MBA 3RD SEMESTER
STUDY MATERIAL

SERVICES MARKETING

SANJEEV INSTITUTE OF PLANNING AND MANAGEMENT, KAKINADA

MM 305: SERVICES MARKETING

Objective: to enlighten the students with the Concepts and Practical applications of Services Marketing.

Unit – I: Introduction to Services Marketing: Importance and characteristics of Services: Growth of Services Sector; Services in the Indian Economy; Services Strategy.

Unit – II: Consumer Behaviour in Services; Market Segmentation and Services Positioning; Service Demand Management Designing and Managing Service Product.

Unit – III: Service quality Management: Service Quality Audit – GAP Model of Service Quality– Total quality Services Marketing – Service Excellence, Pricing of Services – Pricing Strategies Linked to Value Perceptions.

Unit – IV: Service Distribution – Managing Physical Evidence – Internal Marketing.

Unit – V: External Marketing: Word of Mouth Communication. Interactive Marketing: Management of Moments of Truth - Service Deficiencies - consumer Grievance Recovery Strategies.

(Case Studies are Compulsory)

Suggested Books:

1. K.Rama Mohana Rao: Services Marketing, Pearson Education, New Delhi.
2. Valeri Zeithmal and Mary Jo Bunter: Services Marketing, Tata McGraw Hill, New Delhi.
3. Apte – Services Marketing, Oxford University Press.
4. Bhattacharya: Servies Marketing, Excel Publishers.
5. Christopher Lovelock: Services Marketing, Pearson Education, Delhi.
6. Ravi Shanker: Services Marketing: Indian Perspectives, Excel Publishers.
7. Christian Gronrose: Services Management and Marketing, Maxwell Macmillan.
8. Kenneth E.Clow & David L.Kurtz, Servies Marketing, Wiley India, New Delhi.
9. S.L.Gupta, Marketing of Services, Wisdom Publication.

Unit – I: Introduction to Services Marketing: Importance and characteristics of Services: Growth of Services Sector; Services in the Indian Economy; Services Strategy.

Definition:
A service is an intangible product involving a deed, performance, or an effort that cannot be physically possessed. Dominant component is intangible.
Like primary and secondary sectors, service (tertiary) sector also plays an important role for the economic development of a country. According to economists like Colin Clark, Simon Kuznets etc., the development of a country depends on the performance of the service sector.
In a modern economy the share of primary sector towards national income is gradually reducing, whereas; the shares of secondary and tertiary sectors are improving day by day. In 1950-51, the contribution of service sector in national income was 34%, which rose up to 48.5% in 2000-01. Service sector mainly includes transports and communications, banking and insurance, education, health etc.

Importance's (Significances) of Service Sector:

Service sector plays a vital role in the development of a modern economy. In fact this sector is so vital that total performance of an economy depends on the performance of the tertiary sector.

(i) Share in Net National Product:

At present, the service sector contributes the maximum share in country's net national product at factor cost (national income). According to 2000-01, 48.5 % share of national income comes from service sector and moreover, 22.9% of total working population are employed in this sector.

(ii) Helps Industrialisation:

The development of industries is dependent on the performance and improvement of transport, communication, electricity, banking etc. in a country. Transport system helps to carry raw materials, finished goods and labourers in their required destination. Communication helps to widen the market industrial goods. Electricity and banking services help to flourish the industries in remote areas.

(iii) Expands Agriculture:

Service sector helps to develop the agricultural production by providing better network facilities. It helps to carry raw materials and finished goods from one place to another.

(iv) Removes Regional Imbalances:

This sector provides a well-organised transport and communication service. It also provides sufficient banking services along with expansion of education and medical facilities in the backward regions of the country. Thus it helps to wipe out the problem of regional imbalances and disparities within the country.

(v) Growth of Market:

This sector provides different types of services to both agriculture and industrial sectors. Thu: in other way, it helps to grow the proper markets for both agricultural and industrial goods finished goods as well as raw materials or semi-finished goods.

(vi) High Quality of Life:

Better services in the areas of transport and communication, banking and insurance, education and health etc must help a country to pave the path for economic development by increasing the quality of life or standard of living within the country. It also helps to improve the value of HDI (Human Development Index) of a country.

(vii) Increase Productivity:

This sector helps the working force by giving sufficient technical education and proper medical facilities. Moreover, a well-organised network of transport and communication system increases the mobility and informations among the workers. All these make the labourer more skillful and efficient and thus the productivity (producing capacity of a labourer) will increase simultaneously.

(viii) Rise in International Trade:

A well-developed service sector, specially transport, communication banking etc., helps to expand the international trade. Hence, it will also help to increase the foreign exchange reserve within the country.

Definition of Service Marketing:

Service marketing is marketing based on relationship and value. It may be used to market a service or a product. With the increasing prominence of services in the global economy, service marketing has become a subject that needs to be studied separately. Marketing services is different from marketing goods because of the unique characteristics of services namely, intangibility, heterogeneity, perishability and inseparability.

In most countries, services add more economic value than agriculture, raw materials and manufacturing combined. In developed economies, employment is dominated by service jobs and most new job growth comes from services.

Jobs range from high-paid professionals and technicians to minimum-wage positions. Service organizations can be of any size from huge global corporations to local small businesses. Most activities by the government agencies and non-profit organizations involves services.

The American Marketing Association, defines services as activities, benefits, or satisfactions that are offered for sale or provided with sale of goods to the customer, that is, pre-sale and after-sales services. Berry states, ‘while a product is an object, devise or physical thing, a service is a deed, performance, or an effort’.

Features of Services:

1. Intangibility:

A physical product is visible and concrete. Services are intangible. The service cannot be touched or viewed, so it is difficult for clients to tell in advance what they will be getting. For example, banks promote the sale of credit cards by emphasizing the conveniences and advantages derived from possessing a credit card.

2. Inseparability:

Personal services cannot be separated from the individual. Services are created and consumed simultaneously. The service is being produced at the same time that the client is receiving it; for example, during an online search or a legal consultation. Dentist, musicians, dancers, etc. create and offer services at the same time.

3. Heterogeneity (or variability):

Services involve people, and people are all different. There is a strong possibility that the same enquiry would be answered slightly differently by different people (or even by the same person at different times). It is important to minimize the differences in performance (through training, standard setting and quality assurance). The quality of services offered by firms can never be standardized.

4. Perishability:

Services have a high degree of perishability. Unused capacity cannot be stored for future use. If services are not used today, it is lost forever. For example, spare seats in an aeroplane cannot be transferred to the next flight. Similarly, empty rooms in five-star hotels and credits not utilized are examples of services leading to economic losses. As services are activities performed for simultaneous consumption, they perish unless consumed.

5. Changing demand:

The demand for services has wide fluctuations and may be seasonal. Demand for tourism is seasonal, other services such as demand for public transport, cricket field and golf courses have fluctuations in demand.

6. Pricing of services:

Quality of services cannot be standardized. The pricing of services are usually determined on the basis of demand and competition. For example, room rents in tourist spots fluctuate as per demand and season and many of the service providers give off-season discounts.

7. Direct channel:

Usually, services are directly provided to the customer. The customer goes directly to the service provider to get services such as bank, hotel, doctor, and so on. A wider market is reached through franchising such as McDonald’s and Monginis.

Problems in Marketing Services:

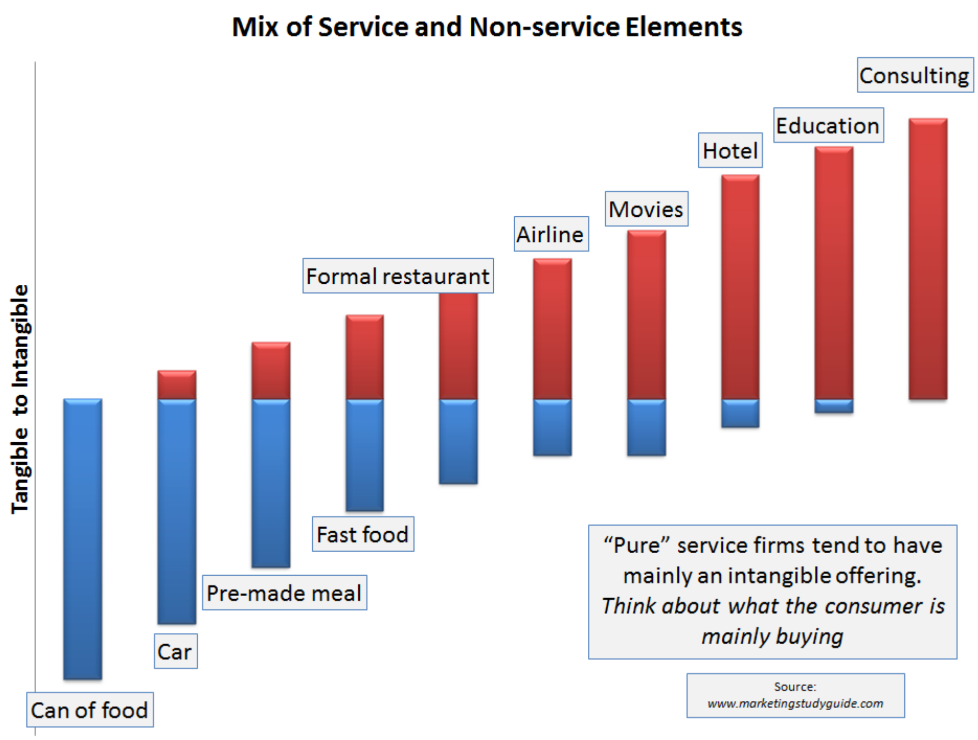
1. A service cannot be demonstrated.
2. Sale, production and consumption of services takes place simultaneously.
3. A service cannot be stored. It cannot be produced in anticipation of demand.
4. Services cannot be protected through patents.
5. Services cannot be separated from the service provider.
6. Services are not standardized and are inconsistent.
7. Service providers appointing franchisees may face problems of quality of services.

8. The customer perception of service quality is more directly linked to the morale, motivation and skill of the frontline staff of any service organization.

USING AND UNDERSTANDING THE INTANGIBILITY CONTINUUM

Essentially all product offerings in the marketplace are a mix of services and goods – that is, intangible and tangible elements. This was first documented by Lynn Shostack in 1977 in a journal article published in the Journal of Marketing (Breaking Free from Product Marketing). (Note: It is at a cost via this journal site, but you may be able to access for free through a university library.)

Virtually all industries have a product offering that is a mix of both tangible and intangible elements



In the following diagram, the blue color refers to the extent of tangible/physical product offering and the red is the extent of intangible/service product offering across a number of selected industries.

What the tangibility-intangibility continuum tells us

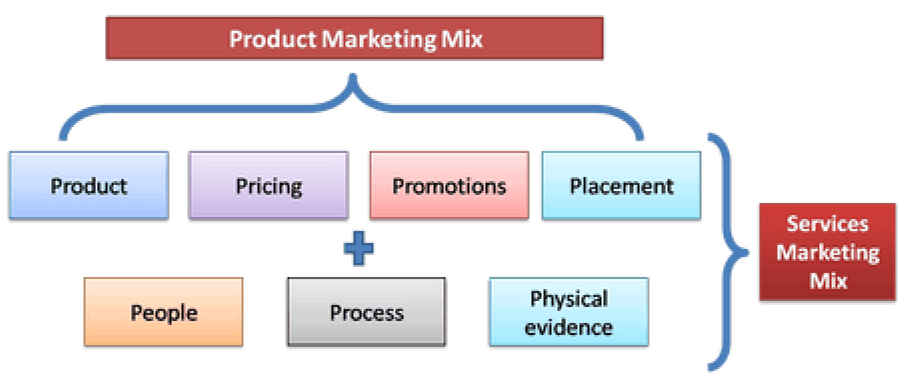
- Virtually all industries have a product offering that is a mix of both tangible and intangible elements,
- Some firms/industries tend to have a greater extent of intangible (that is, service) components in their overall offerings,
- When we study Services Marketing, we are primarily concerned with the type of firms/industries on the right hand side of the graph (in this case: education, consulting, hospitality – and of course, banking and insurance, medical services would be there too),
- Note: The firms on the far right hand side are sometimes referred to as "pure" service providers, and
- There is a difference between being a service provider and selling a physical/tangible product that is packaged with customer service.

Industry/Product	**Tangible or Intangible?**	**Rationale**
Can of food	Tangible	The consumer is simply a physical product without any expectation of additional service
Car	Tangible	The consumer is primarily receiving tangible product, however the manufacturer may package the offering with some intangible elements, such as: finance, free servicing and a warranty period
Pre-made meal	Tangible	This is similar to the above example of the can of food, but also contains an intangible element – in this case the product has moved beyond simply a basic ingredient to be a mixed offering of food items that can be quickly and easily prepared as a meal. Therefore, the preparation provided can be considered an element of service
Fast food	Mixed	Most textbooks will describe a fast food (or quick serve) outlet as having a balanced mix of tangible and intangible elements. The various menu items are clearly tangible and the intangible elements are the use of the facilities (that is, seating, rest rooms, and playground) as well as the actual customer service provided
Formal restaurant	Mixed	The next level up the intangibility continuum would be a formal (fine dining) restaurant. Like a fast food chain, they also provide tangible food and drink; however they package their offering with high levels of customer service, special orders, and high quality facilities and so on

Airline	Intangible	Airlines primarily deliver intangible benefits – essentially the physical movement of people, luggage and goods. They have some tangible offerings as well, usually food and beverages served on the flight
Movies	Intangible	Movies/cinemas are similar to airlines above, where the prime offering is intangible (entertainment, great viewing experience, comfortable facilities), as well as some tangible elements of snacks, drinks and even souvenirs, toys and 3D glasses
Hotel	Intangible	Hotels and associated hospitality providers are highly intangible in their offerings. Consumers have use of a room, the hotel's facilities and possible entertainment. Like the food businesses above, they will also tangible meal solutions
Education/Consulting	Intangible	At the top end of the continuum are industries such as education, professional service firms, banking and insurance. They can be considered "pure" service firms as they do not tend to offer anything tangible elements (other than a book or a report, for example, from a consulting firm

Service Marketing Mix – 7 P's of marketing

The service marketing mix is also known as an extended marketing mix and is an integral part of a service blueprint design. The service marketing mix consists of 7 P's as compared to the 4 P's of a product marketing mix. Simply said, the service marketing mix assumes the service as a product itself. However it adds 3 more P's which are required for optimum service delivery.



The product marketing mix consists of the 4 P's which are Product, Pricing, Promotions and Placement. These are discussed in my article on product marketing mix – the 4 P's.

The extended service marketing mix places 3 further P's which include People, Process and Physical evidence. All of these factors are necessary for optimum service delivery. Let us discuss the same in further detail.

1) Product

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 education 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 (in this case the restaurant) is going to be.

2) Place

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. Read more about the role of business locations or Place element.

3) Promotion

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, IT companies, and dotcoms place themselves above the rest by advertising or promotions.

4) Pricing

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 labor, material cost and overhead costs. By adding a profit mark up you get your final service pricing. You can also read about pricing strategies.

5) 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 behavior 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.

6) 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.

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.

7) 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.

Types of Services

Professional Services

Any type of services that may be rendered by a member of a profession within the purview of his profession including the services that by their nature can be performed only by persons or firms with specialized skills and knowledge. Although a product may or may not result from the transaction, the primary reason for the purchase is the service provided.

Personal Services

Personal Services includes, but not limited to, accounting, architecture, medical or dental services, legal services, and engineering and surveying services

Health Services

Services that are performed by health care professionals, or by others under their direction, for the purpose of promoting, maintaining, or restoring health. Health services include Public health services, mental healthcare services, Essential public health services, Behavioral health services, Home health services, School health services, Magellan health services, Preventive health services.

Ecosystem Services

The conditions and processes through which natural ecosystems, and the species that make them up, sustain and fulfill human life. Examples include provision of clean water, maintenance of livable climates (carbon sequestration), pollination of crops and native vegetation, and fulfillment of people's cultural, spiritual, intellectual needs

Ancillary Services

Interconnected operations services for operating reserve, voltage control, regulation and frequency response, scheduling and system control and dispatch and other power supply necessary to effect a reliable transfer of electrical energy at specified contract terms between a buyer and a seller.

Directory Service

A directory service organizes computerized content and runs on a directory server computer. It is not to be confused with the directory itself, which is the database that holds the information about objects that are to be managed by the directory service. The directory service is the interface to the directory and provides access to the data that is contained in that directory

Senior or Elder Service

Senior or elder service is targeted to those who are beyond their employment and family raising years. A senior may be defined from as early as age 50, depending on the policy and program definition, which in turn is significantly influenced by a society's culture and life expectancy. Participants may receive some type of support to enable them to serve.

Youth Service

Youth service is targeted to young people. Most often this is teens or young adults, ages 16 to 24, but can also include younger children. Youth service programs are often structured as intensive and extended experiences, say full-time for six months or a year, and participants often receive some type of support to enable them to serve.

Corporate Service

Corporate service refers to service supported by an employer, typically in the private for-profit sector. The form of support can range from sponsorship and financial resources for the service to just allowing an employee the time off to serve.

Judicial Community Service

Judicial community service refers to service performed as a form of restitution for a crime. Judicial community service is used as a form of alternative sentencing, to avoid incarceration.

Community Service

Community service is a very general term that refers to service that is local and typically organized by a non-profit organization.

Faith-based service is organized by religious organizations, to provide opportunities for service as an expression of faith. For GSI, this does not include missionary and other evangelical activities, but rather service that contributes to social and economic development, environmental protection, and other non-religious goals.

Transnational Service

Transnational service has a slightly different meaning; it refers to a service project that is organized and carried out by two or more nations working in cooperation. Transnational service may be led by either governmental or non-governmental organizations.

International Service

International service refers to a service project or experience that takes place in a country that is not the home country of the server. International service may be led by either governmental or non-governmental organizations.

National Service

National service is a policy or program initiated by government for citizens and residents to serve the nation. The government may run the program, but more often non-governmental organizations receive public funding to implement and administer the service program. Higher education is a form of service that is sponsored by post-secondary colleges or universities, in partnership with local organizations, to provide a supportive and active environment for civic engagement and community development. Faculty, staff, and students are encouraged to participate. Programs vary in purpose and design. Some are purely voluntary; in other cases, faculty and staff job performance is evaluated based on level of participation. Students may or may not receive academic credit for participation.

Service Learning

Service learning is a pedagogical method wherein students learn through active engagement and participation in service. Service learning may be sponsored by any organization, but occurs most often in primary or secondary schools, trade and professional schools, colleges and universities, and continuing education programs. Service learning is a planned and structured service experience, with time for systematic reflection.

GROWTH OF SERVICE SECTOR IN INDIA

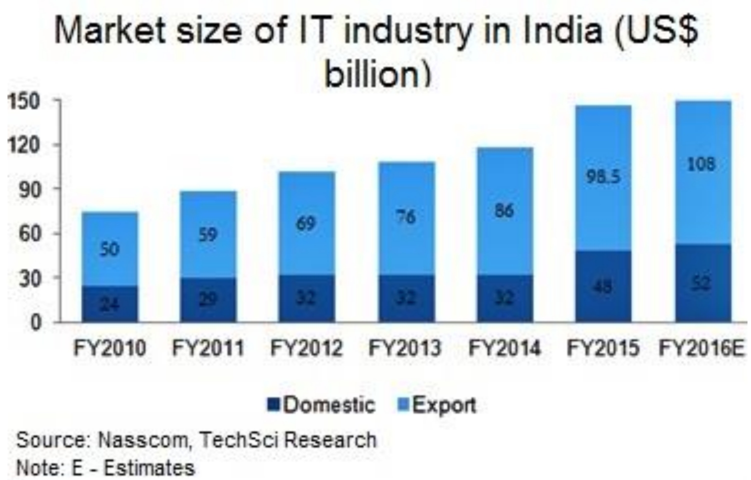
India's services sector contributed about 61 per cent to India's Gross Domestic Product, growing strongly at approximately 10 per cent per annum in 2015-16, a report launched on Wednesday at the second Global Exhibition on Services.

The report, published by industry body Confederation of Indian Industry (CII) and KPMG says India is currently the second fastest growing services economy in the world. With the 2015-16 financial year witnessing dismal merchandise trade, the government is betting big on services trade. Incidentally, India's share in global services exports was 3.2 per cent in 2014-15, double that of its merchandise exports in global merchandise exports at 1.7 per cent.

The government has called for a renewed focus on the services sector which contributes 53 per cent of the country's Gross Domestic Product, 51 per cent of foreign direct investment and 28 per cent of employment. The government had earlier stated that almost 50 per cent of its current account deficit was met from exports in services.

The report states that India's share in global services exports was 3.2 per cent in 2014-15, double that of its merchandise exports in global merchandise exports at 1.7 per cent, placing India in the eighth place currently amongst the top ten exporters of service in the world.

Information technology, in which the country is a global leader, accounted for $ 108 billion worth of services exports in the last financial year, exporting primarily to the United States, United Kingdom and Europe.



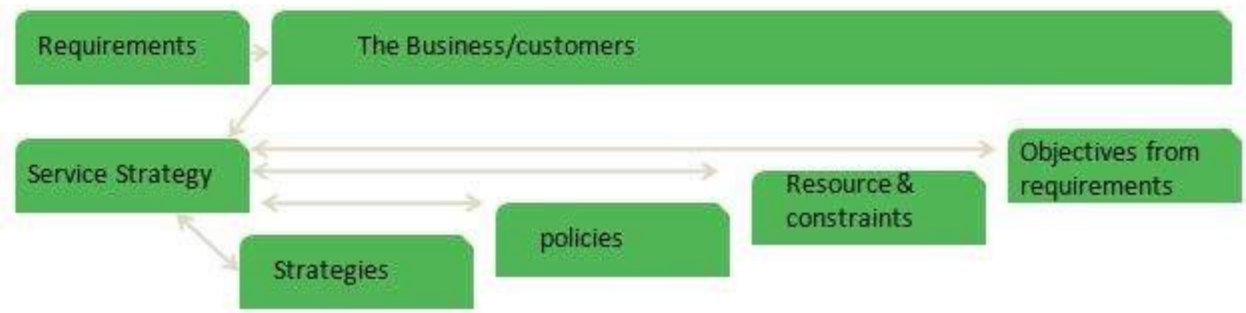
The sector is also the largest private sector employer in India, employing more than 3.7 million people. It added the industry is projected to grow at 8.5 per cent in FY2016, from $132 billion in FY2015 to $143 billion. This excluded e-commerce.

The report also pointed to the large growth in the tourism sectors, whose contribution to GDP was $125.2 billion in 2014, and is expected to reach $ 259 billion in 2025 (accounting for 7.6 per cent of India's GDP). In 2015, India is estimated to have received $ 109.6 billion in revenue from domestic and foreign tourists. India invited around 7.8 million foreign visitors in 2015. Government initiatives, such as e-visas and expansion of visa-on-arrival facilities are expected to fuel further foreign tourist arrivals.

Other sectors like healthcare and logistics have also shown great promise, the report showed. The healthcare sector, attracting medical tourism from western nations and parts of south east asia is expected to reach $160 billion in 2017, accounting for about 4.2 per cent of GDP, and is poised to grow to $280 billion by 2020. On the other hand, the logistics market, currently valued at $123 billion, is poised to reach $160 billion by 2018, growing at a CAGR of about 9 per cent.

SERVICES STRATEGY

Service Strategy helps to design, develop and implement service management as organizational capabilities and strategic assets as well. It enables a service provider to consistently outperform competitive alternatives over time, across business cycles, industry disruptions and changes in leadership.



Service strategy comprises of the following key concepts:

- Value creation
- Service Assets
- Service Provider types
- Service structures
- Defining the service market
- Developing service offerings
- Financial management
- Service portfolios
- Demand management
- Return on investment

Strategic Assessment

Before crafting service strategy, a provider should first take a careful look at what it does already. The following questions can help expose a service provider's distinctive capabilities:

- Which or our services or service verities are the most distinctive?
- Which or our services or service verities are the most profitable?
- Which of our activities in our value chain or value network are the most different and effective?

Factors in Strategic Assessment

Here are the key factors that play important role in strategic assessment:

S.N.	Description
1.	**Strengths and weaknesses** The attributes of the organization. For example resources and capabilities, service quality, skills, cost structures, product knowledge, customer relationship etc.
2.	**Business Strategy** The perspective, position, plans and patterns are received from a business strategy.

3.	**Critical Success factors** How will the service provider know when it is successful?
4.	**Threats and opportunities** Includes competitive thinking. For example, is the service provider vulnerable to substitution?, or Is there a means to outperform competing alternatives?

Value Creation

Service strategy defines a unique approach for delivering better value. According to customers service consist of two elements:

- Utility
- Warranty

Utility

Utility is perceived by the customer from the attributes of the service that have positive effect on the performance of task associated with the desired business outcomes. This is fir for purpose.

Utility is generally stated in terms of:

- Outcomes supported
- Ownership costs and risks avoided

Warranty

Warranty ensures the utility of the service is available as needed with sufficient capacity, continuity, and security. Value of warranty is communicated in terms of level of certainty.

Warranty is usually defined in terms of availability, capacity, continuity, and security of the utilization of the services.

AVAILABILITY

It assures the customer that the services will be available for use under agreed terms and conditions.

CAPACITY

It assures that the service will support a specified level of business activity or demand at a specified level.

CONTINUITY

It assures that the service will continue to support the business through major failures.

SECURITY

It assures that the service provided by the service provider will be secure.

Service Assets

There are two types of service assets as listed below:

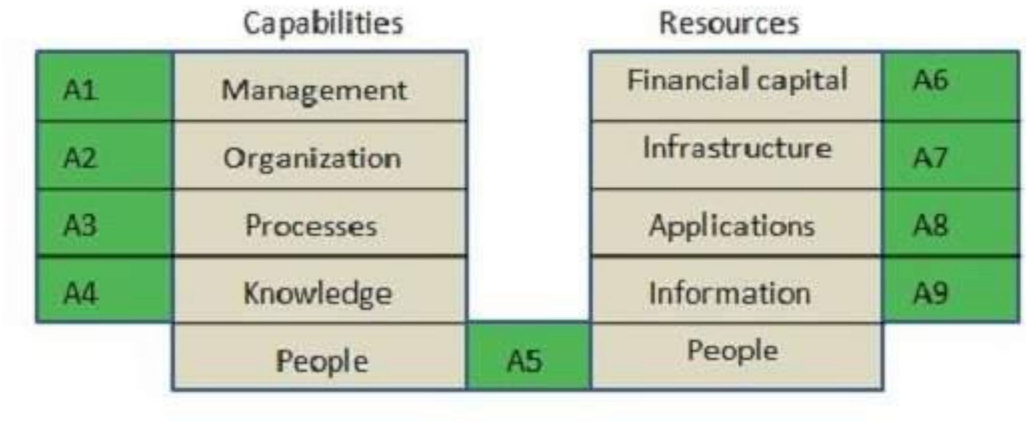
- Resources
- Capabilities

Resources

Resources are the inputs for production. The resources are transformed by management, organization, people and knowledge.

Capabilities

Capabilities refer to skills to develop and control the resources for production. The skills are based on knowledge, experience and information.



Service Provider Types

Service Provider can be broadly classified into three types as listed below:

1. Type I – Internal Service Provider
2. Type II – Shared Service Provider
3. Type III – External Service Provider

Type I Internal Service Provider

Internal Service provider refers to the business functions within an organization. Administration, finance, human resources, and IT service providers all comes under internal service providers.

Type II Shared Service Provider

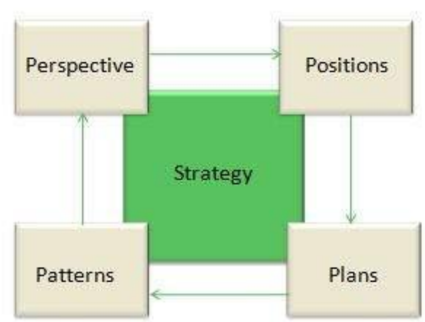
In this, business functions such as IT, human resources, and logistics are consolidated into an autonomous special unit called a Shared Service Unit (SSU).

Type III External Service Provider

External service provider refers to the third party service providers. It can offer competitive prices and drive down unit cost by consolidating demand.

The Four Ps of strategy

The below mentioned Four Ps identify the different forms of a service strategy and are considered as entry points to service strategy.



Perspective

It describes a vision & direction and articulates the business philosophy of interacting with customer.

Positions

It describes the decision to adopt a well defined stance. It is expressed as distinctiveness in minds of customers. This means competing in the same space as others but with differentiated value proposition that is attractive to the customer. Whether it is about offering a wide range of services to a particular type of customer or being the lowest cost option, it is a strategic position.

Plan

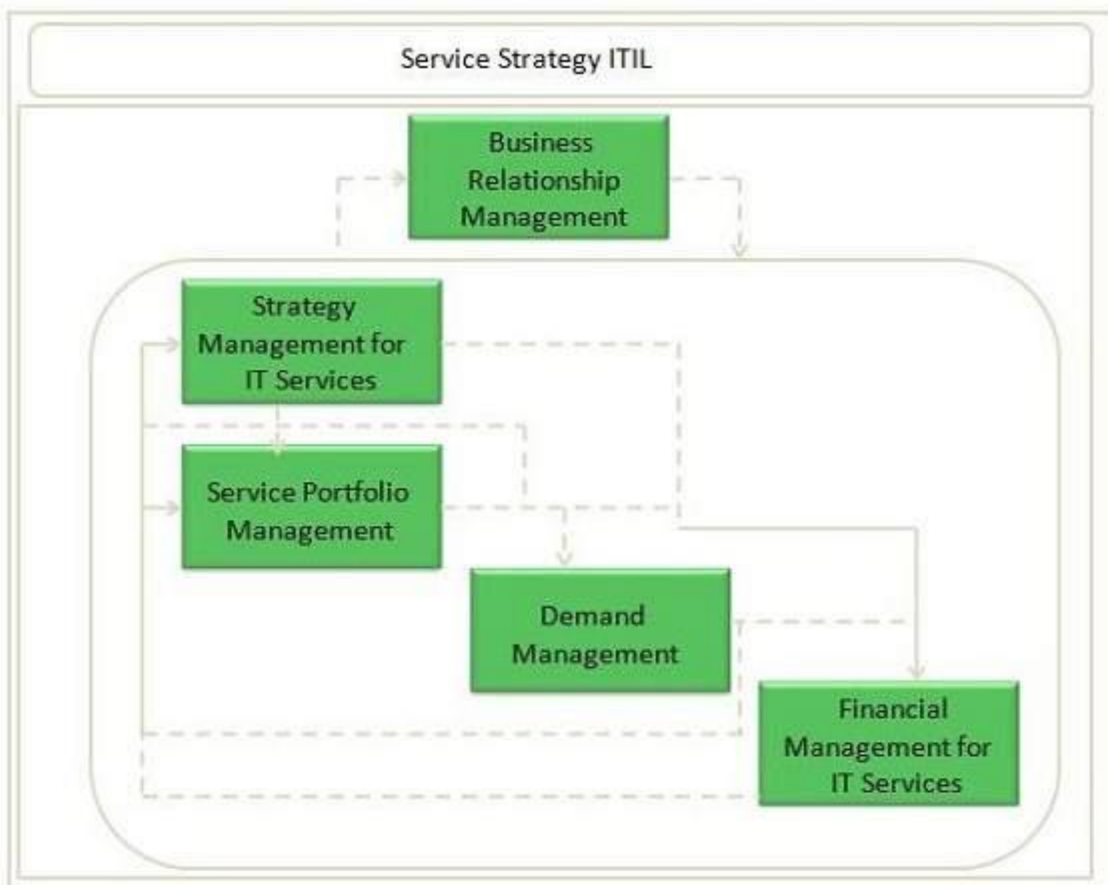
A plan describes “How do we offer high value or low cost services? “ or “How do we achieve and offer our specialized services? “

Pattern

It describes the organization’s fundamental way of doing things.

Services strategy processes

The following diagram expresses the different processes and their relationship in service strategy:



Strategy Management

This process involves four activities: definition of market, development of offering, development of strategic assets, and preparation for the implementation of the strategy.

Service Portfolio Management

Service portfolio defines all services that a service provider can provide. It helps to control service management investments throughout an enterprise and actively managing their value.

Business Relationship Management

This process deals with establishing good relationship between service provider and customers by ensuring that appropriate services are developed to meet customer's needs.

Demand Management

This process maintains balance between consumption of services and their delivery.

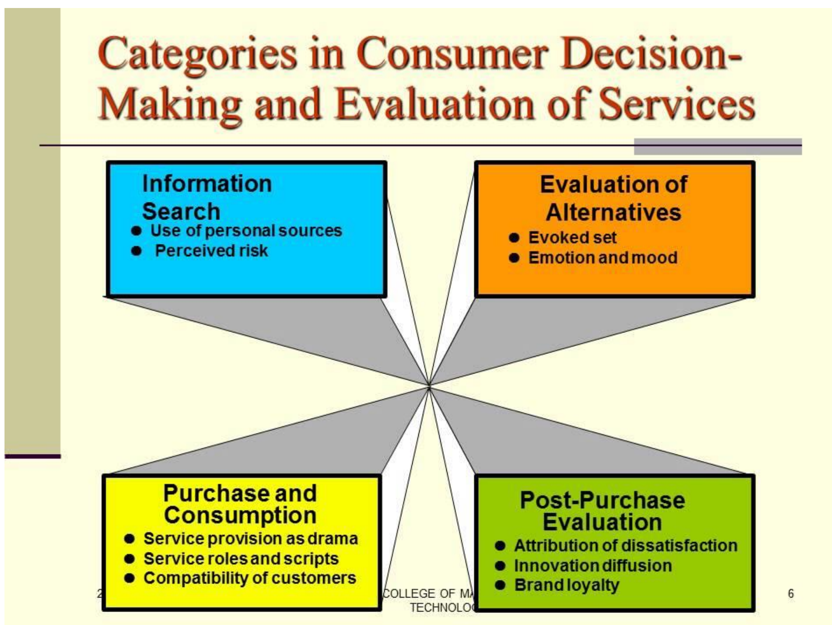
Financial Management

Financial management helps to determine all the costs of IT organization. It can serve as a strategic tool for all three kinds on service provider types: internal, external and shared service provider.

Unit – II: Consumer Behaviour in Services; Market Segmentation and Services Positioning; Service Demand Management Designing and Managing Service Product.

CONSUMER BEHAVIOR IN SERVICES

Consumer behavior includes the processes and motives that drive consumer buying activities. Consumers typically make purchases in a systematic way, with the time frame and nature of the process dependent on the type of purchase. The standard consumer buying process with a service has some specific differences from a product-based purchase situation.



Need Discovery

The first step in the consumer decision-making process is need discovery. This stage is where a consumer realizes he has a functional or emotional need or want. In engaging in a service scenario, consumers recognize several common needs. One is expertise. A consumer might hire a plumber or electrician for their service expertise, for instance. Time savings, more valuable ways to spend time and simply not liking to perform a certain activity are among needs or motives for a service purchase.

Information Search

The second phase of the buying process is information search. During this stage, the buyer looks for information and evaluates providers on certain criteria. Services are intangible, so buyers often need to consult company websites and talk with sales reps to evaluate options. Additionally, services are often highly involved purchases for buyers because of the costs and importance. To get someone to hire your roofing company, you must provide significant information about the value of your materials and service relative to competitors.
Proof Devices

Buyers typically want to see proof of benefits before making a product or service purchase. With products, you can show buyers how the product works and demonstrate the benefits. With intangible services, you can't. You can, however, provide customer testimonials emphasizing the quality, reliability and value of your service. It is also important to connect with customers' emotions by communicating the value of your expertise or the time that you save them.

Evaluation of alternatives

In information search stage consumer chooses different services in his mind based on his mood and evoked set but in the process of purchase this will not work as his choice of purchase is confined to his ability to purchase. In order to overcome this situation he tries to evaluate his each choice of service and select a best alternative which satisfies his need and want satisfying of service.

Purchase and Consumption

The customer has now decided based on the knowledge gathered what to purchase and where to purchase what they desire.

At this stage a customer has either assessed all the facts and come to a logical conclusion, made a decision based on emotional connections/experiences or succumbed to advertising/marketing campaigns, or most likely a combination of all of these has occurred.

In our customer journey we purchased some rather nice Asics runners as we had a wonderful experience with them previously, they were well priced on the market and the marketing around Asics trainers has always linked them to being the best option for “real athletic trainers”. The positioning of the product also lent itself to where they were purchased, a sport shop rather than a shoe shop.

Post-Purchase Evaluation

Following a purchase, customers compare what they experience with what they expected. This point makes follow-up and follow-through on commitments important to customer satisfaction, repeat business and referrals. What makes a service experience distinct is that the people that provide it are especially key to the customer's perception of the experience. Getting customer feedback on the quality of service provided by all employees involved in the sale and delivery of the service is helpful in making any necessary improvements.

MARKET SEGMENTAION

Some of the major bases for market segmentation are as follows:

1. Geographic Segmentation
2. Demographic Segmentation
3. Psychographic Segmentation
4. Behavioristic Segmentation
5. Volume Segmentation
6. Product-space Segmentation
7. Benefit Segmentation.

1. GEOGRAPHIC SEGMENTATION:

Geographic location is one of the simplest methods of segmenting the market. People living in one region of the country have purchasing and consuming habit which differs from those living in other regions. For example, life style products sell very well in metro cities, e.g., Mumbai, Delhi, Kolkata and Chennai but do not sell in small towns. Banking needs of people in rural areas differ from those of urban areas. Even within a city, a bank branch located in the northern part of the city may attract more clients than a branch located in eastern part of the city.

2. DEMOGRAPHIC SEGMENTATION:

Demographic variables such as age, occupation, education, sex and income are commonly used for segmenting markets.

(a) Age: Teenagers, adults, retired.

(b) Sex: Male and female.

(c) Occupation: Agriculture, industry, trade, students, service sector, house-holds, institutions.

(i) Industrial sector: Large, small, tiny.

(ii) Trade: Wholesale, retail, exporters.

(iii) Services: Professionals and non-professionals.

(iv) Institutions: Educational, religions, clubs.

(v) Agriculture and cottage industries.

(d) Income Level: Above Rs. 1 lakh per annum, Rs. 50,000 to Rs. 1 lakh, Rs. 25,000 to Rs. 50,000 per annum, i.e., higher, middle and lower.

(e) Family Life-cycle: Young single, young married no children, young married youngest child under six, young married youngest child over six, older married with children, older married no children under eighteen, older single, etc.

3. PSYCHO-GRAPHIC SEGMENTATION:

Under this method consumers are classified into market segments on the basis of their psychological make-up, i.e., personality, attitude and lifestyle. According to attitude towards life, people may be classified as traditionalists, achievers, etc.

Rogers has identified five groups of consumer personalities according to the way they adopt new products:

(a) Innovators: These are cosmopolitan people who are eager to try new ideas. They are highly venturesome and willing to assume the risk of an occasional bad experience with a new product.

(b) Early Adopters: These are influential people with whom the average person checks out an innovation.

(c) Early Majority: This group tends to deliberate before adopting a new product. Its members are important in legitimizing an innovation but they are seldom leaders.

(d) Late Majority: This group is cautious and adopts new ideas after an innovation has received public confidence.

(e) Laggards: These are past-oriented people. They are suspicious of change and innovations. By the time they adopt a product, it may already have been replaced by a new one. Understanding of psycho-graphic of consumers enables marketers to better select potential markets and match the product image with the type of consumer using it. For example, women making heavy use of bank credit cards are said to lead an active lifestyle and are concerned with their appearance. They tend to be liberated and are willing to try new things.

Psycho-graphic classification may, however, be an oversimplification of consumer personalities and purchase behaviour. So many factors influence consumers that an early adopter of one product might well be a laggard for some other product and vice versa.

4. BEHAVIOURIST SEGMENTATION:

In this method consumers are classified into market segments not the basis of their knowledge, attitude and use of actual products or product attributes.

Any of the following variables might be used for this purpose:

(a) Purchase Occasion: Buyers may be differentiated on the basis of when they use a product or service. For example, air travellers might fly for business or vacation. Therefore, one airline might promote itself as a business flyer while another might target the tourists.

(b) Benefits Sought: The major benefit sought in a product is used as the basis of classify consumers. High quality, low price, good taste, speed, sex appeal are examples of benefits. For example, some air travellers prefer economy class (low price), while others seek executive class (status and comfort).

(c) User Status: Potential buyers may be classified as regular users, occasional users and non-users. Marketers can develop new products or new uses of old products by targeting one or another of these groups.

5. VOLUME SEGMENTATION:

Consumers are classified light, medium and heavy users of a product. In some cases, 80 per cent of the product may be sold to only 20 per cent of the group. Marketers can decide product features and advertising strategies by finding common characteristics among heavy users. For example, airlines having 'Frequent Flyer' are using user rate as the basis of market segmentation. Generally, marketers are interested in the heavy user group.

But marketers should pay attention to all the user groups because they represent different opportunities. The non-users may consist of two types of people— those who do not use the product and those who might use it. Some may change over time from a non-user to a user.

Those who do not use due to ignorance may be provided extensive information. Repetitive advertising may be used to overcome inertia or psychological resistance. In this way non-users can gradually be converted into users.

6. PRODUCT-SPACE SEGMENTATION:

Here the buyers are asked to compare the existing brands according to their perceived similarity and in relation to their ideal brands. First, the analyst infers the latent attributes that consumers are using to perceive the brand. Then buyers are classified into groups each having a distinct ideal brand in mind. The distinctive characteristics of each group are ascertained.

7. BENEFIT SEGMENTATION:

Consumer behavior depends more on the benefit sought in product/service than on demographic factors. Each market segment is identified by the major benefits it is seeking. Most buyers seek as many benefits as possible. However, the relative importance attached to individual benefits differs from one group to another. For example, some consumers of toothpaste give greater importance to freshness while other prefer taste or brightness of teeth.

Research studies on benefit segmentation reveal that it is easier to take advantage of existing segment, then to create new segments. As no brand can appeal to all consumers, a marketer who wants to cover the market fully must offer multiple brands.

SERVICE POSITIONING

After a service strategy has been identified, a company must decide how to position its product most effectively. The concept of positioning involves establishing a distinctive place in the minds of target customers relative to competing products. In The New Positioning: The Latest on the World's 1 Business Strategy, Jack Trout distills the essence of positioning into the following four principles:

A company must establish a position in the minds of its targeted customers.The position should be singular, providing one simple and consistent message.The position must set a company apart from its competitors.A company cannot be all things to all people it must focus its efforts.

Cirque du Soleil is an example of a company that has taken these four principles to heart. Most Americans can't even pronounce the name (which is French for "circus of the sun"), and less than one in five know what Cirque offers. But the goal of the Quebec-based founders is to become a worldwide brand a Circus without Boundaries. Cirque provides a mystical mixture of stunningly choreographed dance, original music, exotic costumes, and amazing acrobatics that is more art than traditional circus entertainment.

And the atmosphere is intimate, since the audience for most performances is limited to a few thousand people compared to crowds of ten thousand or more at typical circus events. Cirque's extravagant shows with ticket prices of $60 to $100 per seat are produced at multimillion dollar theaters on three different continents.

The company is extremely profitable, and its long-term strategy is to become a mega brand targeted at the wealthy. Cirque has already cashed in on its brand equity with a licensed wallpaper line (a top seller in the United States), a Cirque du Soleil watch marketed by Swatch, and a $12 million IMAX film about the company that recently debuted in Berlin.

Positioning and Marketing Strategy

Companies use positioning strategies to distinguish their services from competitors and to design communications that convey their desired position to customers and prospects in the chosen market segments. There are a number of different dimensions around which positioning strategies can be developed, including:

Product attributes America Online's e-mail service is "so easy to use, no wonder it's # 1" (see Figure)Price I' quality relationship Super cuts sells good haircuts at a "reasonable" priceReference to competitors "You'd better take your Visa card, because they don't take American Express"Usage occasions Ski resorts offer downhill and cross-country skiing in the winter; hiking and mountain biking in the summerUser characteristics Cheap Ticket's online ticketing service is for travelers who are comfortable with both Internet usage and self-serviceProduct class Blue Cross provides a variety of different health insurance packages for its corporate customers to choose from in putting together their employee benefit plans

Marketers often use a combination of these positioning approaches. Whatever strategy a firm chooses, the primary goal is to differentiate itself from competitors by emphasizing the distinctive advantages of its service offerings.

If the core benefits are similar to those of the competition, the company may decide to stress different advantages in its promotional efforts. For example, at one point Sprint was stressing the price and value of its long-distance services, while AT&T emphasized reliability and expertise. Table summarizes how positioning strategies relate to critical marketing issues like service development and delivery, pricing, and communications.

Service Repositioning

Market positions are rarely permanent. Competitive activity, new technologies, and internal changes may cause a company to reposition itself and its services. Repositioning involves changing the position a firm holds in a consumer's mind relative to competing services. This may be necessary to counter competitive attacks, remain attractive and appealing to current customers, or target new and additional segments.

Repositioning can involve adding new services or abandoning certain offerings and withdrawing completely from some markets. In response to major changes in its business environment, Andersen Consulting recently repositioned itself and changed its name to Accenture to reflect its "accent on the future" (see the boxed story "Repositioning a Consulting Firm").

Principal Uses of Positioning in Marketing Management

Provide a useful diagnostic tool for defining and understanding the relationships between products and markets:

How does the product compare with competitive offerings on specific attributes?How well does product performance meet consumer needs and expectations on specific performance criteria?What is the predicted consumption level for a product with a given set of performance characteristics offered at a given price?

Identify market opportunities:

Introduce new products• What segments should be targeted?• What attributes should be offered relative to the competition? Redesign (reposition) existing products• Should we appeal to the same segments or to new ones? What attributes should be added, dropped, or changed?• What attributes should be emphasized in advertising? Eliminate products that• Do not satisfy consumer needs• Face excessive competition

Make other marketing mix decisions to pre-empt or respond to competitive moves:

Distribution strategies• Where should the product be offered (locations and types of outlet)?• When should the product be available? Pricing strategies• How much should be charged?• What billing and payment procedures should be used? Communication strategies• What target audience(s) are most easily convinced that the product offers a competitive advantage on attributes that are important to them?• What message and attributes should be emphasized and which competitors, if any, should be mentioned as the basis for comparison on those attributes?• Which communication channels should be used, personal selling or different advertising media (selected not only for their ability to convey the chosen message to the target audience but also for their ability to reinforce the desired image of the product) services.

SERVICE POSITIONING PROCESS

According to Jack Trout, positioning strategy must establish position for firm or product in minds of customers. should be distinctive, providing one simple, consistent message, must set firm/product apart from competitors and must focus its efforts

1. **Determining the levels of positioning:** Step one is to settle on which level needs positioning attention and focus. For e.g. Vodafone has separate corporate plans and individual plans

2. **Identification of attributes:** After step one, specific attributes that customers seek comes into play. For e.g., the purpose of using the .banking service may be different for business and personal service seekers. Timing also influences choice of service. For e.g. choice of going to a restaurant will be different for a corporate meeting or a weekend family brunch. The service seeker also evaluates alternatives available to him/her and makes a choice basis his perception. This choice need not necessarily reflect the most important attribute he seeks in a service. For e.g. a customer using the services of a particular bank ranks ‘rate of interest as the most important feature. But mostly all banks will have similar rates. so he makes his choice basis other factors like, bank timings. atmosphere, friendly staff. net banking facility etc. the service seekers perceptions of this process is the basis for developing positioning map.

3. **Location of attributes on a positioning map:** Positioning maps is a useful way to represent consumer perceptions of alternative products in visual format. They are typically two attributes, but nowadays, 3-D models can be used to portray positions on three attributes simultaneously. They are also known as perceptual maps. Positioning maps can be developed for each segment in the target market and these maps will show the positions of different players, as per the perceptions of the consumers in these segments. Mapping future scenarios help identify potential competitive responses and helps in visualization of strategy.

4. Evaluating position options: According to Ries and Trout, there are 3 positioning options:

(a) Strengthening current position against competitors: This means to better ones own services and thus strengthening the current position against competitors

(b) Identifying an unoccupied market position: This means to identify and fill the unoccupied and unnoticed .gaps through better service delivery.

(c) Repositioning the competition: This means to frequently reposition in order to attain a better position as compared to the competitor can be achieved through advertising and innovation.

5. Implementing positioning: The positioning should be communicated to the target audience by all employees, policies and advertising.

SERVICE DEMAND MANAGEMENT

What makes service industries so distinct from manufacturing ones is their immediacy: the hamburgers have to be hot, the motel rooms exactly where the sleepy travelers want them, and the airline seats empty when the customers want to fly. Balancing the supply and demand sides of a service industry is not easy, and whether a manager does it well or not will, this author writes, make all the difference. In this rundown of the juggling feat service managers perform, the author discusses the two basic strategies—“chase demand” and “level capacity”—available to most service companies. He goes on to discuss several ways service managers can alter demand and influence capacity.

The literature on capacity management focuses on goods and manufacturing, and many writers assume that services are merely goods with a few odd characteristics. Unfortunately, these researchers never fully explore the implications of these strange traits:

1. Services are direct; they cannot be inventoried. The perishability of services leaves the manager without an important buffer that is available to manufacturing managers.

2. There is a high degree of producer-consumer interaction in the production of service, which is a mixed blessing; on the one hand, consumers are a source of productive capacity, but on the other, the consumer’s role creates uncertainty for managers about the process’s time, the product’s quality, and the facility’s accommodation of the consumer’s needs.

3. Because a service cannot be transported, the consumer must be brought to the service delivery system or the system to the consumer.

4. Because of the intangible nature of a service’s output, establishing and measuring capacity levels for a service operation are often highly subjective and qualitative tasks.

Whereas the consumption of goods can be delayed, as a general rule services are produced and consumed almost simultaneously. Given this distinction, it seems clear that there are characteristics of a service delivery system that do not apply to a manufacturing one and that the service manager has to consider a different set of factors from those that would be considered by his or her counterpart in manufacturing. And if one looks at service industries, it is quite apparent that successful service executives are *managing* the capacity of their operations and that the unsuccessful are not. So, the "odd characteristics" often make all the difference between prosperity and failure.

Consider the following service managers' actions, which resulted in fiasco:

Increasing the wrong kind of capacity—In studying the battle statistics in the war for market share among airlines, competitors observed that an air carrier in a minority position on a particular route would often get a smaller proportion of the total passengers flown on the route than the share of seats flown.[1] Conversely, the dominant airline would carry a disproportionately larger share of the total passengers flown. The conclusion was obvious: Fly the seats, and you get the passengers.

In an effort to fly more seats, the airlines lined up to purchase jumbo jets. However, when competitors began flying smaller planes more frequently on the same routes and reaping a good number of passengers, it became painfully apparent to many airlines that frequency (and, to some extent, timing) of departures is the key to market share. Consequently, the airlines "mothballed" many of the jumbos or sold them if they could.

Not increasing all-around capacity—A resort operator decided to increase the number of rooms in a lodging facility and not to expand the central services required to support the additional guests. The fact that room rentals contribute up to 90% of total revenue and that tennis courts, swimming pools, meeting rooms, parking areas, and so on contribute next to nothing, or nothing, convinced the operator to create an imbalance in favor of revenue-producing activities. However, the number of guests adjusted itself to the level of occupancy that the central services could support, not to the level of room capacity. The room capacity beyond the level supported by the central services was wasted.

Not considering the competitive reaction—The Orlando, Florida lodging industry's response to the announcement of Disney World's opening is a classic example of this type of service management fiasco. Disney executives had learned well the lessons of Orange County, California, and Disneyland, where revenue is limited to on-site entertainment, food, and souvenir dollars. However, businesses besides Disney have made large profits in lodging, restaurant, and recreational facilities. Correctly perceiving that the same thing would happen in Florida, Disney purchased 200,000 acres south of Orlando, eight times the number owned in Anaheim.

When news broke that Disney would build in central Florida, however, everybody with a hotel or motel in his or her portfolio began plans for Orlando units, even though Disney had preempted all the land within two miles of the Magic Kingdom. The subsequent overbuilding has been well documented. More than 30,000 rooms were built to service a market estimated to need only 19,000. As an Orlando lender moaned, "We had a great little 200-room property there, the only one at the intersection. In less than a year, there were 5,000 rooms either built, under construction, or planned within a quarter mile of that intersection. We had to foreclose, and our occupancy has been running at only 35%."

Undercutting one's own service—A new entrant in the overnight air freight transportation industry discovered that attempts to capture market share by adding to the existing number of planes and branch offices increased costs faster than revenues. Still looking for market share, the company then offered lower rates for second- and third-day deliveries. Because it had excess capacity, however, the company always delivered packages on the next day. As consumers discovered this fact, the mix of business shifted dramatically to the lower-priced services. So although there was an increase in volume, the resulting lower margins pushed the break-even volume even higher.

These pitfalls are not inevitable. Successful service executives do avoid them, and there are enough examples of well-managed service businesses from which to glean some wisdom on how to match demand for services with capacity to supply them. There are two basic capacity-management strategies available to most companies and a number of ways open to executives to manage both the demand and the supply sides of their businesses. I will discuss the strategies and choices in turn.

Two Basic Strategies

Consider the national operations group of the XYZ brokerage firm. The group, housed in an office building located in the Wall Street area, handles the transactions generated by registered representatives in more than 100 branch offices throughout the United States. As with all firms in the brokerage industry, XYZ's transactions must be settled within five trading days. This five-day period allows operations managers to smooth out the daily volume fluctuations.

But fundamental shifts in the stock market's volume and mix can occur overnight, and the operations manager must be prepared to handle extremely wide swings in volume. For example, on the strength of an "international peace" rumor, the number of transactions for XYZ rose from 5,600 one day to 12,200 the next.

However, managers of XYZ, not unlike their counterparts in other firms, have trouble predicting volume. In fact, a random number generator can predict volume a month or even a week into the future almost as well as the managers can.

How do the operations managers in XYZ manage capacity when there are such wide swings? The answer differs according to the tasks and constraints facing each manager. Here's what two managers in the same firm might say:

- Manager A—"The capacity in our operation is currently 12,000 transactions per day. Of course, what we should gear up for is always a problem. For example, our volume this year ranged from 4,000 to 15,000 transactions per day. It's a good thing we have a turnover rate, because in periods of low volume it helps us reduce our personnel without the morale problems caused by layoffs." (The labor turnover rate in this department is over 100% per year.)

- Manager B—"For any valid budgeting procedure, one needs to estimate volume within 15%. Correlations between actual and expected volume in the brokerage industry have been so poor that I question the value of budgeting at all. I maintain our capacity at a level of 17,000 transactions per day."

Why the big difference in capacity management in the same firm? Manager A is in charge of the cashiering operation—the handling of certificates, checks, and cash. The personnel in cashiering are messengers, clerks, and supervisors. The equipment—file cabinets, vaults, calculators—is uncomplicated.

Manager B, however, is in charge of handling orders, an information-processing function. The personnel are key-punch operators, EDP specialists, and systems analysts. The equipment is complex—cathode ray tubes, key-punch machines, computers, and communication devices that link national operations with the branches. The employees under B's control had performed their tasks manually until increased volume and a standardization of the information needs made it worthwhile to install computers.

Because the lead times required to increase the capacity of the information-processing operation are long, however, and the incremental cost of the capacity to handle the last 5,000 transactions is low (only some extra peripheral equipment is needed), Manager B maintains the capacity to handle 17,000 transactions per day. He holds to this level even though the average number of daily transactions for any month has never been higher than 11,000 and the number of transactions for any one day has never been higher than 16,000.

Because a great deal of uncertainty about the future status of the stock certificate exists, the situation is completely different in cashiering. Attempts to automate the cashiering function to the degree reached by the order-processing group have been thwarted because the risk of selecting a system not compatible with the future format of the stock certificate is so high.

Exhibit Comparison of chase-demand and level-capacity strategies for the XYZ brokerage firm

	Chase demand	Level capacity
Labor-skill level required	Low	High
Job discretion	Low	High
Compensation rate	Low	High
Working conditions	Sweatshop	Pleasant
Training required per employee	Low	High
Labor turnover	High	Low
Hire-fire costs	High	Low
Error rate	High	Low
Amount of supervision required	High	Low
Type of budgeting and forecasting required	Short-run	Long-run

In other words, Manager A is tied to the "chase demand" strategy, and his counterpart, Manager B in the adjacent office, is locked into the "level capacity" strategy. However, each desires to incorporate more of the other's strategy into his own. A is developing a computerized system to handle the information-processing requirements of cashiering; B is searching for some variable costs in the order-processing operation that can be deleted in periods of low volume.

The characteristics of these two vastly different strategies are outlined in the Exhibit, “Comparison of chase-demand and level-capacity strategies for the XYZ brokerage firm.”

Exhibit Comparison of chase-demand and level-capacity strategies for the XYZ brokerage firm

Service managers using the chase strategy are usually responsible for unskilled employees performing jobs with little or no discretion for low pay in a relatively unattractive environment. Managers use the level strategy most often where more highly skilled people perform jobs for high pay, with some or a lot of discretion in a relatively pleasant environment.

Because the skill-level requirement for “chase” is lower than that for “level,” the training cost per employee will also be lower for “chase.” However, the annual training costs in a department using the chase strategy could be much higher than for one using the level strategy. The chase strategy requires more employees, and those employees exhibit a higher rate of turnover because of the job characteristics just described.

The chase strategy is usually more costly than the level strategy for other reasons as well. The high turnover rate and the use of unskilled employees both contribute to a high error rate, which means that more supervisors are needed to ensure that jobs are performed according to specifications.

For the chase strategy, the lead times required to attract and train new employees in periods of increased volume and to reduce the work force in periods of contraction are so short that forecasting and budgeting is needed only for the short run. However, because managers using a level strategy need a longer lead time to acquire or dispose of equipment and trained personnel, for them, forecasting and budgeting is a long-run process.

Although the chase demand strategy has many negative connotations for enlightened managers, there are some service delivery systems, such as amusement parks and resort hotels with highly seasonal or random fluctuations in demand, that survive only as a result of its successful application.

Managing Demand & Supply

Besides electing to adopt one of the strategies just described, the service executive may select one or another additional way to cope with a fluctuating demand schedule. To understand how one business did it, see the sidebar, “Finding a Creative Solution.”

Altering Demand

The manager can attempt to affect demand by developing off-peak pricing schemes, nonpeak promotions, complementary services, and reservation systems. Let’s look at each of these demand-leveling options in turn:

Pricing

One method managers use to shift demand from peak periods to nonpeak ones is to employ a differential pricing scheme, which might also increase primary demand for the nonpeak periods. Examples of such schemes are numerous. They include matinee prices for movies, happy hours at bars, family nights at the ball park on week nights, weekend and night rates for long-distance calls, peak-load pricing by utility companies, and two-for-one coupons at restaurants on Tuesday nights.

Developing nonpeak demand

Most service managers wrestle constantly with ideas to increase volume during periods of low demand, especially in those facilities with a high-fixed, low-variable cost structure. The impact of those incremental revenue dollars on the profitability of the business is tremendous. Examples of attempts to develop non-peak demand are not hard to find. Hamburger chains add breakfast items to their menus, and coffee shops add dinners to theirs. Urban hotels, which cater to the business traveler during the week, develop weekend “minivacation” packages for the suburban population in their geographic areas, while resort hotels, jammed with pleasure travelers during school vacations, develop special packages for business groups during off-seasons.

However, caution must be used in developing plans to increase demand for the underused periods of the service facility. Many companies have made costly mistakes by introducing such schemes and not seeing the impact they would have on existing operations. As Wickham Skinner has noted, for manufacturing companies, there are some real costs associated with “unfocusing” the service delivery system, which is exactly what market-expanding activities have a tendency to do.[2] New concepts often require equipment and skills not currently found in a service delivery system. The addition of these skills and equipment may require a new type of labor force, a new layout, or more supervision.

Even if the new concept succeeds in creating demand in nonpeak periods, the effects are not always positive. Managers often use slack time productively as a time to train new employees, do maintenance on the equipment, clean the premises, prepare for the next peak, and give the workers some relief from the frantic pace of the peak periods. A new concept, therefore, may have a tendency to reduce the efficiency of the present system at best, or, at worst, to destroy the delicate balance found in most service delivery systems.

Developing complementary services

Another method managers use to shift demand away from peak periods is to develop complementary services, which either attracts consumers away from bottleneck operations at peak times or provides them with an alternative service while they are in the queue for the capacity-restricted operations. For example, restaurant owners have discovered that on busy nights most patrons complain less when sitting in a lounge with cocktail then when standing in line as they wait for tables in the dining area. Also, the profitability of restaurants with bars can more than double.

A diversion can also relieve waiting time. A hotel manager installed mirrors on each floor's central lobby so that customers could check their appearance while they waited for the elevator. Banking by mail or by automated tellers are other ways to cut down customer waiting time.

Creating reservation systems

Service executives can effectively manage demand by employing a reservation system, which in essence presells the productive capacity of the service delivery system. When certain time periods are booked at a particular service facility, managers can often deflect excess demand to other time slots at the same facility or to other facilities at the same company and thereby reduce waiting time substantially and, in some cases, guarantee the customer service.

For instance, if a motel chain has a national reservation system, the clerk can usually find a customer a room in another motel of the chain in a fairly close proximity to his or her desired location if the first-choice motel is full.

In a similar manner, airlines are often able to deflect demand from booked flights to those with excess capacity or from coach demand to first class, especially if their competitors do not have seats available at the consumers' desired flight time.

However, reservation systems are not without their problems, the major one being "no-shows." Consumers often make reservations they do not use, and, in many cases, the consumer is not financially responsible for the failure to honor the reservation. To account for no-shows, some service companies oversell their capacity and run the risk of incurring the wrath of customers like Ralph Nader, who do show. Many service companies have made it a policy to bill for capacity reserved but not used if the reservation is not cancelled prior to a designated time.

Controlling Supply

The service manager has more direct influence on the supply aspects of capacity planning than he or she does on the demand side. There are several things a service manager can do to adjust capacity to fluctuating demand.

Using part-time employees

Many service companies have found that it is more efficient to handle demand whenever it occurs than it is to attempt to smooth out the peaks. The peaks vary by type of business—during certain hours of the day (restaurant), during certain days of the week (hair styling), during certain weeks of the month (banking), and during certain months of the year (income tax services). These service businesses usually maintain a base of full-time employees who operate the facility during nonrush periods but who need help during peak periods. One of the best-known resources is part-time labor pools, especially high school and college students, parents who desire work during hours when their children are in school, and moonlighters who desire to supplement their primary source of income.

Maximizing efficiency

Many service managers analyze their processes to discover ways to get the most out of their service delivery systems during peak demand periods. In effect, such analyses enable the service company to increase its peak capacity for little additional cost.

For example, during rush periods employees perform only the tasks that are essential to delivering the service. If possible, managers use slack periods for doing supporting tasks, which in essence they are inventorying for peak periods.

To maximize efficiency, managers examine even peak-time tasks to discover if certain skills are lacking or are inefficiently used. If these skills can be made more productive, the effective capacity of the system can be increased. For example, paramedics and paralegals have significantly increased the productive time of doctors and lawyers. Even rearranging the layout of the service delivery system can have a major impact on the productivity of the providers of the service.

Another way to attack the peak capacity constraint is by cross-training. The service delivery system is composed of various components. When the system is delivering one service at full capacity, some sections of the system are likely to be underused. If the employees in these sections are able to deliver the peak service, they add capacity at the bottleneck. When the demand shifts and creates a bottleneck in other components of the system, the employees can shift back again.

Increasing consumer participation

The more the consumer does, the lower the labor requirements of the producer. Bag-'em-yourself groceries, salad bars at restaurants, self-service gas pumps, customer-filled-out insurance information forms, and cook-it-yourself restaurants are all examples of increased consumer participation in the production of services.

There are, of course, some risks to increasing consumer input: consumers might reject the idea of doing the work and paying for it too; the manager's control over delivery of the service is reduced; and such a move can create competition for the service itself. A cook-it-yourself restaurant customer might just stay at home.

Sharing capacity

The delivery of a service often requires the service business to invest in expensive equipment and labor skills that are necessary to perform the service but that are not used at full capacity. In such cases, the service manager might consider sharing capacity with another business to use required, expensive, but underused resources jointly.

For example, a group of hospitals in a large urban area might agree that it is unnecessary for each to purchase expensive medical equipment for every ailment and that they ought to share capacity. One would buy cardiac equipment, another gynecological and obstetrical equipment, another kidney machines. Participating doctors would have admitting privileges at all hospitals. By sharing equipment, hospitals would not only better use expensive resources, but as groups of trained and experienced specialists developed at each facility, hospitals would also deliver better medical care.

The shared-capacity concept is possible in the airlines industry in several forms. Several airlines with infrequent flights in and out of a particular airport share gates, ramps, baggage-handling equipment, and ground personnel. In fact, some domestic airlines flying different routes with different seasonal demands exchange aircraft when one's dip in demand coincides with another's peak.

Investing in the expansion ante

Wise service managers often invest in an "expansion ante." When growth occurs, it sometimes becomes clear that some of the new development could have been done when the facility was originally constructed for much less cost and disruption. A careful analysis before the facility is built will show what these items are. For instance, for a small investment, a restaurateur can build his kitchen with extra space in order to service more diners later on. Contractors can run wiring, plumbing, and air conditioning ducts to the edge of the building where the expansion will take place. The manager can inventory enough land for the expansion and additional parking requirements. These actions will allow the restaurant manager to increase capacity without having to renovate the kitchen, redo the wiring, plumbing, and air conditioning systems, or purchase adjacent land at much higher prices.

Seeking the Best Fit

Managing demand and supply is a key task of the service manager. Although there are two basic strategies for capacity management, the enlightened service manager will, in almost all cases, deviate from these two extremes.

The challenge to the service manager is to find the best fit between demand and capacity. In order to manage the shifting balance that characterizes service industries, managers need to plan rather than react. For example, managers should try to make forecasts of demand for the time periods under question. Then he or she should break the service delivery system down into its component parts, calculate the present capacity of each component, and arrive at a reasonable estimate of what the use of each component will be, given the demand forecast.

Because each system cannot handle infinite demands, the manager needs to question how much of the peak demand the system must handle. Just what is the appropriate level of service for the delivery system to provide? Once the manager can approximate the answer to these questions and has decided which of the basic strategies to employ, he or she is ready to experiment with the different options to alter demand and capacity. Each plan and option a manager arrives at can be costed, and the best fit for the particular service selected.

Ultimately, of course, on the demand side, a manager's true aim is to increase revenues through an existing service delivery system of given capacity. Once the true variable costs are subtracted out, all revenues flow to the bottom line. On the supply side, the manager aims to minimize costs needed to increase or decrease capacity.

When facing increased demand, the business raises its revenues with minimal investment. In times of capital rationing, small investments are often the only ones available to the company. When facing contracting demand, the manager needs to select the best way to adjust the system's capacity to a lower volume.

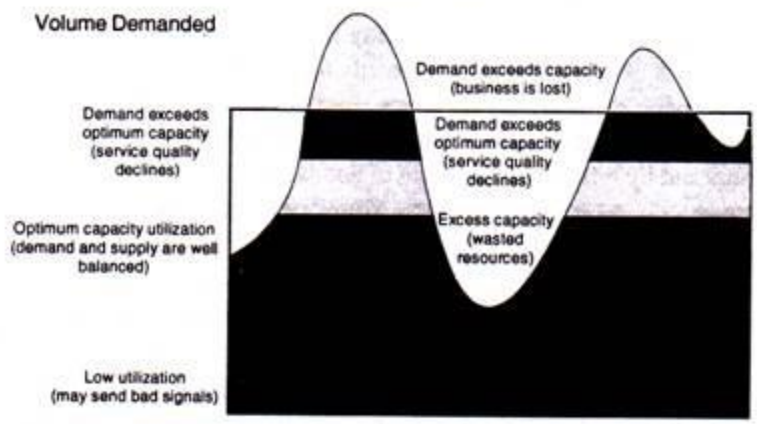
In following the ideas outlined in this article, service managers need to think creatively about new ways to manage demand and supply. The most important thing to recognize is that they both can be managed efficiently and that the key to doing so lies in planning.

Strategies for Managing Demand of Services

Strategies for Managing Demand of Services!

At any given point in time, a fixed – capacity service organization may be faced with one of four conditions (see Figure 13.1)

Figure 13.1 : IMPLICATIONS OF VARIATIONS IN DEMAND RELATIVE TO CAPACITY



1. Demand exceeds maximum available capacity with the result that potential business may be lost.
2. Demand exceeds the optimum capacity level; no one is turned away, but all customers are likely to perceive deterioration in the quality of service delivered.
3. Demand and supply are well balanced at the level of optimum capacity.
4. Demand is below optimum capacity and productive resources are underutilized; this poses the risk (in some instances) that customers may find the experience disappointing or have doubts about the viability of the service.

There is a distinction between maximum capacity and optimum capacity. When demand exceeds maximum available capacity, some potential customers may be turned away and their business lost forever, but when demand is operating between optimum and maximum capacity, there's a risk all customers being served at that time may start to receive inferior service. In such conditions, service managers need to employ what they call a coping strategy to control the fall in service standards and thus prevent customer dissatisfaction.

Sometimes optimum and maximum capacities are one and the same. At a live theatre or sports performance, a full house is desirable, since it stimulates the players and creates a sense of excitement and audience participation. The net result a more satisfying experience for all. But with most other services, you probably feel that you get better service if the facility is not operating at full capacity. The quality of restaurant service, for instance, often deteriorates when every table is occupied, because the staff is rushed and there's a greater likelihood of errors or delays.

Optimizing the use of capacity requires looking at the mix of business obtained as well as at the total volume. Some market segments may be more desirable than other because the customers fit particularly well with the organization's mission, reinforce the ambiance that the service organization is trying to create, have needs that match the professional skills and-interests of staff members, or pay higher rates and are more profitable.

Marketing managers should examine the components of overall demand and seek to stimulate or discourage demand from particular segments on a selective basis. Of course, if a firm wants to attract new business during its low season, it may have to choose between accepting customers from a segment that fits less well with its mission or foregoing the revenues that they might bring.

There are five common approaches to managing demand. The first, which has the virtue of simplicity but little else, involves taking no action and leaving demand to find its own levels. Eventually customers learn from experience or word of mouth when they can expect to stand in line to use the service and when it will be available without delay. The trouble is they may also learn to find a competitor who is more responsive.

More interventionist approaches involve influencing the level of demand at any given time, by taking active steps to reduce demand in peak periods and to increase demand when there is excess capacity.

Two more approaches both involve inventorying demand until capacity becomes available. You can accomplish this either by introducing a reservations system, that promises customers access to capacity at specified times, or by creating formalized queuing systems (or by combination of the two).

Table 13.1 links these five approaches to the three basic situations of insufficient capacity relative to demand, sufficient capacity, and excess capacity.

Table 13.1 : ALTERNATIVE DEMAND MANAGEMENT STRATEGIES FOR DIFFERENT CAPACITY SITUATIONS

Approach Used to Manage Demand	*Capacity Situation Relative to Demand*		
	Insufficient Capacity (Excess Demand)	*Sufficient Capacity* (Satisfactory Demand)*	*Excess Capacity (Insufficient Demand)*
Take up action	Unorganized queuing results. (May irritate Customers and discourage future use.)	Capacity is fully utilized. (But is this the most profitable mix of business?)	Capacity is wasted. (Customers may have a disappointing experience for services like theater.)
Reduce demand	Pricing higher will increase profits. Communication can be employed to encourage usage in other time slots. (Can this effort be focused on less profitable / desirable segments?)	Take no action	Take no action
Increase demand	Take no action, unless opportunities exist to stimulate (and give priority to) more profitable segments.	Take no action, unless opportunities exist to stimulate (and give priority to) more profitable segments.	Price lower selectively (try to avoid cannibaliz ing existing business; ensure all relevant costs are covered). Use communications and variation in products / distribution (but recognize extra costs, if any, and make sure appropriate trade-offs are made between profit ability and usage levels).
Inventory demand by reservation system	Consider priority system for most desirable segments. Make other customers shift (a) to outside peak period or (b) to futur peak.	Try to ensure most profitable mix of business.	Clarify that space is available and that no reservations are needed.
Investory demand by formalized queuing	Consider override for most desirable segments. Seek to keep waiting customers occupied and comfortable. Try to predict wait period accurately	Try to avoid bottleneck delays.	Not applicable.

• "Sufficient capacity" may be defined as maximum available capacity or optimum capacity, depending on the situation.

Unit – III: Service quality Management: Service Quality Audit – GAP Model of Service Quality– Total quality Services Marketing – Service Excellence, Pricing of Services – Pricing Strategies Linked to Value Perceptions.

Service Quality Management

Managing the quality of products and services is very important to ensure that the business excels in meeting the customer requirements and achieves organizational goals. Whether it’s a manufacturing firm producing hardware or a software company providing services to clients, quality management is the very essence of continuous improvement and business growth. We can trace back the origins of modern quality management principles to Henry Ford’s process and quality management practises that he used in the company’s production lines. However, after the Second World War, it was Japan that emerged as the strongest proponent of Quality Management as they rebuilt their economy with the help of great statisticians and engineers like Shewhart, Deming and Juran.

By combining quality control techniques and statistical process control methods, several quality management principles were formulated that are to this day used in industries across the world

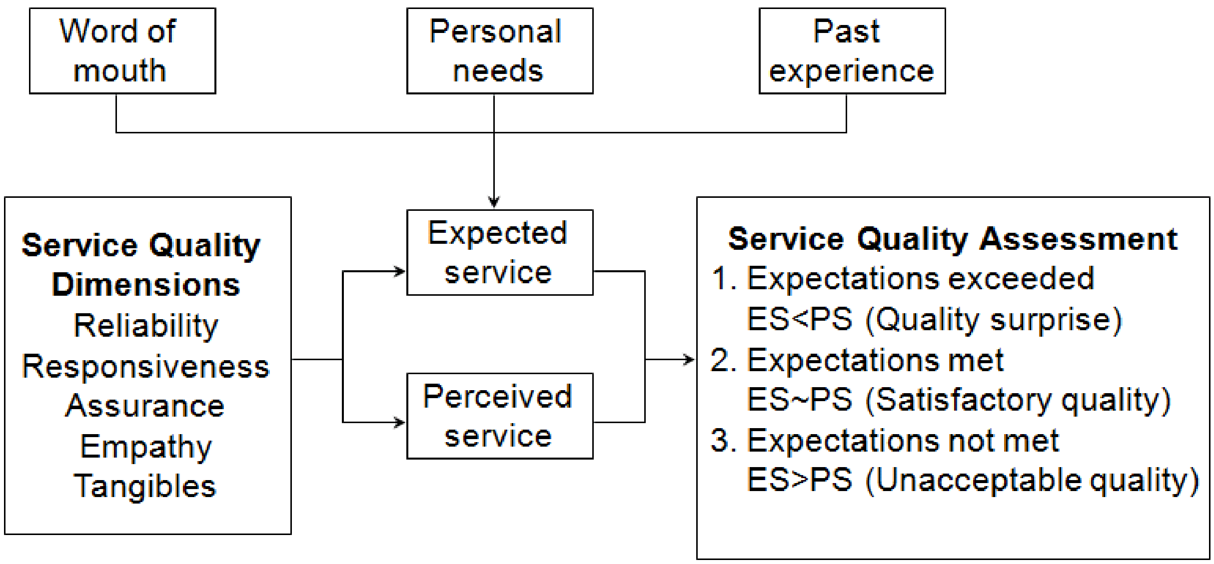
While product quality is measured through its ability to meet the user’s requirement and the value of its features and characteristics, service quality is more of a comparison of the customer expectations and the service performance. Though the principles of improving product quality are applicable to services as well, it’s very important to know the focus areas of improvement with respect to increasing customer satisfaction when it comes to service quality management. This can be done by measuring the gap between customers’ expectations and how they perceive the services offered to them. The larger the gap size, the more improvements to be made.

Dimensions of Service Quality

The dimension of service quality is listed below and Table 15.1 gives example of how these are used by customers to evaluate service quality.

1. Tangibles:

The physical appearance of the facilities, staff, buildings, etc., e.g. Does the equipment appear modern? How clean is the waitress’s apron?



2. Reliability:

The ability to reproduce the same level of service again and again e.g.. Is feedback regarding student progress always given? Are messages always passed on?

3. Responsiveness:

The speed with which queries etc. and dealt with e.g.. Are letters replied to by return of post, or does it take a month? Is feedback on assignments given within a week in time for students to assimilate the information, or does the feedback come too late, after the examination has been taken?

4. Communication:

The clarity and understandability of the information given to the client, e.g. Does the doctor take the time to explain in terms the patient can understand, what is going to happen next? Does the solicitor explain clearly what the legal jargon means?

5. Credibility:

The trustworthiness of the service provider, e.g. Does the newspaper reporter report all the facts or only those which support his/her argument? Does the financial adviser present all the options or only those which earn him/her the most commission?

6. Security:

The physical safety of the customer or privacy of client information, e.g. Are the medical records of patients kept confidential? Are the stands in the football ground strong enough to support the weight of all the supporters?

7. Competence:

The actual technical expertise of the service provider, e.g. Is the doctor really qualified to perform heart surgery? Does the financial adviser have sufficient knowledge of all the relevant tax regulations?

8. Courtesy:

The attitude of the service provider and manner adopted by the server, e.g.. Is the receptionist friendly, helpful and polite? Does the doctor treat the patient as an inferior being?

9. Understanding:

How well the provider of the service understands the client’s needs e.g. .Does the bank recognize that most clients cannot get to the bank in working hours? Are there mirrors positioned in the hotel bathrooms which allow guests to see the back of their hair?

10. Access:

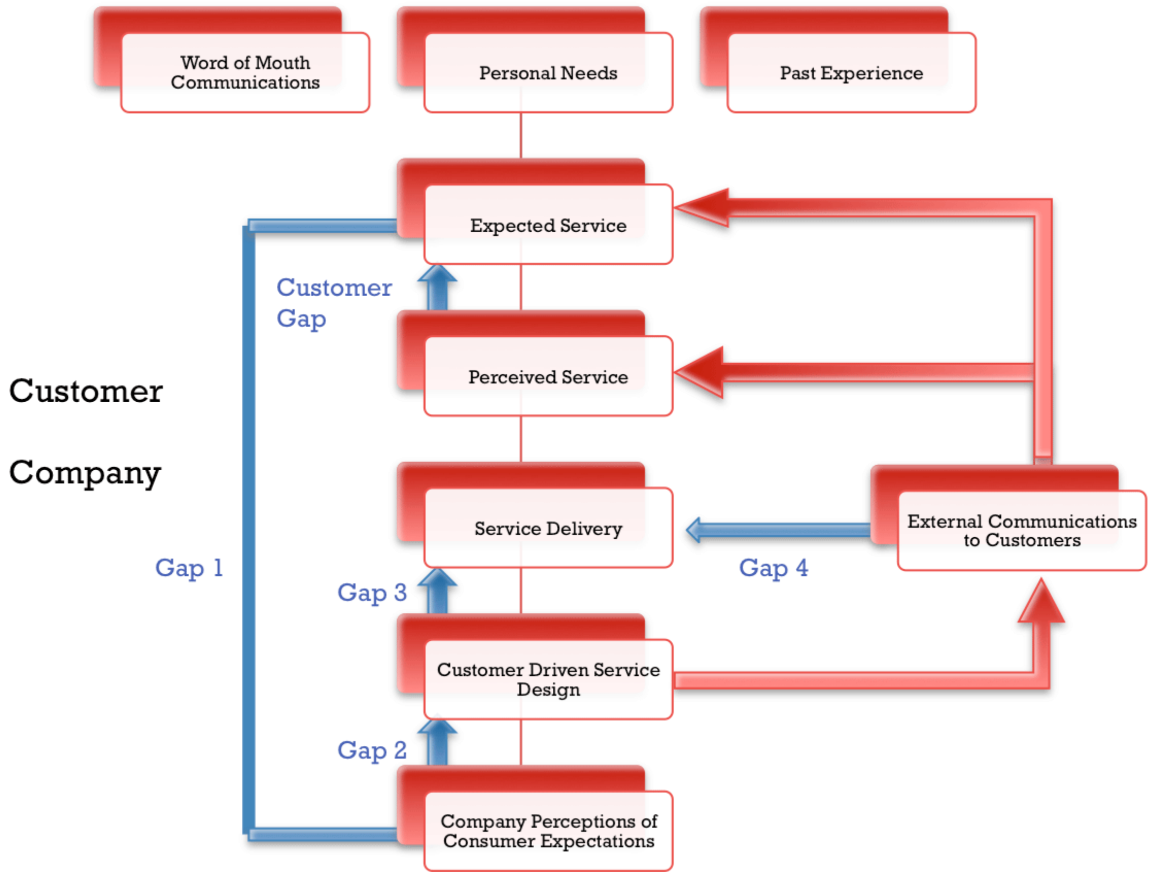
How easy is it to reach the service provider, geographically or by phone, e.g Are there car parking facilities close to the solicitor’s office? Does it always take five attempts to get the solicitor on the phone?

Table 15.1 : GENERIC DIMENSIONS USED BY CUSTOMERS TO EVALUATE SERVICE QUALITY

Dimension	*Definition*	*Examples of Questions That Customers Might Raise*
Credibility	Trustworthiness, believability honesty of the service provider	- Does the hospital have a good reputation? - Does my stockbroker refrain from pressuring me ?
Security	Freedom from danger, risk, or doubt	- Does the repair firm guarantee its work? - Is it safe for me to use the bank's ATMs at night? - Is my credit card protected against unauthorised use? - Can I be sure that my insurance policy provides complete coverage?
Access	Approachability and ease of contact	- How easy is it for me to talk to a supervisor when I have a problem? - Does the airline have a 24- hour toll-free phone number? - Is the hotel conveniently located?
Communication	Listening to customers and keeping them informed in language they can understand	- When I have a complaint, is the manager willing to listen to me? - Does my doctor avoid using technical jargon? - Does the electrician call when unable to keep a scheduled appointment?
Understanding the customer	Making the effort to know customers and needs	- Does someone in the hotel recognize me as a regular customer? - Does my stockbroker try to determine my specific financial objectives? - Is the moving company willing to accommodate my schedule?
Tangibles	Appearance of physical facilities, equipment, personnel, and commu nication materials	- Are the hotel's facilities attractive? - Is my accountant dressed appropriately? - Is my bank statement easy to understand?

GAP ANALYSIS OF SERVICE QUALITY

Managers have to match perceived services with expected service or customer expectations with customer perceptions in order to successfully achieve customer satisfaction. GAP analysis helps the managers to analysis the gaps between customer expectations of services and customer perception of service. This model was developed by Parasuram, Berry, and Zeithaml in 1985.



Gap 1: is the distance between what customers expect and what managers think they expect - Clearly survey research is a key way to narrow this gap.

Reasons:

1. Inadequate market research
2. Lack of upward communication in the organization
3. Insufficient focus on customer relationships
4. Not knowing what customer expects
5. Inadequate service recovery

This cap can be narrowed through adequate research programmes to find customer needs and the sources of their expectations and to improve the communication system.

Gap 2: is between management perception and the actual specification of the customer experience - Managers need to make sure the organization is defining the level of service they believe is needed.

Reasons:

1. Poor service design
2. Absence of customer driven standards
3. Lack of management commitment to satisfy the customer
4. Lack of intangible evidence

This gap can be closed by standardizing service delivery process wherever possible and also setting proper organizational goals and to realize that customer is of prime important.

Gap 3 : is from the experience specification to the delivery of the experience - Managers need to audit the customer experience that their organization currently delivers in order to make sure it lives up to the spec.

Reasons:

1. Human resource problem
2. Failure to match market demand and market supply
3. Customers are unaware of their roles and responsibilities
4. Service intermediaries problems

This gap can be closed through employee questionnaire, that address their perceived ability to deliver to established standards.

Gap 4: is the gap between the delivery of the customer experience and what is communicated to customers - All too often organizations exaggerate what will be provided to customers, or discuss the best case rather than the likely case, raising customer expectations and harming customer perceptions.

Reasons:

1. Lack of integrated service marketing communications
2. Ineffective management of customer expectations by managers
3. Over promising by the organization
4. Inadequate horizontal communication within the organization.

This can be reduced by efficient and effective communication system and also by not inflating promises to customers leading to higher expectations.

Gap 5 : is the gap between a customer's perception of the experience and the customer's expectation of the service - Customers' expectations have been shaped by word of mouth, their personal needs and their own past experiences. Routine transactional surveys after delivering the customer experience are important for an organization to measure customer perceptions of service.

Reason for the gap 5 is the association of the gap 1 to 4 and can be bridged by closing all the above four gaps.

Service quality management

Service quality narrow down the goals of service quality management as

1. To maintain a consistency in service delivery so that all elements are under control and achieve the same desired results the first time and every time
2. To meet the customers rising expectation through the introduction of the new services and enhancement of the existing ones.

The service quality management process involves

1. Setting the right standard
2. Organizing and implementing quality service
3. Monitoring service quality

SETTING THE RIGHT STANDARD:

Setting right standard is vital for service based business organization. Quality standard is not just related to manufacturing, it covers all functions of the organization as very function has impact on the customer satisfaction levels. Apart from the national and international standards like ISO9000, service firms set standards based on the market research conducted on focused customer groups.

Some organizations use benchmarking as the quality standard of the firm, it examines the service quality of the other firms and can help in achieving the desired standards.

IMPLEMENTING THE QUALITY SERVICE

Once the quality standard are set then implementing the standards become vital process of the business organization. Kotler outlines the following requirements for successful implementations of service quality programme.

1. Entire organization should be customer focused
2. Total commitment to quality by the management
3. Good internal communication system
4. Set methods for evaluating performance of the staff
5. Develop adequate feedback system form both external and internal customers

Total quality management: TQM allows an organization to make a critical assessment of the services of the firm in terms of the process it adopts to deleiver the service and also the people involved in delivering the service.

TQM adopt the following four principles:

1. Definition of customer requirements – this can help in meeting the need and wishes of the customer exactly
2. Prevention, not correction – it is better to prevent the errors in service providing the customer rather than correction at delivery stage
3. Performance standards and zero defects – set quality standards which ensure zero defects helps in reaching the customer
4. Measurement – measuring target performance with actual helps in improving the service quality.

MONITORING SERVICE QUALITY:

It is very important to monitor the implemented standards of service to achieve goals of the firm. To monitor service quality firms use certain tools and techniques some of them are

Statistical tools: punctuality, waiting time, delivery status etc are vety much difficulty to monitor. In this case firms can measure the quality by using simple statistical tools and display the results in the form of a chart.

Ex: scheduling models for telephone response centers can predict staffing levels needed to maintain, say a three-second response.

Quality function deployment: it is a disciplined approach to transform customer requirements, the voice of the customer into product/service development requirement. It brings together what customers want and how their requirements can be delivered.

Internal performance analysis: It is undertaken by the all organizations to measure the success of their planning and also quality of service. Sales figures, internal reporting data, job appraisal and levels are key indicators to quality performance.

Customer satisfaction analysis: This is the most important analysis and is collected in the form of feedback and follow up survey. Focused group discussions and other market research techniques can be utilized to ask customer directly about their satisfaction of the service quality.

PROBLEMS OF SERVICE QUALITY CONTROL

Quality management concepts are basically simple but in reality managing service quality is a difficult task. Service businesses are blamed to miss out on quality more often than manufacturers. Here are the some important areas why service firms fail to provide quality service.

People Oriented: The delivery of service involves both the service provider and customer. The mood, emotions and willingness plays a vital role in delivering services and sometimes these factors become barriers in delivery of services.

Lack of support: The front line staff plays a significant role in interacting with customers and they must be motivated and supported by the backstage supervisors. Front line staff should be sufficiently trained and well managed while meeting with customers because they are the first impressive factor in customer and as well as firm mind.

Lack of communication: There should be a two way communication in service providing firms. Sometimes customers who are not satisfied with the service will not complain and they may annoyed to visit again and this forces firms into a vicious circle of quality deterioration.

Lack of quality behavior: Quality maintenance should be maintain for lasting rather confined to limited frame work of time. It will reflect in business success.

Unit – IV: Service Distribution – Managing Physical Evidence – Internal Marketing.

The service offered by the service provider must be transferred to the consumers for their use. Distribution is the process of transfer of goods or services from place of production to the place of consumption.

Different channels are used in transporting tangible goods. Services are often inseparable from the provider and cannot be stored or transported, not they can be owned, their ownership or title cannot be passed along the cannel line. The service provider must be present to deliver the service or find a representative to act on his behalf and deliver the services according to their specification like doctor, lawyers etc.

LOCATION OF SERVICE PREMISES

Location decisions have been based on intuition, with a considerable range of success. Site selection is the most important factor as the service provider need to check availability, leasing etc. following factors need to be considered while selecting location.

1. Who are target customers
2. Degree of interaction required between the provider and customer in the process of delivery.
3. Convenience of accessibility is also important while selecting service as it should be in right location
4. Need to decide whether the service is techonology based or people based.
5. Competitors nearby

FACTORS AFFECTING CHOICE OF LOCATION

Nature of service:

Features of service are inseparable from the service provider, and the degree of inseparability varies form firm to firm. In such situations there is a less flexibility and more cost involved in the process of location selection. In the process of delivering perishable services, place plays a major role and it should be accessible to all the customers of target.

Nature of interaction

If the interaction is necessary between the service provider and the customer then place plays an important role as the firm provides service at the customer place or at the service provider. In case of bank or restaurant place should be convenient to the customer. In case of repairs or cleaning place is on the part of customer and is cost effective.

Customers Demand

Some group of customers rate the service based on convenience as major criteria for service and others may want some special features, in such situations segmentation based place is need for delivering service.

Natural geographic location

Some services like holiday resorts and hill –stations provide service based on geographical location as they need sea shore and good environment and should provide joyful to the customers.

Technological advancements

Some services like banks and insurance sectors need advanced technology as a major factor in selection of place as in case of banks ATMs should be accessible to the customers.

Dependency on other services:

Some services associated with other services also. For example in hospital services it is associated with diagnostics laboratories and pharmacy etc.

DISTRIBUTION CHANNELS IN SERVICE DELIVERY

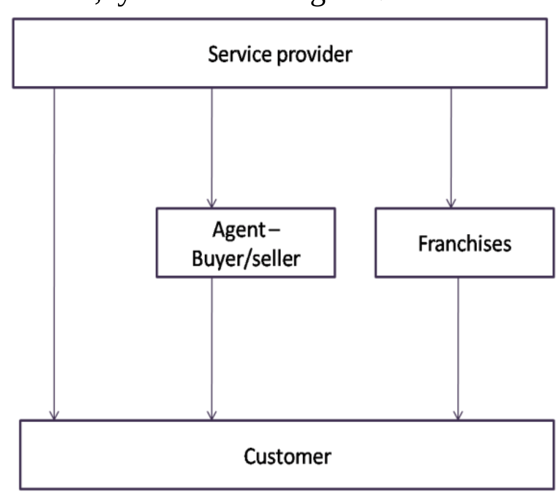
Using a combination of distribution channels for your service business can help you manage demand for your services. You can choose different channels to reach various market segments and develop different pricing strategies that correspond to the income of market segment members. Such a strategy allows you to access new markets while bridging temporary reductions in demand through a low-cost channel.

Direct Sales

The direct sales channel allows you to contact your customers without any intermediaries through visits, mail order or online and have complete control over presentation of your offers and pricing. As you interact with your customers, you receive direct feedback on what you are proposing and you can adjust your marketing accordingly. The disadvantage, if you don't use other distribution channels, is that demand will fluctuate and your employees will sometimes be overloaded and at other times have little work. Ideally, you plan for your service capacity to exceed expected direct sales and use other channels to fill in the gaps.

Agent

If you don't want to worry about marketing your services, you can use agents. These sales professionals either act as individual contractors or work for an agency. The agents provide you with customers for your services and take a commission. Depending on your agreement with the agents, they may offer your services exclusively or have a number of service providers that they offer to customers. You still have good customer contacts when you carry out the work, but you have no information about the customers that didn't order your services.



Partner/Franchise

When you partner with a related, non-competing business, you offer your services within the framework of the partner's operations. For example, you could offer computer repair services through a local computer store or installation services for the home through a hardware chain. The benefit of such a channel is that you reach a lot of customers via your partner, but not having an independent business with your own customers is a disadvantage.

Opaque Distribution

You may want to serve a low-cost market but keep your higher-margin customers, or you may want to bridge a temporary drop in demand by selling your services at a discount. You can achieve such two-tier pricing by using an opaque distribution channel. The channel is opaque because the customers don't know you are offering the services at a lower price. The opaque reseller is reselling in his own name but offering your services. The travel and hotel industry is an example of widespread use of opaque resellers to dispose of surplus airline seats, cruise capacity or hotel rooms by selling through third-party discount agencies. You can cover your costs with the opaque channel and make profits on the services you sell at a higher price in your own name.

PHYSICAL EVIDENCE

Services as we know are largely intangible when marketing. However customers tend to rely on physical cues to help them evaluate the product before they buy it. Therefore marketers develop what we call physical evidence to replace these physical cues in a service. The role of the marketer is to design and implement such tangible evidence. Physical evidence is the material part of a service.

Physical Environment

The physical environment is the space by which you are surrounded when you consume the service. So for a meal this is the restaurant and for a journey it is the aircraft that you travel inside. The physical environment is made up from its ambient conditions; spatial layout and functionality; and signs, symbols, and artefacts (Zeithaml 2000).

Ambience

The ambient conditions include temperature, colour, smell and sound, music and noise. The ambience is a package of these elements which consciously or subconsciously help you to experience the service. Ambience can be diverse. The ambience of a health spa is relaxing and calm, and the music and smells underpin this experience. The ambience of a nightclub will be loud noise and bright lights which enhance this customer experience, obviously in a different way. The marketer needs to match the ambience to the service that is being delivered.

Spatial Layout

The spatial layout and functionality are the way in which furniture is set up or machinery spaced out. Think about the spatial layout of your local cinema, or a church or temple that you have visited and how this affects your experience of the service. Functionality is more about how well suited the environment is to actually accomplish your needs. For example is the seat in the cinema comfortable, or can you reach your life jacket when on an aircraft?

Corporate branding (signs, symbols and artefacts)

Finally corporate image and identity are supported by signs, symbols and artefacts of the business itself. Examples of this would be the signage in Starbucks which reassures the consumer through branding. When you visit an airport there are signs which guide you around the facility smoothly, as well as statues and logos displayed throughout the complex. This is all important to the physical evidence as a fundamental element of the services marketing mix.

There are many examples of physical evidence, including some of the following:

- The building itself (such as prestigious offices or scenic headquarters). This includes the design of the building itself, signage around the building, and parking at the building, how the building is landscaped and the environment that surrounds the building. This is part of what is known as the servicescape.
- The interior of any service environment is important. This includes the interior design of the facility, how well it is equipped, internal signage, how well the internal environment is laid out, and aspects such as temperature and air conditioning. This is also part of the servicescape.
- Packaging.
- Internet/web pages.
- Paperwork (such as invoices, tickets and dispatch notes).
- Brochures.
- Furnishings.
- Signage (such as those on aircraft and vehicles).
- Uniforms and employee dress.
- Business cards.
- Mailboxes.
- Many others . . .

A sporting event is packed full of physical evidence. Your tickets have your team's logos printed on them, and players are wearing uniforms (i.e. the team colors/colours and clothing). The stadium itself could be impressive and have an electrifying atmosphere. You travelled there and parked quickly nearby, and your seats are comfortable and close to restrooms and store. All you need now is for your team to win!

Some organizations depend heavily upon physical evidence as a means of marketing communications, for example tourism attractions and resorts (e.g. Disney World), parcel and mail services (e.g. UPS Courier Services), and large banks and insurance companies (e.g. Lloyds of London). This is important to their corporate image. Of course there are other examples with a slightly more tangible offering such as Rolls-Royce motor cars and P&O cruises.

Elements:

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

Table 9.1 : ELEMENTS OF PHYSICAL EVIDENCE

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

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

Table 9.2 : EXAMPLES OF PHYSICAL EVIDENCE FROM THE CUSTOMERS POINT OF VIEW

Service	*Physical Evidence*	
	Servicescape	*Other Tangibles*
Insurance	Not applicable	Policy itself Billing statements Periodic updates Company Brochure Letters/Cards
Hospitals	Building exterior Parking Signs Waiting areas Admissions office Patient care room Medical equipment Recovery room	Uniforms Reports/stationery Billing statements
Airline	Airline gate area Airplane exterior Airplane interior (decor, seats, air quality)	Tickets Food Uniforms
Express mail	Not applicable	Packaging Trucks Uniforms Computers
Child Care Centre	Building exterior Parking Signs and layout Hallways, rooms Equipment Decor, air quality	Brochures Billing statements Food

Role of service evidence:

A distinction is made in services marketing between two kinds of physical evidence:

(a) Peripheral evidence;

(b) Essential evidence.

(a) Peripheral Evidence:

Peripheral evidence is actually possessed as part of the purchase of a service. It has however little or no independent value. Thus a bank cheque book is of no value unless backed by the funds transfer and storage service it represents.

An admission ticket for a cinema equally has no independent value. It merely confirms the service. It is not a surrogate for it. Peripheral evidence 'adds to' the value of essential evidence only as far as the customer values these symbols of service.

The hotel rooms of many large international hotel groups contain much peripheral evidence like directories, town guides, pens, notepads, welcome gifts, drink packs, soaps and so on. These representations of service must be designed and developed with customer needs in mind. They often provide an important set of complementary items to the essential core service sought by customers.

(b) Essential Evidence:

Essential evidence, unlike peripheral evidence, cannot be possessed by the customer. Nevertheless essential evidence may be so important in its influence on service purchase it may be considered as an element in its own right. The overall appearance and layout of a hotel; the 'feel' of a bank branch; the type of vehicle rented by a car rental company; the type of aircraft used by a carrier are all examples of physical evidence.

Managing the Evidence:

Service organizations with competing service products may use physical evidence to differentiate their service products in the marketplace and give their service products a competitive advantage. A physical product like a car or a camera can be augmented through the use of both tangible and intangible elements.

A car can be given additional tangible features like a sliding roof or stereophonic radio equipment; a camera can be given additional tangible features like control devices which enable use in a wide variety of light conditions.

A car may be sold with a long life antirust warranty or cost- free service for the first year of ownership; a camera with a long-life warranty or free lens insurance. Tangible and intangible elements may be used to augment the essential product offer. In fact organizations marketing tangible dominant products frequently use intangible, abstract elements as part of their communications strategy.

Service marketing organizations also try to use tangible clues to strengthen the meaning of their intangible products.

Make the Service more Tangible:

The bank credit card is an example of the tangible representation of the service, ‘credit’. The use of a credit card means:

(a) The service can be separated from the seller;

(b) Intermediaries can be used in distribution thereby expanding the geographic area in which the service marketer can operate;

(c) The service product of one bank can be differentiated from the service product of another bank (e.g. through colour, graphics and brand names like Visa).

(d) The card acts as a symbol of status as well as providing a line of credit.

Make the Service Easier to Grasp Mentally:

There are two ways in which a service can be made easier to grasp mentally.

(a) Associate the service with a tangible object which is more easily perceived by the customer.

This approach may be used in advertising messages where the intangible nature of service is transferred into tangible objects representing that service. These may have more significance and meaning for customers. It is easier for the customer to grasp what their service means compared with competitors.

With this approach it is obviously vital to:

(a) Use tangible objects that are considered important by the customer and which are sought as part of the service. Using objects that customers do not value may be counter-productive.

(b) Ensure that the 'promise' implied by these tangible objects in fact is delivered when the service is used. That is, the quality of the goods must live up to the reputation implied by the promise.

If these conditions are not met, then incorrect, meaningless and damaging associations can be created.

(b) Focus on the Buyer-seller Relationship:

This approach focuses on the relationship between the buyer and the seller. The customer is encouraged to identify with a person or group of people in the service organization instead of the intangible services themselves.

Advertising agencies use account executives; market research agencies assemble client teams; the Bank uses 'personal' bankers. All encourage a focus on people performing services rather than upon the services themselves.

However before a service organisation can translate intangibles into more concrete clues it must ensure that it:

(a) Knows precisely its target audience and the effect being sought by the use of such devices.

(b) Has defined the unique selling points which should be incorporated into the service and which meet the needs of the target market.

Internal Marketing: The Way of Delivering Better Service

Internal marketing is the process of motivating and empowering the employees of a company to work as a team for the overall wellbeing of the customers and thereby the company itself. This is actually the core to success of a company. A harmonized effort within the company is an utmost necessity to provide customers with services at a desired level. If we don't deliver the service we promise in our marketing campaign, we will fail for sure. And we only can keep that promise when all of our employees at all levels realize what actually we are going to deliver.

According to the legendary writers Philip Kotler and Gary Armstrong, "Internal marketing is orienting a motivating customer contact employees and supporting service people to work as a team to provide customer satisfaction." More about Marketing: Marketing: An Introduction (11th Edition)

Burkitt and Zealley said, "The challenge for internal marketing is not only to get the right messages across, but to embed them in such a way that they both change and reinforce employee behavior."

How can we do internal marketing?

1. Aligning the organizational objective with the employee attitude is the most important step in the internal marketing process. We always should keep our employees informed about our goal. We should clearly convey the message to the employees that "this is the purpose for which we are in the market". Then we should take necessary steps so that the employees can harmonize their attitude or behavior.
2. Introducing the core values of the organization is another step. Each and every employee must comprehend the core value of the organization.
3. Coordinating the tasks of every employee is another important step in the entire process. Introduction of the total quality management (TQM) is a great way to achieve this coordination. If the employees don't know what to do; when to do; how to do; for whom to do, then it is very difficult to achieve the organizational objectives. And this lack of coordination parallels to the lack of internal marketing. So coordination must be established.
4. Creating congenial atmosphere is also equally important. We should create such a corporate culture in which every employee can share their views with others, even with the higher authority.
5. Authorizing and empowering the employees facilitate internal marketing. When the employees feel that they are authorized and empowered to take a decision, they can show their intrinsic creativity which ultimately help satisfy the customers. This authorization and empowerment also entail the accountability of the employees.
6. Rewarding the best employee performance is another way to do internal marketing. This also initiates a positive competition among the employees.
7. Nurturing the fair-play policy can ensure active involvement of the employees in the organizational activities which ultimately makes sure the implementation of internal marketing.

If we assume that there are three parts of the entire marketing process, then they might be of: External Marketing, Internal Marketing, and Interactive Marketing. Succinctly the definitions are:

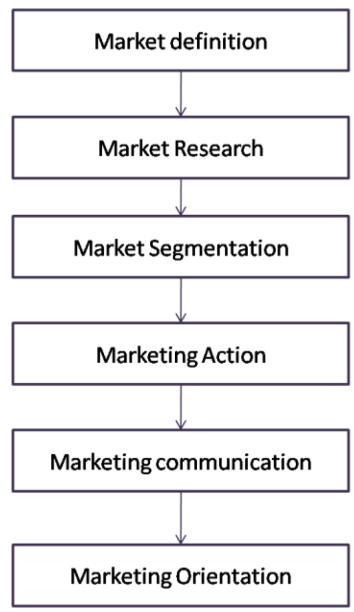
- External Marketing: Our promises to the prospects and customers.
- Internal Marketing: Has been defined in this article. Excuse me, the scholars has defined, not I.

Interactive Marketing: "The way of collecting the valued information from the customers through one to one conversation and then incorporating their thoughts in the marketing campaign."

If we are to achieve our organizational objectives, we must accomplish all three steps. Take an example: your external marketing promises to deliver best ever massage at a reasonable price, somehow your employees are not in good mood, and finally they don't collect the consumer feedback. Just imagine what might be the outcome.

STEPS IN IMPLEMENTING INTERNAL MARKETING

Helen woodrufee explains the steps involved for a successful internal marketing as



Market definition: It is necessary to define who are the internal customers to find out the needs of the customer and how quality service can be provided to them. It reflect the inter departmental and intra departmental relationships and service activities.

Market Research: it is necessary to conduct internal customer feedback survey as external customers survey. This can help in finding the attitude of the employees towards the service and helps in increasing service quality

Market segmentation: using the market research service provider can segment the market easily and it facilitates better training and motivation programmes to the employees.

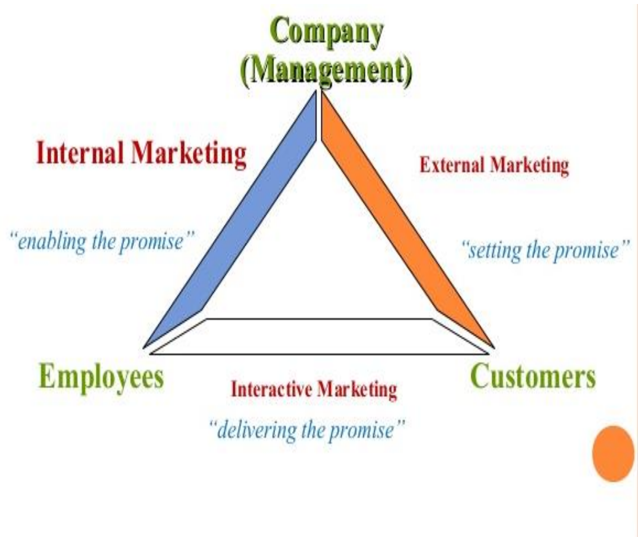
Marketing Action: programmes and features of services should be properly implemented to achieve the goals of the firm, in this connection employees play a major role in implementing these results as they are one of the part of customers and firm.

Marketing Communication: Maintaining proper communication channel helps the front line employees to develop the quality of the service as they are the first meeting of the customers.

Marketing Orientation: Organization goals and mission must be set clearly so as to enable the employees to see his contribution to achieve these objectives.

Unit – V: External Marketing: Word of Mouth Communication. Interactive Marketing: Management of Moments of Truth - Service Deficiencies - consumer Grievance Recovery Strategies.

Service Market Triangle



Service marketing triangle–a dynamic model where there are three interlinked groups that work together to develop, promote, and deliver services. These key players are labeled on the points of the triangle – Company, Customer, Providers. Between these three points on the triangle, there are three types of marketing that must be successfully carried out for a service to succeed – external marketing, internal marketing, and interactive marketing. All these activities revolve around making and keeping promises to customers. For services, all three types of marketing activities are essential for building and maintaining relationships with customers. Those are described below:

External Marketing-Making Promises

Through these efforts a company makes promises to its customers regarding what they can expect and how it will be delivered. Traditional marketing activities such as advertising, sales, special promotions, and pricing facilities this type of marketing, but for services, other factors also communicate the promises to customers. The service employees, the design and decor of the facility, and the service process itself also communicate and help to set customer expectation. Service guarantees and two-way communication are additional ways of communicating service promises. Unless consistent and realistic promises are set via all of these external communication vehicles, a customer relationship will be off to a shaky beginning. Further, if there is tendency to over promise, the relationship may also be off to weak beginning.

Interactive Marketing-Keeping Promises

External marketing is just the beginning for services marketers – promises made just to keep. Keeping promises is the second type of marketing activities captured by the triangle and is the most critical from the customer's point of view. Services promises are most often kept or broken by the employees of the firms or by the third party providers, most often in real time.

Sometimes service promises are even delivered through technology, as discussed a bit later. Interactive marketing occurs in the moment of truth when the customer interacts with the organization and the service is produced and consumed. Interestingly, promises are kept or broken and the reliability of service is tested every time the customer interacts with the organization.

Internal Marketing-Enabling Promises

This is the third phase that takers place through the enabling of promises. In order from providers and service systems to deliver on the promises made. They must have skills, abilities, tools, and motivation to deliver. In other words, they must be enabled. These essential services marketing activity has become known as internal marketing. Promises area to make, but unless providers are recruited, trained, provided with tools and appropriate internal systems, and rewarded for good service, the promises may not be kept. Internal marketing also hinges on the assumption that employee satisfaction and customer satisfaction are inextricably linked.

PROMOTION MIX FOR SERVICES

The promotion element of marketing mix is concerned with activities that are undertaken to communicate with customers and distribution channels to enhance the sales of the firm.

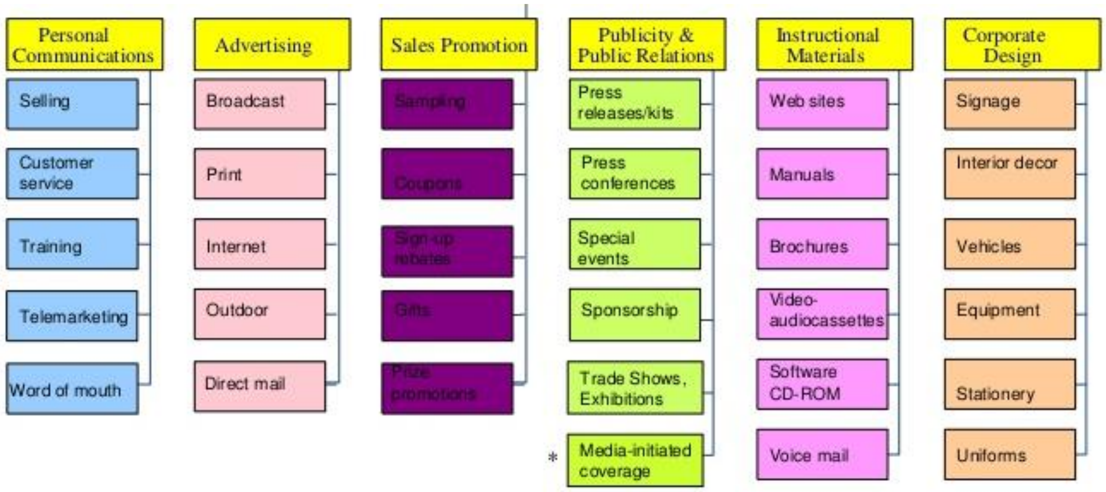
The promotional communication aims at informing and persuading the customer to buy the product and informing him about the merits of the products.

Promotion mix:

It refers to all the decisions related to promotion of sales of products and services. The important decisions of promotion mix are selecting advertising media, selecting promotional techniques, using publicity measures and public relations etc.

There are various tools and elements available for promotion. These are adopted by firms to carry on its promotional activities. The marketer generally chooses a combination of these promotional tools.

Following are the tools or elements of promotion. They are also called elements of promotion mix:



1. Advertising

2. Sales promotion

3. Personal selling

4. Public relation

1. Advertising:

Advertisement can be defined as the "paid form of non-personal presentation and promotion of idea, goods or services by an identified sponsor".

It is an impersonal presentation where a standard or common message regarding the merits, price and availability of product or service is given by the producer or marketer. The advertisement builds pull effect as advertising tries to pull the product by directly appealing to customer to buy it.

From the above definition we can find that the three distinct features of advertising are:

1. Paid Form:

The sponsor has to pay for advertising he has to bear a cost to communicate with customers.

2. Impersonality:

There is no face to face contact between customers and advertiser. It creates a monologue and not a dialogue.

3. Identified Sponsor:

Advertisement is given by an identified company or firm or individual.

Features of Advertising and Advantages/Merits of Advertisement:

(i) Reach:

Advertising can reach a large market. As through various media of advertising there is benefit of mass reach for example, any message given on All India Radio or TV can reach in different corners of the country wherever TV and Radio network is available.

(ii) Choice:

There is wide variety of media available for advertising for video, audio, visual audio, print media etc. Under each category large variety is available for example, in print media we can select from magazines, newspaper, banner etc. This variety or choice helps the marketer to select the media, keeping in mind the target customer.

(iii) Legitimacy:

In advertisement the messages regarding the product or service are given publicly to customers so there is always a proof for it and customers believe that publicly the company will not give false information of the product. The customer feels comfortable to buy a product which is widely advertised.

(iv) Expressiveness:

Advertising provides enough opportunities to marketers to dramatize the message with the help of drawings, colours, pictures, music, dance
etc. They can easily express the use of product through various techniques, and can add multimedia effect also.

(v) Economy:

It is always felt that advertising increases the cost of product or service but advertising is considered economical as compared to other promotional techniques because it reaches masses and if we calculate cost per customer it is very low or nominal.

(vi) Enhancing Customer Satisfaction and Confidence:

Customer feel more assured about quality and feel more comfortable if sponsors claim these benefits in advertising.

Disadvantages of Advertising:

(i) It is an Impersonal Communication/Less Forceful:

In advertising there is no direct communication between the customer and marketer. The marketer assumes that the message is communicated but the audience or customers do not pay any attention to impersonal messages conveyed through advertising. The response of customer cannot be known in advertising.

(ii) Advertising is less effective:

In advertising there is only one way communication i. e., communication from seller only, but two way communication is always more effective as in two way communication the customer gets chance to clarify his or her queries. Sometimes customers have many doubts regarding the use of product, these doubts can be clarified only when there is two way communication.

(iii) Difficulty in Media Choice:

In advertising various media are available. Each media have its own advantages and disadvantages. So the effectiveness of advertisement depends to a great extent on the right choice of media. When choice of media is faulty or wrong no matter how good the advertisement is it will not reach the target customer.

(iv) Inflexibility:

It is very difficult to change advertisement as companies use standardised messages which cannot be changed according to the need of customers.

(v) Lack of Feedback:

The evaluation of effectiveness of advertisement is very difficult as there is no immediate and accurate feedback given by the customers.

Objections to Advertising or Criticism of Advertising:

Advertising has been subject to lot of criticisms. The following are main objections raised on advertisements by a group of people. Along with objections the answers to these objections are also mentioned below:

(i) Effect of Advertising on Values, Materialism and Life Styles:

The major objection on advertisement is that it promotes materialism. The advertisements inform people about more and more products, the use of existing products and the new products are shown dramatically to attract the customers.

This knowledge about more and more products induces the customers to buy more and more products. They start demanding the products which they don’t even require. If there was no advertising we would be less aware of material things and we can be more contented.

We do not agree with this objection as it is wrong to say that a person who is least informed is most contented or satisfied. The advertisement increases the knowledge of customers by informing them about various products along with their utilities.

The advertisement only informs the customers, the final choice of buying or not, lies with the customers only.

(ii) Advertising Encourages Sale of Inferior and Dubious Products:

The advertisements show all types of products irrespective of their quality. With the help of advertising anything can be sold in the market.

The objection to sale of inferior goods is not correct because what is inferior and what is superior depends upon the economic status and preference. Every one cannot afford to buy superior quality expensive products but it does not mean they should not use the product.

The lower income group people satisfy their needs with low cost inferior goods for example; those who cannot afford to buy shoes of Nike or Reebok have to satisfy with local brand only. So it is not advertisements which encourage sale of inferior goods; it is one’s pocket or financial capacity which decides this.

The real criticism of advertisement is that it encourages sale of duplicate products. Some producers exaggerate the use of products and innocent consumers get trapped in and buy duplicate products.

(iii) Advertising Confuses Rather than Helps:

The number of advertisements shown in TV and Radio are increasing day by day for example, if we take TV, there are so many advertisements of different companies shown such as LG, Onida, Sony, BPL, Samsung, Videocon etc. each brand claiming they are the best. These claims by different companies confuse the customer and it becomes very difficult for him to make choice.

We do not agree with this objection because advertisements give wide choice to customers and today's customer is smart enough to know and select the most suitable brand for him.

(iv) Some Advertisements are in Bad Taste:

Another objection to advertisements is that advertisements use bad language, the way they are speaking may not appeal everyone, sometimes women are shown in the advertisements where they are not required for example, a woman in after shave lotion and in advertisements of suiting etc. Some advertisements distort relationship between employer-employee, mother-in-law and daughter-in-law etc. for example, in advertisement of Band Aid, Detergent Bar, Fevistick, etc.

Although those types of advertisements should be avoided but it can't be an objection because good or bad taste differs from person to person. It is a matter of personal opinion as to what was not accepted by yesterday's generation is accepted by today's generation and they may not find it of bad taste.

(v) Advertisement Costs are passed on to the Customers in the Form of Higher Price:

The most serious objection to advertisement is that it increases the price of product because the firms spend a huge amount on advertisement and these expenses are added to cost and consumer has to pay a higher price for the product or service.

This objection is also not correct because with advertisements the demand for product increases which brings increase in sale and this leads to increase in production. With increase in production the companies can get the economies of scale which reduces the cost of production and thus the increase in cost due to expenses on advertisements gets compensated. So if advertisement is used properly it brings reduction in cost the in long run.

2. Sales Promotion:

Sales promotion refers to short term use of incentives or other promotional activities that stimulate the customer to buy the product. Sales promotion techniques are very useful because they bring:

(a) Short and immediate effect on sale.

(b) Stock clearance is possible with sales promotion.

(c) Sales promotion techniques induce customers as well as distribution channels.

(d) Sales promotion techniques help to win over the competitor.

Sales Promotion Techniques for Customers:

Some of the sales promotion activities commonly used by the marketer to increase the sale are:

(i) Rebate:

It refers to selling product at a special price which is less than the original price for a limited period of time. This offer is given to clear off the stock or excessive inventory for example; coke announced 2 liter bottles at Rs 35 only.

(ii) Discounts:

This refers to reduction of certain percentage of price from list price for a limited period of time. The discounts induce the customers to buy and to buy more. Generally at the end of season big companies offer their products at discounted price to clear off the stock e.g., season's sale at Snow-White Jain Sons, Paul Garments, Bhuvan Garments, etc.

(iii) Refunds:

This refers to refund or part of price paid by customer on presenting the proof of purchase for example, Rs 2 off on presentation of empty pack of Ruffle Lays.

(iv) Premiums or Gifts/or Product Combination:

These are most popular and commonly used promotion tool. It refers to giving a free gift on purchase of the product. Generally the free gift is related to product but it is not necessary for example, Mug free with Bourn vita, Shaker free with Coffee, Toothbrush free with Toothpaste, etc.

(v) Quantity Deals:

It refers to offer of extra quantity in a special package at less price or on extra purchase some quantity free for example, buy three get one free e.g., this scheme of buy three get one free scheme is available on soaps.

(vi) Samples:

It refers to distribution of free samples of product to the customers. These are distributed when the seller wants the customer must try the product. Generally when a new product is launched for example, when Hindustan Level launched Surf Excel it distributed the samples as it wanted the customers to try it.

(vii) Contests:

It refers to participation of consumers in competitive events organised by the firm and winners are given some reward for example, Camlin Company organizes painting competition, Bourn vita quiz contest and some companies organise contest of writing slogans and best slogan is awarded prize.

(viii) Instant Draws and Assigned Gifts:

It includes the offers like 'scratch a card' and win instantly a refrigerator, car, T-shirt, computer etc.

(ix) Lucky Draw:

In this draws are taken out by including the bill number or names of customers who have purchased the goods and lucky winner gets free car, computer, A.C., T.V., etc. Draw can be taken out daily, weekly, monthly, etc.

(x) Usable Benefits:

This includes offers like 'Purchase goods worth Rs 5000 and get a holiday package' or get a discount voucher, etc.

(xi) Full Finance @ 0%:

Many marketers offer 0% interest on financing of consumer durable goods like washing machine, T.V. etc. e.g., 24 easy installments 6 paid as front payment and remaining 18 with post-dated cheques. In these types of scheme customers should be careful about the file charges etc.

(xii) Packaged Premium:

In this type of sales promotion the free gift is kept inside the pack. The gift is kept in limited products but the excitement of getting the gift induces the customer to buy the product for example, gold pendant in soap, gold coin in Tata tea etc.

(xiii) Container Premium:

This refers to use of special container or boxes to pack the products which could be reused by the customer for example, Pet Bottles for Cold Drinks. This bottles can be used for Steering Water, Plastic Jars for Bourn vita, Maltova, etc. which can be reused by the housewives in kitchen.

Merits of Sales Promotion:

1. Attention Value:

The incentives offered in sales promotion attract attention of the people.

2. Useful in New Product Launch:

The sales promotion techniques are very helpful in introducing the new product as it induces people to try new products as they are available at low price or sometimes as free sample.

3. Synergy in Total Promotion Efforts:

Sales promotion activities supplement advertising and personal selling efforts of the company. Sales promotion adds to the effectiveness of advertisement efforts.

4. Aid to other Promotion Tools:

Sales promotion technique makes other promotion techniques more effective. Salesmen find it easy to sell products on which incentives are available.

Demerits of Sales Promotion:

1. Reflect Crisis:

If firm is offering sales promotion techniques again and again it indicates that there is no demand of product which can create crisis situation.

2. Spoil Product Image:

Use of sales promotion tool may affect the image of product as buyer feel that product is of low quality that is why firm is offering incentives.

3. Personal Selling:

Personal selling means selling personally. This involves face to face interaction between seller and buyer for the purpose of sale.

The personal selling does not mean getting the prospects to desire what seller wants but the concept of personal selling is also based on customer satisfaction.

Features of Personal Selling:

(i) Personal Interaction:

In personal selling the buyers and sellers have face to face interaction. This closeness allows both the parties to observe each other’s action closely.

(ii) Two Way Communication:

In personal selling the sellers give information about the product, at the same time the buyer get a chance to clarify his doubts. It is suitable for sale of complex products where buyer wants to interact with the manufacturer.

(iii) Better Response:

When seller is personally explaining the utilities of product to the customers then customer do pay some attention and listen to the information.

(iv) Relationship:

When the seller and buyer come together this may improve relation between the customer and seller. Salespersons normally make friendly relations with the customers.

(v) Better Convincing:

Personal selling is most effective form of promotion because with this the sales person can convince the buyer by demonstrating the use of product and making changes in the product according to the need of customer.

Qualities of a Good Salesman:

The qualities which are commonly found among effective salesman are described below:

1. Physical Qualities:

A salesman must have good health and pleasing personality. He must be well built and free from physical defects. A pleasing and charming personality boosts self-confidence. Good grooming, appropriate dress, clean and tidy appearance and a good posture will go a long way in creating a first impression. More importantly, a salesman must always have a cheerful smile on his face.

2. Social Qualities:

A salesman must have good manners, courtesy in dealing with customers. The practice of greeting and thanking customers, using polite expression are necessary for success in personal selling. He should not be shy or reserved but an extrovert and a good listener. He must have the ability to say the proper things and do the right thing without offending others.

3. Mental Qualities:

A good salesman must have a high degree of intelligence, initiative and foresight. He must be intelligent and imaginative enough to understand the customer quickly and read his mind accurately.

Salesman must have two basic qualities i.e., empathy and ego drive. Empathy means he must have ability to understand the problem from customer's point of view. Ego drive means salesman must pursue sale not just for money but for recognition and personal success. A good salesman must have presence of mind and good common sense.

4. Technical Quality:

The salesman must have full technical knowledge about the product.

5. Other Qualities:

Other qualities, a salesman must possess, are:

(i) A salesman must have a good power of memory and observation.

(ii) A salesman must be honest and should not try to win the customer through false and misleading representation.

(iii) A salesman must be a man of sound character, loyal and dependable. He must perform his duties sincerely.

(iv) The salesman must have wide knowledge about the product he is selling and company he is representing.

(v) He must have capacity to inspire trust.

Role of Personal Selling:

Personal selling plays a very important role in marketing of goods and services. It is important tool for businessmen, customers and society.

1. Importance to Businessmen:

Personal selling is an important tool to increase the sale. It is important for businessman due to following reasons:

(i) Effective Promotion Tool:

Personal selling is an effective tool to increase the sale of product. Salesmen explain the merits of products to customers.

(ii) Flexible Tool:

Personal selling efforts can be changed according to the type of customer salesmen are attending. They may change the offer in varying purchase situations.

(iii) Minimum Wastage of Efforts:

As compared to other methods of promotion in personal selling the wastage of efforts is minimum.

(iv) Consumer Attention:

Through personal selling it is easy to get the attention of customer as there is face to face interaction between salesman and customers.

(v) Relationship:

Personal selling helps to create lasting relationship between customers and sales-persons which help in increasing sale.

(vi) Personal Support:

Through personal selling salesmen can create personal support with the customers. This can improve competitive strength of organisation.

(vii) Very Effective to Introduce New Product:

Personal selling is very effective to introduce a new product as salesman can explain the merits, show the demonstration and clarify the doubts of customers.

(iv) Importance to Customers:

Personal selling is very important from customer's point of view, as customers can get required information about the product from customers. Customers are benefits by personal selling in the following ways:

1. Helps in Identifying Needs:

Salesmen help the customers to discover their needs and wants and they also help customers to know how these needs and wants can be satisfied.

2. Latest Market Information:

In personal selling salesmen provide information regarding the new products available in market, uses of those products etc.

3. Expert Advice:

Customers can get expert advice and guidance in purchasing various goods and services.

4. Induces Customers:

Personal selling induces customers to buy products for satisfying their needs.

(v) Importance to Society:

Personal selling brings following positive effects for society

1. Converts Latest Demand into Effective Demand:

Personal selling creates effective demand which results in increasing sale and more income. With more income there will be more products and services which in turn bring economic growth.

2. Employment Opportunities:

Unemployed youth can work as salesman and earn their livelihood.

3. Career Opportunities:

Personal selling offers attractive career with job satisfaction and security.

4. Mobility of Sales Persons:

Sales people move from one place to other, this promotes travel and tourism industry.

5. Product Standardisation:

With the help of personal selling there can be uniformity of consumption by supplying standardised products.

4. Public Relations:

Apart from four major elements of marketing mix, another important tool of marketing is maintaining Public Relations. In simple words, a public relations means maintaining public relations with public. By maintaining public relations, companies create goodwill.

Public relations evaluate public attitudes; identify the policies and procedures of an organisation with the public interest to earn public understanding and acceptance.

Public does not mean only customers, but it includes shareholders, suppliers, intermediaries, customers etc. The firm’s success and achievement depends upon the support of these parties for example, firm needs active support of middle men to survive in market, it must have good relations with existing shareholders who provide capital. The consumers’ group is the most important part of public as success of business depends upon the support and demand of customers only.

Role, Significance, advantages of public relations:

Public relations are significant in the following ways:

1. Help to convey the policies and programmes of the organisation.

2. Help to collect information about public opinion about the organisation, management activities etc.

3. To overcome the complaints and dislikes of public.

4. To mould people's attitude in favour of organisation.

5. To maintain goodwill and understanding between organisation and public.

6. To build an image of the organisation.

Ways/Methods and Tools of Public Relations:

The companies can use the following tools to improve their relations with public:

1. News:

Sometimes companies get involved in such kind of activities or make such policies so that they get some positive coverage in news. For example, a company's name may be covered in news for reservation of jobs for women or for introducing new technology etc.

2. Speeches:

The speeches given by the leaders of corporate sectors influence various members of public specially banks, shareholders etc. Public relations department creates occasion when the speeches are delivered by the leader of company.

3. Events:

Events refer to organizing press conferences, multimedia presentation, matches, stage shows etc.

4. Written Materials:

Sometimes written materials such as Balance Sheet, Annual Reports, Special documents, Brochures etc. are circulated to various parties to improve and maintain public image of the company.

5. Public Service Activities:

Big business houses often associate themselves with various social service projects such as women welfare programmes, charity shows, up-keeping of parks, planting trees on road side, training schools, running schools, colleges, hospitals etc.

The word-of-mouth communication:

The importance of word-of-mouth communication is shaping expectations of service is well documented. These personal and sometimes non-personal statements made by parties other than the organization convey to customers what the service will be like and influence both predicted and desired service.

Word of mouth tends to be very important in services that are difficult to evaluate before purchase and direct experience of them. Experts (including consumer Reports, friends and family) are also word-of-mouth sources that can affect the levels of desired and predicted service.

Definition: *An unpaid form of promotion in which satisfied customers tell other people how much they like a business, product or service .*

Word-of-mouth advertising is important for every business, as each happy customer can steer dozens of new ones your way. And it's one of the most credible forms of advertising because a person puts their reputation on the line every time they make a recommendation and that person has nothing to gain but the appreciation of those who are listening. What are you doing to make sure your potential ambassadors feel confident enough in your business to recommend it? What are you doing to trigger word-of-mouth?

Here are some tips to help you generate word-of-mouth:

Word-of-mouth is triggered when a customer experiences something far beyond what was expected. Slightly exceeding their expectations just won't do it. You've got to go above and beyond the call of duty if you want your customers to talk about you.

Don't depend on your staff to trigger word-of-mouth by delivering "exceptional customer experience." Good customer service is sporadic, even in the best establishments. The customer who receives exceptional service today can't be sure their friends will receive the same tomorrow, so even the most well-served are unlikely to put their necks on the line and make a recommendation. Deep down, customers know service comes from an individual, not from an establishment. And even the best people have bad days.

Physical, nonverbal statements are the most dependable in triggering word-of-mouth. These statements can be architectural, kinetic or generous, but they must go far beyond the boundaries of what's normal. If you don't want to be average, why do you insist on being normal? Here are some examples of these statements:

- *Architectural.* The piano store that looks like a huge piano, with black and white keys forming the long awning over the long front porch. The erupting volcano outside the Mirage in Las Vegas. A glass-bottom floor that allows customers to see what's happening on the floor below them. Do you remember when McDonalds began building attached playgrounds to all their restaurants? It's worked like magic for more than 20 years.
- *Kinetic.* The tossing of fresh fish from one employee to another at Pike Place Market in Seattle. The magical, twirling knives of the tableside chefs at Benihana. Kissing the codfish when you get "screeched in" at any pub in Newfoundland. (A screech is a loud and funny ceremony during which non-Newfoundlanders down a shot of cheap rum,

repeat some phrases in the local dialect and kiss a codfish. Everyone who visits that wonderful island returns home with a story of being "screeched in.") While it may at first seem like a kinetic word-of-mouth trigger is a violation of #2 above, "Don't depend on your staff...," it's really not. A kinetic word-of-mouth trigger is constantly observable by management. It isn't a "customer service" experience delivered privately, one on one.

- *Generous.* Are you willing to become known as the restaurant that allows its guests to select--at no charge--their choice of desserts from an expensive dessert menu? You can cover the hard cost of it in the prices of your entrees and drinks. Flour, butter and sugar are cheap advertising. Are you the jewelry store that's willing to become known for replacing watch batteries at no charge, even when the customer hasn't purchased anything and didn't buy the watch from your store? Word will spread. And watch batteries cost less than any type of advertising.

Architectural, kinetic, generous: These are the flour, butter and sugar of effective word-of-mouth. Will you put these rich ingredients into the mouths of your potential word-of-mouth ambassadors?

Budget to deliver the experience that will trigger word-of-mouth. Sometimes your word-of-mouth budget will be incremental, so that its cost is tied to your customer count. Other times it'll require a capital investment, so that repayment will have to be withheld from your advertising budget over a period of years. The greatest danger isn't in overspending but in under spending. Under spending on a word-of-mouth trigger is like buying a ticket that only takes you halfway to Europe.

Don't promise it in your ads. Although it's tempting to promise the thing you're counting on to trigger word-of-mouth, these promises will only eliminate the possibility of your customers becoming your ambassadors. Why would a customer repeat what you say about yourself in your ads? You must allow your customers to deliver the good news. Don't rob your ambassadors of their moment in the sun.

Interactive marketing

Interactive marketing is a one to one marketing process that reacts and changes based on the actions of individual customers and prospects. This ability to react to the actions of customers and prospects means that trigger based marketing is dramatically more effective than normal direct marketing.

Interactive marketing is typically 2-12 times more effective than traditional direct marketing.

Interactive marketing is called many things. You may have heard it called **event based marketing** or **event driven marketing** or even **trigger based marketing** but it is all the same idea: reacting to what the customer is doing and driving up marketing effectiveness.

Where would you use interactive marketing?

When you ask people about trigger based marketing they generally think of reacting to some trigger in the customer relationship, such as asking for a loan payout figure for a bank loan. Customers asking for this information may be looking to refinance their loan. The request should trigger some action on your part to try to stop them from leaving.

However, with the growth of inbound marketing and lead nurture campaigns interactive marketing is applicable to all organisations:

- Business to business and Business to consumer
- High transaction and low transactions businesses.
- Pre-sale prospect management and post-sale customer management

Implementing event based marketing

When implementing event based marketing you need to ensure that you have right systems in place and that you address each of the five 5 key steps.

Systems

There are minimum practical systems needed to run any type of event based marketing campaign

- The ability to monitor customer behaviour via a customer database of some type
- The Ability to decide what to do needs a real time, rules based decisioning engine
- The ability to execute in a timely fashion though
  - Campaign management software
  - Email marketing automation software
  - The ability to input to face to face / contact centre channel
- The ability to report on what happened

Processes

There a five key processes needed to implement event based marketing campaigns.

Identify Triggers

Triggers can come from a number of places including data analysis, customer feedback and staff brainstorming. Identifying a set of triggers that is right for your organisation is the first key part of the process.

Create responses

This seems easy but can be one of the hardest parts of the process. When you have identified a potential trigger you need to create a response that will drive the right action.

Evaluate success

Just like any other marketing approach you need to be able to measure and demonstrate success in event driven marketing.

Operationalize

Unlike traditional direct marketing where you might run 10, 20 or 30 campaigns a week / month / quarter, with event driven marketing you may end up running 50, 100 or 300 a DAY. So you will need to automate the process.

Optimtimize

When you are running 300 campaigns a day it is likely that the same customer will be a candidate for more than one campaign. So which campaign to you put them in? That is the question that Optimisation answers.

Moment of truth

Definition

In customer service, instance of contact or interaction between a customer and a firm (through a product, sales force, or visit) that gives the customer an opportunity to form (or change) an impression about the firm.

Every business knows that in order to thrive it needs to differentiate itself in the mind of the consumer. Price has proved inadequate since there is a limit to how much a firm can cut back on its margins. Product differentiation is also no longer enough to attract or retain customers since technological advances have resulted in products becoming almost identical with very few tangible differences from others in the same category. Consequently, marketers have realized the importance of service differentiation as a sustainable strategy for competing for a portion of the customer's wallet.

Service Encounter / 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 favorable moments of truth which in turn are critical for business success.

Moments of Magic and Moments of Misery

Moments of Magic: Favorable 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.

4 stages of moment of truth:

Customers have the upper hand in today's online market.

Contrarily to traditional mass market with which the brands reach out to the customer, in online marketing, it is sometimes the user reaching out to the brand through search engines.

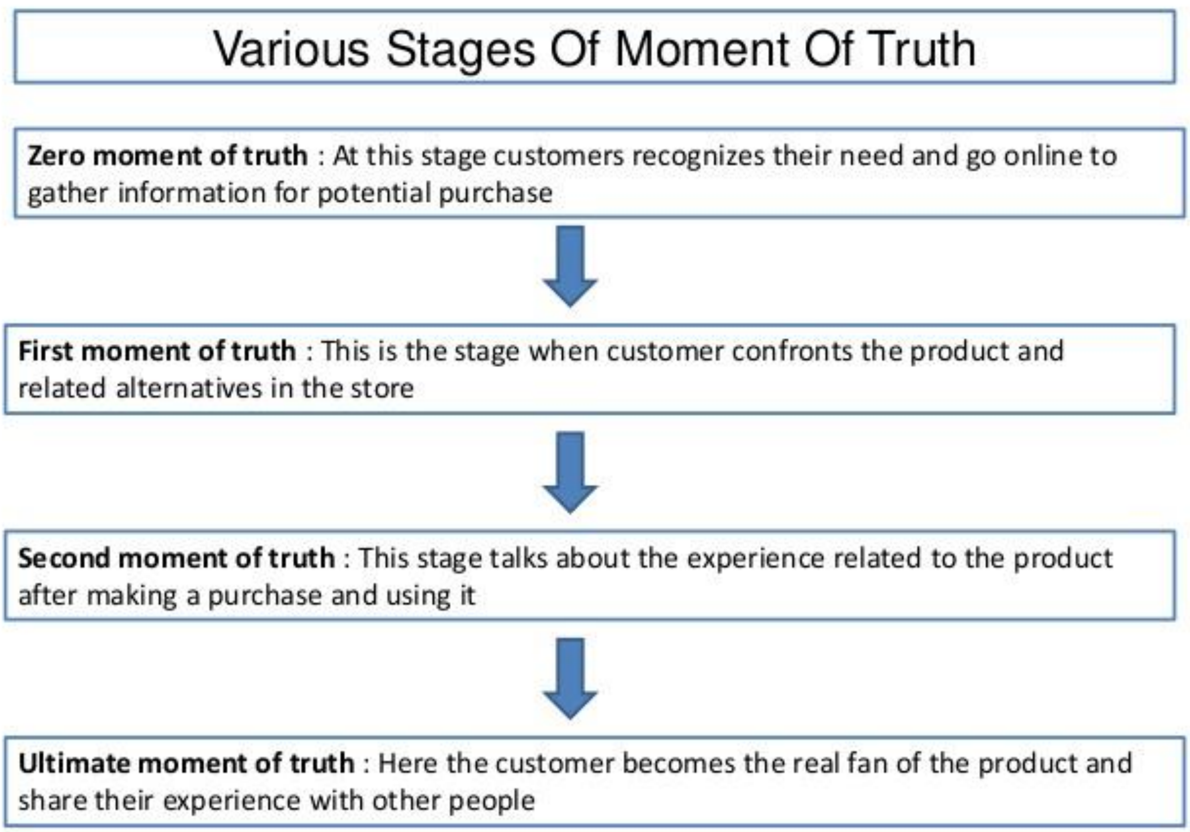
At a time in which users are connected 24/7 through different devices, the customer journey between a brand and a consumer starts even **before the customer is aware of the brand and its products**. It is, therefore, important for a company that wants to compete in the online user experience to be relevant at all costs by using moments of truth marketing.

If you are looking for a way to improve your marketing strategy, try to view the customer journey from a customer perspective.

Being aware of the moment of truths and prepared to interact with your potential customers at those decisive moments is the start to building long-lasting relationships.
There are countless moments of truth in the customer journey. However, JourneyXP selected the most decisive around which you can **build your marketing strategy.**

1. Zero moment of truth

It is important to know what stage of the cycle the customers are going through in order to be relevant and bring them to the next stage of the online journey.
Zero moment of truth has been coined by Google as the moment a customer research a product. However, the online journey starts way before that. Online users can be in contact with a brand even without the intention of researching a product or service.
We will, therefore, use the Zero moment of truth to define the moment the **customer is aware of a problem or a need.** The journey, therefore, starts when the customer is not directly looking for a product but for a solution to a problem.



How to be relevant:

When the customer is not even considering purchasing a product, you need to be visible either online or offline in order to occupy a place in the customers' mind when they will look for information at a later stage.
Writing **relevant and shareable content** is a good way to do it. For example, taking a proactive approach by trying to know the target audience, what are frequently asked questions. This way customers will see you as an expert in the field even before knowing your brand.

Social media ads can also be a good way to reach out to people that are online but not actively. Most social media such as Linkedin and Facebook allows you to segment your audience to optimize the reach of the ad.

2. Researching the product

At this stage, the customer already has an idea of the product he is looking for. However, the choice of the brand or the specificity of the final product is still blurry. The customer is, therefore, making **research and assessing all alternatives.**

How to be relevant:

What will differentiate online marketing between competitors is the quality of information that the company is able to provide about the brand or the products.

The most important source of information is the website. It is, hence, crucial to **know research habits of people** using products within your industry. A basic research on Google Keyword planner can help you define what association of words and what terms are mostly used. The next step would be using those terms on your website to be found more easily on search engines.

Moreover, one of the main reasons for users to follow a social media brand is also seeking information. Providing information about brand and products on social media can increase the reach of your communication as it will also be seen by users that are **not actively researching information**.

If the customer is already in your loop, a newsletter is also a way to share information on new products or new releases.

3. Purchasing the product

It might be tempting to think that once the customer is purchasing, there is no more need for marketing. However, the purchasing is still part of the experience. Providing personalization and assistance can improve the experience of the customer.

How to be relevant

Accompanying the customer from the moment of choosing the product to the usage makes the whole **experience more enjoyable**. For example, by suggesting similar products that could interest the customer based on previous purchases or researches.

The key is also to show customers that they are not just part of a clutter that you will forget once they have made a purchase, but that you know who they are and what they like.

For example, giving information on the delivery until the product has reached the destination or sending teaser on what the customer will experience if you are a service company.

4. Providing feedback

At this stage, the customer has already bought and used the product. Not every customer will provide feedback, but the ones that do, want to **share their opinion with the brand and peers**.

Feedback could be either negative or positive and any company should expect to receive both.

How to be relevant:

A customer who wants to give his opinion can do it on various online channels. Having channels on which customers can provide their feedback makes it easier to **monitor what people think of your brand**. In addition, an onsite customer support or actively reply to social media comments can improve the dialogue between the brand and the customers.

Positive feedback can be a way to promote your brand. For example, some companies have an embedded version of Trustpilot or Tripadvisor on their own website displaying the best reviews.

Mastering moments of truth marketing require an omnichannel view of your communication and an optimum use of the data from customers but also from your own online platforms.

Deficiency in Services

The provisions of Consumer Protection Act, 1986 lays down the meaning of 'service' as service of any description which is made available to potential users and includes, but not limited to, the provision of facilities in connection with banking, financing insurance, transport, processing, supply of electrical or other energy, board or lodging or both, housing construction, entertainment, amusement or the purveying of news or other information, but does not include the rendering of any service free of charge or under a contract of personal service. 'Deficiency' has been defined as any fault, imperfection, shortcoming or inadequacy in the quality, nature and manner of performance which is required to be maintained by or under any law for the time being in force or has been undertaken to be performed by a person in pursuance of a contract or otherwise in relation to any service. The categories of service include Banking, Financing, Insurance, Transport, Processing, Supply of Electrical or other Energy, Lodging, Housing, Construction, Entertainment, Amusement, News or Information.

Service Marketing - Service Recovery & Strategies

In any given context of business services, service failure is inevitable as all services conforms to characteristic of service; Intangible, heterogeneity, Simultaneous production & consumption and perishablility. No two service encounters are precisely alike, hence increases discrepancy from each service encounters. A service failure is usually described as service performance that falls below customer's expectations which will have adverse effects on their satisfaction level for service encounters. Therefore, a service recovery involves taking proactive and reactive actions by the service organization to get things right for the affected customers following a service failure. In order to conduct an effective service recovery from the perspective of organization, they must understand the implications of service recovery and take specific set of actions to conduct effective service recovery tactics and strategies.

Implications to Service Marketing

The implication for service recovery affects service organization in many folds. We can infer the first two implications from Lovelock et al. equation on customer satisfaction as follows:

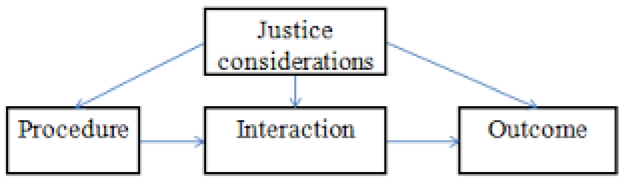
Doing the job right the first time	+	Effective complaint handling	=	Increased customer satisfaction & loyalty

Source: Lovelock, CH, Patterson, PG & Walker RH 2007, *Services Marketing: An Asia-Pacific and Australian perspective,* Pearson, NSW

Firstly, consumer research has shown that resolving a service failure effectively has strong impact on customer satisfaction level, loyalty, positive word-of-mouth and organization performance. Customers who have experienced initial service failures and then experienced high level of excellent service recovery will lead to more satisfaction and loyalty towards the service organization, labeling as a service recovery paradox effect. (Zeithaml, Bitner, and Gremler 2009)

Secondly, a well-designed, well-documented service recovery strategy will aid in the improvement effort for service output, which correlates to 'Doing the job right the first time' that contributes to the increased customer satisfaction and loyalty towards the organization.(Zeithaml, Bitner, and Gremler 2009)

Thirdly, should the service failure not be handled effectively or ignored, customers would be enraged as they are not served their due justice and become 'irates'. These customers are more likely than others to engage in negative word-of-mouth and switch provider. They believe that complaining to the provider can provide social benefits and go through troubles to create blogs and stuffs on internet to share their frustrations with others. Research has found that customers who are dissatisfied will talk to about 18.5 people about it, damaging reputation in the process. The role of Justice in complaint-handling procedure is also not served as shown in the model adopted from S. Tax and S.W.Brown as follow:

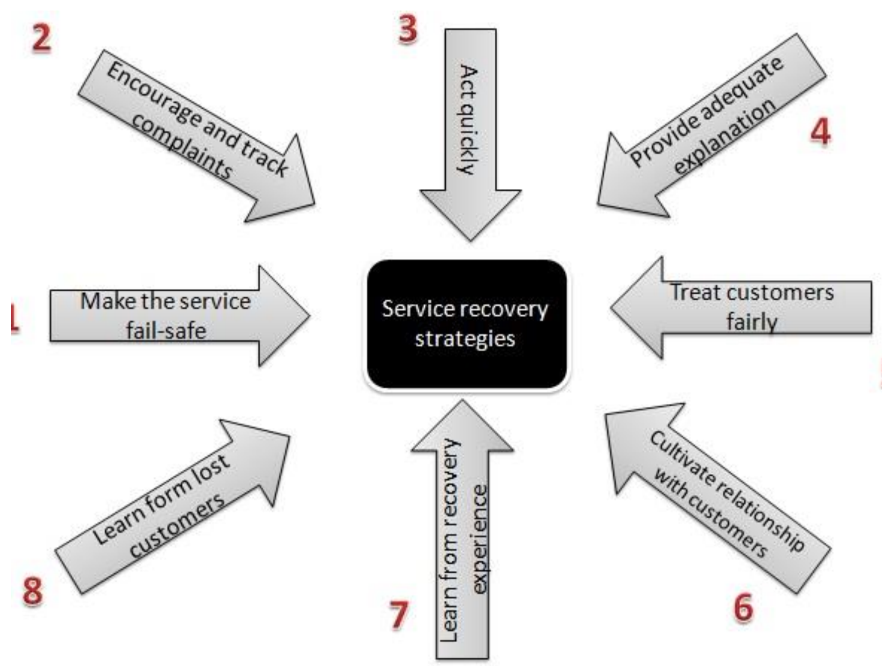


Source: Tax, S and Brown, SW 2000, *Handbook of Services Marketing and Management,*, Sage Publication Inc

Lastly, service employees will also be affected and demoralized should the service failure keeps repeating themselves.

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.

The **second 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 (behavior 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. (Tax and Brown 2000)

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 last strategy is to learn from lost customers through market research and get into the root cause analysis of why they left.