

BALAJI INSTITUTE OF I.T AND MANAGEMENT KADAPA

4TH SEM

SERVICES MARKETING
(1-2.5 Units)

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MASTER OF BUSINESS ADMINISTRATION

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(17E00404) SERVICES MARKETING

(Elective V)

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1: Understanding services marketing: Introduction, Characteristics of services marketing mix, services in the modern economy, Classification of services, marketing services Vs. Physical services.

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- Services Marketing, Srinivasan, PHI.
- Services – Marketing, Operations and Management, Jauhari, Dutta, Oxford.
- Marketing of Services, Hoffman, Bateson, Cengage.
- Service sector Management, C. Bhattacharjee, Jaico.

UNIT-1

UNDERSTANDING SERVICES MARKETING

INTRODUCTION:- A service is the non-material equivalent of a good. A service provision is an economic activity that does not result in ownership but implying an exchange of value between seller and buyer in the market place, and is what differentiates it from providing physical goods.

It is claimed to be a process that creates benefits by facilitating a change in customers, a change in their physical possessions, or a change in their intangible assets.

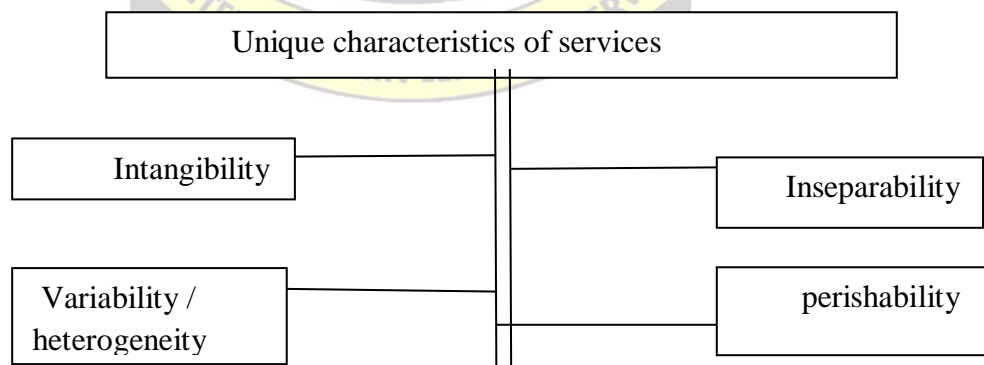
According to zeithaml and bitner, “Service are deeds, processes and performances “.

1.1 CHARACTERISTICS OF SERVICES MARKETING:-

Simply defined, services are a diverse group of economic activities not directly associated with the manufacture of goods, mining or agriculture. They typically involve the provision of human value added in the form of labour, advice, managerial skill, entertainment, training, intermediation, and the like. They differ from other types of economic activities in a number of ways.

Therefore, most service definitions are framed around aspects from a good.

Services possess four unique inherent characteristics not found in goods, apart from the inherent characteristics; services also possess some other characteristics.



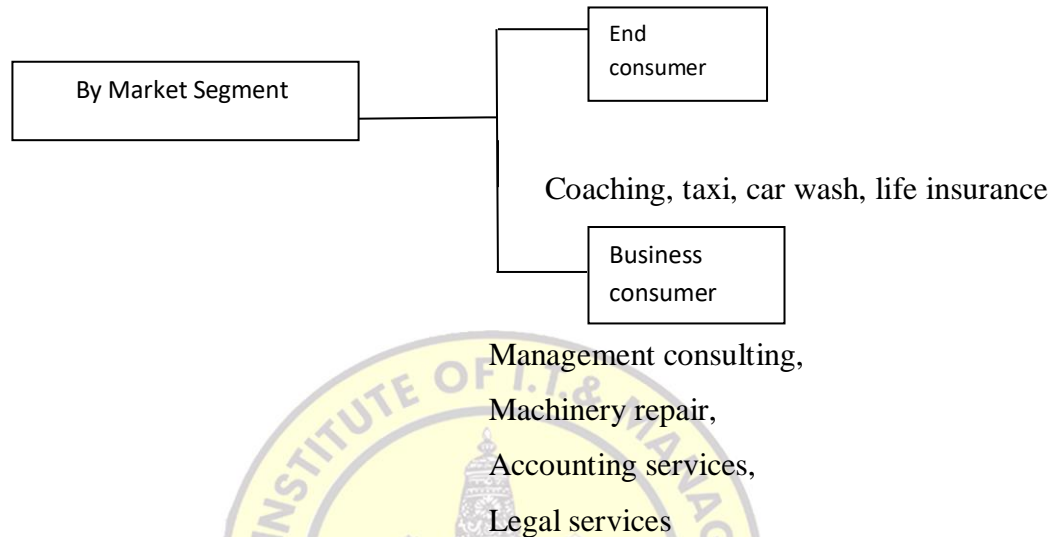
- INTANGIBILITY:-**Service are intangible unlike physical products, they cannot be seen, tasted felt, heard, or smelled before they are bought.
- INSEPARABILITY:-**Inseparability is the next unique feature of services. Some experts refer to it by the term ‘immediacy’. In fact, services are marked by two kinds of inseparability

- i. **Inseparability of production and consumption**
 - ii. **Inseparability of the service form the person who possesses the skill and performs the service.**
- c) **VARIABILITY / HETEROGENCITY:** Service are also marked by variability / individual / heterogeneity. Each service is unique. It is one-time generated, rendered and consumed and can never be exactly repeated as the point in time, location, circumstances, conditions, current configurations and/or assigned resources are different for the next delivery, even if the same service consumer requests the same service. Many services are regarded as **heterogeneous** or **lacking homogeneity** and are typically modified for each service consumer.
- d) **PERISHABILITY – SERVICES ARE PERISHABLE AS WELL:-**Services cannot be stored some doctors charge patients for missed appointments because the service value existed only at that point.
- e) **OTHER CHARACTERISTICS OF SERVICES:-**Apart from the four unique characteristic of services there are some other characteristics of services which are:
- f) **OWNERSHIP:** it is also ownership that makes it significant to market the services in a bit different way. The goods sold are transferred from one place to another, the ownership is also transferred and this provides to the buyers an opportunity to resell.
- g) **SERVICE AS PERFORMANCE:-** While products are produced, services are performed. In most cases, the latter are totally unconnected to any physical product.
- h) **SIMULTANEITY:** - Services cannot be delivered to customers or users. Services do not move through the channel of distribution.
- i) **QUALITY MEASURNEMENT:-**The quality of service requires another tool for measurement. One cannot measure it in terms of service level. It is very difficult to rate quantify the total purchase.
- j) **NATURE OF DEMAND:-**While going through the features of services, one cannot underestimate the factors related to the nature of demand. Generally the services are found of fluctuating nature.
- k) **CUSTOMER INVOLVEMENT:** - In most services, the customer is an integral part of the production process, as he has to be physically present when the service is produced.
- l) **LABOUR INTENSITY:** - Labour intensity is another characteristic of services. In fact, labour is usually the most important determinant of services organization effectiveness.

1.2 CLASSIFICATION OF SERVICES:-

Services can be classified on the basis of following factors:

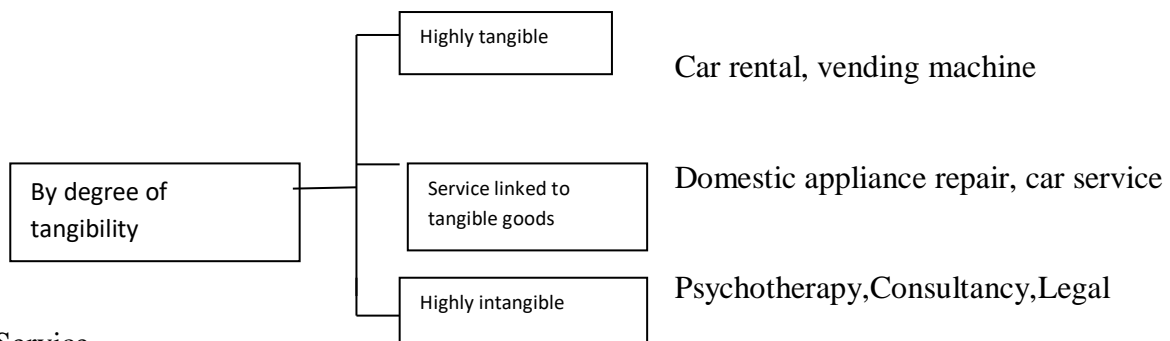
1. BY MARKET SEGMENT: - Services may be different for different market segments as need of these segments are heterogeneous.



Services can be classified into following categories depending on the type of customer who consumes them.

- i) **End consumer services:** - These services are purchased by individual customers for their own consumption for example, beauty care, physiotherapy and hair cutting.
- ii) **Business consumer services:** - These services are also called business to business (B2B) services. These services are purchased by organizations. For example: - market research, consultancy and advertising.

2. BY DEGREE OF TANGIBILITY:-The degree of tangibility also affects the type of services. The classification of services by the degree of tangibility. Services, based on the degree of tangibility can be classified into:-



Service.

i) **Highly tangible:** - In these services, the customer obtains a tangible product in hand, though it may sometimes last for only a small period of time.

ii) **Service linked to tangible goods:** - Some organizations offer a warranty period to customers who purchase products from them.

iii) **Highly intangible:**-These are the services which do not provide customer with any tangible product.

For example, at a massage parlours, the customer might not get anything tangible, except for the relaxing experience. Customer might smell the aromatic oils or feel relaxed while undergoing the massage, but does not get any tangible product.

3. **BY SKILLS OF SERVICE PROVIDERS:** - The skills and talent of service providers have significant effect on type of services.

I) **professional services:** - These services do not require the service provider to be formally trained to deliver the service. For example, the service rendered by a doctor, a pilot, an IT consultant or a corporate trainer.

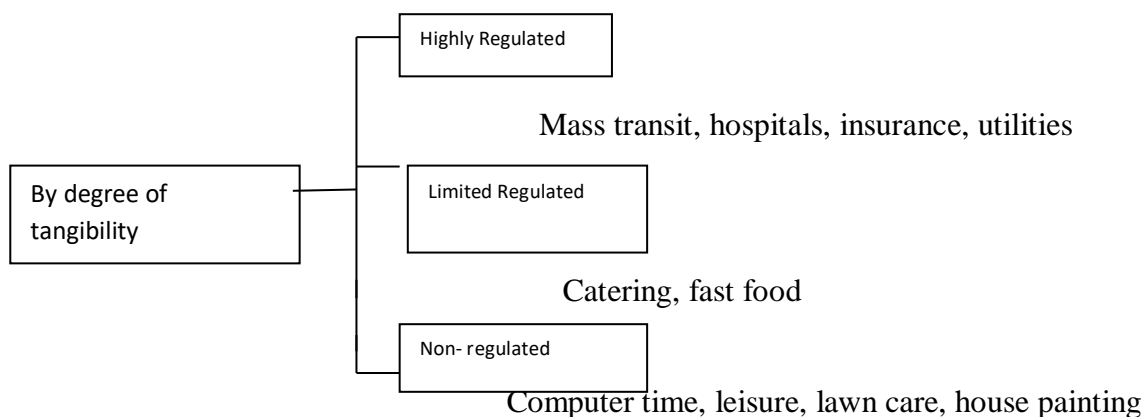
II) **Non- professional services:-** These services do not require the service provider to undergo any training to deliver the service.

4. **BY BUSINESS ORIENTATION:** - Several organizations in the service industry sector may be profit type and may be government sponsored or private.

i. **Non-profit organizations:** These are the services in which the main objective of the service provider is to serve society and not to make profits.

ii. **Commercial organizations:** - These are services in which the main objective of the service provider is to earn revenues and make profits.

5. **BY DEGREE OF REGULATION:** - Services can be classified by the level of regulation imposed by the government. The classification of services by degree of regulation.



Services can be categorized as follows based on the degree of regulation:

i. **Highly regulated:** These services are highly regulated through different policies and rules. For examples, mass transit, hospitals, insurance and utilities etc.

ii. **Limited regulated:** - These are services in which limited regulation is applied. For example, catering, fast foods, etc.

iii. **Non-regulated:** -No regulation is applied on these services. For example, computer time, lawn care, house painting etc.

6. **BY TYPE OF END USERS:** - Services based on type of end users are as follows:

i. **Consumer services:**-Purchased by individuals customer for their own consumption. For example, beauty care, hair cutting.

ii. **Business to business:**-These services are purchased by the organization. For example, market research, advertising.

iii. **Industrial services:** - These services are based on a contract between organization and service providers. For example, machine installation, plant maintenances.

1.3 SERVICE IN MODERN ECONOMY & SIGNIFICANCE OF SERVICES:

- a) **AID TO PRIMARY AND SECONDARY SECTOR:** -Service sector is important for rapid development of primary and secondary sector. Primary and secondary sectors need various kinds of services like transportation, storage, banking, insurance, trade, etc. All these services are provided by service sector.
- b) **CREATES EMPLOYMENT AVENUES:** - Many people earn their livelihood in service sector. This majority of new employment in the organized sector has come in the service sector like software, aviation, entertainment, brokerages, tourism, retail, hospitality, BPOS, etc.
- c) **CONTRIBUTION TO NATIONAL INCOME:** - In the recent past, the contribution of service sector to national income has increased manifold. This sector is the fastest growing sector of Indian economy and this trend is likely to continue in future.

- d) **PROVISION FOR BASIC SERVICES:** - Certain basic services are very essential for the economy: it includes hospitals, educational institutions, post offices, police stations, courts, public transport, telecommunication, banks, insurance companies, etc.
- e) **ADDS TO COMFORTS AND LEISURE:-** Many services like hotels, tourism, entertainment, travel and to comfort and leisure of people. Now many people in India enjoy services as eating in restaurants, travelling to places of tourist interests, etc.
- f) **IMPROVEMENT OF INDIA'S IMAGE:** - Certain services like software development, business process out sourcing (BPO). Information technology enabled services (ITES) have improved India's image in world economy.
- g) **INCREASE IN EXPORTS:** - Because of good performance of service sector, India's exports have increased substantially. As per world trade organization, India has become the tenth largest service exporting country in the year 2006.

1.4 MARKETING SERVICES VERSUS PHYSICAL SERVICES:-

Services and goods are not equivalent. There are a number of salient features that establish a clear cut difference between the two something which can be physically touched, verified, attracted or exchanged with or even without making profits are known as goods. On this basis, goods are food, clothes, books or other domestic and industrial items that can be carried home, can be stored at a place and are tangible.

Basis of differences	Marketing services	Physical services
1.perishability	Services cannot be produced and stock piled (inventoried) before consumption: they exist only at the time of their productive.	Goods have a long storage life and are mostly non-perishable
2.inseparability	With regard to service it is inseparable from the service provider and heterogeneous, where each time the service is offered it	While goods are first produced, then sold and finally consumed it is separable.

	may vary in quality, output and delivery.	
3.variability	Services are highly variable because the quality of service depends on who provides and where and when they are provided	Uneven quality of a product made by the same manufacturer. A manufacturer is responsible for producing products of similar quality, and can be held liable for those that deviate materially from a model, sample or standard
4.Tangibility	When a buyer purchases a service, the buyer is purchasing something that is intangible. For example, an insurance policy.	When a buyer purchases something that is tangible. For example, a computer.
5.trust	More emphasis on trust and confidence as service performance is important.	Less emphasis on trust and confidence as product quantity is important.
6.time	Services by their very nature are time-intensive activities because there is no way to continue providing a service without continuing to invest time performing the service.	When one sells a product, there is time invested to create or acquire the product and then product and then it is sold again and again without further time invested.
7.Deliverability	Service must be created after they're ordered, and delivery times will vary. The challenge with marketing services is being able to convince customers that one can and will deliver quality results within a given period of time.	When one is marketing products, he can give customers a delivery date estimate if they're ordering online or through the mail, and they can walk out the door with the product in hand if they buy it.
8.wants and needs	Services are rarely impulse buys. For example, A lawn care service	Many products can be marketed in ways that trigger impulse

	(or) include convenience and free time as part of their marketing materials, to persuade buyers sign up.	buying. For example, if someone sees a pair of shoes. He/she can suddenly decided to buy them whether they're needed or not.
9.Relationship	Marketing a service based business relies more on building a relationship.	Marketing a product based business relies less on building a relationship.
10.Return ability	Services are not returnable.	Products are returnable.
11Elements	Marketing a service adds three more "p's" to the traditional "4 p's". People, physical evidence, and process.	Marketing a product requires what are known as the "4p's" product, price, place and promotion.

UNIT-1-IMPORTANT QUESTIONS:

- 1) Explain the Characteristics of services marketing mix, & services in the modern economy?
- 2) Why is it important to learn about services marketing?
- 3) Short note on:
 - a. Classification of services,
 - b. Marketing services Vs. Physical services.



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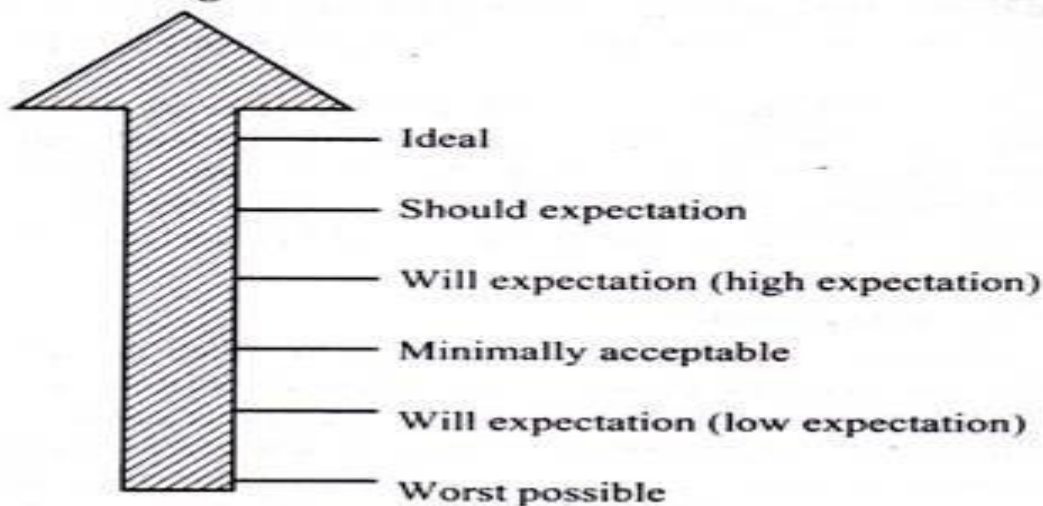
UNIT-2

CUSTOMER EXPECTATIONS OF SERVICE

1.1 SERVICE EXPECTATIONS: MEANING, TYPES AND MODELS!

Satisfaction and delight are both strongly influenced by customer expectations. By “expectations,” behavioral researchers mean an array of possible outcomes that reflect what might, could, should, or had better not happen. There are several different kinds of expectations. Figure 3.1 show a hierarchy of expectations that might exist for a typical customer.

Figure 3.1 : THE EXPECTATION HIERARCHY



The will expectations come closest to the mathematics definition. It is the average level of quality that is predicted based on all known information. This is the expectation level most often meant by customers (and used by researchers). When someone says that “service exceeded my expectations,” they generally mean that the service was better than they had predicted would be:

This should expectation is what customers feel they deserve from the transaction. Very often what should happen is better than what the customer actually thinks will happen. For example, a student may think that each lecture should be exciting, but doubts that a particular day’s lecture actually will be exciting. Or, professors may think that students should be lively and intelligent, but think that actually they will sit in class passively.

The ideal expectation is what would happen under the best of circumstances.

It is useful as a barometer of excellence. On the other end of the scale are the minimally acceptable level (the threshold at which mere satisfaction is achieved), and the worst possible levels (the worst outcome that can be imagined).

Expectations are affected strongly by experience. For example, if the customer has a bad experience, then the will expectation will decline. A good experience will tend to raise the will expectation. Generally speaking, this should expectation will go up, but never decline. Very good experiences tend to bring this should expectations up to that level. Thus expectations change over time, often for the better.

An example of this is the U.S auto industry. General Motors, Ford, and Chrysler had instilled a level of quality expectations in the U.S population that was low by today's standards. Then the Japanese started exporting cars of significantly higher quality.

Expectations jumped, as customers saw that a higher level of quality was possible. The complacent U.S. automakers, making cars of the same quality as always, suddenly found themselves faced with millions of customers who have significantly higher expectations. The result was disastrous for the auto manufacturers. Experience is not the only thing that shapes expectations. Expectations may also be affected by advertising, word of mouth, and personal limitations.

1.2 TYPES OF EXPECTATIONS:

Customer satisfaction reflects the expectations and experiences that the customer has with a product or service. Consumer expectations reflect both past and current product evaluation and user experiences.

Think about any major purchases you've made recently. Did you research your purchase? Did you collect information from advertising, salespersons, friends, associates, or even test the product?

This information influences our expectations and gives us the ability to evaluate quality, value, and the ability of the product or service to meet our needs and expectations.

Customers hold both explicit and implicit performance expectations for attributes, features, and benefits of products and services. The nature of these expectations will dictate the form and even the wording of customer satisfaction survey questions. Let me repeat this: the nature of these expectations will dictate the form and even the wording of your satisfaction questions.

Understanding the following 7 customer expectations from the definitions below is critical *before* you set out to measure customer satisfaction and increase customer loyalty.

1. Explicit Expectations: Explicit expectations are mental targets for product performance, such as well-identified performance standards.

For example, if expectations for a color printer were for 17 pages per minute and high-quality color printing, but the product actually delivered 3 pages per minute and good quality color printing, then the cognitive evaluation comparing product performance and expectations would be $17 \text{ PPM} - 3 \text{ PPM} + \text{High} - \text{Good}$, with each item weighted by the associated importance.

2. Implicit Expectations: Implicit expectations reflect established norms of performance. Implicit expectations are established by business in general, other companies, industries, and even cultures. An implicit reference might include wording such as “Compared with other companies...” or “Compared to the leading brand...”

3. Static Performance Expectations: Static performance customer expectations address how performance and quality are defined for a specific application. Performance measures related to quality of outcome may include the evaluation of accessibility, customization, dependability, timeliness, accuracy, and user-friendly interfaces. Static performance expectations are the visible part of the iceberg; they are the performance we see and—often erroneously—are assumed to be the only dimensions of performance that exist.

4. Dynamic Performance Expectations: Dynamic performance customer expectations are about how the product or service is expected to evolve over time. Dynamic expectations may be about the changes in support, product, or service needed to meet future business or use environments.

Dynamic performance expectations may help to produce “static” performance expectations as new uses, integrations, or system requirements develop and become more stable.

5. Technological Expectations: Technological customer expectations focus on the evolving state of the product category.

For example, mobile phones are continually evolving, leading to higher expectations of new features.

Mobile service providers, in an effort to limit a consumer’s ability to switch to new technology phones, have marketed rate plans with high cancellation penalties for switching providers, but with liberal upgrade plans for the phones they offer.

The availability of low profile phones with email, camera, MP3, blue tooth technology, and increased storage will change technology expectations as well as the static and dynamic performance expectations of the product.

These highly involving products are not just feature based, but *raise expectations* that enhance perceptions of status, ego, self-image, and can even evoke emotions of isolation and fear when the product is not available.

6. Interpersonal Expectations: Interpersonal customer expectations reflect the relationship between the customer and the product or service provider. Person to person relationships are increasingly important, especially where products require support for proper use and functioning.

Support expectations include interpersonal sharing of technical knowledge, ability to solve a problem, ability to communicate, reduced time to problem resolution, courtesy, patience, enthusiasm, helpfulness, assurance that they understood my problem and my situation, communication skills, and customer perceptions regarding professionalism of conduct, often including image and appearance.

7. Situational Expectations: In building a customer satisfaction survey, it is also helpful to evaluate why pre-purchase expectations or post-purchase satisfaction may or may not be fulfilled or even measurable.

The following conditions may be considered:

- Expectations may not include unanticipated customer service attributes that are new to that consumer.
- Expectations may be based on vague images, thereby creating wide latitude of acceptable performance and expected satisfaction.
- Product performance expectations and evaluations may be sensory and not cognitive, as in expectations of taste, style or image. Such expectations are not only difficult to evaluate and understand, but may change over time and with consumption.
- The product use may attract so little attention as to produce no conscious affect or cognition (evaluation). When measured, this results in meaningless satisfaction or dissatisfaction information.
- There may have been unanticipated benefits or consequences of purchasing or using the product (such as a uses, usage situations, or features not anticipated with purchase).
- The original expectations may have been unrealistically high or low.

- The product purchaser, influencer and user may have each been a different type of individual, each having different expectations.

1.2.1 SELECTING THE APPROPRIATE EXPECTATIONS

MODEL:

Expectations are used to develop the performance standards to which the service should be designed. Given the range of expectation types presented above, how do we know which type to use for a particular application? The answer depends on the nature of the service and on the objectives of the firm.

The ideal expectations model is appropriate for services where small imperfections in performance have large consequences. For example, safety inspection procedures for aircraft should be designed to meet ideal, or close to ideal, expectations.

Companies that wish to use the quality of their service as a marketing vehicle should attempt to achieve their process to meet the ideal level. Any firm that wants to compete profitably in the market should adopt the comparative expectations model and design a service that performs at least as well as the competitors, or, in accordance with value-based expectations, should design a service that maximizes the customers' sense of what they get for what they pay.

The normative expectations model is appropriate for the designing a new service for a firm with an already established name or service line. The new service should be designed to match the performance expectations commensurate with the reputation of the firm or of the service line.

In summary, researchers have identified many different kinds of expectations, each of which applies under different circumstances. In practice, there is a need to develop to optimal combination of performance standards that will allow the designed service to satisfy customers, to compare favorably with competitors' services, and to be delivered at a cost that will allow the company to sell the service profitably. Depending on the application, the design or service management team may have to combine different types of expectations in order to define this set of standards. Some examples are presented in Table

Table 3.1 : SERVICE CUSTOMERS WANT THE BASICS

<i>Type of service</i>	<i>Type of customer</i>	<i>Principal expectations</i>
Automobile repair	Consumers	Be competent ("Fix it right the first time"). Explain things ("Explain why I need the suggested repairs - provided an itemized list") Be respectful ("Don't treat me like a dumb female").
Automobile Insurance	Consumers	Keep me informed ("I shouldn't have to learn about insurance law changes from the newspaper"). Be on my side ("I don't want them to treat me like I am a criminal just because I have a claim").
Hotel	Consumers	Provide a clean room ("Don't have a deep-pile carpet that can't be completely cleaned... you can literally see germs down there"). Provide a secure room ("Good bolts and peephole on door"). "Treat me like a guest ("It is almost like they're looking you over to decide whether they're going to let you have a room"). Keep your promise ("They said the room would be ready, but it wasn't at the promised time").
Property and Casualty insurances	Business customers	Fulfill obligations ("Pay up"). Learn my business and work with me ("I expect them to know me and my company"). Protect me from catastrophe ("They should cover your risk exposure so there is no single big loss"). Provide prompt service ("Fast claim service").
Equipment repair	Business customers	Share my sense of urgency ("Speed of response. One time I had to buy a second piece of equipment because of the huge down time with the first piece"). Be competent ("Sometimes you are quoting stuff from their instruction manuals to their own people and they don't even know what it means"). Be prepared ("Have all the parts ready").
Truck and tractor rental/leasing	Business Customers	Keep the equipment running ("Need to have equipment working all of the time - that is the key"). Be flexible ("The leasing company should have the flexibility to rent us equipment when we need it"). Provided full service ("Get rid of all the paperwork and headaches").

1.3 FACTORS THAT INFLUENCE CUSTOMER EXPECTATIONS OF SERVICE

1. Personal needs – physical, social, psychological, and functional needs
2. Lasting service intensifiers – individual factors that lead the customer to a heightened sensitivity to service
 - a. Derived service expectations- customer expectations driven by another person or group of people. Ex. Family, other people, managers or supervisors, or own customers in B2B.
 - b. Personal service philosophy – customer’s underlying generic attitude about the meaning of service and proper conduct of service providers

Sources of Adequate Service Expectations:

1. Temporary Service Intensifiers – short-term individual factors that make a customer more aware of the need for service EX. Personal emergency like car accident, car repair.
2. Perceived service alternatives – other providers from whom the customer can obtain service, do it yourself or have many or few choices (airport in small versus big towns)
3. Self-perceived service role – degree to which a customer exerts an influence on the level of service they receive (if customer does not show up regularly for allergy shots, customers more lenient with allergist)
4. Situational factors – service conditions beyond control of service provider (Katrina)
5. Predicted service – what customers think they are likely to get (if predict good service, the level of adequate service is high)

Sources of Both Desired and Predicted Service Expectations

1. Explicit – personal and no personal statements made by the organization to customers
2. Implicit – service related cues other than explicit promises that lead to inferences about what the service should and will be like (Price and tangibles)
3. Word of mouth
4. Past experiences

1.4 ISSUES IN INVOLVING CUSTOMERS SERVICE EXPECTATIONS

At some moments customer service job can be a challenge. Dealing with different people and trying to meet their expectations is not an easy task. It takes patience, sharp intellect and I would even say wisdom to navigate through the various customer moods and still provide a professional service.

In this article I would like to review the biggest customer service challenges based on my own experience. I would like to share with you what I found worked best for me to overcome them and I hope my experience will be of use to you as well.

So let's begin.

1. **Having to serve multiple customers at the same time:** If you are working in customer service, you need to be prepared to deal with several customers at a time on daily basis.

My best tip for overcoming this challenge is learning to take a pause correctly.

If you clearly specify to the customer there is going to be a break, that you need time to find a response to his question or find a solution to his problem, it is no big deal. Customers are ok being put on hold if you tell them you need a few moments to research their issue. This is the time that you can use to respond to another customer. However, avoid telling the first customer you are communicating with someone else and need time for this. It would be a bad idea! And don't just leave the first customer on hold without explaining – that's another bad idea!

2. **Being time-pressed to give a response when you don't have one:** There are situations when a customer is rushing you to give them a response, but you don't actually know what to say, because either you don't understand how to solve their problem or you don't have enough information.

In such situations, I recommend to hold your ground and insist on taking your time to investigate the issue. Not buying into the rush will help you to give a better quality customer service. You can say, for example, "I will need some time to research the issue and do some testing. Would it be ok if I emailed you with the results later today?" Or you could say, "I will need to check this up with our administrator/manager. Could you please leave me your email and I will get back to you shortly."

3. **Facing an irate customer:** Dealing with angry customers is part of the deal you are entering a customer service job. There is no escaping it.

There is a long list of advice spoken on this subject. And the reason is that it's really not easy. If I am to take a single line to give my own advice, it is "Remain calm yourself". What helps me personally when I see someone who is just venting out their emotions, I try to think of that person as a teenager and treat him accordingly. We've all been there and we know, there is no arguing or reasoning with a teenager. It's just how they feel and you can't help it. You can only save it from going worse if you

4. **Having no solution to the customer's problem:** If you are at a loss and have no idea how to solve a certain issue, it's better to take the time and research it a little bit or maybe consult with your team-mates or senior staff. It's kind of a shameful situation, but hey, let's face it, it happens. You are not omnipotent.

However, don't be so bold about it with your customer and don't admit it in these exact words, "I don't know how to solve this problem, sorry", because you will label yourself incompetent. Instead, you can say, "Sorry, it will take me some time to investigate the issue and check a few details with our admin/manager. Can I get back to you by email?"

5. **Not being able to give a bigger discount:** It's a tough one to say "No" to a request of a discount. Especially, if it is a loyal and trusted customer who's been with the company for many years. But what can you do about it. If you can't, you can't. Sometimes life says "No" to you too in other situations.

What I think works in such situations is admitting the situation honestly as it is, "I'm very sorry, but the company can't go lower than this price." And you can also add some explanations of they are true, for example, "Our service/product cost is quite low as it is and lowering it further would just make it not worth for us running the business. I hope you understand." This is quite honest and most people with reason will understand it right.

6. **Admitting the lack of a feature or a product:** This is similar to saying "No" to a discount request. No one likes to hear a "No". Still, you got to say it bold as it is, otherwise you may mislead the customer and he will feel cheated if you promise him something you can't deliver. "Sorry, we don't have this feature at this time. We didn't receive enough requests from customers, so we don't plan to add it in the nearest future. This may change later on, however." Or, if the feature is in the works, you can say, "My apologies, we don't have this feature yet. However, it is under development

and we hope to see a new release soon. Would you like to be notified by email when it is ready?"

7. **Dealing with a service outage or a crisis situation:** Having a big volume of inquiries with many customers frustrated that something is not working can be tough.

The approach that I have developed over the years and which I found works best is to be dead honest about what's going on, admit the problem even if you don't know how and when it is going to be resolved. But the truth is, you are working on it and that's exactly what matters.

"Please accept our apologies. We are having a problem at our end. Our technicians are working now to fix it as soon as possible. Thank you for your patience and understanding."

1.5 CUSTOMER DEFINED SERVICE STANDARDS

Service standards are important for customers, potential customers, employees and management of a business. They help to define what a customer can expect and to remind management and employees of the challenge and obligations that they face.

1.5.1 OBJECTIVES

Customer-Defined Service Standards

- Distinguish between company-defined and customer-defined service standards.
- Differentiate among "hard" and "soft" customer-defined standards and one-time fixes.
- Explain the critical role of the service encounter sequence in developing customer-defined standards.
- Illustrate how to translate customer expectations into behaviors and actions that are definable, repeatable, and actionable.
- Explain the process of developing customer-defined service standards.

1.5.2 FACTORS NECESSARY FOR APPROPRIATE SERVICE STANDARDS

Standardization of service behaviors and actions

Standardization usually implies a non-varying sequential process similar to the production of goods

Customization usually refers to some level of adaptation or tailoring of the process to the individual customer

Formal service targets and goals

Setting specific targets for individual behaviors and actions; for example, the customer service standards set by Puget Sound Energy and shown in Figure 9.1.

1.5.3 SERVICE STANDARDS: Standards are based on the most important customer expectations and reflect the customer's view of these expectations

SOURCES

Customer-Defined Standards

Customer Expectations
Customer Process Blueprint
Customer Experience Observations

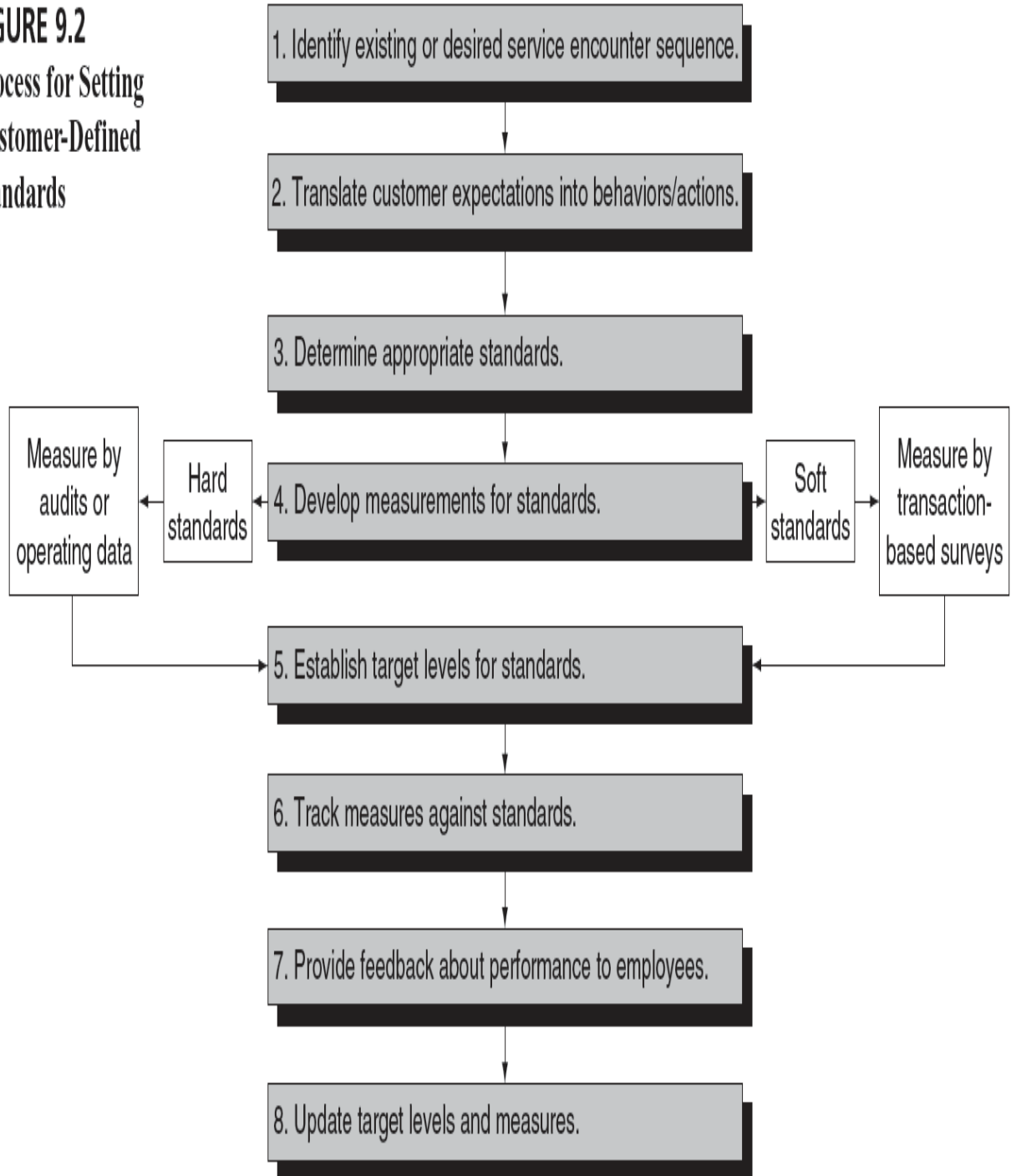
Company-Defined Standards

SOURCES

Productivity Implications
Implications
Company Process Blueprint
Company View of Quality

1.5.4 PROCESS FOR SETTING CUSTOMER-DEFINED STANDARDS

FIGURE 9.2
Process for Setting
Customer-Defined
Standards



UNIT-2-IMPORTANT QUESTIONS:

- 1) What is Service expectations and types of expectations,
- 2) Explain the Factors that influence customer expectations of service.
- 3) Elucidate Issues in involving customer's service expectations,
- 4) Detailed note on Customer defined service standards.



(17E00404) SERVICES MARKETING**(Elective V)**

Objective :The objective of the course is to provide a deeper insight into the marketing management of companies offering services as product.

1: Understanding services marketing: Introduction, Characteristics of services marketing mix, services in the modern economy, Classification of services, marketing services Vs. Physical services.

2: Customer Expectations of service: Service expectations, types of expectations, factors that influence customer expectations of service. Issues in involving customers service expectations, Customer defined service standards.

3. Pricing & Promotion strategies for services: Service pricing, establishing monetary pricing objectives, foundations of pricing, pricing and demand, putting service pricing strategies into practice.

4. Service promotion: The role of marketing communication. Implication for communication strategies,, marketing communication mix.

5. Marketing plans for services: The marketing planning process, strategic context, situation review marketing strategy formulation, resource allocations and monitory marketing planning and services.

Text Books:

- Services Marketing – Text and Cases, Rajendra Nargundkar, TMH.
- Services Marketing—Integrating Customer Focus Across the Firm,ValarieA.Zeithaml& Mary Jo-Bitner: TMH.

References:

- Services Marketing People, Technology, Strategy,Christopher Lovelock, Wirtz, Chatterjee, Pearson.
- Services Marketting – Concepts planning and implementation, Bhattacharjee, excel,2009
- Services Markeing,Srinivasan, PHI.
- Services – Marketing, Operations and Management, Jauhari, Dutta, Oxford.
- Marketing of Services, Hoffman, Bateson,Cengage.
- Service sector Management,C.Bhattacharjee, Jaico.

UNIT-3

PRICING & PROMOTION STRATEGIES FOR SERVICES

1.1 SERVICE PRICING:-

Service pricing is different from the pricing of goods in many ways. Price has a single name in the manufacturing sector, whereas it takes different names in the services sector. For example, the price charged for advertising is known as commission, for boarding and loading services, as tariff, for legal services and health care as fees; and for share or stock services as brokerage and commission. Pricing of goods is determined by the market demand in most cases, unless regulated by the government.

1.1.1 COSTS INVOLVED IN SERVICE PRICING:-

1. **MONETARY COSTS:** - Costs in terms of money involved in production are fixed, variable and financial costs and profits in nature, and are important determination of price charged by a service organization.

i. **Variable cost:** - Consisting of direct materials and direct labour and consumables. There are directly attributable to each unit of product of service.

ii. **Fixed costs:** - Employee costs, marketing costs of advertising and sales promotion and distribution costs. These are not directly attributable to the product or service but have to be incurred nonetheless.

iii. **Financial costs and profits** :- Consisting of depreciation, interest, and return on investment.

2. **NON-MONETARY COSTS:**-In certain services, customer participation in service Production is essential. This adds another dimension to service pricing.

i. **Time** : Time investment customer has to make for service use. How much the customer expected to wait? In government healthcare facilities, the time cost tends to be higher compared to private hospitals.

ii. **Search effort:**- A customer has to buy a particular type of LCD television. His or her search effort would require him or her to visit a couple of stores selling the televisions.

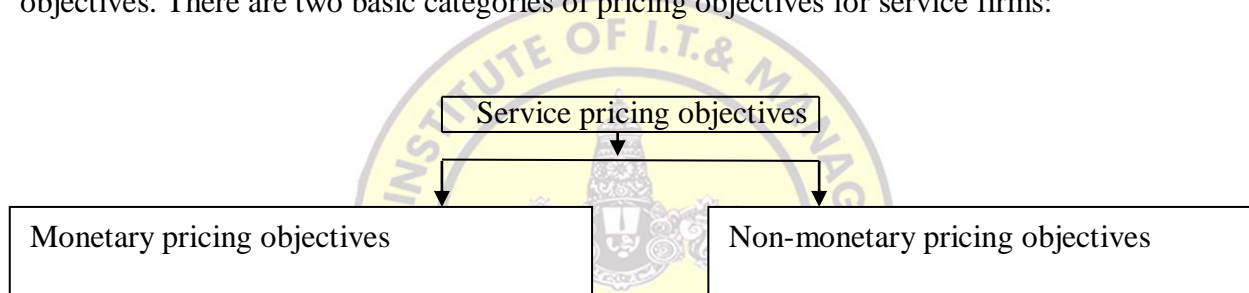
iii. **Convenience:** - Goods can be procured more conveniently than services. Goods are generally widely distributed and made available to customers.

iv. **Psychic costs:** - Service use often involves psychological discomforts. Going to a dentist is psychologically challenging.

The pricing decisions in such services should accommodate the intangible costs that a customer may have to bear with. It would require the managers to go beyond the ‘number game’ while pricing the services. The marketer must bear in mind that it is not only the monetary price that a service customer has to pay, but rather he may have to sacrifice time, efforts, physical and psychic comfort, the monetary cost is only one of the elements that a buyer has to offer.

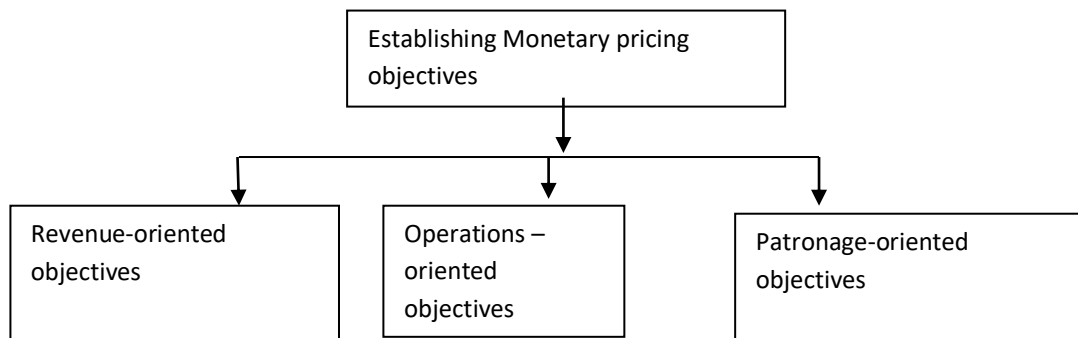
1.2 SERVICE PRICING OBJECTIVES:-

Any decision or pricing strategy must be based on a clear understanding of the organization’s objectives. There are two basic categories of pricing objectives for service firms:



ESTABLISHING MONETARY PRICING OBJECTIVES:

Pricing strategy must be a clear understanding of the organization’s objectives. There are three basic categories of pricing objectives open to a service organization. These are as follows:



1. **REVENUE – ORIENTED OBJECTIVES:** - Private sector firms are profit-seeking organizations within certain limits; they attempt to maximize the surplus of income over expenditures.

- i. **Fixed costs:** - Fixed costs are those that would continue (at least in the short run) to be incurred even if no services were provided.
 - ii. **Semi – variable cost:** - Semi –variable cost in those that are related to the number of customers served or volume of services produced by the organization.
 - iii. **Variable cost:** - Variable costs are those associated with making an additional sale – such as a new loan at a bank, a single seat in a train or theatre a room in a hotel, or one more repair job.
2. **OPERATIONS – ORIENTED OBJECTIVES:** - Some organizations seek to match demand and supply so as to ensure optimal use of their productive capacity at any given time.
3. **PATRONAGE – ORIENTED OBJECTIVES:** - Not all service organization suffer from a short – term capacity constraint.

1.3 ESTABLISHING NON-MONETARY PRICING OBJECTIVES:-

Purely monetary pricing objectives are not necessarily relevant or appropriate for all organizations. Not-for-profit organizations such as charities, community service and support organizations e.g., are established for reasons and purposes other than commercial ones. Their price –setting (categories) strategies need to consider the purpose and intent, mission and values of the organization, and give thought to the role played by price in reflecting and communicating these.

Revenue- oriented and patronage – oriented pricing objectives may nonetheless have a role to play. Not-for –profit organizations generally still need to achieve revenue targets and covers as much of their operating costs as possible. Correspondingly, patronage –oriented pricing objectives may be appropriate in circumstances where there is a need to build and maintain ongoing support.

For example, the Australian breast feeding association offers its support services to members and non-members, but low membership fees are an incentive for mothers to join. For the association, a large membership base may result in more public recognition and external funding.

At the same time, prices charged, or the amount of the donation, grant, bequest or contribution requested, may need to consider aspects beyond the goals of revenue generation, cost recoupment and patronage stimulation. This is also what one means by non-monetary pricing objectives. Typically these can be defined with reference to:

1. Markets served, and/or

2. The organization and its purposes.

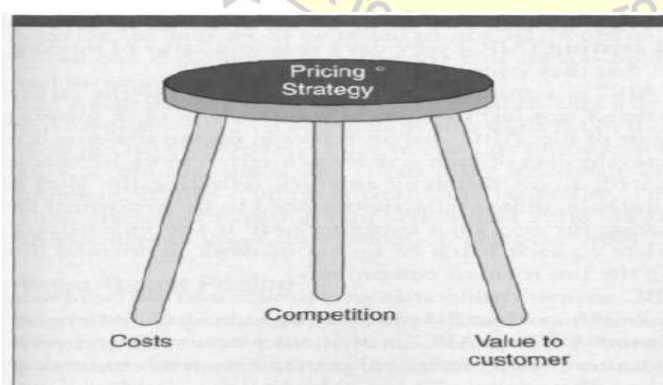
Looking at markets served, it may be appropriate to consider perceived fairness, equity and affordability, and the desired attitudinal response and support sought from customers and the wider community.

For example, community housing, animal protection and aged care facilities. From the perspective of the organization, prices and how they are communicated can be employed to express credibly what the organization stands for, its principles and values and the value offered by the organization to the community served.

1.4 FOUNDATIONS OF PRICING OBJECTIVES:-

The foundations underlying pricing strategy can be described as a tripod, with the three legs being named costs, competition, and value to the customer. The costs to be recovered set a floor to the price that may be charged for a specific product; the value of the product to the customer sets a ceiling; whereas the price charged by competitions for similar or substitute products may determine where, within the ceiling - to - floor range, the price level should actually be set. The foundations of service price are as follows.

1.COST: Companies seeking to make a profit must recover the full costs associated with producing and marketing a service, and then add a sufficient margin to yield satisfactory profit.

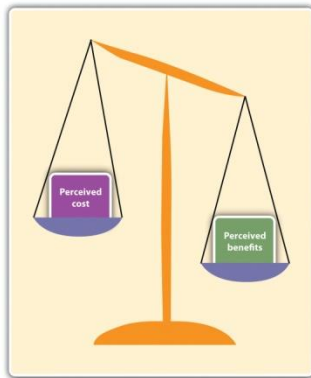


2. VALUE: The term ‘value’ is one that is rather loosely used. Research by ZEITHAML found that “what constitutes a value – even in a single product category – appears to be highly personal and idiosyncratic. In explanatory research on beverages, she found four broad expressions of value.

i) Value is low price,

- ii) Value is whether I want in a product,
- iii) Value is the quality I get for the price I pay, and
- iv) Value is what I get for what I give.

If the sum of all the perceived benefits (gross value) minus the sum of all the perceived costs, it follows that the greater the positive difference between perceived benefits and perceived costs, the greater the net value.



3. **COMPETITION:** firms with relatively undifferentiated services need to monitor what competitors are charging and should try to price accordingly. When they see little or no difference between competing offerings, customers may choose what they perceive as the cheapest. Price competition increases with:

- i) Increasing number of competitors,
- ii) Increasing number of substituting offers,
- iii) Wider distribution of competitor and /or substitution.

1.5 PRICING AND DEMAND

In most services, there is an inverse relationship between price levels and demand (p) levels. Demand tends to fall as price rises. This phenomenon has implications for revenue planning and also for filling capacity in businesses that experience wide swings in demand over time.

This relationship can be understood with the help of following figure:

Relationship between pricing and demand

1. **PRICE ELASTICITY:** The concept of Elasticity describes how sensitive demand is to changes in price and is computed as follows:

$$\text{Price Elasticity} = \frac{\text{percentage change in demand}}{\text{Percentage change in price}}$$

When price elasticity is at “unity”, sales of a service rise (or fall) by the same percentage that prices fall (or rise). When a small price change has a big impact elastic. But when a change in price has little effect demand is described as price inelastic.

Demand can often be segmented according to customers sensitivity to price or service features. For example, few theatres, concert halls, and stadiums have a single, fixed admission price for performances. Instead, prices vary according to :

1. Seat locations
2. Performance locations
3. Projected staging costs, and
4. The anticipated appeal of the performance.

In established prices for different blocks of seats and deciding how many seats to offer within each price bloke (known as scaling the house), theatre managers need to estimate the demand within each price category. A poor pricing decision may result in many empty seats in some price categories and immediate sell-outs (and disappointed customers) in other categories.

2. YIELD MANAGEMENT: Service organizations often use the percentage of capacity sold as a measure of operational efficiency. By themselves, however, these percentage figures tells us little about the relative profitability of the customer base high utilization rates may be obtained at the expense of heavy discounting, or even outright give a ways.

Yield management is a process for capacity – constrained industries to maximize profitability by allocating the right inventory to the right customers at the right price. RM concepts are pertinent to virtually everything that is sellable in advance, transient, has inconsistent demand patterns and (how) low marginal servicing cost.

3.FENCING MECHANISM: Firms need to be able to separate or “ fence off different value segments so that customers for whom the services offers high value are unable to purchases it cheaply. Rate fences can be either physical or non-physical and involve setting qualifications that must be met in order to receive a certain level of discount from the full price.

Physical fences include observable characteristics such as class of travel, type of hotel room, or inclusion of certain amenities with a higher price (free breakfast at a hotel,) free golf cart at a golf course).

Non-physical fences includes penalties for cancelling or changing an inexpensive reservation, requirements for advance purchase, group membership or affiliation, and time of use (e.g., happy hours in bars before 8:00 pm., travelers must stay over a Saturday night to obtain a cheap airline booking.

4. CUSTOMER –LED PRICING: AUCTIONS AND BIDS: One method of pricing that has attracted a lot of attention with the advent of the internet is inviting customers to bid the price that they are prepared to pay. The internet provides a good medium for auctions because of its ability to aggregate buyers from all around the world. In the same line, the web also offers many opportunities for customers to bid on prices for goods and services.

Rather than approaching individual financial institutions for a mortgage or other loan, borrowers can enter their requirements and personal situations at a website that solicits bids for the required loans. And online market makers let buyers decided how much they are willing to offer for many other types of services.

UNIT-3-IMPORTANT QUESTIONS:

- 1) What is Service pricing, how it is useful in while providing services?
- 2) Detail not on monetary pricing objectives?
- 3) Define Foundations of pricing Foundations of pricing helping the firm to survive in competitive market?

