresses management of the expenditures and other outlays incurred by customers in obtaining benefits from the service product. It is not only related to traditional pricing tasks of establishing selling price to customers, setting trade margins and getting credit terms but also, how to minimize other burdens of customers while purchasing such as time, mental and physical efforts and unpleasant sensory experiences such as noises and smells.

3) Place, cyberspace and Time:-Delivering product elements to customers involves decisions on the place and time of delivery as well as on the methods and channels employed. Delivery may involve physical or electronics distribution channels or both), depending on the nature of the service being provided.

4) Promotion and education:-No marketing program can succeed without effective communications. This component plays three vital roles: -

a)Providing needed information and advice (awareness).

b)Persuading target customers of the merits of a specific product. (Concentrating on a particular segment of the market).

c) Encouraging to take action at a specific time (purchase).

Communication is educational in nature for new customers.

Communication can be delivered by individuals such as sales people and trainers, media such as **TV, radio, newspaper, magazines, postures, websites** etc.

This promotion is usually used as incentives to catch customer's attention and to motivate them to act. The above four are the traditional marketing mix. The EXTENDED marketing mix for services marketing is asfollows :

5) People: - Many services depend on the direct, personal interaction between customers and a firm's employees (such as getting a haircut or eating at a restaurant). This interaction strongly influences the customer perception of service quality. So, successful service firm devote significant effort to recruitment, training and motivating their personnel.

6) **Physical evidence:-**The appearance of buildings, landscaping, vehicle, interior furnishing, equipment, staff members, signs, printed materials, and other visible cues all provide tangible evidence of the firms service quality. The service firms need to manage physical evidence carefully because it can have a profound impact on customers' impression as the service itself is intangible. A tangible element such as insurance and advertising is often employed to create meaningful symbols.

E.g.: - umbrella may symbolize protection and a fortress, security.

7) Process: - It is the method and sequence of actions in which service operating system works.

Badly designed process: - annoys customers which lead to likelihood of service Failures.

Quality refers to the degree to which a service satisfies customers by meeting their needs, wants and expectations. Service quality helps in product differentiation and building customer loyalty. Invest in quality profitably i.e. by considering incremental cost and incremental revenue. Thus, these are the 8ps of service management, which are the essence of it. The integration of each p's is necessary for the successful service management collectively these are the tools organizations uses to develop offerings to satisfy their target market(s) ... the only tools at their disposal. Remember: If your marketing mix doesn't meet their needs they will not be satisfied - and if they aren't satisfied you are unlikely to meet your objectives.

The marketing mix should be viewed as an integrated and **coordinated** package of benefits that reflect the characteristics of customers and various targeted publics and satisfy their needs, wants, and expectations. Note that the elements of the marketing mix should be integrated because each element of the mix usually has some impact, direct or indirect, on the other three.

For example, if you improve the product or service you probably have to change the price because it costs more to produce. Although you may not have to change where the product is delivered to the customer, you will almost certainly have to change the promotion or communication with the customer because you need to tell the customer about the changes you have made in the product and how the changes will make it more desirable and satisfying. One problem in many organizations is that different divisions may be responsible for different elements of the marketing mix. This happens even in well-managed organizations. The result is that the offering is confusing to the target market. Lack of communication among divisions makes this problem worse. And if they don't share the same view of organizational objectives, the problem is worse still.

PRODUCT MIX

Introduction

‘Product’ includes name, design, features, quality, operational case, packaging, warranties, appearance, range and size. It also includes pre-sale and post-sale services like training, repairs, maintenance and replacements. According to Philip Kotler “a product is anything that can be offered to market for attention, acquisition use or consumption that satisfy a want or need. It includes physical objects (TV), service (banking), person (political person), place (holiday resort), organization (red cross) and idea (aid awareness).” Conventionally, a product is an object, which is delivered and consumed. However, in services there is no or very little tangible elements. Hence, what is offered for sale is benefits. Service is a bundle of benefits and has relevance for a specific target market. Hence, the package of benefits should have a customer’s perspective.

Levels of product:
Kotler has identified 5 levels of a product
1) Core product
2) Basic product
3) Expected product
4) Augmented product
5) Potential product
Kotler suggested that a product should be viewed in three levels.
1. Level 1: Core Product. What is the core benefit your product offers? This is the fundamental benefit or service that the customer is buying. For eg. A customer going to a Hotel is buying rest, sleep etc.
2. Level 2 Basic Product: Basic functional attributes. All Hotels provide rest and sleep. The aim is to ensure that your potential customers purchase your one service. Thus the functional attributes like Room, Bed, Bath are important.
3. Level 3 : Expected product : Set of attributes that the buyer expects (Clean room, large towels, quietness)
4. Level 4: Augmented product: What additional non-tangible benefits can you offer? This meets the customer’s desires beyond his expectations – (Prompt room service, music, aroma etc)
5. Level 5 : Potential product : The possible evolutions that can be made to make the product a distinguished offer (all suite room)

In a Bank these can be
- Core Product (Safety of deposits, Interest, Easy loans
- Basic product : Savings deposit, FD, Recurring deposit
- Expected product : Correct transaction records, timely service, convenient timing
- Augmented product : Congenial waiting room, Water cooler
- Potential product : Greetings for New Year, 24 hour banking

The PACKAGE CONCEPT of Service product – suggests that what you offer to the market si a bundle of different services – tangible and intangible. There is a core service and around it are built the auxiliary or facilitator service. Without this the service would collapse (a bell boy in a Hotel). Yet another service is the supporting service – it is used to increase the product value (a car rental in a hotel). The basic product is not equivalent to the service product which the customer perceives, which is in fact based on customer’s experience and evaluation. Therefore there is a need for an augmented product – like Accessibility (number and skills of personnel, convenient timing, location, infrastructure etc.,) Interaction with service organization (Between employees and customer, with physical and technical resources, with other customers) Consumer participation.(how well the customer is aware about the process of service delivery, his willingness to share information and use service equipment’s)

The package should also include the management of service image through encouraged word of mouth and market communication.

Product Decisions

When placing a product within a market many factors and decisions have to be taken into consideration.

These include:

- Consumer benefits – assess what benefits the consumer looks for
- Service concept – To translate it to suitable service offer
- Develop augmented offer

BRANDING:

One of the most important decisions a marketing manager can make is about branding. The value of brands in today's environment is phenomenal. Brands have the power of instant sales; they convey a message of confidence, quality and reliability to their target market. Brands have to be managed well, as some brands can be cash cows for organizations. In many organizations

They are represented by brand managers, who have huge resources to ensure their success within the market. A brand is a tool, which is used by an organization to differentiate itself from competitors. Ask yourself what is the value of a pair of Nike trainers without the brand or the logo? How does your perception change? Increasingly brand managers are becoming annoyed by 'copycat' strategies being employed by supermarket food retail stores particular within the UK. Coca-Cola threatened legal action against UK retailer Simsbury after introducing their Classic Cola, which displayed similar designs and fonts on their cans. Internet branding is now becoming an essential part of the branding strategy game. Generic names like Bank.com and Business.com have been sold for £m's. (Recently within the UK banking industry we have seen the introduction of Internet banks such as **cahoot.com** and **marbles.com** the task by brand managers is to insure that consumers understand that these brands are banks!

Branding of Services and its Importance

Philip Kotler defines a brand as "a name, a term, a symbol, or a designed or a combination of them which is intended to identify the goods and services of one seller or a group of sellers and to differentiate them from those of competitors".

Brand decision is important for tangible goods. But in the case of service offering branding is still in its infancy, there importance is expected to rise due to the following reason.

1. Service market is getting more competitive and there is as increasing proliferation of brands in the service sector.
2. It is five times cheaper to retain customer than to attract new ones.
3. As a new service development assumes greater importance, the risk of product launch is reducing in the context of umbrella branding.
4. As service itself does not offer unique tangible benefits, brand development tangibilises the service. Customer gives more significance to the service provider than the individual service products that the provider offers. Therefore, this leads to branding the service providers cooperate image. Banks especially have recognized the importance of corporate image and identity and have used slogans, logos and other means to brand themselves. Ones the corporate brand is developed it is found that service firms move with relative easy to other service product categories. Primarily companies resorts to corporate brand building with a goal of maximizing market capitalization and creating shareholders wealth. In case of service firms corporate branding reflects the service itself. Airlines, fast-food restaurants, banks, professional firm are usually differentiated on the basis of their corporate name and reputation rather than the specific service they offer. The service organization brand name is reinforcing by courteous employees, professional looking uniform, advertising etc. However no matter how good the corporate brands may be the quality of service determines the success of the image. There are instance where the

service itself is branded. Example Suvidha Account of Citibank, the various schemes of LIC like Jeevan Kishore, Jeevan Mitra etc.

Advantages of branding services

1. To tangibilise the intangible.
2. To support the positioning strategy.
3. Offers a powerful tool for relationship building.
4. To create an image of quality and consistency.
5. To reduce price comparison.
6. Keeps current customers satisfied by developing and sustaining a unique service advantage.
7. Encourages repeat usage using sales promotions.

PRICE MIX

Introduction:

This element of the marketing mix is related to the decision influencing the fee structure, rate of interest, commission charged and paid by the service generating organizations. It is considered to be the most critical component of the marketing mix. Both from economic and social standpoint, the management of pricing is important but at the same time more critical and challenging. We find pricing decisions important because the pricing decisions are to influence the maintenance, development and expansion plans of an organization.

Guidelines for service pricing:

1) Pricing strategy should enable handling demand fluctuations successfully. As services cannot be inventoried, pricing should encourage customers to use the service during period of low demand.
2) As services need to have some tangible element attached to it, service pricing should be based on costs so as to take into account the tangible clues.
3) Service price as an indicator of quality: Services not having specific brand names to indicate Quality, customers use price as an indicator of quality. This in particular in some cases, where the price variation is too much with in a particular class of service (e.g. Tour operators). Also, where the risk associated with the service is high (e.g. Heart surgery). Price is taken as an indicator of quality. Thus pricing too low can give wrong signals and pricing too high can set expectations that the firm may find it difficult to match in service delivery. Because goods are dominated by search qualities. Price is normally not used to judge quality.
4) Pricing strategy should cope-up with the degree of competition operation with in certain geographic and time zone. E.g. Bus operators will have to consider prices of train. It also includes the stage of strategic low pricing to attract first time customers.

Approaches to pricing services:

The 3 approaches to pricing services are:
1) Cost-based pricing
2) Competition-based pricing.
3) Demand–based pricing.

1) Cost-based pricing:

In cost-based pricing, a company determines expenses from raw materials and labor, adds amounts or percentages for overhead and profit, and thereby arrives at the price. This method is widely used by industries such as utilities, contracting, wholesaling and advertising. The basic formula for cost-based pricing is Price = Direct costs + Overhead costs + Profit margin
Direct costs involve materials and labor that are associated with the service, overhead costs are a share of fixed costs, and the profit margin is a percentage of full costs (direct + overhead)

Problems in cost-based pricing services:

a) It is difficult to define the units in which a service is purchased. Thus the concept of price or

Unit is vague. Thus many services are sold in terms of input units rather than units of measured output. E.g. consultant, teacher etc.
b) Where a firm provides multiple services. The costs being a major component of employee time are difficult to allocate.
c) Service cost may not represent true value. For e.g. a darner charging same price for a expensive suit and an ordinary pant.

2) Competition-based pricing:

This approach focuses on the prices charged by other firms in the same industry or market. Competition-based pricing does not always imply charging the identical rate others charge but rather using others prices as an anchor for the firm's price. This approach is used predominantly in two situations: (a) When services are standard across providers, such as in the dry cleaning industry. (b) In oligopolies where there are a few large service providers, such as in the airline.

Problems in competition-based pricing:

(a) Small firms may charge too little and not make margins high enough to remain in business.
(b) Heterogeneity of services across and within providers makes this approach complicated. E.g. Banks charge different rates of commission for drafts and other services.

3) Demand-based pricing:

The first two approaches of pricing are based on the company and its competitors rather than on customers. Neither approach takes into consideration that customers may lack reference price, may be sensitive to nonmonetary prices and may judge quality on the basis of price. All of these factors can and should be accounted for in a company's pricing decisions. The third major approach to pricing, demand-based pricing, involves setting prices consistent with customer perceptions of value: prices are based on what customers will pay for the services provided.

Problems in demand-based pricing:

(a) There is an element of non-monetary costs and benefits which must be considered while calculating perceived value. E.g. services requiring time, inconvenience, psychological and search costs should be riced lower. It is difficult to convert this non-monetary cost into monetary cost. (b) Information on service may be less available to customer, making it difficult to assess the price.

THE PLACE MIX

INTRODUCTION

Another important element of the marketing mix is place mix, which focuses our attention on the offering of services by the providers to the ultimate users and the place of location for the service generating organizations. In some of the cases we find that providers have no option but to locate the units/branches as per the instructions of the apex body. Some of the essential features are taken into consideration such as easy and convenient accessibility, safety or protection availability of the infrastructural facilities, attractive and healthy surroundings or so.

Due to the intangibility, services cannot be stored, transported and inventoried. Hence the traditional channels of product marketing like wholesalers cannot be used. Even retailing cannot be an independent activity. Similarly because of inseparability they have t be produced and sold simultaneously. Due to this tehe channels of distribution are made very short. At the most there can be one agent like in the case of insurance, travel agency, courier eye. The better thing is direct selling. Agents when employed can have two types of functions – either they market the services like travel agents, insurance agents etc, who market the tangible part of the service offering OR there can be agents who are trained to provide the service Like a Shahnaz Hussain Beauty parlor. Further as there is no actual transfer of ownership, the creation of time and place utility is very important. Hence proper location to cover maximum customers becomes important. Banks often have extension counters
or use money collectors.

Capacity Planning

It is not sufficient that we are interested only in managing our present. It is much more significant that we keep our eyes open, minds active to know about the future and continue to enrich our potentials to manage the future. The organizations not managing the future fail in managing the demand and supply position, make it difficult to optimize the development of marketing resources to cope with the changing requirements, make possible a contraction in their resistance power and both on quantitative and qualitative fronts, we find them moving backward. By capacity planning, our emphasis is on the management of strength. Capacity planning is known as planning the capacity in the face of future. This throws light on both the aspects-first, the organizations are supposed to know the demand position so that the potentials are enriched to increase the quantity or capacity of generating the services and second, the organizations are also required to know about the likes and dislikes, preferences, expectations, attitudes which make an advocacy in favor of technologies to fulfill their expectations and this is not possible unless we think in favor capacity planning. The strategic plan would make the ways for the mobilization of financial resources to cater to their increasing

requirements. We can't deny the fact that if an organization succeeds in maintaining the process of profit generation, the financial health of that organization becomes so sound that the task of satisfying the employees and investors is simplified considerably. If an organization is strong, the task of facing the challenges and threats in the markets is simplified considerably. It is against this background that strategic planning assumes a place of outstanding significance. When we talk about capacity planning, our prime focus is on strategic planning since the process of enriching strength can't be made possible within a couple of days.

Capacity Scheduling

How much of what (service) will be needed to achieve its pre-determined goals is an important consideration that makes an advocacy in favor of capacity planning and scheduling. There are a number of critical variables requiring due consideration in the process such as, goals of the service firm, availability of capital and the quality of human resources, market segments served and the level of service quality aimed at. A detailed scheduling of man, materials, money and machines (four M's) is essential for each element of the service mix.

PROMOTION MIX

INTRODUCTION:

The promotion mix is found instrumental in informing, sensing and persuading the prospects or customers. The marketers bear the responsibility of using the different components of promotion in such a way that the measures adopted for promoting the goods or services are found productive. The promotion communicates to customer's information on the other elements of marketing mix, such as product, pricing and place. The advantage of product itself, details on the place through which it is sold and details on the pricing are transmitted through promotion.

COMPONENTS OF THE PROMOTION MIX:

1) Advertising:

Advertising is paid form of persuasive promotion since it plays an effective role in informing and sensing the customers. The creativity is found to be an essential aspect of advertising, which increases the importance of professional excellence in making the advertising processes productive.

2) Publicity/public relations:

All the organizations need to develop and strengthen the public relation activities to promote their business. This component of promotion is found effective though the organization don't make any payment for publicity. The most important thing in the context of public relations is the instrumentality of executives in projecting a positive image of the services offered. They should have the potentials to throw a positive imprint on the prospects. It is also significant that they know the art of developing rapport with the media people.

3) Personal selling:

The personal selling is found instrumental in promoting the business of service generating organizations. Personal selling is a process of informing the customers besides persuading them to purchase products being influenced by personal communication. It is just a process of communication in which an individual exercises his or her personal potentials, tact, skill and ability to influence the impulse of prospects and to transform them into customers. Personal selling is basically a method of communication. It involves not only individual but the social behavior too; each of the person in face-to-face contact, salesman and prospect influence the other. Thus we find personal selling a personal communication, seller-buyer interaction, inter-personal communication and more so direct selling. The following facts are observed regarding the personal selling:

a) It is a direct personal relation between the buyer and seller.
b) It is an oral presentation in conservation.
c) It is two-way communication.
d) It is personal and social behavior.
e) It is an exercise for selling the goods and services.
f) It is found more effective in the service generating organizations.
g) It is based on the professional excellence of an individual.
h) It is an important element of the promotion mix.

4) Sales promotion:

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 promotion measures. Sales promotional activities are devices aimed at reaching the consumer at home or in his business establishment. The tools are generally in the form of samples, contest, demonstrations and coupons. Sales promotion directed at consumers may be done with a view to increase the products rate of use among existing customers or to attract new customers to the company's product.

Tools of sales promotion:

a) Gift
b) Contest
c) Discount and commission
d) Entertainment
e) Travel and tours
f) Additional allowance
g) Fairs and shows

These are some of the tools of sales promotion offered to both, the providers as well as the users. The motives are increasing the selling activities, touching the target, excelling the competition, increasing the market share, clearing the old products to be declared absolute in the near future.

5) Word-of-mouth promotion:

Much communication about the performance of the service generating organizations actually takes place by word-of-mouth information, which is also as word-of-mouth promotion. The word-of-mouth recommendations the hidden sales force make the process of communication effective. The growing sensitivity of the words and experiences of hidden sales force simplify the task of promoting the business. The advertisements, sales promotion measures, the personal selling may of course be effective but the word-of mouth recommendations are found acceptable in all the conditions by almost all the prospects.

6) Telemarketing:

Telemarketing is found instrumental in promoting the business. The telemarketing helps in activating the process of advertisement in addition to its instrumentality in increasing the sale. The service generating organizations in general and the banking, insurance, transport, hotel, tourism organizations in particular have been found using telemarketing with the two-fold objectives of selling and advertising. The instrumentality of telephones and televisions are found effective in the process of promoting the business. The instrumentality of telemarketing in persuading the users is substantially influenced by the quality of personnel supposed to discharge the responsibility. The telemarketing minimizes the dependence of service generating organizations on the sales people since just a counter or a center listed in the call numbers serves multi-dimensional purposes.

PROMOTION OBJECTIVES

1) Develop personal relation with client
2) Make a strong impression of competency, honesty and sincerity
3) Should be able to use indirect selling techniques (create a derived demand – mobile companies give free sim card)
4) Manage to maintain a fine image by positive word of mouth
5) Packing and customization of service offering

TARGET AUDIENCE

1) Buyer (or user/influencer/gatekeeper)
2) Employees (discussed in detail under people)

PLANNING THE PROMOTION MIX

1) Advertisement should have positive effects on contact personnel
2) It should be able to capitalise on word of mouth
3) It should provide tangible clues to the customers
4) It should make the service offering easily understandable
5) It should promise only what is possible to deliver
6) It should contribute to the continuity

CONSUMER PROMOTION IN SERVICE MARKETING

1) Sampling is less frequently used compared to Goods (Sampling gives consumer a free trial – though now becoming popular)
2) Gift premiums are frequently used to give an element of tangibility
3) Price/quantity promotions can be used to get long term commitments from consumer (frequent flyer programme or group booking in Hotels)
4) Use of coupons are less frequent (coupon with straight price cut OR discount or fees waiver for one or more purchases with original purchase OR Discounts on augmented products – like a free wax polish with car wash)
5) Future discounts are less frequent
6) Prize promotions are frequently used (prize for mobile bank use etc)

GUIDELINES FOR SELLING SERVICES

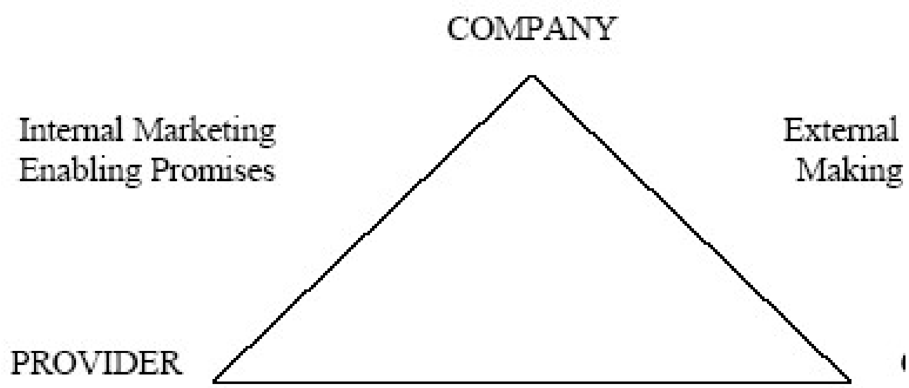
1) It is personal relationship rather than the service itself that results in satisfaction
2) Buyer's confidence in the seller's ability to deliver the results is important – hence make a strong impression of competency, sincerity, and honesty.
3) As what is sold is intangible – indirect selling techniques have to be adopted (Hotels selling tour programmes)
4) As word of mouth is important – building up a favourable is image is essential.
5) A service provider sells "services" and not just a single service – hence ability to customise the service offering is important (Jain food in Air-lines Hotels etc)
6) Public relations becomes important – particularly in industries where advertisement cannot be used as a promotional tool like Hospital industry.

PEOPLE MIX

INTRODUCTION

The employees of an organization represent the organization in the eyes of the customers. If they are not give proper training in representing the organization and its goals the service efforts will fail. Hence the most important marketing strategy is to market the service first to the organization's employees. There are two types of contact personnel – HIGH CONTACT PERSONNEL and LOW CONTACT PERSONNEL (eg .in a hospital a nurse is a high contact personnel and ward boy may be a low contact personnel) In addition there can be a NON CONTACT PERSONNEL

SERVICE TRIANGLE



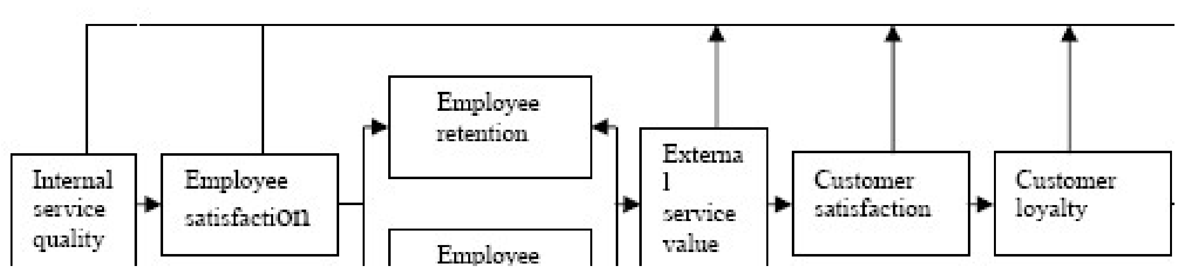
When company makes efforts to do external marketing, it should have strategies of Internal marketing. External marketing is nothing but promises made, which needs to be fulfilled – this needs internal marketing enabling the company to keep up the promises made. Unless the employees are able and willing to deliver, the service promises will fail. This will result in proper interaction of the customers with the service providers which helps the organization to keep the promises (Interactive marketing)

EMPLOYEE SATISFACTION, CUSTOMER SATISFACTION, AND PROFITS

There is concrete evidence that satisfied employees make more satisfied customers (and satisfied customers can, in turn, reinforce employees' sense of satisfaction in their jobs). Some have even gone so far as to suggest that unless service employees are happy in their jobs, customer satisfaction will be difficult to achieve. The underlying logic connecting employee satisfaction and loyalty to customer satisfaction and loyalty and ultimately profits is illustrated by the service profit chain shown in the figure. The service profit chain suggest that there are critical linkages among internal service quality; employee satisfaction; productivity; the value of services provided to the customers; and ultimately customer satisfaction; retention and profits.

Service profit chain researchers are careful to point out that the model does not *cause* customer satisfaction; rather the two are interrelated and feed ff each other. The model does imply that companies that exhibit high levels of success on the elements of the model will be more successful and profitable than those who do not.

The Service Profit Chain



HUMAN RESOURCE STRATEGIES:

Human resources decisions and strategies primary goal is to motivate and enable employees to deliver customer-oriented promises successfully. The strategies presented here are organized around four basic themes. To build a customer-oriented, service-minded workforce, an organization must:

1) Hire the right people
2) Develop people to deliver service quality
3) Provide the needed support systems
4) Retain the best people

1) Hire the right people:

One of the best ways to close gap 3 is to start with the right service delivery people from the beginning. This implies that considerable attention should be focused on hiring and recruiting service personnel.

a) Compete for the best people:

To get the best people, an organization needs to identify them and compete with other organizations to hire them. The firm acts as marketers in their pursuit of the best employees, just as they use their marketing expertise to compete for customers. Thinking of recruiting as a marketing activity results in addressing issues of market (employee) segmentation, product (job) design, and promotion of job availability in ways that attract potential long-term employees.

b) Hire for service competencies and service inclination:

Once potential have been identified, organizations need to be conscientious in interviewing and Screening to identify the best people from the pool of candidates. It has been suggested that service employees need two complementary capacities: they need both service competencies and service inclination. Service competencies are the skills and knowledge necessary to do the job. Achieving particular degrees and certifications validates competencies, such as attaining a doctor of law degree and passing the relevant state bar examinations for lawyers. Service competencies may not be degree related, but may instead relate to basic intelligence or physical requirements.

c) Be the preferred employer:

One way to attract the best people is to be known as the preferred employer in a particular industry or in a particular location. Other strategies that support a goal of being the preferred employer include providing extensive training, career and advancement opportunities, excellent internal support and attractive incentives and offering quality goods and services that employees a proud to be associated with.

2) Develop people to deliver service quality:

To grow and maintain a workforce that is customer oriented and focused on delivering quality, an organization must develop its employees to deliver service quality. That is, once it has hired the right employees, the organization must train and work with these individuals to ensure service performance.

a) Train for technical and interactive skills:

To provide quality service, employees need ongoing training in the necessary technical skills and knowledge and in process or interactive skills. Examples of technical skills and knowledge are working with accounting systems in hotels, cash machine procedures in a retail store, underwriting procedures in an insurance company, and any operational rules the company has for running its business. Most service organizations are quite conscious of and relatively effective at training employees in technical skills. Companies are increasing their use of information technology to train employees in the technical skills and knowledge needed on the job. Service employees also need training in interactive skills that allow them to provide courteous, caring, responsive, and empathetic service.

b) Empower employees:

Empowerment means giving employees the desire, skills, tools, and authority to serve the customer. While the key to empowerment is giving employees authority to make decisions on the customer's behalf, authority alone is not enough. Employees need the knowledge and tools to be able to make these decisions and they need incentives that encourage them to make the right decisions. Organizations are well suited to empowerment strategies to ones in which (1) the business strategy is one of differentiation and customization, 2) customers are long-term relationship customers, (3) technology is no routine or complex, (4) the business environment is unpredictable, and (5) managers and employees have high growth and social needs and strong interpersonal skills.

c) Promote teamwork:

The nature of many service jobs suggests that customer satisfaction will be enhanced when employees work as teams. Because service jobs are frequently frustrating, demanding and challenging, a teamwork environment will help to alleviate some of the stresses and strains. Employees who supported and that they have a team backing them up will be better able to maintain enthusiasm and provide quality service. By promoting teamwork an organization can enhance the employee's abilities to deliver excellent service while the camaraderie and support enhance their inclination to be excellent service providers.

3) Provide need support systems:

To be efficient and effective in their jobs, service workers require internal support systems that are aligned with their need to be customer focused. Without customer-focused internal support and customer-oriented systems, it is nearly impossible for employees to deliver quality service no matter how much they want to. In examining customer service outcomes researchers found that internal support from supervisors, teammates, and other departments as well as evaluations of technology used on the job were all strongly related to employee satisfaction and ability to serve customers.

a) Measure internal service quality:

One way to encourage supportive internal service relationships is to measure and reward internal service. By first acknowledging that everyone in the organization has a customer and then measuring customer perceptions of internal service quality, an organization can begin to develop an internal quality culture. Internal customer service audits and internal service guarantees are two strategies used to implement a culture of internal service quality. Through the audit, internal organizations identify their customers, determine their needs, measure how well they are doing, and make improvements.

b) Provide supportive technology and equipment:

When employees don't have the right equipment, or their equipment fails, they can be easily frustrated in their desire to deliver quality service. To do their jobs effectively and efficiently, service employees need the right equipment and technology. having the right technology and equipment can extend into strategies regarding workplace and workstation design.

c) Develop service-oriented internal processes:

To best support service personnel in their delivery of quality service on the front line, an organization's internal processes should be designed with customer value and customer satisfaction in mind. In other words, internal procedures must support quality service performance. In many companies internal processes are driven by bureaucratic rules, tradition, cost efficiencies, or the needs of internal employees. Providing service and customer oriented internal processes can therefore imply a need for total redesign of systems. This kind of wholesale redesign of systems and processes has become known as "process reengineering."

4) Retain the best people:

An organization that hires the right people, trains and develops them to deliver service quality, and provides the needed support must also work to retain the best ones. Employee turnover, especially when the best service employees are the ones leaving, can be very detrimental to customer satisfaction, employee morale, and overall service quality. Some firms spend lot of time attracting employees but then tend to take them for granted, causing these good employees to search for job alternatives.

a) Include employees in the company vision:

For employees to remain motivated and interested in sticking with the organization and supporting its goals, they need to share an understanding of the organization's vision. People who deliver service day in and day out need to understand how their work fits into the big picture of the organization and its goals.

b) Treat employees as customers:

If employees feel valued and their needs are taken care of, they are more likely to stay with the organization. Many companies have adopted the idea that employees are also customers of the organization, and thus basic marketing strategies can be directed at them. The products that the organization has to offer its employees are a job and quality of work life. To determine whether the job and work life needs of employees are being met, organizations conduct periodic internal marketing research to assess employee satisfaction and needs.

c) Measure and reward strong service performers:

If a company wants the strongest service performers to stay with the organization, it must reward and promote them. Often the reward systems in organizations are not set up to reward service excellence. Reward systems may value productivity, sales or some other dimension that can potentially work against good service. Reward systems need to be linked to the organization's vision and to outcomes that are truly important.

6.6.5 IMPORTANCE OF EMPOWERING PEOPLE IN SERVICES

An organization that emphasizes customer service needs people at the frontline to do the service, to use discretions be concerned about the customer, to take initiative to provide satisfaction through exceptional service. The person at the front must fell empowered to do in the circumstances. Empowering cannot be done through a formal delegation of authority. A person with authority may not exercise that authority, if he does not feel empowered.

Example

A peon who takes responsibility to direct the fireman in a burning office to areas housing the most important documents is acting without formal authority. He feels empowered to do so, meaning that feels a sense of dedication to the organization, that he feels it is his duty to save the organization as much as possible , that he is doing the right thing .

Following are the importance of empowering the people in services:-

1) An empowered employee focuses on results. He is not inhabitant by formalities of position ,authorityor function .

2) He does not consider himself bound by rules and procedure.

3) He believes that the organization expects him to be aware of the ends to be achieved and to act in furtherance thereof. He "sees" constraints but not does not feel prevented thereby , from what is to be done , instead he tries to overcome the constraints.

4) He believes that the organization will not find fault with him for having one something new and unusual. On the contrary, he believes that the organization will applaud him for having done Something that had to be done.

5) He believes that he is expected to take the initiative and ensure that the customer needs are met and thereby maintain and enhance the reputation of the organization.

6) He feels that he is dedicating to satisfy the customer to upgrade organization reputation

7) An empowered employee may be willing to challenge company policies at meetings with sensors.

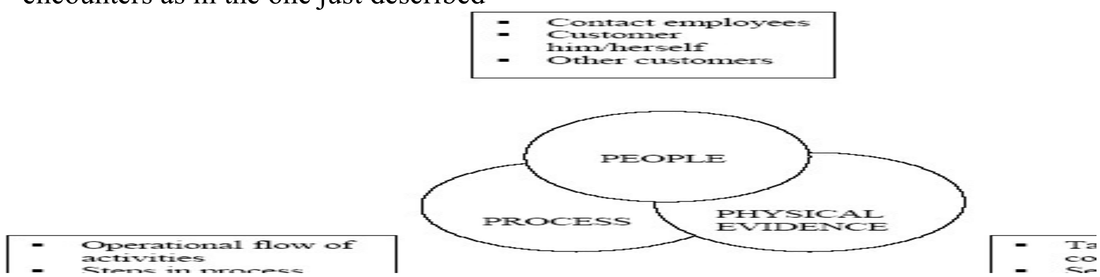
PHYSICAL EVIDENCE MIX-THE EVIDENCE OF SERVICE

As services are intangible, the customers are searching for evidence of service in every interaction they have with an organization. The figure depicts the three major categories of evidence as experienced by the customer: people, process, and physical evidence. These categories together represent the service and provide the evidence that tangibilises the offering. The new mix elements essentially are evidence of service in each moment of truth

All of these evidence elements or a subset of them are present in every service encounter a customer has with a service firm and are critically important in managing service encounter quality and creating customer satisfaction.

When a guest enters the hotel for a stay the first encounter of the guest is the door attendant and frequently with receptionists at the reception. The quality of that encounter will be judged by how the registration *process* works (How long is to wait? Is the registration system computerized and accurate?) The actions and attitudes of the *people* (Is the receptionist courteous, helpful, knowledgeable? Does she handle the enquiries fairly and efficiently?) and the *physical evidence* of the service (is the awaiting area clean and comfortable). The three types of evidence may be differentially important depending on the type of service encounter

(Remote, phone and face – to – face). All these types will operate in face – to- face service encounters as in the one just described



PHYSICAL EVIDENCE

It is the environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of service.

It includes all tangible representations of the service-such as broachers, letter head, equipment etc. in some cases the physical facilities where service is offered is important e.g., in a hotel the parking lot, surroundings are important. In other services such as telecommunication the physical facilities may be irrelevant. In this case other tangibles like billing statements become important.

Physical evidence includes

(A) Physical facilities (essentials and peripherals)

(B) Physical setting (appearance of premises)

(C) Social setting (appearance of staff)

The decision on the physical evidence will differ in terms of customer-employee interaction. At one end is self-service of customer without any interaction with employee (ATM) where physical facilities must be to attract customer and user friendly.

At other end employee performs without any interaction (mail order business) here physical evidence is designed to promote operational efficiency. Between the two extremes is a situation where both customer and employee interact. In this case physical evidence must be planned to facilitate the activities of both. (E.g., Banks, Airlines). Certain service environments are simple requiring very little space or equipment (ATM, Vending machine). They are called lean environment. Others like hospitals, hotels are elaborate environment where proper planning is needed.

(a) Physical facilities: The potential customers form impression about the service organization on the basis of physical evidence like building, furniture etc.,

Essential Evidence: They are dominant features like building area, parking space, signboards.

Peripheral Evidence: They are less dominant like admission card, medical reports, etc.

(b) Consist of service environment

- Ambient factors (light, color, temperature)
- Space (spatial layout and functionality- i.e., ability of equipment and furniture to accomplish interactions)

• Decor and artifacts

(c) Social setting: Employee uniform, appearance etc. of service scape can influence customer expectation, satisfaction and other behavior. In shopping mall soft music is played/crossroads had hired separate parking space.

Bitner identifies Physical Facilities and Environment as **SERVICE SCAPES**
However too much decor may make customers feel that they are paying for the expensive décor. Employees however feel that an investment in environments is an indication of management's concern for their job satisfaction. Hence the challenge is to strike a balance.

Marketing Myths and Service Slips

Myth 1: The key to market success is to exceed customers' expectations, delighting them whenever possible.

Fact: Delight customers only when cost is reasonable cost and payoff is significant. Everyone wants to exceed customer expectations. While this is a nice general idea, all actions to produce delight do not cost the same and all delight experiences do not produce the same increase in loyalty.

Myth 2: Answer the phone really fast–any time on hold makes people mad.

Fact: It is more important what happens after you answer the phone than how fast you answer.
In most environments, you can keep customers on hold or answer can be delayed for more than 30seconds (and often up to a minute!) if, when you answer the phone, you completely handle the customer's issue. If the problem is completely handled to the customer's satisfaction there is no discernable impact on satisfaction due to the 30-60 second delay. Answering in two rings often wastes money.

Lesson: Answer in less than a minute and then make sure you handle the call to completion on first contact.

Myth 3: Everyone wants to talk to a human; web and automated service are always less satisfactory.

Fact: Web and automated service are preferred in some cases and by some customer segments.
For example, one investment company found a large segment of their wealthy clients never wanted to talkto a human being and always wanted to interact by Web and email. Likewise, customers are often happy to check an account balance online or a package delivery via IVR, but, if there is an unpleasant surprise, then they will want to talk to a human.

Myth 4: The customer is always right–don't ever say no.

Fact: The customer is not always right, and you can say no.It is alright to say no to the customer or give bad news as long as you give the customer a clear, reasonable explanation regarding why the request is not possible. For example, explaining that the flight will be delayed due to a leak in the hydraulic system will not make customers happy, but will keep them safe–and thankful to be on the ground.

Lesson: Train your staff that it is fine to say no, but arm them with clear, believable explanations regarding why the policy is in place or why the situation occurred. Be flexible to take special action for valuable customers.

Myth 5: If complaints are going down, things are getting better.

Fact: Fewer complaints often mean fewer people are complaining because they've given up.
In the last three years, TARP has recently observed a significant decline in complaint rates due to Customers feeling that complaining will do no good.

Lesson: Monitor complaint rates at least every other year – go to a random sample of customers and askwhat problems they've had and if they told you.

Myth 6: The best way to improve service is to get front-line employees to do what they are told and to have a better attitude.

Fact: A majority of customer dissatisfaction is caused by other factors that often prevent employees from providing effective service. TARP has found that more than 90% of employees come to work wanting to do a good job, but are stymied by product-related unpleasant surprises, incorrect marketing expectations, broken processes, and even confusing directions. These types of issues cause 40-60% of dissatisfaction. Also, customers cause 20% of their own dissatisfaction by failing to understand the product limitations, making errors or stupid actions (like attempting to whiten teeth with household bleach - true story!).

The solution is to identify customers' key points of pain and, for the major points of pain, determine if the cause is employee error or attitude, a product with built-in problem, a broken process, a marketing over promise, or a customer error/expectation. Call monitoring is an excellent source of this diagnostic information by identifying process glitches and customer areas of misunderstanding in addition to evaluating the front-line employee. You should allocate at least one full-time analyst to identify poorly executed processes and response rules. Assume one full-time analyst per 50 front-line employees.

Lesson: Execute a true root-cause analysis of dissatisfaction. In most cases, the process, product, or customer is at fault and needs to be fixed.

Myth 7: Service is nice but price wins customers–look at Wal-Mart!

Fact: Some customers will always prefer price, but most prefer great service and will pay for it.

A majority of customers will pay more for higher quality. In fact, TARP has found, in most markets, including retail banking for example, that sensitivity to price is strongly correlated with problem encounters (as illustrated in the following chart). Fewer problems result in lower sensitivity to price as shown with this survey of more than 3,000 retail banking customers.

Less sensitivity to price means that companies with better service can achieve higher margins. Customers may say, "You're expensive but you're worth it because I seldom have problems." This is what we call "the Neiman Marcus effect."

Lesson: Reduce problems to gain flexibility in pricing.

Myth 8: Once we're at 90% satisfaction and loyalty, the law of diminishing returns kicks in and we should declare victory.

Fact: Easily fixed points of pain still exist and damage revenue even at top performance levels.

TARP has worked with financial, catalog, and retail clients who have the very highest satisfaction andloyalty scores, but every company identified customer "points of pain" that were easily resolved, and, when fixed, resulted in even higher scores. For example, an East Coast power company asked customers "who provides better service than we do?" and gave its customers choices like Amazon and FedEx. This company learned how they could borrow service strategies from different industries to improve service beyond what people expected for "just a power company."

Lesson: Don't stop improving service when you rise to the top of your industry. Marketing

Myth 1: Marketing is advertising and Sales

Reality: Marketing is about educating your target market about your products and services and why they should buy from you. Marketing is everything you do to reach this target audience, whether it is advertising, direct marketing, Internet Marketing, events, public relations, strategic partnerships or networking. Take advantage of all the options available to your business that make sense in terms of applicability and budget to your business and you will see an increase in awareness of your products and services.

Myth 2: Lower prices encourage more people to buy

Reality: If that were true (and in some cases it may be), no one would buy a BMW verses a Ford. Differentiators are what the prospect perceives is valuable to them. The reason for so many options among types of products is that people have different views of what is valuable to them. That is why it is so important to target your product or service correctly so that you can provide the maximum value at the right price, not an artificially discounted price because you are trying to reach the wrong audience.

Myth 3: Offering a broad range of products and services ensures more sales

Reality: Too many options confuse your buyer. Making your prospect make too many decisions will kill the sale. By offering a convenient package at a perceived valuable price, you will sell more product and service than you would by trying to sell lots of giblets. Take a look at today's computers. They are not longer kits that you assemble yourself. The manufacturers offer a line of products in small, medium and large – price points that please most consumers. In fact, the lower priced models are probably not the most valuable and when you actually go to buy, you end up buying the higher priced version because it offers more for the money.

Myth 4: Email marketing is no longer effective due to SPAM

Reality: Email marketing is still effectively if done properly. People always want information and providing it through an opt-in marketing program is a way to reach people you normally would not reach. However, buying a list from a less than reputable broker and sending out lots of email to people who are not interested in what you have to offer is SPAM and should not be done. But building your own in-house email list by encouraging visitors to your web site to sign up for your newsletter or other type of correspondence should be done and is ok. Just because some people abuse a very good medium to reach people with your message does not mean you should abandon it all together.

Myth 5: Great marketing works instantly

Reality: Although marketing can shorten the sales cycle, and some tactics can produce instant results, marketing is about sustained contact with your target audience to ensure they know who you are when they are about to buy. Marketing is an investment and like all good investments, they take time to achieve the greatest gains.

Myth 6: Successful marketing campaigns win awards

Reality: If your ad agency or web design agency is more interested in winning an award than helping your business thrive, then run as fast and far as you can and find an agency who is concerned with results for YOU, not for them. Yes, we all like customer success stories and awards for our work if it is available to us, but that is secondary. You are paying them for their services, not to do something that will get them recognition. Keep in mind that advertising and web design that is artistically wonderful could send the wrong message, not deliver the message clearly to your prospect, or mislead your prospect if the visual is contradictory to your brand.

Myth 7: Internet Marketing is all you need for marketing programs

Reality: Internet marketing is a wonderful tool for all businesses today. Its ability to reach your prospects when they are most ready to buy is a cost-effective means of getting your message out. But Internet marketing is not the only game in town. We often refer to "integrated marketing" plans because it is the integration of many different types of marketing activities that drive visitors to your web site, to call you or to buy. Don't overlook the value of direct marketing, advertising, public relations, events, partnerships and networking to round out your marketing plan.

Myth 8: Messages need to be changed often, otherwise your marketing gets old

Reality: Consistency and repetition is marketing's best friend. Just when you are bored to tears with your marketing message or marketing campaign is just about the time your messages may resonate with your target audience. Changing your messages, brand, or marketing campaign for the sake of change is a waste. Be sure you plan a strategy that has options. For example, if you are doing advertising, you can start a theme and change the image throughout the campaign, sending the same message to you clients. This eliminates potential boredom and increases interest.

Myth 9: Advertising sells product

Reality: Advertising builds awareness and generates leads. If you try to sell within your ad copy, you run the risk of turning off prospects that are currently information gathering. You need to attract prospects first and educate them on your products and services. The education process would include regular contact with them about your business, services, products and special offers you may have. This develops a trust relationship with your prospect will make it easier for them to eventually buy from you. An add that sells skips the building trust stage which becomes an obstacle to a prospect responding to your ad for information.

Myth 10: Partnerships and Alliances are for big companies

Reality: Partnerships and alliances are extremely important for all companies. We can't do it all and having partners you trust there when you need them, to offer a service or product you can't, helps your customer get what they need from you. Just because you are in the same business does not necessarily mean you are competition. Join forces to increase your resources, find areas they are stronger than you and utilize that aspect of their business, or package some services together to offer your clients more value for their money. Yes, these activities are part of marketing and can help you get more visibility, more clients, and more revenue.

Service Business Management: Nine Common and Difficult Challenges

Services are often produced and consumed simultaneously. This creates special challenges in service quality management that product companies do not even consider. Products are tested before they go out the door. If a product has quality problems while in production, the company can fix them and customers are none the wiser. Service production happens with the customer present, creating a very different and challenging dynamic.

Managing, growing, and profiting with both product and service businesses are challenging tasks. But the challenges are different from one to the other. Listed below are some of the most common and difficult challenges of growing and managing consulting, professional, or technology service businesses that don't necessary apply to product businesses.

Clients can't see or touch services before they purchase them. This makes services difficult to conceptualize and evaluate from the client perspective, creating increased uncertainty and perception of risk. From the firm's perspective, service intangibility can make services difficult to promote, control quality, and set price.

Trust is necessary. Some level of trust in the service organization and its people must be established before clients will engage services. This is as important, sometimes more important, than the service offerings and their value proposition.

Competition is often not who you think. Competition for product companies are other product companies. Competition for service companies are often the clients themselves. Sure, sometimes you find yourself in a competitive shootout (some firms more than others), but often the client is asking 'should we engage this service at all' and 'if so, should we just do it in-house'.

> **Brand extends beyond marketing**. Brand in service businesses is about who you are as much as what you say about yourself. And internal brand management and communications can be equally as vital to marketing success as are external communications.

Proactive lead generation is difficult. Many service companies have tried, and failed, at using lead generation tactics that work wonders for product companies. Implemented correctly, traditional product techniques, such as direct marketing and selling, can work for services, but the special dynamics of how clients buy services must be carefully woven into your strategy.
Service deliverers often do the selling. Many product companies have dedicated sales forces. For services, the selling is often split between sales, marketing, professional, and management staff.
Marketing and sales lose momentum. Most product companies have dedicated marketers and sellers. They market and sell continuously, regardless of the revenue levels they generate. In many services companies the marketers and sellers also must manage and deliver. This canoften lead to the Services Revenue Roller Coaster—wide swings between revenue and work overflow, and revenue and work drought.
Passion is necessary, yet elusive. The more passion, spirit, hustle, and desire your staff brings to the organization every day, the more revenue and success you will have. The correlation between staff passion and financial success is direct and measurable (as is the correlation between lack-of-passion and organizational failure). Yet institutionalizing passion, while necessary, is agonizingly elusive.

As you make management decisions for your service firm, consider the points outlined above. Your ability to generate revenue for your services, and retain loyal customers, depend on it.

Service Triangle:
Service marketing involves 3 types of
INTERNAL MARKETING
INTERACTIVE MARKETING
EXTERNAL MARKETING
The three types of service marketing can be depicted and explained by a 'Service Triangle'.

1. **External Marketing: "Setting the Promise"**
Marketing to END-USERS. It involves pricing strategy, promotional activities, and all communication withcustomers. Performed to capture the attention of the market, and arouse interest in the service.
2. **Internal Marketing: "Enabling the Promise"**
Marketing to EMPLOYEES. It involves training, motivational, and teamwork programs, and all communication withEmployees.Performed to enable employees to perform the service effectively, and keep up the
Promise made to the customer.
3. **Interactive Marketing:**(Moment of Truth, Service Encounter)
This refers to the decisive moment of interaction between the front-office employees
And customers, i.e. delivery of service.
This step is of utmost importance, because if the employee falters at this level, all prior efforts made towards establishing a relationship with the customer, would be wasted.

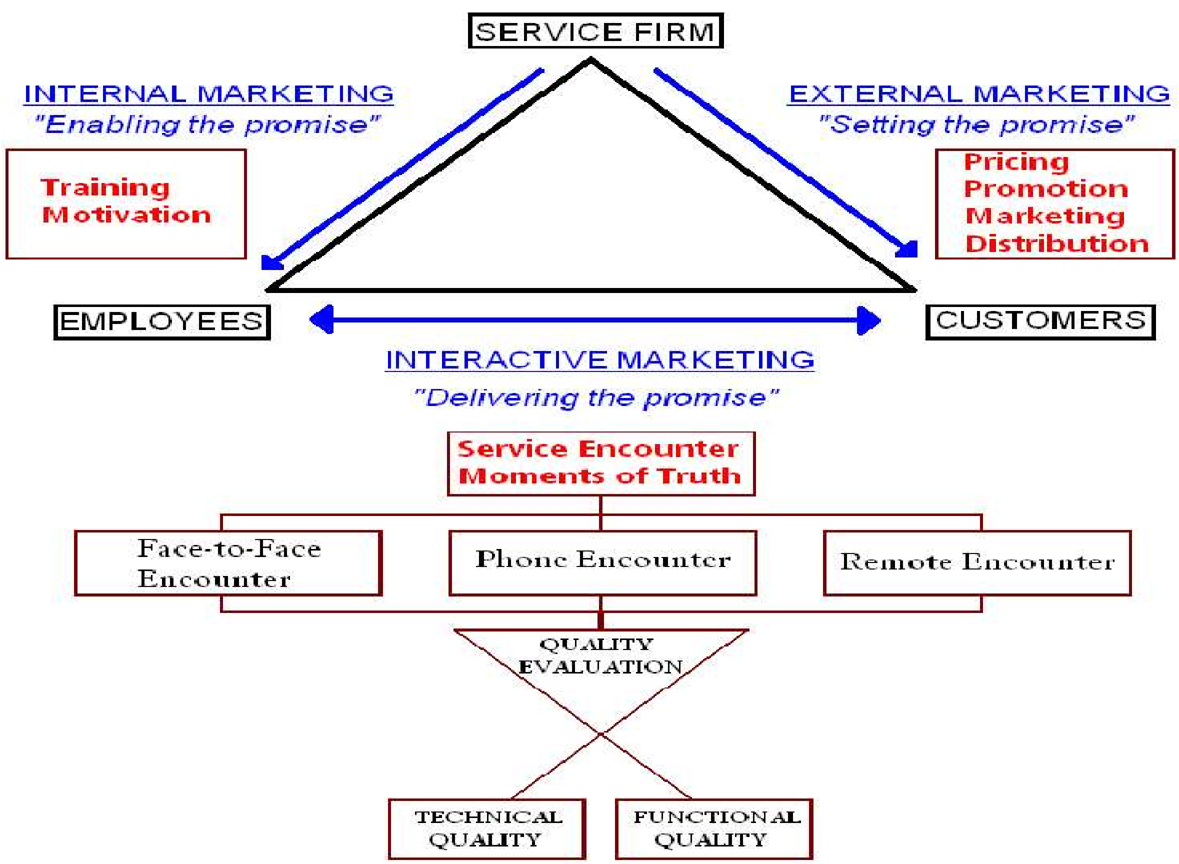
Moment of Truth: The conceptual framework of 'Moments of Truth' was devised by Richard Norman. Subsequently, Scandinavian Airlines adopted it, and implemented it in their businessStrategy. Within 3 years, SAS was transformed from a loss-making company, to'Best Airline of the Year'.
Interactive marketing takes place outside the marketing mix. It takes place at thevery moment of interaction between the buyer and seller. These interactions arecalled SERVICE ENCOUNTERS.
In this process, the customer is able to directly judge the quality of service providedby the service provider. The customer evaluates the service on two aspects:
1. **Technical Quality**

This refers to the technical competence and quality offered by the service provider, in the form of production facilities, skill, etc. in the delivery of Service.Since technical quality is easily quantifiable, customers tend to give moreweightage to this aspect. But customers are not interested only in what is being delivered, but also in how it is delivered.

2. **Functional Quality:**

This refers to the behavior of employees and how the production facilities areused. It includes the attitude and performance of personnel. For example, therude behavior of the receptionist can reverse the good impression formed bythe high technical quality, and cause loss of customers.The customer can make judgments on technical and functional quality, duringdecisive moments of interaction, called **'SERVICE ENCOUNTERS'**. Serviceencounters may be classified into:

- **Remote Encounter:**
  No human contact. The tangible evidence of the service becomes the basis for judging quality, asthere is no human contact in service delivery. E.g. ATM, vending machines, automated online services.
- **Phone Encounter:**
  Indirect humancontact. Here, the service quality can be judged on the basis of several factors like Promptness in answering the call, tone of voice, and efficiency in handlingissues. E.g. Telemarketing.
- **Face-to-Face Encounter:**
  Direct human contact.in this situation, there is direct, face-to-face contact between the customer and theemployee. Determining service quality in such a situation is very complex, as it will be influenced by the behavior of the customer and employee in that moment. Thus, interactive marketing is the decisive stage where value is created and delivered to the customer. At this stage, all efforts of internal and external marketing will bereflected.



Recent Trends in services marketing

- From pursuing market share to pursuing customer share. The best way to grow your market share is to grow your customer share, namely to find more products and services that can be sold to the same customers.
- From marketing monologue to customer dialogue. You can create stronger relationships with customers by listening to and conversing with them than by only sending out one-way messages.
- From mass marketing to customized marketing. The mass market is splintering into mini-markets and your company now has the capability of marketing to one customer at a time.
- From owning assets to owning brands. Many companies are beginning to prefer owning brands to owning factories. By owning fewer physical assets and outsourcing production, these companies believe they can make a greater return.
- From operating in the marketplace to operating in cyberspace. Smart companies are developing a presence online as well as off-line. They are using the Internet for buying, selling, recruiting, training, exchanging, and communicating.
- From single-channel marketing to multichannel marketing. Companies no longer rely on one channel to reach and serve all their customers. Their customers have different preferred channels for accessing the company's products and services.
- From product-centric marketing to customer-centric marketing. The sign of marketing maturity is when a company stops focusing on its products and starts focusing on its customers.

Relationship Marketing

Relationship marketing was first developed through direct response marketing campaigns emphasizing customer retention and satisfaction, rather than a dominant focus on sales transactions. Relationship marketing differs from other forms of marketing in recognizing the long-term value of relationships and extending communication beyond intrusive promotional messages. Relationship marketing refers to a short-term arrangement where the buyer and seller have an interest in providing a more satisfying exchange. This approach tries to transcend the simple post-purchase exchange with a customer to make a deeper connection by providing a holistic, personalized experience to create stronger ties. Relationship marketing is often applied when there are competitive alternatives for customers to choose from and when there is an ongoing and periodic desire for the product or service.

The practice of relationship marketing has been facilitated by several generations of customer relationship managementsoftware that allow the tracking and analysis of customer preferences, activities, tastes, likes, dislikes, and complaints. With the growth of the Internet and mobile platforms, relationship marketing has continued to evolve as technology opens more collaborative and social communication channels. This includes tools for managing relationships that go beyond simple demographic and customer service data. A key principle of relationship marketing is the retention of customers through varying means and practices to ensure repeated trade from preexisting customers by satisfying needs better than the competition. The overall goals of relationship marketing are to find, attract, and win new clients; nurture and retain those the company already has; entice former clients back into the fold; and reduce the costs of both marketing and also servicing clients.

Service Marketing - A Relationship Building Approach

Can we imagine a place in the world today without a marketing activity? It looks remote. When we all move from one place to the other, we need an interactive or a Communicative Response System (CRS) to facilitate a marketing activity and enable the market to respond. When this Communicative Response System (CRS) eventually reaches a market, there are buyers and sellers waiting to respond.

Marketing is not today what it used to be years ago. It started as barter and has reached a currency world with a variety of geographical segments and demographics. Marketing in simple terms is a distribution of products and services of a company in order to realize a value in form or in kind. While it is true, marketing today encompasses a wide range of activities including relationship building.

Relationship building is key to the success of any service organization. A marketing activity does not end with a buy or a sale. Today, it requires establishing and building capabilities to create retention. From the company's point of view, identifying and understanding the requirements of the customer in clear terms is the first step in the process of starting a relationship building exercise.

Private banking sector, for instance, in India has undergone a tremendous change in the last 5-6 years. From being a lending institution, private banking has spread its wings to include services such as insurance, risk-management, asset-management as the core activities. The bottom-line is your capability to build, develop and maintain a relationship that is long-standing and mutually beneficial. Because, the chances of succeeding service marketing or any type of marketing for that matter, depends firstly on the extent of proximity you could establish with the company.

Service marketing is gaining prominence in all sectors. BPOs, Call Centers are making huge money in contrast to the product marketing. The top 5 factors influencing relationship building exercise to succeed in service marketing are

1. Be customer-centric. Put the customer first and for a moment put yourself in the customers' place.

2. Identify and understand what customer wants in terms of products and services and the value that you could create to your customer by offering your services.

3. Consistent follow-up with the customer to demonstrate the extent of interest and seriousness and also the capabilities that you have developed over a period of time, for instance, your client base.

4. Respond in time to the requirements of your customer and focus on feedback evaluation to check and ensure you did not deviate anything from the specifications.

5. Share your success with your friends and colleagues to create in a way your brand image and stay on to receive feedback and suggestions from them.

Business/Industrial Marketing

Business marketing is the practice of selling products and services to other companies or organizations that either resell them, use them as components in products or services they offer, or use them to support their operations. Also known as industrial marketing, business marketing is at times called business-to-business marketing, or B2B marketing.

The tremendous growth and change in business marketing is due to three "revolutions" occurring around the world today. First is the technological revolution. Technology is changing at an unprecedented pace, speeding up the pace of new product and service development.

Second is the entrepreneurial revolution. To stay competitive, many companies have downsized and reinvented themselves. Adaptability, flexibility, speed, aggressiveness, and innovation are the keys to remaining competitive. Marketing is taking the entrepreneurial lead by finding market segments, untapped needs, and new uses for existing products; and by creating new processes for sales, distribution, and customer service.

The third revolution is occurring within marketing. Companies are looking beyond traditional assumptions and adopting new frameworks, theories, models, and concepts. They are also moving away from the mass market and being preoccupied with transactions. Relationships, partnerships, and alliances define marketing today. The cookie cutter approach is out. Companies are customizing marketing programs to individual accounts.

Societal Marketing

Societal marketing holds that the organization's task is to determine the needs, wants, and interests of a target market and to deliver satisfaction more effectively and efficiently than competitors in a way that preserves or enhances social, ethical, and ecological well-being. It is linked with corporatesocial responsibility and sustainable development. The main focus of societal marketing is on customer satisfaction and the welfare of society at large, which can be attained through providing eco-friendly products--for example, those that remove social and environmental ills like drugs and pollution.

In terms of societal marketing, products can be classified in terms of long-term benefits and immediate satisfaction:

- Deficient products bring neither long-run or short-term benefits;
- Pleasing products bring a high level of immediate satisfaction, but can cause harm to society;
- Salutary products bring low short-term satisfaction, but benefit society;
- Desirable products combine long-run benefits and immediate satisfaction.

Societal marketing suggests that, for the well-being of society, deficient products should be eliminated; products should be modified to reach the fourth category by incorporating missing short-term benefits into salutary products and long-term benefits into pleasing products; and a company's ultimate goal should be to develop desirable products.

he economic climate has put pressure on marketing budgets for 2013 and the year calls for playing up some select consumer and marketing trends that are more pertinent, considering the dynamics and the current context of the Financial Services category.

Collaborate with other brands to drive consumption
India Inc. growth will be driven more by consumption growth rather than increasing product penetration. Brands will essentially be required to increase the share of wallet and to drive campaigns to steer product preference. Interesting way to build scale with lower budgets is to collaborate with other leading non-compete brands for collective gain. Joint marketing campaigns not only help pool resources, but also serve as a way to recommend each other’s brand, raising visibility to more clients. An example of collaborative marketing at Citibank India is the ‘OMG! Sale’ campaign.

DeliverConnectedExperiences
Digital consumption is increasing at a rapid pace. Around 120 million Indians are connected online for more than 8 hours each day. The online space is increasingly becoming an important medium to not only consume content but to also transact. Marketers have already taken note of this development and digital advertising is growing at more than 40% in India even though total spends are declining.

Marketers will benefit if they do not look at the medium in isolation but as an extension of the real world. With digital access pervasive at work, on the go and at home, consumers are rapidly moving between the physical world and the virtual world and the boundaries between them are disappearing. Brands need to be cognizant of the new consumer journey and offer connected experiences across the media channels.

Last year, the smartphones market grew to a staggering 1 billion across the world, meaning every sixth person in the world has a smartphone. India's smartphone market is being fueled by handset manufacturers who are feverishly making affordable smartphone products at sub-$100 price points. In parallel, telecommunication companies are heavily discounting 3G data access charges today to make consumer habituated to online consumption on the mobile, opening up future revenue streams. Marketers are already working on giving a higher share of their digital budgets for mobile platforms. However, it is important to note that the 'mobile marketing show' move beyond just advertising to taking advantage of the unique functionality this medium offers. This platform can be leveraged in a variety of ways such as SMS marketing, M-couponing, QR Code, location-based targeting, real-time reporting and personalized one-on-one marketing enablers. The platform can be used not only for marketing but also to serve clients better.

Strengthen Trust

Financial services marketers need to appreciate that trust deficit is the biggest challenge faced by the financial brands today as consumers in many markets still hold financial brands responsible for the recession or slowdown in their markets. Even though Indian banks have been safe, there continues to be caution that lingers in the mind of the clients and prospects about any financial brand. Our internal research has shown that trust is one of the most important drivers of brand preference.

Build creative repurpose capability

Till a few years back, video, print and audio creative content was delivered through standardized media channels: television, newspapers and radio. Today, a typical piece of brand messaging is consumed through a complex variety of platforms with multiple format-related restrictions. Interestingly, a website hosting the brand content needs to appear coherently across a 40 inches Smart TV, a 12-16 inches Laptop or Tablet and on a 2-3 inches Smartphone. This means that marketing back-ends need to produce campaigns with portable content that can be edited for various requirements. Speed is also important as a Twitter channel needs content feed twice a day while television channels use the one TVC for a month. A recent example at Citi where the core campaign idea was re-purposed and leveraged across a variety of online and offline media vehicles was the 'Dil v/s Bill' campaign to promote EMI privileges during the festive season.

Analyzetopersonalize

Information has always been the backbone of any financial service player. In addition to demographic data, banks have access to high quality data for their client bases, the transaction history across products and access channels. In addition to the back-end data, more and more client or sales touch-points become digitized, and a very large amount of data is generated at the front-end. This presents the challenge of developing the capabilities to store, process and leverage data to glean deep insights about specific triggers for each customer to buy, consume or reject a product. Great brands will delight customers by surprising them by the extent of personalization. At Citi, we launched a new Application on Facebook named 'My Privileges' where the Bank makes customized recommendations for offers, such as in-dining.

MovefromProductMarketingtoRelationshipMarketing

Most financial services brands enter the market to gain a foothold for a specific product in a specific category. Over time, when these institutions grow into a multi-category service provider it starts using multiple, and often overlapping channels of communication to market to the same client. This is not only inefficient but also ends up leaving a poor brand impression. Relationship marketing however, works on a fundamentally different principle wherein each organization engages with the client from a holistic point of view and not just from a product point of view. The front-end sales process is much more consultative and product agnostic, leading to the right product being marketed to the right client.

DevelopProprietaryContent

Large segments of clients and prospects look at financial brands to advice and guide them on matters ranging from wealth management to debt consolidation. To win consumer confidence it is important for financial brands to demonstrate expertise and thought leadership by generating proprietary content that enables consumers to take important financial decisions. The advances in technology have made it easier for brands to broadcast and share proprietary content with their consumers in formats ranging from websites, social media platforms such as LinkedIn, webinars, white papers and newsletters.

Simplify

Urban agglomeration and the increasing trend of nuclear families have made Indian consumers time starved. As a large chunk of hitherto leisure time is now spent stuck in either unproductive areas–traffic or extra responsibility of taking care of family demands–the typical Indian consumer is likely to be deficit in time and attention. In such a scenario, ease of use will increasingly emerge as a powerful differentiator for service brands. In such a scenario, it is of paramount important to have client interfaces that are simpler and more intuitive that make the bank and its processes look less intimidating. Citi's 'SMS to Call' functionality has cut down the waiting period between converting an SMS inquiry to a call back to two minutes from two days.

UNIT-II

Consumer Behavior in Services

- Overview the generic differences in consumer behavior between services and goods
- Introduce the aspects of consumer behavior that a marketer must understand in five categories of consumer behavior:
  - Information search
  - Evaluation of service alternatives
  - Service purchase and consumption
  - Postpurchase evaluation
  - Role of culture

Consumer Evaluation
Processes for Services

- Search Qualities
  – attributes a consumer can determine prior to purchase of a product
- Experience Qualities
  – attributes a consumer can determine after purchase (or during consumption) of a product
- Credence Qualities
  – characteristics that may be impossible to evaluate even after purchase and consumption

Categories in Consumer
Decision-Making and Evaluation of Services

Information Search
Evaluation of Alternatives
Purchase and Consumption
Post-Purchase Evaluation

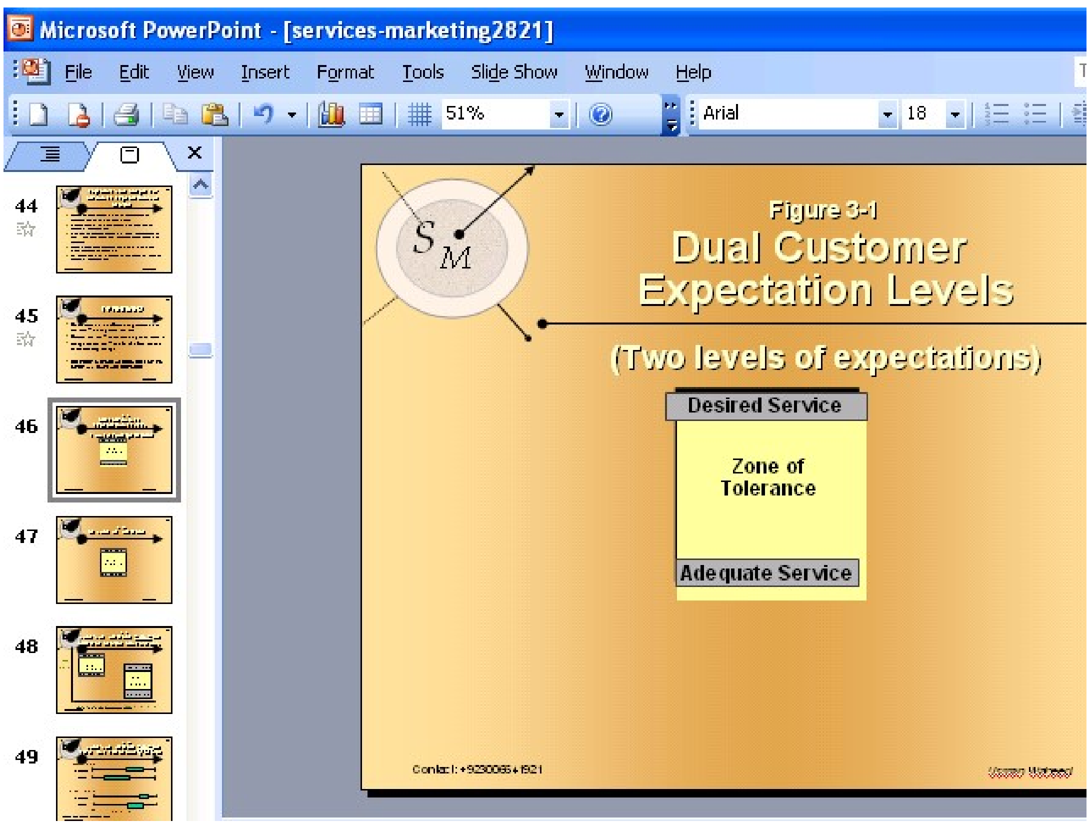
Customer Expectations of Service

- Recognize that customers hold different types of expectations for service performance
- Discuss controllable and uncontrollable sources of customer expectations
- Distinguish between customers' global expectations of their relationships and their expectations of the service encounter
- Acknowledge that expectations are similar for many different types of customers
- Delineate the most important current issues surrounding customer expectations

- Customers have different expectations re services – or expected service
- Desired service – customer hopes to receive
- Adequate service – the level of service the customer may accept

<u>Dual Customer</u>
<u>Expectation Levels</u>

(Two levels of expectations



<u>Understanding customer expectation</u>:-

Customer expectation and belief about service delivery that functions as standard of references points against which performance is judged. Because customers compare their perceptions of performance with these references points when evaluating service quality, thorough knowledge about customer expectation is critical to service marketers.

<u>Measurement of Customer Expectation</u>:-

1. Assurance

2. Empathy
3. Reliability
4. Responsiveness
5. Tangible

Consumer expectation model:-

1. Ideal service level
2. Desired service level
3. Adequate service level
4. Predicted service level
5. Zone of tolerance

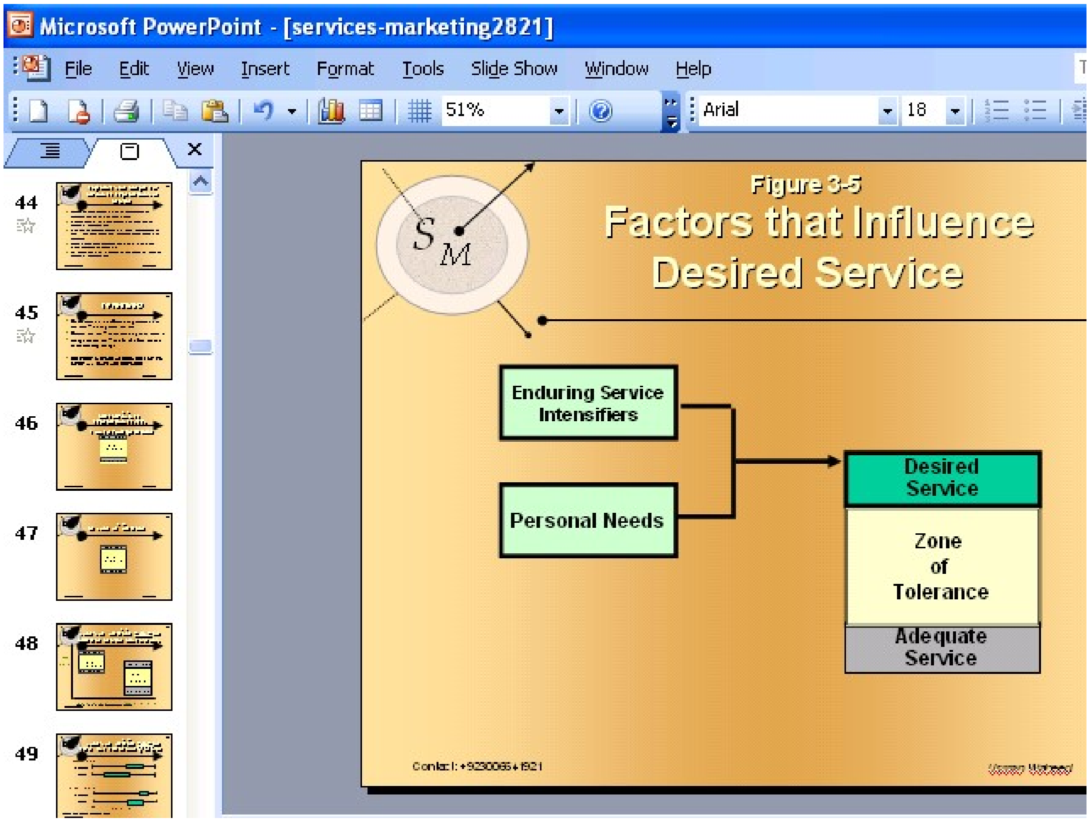
Zone of Tolerance:-

As we discussed earlier, service are heterogeneous in that performance may vary across providers, across employees from the same provider, and even with the same service employee. The extent to which customer recognizes and are willing to accept the variation is called the zone of tolerance and is shown in figure aside.

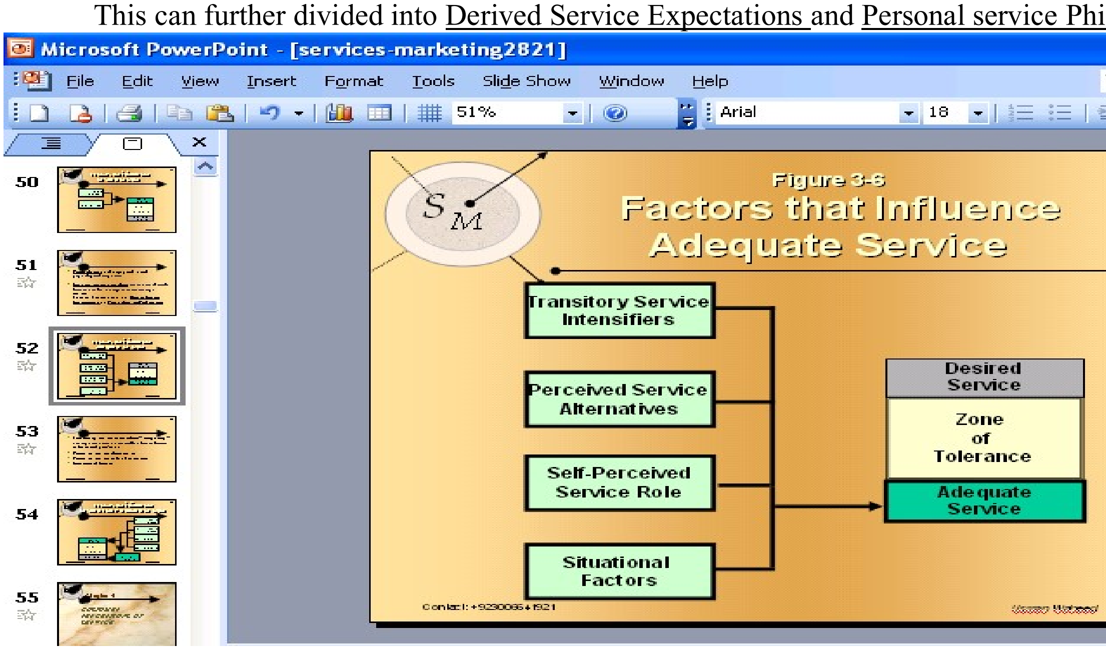
Managing Consumer Expectation:-

Managing consumer expectations is a critical component in the marketing plan of a service business. Consumer expectation must be managed during the pre purchase phase, the service encounter and the post- purchase phase. Customer expectations can be managed during each phase of the purchase process.

1) During the pre-purchase phase
2) During the service encounter
3) During the post purchase phase



- Personal needs include physical, social, psychological categories
- Enduring service intensifiers are individual, stable factors that lead to heightened sensitivity to service
  This can further divided into Derived Service Expectations and Personal service Philosophies



- Transitory service intensifiers – temporary – a computer breakdown will be less tolerated at financial year-ends
- Perceived service alternatives

- Perceived service role of customer
- Situational factors

Customer Perceptions of Service

- Provide you with definitions and understanding of customer satisfaction and service quality
- Show that service encounters or the "moments of truth" are the building blocks of customer perceptions
- Highlight strategies for managing customer perceptions of service

Factors Influencing
Customer Satisfaction

- Product/service quality
- Product/service attributes or features
- Consumer Emotions
- Attributions for product/service success or failure
- Equity or fairness evaluations

Outcomes of
Customer Satisfaction

- Increased customer retention
- Positive word-of-mouth communications
- Increased revenues

MOMENTS OF TRUTH

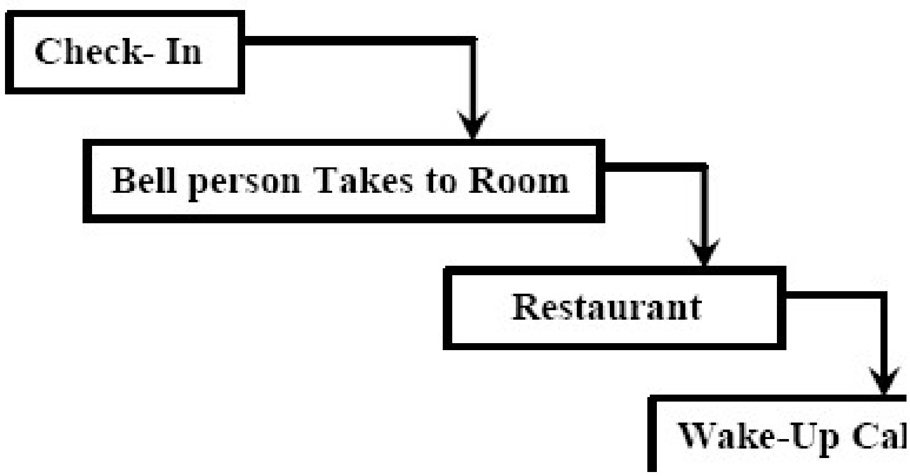
From the customer's point of view, the most vivid impression of service occurs in the **service encounter** or "**Moment Of Truth**," when the customer interacts with the service firm. This is the foundation to "Satisfaction of Service Quality" – it is where the promises are kept or broken. This concept was put forth by Richard Norman, taking the metaphor from Bull Fighting. Most services are results of social acts, which take place in direct contact between the customer and the service provider. At this stage the Customer realises the perceived service quality.

ENCOUNTER CASCADE

Every Moment of Truth is Important – according to Scandinavian Airlines, each one of their 10 million customers come in contact with 5 employees. Thus the airlines say there 50 million moments of truth – each one is managed well and "They prove they are the BEST".
However some encounters are more critical. The encounter cascade refers to a series of encounters right from the time a customer comes to take the service. The encounter cascade can be important as any encounter can be critical, as it determines customer satisfaction and loyalty. If it's the first interaction of the customer then the initial interaction will be the first impression. So, these interactions have to be given importance, as they are critical and influences customer's perception of the organization.
Example:
A customer calling for the repair service may switch to some other company if he is put on hold for a long time or even treated rudely. Even if the technical quality of that firm is superior, the firm may not get a chance to prove themselves in front of the customer. When the customer has had many interactions with firm, each encounter will be important as it will create a combined image of that firm. Many positive experiences will give an image of High Quality and many negative experiences will represent a bad image. Combination of positive and negative interactions will leave the customer confused about the Quality.
It is suggested that not all encounters are equally important in building long-term relations. For every organization, certain encounters can act as a key to customer satisfaction**. For example:**

for MARRIOT hotels, it is the early encounters that are important. In a hospital context, a study of patients revealed that encounters with the nursing staff were more important in predicting the customer satisfaction. As it is rightly said “one bad apple can ruin the whole basket of apples.” The same applies in this too; one negative encounter can drive the customer away, no matter how many encounters had taken place in the past. So a firm has to give a lot of importance to such encounters. “A customer who has been using a bank for nearly 15 years is quite happy with the service. He has a huge deposit and many accounts. One fine morning, when he comes out of the bank the watch man asks Rs. 10 for parking charges of his car. He goes inside the bank and informs the clerk at the counter, who directs him to the officer. The officer directs him to the Manager, who says he is helpless as this is a new policy of the bank. The customer who was so happy with the bank services decides to close all his accounts – “Some encounters can be very Critical”.

A Service encounter cascade for a hotel visit

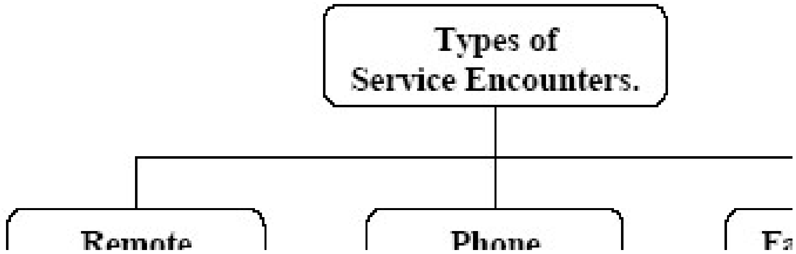


Among the service encounters a hotel customer experiences are checking in, being taken to the room by a bell person, eating a restaurant meal etc as shown in the figure. It is in these encounters that the customer receives an overall view of the organizations service quality and encounter contributes to customer satisfaction and willingness to do business with the organization again. As for the company, each encounter represents an opportunity to prove its potential as a quality service provider and to increase customer loyalty.

Some services have few service encounters and others have many. Mistakes or problems that occur in the early levels of the service cascade can e critical because failure at one point results in greater risk of dissatisfaction in the long run. MARRIOT Hotels learned this through their extensive customer survey to determine what service element contributes to customer loyalty. They found that 4 out of 5 factors came into play in the first 10 minutes of the guest’s stay.

TYPES OF ENCOUNTERS

A service encounter occurs every time a customer interacts with the service organization. There are three general types of encounters - *remote encounters, phone encounters, and face – to – face encounters.* A customer may experience any of these types of encounters, or a combination of all three in his or her relations with a service firm.



Remote Encounter:-
Encounter can occur without any direct human contact is called as Remote Encounters. Such as, when a customer interacts with a bank through the ATM system, or with Ticket on through an automated ticketing machine, or with a mail-order service through automated dial-in ordering. Remote encounters also occur when the firm sends its billing statements or communicates others types of information to customers by mail. Although there is no direct human contact in these remote encounters, each represents an opportunity for a firm to reinforce or establish perceptions in the customer. In remote encounter the tangible evidence of the service and the quality of the technical process and system become the primary bases for judging quality.
EXAMPLE:-
Services are being delivered through technology, particularly with the advent of Internet applications. Retail purchases, airline ticketing, repair and maintenance troubleshooting, and package and shipment tracking are just a few examples of services available via the Internet. All of these types of service encounters can be considered remote encounters.
Phone Encounters:-
In many organizations, the most frequent type of encounter between a customer and the firm occurs over the telephone is called as phone encounter. Almost all firms (whether goods manufacturers or service businesses) rely on phone encounters in the form of customer-service, general inquiry, or order-taking functions. The judgment of quality in phone encounters is different from remote encounters because there is greater potential variability in the interaction. Tone of voice, employee knowledge, and effectiveness/efficiency inhandling customer issues become important criteria for judging quality in these encounters.
Face-to –Face Encounters:-
A third type of encounter is the one that occurs between an employee and a customer in direct contact is called as Face-to-Face Encounter. In a hotel, face – to – face encounters occurs between customers and maintenance personnel, receptionist, bellboy, food and beverage servers and others. Determining and understanding service equality issues in face – to –face context is the most complex of all. Both verbal and non-verbal behaviors are important determinants of quality, as are tangible cues such as employee dress and other symbols of service (equipments, informational brochures, physical settings). In face – to – face encounters the customer also play an important role in creating quality service for herself through her own behaviour during the interaction. At Disney theme parks, face-to-face encounters occur between customer and ticket-takers, maintenance personnel, actors in Disney character costumes, ride personnel, food and beverage servers, and others. For a company such as, IBM, in a business-to-business setting direct encounters occur between the business customers and salespeople, delivery personnel, maintenance representatives, and professional consultants. Of
all determining and understanding service quality issues in face-to-face context is the most complex. Both verbal and non-verbal behaviours are important determinants of quality, as are tangible cues such as employee dress and other symbols of service (e.g., equipment, informational brochures, and physical settings). In face to- face encounters the customer also plays a role in creating quality service for herself through her own behavior during the interaction.

POSITIONING SERVICES

- Differentiate from competition on attributes that target customers highly value
- Entails two decisions:

Choice of target market (where to compete)
Creation of differential advantage (how to compete)

Service Market Segmentation :-

Meaning and definition of Market Segmentation : Market segmentation is a process of dividing the total market for goods and services into several smaller groups, such that member of each group are similar with respect to the factors that influence demand. Market segment as an element of marketing strategy, recognizes the wisdom of specializing to suit the needs of a segment of market rather than trying to do "all things to all people". The purpose of market segmentation is trying to identify specific user group and then pursue with the tailored product or services supported by appropriate marketing mix strategies.

Requirement for Effective Segmentation :-

1. **Distinctiveness**
2. **Measurable segment**
3. **Substantial size of the segment**
4. **Accessibility**
5. **Actionable**

Advantage :

i) **Customized service**
ii) **Multiple choices**
iii) **Best distribution Channel**
iv) **Cost effective**

Bases of Segmentation :-

Before giving some brief explanations about these bases, it is vital to understand that, in themselves they are not segments. The following brief review to two 'predetermined' approaches frequently used in market segmentation, products and services and channels helps illustrate this point

Based on Customer Characteristics :-

Demographic and socio-economic segment : It is based on wide range of factors including age, sex, family size, income, education and social class and ethics origin. So it is helpful in indicating the profile of a people who buy a company's product or services.

Some of the demographic variables used are :

1. Age and life cycle scale
2. Gender and sexual orientation
3. Marital status
4. Income
5. Social class
6. Family Size
7. Occupation
8. Educational Level
9. Religion

Psychographic Segmentation : Psychographic is a technique that classifies life styles by investigating how people live, what interest them and what they like. It is also called life style analysis or AIO because it relies on number of statement about a person's activities, interest and opinions.

1. Life Style
2. Personality
3. Attitude
4. Belief
5. Values

Geographical Segmentation : In geographical segmentation, the marketers divide the market according to geographic units. They can divide the consumer on the basis of countries, region, stages, cities and town. A firm may decide to market different product or services in certain areas and not in other.

Based on consumer responses :

1. Benefit Segmentation : Benefit segmentation groups customers together on the basis of the benefits they are seeking from a product.
2. Usage : Marketers make an attempt to segment final consumer and organizational consumer based on usage rate, usage expenses and brand loyalty. Amongst the uses they distinguish segment based on volume.
3. Loyalty Segmentation : Loyalty segmentation involves identifying customers' loyalty to a brand or product customer tend to be very loyal or disloyal. These groups are then examined to try and identify any common characteristics so that the product can be targeted at prospectively loyal customers.

<u>Segmentation and Zone of Tolerance</u> :-

The zone of tolerance differs across customers groups and products. It is, therefore, necessary to segment the market, much the same way as it is in consumer product marketing. One useful way of something the marketer is establishing the zone of tolerance across different customer decision criteria like price, performance and service quality.

Process of Market Segmentation :

1. Identify bases of segmenting the market
2. Develop profile of resulting segment
3. Develop measure of segment attractiveness
4. Select the target segment
5. Ensure that the target segment are compatible

<u>Market Targeting in service</u> :-

Targeting follows market segmentation as a natural step and is defined as the process of estimation and comparison of the previously identified segments for selecting one or more segment that fetch the best result for the business. The chosen segment should be the most profitable for the company and should also helps in delivering superior value to the chosen customer base.

Bases :

i) Segment size and growth potential
ii) Structural attractiveness
iii) Company objective and resources

Positioning of Service :-

Positioning means projecting the product or services in such a way that consumer perceives it value distinctively from that of competitiveness offers. In other words, positioning intends to influence the perceptual process of consumers against a product or a service. The studies on a consumer behavior provide that consumer do perceive against the marketing stimulation. Since marketing stimulation are many, a consumer may not respond selectively through a perpetual process.

Objective of Positioning :

i. To create a distinctive place
ii. To provide a completive edge to the product or service.
iii. To place an intangible service to the more tangible frame of reference.
iv. To help both service development and the redesign of the existing service.
v. To follow consideration of competitor's possible moves.
vi. To give the target market the reason of buying your service and then design the whole
strategy.

Steps in developing positioning strategy :

1. Steps in developing positioning strategy
2. Identification if Attributes
3. Location of Attributes on positioning map
4. Evaluating positioning Option

1. Striving the quality mission
2. Continuous quality improvement
3. Encouraging employee initiatives
4. Collecting and analyzing information
5. Training and development program me
6. Rewarding quality adherence

Understanding Customer Expectation :-

Customer expectation understanding is must for every organization. Because customer dissatisfaction or even worse situation will create a hurdle in organization growth. So proactively conducting customer survey about their satisfaction is must for every financial organization.

Tips for Understanding Customer :

i) Interview customer to design a questionnaire.
ii) Typical topic covered in customer satisfaction.
    a. Overall satisfaction
    b. Performance of front line staff
iii) Design a feedback form and ask customer to rate service quality
iv) Use a consultant to design and if necessary conduct a survey.

Segmenting financial service :-

1. Demographic
2. Psychographic

3. Behavioral segmenting

Targeting of Financial Services :-

1. Prime Customers
2. Highly Valued Customers
3. Prosperous but Mobile – This group is generally aware of its prospects is not loyal and will frequently shop around for the best deal and will move readily to take advantage of the best offer.
4. Prime Prospects
5. Middle Majority
6. Price Shoppers
7. Tomorrow's Valued Customers
8. No Frills
9. Social Responsibilities

Positioning of Financial Services :-

Positioning presents particular challenges to the financial service industry, owing to the intangibility of its products, the absence of patent protection and the ease with which products and services can be copied to competitors. Arguably, positioning is still in its infancy in many areas of financial services around the world.

Devising Financial Services :-

Banking Marketing :

Bank marketing is the aggregate of functions, directed at providing services to satisfy customer's financial needs and wants, more effectively and efficiently than the competitors keeping in the view the organizational objectives of the bank.

Marketing Mix : (7 P's)

i) Product
ii) Price
iii) Promotion
iv) Place
v) People
vi) Process
vii) Physical Evidence

Insurance Marketing

Telecom Services

Home Loan

Credit Cards

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UNIT-II

Consumer Behaviour in Services

Consumer Behaviour in Services:-

Search, Experience and Credence Property; Customer Expectation of Services: Two levels of Expectation, Zone of Tolerance, Factors influencing Customer Expectation of Services; The ThreeStage Model of Consumer Behaviour Applied to Services; Customer Perception of Services: Factors influencing Customer Perception of Service; Market Segmentation and Positioning Services in Competitive Markets.

All of us buy different services for various reasons. One person may prefer to go to a restaurant for good food while the other may opt for an exclusive restaurant, for status. There are women who don't go to beauty parlours at all, whereas there are others who go regularly. Similarly, there are many such examples telling us that people show different behaviour in buying and using different products and services.

Consumer behaviour is the study of consumers and the processes they use to choose, use (consume), and dispose of products and services, including consumers' emotional, mental, and behavioural responses. Understanding consumer behaviour is crucial for businesses to create effective marketing strategies that can influence consumers' decision-making processes.

According to Engel, Blackwell, and Mansard, 'consumer behaviour is the actions and decision processes of people who purchase goods and services for personal consumption'.

According to Louden and Bitta, 'consumer behaviour is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services'.

Understanding consumer behaviour is vital to any successful marketing strategy. By analysing the factors that influence consumer behaviour, businesses can develop effective marketing campaigns that cater to the needs and wants of their target audience.

Why is consumer behaviour important?

Studying consumer behaviour is important because it helps marketers understand what influences consumers' buying decisions.

By understanding how consumers decide on a product, they can fill in the gap in the market and identify the products that are needed and the products that are obsolete.

Studying consumer behaviour also helps marketers decide how to present their products in a way that generates a maximum impact on consumers. Understanding consumer buying behaviour is the key secret to reaching and engaging your clients, and converting them to purchase from you.

- **Better marketing and communications**

As living standards, trends, and technology keep changing, consumers' choices also keep varying. Understanding how these factors affect customers' buying habits helps organizations design their messaging accordingly. Thus, having insights into consumers' purchase behaviour can help marketers in meeting their objectives.

- **Improve customer retention**

  It is far more beneficial to retain an existing customer than to gain new customers. It's easier to sell new products and services to your existing customers than to find new ones.

  Entrepreneurs who are able to retain their customers and create strong relationships manage to create strong new brand loyalty for their businesses. Customer loyalty can prove to be a promoter of your business and spread positive word of mouth. Satisfied customers share their happy experiences with their friends and family.

  So, retaining as many customers as possible should be the goal of entrepreneurs interested in growing their companies.

- **Increase customer loyalty**

  Understanding customer behaviour helps in finding out ways to boost customer loyalty, which in turn, will lead to higher sales and a strong brand. Analysing trends in sales can aid in offering discounts as well as suggesting the best products and services to them.

- **Better plan inventory**

  Researching customer attitudes helps companies plan inventory and stock raw materials. In the case of a service-based business, the management team can better plan their human resources. If businesses see a trend in demand for specific products, they are likely to send more purchase orders to their suppliers. Consumer behaviour data can help them to balance demand and supply.

- **Increase sales**

  A company always aims to satisfy specific market niches. Even if the company operates in different sectors, it should target potential buyers in each segment. If you know your customers well, you can have better conversations with a high probability of closing the deal. Knowing who you are selling to makes it possible to clearly define your objectives in the market. Learning more about consumer behaviors helps to define the main customers that come directly to the company. Your inventory should be stocked with products that meet the requirements of your potential buyers.

  Instead of taking random shots and trying to sell to anyone, having knowledge about your customers' likes and dislikes helps in making smarter decisions. Such a strategy has a higher chance of generating sales.

- **Research competition**

Studying consumer buying behaviour helps in understanding the competitive market. You can plan on how to position your products and services to offer competitive advantages. Find out answers to questions like:

- Is the customer already using a competitor brand?
- What drives a consumer to buy from your competitor?
- Are potential customers happy with the competitor brands?
- What are the gaps between your products and that of competitors?

<u>Factors influence behavioural changes</u>

- **Cultural factors**
- Culture is a set of beliefs, values, and behaviors that a group shares. It determines how we interact with each other and the environment around us. Cultural factors give rise to different styles of consumption.
- **Social factors**
- Social factors are related to people's relationships with others in their group. These factors can indicate how consumers respond to one another's opinions regarding products or services on offer in the marketplace. For example, if your friends are buying a particular brand of car, then you may also decide to buy it even though you may not be interested in cars at all. Social factors are the ones that are entirely developed in association with other groups, communities, or individuals. These factors are not inherent in an individual. Instead, they are imposed upon or reinforced into the customer. These tastes and preferences emerge as a result of interactions with other groups of people. For instance, children visiting a school are more likely to buy attractive stationery, a young adult may buy gym equipment or sports shoes, and so on.
- **Personal factors**
- Personal factors refer to individual tastes and preferences, which vary from one consumer to another. For instance, some people like spicy food while others do not like any spices in their food items; hence, companies should try and understand their target audience to design their products accordingly.
- **Psychological factors**
- Marketing strategies are based on consumer behaviour and psychology. It is imperative to know what motivates consumers to buy your product or service. For example, if you sell luxury products, you will want to advertise them in ways that appeal to people who have an affinity for luxury.
- **Economic factors**

- Economic factors are also important because they include price, supply and demand, competition, and many other things. The company should consider all these factors when developing a marketing strategy.

Search, Experience and Credence (SEC) analysis

- **Search Attributes**are commodities such as TV, LAPTOP or heart medicine. When a buyer shops for any of these, they have a clear perception of what they want and a high degree of certainty it will be useful in a predictable way.

- As commodities, you know what they are as soon as you find them. Drug stores provide highly uniform drugs, banks provide highly uniform money. A can of OIL at one grocery stores is the same as the ones at others. Groceries, banks and pharmacies at their root provide search goods.

- **Search products or services have attributes** customers can readily evaluate before they purchase. A hotel room price, an airline schedule, television reception, and the quality of a home entertainment system can all be evaluated before a purchase is made. Well-informed buyers are aware of the substitutes that exist for these types of products and thus are likely to be more price sensitive than other buyers, unless there exists some brand reputation or customer loyalty. This sensitivity, in turn, induces sellers to copy the most popular features and benefits of these types of products. Price sensitivity is high with respect to products with many substitutes, and since most buyers are aware of their alternatives, prices are held within a competitive band.

- **Experience Attributes**are those where price, quality or some other attribute remains unknown until purchase. When visiting a new restaurant or buying a new parlour, for example, consumers show a willingness to take a risk on how satisfying the product will be. Compare that with purchasing gas where quality of the product is expected to be satisfying regardless of what station you buy from.

  Yet, with experience goods, once a person has consumed the food or wine they can readily evaluate their satisfaction with it. The knowledge of prior customers' satisfaction is highly influential to those considering the same choice.

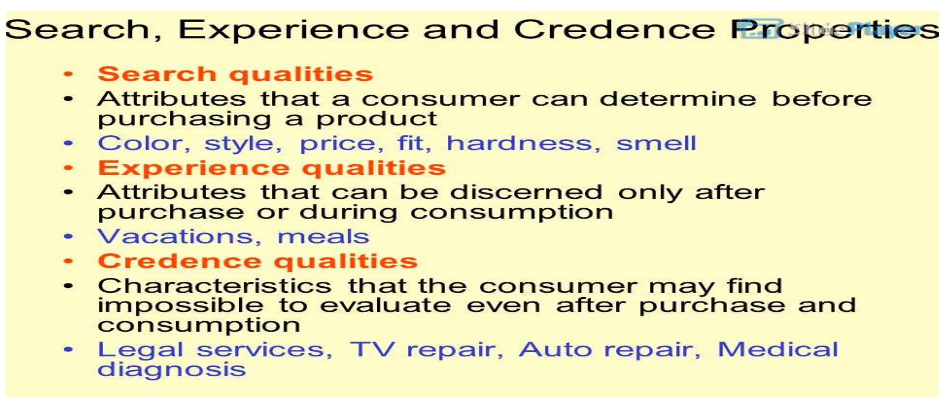
  Experience products or services can be evaluated only after purchase, such as dinner in a new restaurant, a concert or theatre performance, a new movie, or a hairstyle. The customer cannot pass judgment on value until after he or she has experienced the service. These types of products tend to be more differentiated than search products, and buyers tend to be fewer prices sensitive, especially if it is their first purchase of said product. However, since they will form an opinion after the experience, if it is not favourable, no amount of differentiation will bring them back. Product brand and reputation play an important role in experience products, due to consistency of quality and loyalty. For instance, when customers travel, so does brand reputation, as with airlines, hotels, rental cars, and so forth.

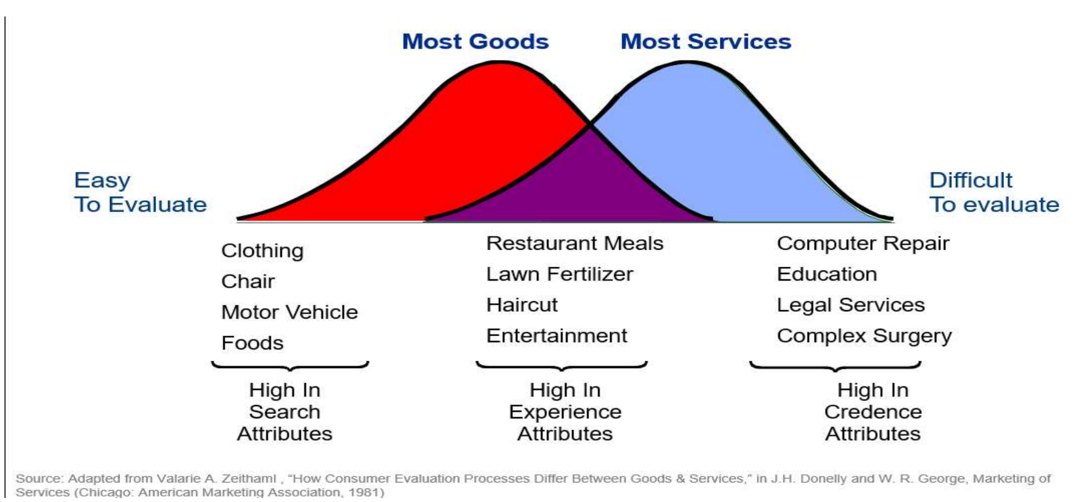
- **Credence Attributes**

Credence goods may be the most interesting to marketers, because even after their purchase and use, customers may still be unable to assess their quality. This is often the case with expert or high-end services like lawyers, surgeons, mechanics,

Credence products or services have attributes buyers cannot confidently evaluate, even after one or more purchases. Thus, buyers tend to rely on the reputation of the brand name, testimonials from someone they know or respect, service quality, and price. Credence products and services include health care; legal, accounting, advertising, consulting, and IT services; baldness cures; pension, financial, and even pet food (since you have to infer if your pet likes it or not). Credence services are more likely than other types to be customized, making them difficult to compare to other offerings. Because there are fewer substitutes to a customized service and there is more risk in purchasing these types of services, price sensitivity tends to be relatively low — that is, the majority of customers purchasing credence services are relatively price insensitive compared to search or credence goods.

Thus, Credence Attributes-Consumer may find it very difficult to evaluate some services even after receiving them. They have to simply trust the skills of the service provider. For example, it will be complex to understand quality of repair for a car service.





Customer Expectation of Services

How Do Consumers Develop Expectations

Consumers have different types of expectations from a service. The knowledge of customer expectations helps marketers design comprehensive service packages capable of delivering satisfaction. Companies should meet all customer expectations to survive in the competitive environment.

Two levels of Expectation

1. **Desired Service**– The type of service which customers hope to receive is termed as desired service. It's a 'wished for' level- a combination of what customers believe can and should be delivered in the context of their personal needs.

2. **Adequate Service**– the minimum level of service a customer will accept without being dissatisfied.

The difference between desired and adequate service level expectation is known as the zone of tolerance. (Christopher Lovelock)

Factors that Influence Customer Expectations of Service

As expectations play such a critical role in customer evaluation of services, marketers need to understand the factors that shape them.

A) Sources of Desired Service Expectations

1. **Personal Needs:** Personal Needs are those states or conditions essential to the physical or psychological well-being of the customer and are pivotal factors that shape what customers desire in the service. Personal needs can fall into many categories, including physical, psychological, social and functional. A customer with high social and dependency needs may have relatively high expectations for hotel's ancillary services, hoping, for example, that hotel has a open garden with live music and dancing, travel agents etc.
2. **Personal Service Philosophy**: A consumer's expectations are also affected by his personal philosophy concerning delivery of services. Some consumers, by nature, have high standards concerning the quality of service delivery and very little tolerance for deviation.(David L. Kurtz) Other consumers have lower standards and tend to be more tolerant of service deviation. If you have ever been employed as a waitperson in a restaurant, you are likely to have standards for restaurant service that have been shaped by your training and experience in that role. You might, for example, believe that waiter should not keep customers waiting longer than fifteen minutes to take their orders.(Valarie A Zeithmal). Individuals develop their service philosophy through a combination of two inputs: Hereditary and past experience. (David L. Kurtz)

3. **Derived Service Expectations:** This influence occurs when a customer expectations are driven by other persons or a group of people. A niece from a big family who is planning a 90th birthday party for a favorite aunt is representing a entire family in selecting a restaurant for a successful celebration. Her needs are driven in part by expectations derived from the other family members. (Valarie A Zeithaml)

B) Sources of Adequate Service Expectations

A different set of determinants affects adequate service, the level of service the customer finds acceptable. In general, these influences are short term and tend to fluctuate more than factors that influence desired service. The three factors which influence adequate service are:

1. **Perceived Service Alternatives**: These alternatives are other providers from whom the customers can obtain the service. If the customers believe they have multiple service providers to choose from, or if they can provide the service for themselves, their levels of adequate service are higher than those of customers who believe it is not possible to get better service elsewhere. The customer's perception that service alternatives exist raises the level of adequate service. (Valarie A Zeithaml)

2. **Situational Factors:** Customer expectations of service are affected by such situational factors as reason for the purchase, the consumer's mood, the weather, time constraints and whether the service is an emergency. These factors are temporary changes in the normal state of things which impact what consumers expect from a service.(David L. Kurtz) One type of the situational factor is uncontrollable situational factors, which include service performance conditions that customer view as beyond the control of the service provider. For example, catastrophes that affect a large number of people at one time may lower service expectations from insurance customers in other geographic locations because they recognize that insurers are inundated with demand for the services. Other type of situational factor is a personal situational factor which consists of short term individual factors that make a customer aware of need for service. (Valarie A Zeithaml)

3. **Predicted Service:** It is the level of service that customers believe that they are likely to get. If customers predict good service, their level of adequate service are likely to be higher than if they predict poor service. It is typically an estimate or the calculation of the service that a customer will receive in an individual transaction rather than in the overall relationship with service provider. (Valarie A Zeithaml)

C) Sources of both Desired and Predicted Service Expectations

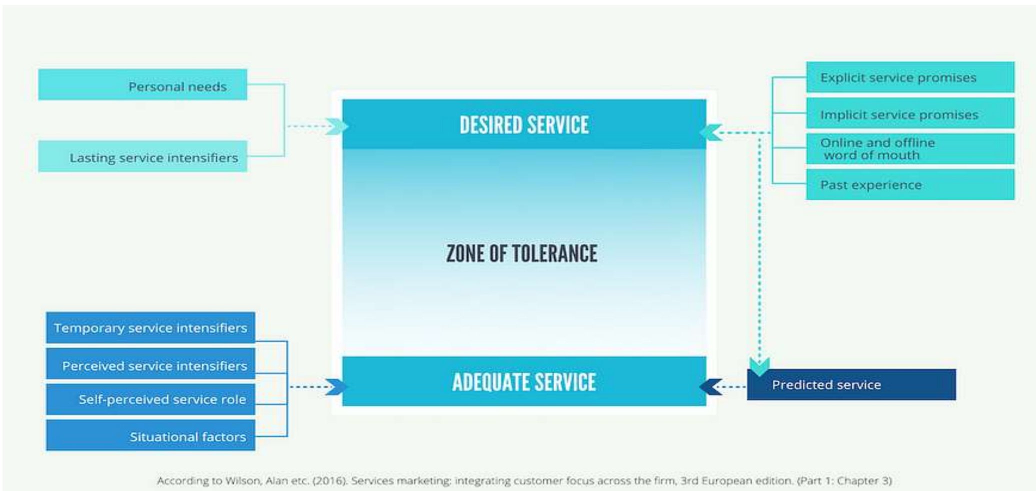
When consumers are interested in purchasing services, they are likely to seek or take in information from several different sources. For example, they may call a store, ask a friend or track newspaper advertisement to find the needed service at a lowest price. There are four factors that influence both desired and predicted service expectations which are as follows:

1. **Explicit Service Promises:** These are personal and non-personal statements about the service made by the organization to customers. Statements are personal when they are communicated by firm's sales people; they are non-personal when they come from company's web pages, brochures and other written publications. All the type of explicit service promises have direct effect on desired service expectations.

2. **Implicit Service Promises**: These are service related cues that lead to inferences about what the service should and will be. These quality cues are dominated by price and tangibles associated with the service. In general, the higher the price and the more impressive the tangibles, the more the customer will expect from the service. (Valarie A Zeithaml)

3. Word- of- Mouth Communication: It is the strongest source of information used by consumers in forming expectations. The consumers will often seek the opinion of others before purchasing a service. For the service with which consumer have little knowledge or experience, this communication can be used to establish the desired and ideal levels of service. (David L. Kurtz).

4. Past Experience: The most important factor affecting consumer expectation of a service is consumers past experience. It includes with particular service vendors, experience with other vendor within the same industry, and experience with related service. For example, you probably compare each stay in a particular hotel with all previous stays in that hotel. But past experience with the focal hotel is likely to be very limited view of your past experience. You may also compare each stay with your experiences in other hotels and hotel chains.



- ✓ Understanding customer expectations is a prerequisite for delivering superior service;
- ✓ Customers compare perceptions with expectations when judging a firm's service.
- ✓ However, the nature of customer service expectations and how they are formed has remained ambiguous.
- ✓ Researchers have defined customer service expectations in a variety of ways but with no conceptual framework to link different types of expectations or indicate their interactions in influencing perceptions of service performance.
- ✓ Motivated by the pivotal role of customer expectations in service quality assessments, and by the limited knowledge about their structure and formation, we have undertaken a study designed to answer several fundamental questions:
- ➢ What is the nature of customers' service expectations? Are there different types of expectations?
- ➢ What factors influence the formation of these expectations?
- ➢ How stable are the expectations? Do they change over time? Do they vary across service situations and across customers?

- How can companies manage expectations to enhance customers' perceptions of service?
- What can companies do to exceed customers' expectations?

When designing services, it is good to understand customer expectations. The purpose of service design is to create a customer experience that exceeds customer expectations. Understanding customer expectations facilitates the design of services to be better and more customer-oriented.

Importance of customer expectations

Knowing what the customer expects is the first and possibly most critical step in delivering good-quality service. Customers have beliefs about what to expect when they are evaluating service quality what they believe as standards or reference points. Companies cannot trust that they know what their customers want. That can lead to spending money and other things that do not matter to the customer. In the worst-case scenario, the company will lose its customers.
Understanding the expectations the successful service marketing needs to focus on:
1. Types of expectation standards
2. Factors that are influencing the most
3. What role do these factors play
4. How can a company meet or exceed customer expectations

Strategies used by Service Marketers to influence Customers' Expectation

Different strategies are used for influencing different sources or factors of customers' expectation which are as follows:-

Strategies used by Service Marketers to influence Customers' Expectation

Different strategies are used for influencing different sources or factors of customers' expectation which are as follows:-

Factors	Possible Influencing Strategies
Explicit service promises	Make realistic and accurate promises that reflect the service actually delivered rather than an idealized version of the service. Ask contact people for feedback on the accuracy of promises made in advertising and personal selling. Avoid engaging in price or advertising wars with competitors because they take the focus off customers and escalate promises beyond the level at which they can be met. Formalize service promises through a service guarantee that focuses company employees on the promise and that provides feedback on the number of times promises are not fulfilled.
Implicit service promises	Ensure that service tangibles accurately reflect the type and level of service provided. Ensure that price premiums can be justified by higher

	levels of performance by the company on important customer attributes.
Lasting service intensifiers	Use market research to determine sources of derived service expectations and their requirements. Use market research to profile personal service philosophies of customers and use this information in designing and delivering services.
Personal needs	Educate customers on ways the service addresses their needs.
Temporary service intensifiers	Increase service delivery during peak periods or in emergencies.
Perceived service alternatives	Be fully aware of competitive offerings, and where possible and appropriate, match them.
Self-perceived service role	Educate customers to understand their roles and perform them better.
Word-of-mouth communications	Simulate word of mouth in advertising by using testimonials and opinion leaders. Identify influencers and opinion leaders for the service and concentrate marketing efforts on them. Use incentives with existing customers to encourage them to say positive things about the service
Past experience	Use marketing research to profile customers' previous experience with similar services.
Situational factors	Use service guarantees to assure customers about service recovery regardless of the situational factors that occur
Predicted service	Tell customers when service provision is higher than what can normally be expected, so that predictions of future service encounters will not be inflated.

The zone of tolerance

The one of tolerance falls between the desired service and adequate service. That can be considered this as the customer is not particularly noticing service performance. If service performance exceeds desired service, customers are very pleased and surprised too. On the other hand, if service performance drops below adequate service, the customer is frustrated and not happy. When service performance falls outside the range, service gets the customer's attention positively or negatively. The level of tolerance can be different between customers. It can expand or diminish with each customer in various situations.

Customer Perception of Services: Factors influencing Customer Perception of Service

Customer perception is the opinions, feelings, and beliefs customers have about your brand. It plays an important role in building customer loyalty and retention as well as brand reputation and awareness.

“Regardless of their actual experience, customer perception is all about how the customer feels about your brand and their interactions with you,”

5 steps to improve customers’ perception of your brand

After collecting your metrics, you’ll know how customers feel about your brand. You’ll need a game plan to help you improve if your customers don’t view you in a very positive light. And if you find your company has a great reputation, don’t rest on your laurels—you’ll need to take steps to continue maintaining that standard.

- Provide customer support
- Share customer success stories
- Encourage company-wide collaboration
- Support social causes
- high or superior quality or performance

Perception is everything. The way your customers perceive your company impacts acquisition and retention — and it can even affect your ability to raise capital. In other words, your success depends on creating a positive customer perception.

Factors Influencing customer perception

In general, customer perception can be influence by a lot of factors. Some of the major factors are:

- ✓ **Consistency of performance** – How has the brand performed in the past and how it is performing currently.
- ✓ **Emotional connect** – Superb brands know that emotional connection with the customer is critical to brand development.
- ✓ **Marketing communications** – How the brand communicates with the customers using the various media vehicles.
- ✓ **Holistic marketing** – A brand cannot be excellent if it has good sales staff but pathetic support staff. A brand has to be a good all rounder and satisfy customers from all its touch points.
- ✓ **Personal experience** – Personal experience is one of the most important influencers that can easily have a direct impact on customer perception. Our personal experiences matter most. When a customer experiences a good service or purchases a great product, the quality of goods and services matter.
- ✓ **Advertising** – Promotional campaigns are an integral part of any organization. It takes important steps to create advertisements that can change your perception about a brand easily.
- ✓ **Influencers** – We all are surrounded by several influencers that have a direct and indirect impact on your mind-set. It can change customer perception at the drop of a hat. Suppose you saw an advertisement about apparel and were impressed by the brand. Next day you met your friend who told you about the horrible experience he had at the brand outlet the other day. Your perception changes once again.
- ✓ **Social media platforms** – This is the age of technology where most people are on one or the other social media portal browsing to their heart’s content. When you read reviews or comments about particular products services of a brand, your sub-conscious mind automatically takes a decision.
- ✓ **Product quality:** Customer perception involves the quality of a product or service. If they perceive a product to be of high quality, it can justify higher prices than competitors.
- ✓ **Price:** The goal of pricing is for customers to believe they are receiving good value for their money. This can be tricky.
- ✓ If you price a product higher than its perceived value, customers will react negatively. But if you price it too low, customers will question the product’s quality.
- ✓ **Customer service**: Customers’ attitude towards a brand can be significantly swayed by a business’s quality of customer service. A company’s reputation can be boosted by good customer service strategies.
- ✓ **Brand image and reputation**: How customers perceive your business is greatly influenced by the image and reputation of a brand and vice versa. Brands that have a positive image and reputation tend to be viewed more positively by customers.

- ✓ **Marketing strategies**: Customers' perception of a product or service is significantly swayed by its marketing and advertising strategy.

The ThreeStage Model of Consumer Behaviour Applied to Services

<u>Market Segmentation and Positioning Services in Competitive Markets</u>.

Market Segmentation

Market segmentation is a marketing term that refers to aggregating prospective buyers into groups or segments with common needs and who respond similarly to a marketing action. Market segmentation enables companies to target different categories of consumers who perceive the full value of certain products and services differently from one another.

Market segmentation seeks to identify targeted groups of consumers to tailor products and branding in a way that is attractive to the group. Markets can be segmented in several ways such as geographically, demographically, or behaviourally.

Market segmentation helps companies minimize risk by figuring out which products are the most likely to earn a share of a target market and the best ways to market and deliver those products to the market.

With risk minimized and clarity about the marketing and delivery of a product heightened, a company can then focus its resources on efforts likely to be the most profitable.

Market segmentation can also increase a company's demographic reach and may help the company discover products or services they hadn't previously considered.

Types of Market Segmentation

There are four primary types of market segmentation. However, one type can usually be split into an individual segment and an organization segment. Therefore, below are five common

Demographic Segmentation

Demographic segmentation includes a number of factors including sex, age, family size etc. Socio-economic variables may also be considered here, including income education, social class and ethnic origins. Many retail stores target different customer group.Demographic segmentation is one of the simple, common methods of market segmentation. It involves breaking the market into customer demographics as age, income, gender, race, education, or occupation. This market segmentation strategy assumes that individuals with similar demographics will have similar needs.

Example: The market segmentation strategy for a new video game console may reveal that most users are young males with disposable income.

Geographic Segmentation

Geographic segmentation is technically a subset of demographic segmentation. This approach groups customers by physical location, assuming that people within a given geographical area may have similar needs. This strategy is more useful for larger companies seeking to expand into different branches, offices, or locations.

Geographic segmentation

Location-based ad targeting on Facebook and other platforms.

Psychographic Segmentation

Often the most difficult market segmentation approach, psychographic segmentation strives to classify consumers based on their lifestyle, personality, opinions, and interests. This may be more difficult to achieve, as these traits (1) may change easily and (2) may not have readily available objective data. However, this approach may yield strongest market segment results as it groups individuals based on intrinsic motivators as opposed to external data points.

Example: A fitness apparel company may target individuals based on their interest in playing or watching a variety of sports.

Behavioral Segmentation

Behavioural segmentation relies heavily on market data, consumer actions, and decision-making patterns of customers. This approach groups consumers based on how they have previously interacted with markets and products. This approach assumes that consumer's prior spending habits are an indicator of what they may buy in the future, though spending habits may change over time or in response to global events,

Benefits of Market Segmentation

Marketing segmentation takes effort and resources to implement. However, successful marketing segmentation campaigns can increase the long-term profitability and health of a company. Several benefits of market segmentation include;

Increased resource efficiency. Marketing segmentation allows management to focus on certain demographics or customers. Instead of trying to promote products to the entire market, marketing segmentation allows a focused, precise approach that often costs less compared to a broad reach approach.

Stronger brand image. Marketing segment forces management to consider how it wants to be perceived by a specific group of people. Once the market segment is identified, management must then consider what message to craft. Because this message is directed at a target audience, a company's branding and messaging is more likely to be very intentional. This may also have an indirect effect of causing better customer experiences with the company.

Greater potential for brand loyalty. Marketing segmentation increases the opportunity for consumers to build long-term relationships with a company. More direct, personal marketing approaches may resonate with customers and foster a sense of inclusion, community, and a sense of belonging. In addition, market segmentation increases the probability that you land the right client that fits your product line and demographic.

Stronger market differentiation. Market segmentation gives a company the opportunity to pinpoint the exact message the way to convey to the market and to competitors. This can also help create product differentiation by communicating specifically how a company is different from its competitors. Instead of a broad approach to marketing, management crafts a specific image that is more likely to be memorable and specific.

Better targeted digital advertising. Marketing segmentation enables a company to perform better targeted advertising strategies. This includes marketing plans that direct effort towards specific ages, locations, or habits via social media.

Stronger marketing messages: You no longer have to be generic and vague – you can speak directly to a specific group of people in ways they can relate to, because you understand their characteristics, wants, and needs.

Targeted digital advertising: Market segmentation helps you understand and define your audience's characteristics, so you can direct your online marketing efforts to specific ages, locations, buying habits, interests etc.

Developing effective marketing strategies: Knowing your target audience gives you a head start about what methods, tactics and solutions they will be most responsive to.

Better response rates and lower acquisition costs: will result from creating your marketing communications both in ad messaging and advanced targeting on digital platforms like Facebook and Google using your segmentation.

Attracting the right customers: targeted, clear, and direct messaging attracts the people you want to buy from you.

Increasing brand loyalty: when customers feel understood, uniquely well served, and trusting, they are more likely to stick with your brand.

Differentiating your brand from the competition: More specific, personal messaging makes your brand stand out.

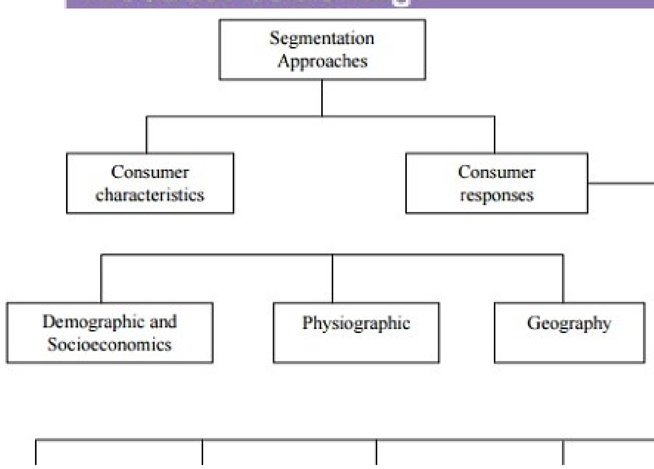
Identifying niche markets: segmentation can uncover not only underserved markets, but also new ways of serving existing markets – opportunities which can be used to grow your brand.

Staying on message: As segmentation is so linear, it's easy to stay on track with your marketing strategies, and not get distracted into less effective areas.

Driving growth: You can encourage customers to buy from you again, or trade up from a lower-priced product or service.

Enhanced profits: Different customers have different disposable incomes; prices can be set according to how much they are willing to spend. Knowing this can ensure you don't oversell (or undersell) yourself.

Product development: You'll be able to design new products and services with the needs of your customer's top of mind, and develop different products that cater to your different customer base areas.



Positioning

- Positioning for a marketer is occupyi relative position in the minds of cust with respect to other service provide competitors.
- Differentiation is slightly different bu close to positioning – making the ser offered something distinct or with so distinctive advantage from competit offerings.
- Definitions : The following definitions

Positioning Distinguishes Brand from its Competito

- 1. A company must establish a p in the minds of its targeted custo
- 2. The position should be singula providing one simple and consis message.
- 3. The position must set a compa apart from its competitors.
- 4. A company cannot be all thing

Positioning Distinguishes Brand from its Competito

- After a service strategy has been identified, a company must decide position its product most effective
- The concept of positioning involve establishing a distinctive place in minds of target customers relative competing products.
- Jack Trout has distilled the essenc positioning into the following four

Positioning Strategies :

- According to Michael Porter, there three basic positioning alternative
- (1) as a product / service different
- (2) as a low cost leader, and
- (3) as a niche market offerer.
- He suggested that the marketer sh specialist for a few strategies rath a generalist for several strategies. strategies can be based on severa

METHODS OF POSITIONING	CONSUMER EXAMPLE	BUSINES
Service attributes	Sprint offers the clearest and Best transmission for long distance telephone calls.	J.B.Hunt offer delivery rate for shipments by tr
Use or application	Bullet Resistant Systems Provides bulletproofing for Residences who want protection frombullets.	Imagination pr multidisplinary services for bus more than adve development.
Price/ quality Relationship	Taco Bell offers fast food customers a cheap, quality meal.	Ernest & young quality accounti
Service Class	Hilton is the best alternative In the down town, business	Access Health N new firm in the r
Service User	Viacom's WLTW of Newyork is the radio station of choice for 25 to 54 years old females.	Midwest Expres highest level of For business airli

Types of Positioning

1. **Pre-emptive Positioning**

According to this strategy, the brand claims to be the first to provide a particular benefit, feature, new product, and service. This creates curiosity amongst customers about the product and the company that offers the prototype or new innovation. It also gives the company an upper hand to price the product/ service as it wants to. Let us see real-life examples of this marketing strategy.

Seiko: In 1998, Japanese electronics giant 'Seiko' launched 'Seiko Rupture' which is claimed to be the 'first watch computer'. It can be claimed as the world's first smart watch. The company promoted this watch as a 'wearable PC'.

IBM: In 1992, IBM and Belself together launched the world's first touch screen phone called 'IBM Simon' Personal Cellular Communicator. This is the world's first touch screen phone. The product sold 50,000 units in total.

2. Superlative Positioning

In this strategy, the company presents its product as better than its competitors. They highlight their qualities in a comparative manner to showcase that their brand is better. Let us consider a real-life example of this strategy.

Wendy's vs. McDonald's: In 2022, Twitter was taken over by Wendy's billboards advertisement that states, 'hot and crispy fries don't arch, just sayin'. Since it is starting to be superlative to only one brand, it is a part of comparative advertising.

Explore free advertising courses

Dove: This is an ideal real-life example of superlative positioning, unlike Wendy's comparative advertising. Here, Dove is stating its superiority over its competitors by referring to other brands as 'harsher'.

3. Competitive Positioning

Competitive positioning is a strategy that is used by companies to differentiate themselves from their competitors. Through this positioning, companies define their niche where they can perform better than competitors. It also helps them in understanding the types of products and services that they need to provide to their customers.

Simple: Simple is an American neobank with no branches. To set themselves apart from their competitors, they differentiated themselves through their mobile app during a time when most mobile apps were not that functional.

Steps for Creating Marketing Positioning Strategies

While creating a marketing positioning strategy, you need to follow the below-given steps in order.

1. Understanding the current marketing position

Primary market research, surveys, feedback forms, and data analysis helps in understanding your company's current market position. Through this, you can learn about factors currently making your brand hit or flop. You can plan a new strategy based on these points to serve your customer better and improve your brand image.

2. Analysis of Competitors' Positioning

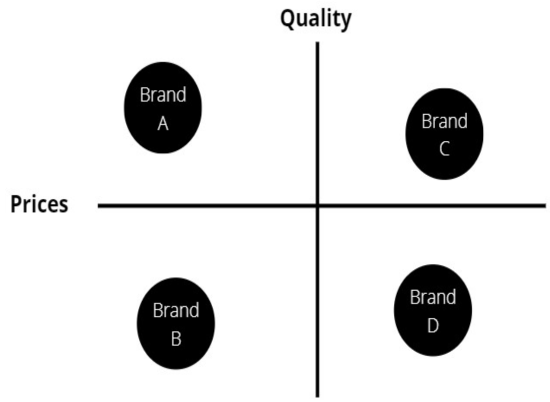
It is an analysis of the market positioning of the competitors based on which companies make strategic plans. This analysis allows the company to rework its marketing strategy so that it can provide better services, products, prices, and market position. The company assesses the competitor's current marketing strategies, pricing, client perception of products, strengths, and weaknesses as well.

One of the methods to do so is by using Weighted Competitive Analysis. The company identifies the attributes that are the most important to its customers. They need to do the same for direct and indirect competitors as well. This analysis helps in identifying the attribute with the most weight, which indicates the highest importance.

3. Perceptual Mapping To Understand Your Customers

Once you have understood your competitors' and your own market position, you need to now understand your customers. For this purpose, companies use perceptual mapping. It is a diagrammatic technique used for displaying the perception of existing and potential customers. This mapping technique does not include the perception of the business.

Market maps or perceptual maps are used by companies to identify the gap between them and their customers. The company can understand how its competitors are perceived among its customers. Based on this map, companies can create informed business decisions to suit their target audience's needs.



As you can see on this map, different brands are marked on the parameters of price and quality. Based on the customers' perception, company can understand the position of its competitors.

4. Positioning Statement

It is a statement prepared by the brand about its services and products that uniquely defines it. It is the process of identifying the market niche for the product. The statement is one of the most important aspects of a marketing plan. Let us take a look at the real-life positioning statements:

Walt Disney:

5. Repositioning

Once you have worked on your strategies for better positioning, one of the important aspects is to position your brand from time to time. This repositioning is important since strategies may fail to be practically successful in the future. The reasons behind the inefficiency of a strategy may be changing trends, new competitors or structural changes within the target market. To do repositioning, you can do the following:

Reinforce the features of your product. For this, marketing is an important concept.

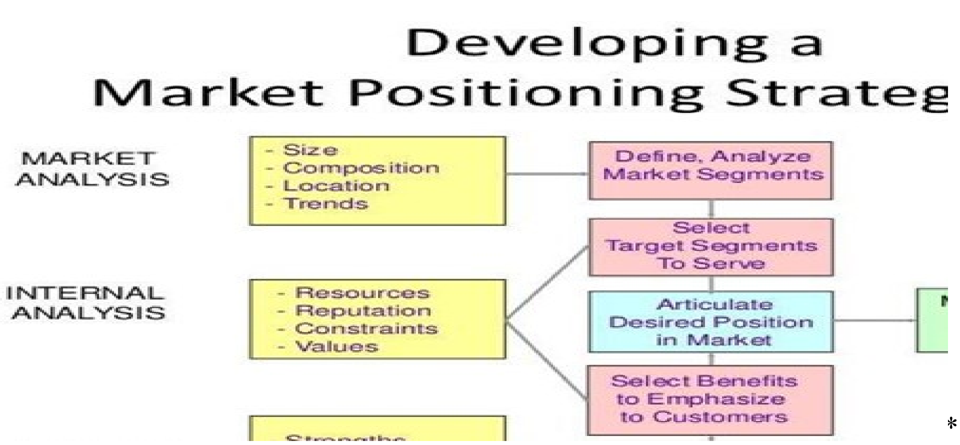
Research more niches to enter. Do the market research and mapping to explore more areas where you can expand the reach of your brand.

Work on brand image in way that suits the need of recent times. Advertising can help in improving the image.

Importance of Positioning

- **To Make Entire Organisation Market-oriented:**
- Product positioning is a part of the broader marketing philosophy. It concerns with identifying superior aspects of product and matching them with consumers more effectively than competitions. This philosophy makes the entire organisation market oriented.
- **To Cope with Market Changes:**
- Once the product is positioned successfully doesn't mean the task of manager is over. He has to constantly watch the market. As per new developments in the market place, new competitive advantages should be identified, discovered or developed to suit the changing expectations of the market. It makes the manager active, alert and dynamic.
- **To Meet Expectation of Buyers:**

- Generally, the advantages to be communicated are decided on the basis of expectations of the target buyers. So, product positioning can help realize consumers' expectations.
- **To Promote Consumer Goodwill and Loyalty:**
- Systematic product positioning reinforces the company's name, its product and brand. It popularizes the brand. The company can create goodwill and can win customer loyalty.
- **To Design Promotional Strategy:**
- More meaningful promotional programme can be designed. Based on what advantages are to be communicated, appropriate means are selected to promote the product. Product positioning signifies those advantages that are significant to consumers. When such benefits are promoted through suitable means of advertising, it definitely catches the interest and attention of consumers.
- **To Attract Different Types of Consumers:**
- Consumers differ in terms of their expectations from the product. Some want durability; some want unique features; some want novelty; some wants safety; some want low price; and so on. A company, by promoting different types of competitive advantages, can attract different types of buyers.
- **To Face Competition:**
- This is the fundamental use of product positioning. Company can respond strongly to the competitors. It can improve its competitive strength.
- **To Introduce New Product Successfully:**
- Product positioning can assist a company in introducing a new product in the market. It can position new and superior advantages of the product and can penetrate the market easily.
- **To Communicate New and Varied Feature Added Later on:**
- When a company changes qualities and/or features of the existing products, such improvements can be positioned against products offered by the competitors. Product positioning improves competitive strength of a company. Normally, consumers consider product advantages before they buy it. So, product positioning proves superiority of company's offers over competitors. It may also help consumers in choosing the right product.



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UNIT-III

Services Marketing Mix:

(Service Product: Meaning, Definition, Product Levels, Service Brandingand Service Life Cycle; Pricing of Services: Pricing Concept, Pricing Strategies for Services; Communications Mix for Services: Integrated Communication; Service Distribution: Components of Service Delivery System and Distribution Strategies for Services; Concept of Service Encounter, Moment of Truth; Concept of Services capes and Physical Evidence; Concept of Process: Types of Process, Role of Process in Various Services, Customer Role in Service Process, Developing and Managing Service Processes.)

The service marketing mixis also known as an extended marketing mix and is an integral part of a service blueprint design. It consists of 7 P's which are product, price, place, promotions, people, process and physical evidence.

The service marketing mix is comprised of seven activities that are used to optimize the marketing for a service. All seven activities are needed to achieve the optimum level of service delivery.

Service marketing mix consists of different elements of service marketing that is used by companies for communicating organisational and brand objectives to the customers.

The service marketing mix is a combination of the different elements of services marketing that companies use to communicate their organizational and brand message to customers. Product

The product is intangible. It is offered in the form of a service or facility.

The product in service marketing mix is intangible in nature. Like physical products such as a soap or a detergent, service products cannot be measured. Tourism industry or the Banking or Insurance industry or IT industry can be an excellent example. At the same time service products are heterogeneous, perishable and cannot be owned.

The service product thus has to be designed with care. Generally service blue printing is done to define the service product. For example – a restaurant blue print will be prepared before establishing a restaurant business. This service blue print defines exactly how the product is going to be.

The five levels of the product are also applicable to the services. It is explained below with the help of an example.

1. **Core Service**: Doctors provide treatment to patients when they are sick.
2. **Basic Service**: Doctors use basic equipment for check-ups.
3. **Expected Servic**e: Patients need a waiting area when they visit the doctor's clinic.
4. **Augmented Service**: Patients are assisted by the hospital staff from start to end. Cleanliness and television at the waiting area of the hospital.
5. **Potential Service**: Super speciality hospitals with updated medical instruments. And doctors treat their patients using the latest technologies.

Major product decisions regarding service are:

- Quality of the service
- Range of service
- Level of service
- Service Branding
- Product Description, etc.

Pricing

It is the value of the service offered. Service pricing is a difficult task. *Its cost estimation depends on the customer's perception of quality and the value attached*.

Pricing in case of services is rather more difficult than in case of products. If you were a restaurant owner, you can price people only for the food you are serving. But then who will pay for the nice ambiance you have built up for your customers? Who will pay for the band you have for music? Thus these elements have to be taken into consideration while costing. Generally service pricing involves taking into consideration labour, material cost and overhead costs. By adding a profit mark-up you get your final service pricing. Pricing policies, strategies and methods also important considerations while fixing the price.

Place

Place in respect of services is the **place of service delivery**. Marketers have to make decisions about the service accessibility and provider.

Like physical products, services also need distribution channels. But, the channel needs to be direct and short. The reason being the services are inseparable from their provider.

Based on the non-transferable nature of the service. There exist three types of interactions between the service provider and the consumer.

Place in case of services determine where is the service product going to be located. The best place to open up a petrol pump is on the highway or in the city. A place where there is minimum traffic is a wrong location to start a petrol pump. Similarly a software company will be better placed in a business hub with a lot of companies nearby rather than being placed in a town or rural area.

1. **Customer Calling Contacts**
   Here, the service provider provides the service at the customer's doorstep. For instance, home tutors visit the student's houses to provide their services.
2. **Service Firms Calling Customers**
   In this, the customers are called to the centre for service delivery. For instance, customers visit customer care centres to avail the services.
3. **At Arm's Length**
   There is no direct interaction with the customer at the time of service delivery. For

instance, **OTT platforms**. The customer makes payment and gets access to all the stuff available on the OTT platforms.

Major place decisions may include:

- Location of the service
- Distribution channel of the service
- Service Accessibility
- Service Provider

Promotion

Promotion is the **medium of communicating the service offering** to its target customers.

In the case of service marketing, besides being a communication medium, it also aids as a tangible element of the service.

The customers can find relevant information utilizing promotional tools. Consequently, it will help marketers to build trust. It also creates a sense of differentiation from its competitors in the mind of its customers.

Promotions have become a critical factor in the service marketing mix. Services are easy to be duplicated and hence it is generally the brand which sets a service apart from its counterpart. You will find a lot of banks and telecom companies promoting themselves rigorously. Why is that? It is because competition in this service sector is generally high and promotions is necessary to survive. Thus banks, ITcompanies, and dotcoms p**while designing a promotional campaign for services, one must focus on the following components**:

- Medium of promotion

  - ✓ Direct Selling
  - ✓ Advertising
  - ✓ **Sales promotion**
  - ✓ Word of mouth
  - ✓ Publicity

People

People is one of the elements of service marketing mix. People define a service. If you have an IT company, your software engineers define you. If you have a restaurant, your chef and service staff defines you. If you are into banking, employees in your branch and their behaviour towards customers defines you. In case of service marketing, people can make or break an organization. Thus many companies nowadays are involved into specially getting their staff trained in interpersonal skills and customer service with a focus towards customer satisfaction. In fact many companies have to undergo accreditation to show that their staff is better than the rest. Definitely a USP in case of services.

Process

Service process is the way in which a service is delivered to the end customer. Let's take the example of two very good companies – McDonalds and Fedex. Both the companies thrive on their quick service and the reason they can do that is their confidence on their processes.

Marketers can retain their customers by providing *quality* and *standardized* services. So quality standards are to be created and followed while delivering the services.

On top of it, the demand of these services is such that they have to deliver optimally without a loss in quality. Thus the process of a service company in delivering its product is of utmost importance. It is also a critical component in the service blueprint, wherein before establishing the service, the company defines exactly what should be the process of the service product reaching the end customer.

Successful delivery of the service largely depends on the employee delivering it. Thus, it is of **utmost importance** to consider it when creating a marketing strategy.

The service employee must be skilled. He must put his dedicated efforts towards the best delivery of the service.

Marketing decisions regarding people may include:

- High Contact Services
- Low Contact Services

Physical Evidence

The last element in the service marketing mix is a very important element. As said before, services are intangible in nature. However, to create a better customer experience tangible elements are also delivered with the service. Take an example of a restaurant which has only chairs and tables and good food, or a restaurant which has ambient lighting, nice music along with good seating arrangement and this also serves good food. Which one will you prefer? The one with the nice ambience. That's physical evidence.

Several times, physical evidence is used as a differentiator in service marketing. Imagine a private hospital and a government hospital. A private hospital will have plush offices and well-dressed staff. Same cannot be said for a government hospital. Thus physical evidence acts as a differentiator.

Inculcating physical evidence is one of the crucial decisions in the marketing mix.

It refers to the **tangible elements attached to the service** product. It helps in enhancing the customers buying experiences.

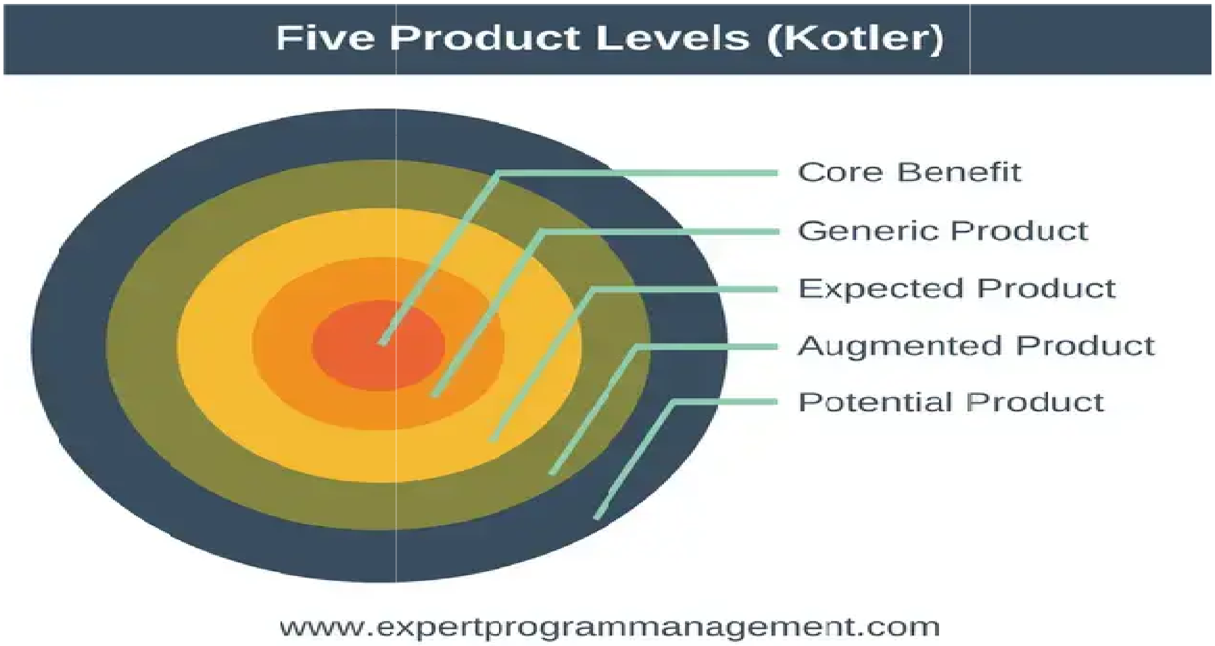
Customers' purchase decisions are affected by two components. These components aid a better understanding of the service. Following are the two components:

1. **Physical Cues**: These include the physical elements from which customers can validate the service. Like:-
    - Tickets
    - Broaches
    - Business Cards
    - Reports
    - Letterheads
    - Signage etc.

   Quality of experience: It consists of the add-ons offered to the customer along with the service. Like:-
    - Luxury interior in the hotels
    - Complimentary treats in the restaurant
    - Some free servicing of the equipment, etc

Table 2.1 : EXPANDED MARKETING MIX FOR SERVICES

Product	Place	Promotion	Price	People	Physical evidence	Process
• Physical good	• Channel type	• Promotion blend	• Flexibility	• Employees	• Facility design	• Flow of activities
features	• Exposure	• Salespeople	• Price level	Recruiting	Aesthetics	Standardardized
• Quality level	• Intermediaries	Number	• Terms	Training	Functionality	Customized
• Accessories	• Outlet locations	Selection	• Differentiation	Motivation	Ambient conditions	• Number of steps
• Packaging	• Transportation	Training	• Discounts	Rewards	• Equipment	Simple
• Warranties	• Storage	Incentives	• Allowances	Teamwork	• Signage	Complex
• Product lines	• Managing channels	• Advertising	• Commissions	• Customers	• Employee dress	• Level of customer
• Branding	• Accessibility	Targets	• Perceived value	Education	• Reports	involvement
• Service lines	• Coverage	Media types		Training	• Business Cards	• Policies
• After sales service		Type of ads		• Communicating	• Statements	• Procedures
		Copy thrust		culture	• Guarantees	• Employee discretion
		• Sales promotion		and Values	• Furnishing	• Customer
		• Public Relations		• Employees research	• Colour	Involvement
		• Publicity		• Attitudes	• Layout	
					• Noise level	



<u>Levels of ServiceProduct</u>

1. Core Benefit

The core benefit is the fundamental need or wants that the customer satisfies when they buy the product. For example, the core benefit of a hotel is to provide somewhere to rest or sleep when away from home.

2. Generic Product

The generic product is a basic version of the product made up of only those features necessary for it to function. In our hotel example, this could mean a bed, towels, a bathroom, a mirror, and a wardrobe.

3. Expected Product

The expected product is the set of features that the customers expect when they buy the product. In our hotel example, this would include clean sheets, some clean towels and a clean bathroom.

4. Augmented Product

The augmented product refers to any product variations, extra features, or services that help differentiate the product from its competitors. In our hotel example, this could be the inclusion of a concierge service or a free map of the town in every room, Wi-Fi, Travel assistance, safety and security assurance, customised food etc.

5. Potential Product

The potential product includes all augmentations and transformations the product might undergo in the future. In simple language, this means that to continue to surprise and delight customers the product must be augmented. In our hotel, this could mean a different gift placed in the room each time a customer stays. For example, it could be some chocolates on one occasion, and some luxury water on another. By continuing to augment its product in this way the hotel will continue to delight and surprise the customer.

Service branding

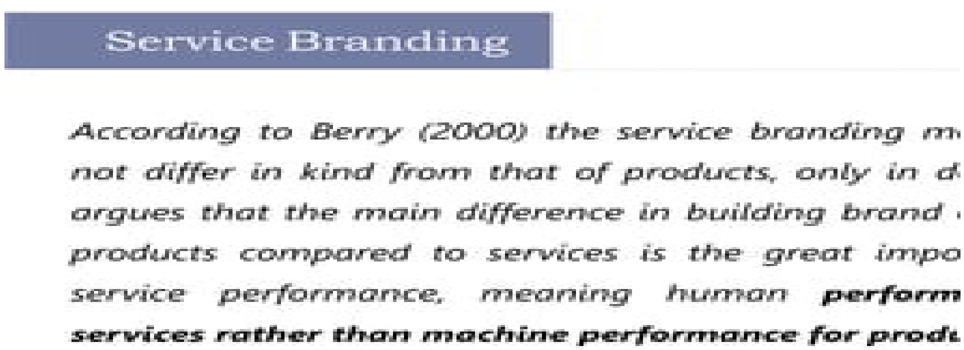
Service branding involves **creating a unique identity for your service**, which helps it stand out **from competitors and fosters customer loyalty**. A strong service brand **reflects the core values of your business, communicates the benefits of your service, and creates an emotional connection with your target audience.**

Why is Service Branding Important?

Service branding is critical because **it helps customers differentiate between similar services and builds brand equity**. A strong brand can **create a positive perception of your service**, increase customer loyalty, **and lead to higher profits**.

By developing a distinctive service brand, **you can communicate your unique value proposition to your target audience and create a memorable experience that encourages repeat business.**

Philip Kotler defines a brand as "a name, a term, a symbol, or a designed or a combination of them which is intended to identify the goods and services of one seller or a group of sellers and to differentiate them from those of competitors".



Advantages of branding services

1. To tangibilise the intangible.
2. To support the positioning strategy.
3. Offers a powerful tool for relationship building.
4. To create an image of quality and consistency.
5. To reduce price comparison.
6. Keeps current customers satisfied by developing and sustaining a unique service advantage.
7. Encourages repeat usage using sales promotions.

Elements of Service Branding

1. **Brand Identity:** A strong service brand begins with a clear and consistent brand identity, which includes a logo, tagline, and color scheme.
2. **Brand Personality**: Your service brand personality reflects the emotions and characteristics associated with your service. It should be aligned with your brand identity and communicate the benefits of your service.
3. **Service Experience**: Your service experience should align with your brand identity and personality, creating a consistent and memorable experience for your customers.
4. **Service Quality:** Your service quality should reflect the promises made by your brand identity and personality. Delivering consistent quality is essential for building customer trust and loyalty.
5. **Service Communication**: Your service communication strategy should be aligned with your brand identity, personality, and experience. This includes advertising, social media, and other forms of communication.

Developing a Service Brand

1. **Research:** Conduct market research to understand your target audience, their needs, and their preferences. Identify your competitors and evaluate their brand strategies.
2. **Define Your Brand Identity**: Develop a clear and consistent brand identity that reflects the values of your business and communicates the benefits of your service.
3. **Develop Your Brand Personality**: Determine the emotions and characteristics associated with your service and create a brand personality that aligns with your identity.
4. **Create a Service Experience**: Develop a service experience that aligns with your brand identity and personality. This includes everything from the physical space to the tone of voice used by your staff.
5. **Deliver High-Quality Service**: Consistently deliver high-quality service that reflects your brand identity and personality. This will build trust and loyalty with your customers.
6. **Communicate Your Brand**: Develop a communication strategy that is aligned with your brand identity, personality, and experience. This includes advertising, social media, and other forms of communication.

Some Examples Of Service Brands

- ✓ Accenture. ...
- ✓ Infosys. ...
- ✓ IBM. ...
- ✓ Tata Consultancy Services (TCS) ...
- ✓ Deloitte. ...
- ✓ Wipro. ...

- ✓ Bharti Airtel
- ✓ HCL is one of the leading service providers in information tec
- ✓ **SAP**

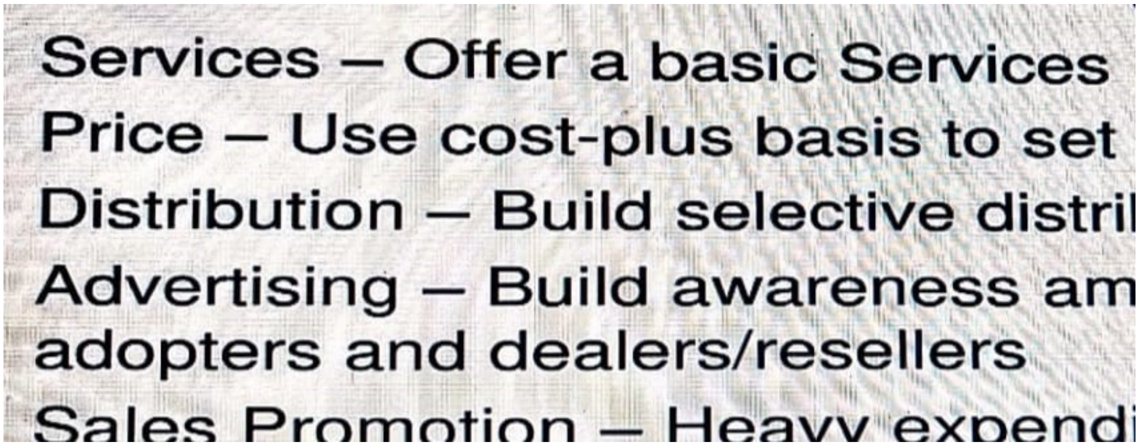
SERVICE LIFE CYCLE

The service life cycle consists of the same four stages at the product life cycle: introduction, growth, maturity and decline. The characteristics of each stage are the same. The only difference lies in the strategies that can be used.

I INTRODUCTORY STAGE

A new service or a new form of a current service is said to be in the introductory stage when it is first offered. As with goods, many new services never obtain acceptance by customers and never get past the first stage of the service life cycle. An advantage that services have over goods is that many new services can be introduced on a small scale and expanded if acceptance grows. This small scale introduction reduces the financial risk associated with the introduction, making failure less costly.

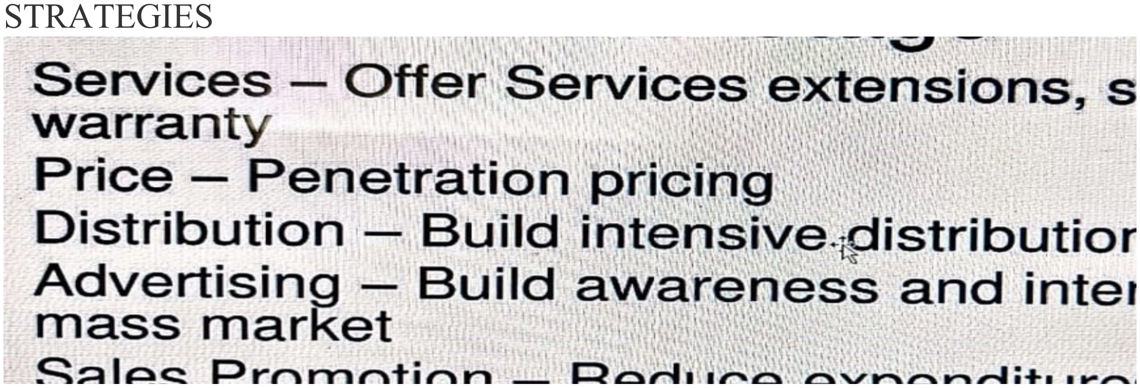
STRATEGIES



II GROWTH STAGE

During the growth stage, the industry is growing rapidly. Most firms offering the new service are seeing a positive cash flow.

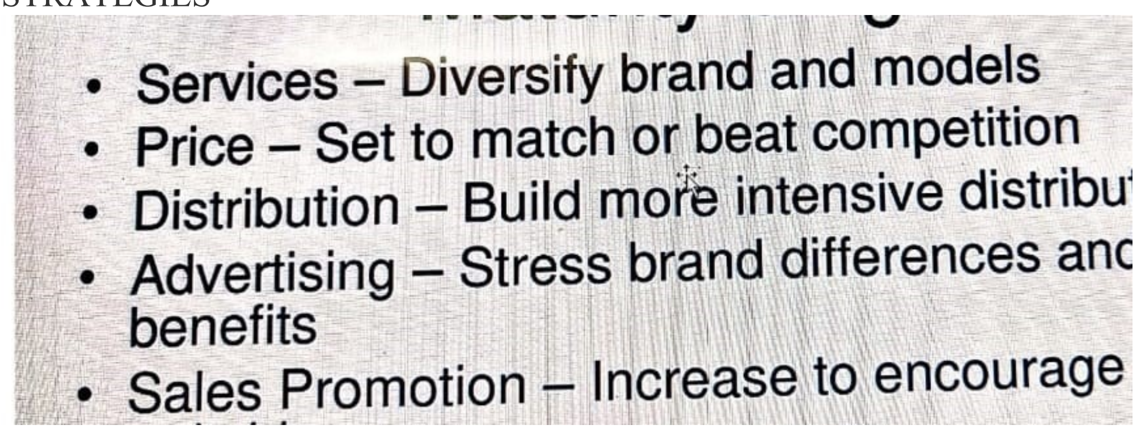
STRATEGIES



III MATURITY STAGE

During the maturity stage, industry sales level off. Competition becomes very intense since the only way a firm can gain the market share or increase sales is to take them away from a competitor. The result of this increased competition is a decrease in overall industry profits. Weaker firms will be shaken out of the industry. At this stage in the service life cycle, consumers see very few distinguishable characteristics among the various firms in a service industry.

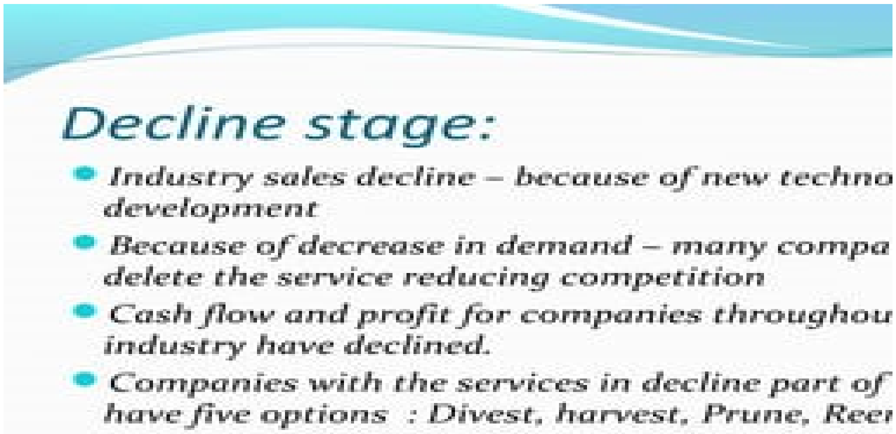
STRATEGIES



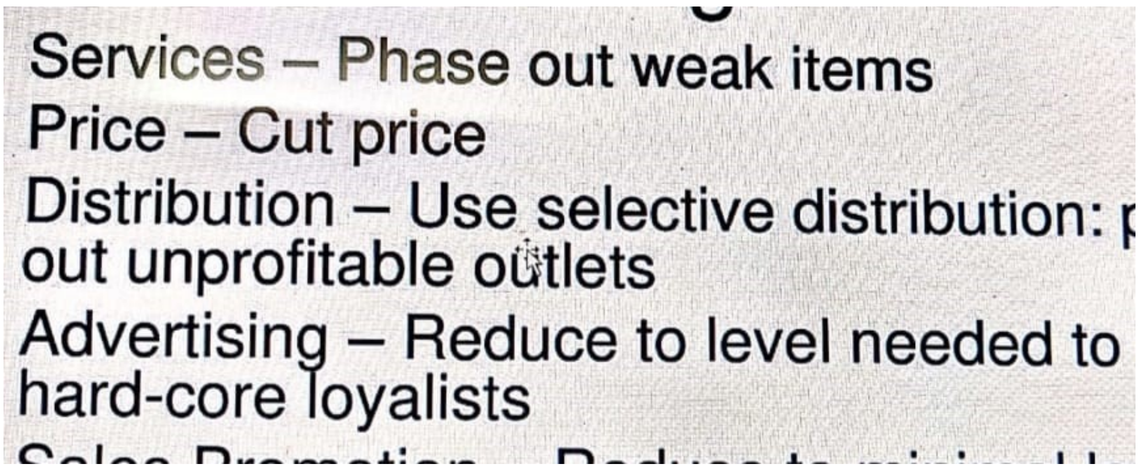
IV DECLINE STAGE

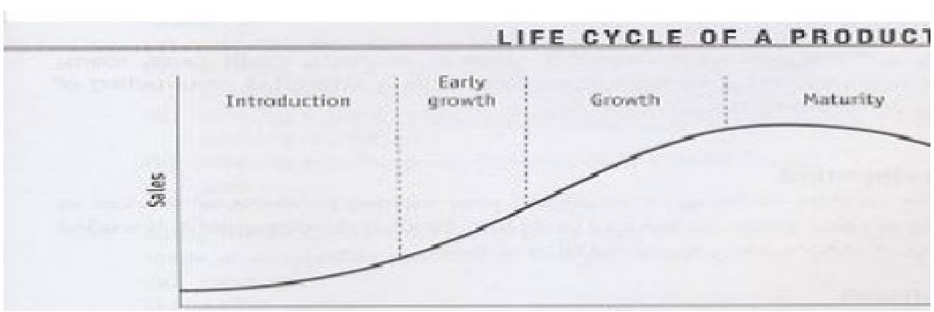
During the decline stage, industry sales decline. This sales drop is often due to a new technology that has been developed. For eg, typewriter repair services declined because typewriters were largely replaced by computers which resulted in a need for a computer service technicians and computer programmers.

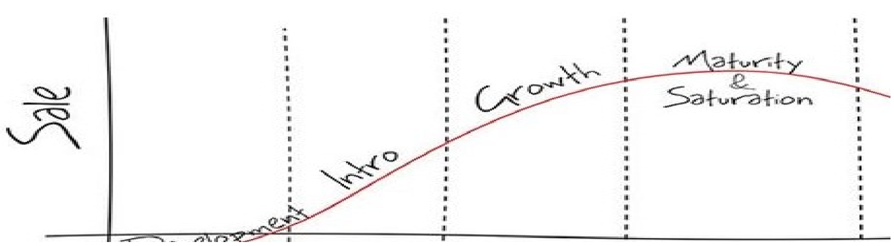
Companies with services in the decline part of the life cycle have five options: divest, harvest, prune, retrench, or rejuvenate.


Decline stage:
Industry sales decline – because of new techno
development
Because of decrease in demand – many compa
delete the service reducing competition
Cash flow and profit for companies throughou
industry have declined.
Companies with the services in decline part of
have five options : Divest, harvest, Prune, Reer

STRATEGIES


Services – Phase out weak items
Price – Cut price
Distribution – Use selective distribution:
out unprofitable outlets
Advertising – Reduce to level needed to
hard-core loyalists


LIFE CYCLE OF A PRODUCT
Introduction
Early growth
Growth
Maturity
Sales


Sale
Intro
Growth
Maturity
&
Saturation

Pricing of Services

Pricingplaysanimportantroleinthemarketingmixofservicebecause pricing attracts revenue to the business and has direct impact on profits.Pricing reflects the value attached to the service by the service provider and mustcorrespond with the customer's perception of value if the service is priced too highit may be seen as poor value for money. At the same time if the price is low, theservice may be understood to be of inferior quality. Pricing is a dynamic tool formeeting competition. In simple termsprice is the exchange value for a product orservice,expressedintermsofmoney.

This element of the marketing mix is related to the decision influencing the fee structure, rate of interest, commission charged and paid by the service generating organizations. It is considered to be the most critical component of the marketing mix. Both from economic and social standpoint, the management of pricing is important but at the same time more critical and challenging. We find pricing decisions important because the pricing decisions are to influence the maintenance, development and expansion plans of an organization.

Pricing is the art of translating into quantitative terms the value of theproduct or a unit of a service to customers. It involves – establishing pricingobjectives, identifying the factors governing the price, determining the methods ofpricingandformulationofpricingstrategiesandpolicies.

"Pricing is the amount of money charged for a product or service or the sum of the values that the consumers exchange for the benefits of having or using the product or service." -Philip Kotler

Thewholemarketingsystemisaffectedbypricing.

- ✓ Itaffectsthestandardoflivingofthepeople;itregulatessalesgrowthandthusbringsa bouteconomicdevelopment.
- ✓ Pricingalsohelpstheorganizationtoachieveitsfinancialobjectives.
- ✓ Pricingisthemechanismthatconstantlymonitorsthealternativeuseofcapitalanditc orrectsitselfasandwhencompetitionintensifies.

Objectives

1. Revenue Generation: Pricing can be used to maximise total revenue by finding the optimal balance between price and quantity sold. This objective is particularly relevant when a business aims to capture a larger market share.
2. Market Ruler: A business would want to rule the market and acquire a significant share in the market against its rival firms. For this, it will try to increase its revenue and customer base. In order to do the same, the company will need to agree on an optimal price for its product/service that the customers can afford.
3. Survival: Pricing decisions focus on generating revenue which helps the firm to survive in the market. Without revenue and profits, a firm can

notsurvive for a longer period. Pricing generates revenue and revenue is used in further production in order to produce goods.

4. Profit Maximisation: One of the primary objectives of pricing is to generate maximum profit for the business. Pricing strategies are designed to ensure that the revenue generated from sales exceeds the costs incurred in producing and marketing the product or service.

5. Attraction and Retention of Customers: Having a proper and affordable pricing strategy helps the business in acquiring new customers and retention of previous customers. A more customer base means more revenue.

Factors Affecting Pricing Decisions

The pricing of products is influenced by a multitude of factors that businesses must carefully consider to determine an appropriate and effective pricing strategy. These factors can vary across industries, markets, and individual businesses. Some of the key factors affecting product pricing include:

1. Customer's Perception of Value: The customers' expectation of the price of the product plays an important role in deciding the price of the product. Customers only bear the cost of a product that they can afford. If a business keeps the price of its product/service very high, it will have a very small customer base. Customer-oriented price approach is generally followed in order to cover the customers' perception of value. In a customer-oriented price approach, the customer is considered as the 'king' and all the decisions relating to pricing are taken from the viewpoint of the customer.

2. Competitors: Competitors' pricing strategies, market share, and positioning can significantly impact how a product is priced. Businesses may choose to price their products at a premium, match competitors' prices, or use other strategies to differentiate themselves.

3. Government Law and Regulations: Pricing decisions are also affected by federal and state regulations. Some laws prevail in order to protect the customers from getting exploited at the hands of manufacturers, promotion of ethical behaviours from the end of manufacturers, etc. For example, Firms coming together and joining hands, agreeing on charging higher prices for a particular type of product, is illegal.

4. Economy: Economic environment like fluctuations in the general price level, interest rates, and unemployment level also affects the pricing strategy of firms.

5. Product Costs: The total cost that the manufacturer incurred in the production of the product affects the pricing decision. Production costs can be of several types, like fixed costs, variable costs, semi-variable costs, etc. Also, promotional costs, distribution channel costs, packing costs, etc., are considered while deciding the price.

6. Market Demand: The level of demand for the product at different price points affects pricing decisions. High demand might allow for higher prices, while low demand could require competitive pricing to attract customers.

7. Elasticity of Demand: Price elasticity measures how sensitive demand is to price changes. Inelastic demand allows for price increases without significant drops in demand, while elastic demand requires more cautious pricing adjustments.

8. Market Segmentation: Different customer segments may have varying willingness to pay. Businesses can tailor pricing strategies to target specific segments and maximize revenue from each.

9. Branding and Positioning: Premium brands can command higher prices due to their reputation and perceived quality. Pricing can be used to reinforce the brand's image as luxury, value-oriented, or innovative.
10. Distribution Channels: The chosen distribution channels can impact pricing. Direct-to-consumer sales might allow for more flexibility in pricing compared to working through intermediaries.

STEPSINVOLVEDINPRICINGDECISIONS

Thepricingprogrammustbemonitoredonceitisimplementedsothatcorrectiveactionmaybetakenimmediately.The stepsinvolvedare:

- Analyzingtheorganizationalobjectives
- Determinedemandlevelsandcustomercharacteristics.
- Examinecompetitorpricingandpositioning.
- Considertheregulatorymeasuresrelatingtopricing
- Setpricebasedonthemethodadopted–cost,demand,competitor.
- Implementsuitablestrategybasedonmarketcondition.

Guidelines for service pricing:
1) Pricing strategy should enable handling demand fluctuations successfully. As services cannot be inventoried, pricing should encourage customers to use the service during period of low demand.
2) As services need to have some tangible element attached to it, service pricing should be based on costs so as to take into account the tangible clues.
3) Service price as an indicator of quality: Services not having specific brand names to indicateQuality, customers use price as an indicator of quality. This in particular in some cases, where the price variation is too much with in a particular class of service (e.g. Tour operators). Also, where the risk associated with the service is high (e.g. Heart surgery). Price is taken as an indicator of quality. Thus pricing too low can give wrong signals and pricing too high can set expectations that the firm may find it difficult to match in service delivery. Because goods are dominated by search qualities. Price is normally not used to judge quality.
4) Pricing strategy should cope-up with the degree of competition operation with in certain geographic and time zone. E.g. Bus operators will have to consider prices of train. It also includes the stage of strategic low pricing to attract first time customers.
Approaches to pricing services:

The 3 approaches to pricing services are:
1) Cost-based pricing
2) Competition-based pricing.
3) Demand–based pricing.

1) Cost-based pricing:

In cost-based pricing, a company determines expenses from raw materials and labor, adds amounts or percentages for overhead and profit, and thereby arrives at the price. This method is widely used by industries such as utilities, contracting, wholesaling and advertising. The basic formula for cost-based pricing is Price = Direct costs + Overhead costs + Profit margin
Direct costs involve materials and labor that are associated with the service, overhead costs are a share of fixed costs, and the profit margin is a percentage of full costs (direct + overhead)

Problems in cost-based pricing services:

a) It is difficult to define the units in which a service is purchased. Thus the concept of price or

Unit is vague. Thus many services are sold in terms of input units rather than units of measured output. E.g. consultant, teacher etc.

b) Where a firm provides multiple services. The costs being a major component of employee time are difficult to allocate.

c) Service cost may not represent true value. For e.g. a darner charging same price for a expensive suit and an ordinary pant.

2) Competition-based pricing:

This approach focuses on the prices charged by other firms in the same industry or market. Competition-based pricing does not always imply charging the identical rate others charge but rather using others prices as an anchor for the firm's price. This approach is used predominantly in two situations: (a) When services are standard across providers, such as in the dry cleaning industry. (b) In oligopolies where there are a few large service providers, such as in the airline.

Problems in competition-based pricing:

(a) Small firms may charge too little and not make margins high enough to remain in business.

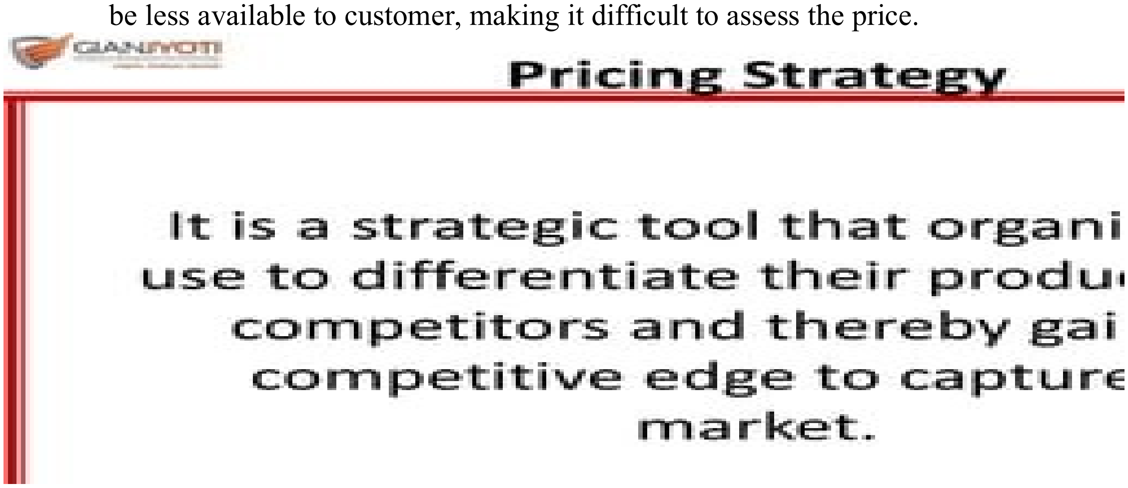
(b) Heterogeneity of services across and within providers makes this approach complicated. E.g. Banks charge different rates of commission for drafts and other services.

3) Demand-based pricing:

The first two approaches of pricing are based on the company and its competitors rather than on customers. Neither approach takes into consideration that customers may lack reference price, may be sensitive to nonmonetary prices and may judge quality on the basis of price. All of these factors can and should be accounted for in a company's pricing decisions. The third major approach to pricing, demand-based pricing, involves setting prices consistent with customer perceptions of value: prices are based on what customers will pay for the services provided.

Problems in demand-based pricing:

(a) There is an element of non-monetary costs and benefits which must be considered while calculating perceived value. E.g. services requiring time, inconvenience, psychological and search costs should be riced lower. It is difficult to convert this non-monetary cost into monetary cost. (b) Information on service may be less available to customer, making it difficult to assess the price.



Pricing Strategies. The pricing strategies that may be used to sell services are: a) Differential or flexible pricing; b) Discount pricing; c) Diversionary pricing; d) Guaranteed pricing; e) High price maintenance pricing; f) Loss leader pricing; g) Offset pricing; and h) Price bundling.

a) **Differential or Flexible** Pricing is used to reduce the 'perishability' characteristic of services and iron out the fluctuations in demand. Differential price implies charging different prices according to: 1) customer's ability to pay differentials (as in professional services of management consultant, lawyers); 2) price time differentials (used in hotels, airlines, telephones where there is the concept of season and off season and peak hours); and 3) place differential used in rent of property-theatre seat pricing (balcony tickets are more expensive than front row seats) and houses in better located colonies command high rent.

b) **Discount Pricing** refers to the practice of offering a commission or discount to intermediates such as advertising agencies, stock brokers, and property dealers for rendering a service. It may also be used as a promotional device to encourage use during low-demand time slots or to encourage customers to try a new service (such as an introductory discount).

c**) Diversionary Pricing refers** to a low price which is quoted for a basic service to attract customers. A restaurant may offer a basic meal at a low price but one which includes no soft drink or sweet dish. Once the customer is attracted because of the initial low price he may be tempted to buy a drink or an ice-cream or an additional dish. Thus he may end up buying more than just the basic meal.

d) **Guaranteed Pricing** refers to pricing strategy in which payment is to be made only after the results are achieved. Employment agencies charge their fee only when a person actually gets a job, a property dealer charges his commission only after the deal is actually transacted. e) High Price Maintenance Pricing strategy is used when the high price is associated with the quality of the service. Many doctors, lawyers and other professionals follow this pricing strategy.

f) **Loss Leader Pricing** is one in which an initial low price is charged in the hope of getting more business at subsequently better prices. The danger is that the initial low price may become the price for all times to come.

g) **Offset Pricing** is quite similar to diversionary pricing in which a basic low-price is quoted but the extra services are rather highly priced. A gynaecologist may charge a low fee for the nine months of pregnancy through which she regularly checks her patient, but many charges extra for performing the actual delivery and post-delivery visits.

h) **Price Bundling: Some services are consumed more effectively in combination with other services. When customer** perceive value in package of services that are interrelated, price bundling is an appropriate strategy. It basically means pricing and selling services as a group rather than individually. Hotel.

i)**Project-based pricing** Charge: a flat fee for a complete project—that includes the cost of materials, overhead, and labor.For example, a remodelling company charges a set price for a kitchen renovation project based on the project scope and materials.

j) **Cost plus pricing**: Calculate what it costs your business to deliver your services, then add markup to make a profit. For example, if you know your time and materials cost $200, and you want to make a 20% profit margin, simply charge $250. Find out how much to charge to reach your profit goals. Calculate your profit margins now.

k) **Economy pricing**: Offer services at a low price point because overhead costs are low and you're looking to attract high volume sales. This pricing model is typically used to attract the most price-sensitive customers. For example, a house cleaning service offers a no-frills, basic cleaning package that just includes the essential tasks like vacuuming and dusting for $50.

l)**Value-based pricing**

Charge a flat fee based on the value (benefits) your service provides. Your value could be saving your customer time or giving them peace of mind.

Before quoting a client, make sure you're clear on the benefits your service provides and, in turn, what they're actually paying for.

For example, a specialized eco-friendly cleaning service charges higher prices due to their use of environmentally safe products.

Value pricing lets you charge a higher price and protects you from the all-too-common price haggling that occurs with some customers.

m)**Hourly-based pricing**

Invoice your clients for the number of hours it takes to complete the service. Hourly pricing is one of the easiest ways to price your services. Simply estimate how long a job will take and multiply it by your hourly rate.

For example, a plumbing service charges $60 per hour. If a job takes three hours to complete, the customer will pay $180.

Although this pricing strategy is easy when you're just starting a business, use it with caution. It has some downfalls:

- You aren't rewarded for becoming better and faster at what you do
- Clients may feel you're purposefully taking your time on a job so you can earn more
- The focus is on the cost of the service rather than the value, which opens you up to price haggling

Set hourly prices with our free labor cost calculator. Try it for free now.

n) **Market penetration pricing**

Setting prices low is one way to attract customers when you're just starting. Then increase your rates over time as your client base grows.

For example, a new landscaping service may choose to offer a 25% discount for the first six months to attract new clients.

The big problem with a penetration pricing strategy is that some customers may associate the lower price with an inferior level of service. You will also have to work a lot harder to cover your costs.

o**) Skimming pricing**

Price skimming is the opposite of a market penetration strategy. Here you set a high price and lower it over time. This isn't a typical pricing strategy for service businesses, but it may work if you have something special to offer.

For example, a high-tech home security installation company starts with a high price because its services are unique, then lowers it over time as competition increases.

The pros are that you'll maximize your profits upfront and grow a more sustainable business. The big drawback, however, is that if you can't justify the price, you'll struggle to get your business off the ground.

P**) Premium pricing**

Charge higher prices when you offer a service or level of service that's unparalleled by your competitors.

For example, do you offer a warranty or service guarantee that your competitors do not? Do you use exclusive tools or technology that make your business easier to work with and deliver results that stand out?

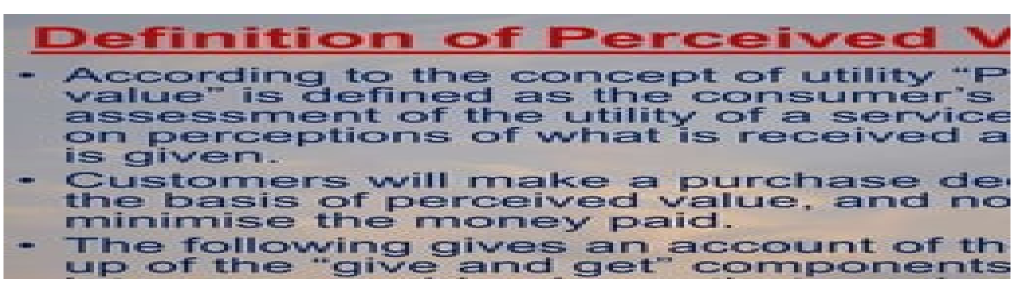
q)**Promotional pricing**

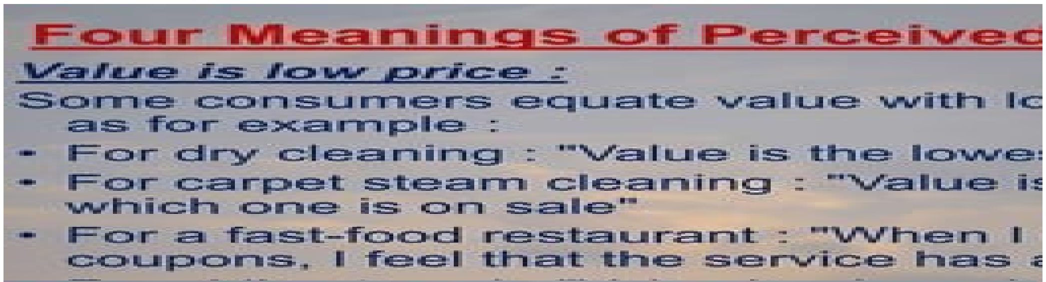
Offer services at a lower price for a limited period of time to attract customers and increase sales. This strategy is often used to introduce new services, boost sales during slow periods, or compete with other businesses.

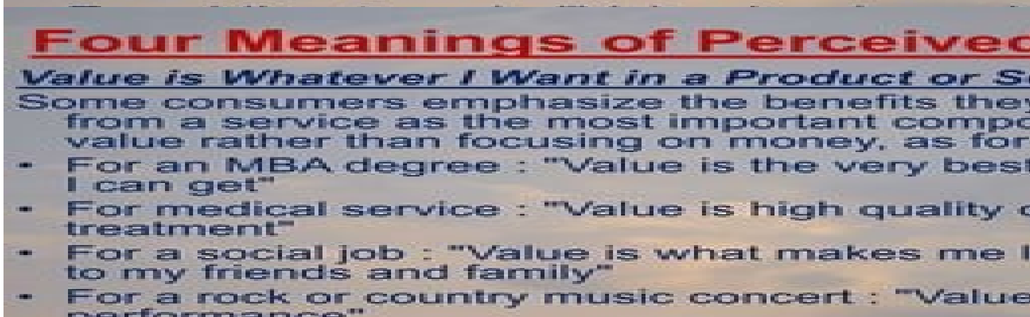
For example, a snow removal company offers a 20% discount on snow plowing or removal for any customers who sign up in September or October.

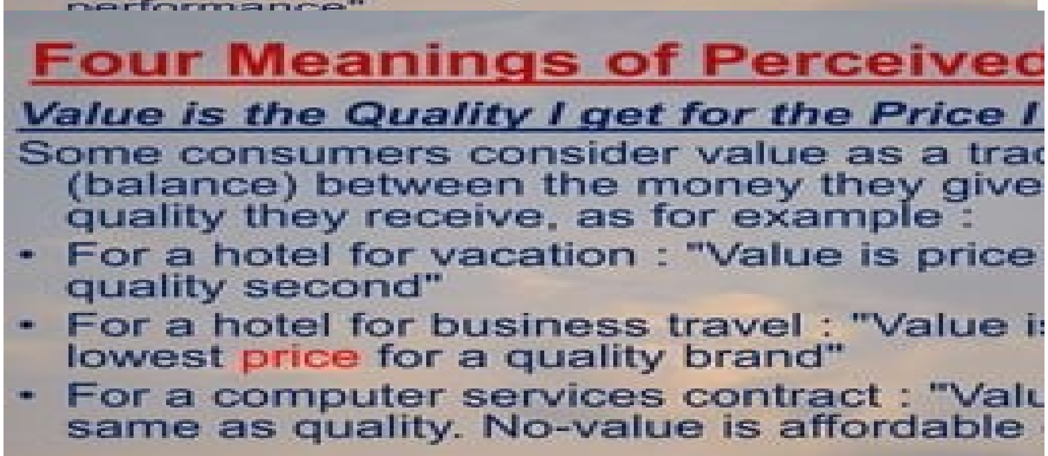
s)**Dynamic pricing**

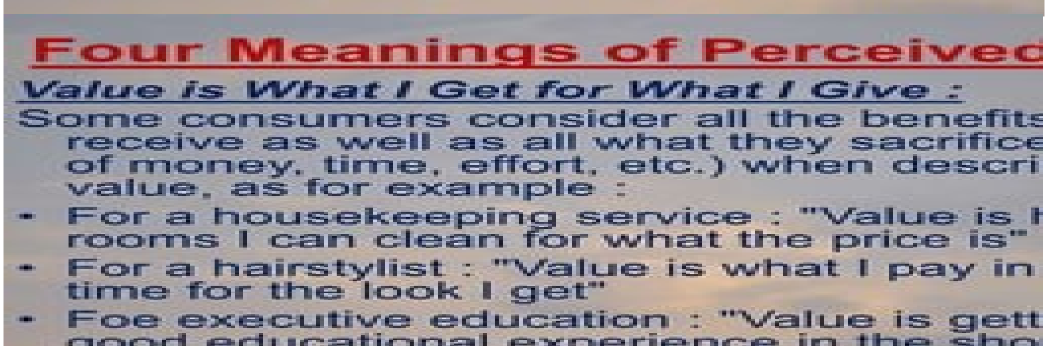
Adjust your prices based on seasonal demand, time, or other factors. For example, an HVAC business may charge higher rates for emergency repairs during peak summer months due to increased demand for their services.











Integrated marketing communication (IMC)

Integrated Marketing Communication Mix

The marketing communications mix, in other words, the promotion mix, is a combination of various tools a company uses to engage and communicate value to customers.

Integrated Marketing Communications (IMC) is a process under which a company integrates and coordinates all its communications channels to deliver a clear and consistent message. The main aim of IMC is to ensure two things, which are, firstly the consistency of the message that they want to deliver and secondly the complementary use of media. **In the IMC process, all the marketing tools, approaches and resources available within a company are used in a way that results in maximum profits and minimum cost.**

Marketing communications (IMCs) emphasize the benefits ofharnessing synergy across multiple media to build brand equity of products and services.

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Communication Mix of Services

To successfully market a service, organizations must have a fully integrated communications program. Communications within the marketing context involves informing, persuading, and influencing consumer behavior. An integrated **communications program is the coordinated use of the various communication mediums to accomplish a central objective.** Communications include the promotional options of advertising, sales promotions, and personal selling. In additions, communications in the service sector include the firm‟sservicescape. (David L. Kurtz)

The Role of Marketing Communications

Communication is the most visible or audible-some would say intrusive-of marketing activities, but it value is limited unless it is used intelligently in conjunction with other marketing efforts. Marketing communications, in one form of another, are essential to a company‟s success. Communications must be viewed more broadly than as must media advertising, public relations, and professional salespeople. There are many other ways for a service business to communicate with current and prospective customers. The location and atmosphere of a service delivery facility, corporate design features such as the consistent use of colors and graphic elements, the appearance and behavior of employees, the design of a website-all contribute to an impression in the customer‟s mind that reinforces or contradicts the specific content of formal communication messages. Some specific role performed by marketing communication is as follow:

i) Position and differentiate service: Companies use marketing communications to persuade target customers that their service product offers the best solution to meet those customers‟ needs, relative to the offerings of competing firms. Even if customers understand what a service is supposed to do, they may find it hard to tell the difference between offerings from different suppliers. Companies may use concrete clues to communicate service performance by highlighting the quality of equipment and facilities and by emphasizing employee characteristics such as qualifications, experience, commitment, and professionalism. Some performance attributes are easier or more appropriate to communicate than others.

ii) Promote the contribution of service personnel and backstage operations: High-quality, frontline staff and back-stage operations can be important service differentiators. In high-contact services, frontline personnel are central to service delivery. Their presence makes the service more tangible and, in many cases, more personalized. An ad that shows employees at work helps prospective customers understand the nature of the service encounter and implies a promise of the personalized attention they can accept to receive.

Advertising, brochures, and websites can also show customers the work that goes on "back-stage" to ensure good service delivery. Highlighting the expertise and commitment of employees whom customers normally never encounter may enhance trust in the organization"s competence and commitment to service quality. Advertising messages set customers" expectations, so advertisers must be reasonably realistic in their depictions of service personnel. They should also inform employees about the content of view advertising campaigns or brochures that promise species attitudes that behaviors so that employees know what is expected of them.

iii) Add value through communication content: Information and consultation represent important ways to add value to a product. Prospective customers may need information and advice about what service options are available to them; where and when these services are available; how much they cost ; and must specific features, functions, and service benefits are on hand.

iv)Facilitate customer involvement in service production: When customers are actively involved in service production, they need training to help them perform well- just as employees do. Improving productivity often involves making innovations in service delivery. Marketers often use sales promotions as incentives to encourage customers to make the necessary changes in their behavior for examples, giving price discounts is one way to encourages customers to try and switch to self- service. (Christopher Lovelock)

The 8 majorly used IMC tools are:

1. **Advertising:** This tool of IMC refers to any paid form of non personal promotions of products and services by a public figure and identified sponsor. The various forms of media used are print, broadcast, network, electronic and display. Advertising form of communication reached geographically dispersed consumers.

2. **Sales Promotions:** Sales promotions are a variety of short-term incentive to encourage trial or purchase of product or service. This usually includes consumer promotions- such as distribution of free samples, coupons on purchase of higher quantity, discounts and premiums or trade promotions, focusing on retailers, such as display and merchandising allowances, volume discounts, pay for performance incentives and incentives on salespersons.
3. **Personal Selling:** This tool of marketing is done through face-to-face interaction with consumers. The whole purpose of personal selling is making presentations, answering questions and taking orders. Personal selling helps in maintaining long term relations with the customer. The main advantage is that the message can be customized as per the needs of the customer.
4. **Public Relations**: PR is a two way communication process which is directed towards improving the relationship between the organization and the public. This method of communication monitors the feedback of the customers and adjusts its message for providing maximum benefits to them.
5. **Direct Marketing**: This method of communication includes the usage of mail, telephones, fax or internet to communicate with or respond back to the customers or prospects. Companies usually have a database of contact details of consumer through which they directly contact the customers to send catalogues and other marketing material making it easier for the consumer to purchase online.
6. **Events and Experiences**: These are the activities sponsored by the company and the programs designed to create brand related interactions with customers. Companies provide customers to get an experience of using the product which eventually ends up leading to a higher brand recall than their competitors. These events and experiences leave the customers heart filled with an emotional touch and memory that they carry along.
7. **Social Media Marketing**: This tool of marketing is currently the most common way to attract most audience in the digital era. This basically refers to the process of promoting business or websites through social media platforms. These platforms help companies to get major attention of customers and interact with them.
8. **Mobile Marketing**: This form of marketing involves communicating with the customer directly via their mobile devices, by sending simple marketing messages. This method is cheaper than the traditional forms of promotions and is a really streamlined version of online marketing. Advertisements that we see on mobile applications are a common example of mobile marketing.

Designing a Communication Campaign

Communication campaign is attended to get a desired response from a target audience. The basic principle that guides any communication campaign is receiver orientation. Proper understanding characteristics of the receiver- culture, habits, beliefs, attitudes, abilities, knowledge, and associations and so on- should be the foundation for designing a communication campaign. The following are the important decisions the management should take in relation to campaign designing:

i) Selecting the target audience: A clear definition of audience is prerequisite for the campaign design. The consumers of a service may belong to varied groups. The marketer has to decide which group the company wants to feature in its campaign. the selected group generally should have the capability of leading the other groups in preferring the service. The selection of the target audience provides solutions to many problems relating to communication. The answers to such questions as what to communicate, when to communicate, where to communicate, how to communicate can be obtained accurately with the decision on target audience.

ii) Determining the objectives of communication: Once the audience is identified, the objectives of communication should be determined. The objectives are in relation to the response sort for campaign. Although the ultimate objective of the campaign is to generate sales either in the short run or in the long run or both, each of the specific campaigns is directed at achieving specific objectives. Each and every buyer will pass through different stages before arriving at the decision on the purchase. Researchers have identified six stages in the buyer- readiness process. These stages called the hierarchy of the effects. The stages are: awareness, knowledge, liking, preference, conviction and purchase. The buyers need to be stimulated at every stage, either through a single campaign or through a series of campaigns

iii) Generating the campaign: Message generation is vital in designing a communication campaign. Depending on the desired response from the market audience, the message needs to be developed. As per the AIDA (Attention Interest Desire Action) model, the message should have the capability of the attracting attention, holding interest, arousing desire and making the audience action oriented. They are four important issues in formulating the message. These are:

***a) Message Content*:** The message content includes an idea, theme or an appeal which is unique selling proposition for the service in the market. Marketers generally use three kinds of appeals. They are rational appeals, emotional appeals and moral appeals. Through rational appeal the marketers try to educate the consumers about the service offer and other environmental factors in the market. The consumers are stimulated think logically while making a purchase decision. Emotional appeals can be positive or negative. Positive emotional appeals such as joy, love or celebration motivate the purchase of some services whereas negative emotional appeals such as fear, guilt or shame motivate people to buy some services. The moral appeals are directed at social sensitivity. Generally, public and social organizations launch their campaign with moral appeals.

***b) Message Structure*:** Message structure relates to the organization of message content in such a way that rightful conclusions are drawn from the message. The effectiveness of the message content depends upon how it is structured. Whether to suggest conclusions or to leave to the audience to draw conclusions, whether to place one- sided arguments or to present two- sided arguments, whether to put strong arguments in the beginning or the end are the issues that need to be decided.

***c) Message Format*:** The format of the message depends upon the medium selected for the campaign. If it is print media, the decisions relating to headline, space, copy, design and illustration are important. For video media, that is, TV, cinema, internet and so on, the body language, location, time and so on, decide the format.

d Message Source: Who has to deliver the message is an important decision. Studies have proved that message source influences the audience. The source selected may be an expert in the field or may be celebrity who is popular with the target audience.

iv) Selecting the media: The rapid pace of change in media and growing complexity of media options make the selection of the media channels very complex. Print media, audio channels, electronic channels and tele channels have expanded their scope of operations. Each medium has distinctive advantages as well as limitations. Communicators have to ascertain the reach, frequency, credibility and the cost of the preferred medium besides the media habits of the target audience to be able to select wisely. One medium may not fulfill the objectives. Combination of media may be necessary to stimulate the audience interest.

v) Budgeting for marketing communications: How much money is required for the communication campaign? The answer is critical to marketers in the absence of accurate evaluation matters and measures and measures to establish cause- effect relationships, companies often depend upon traditional approaches in deciding the budget for marketing communication. There are four such methods. „The Affordable method" is to use the money the company can afford to spend upon the communications. The „Percentage to sale" method establishes a relationship between sales and expenditure on communication. The „Competitive Parity method" advocates following the competitor's budget. The „objective-and- task" method calls upon marketers to define specific campaign objectives and list out the task to be performed to achieve such objectives. The total estimated cost for the performance of the task becomes the budget

Service Distribution Strategies

Making a better service, pricing it according to the customer value concept and promoting it using a variety of communication tools are essential ingredients of a marketer's mix. But this is not all. **The service must be available to customers for consumption in the right quantity, in right time and in the right locations**. If failure occurs in making services available to customer, marketing would remain on paper. Availability and consumption go together. Thus, distribution of services is an important element of the marketing mix

Distribution means availability and accessibility of a service to consumers. From the customer's viewpoint, availability means the services are available to the consumer when he wants it. Accessibility means It is relatively easy for the consumer to conduct a transaction with a service vendor. Each service operation needs to analyse their target markets and establish operating hours that are compatible with customer availability. Operating hours are a critical distribution decision and directly impact accessibility and availability.

Advances in telecommunications have made services more accessible to customers.

Thus, **distribution system may be defined** as the channel, or the means used by which service provider gains access to potential buyer of service product. The aspects of service distribution are-:

- ✓ There is no actual tangible product which is being distributed.
- ✓ It involves consumer's movement to the service location. As the consumer is part of the service operation, the method of selling and environment within which service product is made becomes the part of the service experience.
- ✓ The intermediaries/ agents play a key role in recommending services to consumers.

- ✓ The service organization has to devise distribution strategies suiting customer coming directly, through agents or other modes.
- ✓ The distribution of service is more challenging than the distribution of goods due to inherent characteristics such as intangibility, inseparability, variability and perishes ability. Further service distribution becomes critical in shaping service perception because of customer participation in service production. The basic objective of distribution of service is to make services available at the right time and place accessible to consumer with ease and convenience.

Service Transactions

Distribution system depends upon the transactions in the service. These transactions can be broadly categorized into three groups which are as follow-:

1.Customers calling service outlets: In this transaction, customers have to go to the service outlet to avail a service. For example, theatres, health clubs etc.

2. Service firms calling customers: In such transactions, consumers need not to move from their premises whether it is home or office to avail of the service. The employees of such organization call on the customers and perform the service at the desired location. For example, postal service, security service, etc.

3. Service firms transacting with customers at an arm's length: In such transaction, there is no need to for service providers to have personal contact and face- to- face encounters with the customers. For example, telecom services, cellular services, credit card services

Distribution Strategies

Channel selection is a difficult decision. While choosing a distribution channel, the firms need to consider the intensity of market coverage. Market coverage can be achieved by following one of three strategies given below:

Intensive distribution-: It is a strategy in which producer sells products and services at a retail and wholesale levels in a particular territory.This distribution makes the service available to as many as possible through a wider distribution network. It is suitable for mass consumption services such as transportation, electricity, and telecommunications

Selective distribution-: It is a strategy in which services are offered to an identified target segment through a limited number of distribution outlet selected for the purpose. This type of distribution is suitable for services such as higher and technical education, tourism and courier services

Exclusive distribution-: It offers services to focused segments through distribution outlets established exclusively for this purpose. This distribution may be suitable for healthcare services, hospitality services, retail networks and so on.

Strategic issues in service distribution

The basic strategy issues in service distribution are two-dimensional. One is the service location and other is a service provider.

A) Service Locations

Location involves considering where to deliver the service to the customer, and whether the service organization should be single location or multiple locations. .Where to locate a service outlet is a critical decision, which is influenced by many factors such as the target consumers, the degree of interaction required with them and accessibility. Location decisions have strategic importance because they can be used to develop a competitive advantage because it is a prime consideration in a customer's choice of service outlet. Following are the factors to be considered:-

1.Proximity: The location of the service should be as close to the target market as possible. The proximity of the service outlet saves time and energy costs and also develops affinity among the consumers.

2. Image: The image of the location should match the corporate image of the service company.

3. Parking facility: A service outlet without adequate parking facility is less likely to attract customers

4. Convenience: The location of service outlet should be convenient for customers, which is often measured in terms of public transport, other shopping facilities, safety and security and security.

5. Accessibility to other services: A service outlet requires a host of other services and infrastructural facilities such as electricity, telecommunications, water and sanitation. The location that provides an adequate qualitative supply of these services is more suitable for service organization.

6. Competitive advantage: The effect of the competition cannot be ignored while taking any decision in services. (K. Rama Mohana Rao)

7. Technological innovation: Number of service sectors have realized that they can gain a considerable competitive edge through changes of distribution. Use of technology in distribution provides a competitive edge(M.K. Rampal).

B) Service Providers

Service firms need to select those service providers who are capable of managing the service outlets efficiently and provide quality services to the customers. Service Firms may opt for direct distribution or private channels, or they may use both to reach target market. In case of service distribution through a middleman, there are two marketers-:

Service Principal and Service deliverer. The Service Principal is the service originator and the service deliverer is distributor. The service deliverer becomes the co-producer of the service and fulfils the promises of service principal to customers

Distribution of the Flow of Service/ Forms of Channel

There are different ways in for distribution flow of service. There are four choices available to any service providers which are as follow:

(i) Direct marketing: In it services are provided directly through the employees of service organization.

(ii) Use of one intermediary: In this option agents/ brokers are used as a distributor of the service. In these two flows are possible: direct channel and through agents.

(iii) Use of two intermediaries: In this option two types of intermediaries can be used by the company such as agents/ brokers and franchisers. In this option there are four flow of service among different parties.

(iv) Use of three intermediaries: It involves three types of intermediaries: agents/brokers, service franchisers and electronic channels. Seven distribution flows are possible with this option.

Forms of channels for distribution

***A) Company- Owned Channels*: -** Some service company prefers to provide services directly to customers through their own channels. The service company develops national chains with multiple service outlets at various locations. Company-owned channels such as the branch network of banks, insurance companies, postal services and retail chains are common in service distribution. This type of channel offers many benefits to company in the form of control, consistency and maintenance of image

Advantages of Company- Owned Channels are:

- ✓ Service delivery, quality standards are easy to maintain
- ✓ Employees own the service
- ✓ Flexibility in operations
- ✓ Greater control over operational processes
- ✓ Direct feedback from contact employees
- ✓ Speedy recovery for the service deficiencies
- ✓ Opportunity to establish a direct relationship with the customer

Disadvantages of Company –Owned Channels are:

- ✓ Huge investment is required
- ✓ Financial risk is more
- ✓ Market expansion is difficult
- ✓ A failure at some location can affect the whole company‟s image
- ✓ Difficult to make adjustments needed in business format for different markets

***(B) Franchising*:** It is a type of contractual vertical marketing system that involves a continuing relationship in which a franchisor (Parent company) provides the right to use a trade mark plus various forms of management assistance in return for the payment form franchisee (the owner of the individual business unit).It is a method of expanding business rapidly with, low capital investments. It is multi- site distribution growth strategy in which third party agrees to establish and operate a service facility according to franchiser's specifications. Most franchisee contracts allow the franchiser to maintain tight controls over the franchisee's operation Franchising is mostly used in services businesses such as educational institutions, film-processing companies, hotels and restaurants. Agreements and contracts are essential documents in franchising. Generally, agreements and contracts include a clear description of the following:

- ✓ Nature of service
- ✓ Geographic territory
- ✓ Percentage share to be paid to the franchiser on the revenue of the franchisee
- ✓ Time period of agreement
- ✓ Instructions, interactions and conditions
- ✓ Support to be provided by the franchiser
- ✓ Roles and responsibilities of the franchisee
- ✓ Rules and regulations of termination of agreement

Types of Franchising

There are two types of franchising which are as follow:-

(a) Product or trade name franchising -: It is a distribution contract under which a franchisor (supplier) authorizes the franchisee to sell a product line using the franchisor firm‟s trade name for purposes of promotion. It focuses on „What is sold‟. The franchisee agrees to buy from franchisor and also is bound by specific policies.

(b) Business format franchising -: This format covers the entire method for the business operations. A successful retail business sells right to operator the same business in different geographical locations. For example, McDonald, KFC are the examples of business format franchising. The focus in this format is „ How the business is run‟.

Advantages of Franchising to Franchisor

- o Business expansion and revenue gains: Service companies can reach more markets without much effort through franchisees. The wider distribution results in increased revenues, larger market share, brand name, recognition as well as economies of scale.

- o Consistency in outlets: Service companies can ensure consistency in performance of the franchisees with the help of agreement and contracts which provide standard specifications.

- o Knowledge of local markets: Greater reach of the market provides adequate information back through the franchisee, relating to specific issues of the local market and various dimensions of service quality.

- Shared financial risk and investment burden: Franchiser"s investment burden get reduced significantly because franchisee invest money and other resources to arrange for required equipment and personal for performing services.

Advantages of Franchising to Franchisee

- Minimized risk of business
- Fast growth of business and learning curve
- Fast build up of reputation due to joint promotion
- Low stock and financial aids

Disadvantages of Franchising

- Problems in Maintaining and Motivating Franchisees: In case of outside independent operators, it is a more difficult task to motivate the employees to perform the service as per specification
- Quality inconsistency may affect company image: Many a times, the quality of services offered by franchisee vary from service specifications. There is danger of losing future business due to negative market image.
- Control of customer relationship by the franchisee: As the franchisees have direct contact with the customer, they build a relationship with them and have all information about them for which franchisor remain dependent upon franchisee.
- Lower potential profits: As profits are being shared between the franchisee and franchisor, both earn less than if they operate independently owned outlets.
- Loss of control: It entails some loss of control over the delivery system and, thereby, over how customers experience the actual service
- Fear of competition: With the passage of time franchisee gain experience, they may start their own business. They believe that they can operate the business better without constraints imposed by the agreement.

***(C) Agents and Brokers*-:** An agent is an intermediary who is authorized to negotiate on behalf of the service principal with the customers. Brokers are middlemen who bring buyers and sellers together and assist in negotiation. Although brokers and agents are two different kinds of intermediaries, both of them perform similar functions in service distribution.

Advantages of using agents and brokers

- Low selling and distribution cost: Agents and brokers work on commission basis. Service companies need not employ permanent sales force for the purpose.

- Specialized skills and knowledge of the agents and brokers: Persons who choose to be agents and brokers generally possess specialized skills in persuading people. Service companies exploit those skills in their favour without any additional cost.

- Wider representation in the market: Service companies can appoint many agents and brokers and can have a wider representation in the market. For example, LIC.

- Knowledge of local markets: Agents and brokers operate within specified locations, have knowledge on various local issues and possess the talent to exploit their knowledge for making sales.

- Customer choice: Customer confidence will be high when they take service through a known broker or agent.

Disadvantages of using agents and brokers

- Loss of control-: There is loss of control, in pricing and other aspects of marketing when agents and brokers interfere and prevail over the producers.

- Lack of focus-: Some brokers and agents , generally represent multiple service principals and special focus may not be provided to any of the service principal.

D) Electronic Channels-: Distribution of services through electronic channels without any direct human interaction because services are distributed through a service distribution system. These channels are becoming more and more popular in the distribution system. The examples of the electronic channels are television, telephone, internet and e- commerce and so on. This channel requires a pre- designed service and a system to deliver it. Delivery of services through alternate channels, like ATMs, call centers, the Internet is growing at an ever- increasing pace. The online shopping market is shared by pure players and multiple channel retailers. Pure players are companies that do not have an upfront store presence and sell products only via the internet. Multi- channel retailers, also called “bricks and clicks” retailers, supplement conventional stores with on- line services.

Advantages of Electronic Channel

- ✓ Quality control: Service firms can reach customers without any variation in the standard package through electronic channels.

- ✓ Cost: The cost incurred for reaching each buyer is lowest through electronic media when compared to distribution through human resources.

- ✓ Customer convenience: Whenever and wherever customers want the service, they can access it through the electronic media.

- ✓ Distribution: Cost- effective extensive market coverage is possible through electronic channels.

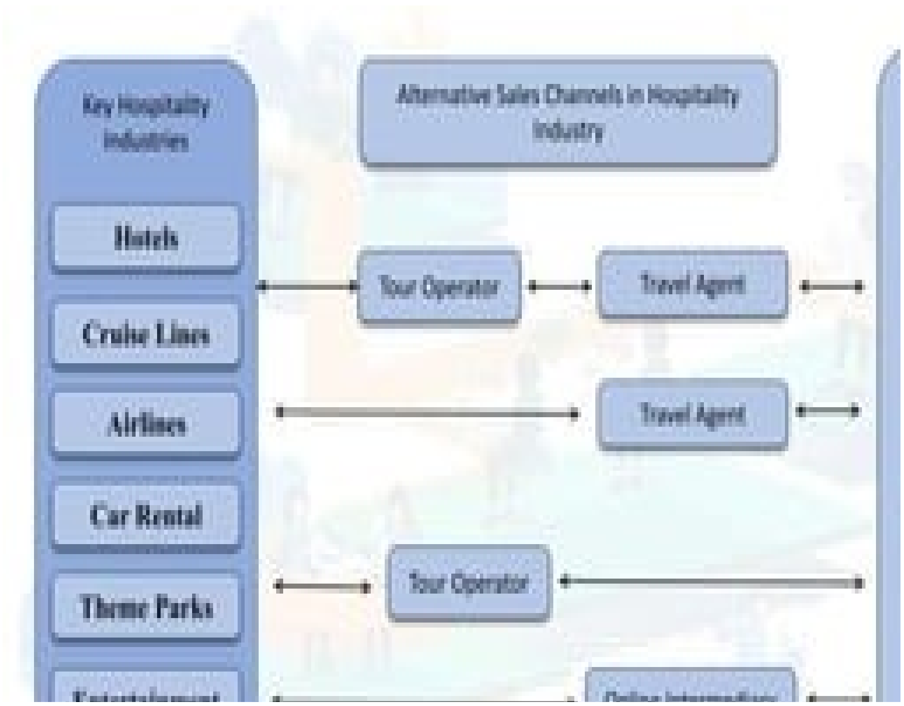
✓ Customer choice: Through electronic media a wide variety of services can be offered as choices to customers.

Disadvantages of Electronic Channel

✓ Lack of customization: Adaptability to local needs is not possible through electronic channels.

✓ Lack of security of data: Electronic channels do not ensure the security of personal data such as passwords, account number, etc.

✓ Lack of customer involvement in service delivery: The need for customer participation is very high in case of electronic channels. Customers should know how to operate the electronic media.



A "Service Encounter and Moment of Truth

A "service encounter" is often referred to as the period of time during which a consumer directly interacts with a service. This interface between customers and the service provider is also referred to as, the "moment of truth".

A moment of truth is usually defined as an instance wherein the customer and the organization come into contact with one another in a manner that gives the customer an opportunity to either form or change an impression about the firm. Such an interaction could occur through the product of the firm, its service offering or both. Various instances could constitute a moment of truth - such as greeting the customer, handling customer queries or complaints, promoting special offers or giving discounts and the closing of the interaction.

Importance

In today's increasingly service driven markets and with the proliferation of multiple providers for every type of product or service, moments of truth have become an important fact of customer interaction that marketers need to keep in mind. They are critical as they determine a customer's perception of, and reaction to, a brand. Moments of truth can make or break an organization's relationship with its customers.

This is more so in the case of service providers since they are selling intangibles by creating customer expectations. Services are often differentiated in the minds of the customer by promises of what is to come. Managing these expectations constitutes a critical component of creating favourable moments of truth which in turn are critical for business success.

Moments of Magic and Moments of Misery

Moments of Magic: Favourable moments of truth have been termed as 'moments of magic'. These are instances where the customer has been served in a manner that exceeds his expectations. Eg: An airline passenger being upgraded to from an economy to a business class ticket or the 100th (or 1000th) customer of a new department store being given a special discount on his purchase. Such gestures can go a long way in creating a regular and loyal customer base. However, a moment of magic need not necessarily involve such grand gestures. Even the efficient and timely service consistently provided by the coffee shop assistant can create a moment of magic for the customers.

Moment of Misery: These are instances where the customer interaction has a negative outcome. A delayed flight, rude and inattentive shop assistants or poor quality of food served at a restaurant all qualify as moments of misery for the customers. Though lapses in service cannot be totally avoided, how such a lapse is handled can go a long way in converting a moment of misery in to a moment of magic and creating a lasting impact on the customer.

Different types of MOTs

The following list is an aggregate from several different sources:

- ✓ **Less Than Zero Moment of Truth (<ZMOT).** An event occurs that inspires the customer to think about making a purchase.
- ✓ **Zero Moment of Truth (ZMOT).** The customer begins researching a product.
- ✓ **First Moment of Truth (FMOT).** The customer is looking at a product.
- ✓ **Second Moment of Truth (SMOT).** The customer purchases product.

Interim Moment of Truth (IMOT). The period of time from when the customer purchases a product to when he receives it. Sometimes called Absolute Moment of Truth (AMOT).

Third Moment of Truth (TMOT). The customer provides feedback about the product.

Every "Moment of Truth" is Important — according to Scandinavian Airlines, each one of their 10 million customers come in contact with 5 employees. Thus the airlines say there 50 million moments of truth — each one is managed well and "They prove they are the BEST".

Types of Service Encounters

A service encounter occurs every time a customer interacts with the service organization. There are three general **types of service encounters** – remote encounters, phone encounters, and face-to-face encounters. A customer may experience any of these types of service encounters, or a combination of all three in his/her relations with a service firm.

- **Remote Encounter:** Encounter can occur without any direct human contact is called as Remote Encounters. Such as, when a customer interacts with a bank through the ATM system, or with a mail-order service through automated dial-in ordering.
- **Phone Encounters:-** In many organizations, the most frequent type of encounter between a customer and the firm occurs over the telephone is called as phone encounter. Almost all firms (whether goods manufacturers or service businesses) rely on phone encounters in the form of customer-service, general inquiry, or order-taking functions.
- **Face-to-Face Encounters:** A third type of encounter is the one that occurs between an employee and a customer in direct contact is called as Face-to-Face Encounter. In a hotel, face—to—face encounters occurs between customers and maintenance personnel, receptionist, bellboy, food and beverage servers and others.

Service Process

In order to understand the service product as a process, one can begin by simple recollection of activities or events that take place while using a service. A service experience is nothing but passing through a series of pre-determined steps or stages involving some activity or interaction. A sum total of these create a service experience. For instance, using an air service involves activities like ticket booking, arrival at the airport, check-in, security check, boarding, being seated in the plane, meal service, collection of luggage etc. All these activities are linked together to create a service experience. Service firms use these processes to create differentiation in their service products. Difference in service product is nothing but difference in the service process. Goods are differentiated on the basis of their physical attributes while services are differentiated on the basis of the processes that comprise them.

One way of looking into the service process is whether they are visible or invisible to the customer. For instance, in the airline case, the processes that are visible to customers are check-in, security check and physical transfer of passenger to the airplane. On the other hand, the invisible processes include the computerized booking system, the refreshments procurement process and aircraft preparation process.

The service processes that create the service experience may involve processing of people, information and materials. Hence, three types of service processes can be distinguished. **The <u>people processing processes</u> make the people or customers pass through a sequence of activities in order to create a service experience. For instance, the process of transferring passengers from the airport to the airplane and security check is people processing process. The ticketing process at the booking counter or check-in involves <u>processing of information</u> on the computer system. Finally, the meal service and luggage transfer involves <u>material processing</u>. All kinds of process must be designed to offer the customer a satisfying experience.**

From the customer‟s point of view, services are experiences (e.g., calling a customer contact center or visiting a library). From the organization‟s perspective, services are processes that have to be designed and managed to create the desired customer experience. This makes processes the architecture of services. Processes describe the method and sequence in which service operating systems work and specify how they link together to create the value proposition promised to customers. In high-contact services, customers are an integral part of the operation, and the process becomes their experience. Badly designed processes are likely to annoy customers because they often result in slow, frustrating, and poor-quality service delivery. Similarly, poor processes make it difficult for frontline employees to do their jobs well, result in low productivity, and increase the risk of service failures. (Christopher Lovelock)

<u>Importance of Service Process</u>

In case of goods, the manufacturing process takes place in factories in factories in the absence of customers. The processes that lie within the factories tend to be in the sole domain of operations and the customer rarely comes in contact with them. But in services, customer interaction with the system is often integral to service creation. This makes the customer a part of the service process. Service failures, often, are the result of inadequately and inappropriately designed service processes.

Ideally, the service process must be designed to satisfy the customer. The stories that float about the poor performance of service firms point to the failure of some process or the other in delivering a satisfying response. Sometimes, the customer gets bugged with the frontline process with he or she interacts and often the poor service experience is caused by processes that take place in the backroom. For instance, customers in a departmental store find the checking-out very cumbersome and time consuming. The checking-out is a frontline customer involving process. Similarly, credit card customers have horror stories to tell about disappointments and frustrations that they have to experience in getting across to the relevant department using the customer care number. Backroom process failures, on the other hand, cause the frontline service to deteriorate. For instance, order dinner at a restaurant may be a very pleasant experience due to excellent frontline process design and execution but actual dinner delivery may be late. Inadequate backroom process in this case is the culprit foe the delay.

Understanding Service Process

Three issues are important in understanding the service process. These are: variety involved in service process, value addition, and allocation of key tasks.

1. **Variety in Process-** The variety characteristic pertains to whether the process has a fixed, non-varying sequence of activities leading to standardized response or services. Process variety has implications on cost, complexity and flexibility of operations. Less variety in process usually gives the benefit of cost efficiency but it scores low on flexibility. Three types of processes can be identified with different degrees of process variety: runners, repeaters and strangers.

a. ***Runner*****category of process refers to standardized set of activities. These are generally found in high volume operations. A well-laid standardized sequence of activities are performed again and again in this process with variation**. These processes lend successfully to tight process control and automation. For instance, railway inquiry about the train arrival or departure or checking the bank account balance is now automated using computerized systems. The standardized, routine nature of the process allows high efficiency in operations.

b. ***Repeaters*** category of process is more or less same as runners except that they tend to be little more complex and occur less frequently. Repeaters often come into existence as a result of unforeseen expansion of services and the runner process that was designed to handle standardized service is now made to handle variety. For instance, a pizza restaurant expands its menu entry by including burgers. This often happens when a service firm, which begins with limited service, expands into other services. Repeaters often take more resources and may require re-learning or process adjustment.

c. ***Strangers*** are non-standardized processes. They are least frequent and often take the form of one off projects. In case of strangers, demand forecasting is difficult and resource requirements tend to be ill-defined. When a firm adds a new service, stranger processes are added which later on move on to become repeaters and runners.

2. **Value Addition in Process-** The service are processes. The process, which makes up the service, consists of a number of sub-processes or activities. The next step in developing true understanding of the service process is to appreciate how much value is added in different parts of the process. **This means which part of the process is most important to the customer. The customer may not be equally sensitive to each stage in the service process. For instance, is a bank customer more sensitive to the „treatment" or „interaction" that takes place**

in the customer contact area between the employee and the customer or are the backroom processes that determine accuracy and reliability more important? That part of the service process which takes place in the backroom and does not involve customer contact is probably more important in case of a bank because customer quality connotation in banking context is driven more by reliability. The opposite may be true for a lounge in a five-star hotel. The frontline process may be more important and value driven in this case.

3. **Task Allocation-** The third aspect in understanding the service process involves allocation of tasks that are to be carried out throughout the process. Depending upon the value focus of the service process, the tasks must be allocated. One simple way through which the service process can be broken down is front office and back office. Tasks must be distributed between the front office and the back office depending upon the importance. It is important to know that task allocation cannot be fixed for all times to come. Allocation would change according to changes in the service concept. For instance, the grocery stores in India, that served the local clientele, focused on frontline activities to create and build relationships with customers. But now, this approach seems to be becoming less effective with the emergence of twin-worker families. Both the partners work now and therefore do not have time to visit and interact with sellers. The service concept is now shifting from face-to-face interaction to remote selling. What customer now values is the efficiency of executing transactions over phone or other media not the quality of interaction with the seller. This shift accordingly requires reallocation of tasks and focus from front to back office, requiring investments in information technology.

Importance of Customers in Service Creation and Delivery

Customer participation at some level is inevitable in all service situations. Services are actions or performances, typically produced and consumed simultaneously. In many situations employees, customers, and even others in the service environment interact to produce the ultimate service outcome. Because they participate, customers are indispensable to the production process of service organizations, and in many situations they can control or contribute significantly to their own dis/satisfaction.

- **Customer Receiving the Service-** Because the **customer participates** in the delivery process, he or she can contribute to narrowing or widening gap through behaviors that are appropriate or inappropriate, effective or ineffective, productive or unproductive. The level of customer participation- low, medium, or high- varies across services. In some cases, all that is required is the customer's physical presence (low level of participation), with the employees of the firm doing all the service production work. In other situations, consumer inputs are required to aid the service organization in creating the service (moderate level of participation). Inputs can include information, effort, or physical possessions. In some situations, customers are truly **co-creators** of the service (high level of participation). For these services, customers have important participation roles that affect the nature of the service outcome. The effectiveness of customer involvement at all the levels will affect organizational productivity, and ultimately, service quality and customer satisfaction.

- **Fellow Customers-** In many service contexts, customers receive and/or co create the service simultaneously with other customers or must wait their turn while other customers are being served. In both cases, **"fellow customers**" are present in the service environment and can affect the nature of the service outcome or process. Fellow customers can enhance or detract from customer satisfaction and perceptions of quality. Some of the ways fellow customers can negatively affect the service experience are by exhibiting disruptive behaviors, causing delays, excessively crowding, and manifesting incompatible needs. In some cases, overly demanding customers can cause a delay for others while their needs are met. This occurrence is most common in banks, post offices, and customer service counters in retail stores. Excessive crowding or over use of a service can also affect the nature of the customer'sexperience.

Customers' Roles

As participants in service creation, production, and delivery, customers can perform three major roles.. These are explained as follows:-

- **Customers as Productive Resources-** Service customers have been referred to as "partial employees" of the organization- human resources who contribute to the organization's productive capacity. If customers contribute effort, time, or other resources to the service production process, they should be considered as part of the organization. Customer inputs can affect the organization's productivity through both the quality of what they contribute and the resulting quality and quantity of output generated. In a business-to-business service context the contributions of the client can enhance the overall productivity of the firm in both quality and quantity of service. Customer participation in service production raises a number of issues for organizations. Because customers can influence both the quality and quantity of production so delivery system should be isolated as much as possible from customer inputs to reduce the uncertainty they can bring into the production process. But services can be delivered more efficiently if customers are truly viewed as partial employees and their coproduction roles are designed to maximize their contributions to the service creation process. Organizational productivity is increased by using customers as a resource to perform tasks efficiently which were completed by employees previously.

- **Customers as Contributors to Service Quality and Satisfaction-** Another role customers can play in service co-creation and delivery is that of contributor to their own satisfaction and the ultimate quality of the services they receive. Customers may care little that they have increased productivity of the organization through their participation, but they likely care a great deal about whether their needs are fulfilled. Effective customer participation can increase the likelihood that needs are met and that the benefits the customer seeks are actually attained, especially for services such as health care, education, personal fitness, and weight loss, in which service outcome is highly dependent on customer participation.
- **Customers as Competitors-** The third role played by service customers are that of potential competitor in performing the service for themselves. If self-service customers can be viewed as resources of the firm, or as "partial employees," they can also partially or entirely perform the service for themselves and not need the provider at all. Thus, customers in sense are the competitors of the companies that supply the service.

Service delivery is a component of business that defines the interaction between providers and clients where the provider offers a service. Managing customer in the process of service delivery is critical challenge for service firms. Whereas manufacturers are not concerned with customer participation, service managers constantly face this issue because their customers are often present and active partners in service production and co-creation. Through understanding the importance of customers in service creation and delivery and identifying the roles played by the customer in a particular context, managers can develop strategies to enhance customer participation.

Concept of Services capes and Physical Evidence

PHYSICAL EVIDENCE MIX-THE EVIDENCE OF SERVICE

As services are intangible, the customers are searching for evidence of service in every interaction they have with an organization. The figure depicts the three major categories of evidence as experienced by the customer: people, process, and physical evidence. These categories together represent the service and provide the evidence that tangibles the offering. The new mix elements essentially are evidence of service in each moment of truth

All of these evidence elements or a subset of them are present in every service encounter a customer has with a service firm and are critically important in managing service encounter quality and creating customer satisfaction.

When a guest enters the hotel for a stay the first encounter of the guest is the door attendant and frequently with receptionists at the reception. The quality of that encounter will be judged by how the registration *process* works (How long is to wait? Is the registration system computerized and accurate?) The actions and attitudes of the *people* (Is the receptionist courteous, helpful, knowledgeable? Does she handle the enquiries fairly and efficiently?) and the *physical evidence* of the service (is the awaiting area clean and comfortable). The three types of evidence may be differentially important depending on the type of service encounter

(Remote, phone and face – to – face). All these types will operate in face – to- face service encounters as in the one just described

It is the environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of service.

It includes all tangible representations of the service-such as broachers, letter head, equipment etc. in some cases the physical facilities where service is offered is important e.g., in a hotel the parking lot, surroundings are important. In other services such as telecommunication the physical facilities may be irrelevant. In this case other tangibles like billing statements become important. Physical evidence includes

(A) Physical facilities (essentials and peripherals)

(B) Physical setting (appearance of premises)

(C) Social setting (appearance of staff)

The decision on the physical evidence will differ in terms of customer-employee interaction. At one end is self-service of customer without any interaction with employee (ATM) where physical facilities must be to attract customer and user friendly. At other end employee performs without any interaction (mail order business) here physical evidence is designed to promote operational efficiency. Between the two extremes is a situation where both customer and employee interact. In this case physical evidence must be planned to facilitate the activities of both. (E.g., Banks, Airlines). Certain service environments are simple requiring very little space or equipment (ATM, Vending machine). They are called lean environment. Others like hospitals, hotels are elaborate environment where proper planning is needed.

(a) Physical facilities: The potential customers form impression about the service organization on the basis of physical evidence like building, furniture etc.,

Essential Evidence: They are dominant features like building area, parking space, signboards.

Peripheral Evidence: They are less dominant like admission card, medical reports, etc.

(b) Consist of service environment

- Ambient factors (light, color, temperature)
- Space (spatial layout and functionality- i.e., ability of equipment and furniture to accomplish interactions)
- Decor and artifacts

(c) Social setting: Employee uniform, appearance etc. of service scape can influence customer expectation, satisfaction and other behavior. In shopping mall soft music is played/crossroads had hired separate parking space.

Bitner identifies Physical Facilities and Environment as **SERVICE SCAPES**

However too much decor may make customers feel that they are paying for the expensive décor. Employees however feel that an investment in environments is an indication of management's concern for their job satisfaction. Hence the challenge is to strike a balance.

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UNIT-IV

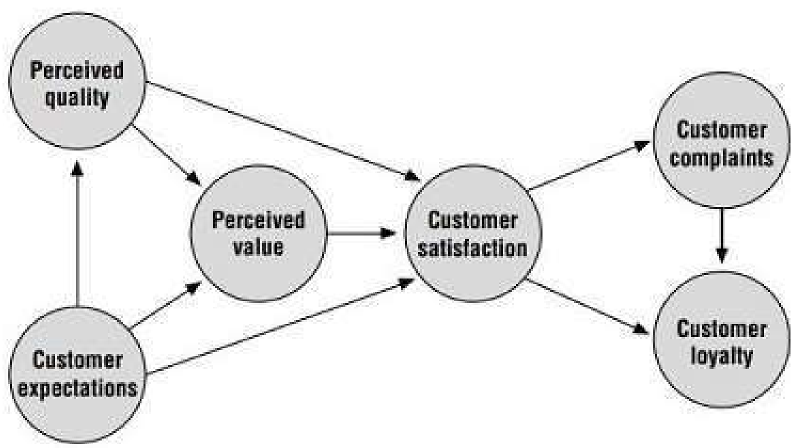
Customer Satisfaction & Service Quality Management:

Concept of Customer Satisfaction, Determinants of Customer Satisfaction, Monitoring, and Measuring Customer Satisfaction; Service Quality Model:Parsuraman -Zeithamal-Bitner (PZB) Gaps Model, SERVQUAL, and SERVPERF;Technology & Service Strategy: Applying Technology to Service Settings, e-services.

Concept of Customer Satisfaction

Customer satisfaction is defined as a measurement that determines how happy customers are with a company's products, services, and capabilities. Customer satisfaction information, including surveys and ratings, can help a company determine how to best improve or changes its products and services.

Model of Customer Satisfaction



Importance of Customer satisfaction

- It drives customer loyalty
- Customer satisfaction metrics reflect your support team's performance
- It encourages repeat purchases
- It increases customer lifetime value
- It boosts new customer acquisition
- Provides referrals
- Less likely to churn
- Cost of acquisition is less
- Ready to buy product at premium prices

Factors that Influence Customer Satisfaction(Determinants)

- ✓ The three big things that go into customer satisfaction are **convenience, price, and service**. If a customer feels like they are getting good value for their money, they feel satisfied with the service they received from you.

- ✓ To keep customers truly satisfied, it’s not enough to avoid disappointing them. You have to work on factors such as your **customer understanding, service, and technology** in order to create a customer experience they would want to turn to consistently.
- **Accessibility**
- **Empathy**
- **Language**
- **Response Time**
- **Convenience**
- **Choices**
- **Simplicity**
- **Quality**
- **Reasonable Prices**
- **Appreciation**
- **Loyalty Programs**
- **Community**

1. **Accessibility**

Have you made it easy for customers to interact with you to ask questions, voice concerns, or get a problem solved? Or, do customers have to jump through a number of hoops, do an extensive Google search, and pray to the gods of customer service that they can get a hold of you?

While it may be unpleasant dealing with an unhappy customer, it's significantly worse dealing with an unhappy customer who took 2 hours out of their day to track you down.

2. **Empathy**

Mistakes happen, and despite the old adage, the customer isn't always right… but if you'd like to keep them as a customer, they must always be happy. You can ensure this by hearing them out when they are upset, showing concern for the situation, and letting them know that you'll do everything in your power to make it right.

3. **Language**

Every industry and company has its own "shop terms" and lingo that they use to describe what they do and how they do it. Unfortunately, this insider language doesn't resonate with customers.

They want to know that you understand their problem and have a solution for it. In order to communicate that, you need to figure out what words they use when they talk about it.

4. Response Time

We live in a fast-moving world. Customers expect products to arrive on their doorstep hours after they order them, and questions to be answered within minutes (if not sooner!) of them asking.

While many companies can't afford round-the-clock staff, away messages that contain answers to FAQs and chat box make it possible to interact with your customers on their time.

5. Convenience

Very few customers will go out of their way to do business with you. If you make it difficult for them to browse, shop, schedule, or buy, they'll be looking for another company to provide the solutions they need.

It's important to review your buyer's journey on a regular basis and see if any areas could be tweaked to increase convenience.

6. Choices

Customers like to have options when it comes to purchasing. They want different colours, styles, levels of services, and different methods for delivery. These choices help them feel in control of their own buying experience.

7. Simplicity

While customers like having options, too many options can cause analysis paralysis and cause your potential customer to give up before they finalize a purchase. As you design your products and your processes, remember that a confused mind never buys.

8. Quality

Your customer service may be top-notch, but if your product is of poor quality, you won't have a returning buyer. Make sure that you create the best possible product that customers can't live without.

9. Reasonable Prices

There will always be low range, mid-range, and high range prices. If your products are of superb quality and your customer service consistently wows, it's okay to charge more.

However, if you charge more than the market will bear, and more than your ideal customer can afford, you'll price yourself right out of business.

10. Appreciation

Customers want to feel appreciated for doing business with you. You should have some sort of follow-up procedure in place to say thank you. This can range from a quick email to a thank you gift (depending on the value of the product or service), but will always let your customer know that they are important to you.

11. Loyalty Programs

It's wonderful to offer incentives to new customers coming in, but what about the loyal customers that have stuck with you from the beginning? Consider instituting some sort of loyalty program where existing customers receive discounts, freebies, or access to special content or products as a thank you for their continued support.

12. Community:

The business relationship doesn't have to stop just because the credit card has been swiped. As humans, we want to feel like we are a part of something bigger. Creating a community, whether virtual or in-person, around your product, will help keep your customers engaged with your brand

13.Personalization: Personalized service means giving customers individual attention. Employees who address buyers by name and remember which product they enjoyed are some ways to incorporate personalization in the buying process.

14**. Intuitive:** When problems occur, consumers rarely see product quality. Instead, they think about the poor experience surrounding it. This is why customers value companies that understand them, solve their problems, and anticipate their needs before they even think about it.

Monitoring, and Measuring Customer Satisfaction

Usually asked on a scale of 1-3, 1-5, or 1-7, **your customer satisfaction score can be calculated by adding up the sum of all scores and dividing the sum by the number of respondents.** Customer Satisfaction Score (CSAT) is the most commonly used measurement for customer satisfaction.

How to Measure Customer Satisfaction

- ✓ Define your goals.
- ✓ Outline a plan.
- ✓ Choose a type of customer satisfaction survey.
- ✓ Customize your survey's layout and questions.
- ✓ Determine your survey's trigger.
- ✓ Select your survey medium.
- ✓ Analyse your survey data.
- ✓ Make adjustments and repeat.

1. Define your goals.

When embarking on any sort of campaign, it's helpful to take a step back and ask, "Why are we doing this?"

In business, one must weigh the value of information — the customer satisfaction data — against the cost of collecting it — the survey process. To be honest, if you won't change anything after collecting your customer satisfaction data, you're better off not collecting it at all. It's going to take time and effort, so you need to put it to use.

Depending on your business or organizational capabilities, there's a lot you can do with this information. It's important to have a goal in mind so you can get the most out of your customer data. Every business faces disappointed or upset customers, but not every company has a solution.

With that in mind, the specific solution isn't necessarily the important part here. The important part is stepping back and saying, "If we see that a segment of our customers is unsatisfied, what will we do about it?"

2. Outline your plan.

Once your goals are defined, you need an actionable plan to achieve them. Before collecting customer data, your team should outline the actions you'll take after feedback is gathered and analysed. Some examples you can execute are:

Improve key UX bottlenecks that contribute to poor customer experience.

Expedite customer support interactions with the most frustrated customers.

Operationalize proactive support like a knowledge base and customer education.

Test different live chat scripts and support strategies.

3**. Choose a type of customer satisfaction survey.**

Once you've sat down and discussed your plans with key stakeholders, you need to design your survey. The first step you should take is determining the type of metrics you'll use to measure customer satisfaction. You can choose among a few different options for customer satisfaction surveys. There's no unanimous agreement on which one is best. A few popular methods are:

Customer Satisfaction Score (CSAT)

Customer Satisfaction Rating, or Customer Satisfaction Score (CSAT) measures on average, how satisfied or unsatisfied customers are with your product, services, or customer success program. Usually asked on a scale of 1-3, 1-5, or 1-7, your customer satisfaction score can be calculated by adding up the sum of all scores and dividing the sum by the number of respondents.

Customer Satisfaction Score (CSAT) is the most commonly used measurement for customer satisfaction. You ask your customers to rate their satisfaction on a linear scale. Your survey scale can be 1 – 3, 1 – 5, 1 – 7, or 1 – 10, and there's no universal agreement on which scale is best to use.

CSAT is a metric used to immediately evaluate a customer‘s specific experience. Here’s how Vipin Thomas, Global Lead of Customer Success at Freshdesk, put it:

"CSAT is a transactional metric that‘s based on what’s happening now to a user‘s satisfaction with a product or service. We try to get a CSAT score within 15 minutes of an interaction. It’s super helpful to improvise on the resolution, mode of delivery, channel, etc.

Customer Effort Score (CES)

Customer Effort Score (CES) is very similar, but instead of asking how satisfied the customer was, you ask them to gauge the ease of their experience.

You‘re still measuring satisfaction, but this way you’re gauging user effort — the assumption being that the easier a task is, the better the experience will be. As it turns out, making an experience a low-effort one is one of the greatest ways to reduce frustration and disloyalty.

Net Promoter Score® (NPS)

NPS asks the question, “How likely is it that you would recommend this company to a friend or colleague?”

You calculate your Net Promoter Score by subtracting the percentage of detractors from the percentage of promoters. This measures customer satisfaction but also customer loyalty. In doing so, you can come up with an aggregate score, but you can also segment your responses into three categories: detractors, passives, and promoters.

“NPS is consumed by various different teams to drive retention, sales, product improvements & advocacy. Some important things to consider would be the channel it's delivered on — email, in-product, phone — the frequency of delivery, and the target audience within the customer base”.

Customer Satisfaction Index (CSI)

Another way to categorize customer satisfaction is with the Customer Satisfaction Index or CSI. It measures how satisfied your customers are with your products or services on an individual basis.

For example, CSI can measure things like:

Customer service
Product satisfaction
Pricing
Ease of use
Perceived value

Then, the scores from each one are formulated together to produce an index number. The inputs (the bullet points above) can be weighted to give a more accurate picture of how customers think about your business offerings.

The Customer Satisfaction Index is beneficial because it takes into account detailed perspectives of your customers with considerations to nuances across product and service lines.

These are all simple feedback methods that vastly simplify the process of collecting customer insights. While you may not think the survey methodology matters much, how you ask the question measures different variables.

4. Customize your survey's layout and questions.

The above three styles are commonly used, but those aren't your only options for customer satisfaction surveys. Depending on your goals, you can also send longer email surveys that include things like demographic questions. You can customize it to your desires — just remember that shorter surveys tend to have better completion rates.

Most importantly, don't ask questions if you won't do anything with the information. This not only wastes your time, but your customers' time as well. And, studies show that 66% of adults believe that the most important **thing a company can do is value its time.**

5. Determine your survey's trigger.

This step is all about who you're sending the survey to and when you're sending it.

If you go back to your goals outline, this shouldn't be too hard to determine, at least strategically. People tend to forget this step, but it's crucial as it affects the quality and utility of your data.

Tactically, you can trigger a survey pretty much anywhere, at any time, and to anyone. But, doing it strategically, depends specifically on when and where it's triggered.

6. Select your survey medium.

In general, there are three primary methods by which you can send customer satisfaction surveys:

In-App or On-Site Surveys

Post-Service or Post-Purchase Surveys

Long Email Surveys

Each of these may require a different software or tool. For instance, Usabilla or Hot Jar specialize in triggered in-app surveys. But if you're sending post-purchase surveys, you may need something that offers a web interface, like Type form. Email surveys can usually be performed with any survey tool, like Survey Monkey or Google Forms.

7. Analyse your survey data.

Once you've collected your data, make sure it doesn't just sit there dormant and unused. You've got all this customer insight, and it's just waiting to be uncovered. Most NPS tools give you the ability to easily segment respondents based on their category, and they usually integrate with products where you can take action based on each segment. For instance, HubSpot users can easily integrate with their survey tool of choice to trigger emails based on survey response score.

8. Make adjustments and repeat.

Ultimately, this is a personal decision that will reflect your own findings and capabilities. You may find that a whole segment is dissatisfied because of a particular experience. In that case, you may need to further investigate why that experience is causing dissatisfaction and make changes to improve it.or, you may find that you have a small percentage of super fans. Now that you can identify these people, perhaps you can work with your marketing and customer success teams to plan advocacy programs that increase this group's value.

KPI's to measure customer satisfaction

1. Customer Satisfaction Score (CSAT)
2. Customer Effort Score (CES)
3. Net Promoter Score (NPS)
4. Customer Retention Rate
5. SERVQUAL
6. Churn rate

Methods of measuring CSAT

1. Online surveys
2. Marketing e-mailers
3. Social media
4. Live chats
5. Short message service (SMS)
6. Churn rate
7. Web intercepts

Service Quality

Service Quality is defined as an evaluation of how well the delivered service matches consumer expectations. It is done to assess the deviations that are occurring while delivering the services to potential customers.

● 'Service quality as perceived by customers, can be defined as 'the extent of discrepancy between customers' expectations or desires and their perception'.

● 'Quality is whatever customers say it is, and the quality of particular product or service is whatever the customer perceives it to be'.

- **'Service quality is the delivery of excellent or superior service relative to customer expectations' '(Zeitharnl and Bitner'**
- **'Quality of a service, as perceived by the customer is the result of a comparison between the expectations of the customer and his real-life experiences'. (Gronroos)**

FACTORS INFLUENCING SERVICE QUALITY

Service quality is a key differentiator for any customer when he or she has to make a choice between different retailers. High service standards create customer satisfaction and loyalty. A long term relationship evolves as a result. A low level of service quality will force the customers to look for alternatives. For example, a retailer had advertised a major sales offer wherein items purchased would entitle a customer to a free gift in the form of another product. But on visiting the store the customer found that none of the products advertised were available and were out of stock. The customer felt cheated since he had come to the store based on the advertisement for the special scheme. This is an example of poor service quality. There are many aspects of service quality which we will see in this unit.

Factors influencing service quality can be broadly broken down into two: 1) External to Customer 2) Internal to Customer

1) External to Customer factor can be further classified as a) Word of Mouth b) External Communication c) Situational Factors Interaction of buyer and seller 'Service Encounter' Production Consumption Production Consumption

2) Internal to Customer factor includes the following: a) Past experience b) Personal needs

   The external factors with the exception of situational factors and the internal factors combine to shape the expected service of the customer.

   External Factors to Customers Influencing Service Quality

   Word of mouth: Customers develop expectations of service based on what they hear from others. They will learn from the opinions of others and develop their expectations from the retail outlet. If a friend tells a customer that in a retail store the service is ordinary and the checkout is slow then customer will expect accordingly.

   External communications:

All external communications by the retailer also shape the expected service quality .If a store claims that it will replace any faulty product immediately without any questions, then that will be the expectation of the customer. He will purchase products with such a belief. But if the store does not live up to its promise and argues with him when he wishes to return a faulty product, he will be disappointed and lower his expectations from the store. All forms of communications, whether they are newspaper advertisements, in store communications, posters, mails etc. will create a certain level of expectation.

Situational factors: The expectations of service will also vary depending on the nature of store one is visiting. When a customer visits a self-service store or a supermarket store his expectation of service may be much lower as compared to a high fashion store where he could expect highly personalized service.

Internal Factors to Customers Influencing Service Quality

Past experience: If on previous visits to the store the customers found the sales associates warm and friendly, he will always carry that impression with him and Personal Needs.

The Five Dimensions of Service Quality

Reliability- It is the ability to perform the set service dependably and accurately. It focuses on providing the services right the first time and maintaining error-free records.

Assurance- It is the Knowledge and Courtesy of Employees and their ability to convey trust and confidence. Employees who instil confidence in customers and Make Customers feel safe in their transactions.

Tangibles- It contains Physical Facilities, Modern Equipment, appearance of personnel, visually appealing materials associated with service.

Empathy- Caring, Individual Attention a firm provides to its customers. Convenient business hours, having the customer's best interest at heart.

Responsiveness- Willingness to help customers and provide prompt services. Readiness to respond to customers' inquiries.

The GAP Model of Service Quality (PBZ MODEL) (FIVE GAP MODEL)

The GAP Model was first proposed by A. Parasuraman, Valarie Zeithaml and Leonard L. Berry in 1985. The GAP Model of Service Quality helps the company to understand the Customer Satisfaction. In-Service Industry, the GAP Model is widely used to understand the various deviations that are occurring in the process of service delivery to potential customers. GAP Model creates a roadmap for the overall service delivery process and identifies the gap between the processes so that the complete model works efficiently and effectively. The GAP Model of Service quality helps to identify the gaps between the perceived service and the expected service. Five Gaps occur in the Service Delivery Process Like the gap between Customer Expectation and Management Perception.

The GAP Model was first proposed by A. Parasuraman, Valarie Zeithaml and Leonard L. Berry in 1985.

Summary of Gaps with Diagnostic Indications [13]

Gap	Brief description	Pr
Gap 1 The Knowledge Gap	Difference between the target market's expected service and management's perceptions of the target market's expected service	• Insufficient marketing researc • Inadequate upward communi • Too many layers of managem
Gap 2 The standards Gap	Difference between management's perceptions of customer expectations and the translation into service procedures and specifications	• Lack of management commit • Employee perceptions of infe • Inadequate goal setting • Inadequate task standardisat
Gap 3 The Delivery Gap	Difference between service quality specifications and the service actually delivered	• Technical breakdowns or mal • Role conflict/ ambiguity • Lack of perceived control • Poor employee-job fit • Poor technology- fit • Poor supervision or training
Gap 4		• Lack of horizontal communic • Poor communication with adv
Gap 5 **The Customer Gap**	**The customer gap is the difference between the customer's expectations of the service or experience and their perception of the experience itself**	• **word of mouth** • **personal needs** • **own past experiences** • **Perception- perceives reality differently** • **Perception of reality is a variable.**

GAP 1: **Gap between Management Perception and Customer Expectation**
This gap arises when the management or service provider does not correctly analyse what the customer wants or needs. It also arises due to insufficient communication between contact employees and managers. There is a lack of market segmentation. This Gap occurs due

toinsufficient market research. For Instance- A café owner may think that the consumer wants a better ambience in the café, but the consumer is more concerned about the coffee and food they serve.

GAP 2: Gap between Service Quality Specification and Management Perception

This gap arises when the management or service provider might correctly comprehend what the customer requires, but may not set a performance standard. It can be due to poor service design, Inappropriate Physical evidence and Unsystematic new service Development process. An example would be restaurant Managers who may tell the waiters to provide the order of the consumer quick, but do not specify "How Quick".

GAP 3: Gap between Service Quality Specification and Service Delivery

This gap may arise in situations existing to the service personnel. It may occur due to improper training, incapability or unwillingness to meet the set service standards. It can be due to inappropriate evaluation and compensation systems. Ineffective Recruitment is the main cause of this gap. The failure to match the supply and demand can create this gap. There is also a lack of empowerment, Perceived Control, and framework. An example would be a restaurant having very specific standards of the food communicated but the restaurant staff may not be given proper instruction as to how to follow these standards.

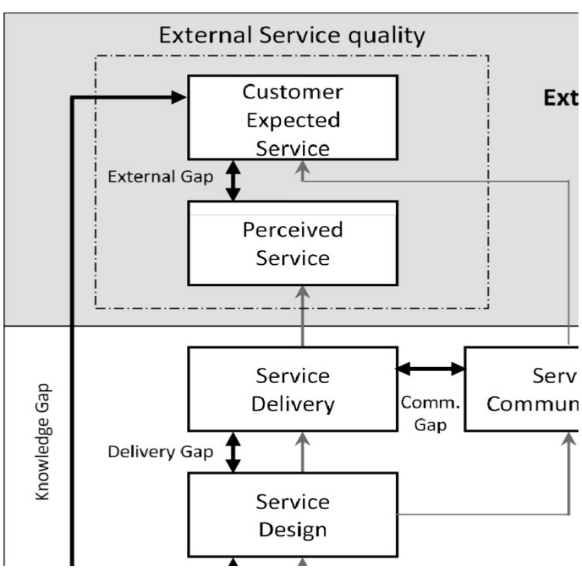
GAP 4: Gap between External Communication and Service Delivery

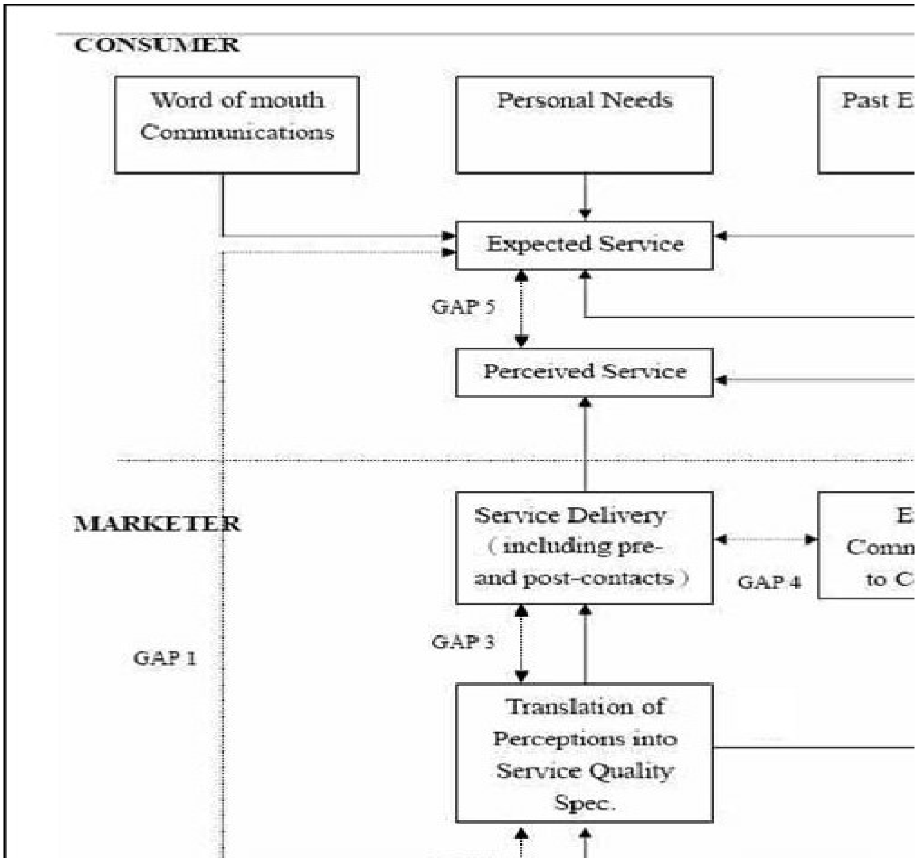
Consumer Expectations are highly influenced by the statements made by the company representatives and advertisements. This gap arises when these assumed expectations are not fulfilled at the time of Delivery of Service.

An example would be a restaurant that has printed on its menu that it serves 100% Vegetarian Food but in reality, it serves Non-Vegetarian Food as well. In this situation, consumer expectations are not met.

GAP 5: Gap between Experienced Service and Expected Service

This gap arises when the consumer misunderstands the service quality. For Instance, A Restaurant Manager may keep visiting their consumer to ensure quality check and consumer satisfaction, but the consumer may interpret this as an indication that something is fishy or there is something wrong in the service provided by the restaurant staff.





SERVQUAL

The Servqual model is based on the idea that customer views of five key dimensions—tangibles, reliability, responsiveness, assurance, and empathy map—are the best predictors of service quality. Servqual uses a questionnaire with paired statements for each category to figure out how good the service is.

Servqual is a model that is generally used to measure service quality. It was made by Parasuraman, Zeithaml, and Berry. It helps businesses measure and control the quality of their services.

Parasuraman developed the Servqual model to look at the different parts of service quality and how people see them. By using questionnaires, surveys, and other qualitative research methods, businesses can learn a lot about their customers' experiences.

This guide goes into depth about each dimension and gives tips on using the Servqual model and improving the overall service quality.

The Servqual model is based on the idea that customer views of five key dimensions—tangibles, reliability, responsiveness, assurance, and empathy map—are the best predictors of service quality.

Servqual uses a questionnaire with paired statements for each category to figure out how good the service is. Customers are asked to rate their hopes and impressions of the service on a Likert's scale, which usually goes from 1 (strongly disagree) to 7 (strongly agree). The evaluation gathers information about what customers expected and what they actually got. This lets organizations compare the two and find any gaps.

The Servqual model figures out the gap score for each measure by taking the average score for perception and subtracting it from the average score for expectations. A positive gap score means that customers' perceptions don't match up with their goals, showing where changes need to be made.

Original dimensions of Servqual model

The Servqual model is based on these ten factors. Together, they make a complete framework for evaluating and improving service quality.

The ten original dimensions of the Servqual model or service quality model are as follows-

Tangibles

Refers to how the service setting looks, including the facilities, equipment, and the way the service staff looks.

Reliability

Focuses on giving the promised service correctly and reliably, ensuring that performance is consistent and services are delivered as promised.

Responsiveness

Measures how ready service providers are to help customers and how quickly they can respond to their needs or requests.

Communication

Assesses how well service providers and customers can talk to each other, such as by giving clear and understandable information, actively listening, and sending correct information.

Credibility

It relates to how trustworthy, believable, and honest the service provider is. This includes things like competence, knowledge, and ethical behaviour.

Security

Focuses on how safe and protected customers feel during the service experience, including protection of personal information, financial security, and physical safety.

Competence

Refers to the knowledge, skills, and abilities that service providers need to do their jobs and deliver the service successfully.

Courtesy

Measures the courtesy, respect, and friendliness that service providers show their customers, which makes for a good and welcoming service experience.

Understanding

Assesses how well service providers show they understand customers' needs, preferences, and standards and how well they tailor their services to meet those needs.

Access

Measures how easy it is for customers to get the service, taking into account things like convenience, availability, and the lack of barriers or other problems in

Applications of Servqual

Here are some applications of Servqual:

Service quality measurement

Servqual is used to assess customer service quality. It helps determine customer expectations vs service impressions. This data can help detect service quality issues and develop solutions.

Customer satisfaction assessment

Understanding customer satisfaction can help keep and attract customers. Customer satisfaction can be measured with Servqual. Companies can assess how well their services match customer needs by comparing customers' expectations and views across the five dimensions.

Service improvement and innovation

Service providers can use Servqual to identify improvement opportunities. Organizations can focus on improving customer perceptions by assessing gaps between expectations and perceptions in each category. This aids service innovation and continuous improvement efforts.

Competitive benchmarking

Servqual may assess service quality across companies in the same industry. Organizations can determine their competitive position, strengths, and weaknesses by measuring and comparing customer perceptions and expectations. This data informs competing strategies.

Training and development

Servqual identifies service staff training and development needs. Organizations can discover training needs by studying dimensions where service providers score low. This improves personnel skills and customer service.

Service recovery

Servqual can assess the recovery process after a service breakdown. Organizations can assess recovery efforts by comparing customer perceptions before and after the service outage. This improves service recovery strategies.

Dimension	No. of Items in Questionnaire	Definition
Reliability	5	The ability to perform the promised service dependably and accurately
Assurance	4	The knowledge and courtesy of employees and their ability to convey trust and confidence
Tangibles	4	The appearance of physical facilities, equipment, personnel and communication materials
Empathy	5	The provision of caring, individualized attention to customer

Responsiveness	4	The willingness to help customers and to provide prompt service

Advantages and disadvantages

Advantages of Servqual:

- Comprehensive measurement of service quality
- Customer-centric perspective
- Diagnostic capability to identify gaps
- Comparative analysis for benchmarking
- Actionable insights for improvement
- Measure the level of service and keeping track of how customer expectations and perceptions change over time.

Disadvantages of Servqual:

- The subjectivity of customer perceptions
- Challenges in capturing an objective measure
- Reliance on customers' interpretations of service quality

SERVPERF

The SERVPERF model argues that customer satisfaction is determined by the actual performance of the service provider, not by the expectations.

The SERVPERF **measures quality as an attitude**, **not satisfaction**. However it uses an idea of perceived service quality leading to satisfaction. But it goes further, and connects satisfaction with further purchase intentions.

The SERVPERF is a modification of SERVQUAL, and thus uses the same categories to assess service quality (RATER model):

- Tangibles
- Reliability
- Responsiveness
- Assurance
- Empathy

In each of the categories there are statements that are evaluated on 7 step Likert's scale. The SERVQUAL proposed 44 statements (expectations and performance related), while SERVPERF only 22 (performance related).

A 7 point Likert's scale example for an agreement will include options such as;

Strongly disagree, disagree, somewhat disagree, either agree or disagree, somewhat agree, and agree and strongly agree.

The SERVPERF questionnaire

The following statements are related to the enterprise being evaluated. Some of them are "the more the better" type, and some "the less the better":

1. Has up-to-date equipment
2. Physical facilities are visually appealing
3. Employees are well dressed and appear neat
4. The appearance of physical facilities is in keeping with the type of service provided
5. When company promises to do something by certain time, it does so
6. When you have problems, company is sympathetic and reassuring
7. Is dependable
8. Provides its services at the time it promises to do so
9. Keeps its records accurately
10. Does not tell its customers exactly when the services will be performed
11. You do not receive prompt service from company employees
12. Employees are not always willing to help customers
13. Employees are too busy to respond to customer requests promptly
14. You can trust employees
15. You can feel safe in your transactions with company employees
16. Employees are polite
17. Employees get adequate support to do their jobs well
18. Company does not give you individual attention
19. Employees do not give you personal attention
20. Employees do not know what your needs are
21. Company does not have your best interests at heart
22. Company does not have operating hours convenient to all their customers

Examples of SERVPERF

- SERVPERF is used to measure the customer service performance of a business. It is often used to assess the customer experience of a particular service, such as the speed and quality of customer service, the accuracy of order fulfillment, and the courtesy of the employees.
- For example, a restaurant may use SERVPERF to measure customer service performance. They could measure how long customers wait for their orders to be taken, how quickly their orders are delivered, and how well the wait staff interacts with customers.
- Another example of SERVPERF is in the retail industry. Retailers can use SERVPERF to measure how quickly customers are served, how well the sales staff answers questions, and how satisfied customers are with their purchases.
- In the banking industry, SERVPERF is used to measure customer service performance. Banks can use SERVPERF to evaluate how quickly customers are assisted, how accurate transactions are processed, and how helpful the staff is when customers have questions.

Advantages of SERVPERF

SERVPERF has several advantages over SERVQUAL in measuring service quality:

- It is more focused on the performance of the service, rather than the perceived quality of the service. This allows organizations to measure the actual performance of the service more accurately.
- It also allows organizations to measure customer satisfaction more accurately, as customer satisfaction is directly related to performance.
- It is more objective than SERVQUAL, as it takes into account the actual performance of the service, rather than just customers' subjective perceptions.
- It measures the entire service delivery process, rather than just a few aspects, as SERVQUAL does. This allows organizations to get a more complete picture of the service performance.
- It takes into account the context of the service delivery process, such as the environment, the customer experience, and the staff. This allows organizations to identify areas for improvement in service delivery.

Limitations of SERVPERF

- SERVPERF has its own set of limitations. First, it fails to address customer satisfaction. This is because it is focused on the performance of the service, not the customer experience. Second, it is difficult to measure performance in a way that is meaningful to customers. Third, it does not consider how a customer's expectations of a service are formed or changed. Fourth, it is limited in its ability to capture the nuances of customer experience. Finally, it fails to take into account the customer's long-term relationship with the service provider. As such, it is not the most effective way to measure customer satisfaction.

Other approaches related to SERVPERF

SERVPERF is not the only approach to quality assessment. Other approaches related to quality assessment include:

- **Total Quality Management (TQM**) - a holistic approach to quality assessment which involves the entire organization in the process of identifying quality problems and finding solutions.
- **Quality Function Deployment (QF**D) - a technique used to ensure that the customer requirements are met, by translating those requirements into technical specifications.
- Six Sigma - a method of quality improvement that looks to reduce defects and improve processes.
- **Lean Manufacturing -** a production system that emphasizes eliminating waste, streamlining operations, and improving customer service.

In conclusion, there are a variety of approaches to quality assessment, from SERVPERF to Total Quality Management, Quality Function Deployment, Six Sigma, and Lean Manufacturing. Each of these approaches has its own strengths and weaknesses and is used to meet different quality goals.

SERVQUAL (Parasuraman et al., 1988) is based on the conceptualization of service quality as the difference between consumer's Perceived performance and Expectation. On the other hand, SERVPERF (Cronin and Taylor, 1992) is purely a Performance based approach to the measurement of service quality.

Applying Technology to Service Settings and Strategy

(Role Of Technology in Service Marketing Process)
(E-SERVICE)

Technology is influencing the practice of services marketing. It has resulted in tremendous potential for new service offerings. It is shaping the field of service enabling both customers and employees to get and provide customized services. The technology has been the basic force behind the service innovation. Automated voice mail, interactive voice response systems, fax machines, ATMs etc., are possible only because of new technology.

The role of technology and physical aids in service delivery system are summarized below:

- **Easy accessibility of service**: Internet based companies find that internet makes offer of new services possible. The Wall Street Journal offers an interactive edition where customers organize the newspaper's content according to their needs. Internet based bill paying service ensures convenience to the customers while availing services. The "connected car" will allow people to access all kinds of services while on the road. Cars are equipped with map and routing software which direct drivers to specific locations. Accessing the Web via cell phones is possible nowadays. Thus, technology is a vehicle for delivering existing services in more useful ways.
- **New ways to deliver service**: In addition to providing new service offerings, technology has introduced new ways of delivering service. It is providing vehicles for delivering existing services in more convenient ways. It is true to say that technology facilitates basic customer service functions like bill paying, checking accounts records, tracking orders, seeking information, etc.
- **Close link with customers**: Financial service companies achieve a close link with their customers by employing the latest technology. Computers are linked into clients' information systems. Companies engaged in goods distribution install order terminals, inventory control terminals of other equipment at their customers' premises.
- **Higher level of service**: Technology enables both customers and employees to be more effective in receiving and providing service respectively. Self-service technologies enable customers to serve access to their accounts, check balances, apply for a loan, and transfer money among various accounts. Computer information system allows banks and insurance companies to furnish data to their customers without delay.
- **Global reach of service**: Infusion of technology in service industry offers enormous scope for reaching out to customers around the globe. The internet is just one big service which knows no boundaries. Information, customer service and transactions can move across countries. The service provider can reach any customer who has access to the web. Technology allows employees of international companies to share information. Technology-based service can be extended to the
- **Cost rationalization**: Customer expectations are high because of the excellent service they receive from some companies. They expect high quality of service at reasonable cost. Customers living around the globe.

- **Cloud.** Cloud computing is a key contributor to digital transformation. There are many cloud-based applications for IT service delivery tasks such as Customer Relationship Management, Help Desk, Remote Network Management, and others.
- **Face-to-face video communication** will increase.Eye contact is powerful, and customers, more and more, will look at non-video, real-time voice conversation as a thing of the past. Companies using video — asynchronously, as "video voicemail"

(e.g. Loom) or synchronously, as "video conference" (e.g. Zoom with video) — are a generation ahead.

- **Delivers faster communication:** The digital capabilities of certain tech features allow conversations to start and get resolved a lot faster, allowing for customers to get convenient, speedy service.
- **Provides more direct results**: Self-service options that have intuitive automation features enable customers to get the answers they need faster and at a more convenient pace.
- **Reduces costs:** Automation doesn't just save time. When you speed up customer transactions, you also reduce costs in resources and any overhead. Automation also allows customer service reps to work smarter and quicker.
- **Improves customer outcomes**: Using tools to gain visibility over your customers' buying habits and preferences can help you make better-informed decisions on your customer service, leading to greater outcomes for your buyers and greater customer retention.
- **AI-powered automations:** Speed up common requests with AI-powered workflows like selecting from recommended replies, highlighting tutorials, and more.

Benefits of Technology to Customers and Business

- ✓ Saves Customer's Time
- ✓ Bridging the Physical Distance
- ✓ Saves Customer's Money
- ✓ Saves on Labour Capital
- ✓ Businesses Can Serve More Customers
- ✓ Businesses Can Reach More Potential Markets
- ✓ Businesses Can Accurately Automatically Track Everything
- ✓ Productive Applications helps a lot
- ✓ Improve the Customer Service
- ✓ Use technology as an enabler for well-designed services to deliver further efficiency and cost effectiveness, not as the purpose or driver.
- ✓ Assess how technology can be used to help deliver, automate and enhance services, regardless of the channels people prefer to use.
- ✓ Stay current with best practices and keep the technology sustainable through the life-cycle of a service.
- ✓ Understand how use of digital technologies can improve accessibility and communication and apply that understanding
- ✓ Understand requirements for privacy and security.

Technology in Banking

ATMs allow the user to perform upto 150 kinds of transactions ranging from simple cash withdrawals and deposits, to fund transfer to trading in stocks to buying mutual funds to something mundane like payment of electricity bills, booking air-tickets and making hotel reservations.

Virtual Bank: The customer activated terminal (CAT) or Kiosk is an interactive multimedia display unit, housed in a small enclosure, typically consisting of a computer workstation, monitor, video disk player and a card reader. It allows the customers to browse through information and use the available banking services at their own speed

Home Banking: Smart phones with screen built-in modems and programmable microprocessors let the customer access a variety of financial services from home

Smart Cards: The Processor type smart cards with in-built integrated circuits (ICs) or micro-chips offer a wide range of transactional opportunities even from remote areas.

Technology in Education

Educomp: Improves teacher effectiveness and productivity in class. It brings abstract and difficult curriculum concepts to life inside classrooms. Makes learning an enjoyable experience for students. Improves academic performance of students. Enables instant formative assessment of learning outcomes in class.

Smart Technologies: A SMART board is an interactive white board that allows the teacher to project an image from a laptop to the front of the room. The amazing part is that the teacher can then digitally draw on that image.

Mimio Boards (Interactive-white boards): They are interactive white boards that allow the teacher to manipulate computer functions on the white board in the front of the room. Sensors are in place in the board that allows the teacher to use a special pen that acts like a mouse

Technology in Insurance

E-CRM Insurance industry is a data-rich industry, and thus, there is a need to use the data for trend analysis and personalization. It is very difficult to interact with each and every person to whom the insurer wants, and in the insurance sector the customer relationship management is base. Thus with the help of e-crm insurer are taking knowledge about their customer and providing information directly to them. It also reduces the cost of marketing which increases the profit of business

E-Insurance Today various insurance companies are providing facilities to their clients. They can check the balance premium, maturity date, dues and outstanding of their policy. They are provided various new information regarding new policy. The customer can pay the premium amount of their policy from the e- insurance option.

Technology in Health Care:Electronic Medical Record (EMR) This digital record can hold the full details of an individual’s medical history, which ultimately helps to direct diagnostic and therapeutic decisions when a patient enters the healthcare system.

Technology Shaping The Future of The Hospitality Industry

Digital transformation and the leverage of technology play an important role in today’s hospitality industry, especially in the post-pandemic era. Facing the challenges of labor shortage, the rising cost of operation, and the changes in consumer needs and behaviors, hospitality businesses need to pivot their services and products with the latest technology in order to keep their competitive edge.

Whether its restaurants, **hotels, tourism, or senior living services**, staying informed of the industry trend and innovating with the help of technology are necessary to thrive.

Hospitality technology is the application of information technology, such as robotics, big data, cloud computing, and virtual reality, with the goal to solve business problems for organizations in the hospitality field.

There are many benefits that technology can bring to the hospitality industry. For example, technologies like artificial intelligence (AI) chatbots can improve guest experience, mobile ordering can increase efficiency, and robots can lower staff workload and minimize costs.

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UNIT-V

Relationships, Complaining & Service Recovery:
Building and Managing Customer Relationships; Service DeficienciesService, Failure, and Recovery Services Strategies; Service Innovation and Design, CostEffective Service Excellence, Customer Profitability and Lifetime Value; Managing Customer Loyalty: Churn Diagnostic and Customer Retention; Service Audit.

Building and Managing Customer Relationships

Marketing is not today what it used to be years ago. It started as barter and has reached a currency world with a variety of geographical segments and demographics. Marketing in simple terms is a distribution of products and services of a company in order to realize a value in form or in kind. While it is true, marketing today encompasses a wide range of activities including relationship building.
Relationship building is **key to the success of any service organization**. A marketing activity does not end with a buy or a sale. Today, it requires establishing and building capabilities to create retention. From the company's point of view, identifying and understanding the requirements of the customer in clear terms is the first step in the process of starting a relationship building exercise.

Private banking sector, for instance, in India has undergone a tremendous change in the last 5-6 years. From being a lending institution, private banking has spread its wings to include services such as insurance, risk-management, asset-management as the core activities. The bottom-line is your capability to build, develop and maintain a relationship that is long-standing and mutually beneficial. Because, the chances of succeeding service marketing or any type of marketing for that matter, depends firstly on the extent of proximity you could establish with the company.

To build a strong relationship with your customers, you need to know who they are and what they need. Take the time to research and understand your customers' wants, needs, and pain points. This knowledge will **allow you to tailor your products, services, andcommunication to their specific needs.**
Customer relations are the efforts a company makes to connect with customers and build positive long-term relationships with them. The goal of customer relations is to **connect with your customers on a deeper, more meaningful level**. Good customer relations can help a business **retain current customers**, as well as gain new ones.

Benefits of Building Customer Relationships

There are countless benefits of building customer relationships. Some of these benefits include:
Cultivate repeat customers: When your customers have consistent positive experiences with your business, they're more likely to choose you over competitors. Building strong customer relationships is an easy way to cultivate repeat customers and build loyalty.
Improve customer satisfaction: Keeping your customers happy is crucial for any business. Customer satisfaction increases the chances that a customer will continue to support you and write positive reviews about your business.

Boost customer loyalty: Oftentimes, customers will choose one brand over another because they feel loyal to them. Customer loyalty is a great way to increase sales and drive profit.
Gain a better understanding of your customers: When you have a better understanding of your customers, you can better cater your products to them. Building good relationships with your customers is a good way to get feedback on how you can improve.

How to build strong customer relationships

Provide great customer service

The best way to build strong customer relationships is to provide quick, genuine customer service. A good customer service experience makes your brand stand out from the competition and endears loyalty in customers.

Understanding your customers is to move beyond personas to customer profiles. Individual profiles are the key to treating each customer as a unique person and building meaningful relationships.

Create value

Customers come to you to make a purchase, but you build a stronger relationship if you can create additional value for them.

Be Consistent

Consistency is key. You don't want your customers having an extremely positive interaction one day and then a very average one the next. You need to keep all of your interactions with your customers at the same positive level. Your customers should know that every time they step into your store or interact with one of your employees, they're going to have a good experience.

Use CRM Software

CRM software is customer relationship management technology that a business can use to manage relationships and interactions with current and new customers. CRM software can be very helpful for building strong customer relationships because it's a way to get to know your audience so you can figure out the right ways to market to them. With CRM software, all of your employees will have access to real-time client data that they can analyse to better understand their target customers.

Foster an Emotional Connection

One of the best ways to build customer relationships is by fostering an emotional connection with your customers. Customers who are fully emotionally connected to a brand are on average 70% more valuable than customers who aren't emotionally connected to the brand.

Provide excellent customer service

Providing good customer service is an essential part of building customer relationships. You want your customers to feel comfortable going to you if they need help with anything. If the product they bought from your business is defective, offer a refund right away. If they aren't sure how to use the product, provide them with the support they need. Take your time to make sure they always get excellent customer service.

Be transparent and communicative

No one wants to support a business that says one thing and then does another. When a business is transparent and communicative with its customers, it helps to build loyalty because your customers can trust you. Transparency also helps to foster customer retention because your customers will feel like they're actually involved in the business processes.

Create personalized experiences

There's no better feeling than receiving something that was made just for you. Personalized gifts make you feel special and cared for, and the same goes for personalized experiences. If your customer comes to you for help, don't just reply with a generic response that you give to everyone. Take the time to understand their unique situation so that you can provide personal and genuine advice that is catered just to them.

Understand customer needs

A business's ultimate goal is to help their customers. But in order to help your customers, you need to understand their needs. It's imperative to actually listen to what your customers have to say so that you can create a product or service that works for them. Understanding your customer needs is a great way to increase customer retention because your customers will know that you have their best interests at heart.

Solicit customer feedback: Feedback—whether it's good or bad—is crucial for a business, and one way you can build strong relationships with your customers is by asking them for their honest feedback. Sometimes hearing the truth hurts, but it's necessary so that you can build your business to the best it can be.

Good brands have always built strong relationships with their customer bases to encourage client retention, expand sales portfolios, inspire repeat business, and turn customers into fans and brand advocates.

Exceed expectations

Depending on your industry, customers will have expectations for the type of experience they're in for. Exceeding those expectations and surprising the customer creates a great experience and builds rapport.

Improve customer loyalty

When audiences know a brand is loyal to them — remembering birthdays, responding quickly to customer service needs, and more — they return that loyalty in a variety of ways. They may consistently choose you over the competition, and they're also more likely to become brand advocates in the long run.

Reduce customer churn.

It's more cost effective to keep an existing customer than it is to source and convert a new one. Strong customer relationships maximize your overall ROI by keeping marketing costs down.

Increase customer lifetime value (CLV). Greater brand loyalty means additional and larger sales. Customers are willing to pay more for great service and will continue to return to your brand if you can build trust.

Types of customer relationships

Customer relationships come in various forms, based on the objectives and strategy of the organisation. Listed below are some of them:

Self-service: In self-service relationships, customers use or buy products and services with the resources provided by the company without their direct guidance, though representatives are often present to address any concerns. Self-purchasing of online tickets for the cinema is an example of a self-service customer relationship.

Automated service: Automated service is an integration of self-service and personalised service to provide a smooth and self-reliant customer experience. This usually entails the organisation assisting new clients in setting up accounts after which customers may handle transactions themselves, like opening bank accounts and using automated teller machine (ATM) services.

Personal assistance: In this type of relationship, customers typically get one-on-one service with products and services and receive follow-up calls and emails from company representatives after the transaction takes place. Customers seeking help like tech support from customer care executives in the company call centres is an example of this type of customer relationship.

Transactional relationships: The Company does not interact with a customer after the initial transaction in transactional customer interactions. This usually indicates that the business focuses on generating sales for the product or service and retaining customers is not their present objective.

Operational CRM systems

Operational CRM are designed to help execute sales, marketing, and customer service functions. They help streamline and manage all the ways your company interacts with customers. The main goal of this type of operational CRM is improving customer acquisition and retention

Analytical CRM systems

Whereas an operational CRM system helps get leads into your sales funnel, an analytical CRM system enables you to understand how your prospects are moving through your sales funnel.

Analytical CRM systems capture, store, and analyse customer data to provide insights into how customers interact with your business, allowing you to assess the effectiveness of marketing, sales, and customer service efforts and adjust your strategy accordingly.

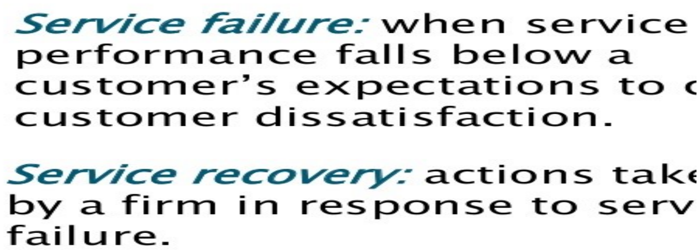
3. Collaborative CRM systems

In a large business, sales, marketing, and customer support teams frequently collaborate on client accounts. The main goal of a collaborative CRM is to improve customer experience and streamline business processes by facilitating communication between departments.

4. Strategic CRM systems

Strategic CRM are sometimes lumped in with collaborative CRM and provide many of the same features. The difference is that while collaborative CRM focuses on immediate improvements, strategic CRM concentrates on long-term customer engagement. Their main goal is to support customer retention and increase customer loyalty.

Service Deficiencies, Service Failure, and Recovery Services Strategies



Service failures may occur when a consumer does not get the delivery of the service as was promised during the service transaction; when the delivery of the service is delayed or it is too slow to be delivered; the service may not be able to deliver the core benefit due to which the service was sought to be purchased.

“Service Recovery Paradox”

This concept as referred to as **“Service Recovery Paradox”.** The concept of Recovery paradox suggests that usually a service failure will result in making the consumer highly dissatisfied. However, if the service failure is recovered and the level of service delivery is more than the expectations of the consumers, the consumer will be highly satisfied. This once dissatisfied consumer is likely to be more loyal and likely to repurchase the service and even highly likely to recommend it to others.

What is "Deficiency of Service"?

According to the definition under Section. 2(11) of Consumer Protection Act 2019 ("the Act"), any sort of imperfection, or defect in the feature, quality, amount, worth, authenticity, its capacity or potential, and standard which is obligatory to be maintained and regulated as per the laws and statutes in function or any agreement/contract claimed by the seller, with respect to the products and goods, is known as deficiency.

Wilful and deliberate concealment of important information, omission or negligence of acts by seller which may lead to injury or loss to the consumer(s), also comes under the ambit of deficiency of service.

Any act(s), which a prudent seller is supposed to do or is supposed to omit, but deliberately does the contrast, such actions amount to 'deficiency of service'.

Consumer Reaction to Service Failures

In case of a service failure, the consumer may react in a number of ways. A dissatisfied consumer may not take any action in the event of a service failure. If he chooses to take some action it may be of various types.

a) **Complain to the Service provider**– In case of an action to be initiated by the consumer, in the case of a service failure, the most frequent will be to reach up to the authorities of the service provider and complain to them on the spot. This is an ideal situation for the service provider to respond immediately and do the damage control. This is the situation in which a higher level of service may satisfy the consumer and avoid losing him and also control any negative word of mouth.

b) **Spread negative word of mouth**– There may be a consumer, who instead of complaining about a service failure, chose to speak bad about the services to his friends and peers, spreading a negative image of the Service provider. Such a situation is potentially very harmful for the service organization as the firm may not even get to know the root cause of the problem yet face a hostile attitude towards its services.

c) **Take no action but stop doing business with the service provider**– There may be few consumers who may not react following a service failure. They may not complain or speak negative about the service provider. But they may decide never to do business with the service provider again in future. Such a consumer remains silent and does not speak about his negative experience either to the organisation or to the peers, and may simply decide to switch to the competitive Brand.

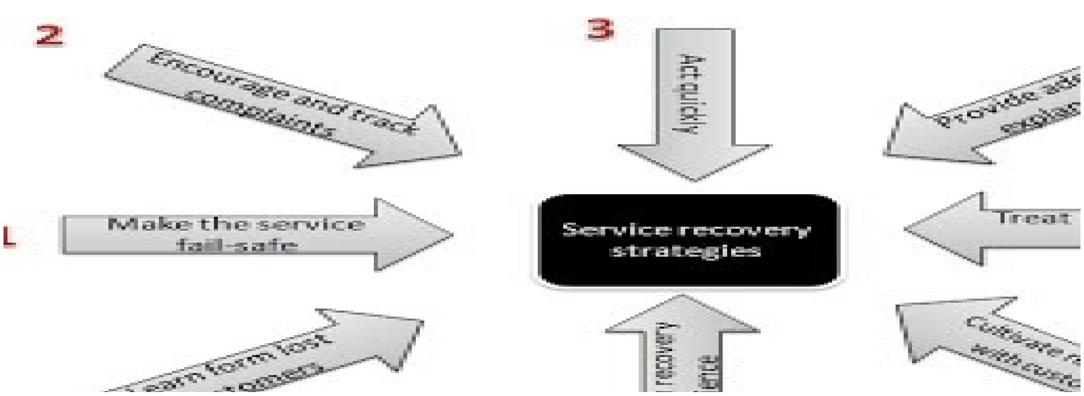
d) **Consumer expectations– (apology)** in case the service provider is not able to satisfy the consumers as per the service delivery standards expected by the consumer, it is a case of service failure. In such a situation, a dissatisfied consumer expects a decent apology from the service personnel along with an attempt of delivering what was promised with due personal attention. These expectations exist even when the consumer is not verbally complaining.

EXAMPLES

- ✓ Inappropriate treatment done by a doctor leading to an increase in patient's suffering is the deficiency in service.
- ✓ A customer buys a ticket for an AC bus. But the AC of the bus does not work, which is a deficiency of service.

Service Recovery Strategies

When a service failure occurs, service recovery strategies will be needed to be implemented by service organizations. This long-term strategy will be embedded as part of organization's overall service strategy. Service recovery is about the combination of a variety of strategies to solve the specific context of the problem. The proposed eight strategies by Zeithaml et al. are:



- ❖ **The first strategy** is to make the service fail-safe by doing it right the first time. It avoids negativities of failures and it is the most important dimension of service quality. In order to achieve that, there must be a top management commitment and a positive firm culture of 'zero defection' and appreciate 'relationship value of customers' to uphold the standards of service without blindly adopting the Total Quality Management from the product perspective

- ❖ **Thesecond strategy** is to encourage and track complaints. According to research, almost 50% of customers encountered problems by do not complain. This segment will have a higher chance of switching to competitor as organization has no control over it. Encouraging complaint is healthy and it will allow organization to learn. Tracking complaints will ensure no complaints are left out. Technology can be used to aid in handling of complaints.
- ❖ **The third strategy** is to act quickly. Complaining customers want quick responses and do not want to be Ping-Pong around different employees, which will seem to be shirking responsibilities. Even when full resolution is likely to take longer, fast acknowledgement is required to appease them. There is positive correlation between fast service recovery with satisfaction and loyalty.
- ❖ **The fourth strategy** is to provide adequate explanations. This allows customers to understand why the failure occurred. According to attribution theory, customer will understand and appreciate what is going on and they will be more forgiving. The content and the style of the delivery must be suitable to the affected customers subjectively.
- ❖ **The fifth strategy** is to treat customers fairly. They want justice in their complaint-handling process, which involves procedure (speed, convenience, follow-up etc), interaction (behaviour of service representatives) and outcome. Therefore it is important that the process be handled properly to return them the justice they seek. Recent research indicates that justice considerations have a large impact on how customers evaluate firm's recovery effort. Therefore, if they do not perceive themselves being just, they will rate the recovery badly even when it is perfectly done.
- ❖ **The sixth strategy** is to cultivate relationship with customers. Long term relationship will allow customers to be more forgiving and open to the recovery process. Cultivation of strong relationship can provide an important buffer to service firms when failures occur. The biggest challenge would be to restore their confidence and trust again.
- ❖ **The seventh strategy** is to learn from recovery experience. Organizations can learn through using tools to help evaluate experiences. They can use blueprinting, control charts, fishbone diagram (cause and effect diagram) to use those acquired knowledge in their recovery effort.
- ❖ **The Eighth strategy** -The last strategy is to learn from lost customers through market research and get into the root cause analysis of why they left.

BENEFITSOFSERVICERECOVERY 'Thereare several benefits of a service recovery strategy.

- ✓ Service recovery increases customer satisfaction.
- ✓ It increases customer loyalty.
- ✓ It promotes positive word of mouth.
- ✓ It provides information that can be used to improve service quality.
- ✓ It helps to take preventive actions.
- ✓ It reduces cost of failure.
- ✓ It improves employee and promotes healthy internal atmosphere.
- ✓ It enhances company's corporate image.
- ✓ It provides anopportunity to differentiateserviceby providing uniqueness in recovery.
- ✓ It promotes good serviceculturein the organization. Management
- ✓ It reduces employee turnover.
- ✓ It enhances employee morale.

Managing Customer Loyalty: Churn Diagnostic and Customer Retention

Customer loyalty is a customer's commitment to your brand. A loyal customer will always choose you over the competition, maybe because of your excellent customer service, unbeatable product selection, or another way you differentiate yourself.

Loyal customers are the most valuable asset for any brand to hold onto. Repeat customers typically spend more and generate larger transactions.

Amazon Prime: One of the most notable customer loyalty programs is Amazon Prime membership. This is a subscription-based service with one yearly fee. With the subscription, customers get free two-day shipping and streaming capabilities through Prime Video.

Starbucks

Arguably one of the most successful mobile apps to ever exist, 23.4 million people aged 14 and older will use the Starbucks app to make a purchase at least once every six months. That's 1.4 million more than Apple Pay and twice the amount that will use Google Pay.

Ways to Build & Maintain Customer Loyalty

- Offer Discounts
- Reward Customers
- Promote Your Rewards Program
- Encourage Referrals
- Create a Point System
- Partner with Another Company
- Set Up a Subscription Service
- Ask for Feedback
- Ask for Reviews
- Respond to Feedback & Reviews
- Pay Attention to Social Sentiment
- Show Gratitude
- Use a CRM for Loyalty Management
- Personalize Sales & Marketing
- Create Loyalty Tiers
- Engage Your Customers
- Be Honest
- Be Flexible
- Remember Their Special Days
- Offer Wish Lists

Why is customer loyalty important?

- ✓ Repeat customers spend more than first-time customers

- ✓ Loyal customers produce higher conversion rates
- ✓ It boosts profits
- ✓ Retaining an existing customer is cheaper than acquiring a new one
- ✓ Customer loyalty helps in effective planning
- ✓ Loyal customer shop regularly
- ✓ Repeat customers spend more during the holidays

THE WHEEL OF LOYALTY

Building customer loyalty is difficult. There are very few service firms any customer can count for being loyal to. Most people cannot think of more than perhaps a handful of firms they truly like (i.e., give a high share-of heart) and to whom they are committed to going back (i.e., give a high share-of-wallet). This shows that although firms put enormous amounts of money and effort into loyalty initiatives, they often are not successful in building true customer loyalty. The Wheel of Loyalty shown in Figure is used as an organizing framework how to build customer loyalty.

1. BUILDING A FOUNDATION FOR LOYALTY

Many elements are involved in creating long-term customer relationships and loyalty. In this section, the importance of focusing on serving several desirable customer segments, and then taking the pains to build and maintain their loyalty through carefully thought-out relationship marketing strategies is emphasized. **Target the Right Customers Loyalty management** starts with segmenting the market to match customer needs and firm capabilities. "Who should we be serving?" is a question that every service business needs to ask periodically.

Not all customers offer a good fit with the organization's capabilities, delivery technologies, and strategic direction.

Groups of customers and their needs (including sensitivities to variables such as price, comfort, and speed), and identifiable personal profiles such as demographics. **Zeithaml, Rust and Lemon illustrate this principle through a four-level pyramid**

• **Platinum.** These customers form a very small percentage of a firm's customer base, but are heavy users, and tend to contribute a large share of the profits. This segment is usually less price-sensitive, but expects higher service levels in return, and it is likely to be willing to invest in and try new services.

• **Gold. The gold tier** includes a larger percentage of customers than the platinum, but individual customers contribute less profit than platinum customers. They tend to be slightly more price sensitive and less committed to the firm.

• **Iron.** These customers provide the bulk of the customer base. Their numbers give the firm economies of scale. Hence, they are important so that a firm can build and maintain a certain capacity level and infrastructure, which is often needed for serving gold and platinum customers well. Which segment sees high value in our offer, spends more with us over time, costs less to maintain, and spreads positive word-of-mouth? Good Relationship Customers Poor Relationship Customers Platinum Gold Iron Lead Which segment costs us in time, effort and money but does not provide the returns we want? Which segment is difficult to do business with?

• **Lead.** Customers in this tier tend to generate low revenues for a firm, but often still require the same level of service as iron customers, which turns them into a loss-making segment from a firm's perspective. The precise characteristics of customer tiers vary, of course, from one type of business to another, and even from one firm to another.

2. STRATEGIES FOR DEVELOPING LOYALTY BONDS WITH CUSTOMERS

Having the right portfolio of customer segments, attracting the right customers, tiering the service, and delivering high levels of satisfaction builds a solid foundation for creating customer loyalty as shown in the Wheel of Loyalty. However, firms can do more to 'bond' more closely with their customers using a variety of strategies, including **(1) deepening the relationship through cross-selling and bundling, (2) creating loyalty rewards, and (3) building higher level bonds such as social, customization, and structural bonds.Deepen the Relationship**to build closer ties with its customers, firms can deepen the relationship through bundling and/or cross-selling services. For example, banks like to sell as many financial products to an account or household as possible. Once a family has a checking, credit card or savings account, safe deposit box, car loan, mortgage, and so on with the same bank, the relationship is so deep that switching becomes a major exercise and is unlikely, unless customers are extremely dissatisfied with the bank. **In addition to raising switching costs**, there is often value for the customer when buying all particular services from a single provider. One stop shopping typically is more convenient than buying individual services from different providers. When having many services with the same firm, the customer may achieve a higher service tier and receive better services, and sometimes service bundles do come with price discounts. **Encourage Loyalty through Financial and Non-financial Rewards** Few customers buy only from a single supplier. This is especially true in situations where service delivery involves separate transactions (such as a car rental) instead of being continuous in nature (as with insurance coverage). In many instances, consumers are loyal to several brands (sometimes described as "polygamous loyalty") but avoid others. In such instances, the marketing goal is to strengthen the customer's preference for one brand over others, and to gain a greater share of the customer's spending in that service category.

Build Higher-Level Bonds One objective of loyalty rewards is to motivate customers to combine their purchases with one provider, or at least make it the preferred provider. However, reward-based loyalty programs are quite easy for other suppliers to copy, and they rarely provide a sustained competitive advantage. In contrast, high-level bonds tend to offer a more sustained competitive advantage. The three main types of high-level bonds, which are: (1) social, (2) customization, and (3) structural bonds.

Social Bonds. It is interesting to notice how a hairdresser addresses her customer by name who came for a haircut, or how she asks why she has not seen her for a long time, and hopes everything went well when the said customer was away on a long business trip. Social bonds and related personalization of services are usually based on personal relationships between providers and customers.

Winning in Service Markets Customization Bonds. These bonds are built when the service provider succeeds in providing customized service to its loyal customers. For example, Starbucks' employees are encouraged to learn their regular customers' preferences and customize their services accordingly.

Structural Bonds. Structural bonds are frequently seen in B2B settings. They are created by getting customers to align their way of doing things with the supplier's own processes, thus linking the customer to the firm. This situation makes it more difficult for competitors to draw them away. Examples include joint investments in projects and sharing of information, processes, and equipment. Structural bonds can be created in aB2C environment too. For instance, some car rental companies offer travellers the opportunity to create a customized account on the firm's website and mobile app, where they can retrieve details of past trips, including pick-up and return locations, types of cars, insurance coverage, billing address, credit card details, and so forth.

3. Address Key Churn Drivers Keaveney's findings underscore the importance of addressing some general churn drivers by delivering quality service, minimizing inconvenience and other nonmonetary costs, and having fair and transparent pricing. In addition to these generic drivers, there are often industry-specific churn drivers as well. For example, handset replacement is a common reason for cellular phone service subscribers to discontinue an existing relationship, as new subscription plans usually come with heavily subsidized brand-new handsets. To prevent handset-related churn, many providers now offer proactive handset replacement programs, where their current subscribers are offered to buy heavily discounted handsets at regular intervals. Some providers even offer handsets for free to high-value customers or against the redemption of loyalty points. In addition to such proactive retention measures, many firms also use reactive measures. These include specially trained call-centre staff called save teams, who deal with customers who intend to cancel their accounts. The main job of save team employees is to listen to customer needs and issues, and try to address them with the key focus of retaining the customer.

Implement Effective Complaint Handling and Service Recovery Procedures Effective complaint handling and excellent service recovery are crucial for keeping unhappy customers from switching providers. Well-managed firms make it easy for customers to voice their problems and respond with suitable service-recovery strategies. In that way, customers will remain satisfied, and this will reduce the intention to switch. Increase Switching Costs Another way to reduce churn is to increase switching costs.Many services have natural switching barriers. For example, it is a lot of work for customers to change their primary banking account, especially when many direct debits, credits, and other related banking services are tied to that account, plus many customers are reluctant to learn about the products and processes of a new provider. Firms can increase these switching costs further by focusing on providing added value to customers through increased convenience, customization, and priority (collectively called "positive switching costs" or "soft lock-in strategies") to tie a customer closer to the firm and make switching more costly.

Customer Relationship Management (CRM) finally, customer relationship management (CRM) systems should be seen as enabling the successful implementation of the Wheel of Loyalty. CRM systems are particularly useful when firms have to serve large numbers of customers across many service delivery channels. An effective CRM strategy includes five key processes: • Strategy development such as the choice of target segments, tiering of service, and design of loyalty rewards. • Value creation such as delivering benefits to customers through tiered services and loyalty programs (e.g., priority wait listing and upgrades). • Multi-channel integration to provide a unified customer interface across many different service delivery channels (e.g., from the website to the branch office). • Information management, which includes the data repository, analytical tools (e.g., campaign management analysis and churn alert systems), and front- and back-office applications. • Performance assessment, which has to address these three questions: (1) Is the CRM creating value for customers and the firm? (2) Are its marketing objectives being achieved? (3) Is the CRM system itself performing according to expectations? • Performance assessment should lead to continuous improvement of the CRM strategy and system.

Service innovation and Service Excellence Cost-Effectively

There's something about Singapore Airlines. Over the past four decades, it has earned a stellar reputation in the fiercely competitive commercial aviation business by providing customers with high-quality service and dominating the business-travel segments. SIA has won the World's Best Airline award from *Condé Nast Traveler* 21 out of the 22 times it has been awarded and Skytrax's Airline of the Year award three times over the past decade.

What's not so well known is that despite the quality of its services, SIA is also one of the industry's most cost-effective operators. From 2001 to 2009, its costs per available seat kilometre (ASK) were just 4.58 cents. According to a 2007 International Air Transport Association study, costs for full-service European airlines were 8 to 16 cents, for U.S. airlines 7 to 8 cents, and for Asian airlines 5 to 7 cents. In fact, SIA had lower costs than most European and American budget carriers, which ranged from 4 to 8 cents and 5 to 6 cents respectively.

SIA: A Premium Service Provider and Cost Leader

SIA manages its two main assets—planes and people—so that its service is better than rivals' and its costs are lower. The airline invests heavily in areas of the business that touch the customer in order to enhance SIA's premium positioning. Everything behind the scenes is subject to rigorous cost control.

SIA spends more than its rivals in key areas:

Buying new aircraft. SIA replaces its fleet more frequently than do competitors.

Depreciating aircraft. It depreciates aircraft over 15 years compared with the industry standard of 25 years.

Training. The airline invests heavily in inducting and retraining employees.

Labour costs on flights. SIA staffs each flight with more cabin crew members than do other airlines.

Innovation. It invests in both radical and incremental innovations.

And it spends less, partly as a consequence, on:

Price per aircraft. SIA is usually a showcase customer for aircraft makers, places large orders, and often pays in cash.

Fuel, maintenance, and repair. SIA's operating costs are lower because its fleet is young and energy efficient.

Salaries. SIA keeps salaries low by offering employees bonuses of up to 50% depending on SIA's profitability; also, the airline's reputation attracts younger workers.

Sales and administration. Customer loyalty, a lean headquarters, and constant cost cutting keep the airline's SGA expenses low.

Back-office technologies. SIA chooses to lag behind rivals in areas that don't affect the customer experience.

Achieving Service Excellence Cost-Effectively

SIA has two main assets—planes and people—and it manages them so that its service is better than rivals' and its costs are lower. Unlike other airlines, SIA ensures that its fleet is always young. For instance, in 2009, its aircraft were 74 months old, on average—less than half the industry average of 160 months. This triggers a virtuous cycle: Because mechanical failures are rare, fewer take-offs are delayed, more arrivals are on time, and fewer flights are cancelled. New planes are more fuel efficient and need less repair and maintenance: In 2008, repairs accounted for 4% of SIA's total costs compared with 5.9% for United Air Lines and 4.8% for American Airlines. SIA's aircraft spend less time in hangars—which means more time in the air: 13 hours, on average, per day versus the industry average of 11.3 hours. And, of course, customers like newer planes better.

Service is mostly about people, so SIA invests heavily in training employees. It schools its fresh recruits for four months—twice as long as the industry average of eight weeks—and spends around $70 million a year to put each of its 14,500 employees through 110 hours of retraining annually. The training includes courses on deportment, etiquette, wine appreciation, and cultural sensitivity. SIA's cabin crews are trained to interact with Japanese, Chinese, and American passengers in different ways. Trainees learn to appreciate subtle issues, such as communicating at eye level rather than "talking down" to passengers. The superior service that results not only delights customers but also reduces costs by minimizing customer turnover.

SIA's training program focuses as much on the necessity of keeping costs down as on the delivery of great service. Trainers, usually former senior crew members or external experts, discuss the airline industry's fiercely competitive nature with employees every year. At town hall–style meetings and in internal communications, senior executives stress the fact that SIA must become more efficient in order to remain competitive. They emphasize both parts of the company's vision: providing air transportation services of the highest quality and maximizing returns for the benefit of shareholders and employees.

Cost considerations affect every decision made at SIA. In day-to-day operations, the aim is to reduce waste without compromising customer service. For instance, when cabin crews noticed that about a third of passengers don't eat dinner on late-night flights out of Singapore, they recommended carrying less food. Unlike other airlines, SIA offers two brands of champagne in first class, Krug Grande Cuvée and Dom Pérignon, and spends $8 million on champagne every year. But its cabin crew minimize costs by pouring from whichever bottle is open unless a passenger specifically requests the other brand. No cost is too small to reduce. SIA recently decided not to place jam jars on every breakfast tray, because many people don't eat jam. Even SIA's bonus scheme, which extends to all employees, serves as an incentive for employees to worry about expenses. SIA's plan gives them the opportunity to earn bonuses of up to 50% of their salary depending on how profitable the company is.

SIA attracts first-class university graduates, who are hardworking and ambitious. They like the idea of working for a leading local company, and they're also able to take on a lot of responsibility at a young age. Companies in other service industries are happy to hire SIA employees when they leave. SIA offers only average pay by Singaporean standards, which is low by global standards. Because of this, its 2008 labour costs were just 16.6% of total costs, whereas American Airlines' were 30.8%, British Airways' 27.5%, Lufthansa's 24.4%, and United Air Lines' 22.5%. According to a 2002 study, SIA's employees were the second most productive among airlines (measured by the available ton per kilometre for $1,000 of labour costs)—after Korean Airlines.

Customer lifetime value (CLV) and Profitability

Customer lifetime value (CLV) is a business metric that measures how much a business can plan to earn from the average customer over the course of the relationship. Differences in products, costs, purchase frequencies and purchase volumes can make customer lifetime value calculations complex. However, with the right tools, you can find customer lifetime value in just a few clicks.

With an understanding of CLV, you can make better-informed marketing and sales decisions, among other benefits. This guide provides insights about customer lifetime value, how to calculate this metric and more useful information about CLV that business owners and managers should know.

Customer lifetime value (CLV) is a measure of the total income a business can expect to bring in from a typical customer for as long as that person or account remains a client.

When measuring CLV, it's best to look at the total average revenue generated by a customer and the total average profit. Each provides important insights into how customers interact with your business and if your overall marketing plan is working as expected.

For a more in-depth look, you may want to break down your company's CLV by quartile or some other segmentation of customers. This can give greater insight into what's working well with high-value customers, so you can work to replicate that success across your entire customer base.

Customer lifetime value (CLV) is a measure of the average customer's revenue generated over their entire relationship with a company.

Comparing CLV to customer acquisition cost is a quick method of estimating a customer's profitability and the business's potential for long-term growth.

Businesses have several marketing tools to help them improve CLV over time.

Looking at CLV by customer segment may offer expanded insights into what's working well and what isn't working as well for your organization.

Advantages of Customer Lifetime Value

Improve Customer Retention:

One of the biggest factors in addressing CLV is improving customer retention and avoiding customer attrition. Tracking these details with accurate segmentation can help you identify your best customers and determine what's working well.

Drive Repeat Sales:

Some retailers, tech companies, restaurant chains and other businesses have loyal customer bases that come back again and again. You can use CLV to track the average number of visits per year or over the customer lifetime and use that data to strategize ways to increase repeat business.

Encourage Higher-Value Sales:

Netflix is an example of a business that improved CLV through higher pricing but learned years ago that increasing costs too quickly (opens in new tab) may scare off long-time customers. The right balance is key to success here.

Increase Profitability:

Overall, a higher CLV should lead to bigger profits. By keeping customers longer and building a business that encourages them to spend more, you should see the benefit show up on your bottom line.

Challenges of Customer Lifetime Value

It Can Be Hard to Measure:

If you don't have quality tracking systems in place, calculating CLV can be difficult. An enterprise resource planning (ERP) or customer relationship management (CRM) system can make this information easily available on an automated dashboard that tracks KPIs.

High-Level Results May Be Misleading:

Looking at a business's total CLV can be a helpful data point, but it can also cover up problems in certain customer segments. Breaking down the data by customer size, location and other segments may provide more useful data.

How to Measure Customer Lifetime Value

Businesses with ERP systems don't have to worry about the math behind CLV. The system does all of the calculations for you. If you're looking to measure customer lifetime value manually, however, you can follow the steps and formula below.

4 Steps to Measure Customer Lifetime Value

- ✓ **Determine Your Average Order Value:**

Start by finding the value of the average sale. If you have not been tracking this data for long, consider looking at a one- or three-month period as a proxy for the full year.

- ✓ Calculate the Average Number of Transactions Per Period:

Do customers come in several times a week, which might be common with a coffee shop, or only once every few years, which could be the case at a car dealership? The frequency of visits is a major driver of CLV.

- ✓ **Measure Your Customer Retention:**

Finally, you'll need to figure out how long the average customer sticks with your brand. Some brands, like technology and car brands, inspire lifelong loyalty. Others, like gas stations or retail chains, may have much less loyal customers.

- ✓ **Calculate Customer Lifetime Value:**

Now you have the inputs. It's time to multiply the three numbers together to calculate CLV per the formula below.
Customer Lifetime Value Formula
Here is the formula for customer lifetime value:

CLV = Average Transaction Size x Number of Transactions x Retention Period

Customer Lifetime Value Example

The best way to understand CLV is through examples. Here are example from three very different industries to better demonstrate how customer lifetime value may impact your company:

Coffee shop

A coffee shop is a perfect starting example for CLV, as it is easy to understand even if you don't have an extensive business background. Let's say a local coffee chain with three locations has an average sale of $4. The typical customer is a local worker who visits two times per week, 50 weeks per year, over an average of five years.

CLV = $4 (average sale) x 100 (annual visits) x 5 (years) = $2,000

Ways to Improve CLV

- ❖ There are many different strategies companies can adopt to boost their CLV. Here are 14 ideas to consider if you're trying to earn more revenue from the typical customer:
- ❖ **Customer Loyalty or Rewards Programs**

Customer loyalty programs keep customers engaged and reward frequent purchases. Airline frequent flyer programs and restaurant punch cards are popular examples. Incentivizing customers to return can increase purchase frequency and the amount of time a customer buys from a brand.

- ❖ **Customer Experience**

Your website, storefront, call centre and other touch points are all part of the customer experience. If customers enjoy a smooth, low-stress shopping experience every time, they are more likely to return for repeat business.

- ❖ **Improve Customer On boarding**

Some customers buy a product or service from a business and don't know what to do next. Successful businesses chart a path for their customer relationships over time. Turning a one-time customer into a source of recurring revenue is essential for growth in many industries.

- ❖ **Customer Engagement**

Businesses that actively monitor all interactions between the company and their customers can identify ways to improve the customer experience and customer loyalty. This should span channels like advertising, customer support and sales.

- ❖ **Improved Customer Service**

Bad customer service is a quick way to see your CLV quickly fall, as customers leave for competitors. Focusing on making every customer service interaction a positive one will further enhance customer loyalty. CRM systems and dedicated customer service platforms bring these interactions to one central location for streamlined management.

- ❖ **Customer Relationship Management**

Businesses need to understand their relationships and communication history with customers across sales, customer service and marketing. ERP and CRM systems help track and enhance these relationships over time by creating a seamless flow of information across the entire customer lifecycle — from lead all the way through opportunity, sales order, fulfillment, renewal, upsell and support.

- ❖ **Customer Feedback Loop**

If a customer does have a bad experience, it shouldn't go unresolved. In addition to relying on customer service to fix the issue, businesses should continuously solicit customer feedback to enhance the customer experience. Regular product or service iterations and fixes can resolve problem areas, helping to improve customer satisfaction.

- ❖ **Invest in Technology & Software**

Technology can automate processes and track and centralize much of your business data. Some companies rely on basic tools like email, spreadsheets and contact databases to manage all this information, but it’s much easier to use proven, packaged software suites to handle these functions. Your customers will notice the difference.

- ❖ **Upsell and Cross-Sell**

It's often easier to reengage or upsell an existing customer than bring in a new one. Upselling and cross-selling are strategies designed to encourage customers to buy more expensive or multiple products or services at once instead of a lower-cost option.

- ❖ **Increase Pricing**

When done correctly, a price increase can directly increase CLV. Just take care to avoid scaring off customers with dramatic price increases. Also, consider competitor pricing when determining your own. By focusing on value and giving customers something they can’t get elsewhere, you may be able to increase pricing without losing customers.

- ❖ **Social Media**

One of the best places to get your customers' attention is to reach them in places where they already spend time. Social media platforms like Facebook, Instagram, Twitter and TikTok are meaningful channels to both advertise and interact with customers.

- **Simple Purchasing Experiences**

Cart abandonment rate is a metric used by online businesses to track how many customers start shopping but leave before completing the checkout process. This can also extend to in-person buying experiences where excessive options and packaging can turn customers off. Building a simple purchase experience will help you capture every possible sale. Forward-looking businesses use strategies like A/B testing to find out what works best.

- **Make Returns Easy**

When a customer isn't happy with their product or service, making returns and exchanges difficult may cost you a customer for good. A painless returns process makes it more likely a customer will come back and give your product or service another try.

- **Targeted Content**

Content marketing is a strategy used to educate or entertain your target customers, usually designed to build up brand trust and loyalty. Blog posts, e-books videos, podcasts and other media are popular forms of targeted content that can speak to particular segments of your audience.

Customer profitability (**CP**) is the profit the firm makes from serving a customer or customer group over a specified period of time, specifically the difference between the revenues earned from and the costs associated with the customer relationship in a specified period. According to Philip Kotler, "a profitable customer is a person, household or a company that overtime, yields a revenue stream that exceeds by an acceptable amount the company's cost stream of attracting, selling and servicing the customer."
Calculating customer profit is an important step in understanding which customer relationships are better than others. Often, the firm will find that some customer relationships are unprofitable. The firm may be better off (more profitable) without these customers. At the other end, the firm will identify its most profitable customers and be in a position to take steps to ensure the continuation of these most profitable relationships. However, abandoning customers is a sensitive practice, and a business should always consider the public relations consequences of such actions.

Service Audit

The term audit is derived from the Latin term 'audire,' which means to hear. In early days an auditor used to listen to the accounts read over by an accountant in order to check them Auditing is as old as accounting. It was in use in all ancient countries such as Mesopotamia, Greece, Egypt. Rome, U.K. and India. The Vedas contain reference to accounts and auditing. Arthasashthra by Kautilya detailed rules for accounting and auditing of public finances. The original objective of auditing was to detect and prevent errors and fraud
A. Service Audit is a systematic and scientific examination of the Processes, designs. Standard specifications of a service delivery.
B. ServiceAudit is undertaken by an independent person or body of persons who are duly qualified for the job.
C.ServiceAudit is a verification of the results, service gaps if any, customer satisfaction,CRM Systems, Loyalty bonds, service deficiency if any service recovery , customer retention strategies etc. as pre the pre-determined norms rules and policies.

D. Service Audit is a critical review of the system, and other features like A robust, flexible customer service infrastructure is in place,All customer service team members are fully trained

Customer service training is ongoing

Who can check list?

Customer service teams – having a checklist to follow can help them stay organized and on track

Business managers – to check if their customer service standards are being met and take appropriate steps if not

Supervisors – use the checklist as a training tool to help new employees and business partners, making sure that their team performance lives up to expectations

How to review the quality of customer service?

The easiest way is to ask customers – survey them on their experiences and encourage them to provide feedback.

Monitor both complaints and compliments, as well as customer service metrics. Some factors that you should consider when reviewing the quality of customer service include:

- speed of service
- accuracy of service
- staff professionalism

Why is it important to identify Deviations through SeviceAudit ?

- Identifying gaps allows you to focus on areas that need the most attention. This, in turn, will help you improve customer satisfaction and increase profits.
- Evaluate customer service quality and compare it with goals.
- Identify areas of improvement and gaps that need to be filled.
- Identify actionable ways to improve customer service at all stages.
- Use a dynamic platform to gather and analyse the data.
- Get internal (CSR) and external (customer) feedback about your customer service.
- Conduct a complaint audit.
- Establish a CSR on boarding process and verify CS standards across the organization.
- Make sure that your customer service actually works (after-hours support, transfers, wait times, etc.).
- Monitor key KPIs for customer service
- Share reports with CSRs, executives, stakeholders, and other invested entities.

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