

BALAJI INSTITUTE OF I.T AND MANAGEMENT KADAPA

SERVICES MARKETING
(17E00404)

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1st Internal Exam Syllabus

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Units covered : **1 to 2.5 Units (1st Internal Syllabus)**

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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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- 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.

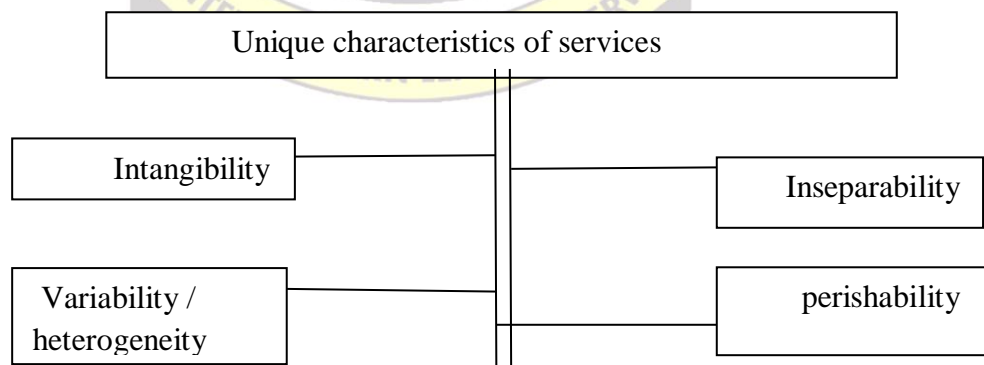
According to zeithaml and bitner, “Service are deeds, processes and performances “.

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.



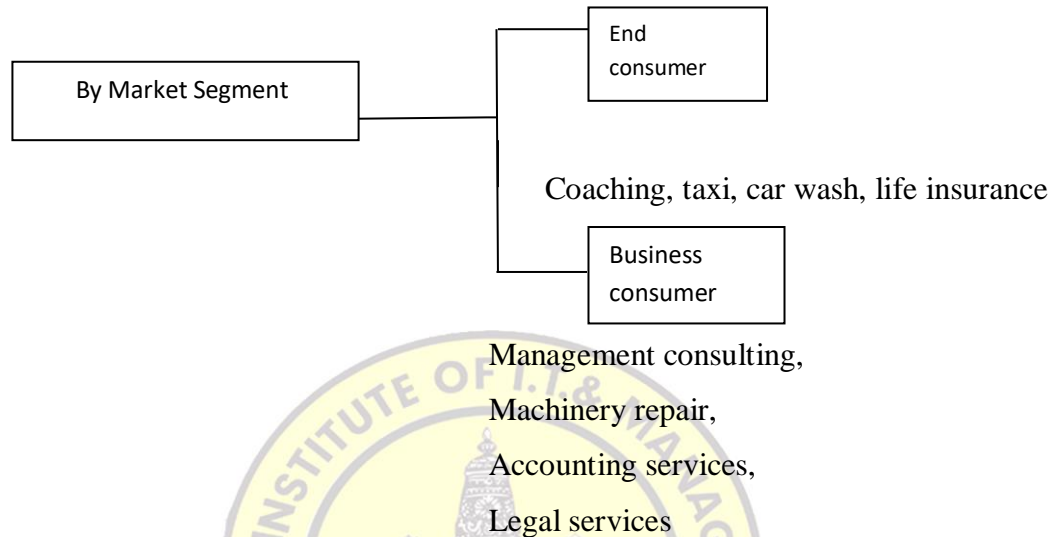
- INTANGIBILITY:-**Service are intangible unlike physical products, they cannot be seen, tasted felt, heard, or smelled before they are bought.
- INSEPARABILITY:-**Inseparability is the next unique feature of services. Some experts refer to it by the term ‘immediacy’. In fact, services are marked by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

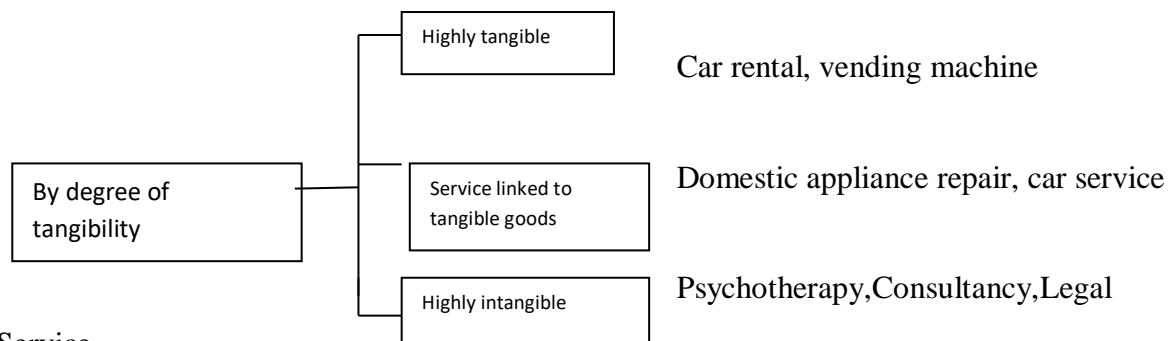
1. BY MARKET SEGMENT: - Services may be different for different market segments as need of these segments are heterogeneous.



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.

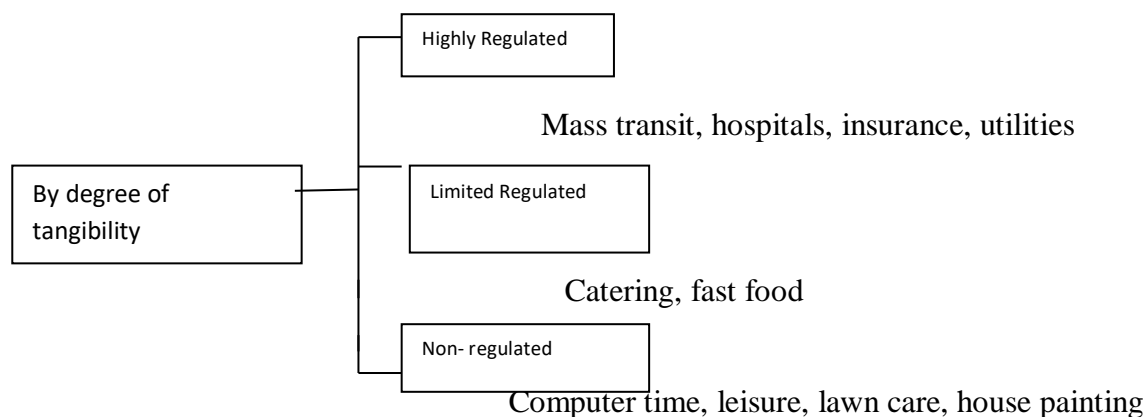
II) **Non- professional services:** - These services do not require the service provider to undergo any training to deliver the service.

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.
11.Elements	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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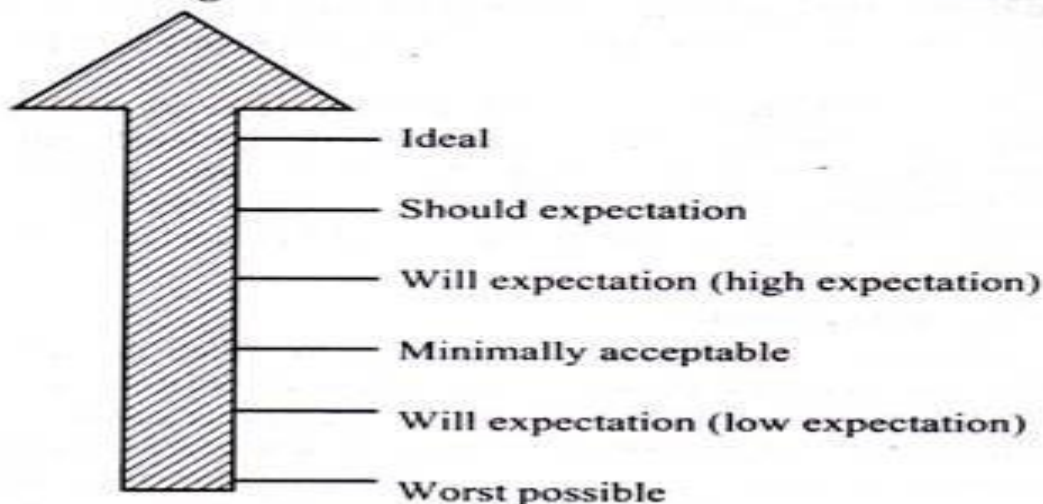
UNIT-2

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

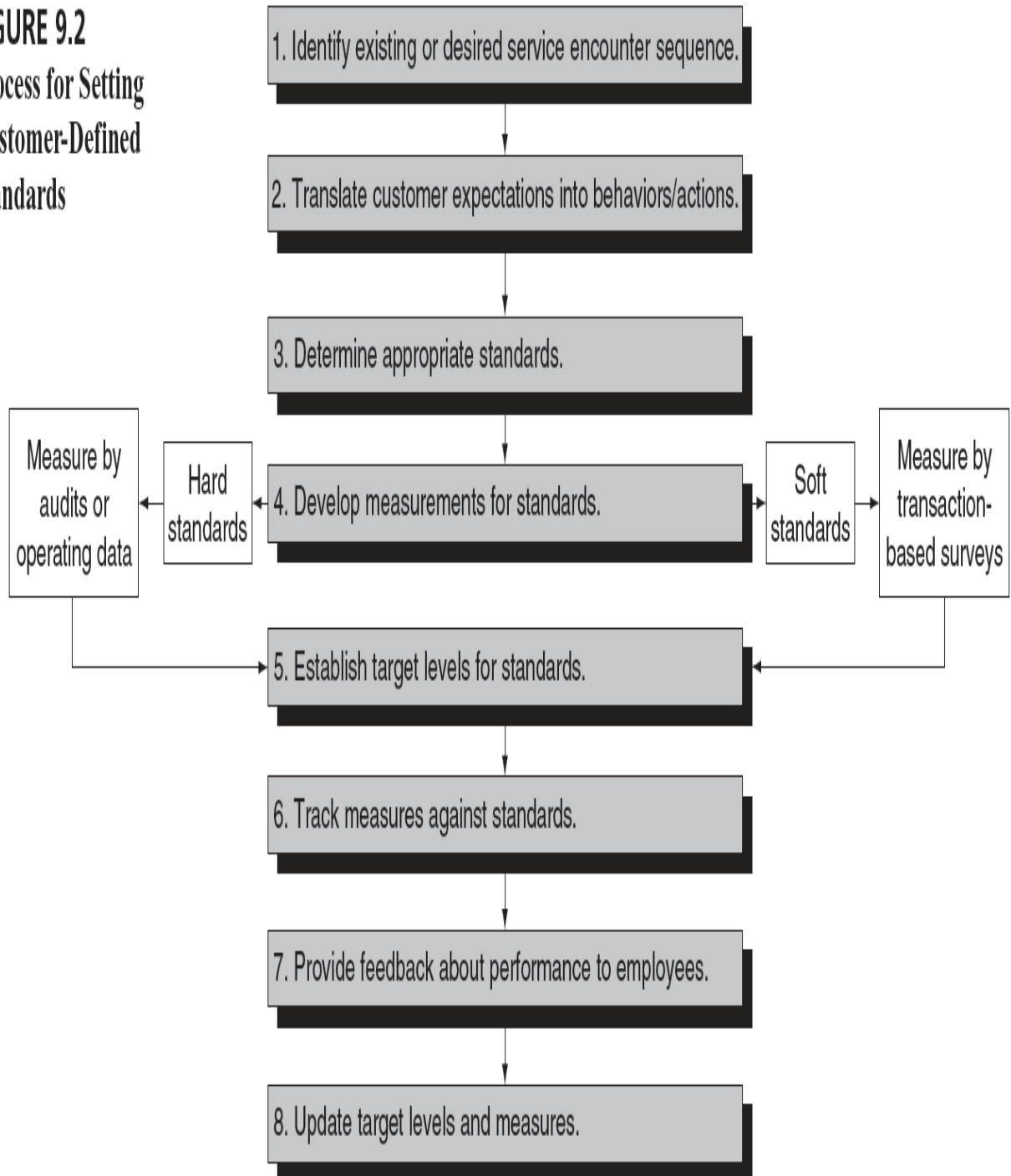
Company Process Blueprint

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.



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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.

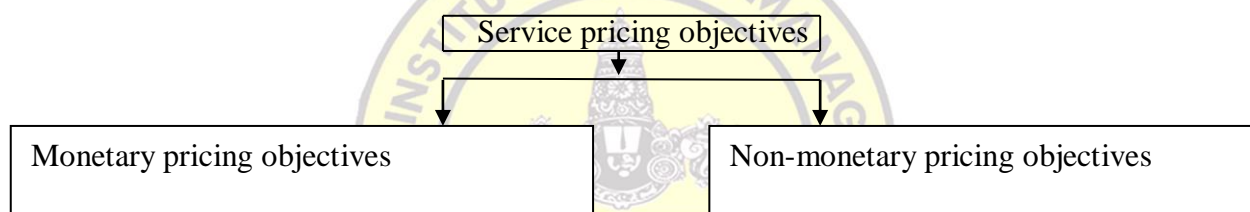
iii. **Convenience:** - Goods can be procured more conveniently than services. Goods are generally widely distributed and made available to customers.

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.

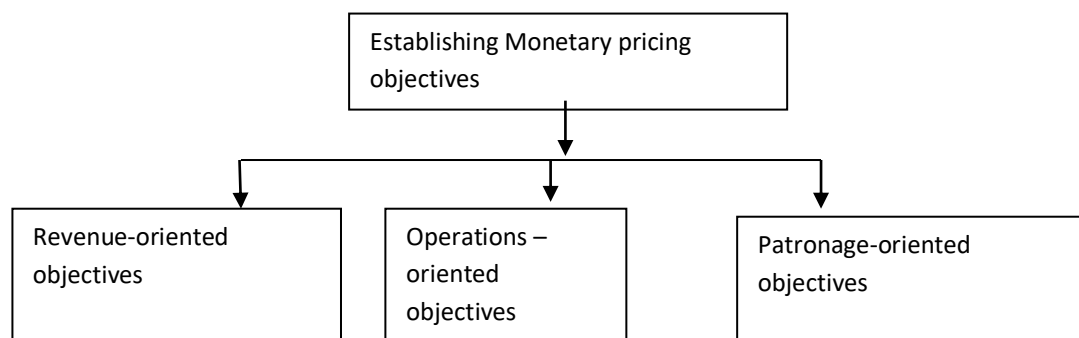
1.2 SERVICE PRICING OBJECTIVES:-

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.

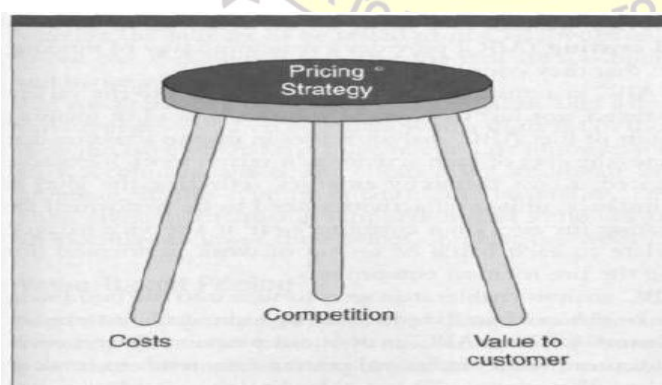
Looking at markets served, it may be appropriate to consider perceived fairness, equity and affordability, and the desired attitudinal response and support sought from customers and the wider community.

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.

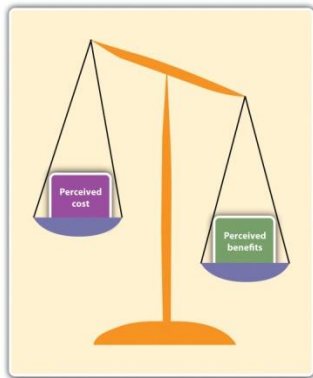


2. VALUE: The term ‘value’ is one that is rather loosely used. Research by ZEITHAML found that “what constitutes a value – even in a single product category – appears to be highly personal and idiosyncratic. In explanatory research on beverages, she found four broad expressions of value.

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).

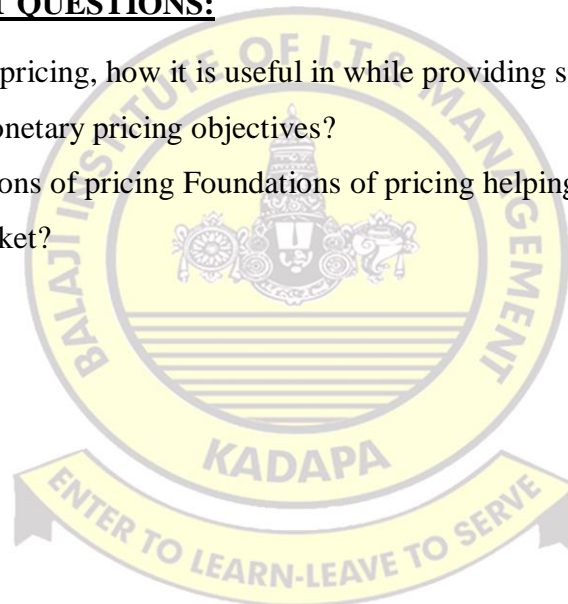
Non-physical fences includes penalties for cancelling or changing an inexpensive reservation, requirements for advance purchase, group membership or affiliation, and time of use (e.g., happy hours in bars before 8:00 pm., travelers must stay over a Saturday night to obtain a cheap airline booking.

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 decide 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?



BALAJI INSTITUTE OF I.T AND MANAGEMENT KADAPA

SERVICES MARKETING
(17E00404)

ICET CODE: BIMK

2nd Internal Exam Syllabus

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Name of the Faculty: **S. KARREMULLAH HASSAN**

Units covered : **2.5 to 5 Units (2nd Internal Syllabus)**

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- Service sector Management, C.Bhattacharjee, and Jaico.

UNIT-III**PRICING & PROMOTION STRATEGIES FOR SERVICES****5. PUTTING SERVICE PRICING STRATEGY INTO PRACTICE:****FACTORS CONSIDERED IN DEVELOPING SERVICE PRICING STRATEGIES:**

To put services pricing into practice, service marketers need to consider several points to have a well thought out pricing strategy. These points are as follows:

1. **TOTAL AMOUNT OF PRICING**: Realistic decisions on pricing are critical for financial health. The task begins with determining the relevant costs, which set the relevant “floor” price. The second step is to establish a “ceiling” price for specific market segments. This involves assessing market sensitivity to different prices, which reflects both the overall value of the service to prospective customers and their ability to pay. Competitive prices provide a third input.
2. **BASIS FOR PRICING**: To set a price, managers must define the unit of service consumption. Basis of pricing may include :
 - i) Completing a specific service task, such as repairing a piece of equipment.
 - ii) Cleaning a jacket, or cutting a customer’s hair.
 - iii) Entry to a service performance, such as a conference, films, concert, or sports event.
 - iv) Using an hour of a lawyer’s time,
 - v) Occupying a hotel room for a night, or
 - vi) Renting a car for a week.
- i) **PRICE BUNDLING**: - Some products require a mixture of tangible and intangible elements. Many hospitals and restaurants fall in the middle of the continuum because they rely on expensive equipment or facilities and skilled personnel to deliver a product.

- ii) **DISCOUNTING**: - To attract the attention of prospective buyers or to boost sales during a period of low demand, firms may discount their prices, often publicizing this price cut with coupons or an advertising campaign.
- iii) **COLLECTION OF PAYMENT**: Sometimes firms choose to delegate provision of supplementary services like billing to an intermediary. Although the original supplier pays a commission, using a third party may still be cheaper and more efficient than performing those tasks itself.
- iv) **PLACE OF PAYMENT**: Payment for many services is collected at the service facility just before or immediately following service delivery.
- v) **TIMING OF PAYMENT**: Two basic options are to ask customers to pay in advance (e.g., an admission charge, airline ticket, or postage stamps), or to bill them on completion of service delivery (e.g., restaurant bills and repair charges).
- vi) **MODE OF PAYMENT**: Service businesses must decide on the types of payments they will accept. Although cash is a simple payment method, it raises security problems and is not always convenient for customers (especially for large purchases).
- vii) **COMMUNICATING PRICES TO THE TARGET MARKETS**: - The final task is to decide how the organization's pricing policies can best be communicated to its target markets. People need to know the price for some product offerings well in advance of purchase.

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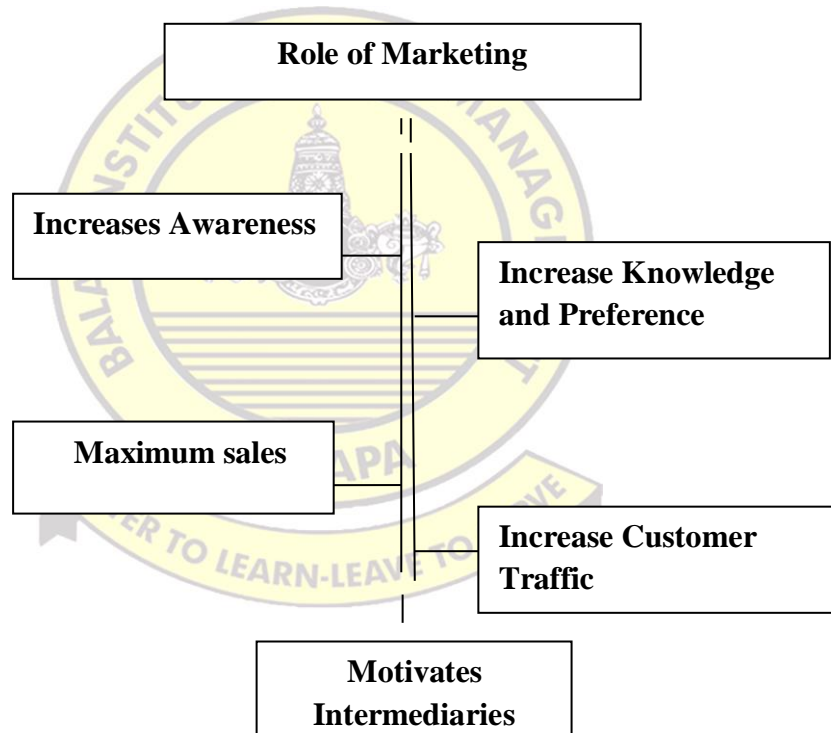
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UNIT-IV

SERVICE PROMOTION

1. ROLE OF MARKETING COMMUNICATION:

Strategies for engaging consumers and influencing how they think, feel, and act toward a brand or market offering through the use of communications. The role of marketing communication in communicating value to customers in target market can be explained with following points:



1. INCREASES AWARENESS:

If the product or service is new, or marketer wants to introduce it to a new potential customer base, promotion is a key.

2. INCREASE KNOWLEDGE AND PREFERENCE:

Just because consumers know about the service, doesn't mean they'll avail or hire it. Even if consumers get the services near them consumers may not hire it if they are unfamiliar with it.

3. MAXIMIZES SALES:

Ultimately, the measurement of successful promotion is whether or not the promotion increased sales. Increasing awareness of a product or service is of little value if one doesn't get consumers to act.

4. INCREASE CUSTOMER TRAFFIC:

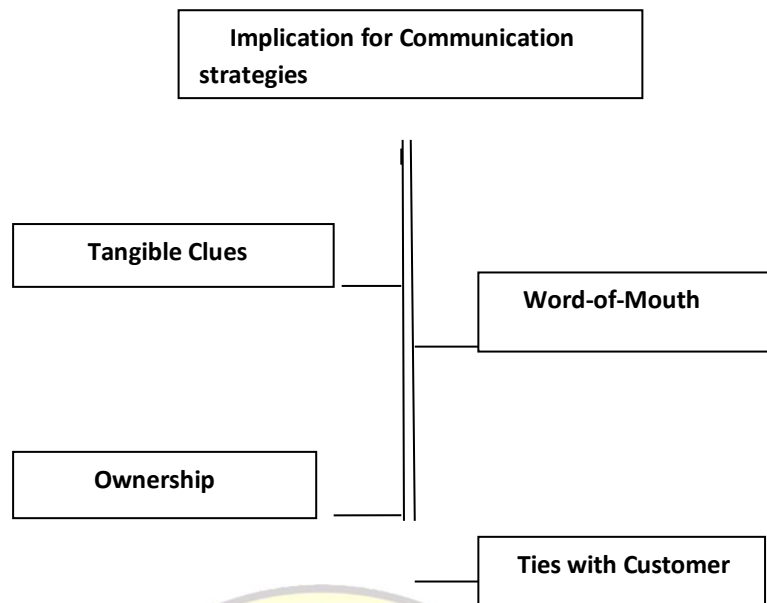
Beauty salons, movie theatres, etc (are) use promotions such as frequency programs to increase customer traffic. a frequency program promotion is designed to reward people the more they visit and spend with a retailer.

5. MOTIVATES INTERMEDIARIES:

Intermediaries play a very significant role in promoting services in service's marketing. The service firms many a times carry out promotional campaigns to motivate the intermediaries and promote their service facilities to gain better customer patronage of the service delivery points. It is always should be noticed that the clear, the more interesting, and the more convincing the marketing communication is, the more influence it will have on the customers to take positive action, which will positively affect the revenue and deliver expected level of customer value.

2. IMPLICATION FOR COMMUNICATION STRATEGIES:

Service communication has following implications that must be taken care of in the promotion context:



1. TANGIBLE CLUES:

The service customer looks for tangible clues. As goods are tangible and palpable, they can be seen, touched, felt, smelt and tasted prior to purchase. The good's tangibility facilitates customer's search and evaluation process. There exists considerable tangible evidence to arrive at an opinion about a service. In case of service, the intangible nature of the product does not supply the prospects with various product –related dimensions. To compensate for this, the service customer looks for tangible clues associated with the service such that a pre-purchase choice is facilitated.

2. WORD-OF-MOUTH:

A service customer looks for advice from prior users of the service. Services are generally high on experience qualities, i.e., the attributes which can be discerned after purchase or consumption.

3. OWNERSHIP:

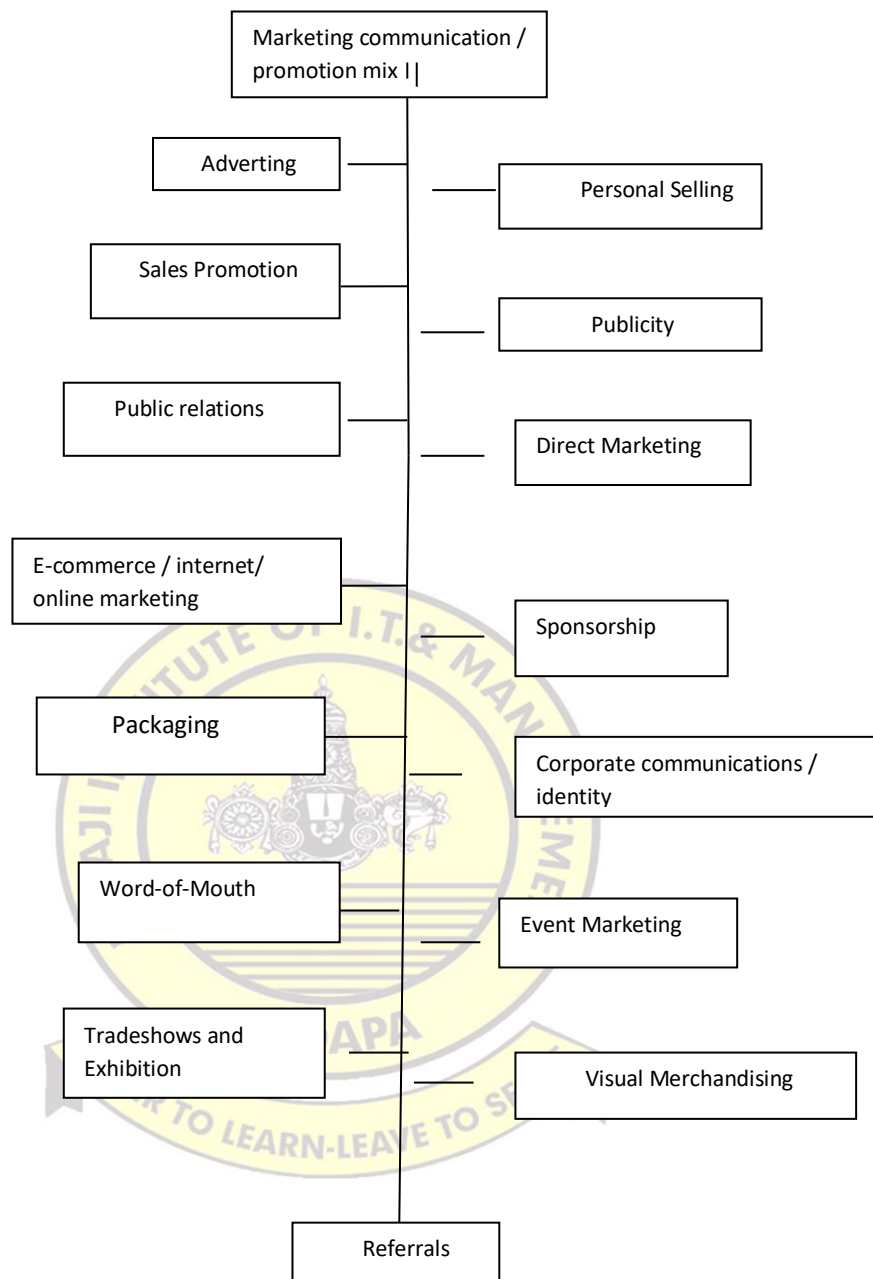
Unlike goods, services are not owned. They are consumed or experienced. A customer may have access to a hotel room, club, bank or a (seat) in a classroom but he or she cannot physically possess the service.

4. TIES WITH CUSTOMER:

Service invariably involves building ties with the service-provider. In case of professionals like lawyers physicians, dentists and consultants, the buyer likes to meet the service provider. Meeting has the effect of confidence enhancement. Through this process, the customer wants to reduce the risk of the unknown generally involved in service purchases. It is a way of satisfying one's anxiety about the quality of service that lies on store.

3. MARKETING COMMUNICATION / PROMOTION MIX:

Integrated marketing communication is integration of all marketing tools, approaches, and resources within a company which maximizes impact on consumer mind and which results into maximum profit at minimum cost. Generally, marketing starts form "Marketing Mix". Promotion is one element of marketing mix. Promotional activities include advertising (by using different media), sales promotion (sales and trades promotion), and personal selling activities. It also includes internet marketing, sponsorship marketing, direct marketing, database marketing and public relations. And integration of all these promotional tools along with other components of marketing mix to gain edge over competitor is called integrated marketing communication.



1. ADVERTISING: Advertising includes any information or persuasive message carried by a non-personal medium and paid for by a sponsor whose product or service is in some way identified in the message.

2. PERSONAL SELLING: Personal Selling is a person-to-person dialogue between buyer and seller.

3. SALES PROMOTION: Sales Promotion includes techniques that stimulate demand in a market during a short period and has measured responses.

4. PUBLICITY: Publicity is a non-personal not paid stimulation of demand of the products or services or business units by planting commercially significant news or editorial comment in the print media or by obtaining a favorable presentation of it upon radio, television or stage.

5. PUBLIC RELATIONS: Most firms in today's environment are not only concerned to customers, suppliers and dealers but also concerned about the effect of their actions on people outside their target markets.

6. DIRECT MARKETING: In direct marketing, organizations communicate directly with target customer to generate a response and / or a transaction.

7. E-COMMERCE / INTERNET / ONLINE MARKETING: As the new millennium, begins we are experiencing perhaps the most dynamic and revolutionary changes of any era in the history of marketing, as well as advertising and promotion.

8. SPONSORSHIP : Sponsorship can be defined as “ an investment in (which) cash or kind in an activity, in return for access to the exploitable commercial potential associated with this activity.”

9. PACKAGING: Packaging plays major role with regard to physical evidence. It is not just required for functional reasons but also to add value to the service and create a positive image.

10. CORPORATE COMMUNICATIONS / IDENTITY: Corporate identity can change the market conditions for a company. It is a symbolic, visual system that embraces everything from the company logo and signage, to its brochures, advertising and even the company's website.

11. WORD-OF-MOUTH: Of course, an organization's image can be projected through channels other than the formal communication process.

12. EVENT MARKETING: Special events combine many IMC tools like advertising, sales promotion, public relations, etc., in linking the brand to a specific event.

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UNIT-5

MARKETING PLANS FOR SERVICES

1.MARKETING PLANNING AND SERVICES:

INTRODUCTION:

Marketing plan or planning is a part of the process of overall planning of a business and industrial enterprise. Marketing planning includes sales forecasting, determination of marketing objectives, and the formulation of marketing programs and policies for the achievement of these objectives.

Marketing planning is a part of overall managerial planning that decides future actions and plans for marketing functions in the present. Policies and programs are prepared in advance for carrying out the functions and activities of marketing in order to attain the marketing aims.

Marketing planning is done by the marketing department. Various sub-divisions or sections under the marketing department submit their proposals to the marketing department and then the marketing department prepares the plan for the whole marketing division.

According to STEPHEN MORSE, “Marketing planning is concerned with the identification of resources that are available and their allocation to meet specified objectives”.

CHARACTERISTICS OF SERVICES MARKETING PLANNING:

1. Formal and Systematic Approach:

Marketing planning is a formal and systematic approach towards planning of all marketing activities- product positioning, price setting and distribution channels etc.,

2. Rational Activity:

Marketing planning, as a rational, requires thinking, imagination and foresight.

3. Forward-Looking:

Marketing planning is a forward-looking and dynamic process designed to promote market-oriented or consumer-oriented business actions.

4. Optimistic and Pessimistic component:

Planning is concerned with two things: (a) Avoiding incorrect actions and, (b) Reducing frequency of failure to exploit opportunities.

5. Decision-making process:

Planning is basically a decision-making process. Marketing planning is a program of marketing-based actions regarding the future with the object of minimizing risk and uncertainty and producing a set of interrelated decisions.

6. Marketing Department:

Marketing planning is done by the marketing department. Various sub-divisions and sections under the department submit their proposals based on which the overall company marketing plans are developed and designed.

2. ELEMENTS OF SERVICES MARKETING PLANNING:

Marketing planning involves setting of objectives and making plans for these objectives can be achieved. It involves deciding the policies, strategies, procedures, programmers, schedule and budget. The marketing planning has the following elements:

1. Setting of Objectives:

Objectives are the (deals) ends which an organization wants to achieve through various means. It is the responsibility of the marketing executive not only to set objectives but also to explain them very clearly (stated and specific) to the other members of the organization.

2. Strategies:

A strategy is a gamesmanship or an administrative course of action designed to achieve success.

3. Policy:

Policies are the guidelines for achieving the set objectives of the firm. The policies guide the manager and subordinates of the company as what is to be done.

4. Procedure:

Procedure serves as guidelines to the actual marketing activity.

5. Programme:

A programme is a concrete scheme of action designed to accomplish a given task. A well conceived programme covers all actions needed to achieve a specific goal and it shows who does what and when.

6. Schedule:

A schedule specifies time limits within activities are to be completed. Scheduling is the process of establishing a time sequence for the work to be done.

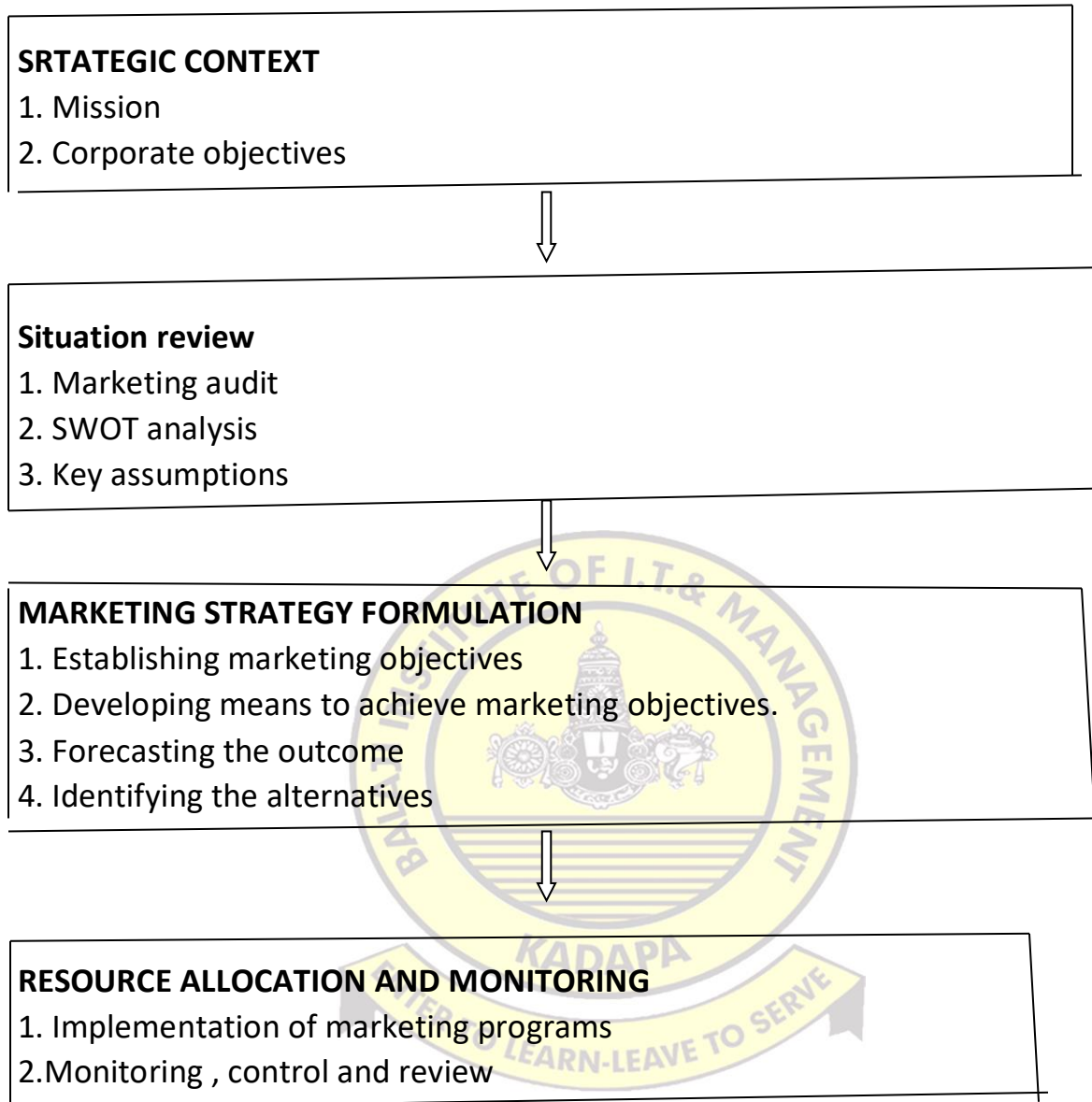
7. Budget:

A budget is a statement of expected results expressed in numerical terms for a definite period of time in the future.

3. MARKETING PLANNING PROCESS:

In most organizations, "strategic planning" is an annual process, typically just the year ahead. Occasionally, a few organizations may look at a practical plan which stretches three or more years ahead. To be most effective, the plan has to be formalized, usually in written form, as a formal 'marketing plan'. The essence of the process is that it moves from the general to the specific, from the overall objectives of the organization down to the individual action plan for a part of one marketing programme. It is also an interactive process, so that the draft output of each stage is checked to see what impact it has on the earlier stages and is amended accordingly.

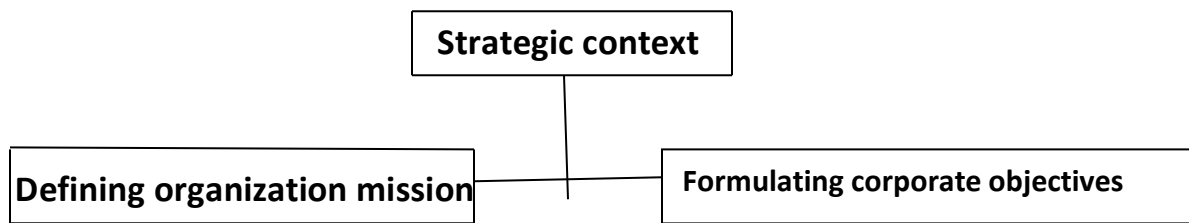




Marketing planning process

4. STRATEGIC CONTEXT:

The first phase in marketing planning process is establishing strategic context which includes defining the mission statement and corporate OBJECTIVE. Marketing strategies of the organization should be based on those mission and objectives in order to help in achieving it successfully. Without a clear understanding of the organization mission and objectives, marketing activities cannot be co-ordinated and implemented successfully. Establishing strategic context involves two aspects as shown in below:



1. DESIGNING ORGANIZATION MISSION:

Every organization requires defining the purpose for which it is existing. What business they are in and who their customers are. The corporate mission defines the basis on which the entire business is carried out and also where it is 'ignoring' in the future. These mission statements are also called the vision statement or corporate philosophy service managers need to define their business in terms of the needs they fulfill rather than the products they produce. This gives a broader-framework within which the objectives are set. A well-defined mission statement helps to channelize the efforts of the employees. This will be helpful in building internal marketing the key to success of service-firm.

For example, accounting firms define their business as providing "business solutions" rather than just providing "accounting services". The mission statement should reveal the following;

- i. Purpose:** The reason for the existence of the organization.
- ii. Strategy:** The nature of the business and the achievement of competitive advantage.
- iii. Standards and Behavior:** Norms and rules about how things are done.
- iv. Values:** The beliefs and principles that lie behind the standards.

The key issues that need to be considered while writing out the mission statements are;

- i. To understand that the business of the service organization.
- ii. The mission statements must be broadly defined.
- iii. The audience for the mission statement should be considered carefully.
- iv. To must market oriented rather than service oriented.

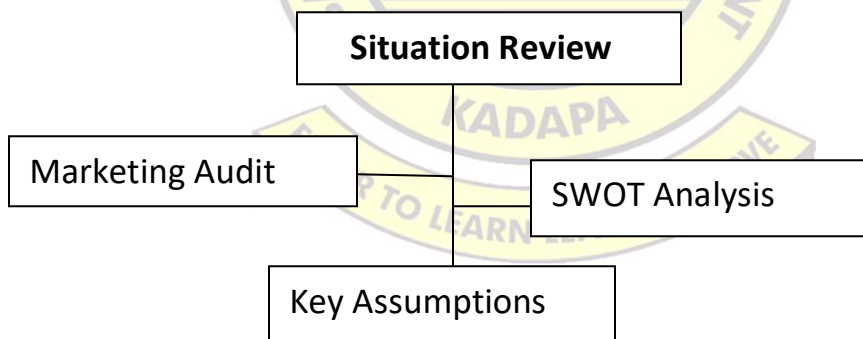
v. Should be unique to the service firm.

2. CORPORATE GOALS AND OBJECTIVES:

After finalizing the mission statement, the organization should formulate its corporate goals and objectives. These objectives should be in alignment with the corporate mission and should, in fact, act as scales to measure the organization's progress towards achieving its mission. The objectives should be established in different management areas like customer service, innovation, and quality, profitability, employee performance, social responsibility, revenues, market share etc., Establishing clear and quantifiable corporate goals enables the management to set clear and quantifiable functional goals too (finance, marketing, production etc.,). This helps the management monitor the performance of the organization closely, and take corrective steps wherever necessary.

5. SITUATION REVIEW:

After establishing the mission and corporate goals, the management should next analyze the internal and external environments of the organization. The external environment forces include competition in the market, social and economic conditions and, political and legal factors.

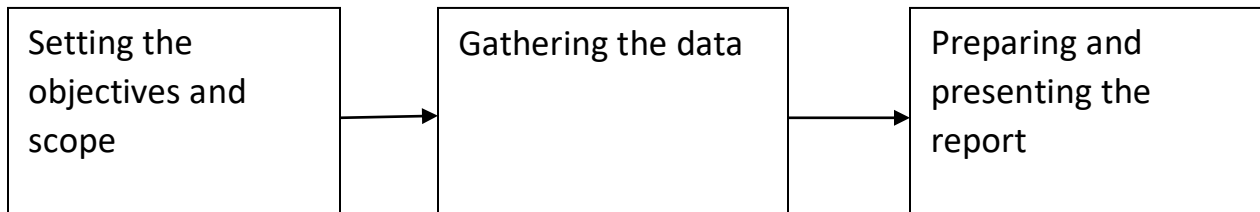


1. MARKETING AUDIT:

A marketing audit is a formal and systematic review of the executed marketing strategy and plan. It may take the form of an external audit by independent experts or an internal audit by members of the marketing organization.

2. MARKETING AUDIT PROCESS:

How is a marketing audit performed? Marketing auditing follows the simple three-step procedure.



Steps in a Marketing Audit

i. SETTING THE OBJECTIVES AND SCOPE:

The first step calls for a meeting between the company officer(s) and a potential auditor to explore the nature of the marketing operations and the potential value of a marketing audit.

ii. GATHERING THE DATA:

The bulk of an auditor's time is spent in gathering data. Although we talk of a single auditor, an auditing team is usually involved when the project is large.

iii. PREPARING AND PRESENTING THE REPORT:

The marketing auditor will be developing tentative conclusions as the data comes on. It is a sound procedure for him to meet once or twice with the company officer before the data collection ends to outline some initial findings to see what reactions and suggestions they produce.

2. SWOT Analysis:

Service providers should use the information marketing audit, to evaluate their strengths and weaknesses and identify the threats and opportunities in the market. The most popularly used analysis for relating organizational factors with environmental factors in order to develop a strategic fit between them is SWOT analysis. The letters S and W represent 'strengths' and 'weaknesses' of the organization. The letters O and T represents 'opportunities' and 'threats' that are existing or likely to emerge in the environment in relation to the organization.

A SWOT should:

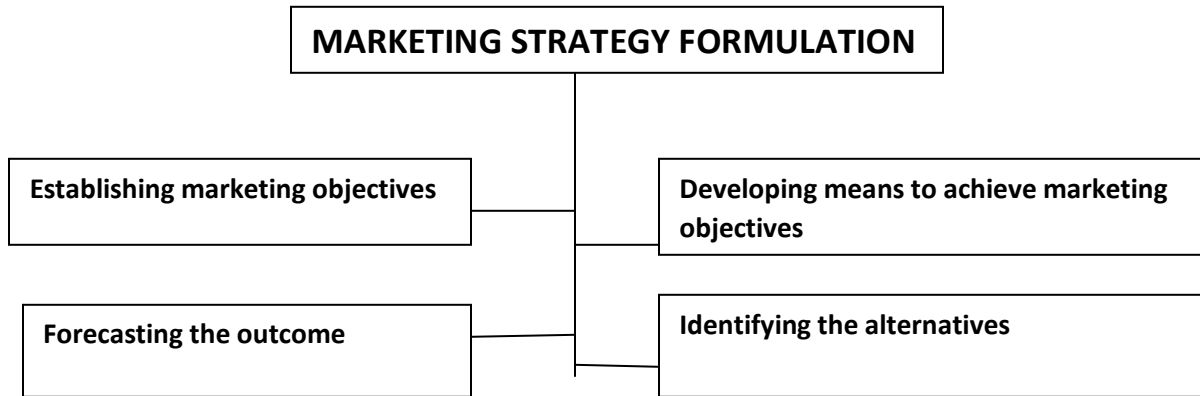
- i. Be focused on each specific segment of crucial importance the organization's future.
- ii. Be a summary emanating from the marketing audit.
- iii. Be brief interesting and concise.
- iv. Focus on key factors only
- v. List differential strengths and weakness vis-à-vis competitors, focusing on competitive advantage.
- vi. List key external opportunities and threats only.
- vii. Identify and pin down the real issues.
- viii. Enable the reader to group instantly the main thrust of the business, even to the point of writing marketing objectives.
- ix. Follow the implied questions "which means that?" to get the real implications.
- x. Not overabbrevate.

3. KEY ASSUMPTIONS:

Organizations need to make some assumptions regarding a few key factors that influence the success of marketing efforts. These assumptions are essential for formulating an effective marketing strategy.

6. MARKETING STRATEGY FORMULATION:

In the formulation of a strategy, it is necessary to take into consideration the full set of commitments, decisions and actions required for a firm to achieve strategic competitiveness. The SWOT analysis provides necessary strategic inputs for effective strategic formulation and implementation. A company's competitive strategy consists of the business approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position.



1. ESTABLISHING MARKETING OBJECTIVES:

The marketing objectives of a service organization or for that matter any (service) organization should be in alignment with the corporate objectives.

2. DEVELOPING MEANS TO ACHIEVE MARKETING OBJECTIVES:

After setting marketing objectives, the management needs to specify the ways and means of achieving them. These ways and means constitute the marketing strategies.

3. FORECASTING THE OUTCOME:

Services cannot be stored for future consumption and use. The perishable nature of service emphasizes the importance for the service provider to forecast demand.

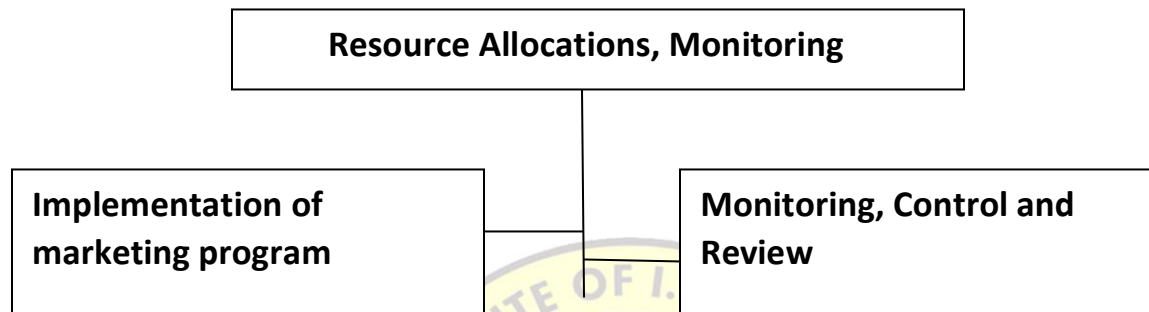
4. IDENTIFYING THE ALTERNATIVES:

Before implementing any marketing strategy, it should be tested for its ability to deliver the desired results. If the strategy seems to have any flaws, it should be withdrawn immediately, before it causes any damage. The management should also look for alternative strategies simultaneously.

In the marketing strategy, managers should also accommodate plans to deal with contingencies like a sudden fall in demand, changes in economy, technology etc., sometimes irrespective of the extensive planning and care-taken in the implementation of a strategy. The actual outcome may deviate from the expected outcome. Managers should observe any such deviations from the expected results, investigate the reasons, (the) and take appropriate steps to avoid them in future.

7. RESOURCE ALLOCATIONS, MONITORING & DETAILED PLANNING:

This is the last step in the marketing planning after the strategies are formulated. The strategic marketing plan gives only a broad outline of the objectives, to strategies to be adopted and the resources to be allocated to achieve the objectives.

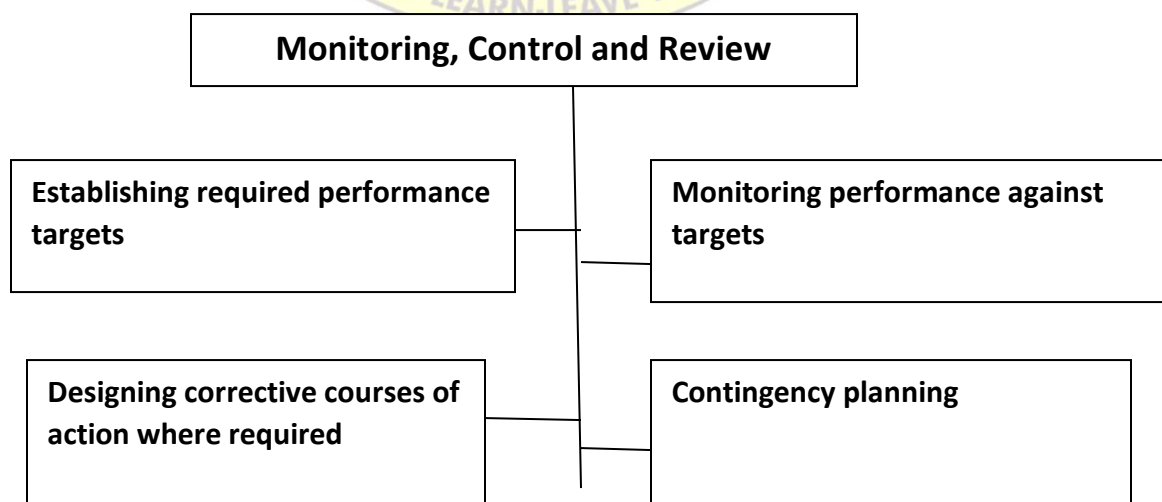


1. Identification of marketing program:

The development of a good marketing strategy alone does not yield results. Implementation of the strategy is equally important. Strategies like a blueprint indicate various course of action to achieve desired objectives.

2. Monitoring, control and Review:

The last stage in the marketing planning process sets in place control techniques for monitoring the plan's performance.



1. ESTABLISHED REQUIRED PERFORMANCE TARGETS:

Targets are derived from the marketing objectives set down in response to corporate objectives. They should:

- (a) Indicate clearly required levels of individual performance.
- (b) Allocate responsibility for individual achievement to the appropriate persons.
- (c) Delineate clearly between areas of individual responsibility for which individuals have control and uncontrollable factors which should be executed from that individual's required targets.
- (d) Be prioritized and ensure they are feasible and compatible.
- (e) Have some built-in flexibility in order to respond proactively to changes in the organization's environment.

III. DESIGNING CORRECTIVE COURSES OF ACTION WHERE REQUIRED:

The purpose of an effective monitoring system is to identify areas of shortfall between actual performance and targets quickly and deal with problem areas promptly.

IV. CONTINGENCY PLANNING:

This is designed to focus management thinking on alternative courses of action which can be taken when expected situations arise which make the designated action program, or parts of it, unworkable.

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