

SERVICE MARKETING

Module 1: Introduction- Difference between Products and Services, Key characteristics of services.

Unit Structure :

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Definition
- 1.3 Key Characteristics of Services
 - 1.3.1 Constraints on the management of services and ways of overcoming them
- 1.4 Product V/s Services
 - 1.4.1 Concept of Product
 - 1.4.2 How do Services Work
 - 1.4.3 Difference between Products and Services
- 1.5 Classification of Services
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1.0 OBJECTIVES

- The pupil will be capable of :

Describe the idea of services marketing;

- Define services;
 - Discuss the features of services;
 - Differentiate between products and services; and
 - Categorise services after completing this module
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1.1 INTRODUCTION

Marketers need to learn more about selling service products as India shifts becoming increasingly toward a services-based economy. To put it simply, services are actions or benefits that one party might provide to another that are basically intangible and therefore don't lead to the ownership of anything. As a result, we can understand how services differ from products.

Over the last ten years, services have grown in importance within the Indian economy. Services have risen to prominence ever since this trend was established in the 1990s. Service organisations are simultaneously experiencing a significant and severe increase in competitiveness. These organisations must therefore manage their businesses in a more professional manner. Perhaps it is because of this environment that marketing is becoming a more important component in service organisations. You will learn about the idea of services in this unit.

1.2 DEFINITION OF SERVICES

The American Marketing Association was one of the first to describe services, defining them as "activities, benefits, or satisfactions which are offered for sale, or delivered in connection with the sale of goods" as early as 1960.

This definition had a very constrained perspective on services by stating that they can only be provided in combination with the sale of products.

According to Regan's second definition, which was put forth in 1963, "services represent either intangibles producing satisfaction directly (transit, housing), or intangibles yielding satisfaction jointly when acquired either with commodities or other services (credit, delivery)." For the first time, services were regarded as wholly immaterial goods that could satisfy customers and be marketed similarly to physical goods.

Services are any action or benefit that one person can provide to another that is fundamentally intangible and does not result in the ownership of something, according to Kotler and Bloom's definition from 1984. Its creation may or may not be connected to a tangible good.

Services are business operations that provide value and benefit consumers at particular times and locations in order to effect the desired change in - or on behalf of - the service recipient. (Source: Christopher H. Lovelock; Edinburgh Business School; Service Marketing Barbara Lewis, Suzanne Fernie, and Sandra Vandermerwe)

This definition considers the following crucial characteristics of services:

Services are primarily "activities" or "series of activities" rather than "things."

Services are therefore intangible.

Services are generated and consumed simultaneously because they take place in interactions between customers and service providers.

Consumers have a part to play in the production process because services are offered as a solution to customers' problems.

The rise of the global economy is important to service industry. Particularly in the GDP-contributing open trade nations, it is growing and creating job opportunities. The production of the service sector is positively correlated with per capita income. The service sector in India contributes significantly to both employment and the country's overall economic output.

A useful productivity indicator is service quality. It materialises when businesses take the opportunity to offer its customers higher-quality services in order to boost customer happiness. The labour force is another crucial component because the service industry relies heavily on workers. As a result, just as raw materials and machinery are crucial to the manufacturing business, so too are labour and technical expert aspects in the service sector.

Types

Service sector is broadly classified into:

Consumer Services: Individual customers will be the target market. Retail and hospitality are two examples.

Business Services: The organisations or other enterprises will be the target market. Information technology and marketing services are two examples.

Public Service: Delivering services to the general public is known as public service. Example Education and healthcare

Examples of Companies in the Service Sector

Hospitality, transportation, financial services, retail sales, real estate, banking, media and entertainment, information technology, and education are a few examples of tertiary sector firms. Together, these industries produce a wide range of jobs in the service sector, including those for teachers, doctors, retail salespeople, consultants, and engineers.

Some of the major Service Industries of India:

Healthcare:

The healthcare industry offers services that aid in maintaining and enhancing people's health. The improvement of people's general physical and mental health and well-being on a global scale depends on it. One industry that calls for qualified individuals includes those who have training in medicine, dentistry, psychology, and assistive technology. Additionally, the demand for better medical care is spurring innovation in medical equipment, supplies, and services.

Information Technology

A wide range of different industries are served by the IT sector. It can function as an internal IT department or as an outside provider of IT services, offering a range of services such consulting, software administration, cloud computing, and data management.

Entertainment and the Media

Media: Businesses that market movies, TV shows, printed materials, etc. make up this sector. The services in this field concentrate on giving the general public access to entertaining and educational content. The Walt Disney Company and McGraw-Hill Company are two examples of companies in this industry.

Education

The education sector consists of for-profit, nonprofit, and public organisations that work to improve the nation's human capital. Every company needs a sizeable percentage of competent workers, and the education sector offers the atmosphere for developing a variety of professional human resources.

India's service sector

In India, the tertiary sector is both the largest and fastest-growing. India is one of the top 10 Leading exporters and importers in global trade in commercial services, according to World Trade Statistical Review, 2020. India provides employment, aids in export, and draws in foreign direct investment.

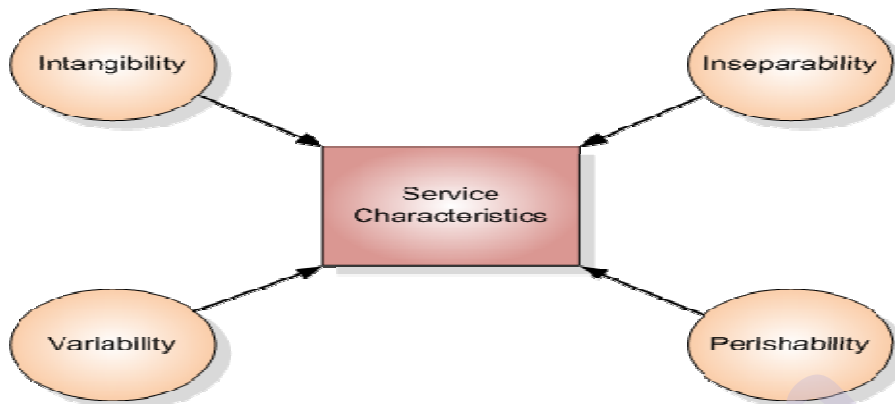
An economy dependent on agriculture was transformed into one dominated by the service sector in the 1990s as a result of liberalisation and a number of economic changes. The importance of the service sector expanded due to a number of causes, including economic development, the easing of FDI restrictions, rising per capita income, improved education, and changes in lifestyle.

For instance, the availability of highly skilled labour and technology improvements have contributed to the expansion of enterprises in the IT sector. Services are currently being outsourced from developed nations to emerging nations like India. It causes the Indian industry to expand as a result. Government investment on social, personal, and community services has also increased, which has fueled sector growth.

(<https://www.wallstreetmojo.com/service-sector/>)

1.3 KEY CHARACTERISTICS OF SERVICES

With a better understanding of a service's features our ability to manage it from an economic and marketing perspective will improve. Services are immaterial, inseparable, variable, and perishable. Every characteristic has issues, and each issue needs a strategy to be resolved.



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Because services are intangible, consumers cannot physically see, touch, feel, taste, smell, or even hear them before making a purchase.

According to the principle of inseparability, services are created, delivered, and used all at once. Manufacturing occurs in the production unit in the case of produced items, after which the products are stored in inventory and shipped to the distribution outlet, where consumers pick them up for consumption.

When services are given variably, they typically differ in terms of service scope, delivery time, and quality. Since most services are provided by humans, they vary.

Services that are perishable cannot be stored.

Example: When a cinema hall seats remain vacant during a show with only few number of viewers, the unfilled seats stay unsold, however unsold produced goods can be added to inventory and sold the next day.

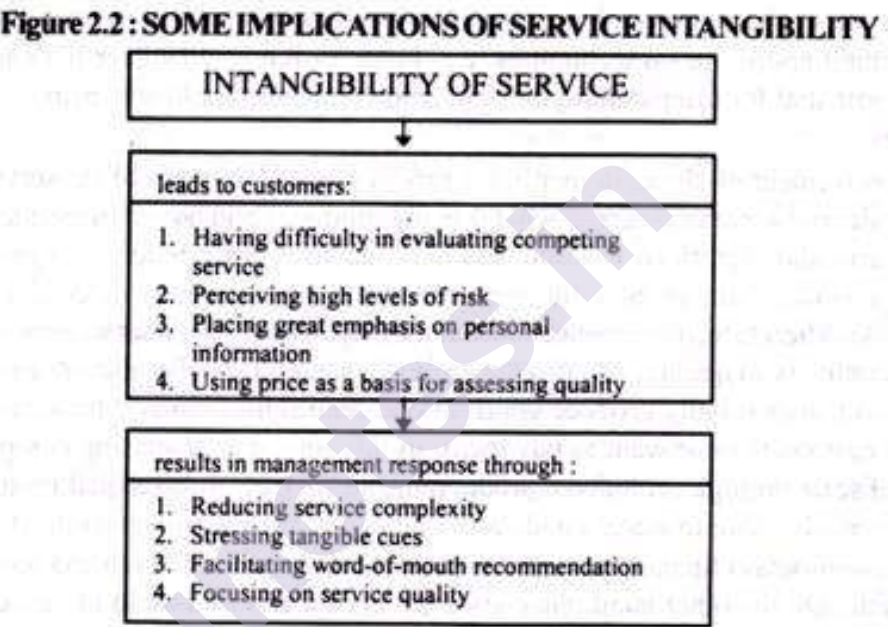
Services are frequently less standardised than goods, generated and consumed simultaneously, and are somewhat intangible. Due to the inherent marketing implications of these distinctive service qualities, service marketers must implement effective marketing tactics.

1. Intangibility: Typically, services cannot be touched, tasted, felt, heard, or smelt prior to purchase. Before (and occasionally during and after) the service delivery, the potential consumer cannot understand the service. For many car repair customers, for instance, the service is

entirely invisible to them; they frequently cannot see what is being done and many are actually unable to assess what has been done.

2. **Implication:** Intangibility creates issues since it may be challenging for consumers to understand what is being offered before and even after receiving the service. Determining the degree of intangibility and the management action necessary to make the service more tangible presents a problem for the service provider. The first duty needs using some kind of measurement, while the second task entails giving consumers concrete evidence, like a booklet to explain the service. Fig

Some Implications of Intangibility :

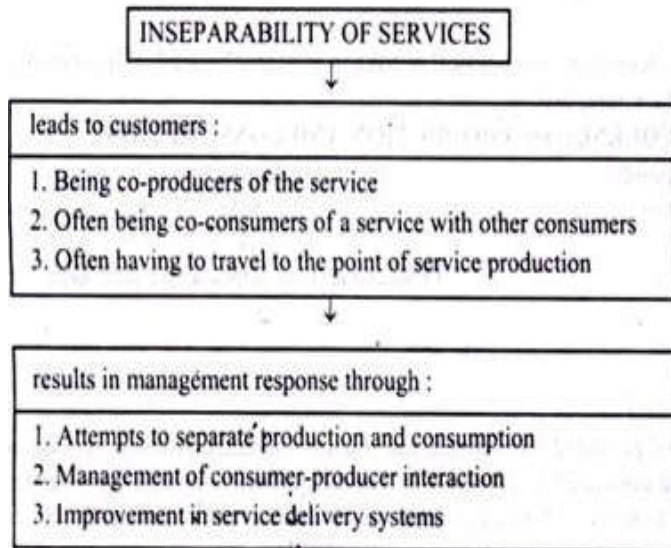


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1. **Inseparability:** Services like carpet cleaning and plumbing can be generated and provided in settings where the customer's presence is not required. Some services, like distance learning courses, may rely more on written communication than others, while others, like home banking, may rely more on technology. There is always a chance that production and consumption will be inseparable, regardless of the type and degree of relationship.

Implication: Because the consumer participates in the service's creation and delivery, the service provider needs to be careful about what is created and how it is created. The chance of repeat business may be influenced by how teachers, doctors, bank tellers, lawyers, vehicle mechanics, and hairdressers behave in front of the consumer.



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1. Variability: Variability in service performance is an inevitable result of simultaneous production and consumption. Depending on who offers the service, as well as when and how it is delivered, the quality may vary. One hotel offers a quick, effective service, whereas another nearby offers a slow, ineffective service. One hotel staff is cordial and helpful, while another is haughty and impeding, in that hotel. Over the course of a day, performance might vary, even within one employee.

Implication: The first step in reducing variability is to identify the sources. It could be because an employee has undesirable personality qualities that are difficult to spot throughout the recruiting process. Nothing much can be done about this other than to cross one's fingers and hope the employee decides to leave his job. However, variances in performance could have valid, sensible explanations. For instance, it might be the result of inadequate training, supervision, and communication, as well as a general lack of ongoing support.

1. Perishability: Services cannot be kept for sale or usage later due to their perishability. Unused hotel rooms, unpurchased airline tickets, and unfilled college spots cannot be claimed back. Services cannot be saved because they are performances. When demand vastly outweighs supply, it cannot be satisfied by moving products out of a warehouse, as in production. Similarly, the revenue and/or value of that service is lost if capacity vastly outweighs demand.

Implications: Service firms frequently experience changes in demand, which could be problematic if they are uncontrollable. It is necessary to

establish strategies for achieving a better balance between supply and demand. In contrast to things, services cannot be stored. A automobile manufacturer who is unable to sell the entirety of its output during the current period may carry forward stockpiles to be sold during the following one.

- 2. **Heterogeneity:** Despite the fact that conventional processes might be employed, such as when handling a travel reservation, scheduling servicing for a customer's car, or obtaining a quote for life insurance. A service's individual "units" may vary from one another. Franchise businesses make an effort to maintain a degree of uniformity, but it is ultimately challenging to guarantee the same level of output in terms of quality. Even if this factor also applies to some product marketing, it is challenging for customers to evaluate quality before to purchase.
- 3. **Lack of ownership:** Because a consumer may merely have access to or use a facility, there is a fundamental difference between a service company and a product industry (e.g. a hotel room, a credit card). Payment is required to access, use, or hire items. With the exception of limitations imposed, say, by a hire purchase arrangement.

1.3.1 Constraints on the management of services and ways of overcoming them:

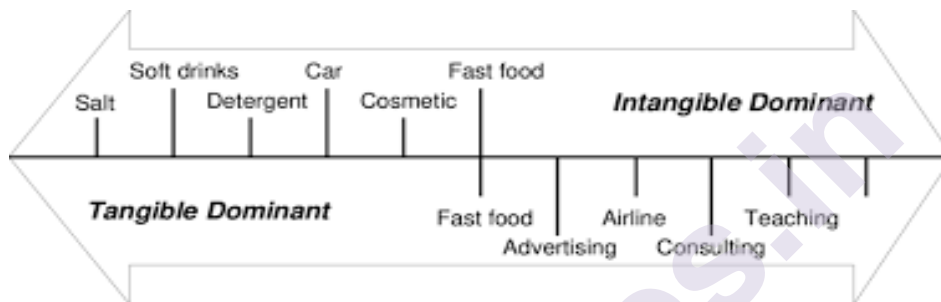
<i>Characteristics of service</i>	<i>Some implications</i>	<i>Some means of overcoming characteristics</i>
Intangibility	Sampling difficult. Places strain on promotional element of marketing mix. No patents possible. Difficult to judge price and quality in advance.	Focus on benefits. Increase tangibility of service (e.g. physical representations of it). Use brand names. Use personalities to personalize service. Develop reputation.
Inseparability	Requires presence of producer. Direct sale. Limited scale of operations.	Learn to work in larger groups. Work faster. Train more competent service providers.
Heterogeneity	Standard depends upon who and when provided. Difficult to assure quality.	Careful personnel selection and training. Ensure standards are monitored. Pre-package service. Mechanize and industrialize for quality control. Emphasize bespoke features.
Perishability	Cannot be stored. Problems with demand fluctuation.	Better match between supply and demand (e.g. price reductions off peak).
Ownership	Customer has access to but not ownership of activity or facility.	Stress advantages of non-ownership (e.g. easier payment systems).

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There are no such things as service businesses, according to Levitt. There are only service sectors with more or less service components than other industries. Everybody is in service, practically every tangible core physical product had an associated intangible service component. As a result, everyone is serving.

Ms. G. Lynn Shostack, a vice president at Citibank, first proposed that marketing "entities" are mixtures of separate intangible and tangible characteristics in 1977. We can see that not all products and services fall at one spot if these absolute tangible and intangible elements are taken to the two extremes of a continuum. From absolutely tangible things like salt to absolutely intangible services like education, there is a spectrum.



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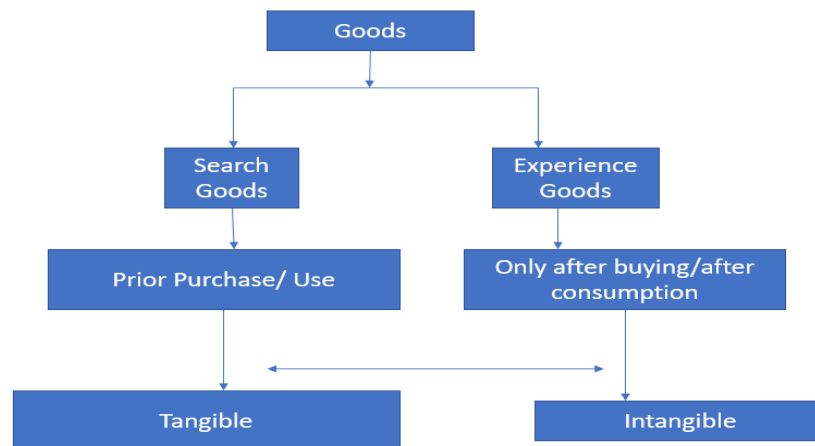
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The other strategy of making distinctions between various products was put up by Theodore Levitt. He claims that products can be divided into two groups: search goods and experiential goods.

Search goods are typically packaged items that customers may view, assess, and try before making a purchase. For instance, a car, shampoo, etc.

Contrarily, experience goods are ones that one can view or assess after making a purchase. For instance: Vacations, teaching, etc.

Some people refer to search results as physical things, while others refer to them as tangibles. As said, there is a spectrum between the two extremes, and certain products may fall within this range.



The viewpoint of Levitt has been further explained and broadened by Philip Kotler, who proposes four categories into which the relationship between a product and a service can be divided.

First, there is the pure tangible good, which is comparable to a commodity and makes it challenging to discern between the products offered by different suppliers even though they appear to be the same. There are virtually no intangibles or services connected to either of the products.

Second, it consists of a physical commodity and related service. In this instance, the offer consists of a service or services in addition to a tangible commodity. In this case, an attempt is made to set the product apart from rival items based on service.

Example: Consider two brands of Television one has 3 years guarantee and other has 5 years guarantee, based on guarantee the products are differentiated.

Thirdly, there are small commodities or services that go along with the big service. In this instance, the manufacturer or supplier is essentially providing a service to the market and may or may not be bundled with ancillary goods or services

Example: Tourism company is offering basically travelling, but along with it provides food and entertainment.

Fourth is pure service. Example: Counselling, tutoring.

Frequently, services and products are contrasted.

1.4.1 Concept of product:

An item for sale is called a product. Most importantly, it is a tangible physical object. Products can be bought, sold, stored, and transported. After the transaction is complete, we can transfer the item, give it back, or even exchange it for a different one. There are countless products all around you if you look. Products include things like laptops, cars, furniture, food items, mobile phones, and laptops.

In the production process, manufacturers buy items as raw materials and then sell those things as finished goods. Every thing is manufactured at a cost, and it is priced accordingly. In addition, a product's price might change depending on its quality, marketing, and market.

1.4.2 How Do Services Work?

A service can be defined as an exchange that does not entail the physical transfer of things from the vendor to the customer. In essence, it is work performed on behalf of another person by one or more people. You can get these things done for you by other individuals, businesses, and the government. Services include things like banking, health care, education, insurance, and transportation. As opposed to products, which are tangible physical objects, services are intangible and non-physical. The booking agent, for instance, is giving you a service when you make a reservation for a vacation, but the reservation itself is abstract and cannot be handled, stored, or moved.

1.4.3 Difference between Product and Service

	Product	Service
Meaning	Products are things or systems made available to consumers.	Services are transactions where no physical commodities are moved from the supplier to the customer.
Category	Tangible	Intangible
Creates	It creates value	It creates relationship
Expenses	More Expensive	Less Expensive
Who approaches whom?	Customers receive products.	Consumers visit services.
Production	Products are created, shipped, and kept in storage.	Services cannot be produced, kept in storage, or moved.

Consistency	Products offered may be same in consistency.	There is never a single delivery of a certain service that is precisely the same as prior or upcoming deliveries.
Separability	Product and the company producing it are separate	Service cannot be separated from its provider.
Customization	Products cannot be modified to meet specific needs. The business must introduce new products to reach its target market.	Services may be promptly adjusted because they differ from person to person.
Returnability	The product can be returned	Service can't be returned.
Durability	The lives of products are longer. Even if I put a book on the shelf and it doesn't sell today, I can still sell it in the future.	A service supplied today that is not used will never be recovered. If I don't rent out my hotel room tonight, I'll never be able to do so again; it will be lost forever.

1.5 CLASSIFICATION OF SERVICES

Services can be categorised using the following criteria:

1) By Market Segment: Because different markets have unique wants and characteristics, different market segments require distinct services. According to the types of markets or final clients supplied, the following service types exist:

End User: Services purchased by clients for their own usage are referred to as "end consumer services."

For instance, body massages, aesthetic treatments, and hair trimming.

Business Consumer Services, also known as Business to Business (B2B) services, refer to the many services that businesses purchase. Examples include consulting, market research, advertising, etc.

- 2) By Degree of Tangibility:** The degree of tangibility affects the types of services as well. The services can be divided into the following categories according to their degree of tangibility:

Extremely Tangible: When a service includes a tangible product offering, it is said to be "highly tangible." The lifespan of these items can occasionally be short.

For instance, someone can rent a car for a set amount of time. The consumer must deliver the vehicle back to the service provider after this time period has passed.

Service Relating to Tangible Goods: Commercial entities give their products some sort of warranty. Customers are given temporary access to complimentary services if they experience any problems with the products. These kinds of free services fall within this category.

For instance, the maker of a cell phone might offer a customer a brief period of free service.

Highly Intangible: The user isn't given a real product when using these services. For instance, a consumer visiting a yoga studio just receives the yoga exercises. Customers can experience the center's tranquil atmosphere, but no other tangible goods are provided.

- 3) By Provider Service:** The kind of services is significantly determined by the skills and capabilities of service providers. Depending on the knowledge and skills needed by the service provider to provide services to the clients, the various types of services can be divided into the following categories:

Professional Services: In order to provide these services, formal training is required.

For instance, the services provided by doctors, IT specialists, attorneys, etc.

Non-Professional Services: Offering services to clients doesn't call for any professional training. Examples of these services, where service providers do not require professional training, include housekeeping and babysitting.

- 4) By Business Orientation:** A service organization's level of business orientation affects the services it provides. A service organisation could be public, private, for profit or nonprofit purposes.

Non-profit services' primary goals are to benefit society rather than make a profit.

As an illustration, consider charitable hospitals, public schools, etc.

Commercial services: The primary goals of such services are to maximise profits and revenues.

For instance, the services provided by banks, insurance brokers, and airlines.

5) By Level of Regulation: The level of rules that the government imposes might serve as another basis for categorising different services. Different services can be grouped into the following categories according to the level of regulation:

Highly Regulated: To control these services, a wide range of laws and regulations have been developed.

Examples: hospitals, insurance, public transit, etc. are a few examples. Some of the services are just lightly regulated and subject to fewer limitations. Take fast food, catering, etc. as examples.

Non-Regulated: Some of the services are not subject to any rules. Taking care of the lawn, painting the house, using the computer, etc.

1.6 EXERCISE

State whether the following statements are true or false:

- 1. Services are only provided in conjunction with the purchase of products or as part of a package deal.
- 2. Both physical and intangible services are available.
- 3. Customers are crucial to the provision of services.
- 4. Courier services have minimal customer contact.
- 5. A high contact service is teaching.
- 6. Unskilled workers perform hair cutting services.
- 7. The quantity of tangible commodities included in fast food restaurant services is substantial.

Match the following sets:

Set A	Set B
1. There is no way to store services.	a. Intangibility
2. Services are not patentable	b. Inseparability
3. Difficulty in service quality control	c. Heterogeneity
4. No widespread service production	d. Perishability

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CONSUMER BEHAVIOR IN SERVICES

Unit Structure :

2.0 Objective

2.1 Introduction

2.1.1 Consumer Actions in the Service

2.1.2 Important of Consumer Behavior

2.1.3 7 Different Members of the Buying Centre of an Organisation

2.1.4 Factors Influencing Consumer Behavior

2.3 Summary

2.4 References

2.0 OBJECTIVE

- 1) Is to understand the relationship between consumer behaviour and customer value, satisfaction, trust, and retention.
- 2) To understand what consumer behaviour is and the various types of consumers.
- 3) To understand the relationship between consumer behaviour and the marketing concept, the societal marketing concept, as well as segmentation, targeting, and positioning.
- 4) To comprehend how marketers may better meet the requirements and wishes of customers thanks to modern technology.
- 5) To comprehend how marketers are more able to contact customers wherever they want to be reached
- 6) To comprehend how the state of the global economy is causing unpredictability in consumer spending.

2.1 INTRODUCTION

The study of people, groups, or organisations and all the behaviours connected to the acquisition, consumption, and disposal of products and services is known as consumer behaviour. Consumer behaviour refers to how a person's feelings, attitudes, and preferences influence their purchasing decisions. The formal study of consumer behaviour examines individual traits like demographics, personality lifestyles, and behavioural variables (such as usage rates, usage occasion, loyalty, brand advocacy,

and willingness to provide referrals) in an effort to understand people's desires and consumption habits. ty, brand advocacy, and willingness to provide referrals). For a business to be successful with both the launch of new items and its present lineup of products, it is imperative to comprehend consumer behaviour. Every customer approaches purchasing a certain product with a unique thought process and mindset. There are several risks for product failure if a corporation doesn't comprehend how a consumer will react to a product.

Consumer behaviour varies as a result of evolving fashion, technology, trends, lifestyles, disposable money, and similar other variables. To coordinate marketing efforts appropriately, a marketer must be aware of the aspects that are changing.

According to Engel “Consumer behavior is the actions and the decision processes of people who purchase goods and services for personal consumption”

2.1.1 Consumer Actions in the Service

We all purchase various services for a variety of reasons. One individual could choose dining out for the delicious cuisine, while another would choose a posh restaurant for prestige. While the other could like to read Business Standard, one might want to read The Times of India. Depending on the service a client may have gotten, their conduct may vary from one to the next. Not everyone will necessarily be satisfied with the service they receive.

2.1.2. Important of Consumer Behavior

1. Differentiation by Consumer:

A marketing strategy called customer differentiation is utilised to differentiate one consumer from a group of connected consumers. This helps to develop a target market of clients who display similar or matching behaviours. Despite having a specific consumer demographic in mind, there may still be differences amongst particular clients. Each consumer group is unique, and each group's requirements and desires are distinct from those of other groups. A marketer may create unique marketing campaigns when he is aware of the differences between each set of consumers.

Your plans may be adjusted to meet the demands of various client groups with the aid of consumer differentiation. You may increase the depth and readth of your offerings once you've differentiated your target audience. You'll be able to assist a larger number of clients successfully.

2. Customer retention:

According to Professor Theodore Levitt. “Consumer behavior is of most importance to marketers in business studies as the main aim is to create and retain customers,”

In addition to attracting new consumers, consumer behaviour is crucial for keeping current ones as well. A happy customer is more inclined to make the same transaction again. Therefore, it is important to sell the product in a way that encourages repeat purchases from customers. Therefore, it is obvious that acquiring clients and keeping them is crucial. Only by comprehending and paying attention to the consumer's purchasing behaviour can this be accomplished.

3. Create a Marketing Program That Is Relevant:

Marketing programmes that are successful are made possible by an understanding of customer behaviour. Based on their behaviour, each ad may communicate particularly to a distinct set of customers.

For instance, when marketing to children, you may need to keep an eye out for media like TV advertising, school activities, and blogs that cater to young mothers. You'll need to use several message strategies for various customer segments.

Marketers may better understand what drives consumer behaviour by studying consumer behaviour. The same reason might also be utilised in advertising to increase consumers' interest in buying something. Additionally, marketers should base judgements on customer behaviour when it comes to the company logo, discounts, packaging, and gifts.

4. Predicting Market Trend:

Analysis of consumer behaviour will be the first to point to a change in market patterns. For instance, nutritious cuisine and environmental friendliness are currently popular trends among customers. Many businesses, including McDonald's, have noticed this shifting market tendency. McDonald's introduced healthier meal alternatives based on consumer behaviour.

A corporation can avoid spending a lot of money and energy on making a product that won't be profitable by instead performing a customer behaviour research. For instance, a company won't squander money creating a product in the summer that won't sell. The business chooses a manufacturing plan based on customer behaviour that will reduce marketing and warehouse expenses.

5. Competition:

Finding out the answers to some of the following issues is one of the most crucial benefits of studying consumer behaviour:

- Why would a customer choose your rival over you?
- What characteristics of your competitors' products draw customers in?
- What shortcomings do customers see in your products as compared to those of your rivals?

- Understanding and dealing with competition are made easier by studying customer behaviour. Your brand may have a competitive edge based on customer expectations.

6. Innovate New Products:

We are all familiar with some of the household brands, like Wheaties Dunk-a-Balls Cereal, Colgate Kitchen Entrées, Earring Magic Ken Doll, and New Coke. Do you notice any similarities between these two products? Yes, they all fell short.

The unfortunate reality is that the majority of new initiatives and products fail. According to the industry, an estimate of new product failures ranges from 33% to 90%. Businesses continuously make great efforts to boost the probability that their innovative concepts or new goods will be successful. One of the most crucial methods is to carry out a thorough and careful analysis of consumer behaviour.

Nike discovered through customer behaviour analysis that while the majority of their target market does not consist of competitive athletes, many of them aspire to be more like them. Therefore, Nike launched a "Find Your Greatness" campaign to promote athletics in the London Olympics in 2012. It was meant to inspire individuals of all physical capacities—not just top-tier athletes—to follow their aspirations of becoming athletes. The campaign was thoughtfully planned and data-driven, of course, and every decision was carefully considered before being made. Many customers were motivated by this message, and target consumers found it to be very appealing.

7. Improve Customer Service:

Different degrees of customer service are needed by consumers, and knowing how your client base differs from one another can help you deliver the best service possible.

For example, if you own an electronics store, high school or college students buying a new laptop are more likely to be aware of the features they desire than someone buying his first computer. With the first demographic, your service objective will be to inform customers about the most recent technological trends, whereas with the second, you'll need to invest more time in educating the client, ascertaining his unique needs, and even instructing him on how to use the features of his new electronic device.

2.1.3 7 Different People in an Organization's Buying Centre

1. Initiators:

Typically, users are the ones that have a demand for a product or item and then a supplier. However, there may be times when senior management, maintenance, the engineering department, or other parties sense the necessity or recognise it. Initiators are those who "initiate" or begin the purchasing process.

2. Users:

Users of numerous goods fall within this group. If they have strong technical skills like engineers and R&D personnel and are also effective communicators They are essential to the purchasing process. They also serve as starters.

3. Buyers:

They are the ones with the official power to choose the supplier and determine the conditions of the transaction. They are crucial in choosing suppliers, engaging in negotiations, and occasionally influencing the product specifications. Getting offers or bids, analysing them, choosing the supplier, negotiating the terms and conditions, issuing purchase orders, following up, and keeping track of delivery are the main duties or obligations of purchasers. In order to save time and money, many of these processes are now automated.

4. Influencers:

By creating product requirements, technical staff, specialists, consultants, and certified engineers act as influencers. Simply described, they are members of the organisation who have a say in a customer's purchase. When there are significant long-term costs and rewards, it may also be the top management. Influencers offer data for analysing options strategically.

5. Deciders:

The marketing representative among the members must be aware of the decision-makers in the organisation and make efforts to connect with and keep in touch with them. The official organisational structure may be misleading, and the choice may not even be made by the buying division.

In most cases, the buying executive may make the final decision for regular purchases. Senior executives make decisions, however, when it comes to expensive and technically challenging items. The decision-makers are those who choose the suppliers and the requirements/specifications for the products.

6. Approvers:

Approvers are those who provide their approval to the suggested activities of deciders or purchasers. They could also be members of senior management, the financial team, or users.

7. Gate Keepers:

A gatekeeper functions as an information filter. He is the person the marketer must get through before he can speak with the decision-makers.

The formulation of industrial marketing tactics and the salesperson's approach depend heavily on an understanding of the gatekeeper's function. They only let information reach the decision-makers that supports their viewpoint.

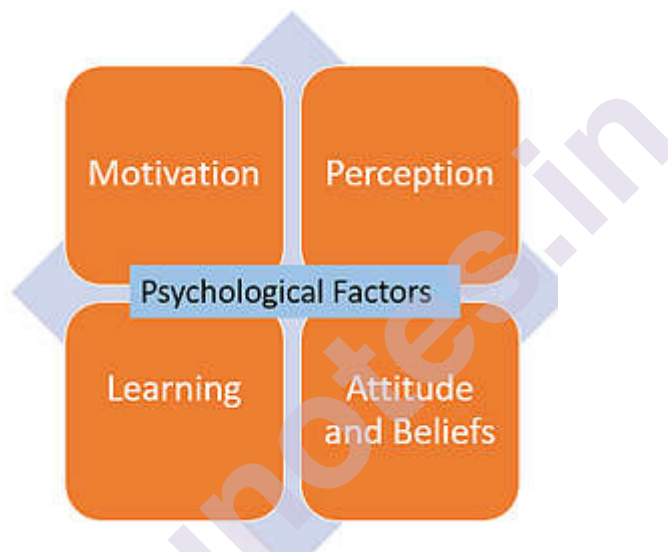
2.1.4 Factors Influencing Consumer Behavior

Many distinct aspects affect consumer behaviour. A marketer should make an effort to comprehend the variables that affect consumer behaviour. These are the top 5 elements that affect how consumers behave:

1. Psychological Factors:

A key factor in determining customer behaviour is human psychology. Despite being challenging to quantify, these elements have the potential to affect a buyer's choice.

Several significant psychological aspects include:



i. Inspiration:

When someone is sufficiently driven, it affects their purchasing decisions. A person has a variety of wants, including those for self-actualization, esteem, security, and social needs. The fundamental requirements and security needs take precedence over all other demands out of all these needs. Therefore, a consumer's motivation to purchase goods and services can be influenced by their fundamental necessities and security needs.

ii. Sensation:

Consumer behaviour is significantly influenced by consumer perception. Consumer perception is the process through which a customer gathers facts about a product and interprets those facts to generate an impression of that specific product.

Customers form opinions about products based on what they see in commercials, promotions, customer reviews, social media comments, etc. As a result, customer perception has a significant impact on what people choose to buy.

iii. Education:

A person gains greater knowledge about a product when they purchase it. Over time, via experience, we learn new things. Learning is dependent on a consumer's abilities and knowledge. While practise can help with skill development, experience is the only way to learn new things.

Learning may be conditioned or cognitive. In conditional learning, a situation is repeatedly presented to the customer, who eventually develops an opinion about it. Contrarily, in cognitive learning, the buyer will use his knowledge and abilities to find fulfilment and a solution in the thing he purchases.

Contrarily, in cognitive learning, the buyer will use his knowledge and abilities to find fulfilment and a solution in the thing he purchases.

iv. Beliefs and Attitudes:

Consumers hold specific attitudes and ideas, which have an impact on their purchasing decisions. The consumer behaves a certain manner toward a product based on this mentality. The brand image of a product is significantly influenced by this mentality. Therefore, in order to build their marketing strategies, marketers work very hard to comprehend customer attitudes.

2. Social Factors:

Due to their social nature, humans are always surrounded by individuals who can affect their purchasing decisions. Humans attempt to mimic other people and also want to fit in with society. Their purchasing decisions are therefore impacted by others around them. These components are thought of as social components. Several societal factors include:

i. A family:

Family has a big impact on how people behave when they go shopping. A person develops their preferences as a child by seeing their family members make purchases, and they stick with those tastes as they age.

ii Reference Organizations:

A reference group is a collection of persons that a person identifies with. Members of the reference group generally influence one another and have comparable shopping preferences.

Roles and status A person's position in society has an impact on him. If a person holds a high position, his purchasing decisions will be heavily impacted by his position. While a staff member or employee of the same organisation will have a distinct buying pattern, the chief executive officer of a company will make purchases that reflect his standing.

3. Cultural factors:

A collection of individuals is connected to a certain community's beliefs and ideals. A person's conduct is greatly impacted by the culture associated with the community from where they are originally. Among the cultural influences are:

i. Culture:

Cultural variables have a substantial impact on consumer purchasing behaviour. The fundamental beliefs, needs, desires, preferences, perceptions, and behaviours that a consumer learns from close relatives and other influential persons in their life are included in the category of cultural factors.

ii. A subculture:

There are several subcultures within each cultural group. The ideas and values of these subcultural groupings are similar. People from diverse religions, castes, geographic locations, and nations can make up subcultures. By themselves, these subcultures constitute a client segment.

iii. Social Class:

Every civilization in the world has some kind of social class. The social class is influenced by a number of characteristics in addition to money, including employment, family history, educational attainment, and residential location. The social class has a key role in predicting consumer behaviour.

4. Personal Factors:

Consumers' personal circumstances have an impact on what they buy. These individual characteristics vary from person to person, resulting in various views and purchasing patterns.

i. Age is one of the personal aspects:

Age is an important factor that influences consumer behaviour. Younger consumers have distinct buying habits than middle-aged consumers. Elderly consumers behave entirely differently while making purchases. Teenagers will be more inclined to purchase brightly coloured clothing and cosmetics. Middle-aged people are concerned about their family's home, possessions, and automobile.

ii. Salary:

A person's purchasing habits may be influenced by their income. Consumers with greater incomes have more purchasing power. A customer has more opportunities to spend on opulent goods when they have more disposable cash. Contrarily, low- or middle-income consumers spend the majority of their income on necessities like food and clothing.

iii. Profession:

The consumer's profession has an impact on their purchase choices. A person usually purchases items that are suitable for his or her line of work. For instance, a doctor would purchase clothing in accordance with this job, but a professor would do the opposite.

iv. Way of life:

A person's lifestyle is their attitude and how they interact with others in society. The lifestyle of a customer has a significant impact on their purchasing habits. For instance, when a customer follows a healthy lifestyle, his purchases will be related to healthier substitutes for fast food.

5. Economic Factors:

The economic state of a nation or market has a significant impact on consumer purchasing patterns and choices. A wealthy nation has a strong economy, which increases the amount of money on the market and increases consumer purchasing power. Consumers are more inclined to spend money on goods when they perceive the economy to be in good shape.

A weak economy, however, reveals a market that is in trouble as a result of unemployment and declining purchasing power. A consumer's purchase choice is significantly influenced by economic reasons. Several significant economic factors include:

i. Individual Income:

A person's purchasing power rises in tandem with their level of disposable income. Disposable income is the sum of money that remains after a person's basic needs have been met.

Increased discretionary income results in greater spending on a variety of goods. But concomitant to the decline in disposable income was a decline in multi-item expenditure.

ii Family Income:

The combined income of a family's members is referred to as family income. When there are more wage earners in the household, there is more money to spend on necessities and extras. A larger family's income encourages its members to spend more money. The inclination is to purchase additional luxuries that a person would not have been able to afford when there is extra money available for the household.

iii Consumer Credit:

Easy financing options for consumers who want to buy items encourage more expenditure. Customers may now easily obtain credit from sellers through the use of credit cards, simple instalment loans, bank loans, hire buy, and several other credit options. Consumers tend to buy more luxuries and comforts when financing is more readily available.

iv. Liquid Assets:

Spending on comforts and pleasures is more common among consumers with liquid assets. Assets that can be quickly turned into cash are known as liquid assets. Liquid assets include cash on hand, bank deposits, and securities, for instance. Higher liquid assets provide a buyer more confidence to purchase luxury products.

v. Savings:

The amount of savings a consumer desires to make from his or her income has a significant impact on that consumer. If a person elected to increase his savings, his spending on purchases would decrease. A customer will spend the majority of his income on goods if he wants to save more money.

2.3 SUMMARY

Services often have a different purchasing procedure than produced items. The intangibility of the services makes it challenging to assess them before to purchase. The three steps of manufacturing, while identical to produced commodities,

Input, process, and output variables all apply to consumer decision-making, but the process variable changes dramatically for services.

Buyer behaviour is influenced by a variety of things. The sociocultural, psychological, individual, and situational elements fall under this category. Because services are rich in experience and credibility, as opposed to products, which are rich in search criteria, buyer conduct for services is very different from that of things.

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7PS OF SERVICE MARKETING

Unit Structure :

3.0 Objective

3.1 Introduction

3.2 7Ps of Service Marketing

3.3 SERVQUAL Model

3.4 Exercise

3.5 Bibliography

3.0 OBJECTIVE

Customers are informed about the value of products and services through marketing. While marketing is sometimes viewed as the culmination of promotional efforts, it is actually a collection of actions that results in the ideal balance of price, product creation, distribution, and advertising for a firm to succeed. It intersects, but is not the same as, the notions of advertising, marketing, market research, and sales. It is both a science and an art. There are a variety of marketing models that may be used to build and implement marketing strategies according to the demands of the business and the target audience. Here are a few of the most popular marketing models to start.

3.1 INTRODUCTION



1. Product:

In the service sector, the term "product" refers to the actual service. Marketers base the service's features and advantages on what customers want. Services are intangible when compared to physical commodities. Most services lack shelf space and are not tangible objects. They are therefore more challenging to describe. Particular importance is given to the brand name or distinguishing emblem while identifying services. Service businesses pay close attention to branding techniques in order to stand out in the eyes of customers. The brand serves as a signal for distinctiveness, image, and identity in addition to identification. It is simpler for service firms to continue offering their present services and to launch new ones when their brand is well-known.

E.g. Carpet cleaning or deck cleaning are two examples of services.

2. Price:

Intangible activities include services. Pricing is frequently used as a gauge of service quality. Consumers compare the price of a good or service to its perceived worth.

For instance, when we go to the dentist, they charge us for the services they provide.

3. Place (Distribution):

Frequently, the producer is located where the service is received. Customers visit the dentist's office or a hair salon. Because of this, location, or distribution, plays a crucial role in the provision of services.

The producer's services are no longer inseparable from them as of late. Producers may now provide various services online without clients physically visiting the service provider's site thanks to technology.

Consider banking services. Check deposits, money transfers, and bill payments are just a few of the various operations that may be done online.

4. Promotion:

Because services are essentially intangible, marketing, especially advertising, has great value for many services. Most services don't have a place on a shelf, thus advertising is the only way to get noticed or heard.

E.g. Television, periodicals, radio, the internet, billboards, and social media are all possible places to advertise.

5. People:

The performance of the individuals who offer the service is used to evaluate service companies. The effectiveness of the service company depends heavily on the individuals who develop and provide the service.

Because of this, service organisations place a specific emphasis on the individuals who deliver the service. This has anything to do with

6. Physical Evidence:

The physical setting in which the service provider and customer communicate is crucial. It affects how the customer views the level of service.

The tangible elements around the service, such as the structures, grounds, cars, furniture, signage, brochures, social media, websites, and equipment, are all considered physical proof of the service.

To provide the consumer a positive image of the service, service providers pay close attention to how they handle tangible evidence. This relates to the idea of evidence management or impression management.

E.g. You enter a bakery to purchase freshly made bread. They have a nice selection, and their samples are delicious. However, you observe that the countertops and floor are filthy and that there are spider webs in the wall corners. You choose not to visit the bakery once more, despite the fact that you enjoy their freshly made pastries. It serves as an illustration of why impression management is so important for service businesses. Even when they provide excellent service, clients may still be adversely affected by tangible evidence.

7. Process:

Services should be developed in a manner that is clearly stated. The specification of the service's step-by-step delivery method is called the process. Process is used to describe the actual steps, processes, and activity flow used to generate and provide the service.

Most service businesses construct a client contact audit to list the actions completed during service delivery. The flowchart of the points of contact between the client and service provider is the customer contact audit. It offers instructions for both clients and staff. By ensuring that the required measures are performed to ensure a seamless delivery of the service, it also contributes to improving the service's quality.

3.3 SERVQUAL MODEL

Managers in a range of sectors can use the SERVQUAL Model (service quality gap model) as a gap method to assessing service quality. The GAP model was created in 1985 by Berry, Zeithaml, and Parasuraman.

This model's major objective is to:

- Determine the discrepancies between the services provided at various stages of the service delivery process and the expectations of the customer.
- Creating a fix for the problems that have been identified
- Filling up these gaps and raising the standard of customer service

3.4 EXERCISE

7PS of Service Marketing

- 1) Define service marketing? What are the 7 p's of marketing?
- 2) Explain SERVQUAL MODEL?

3.5 BIBLIOGRAPHY

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munotes.in

CUSTOMER RELATIONSHIP MANAGER

Unit Structure :

- 4.0 Objective
- 4.1 Introduction
- 4.2 Component of CRM
- 4.3 Summary
- 4.4 Bibliography

4.0 OBJECTIVE

The main objective of a CRM system is to improve the customer experience. The most reliable strategy to achieve success for your organisation is to carry out this goal. All other objectives serve to further this aim when you make increased customer satisfaction your CRM's primary purpose.

4.1 INTRODUCTION

In order to manage and analyse customer interactions and data across the customer lifecycle, businesses employ a mix of practises, strategies, and technology known as customer relationship management (CRM). In order to optimise client retention and boost revenue, it is important to improve interactions with consumers. CRM systems collect data about clients through a variety of points of communication between them and the firm, including social media, direct mail, live chat, the corporate website, and the company's phone line. CRM systems may also provide staff workers who deal with consumers in-depth knowledge of their personal data, purchasing history, shopping preferences, and issues.

4.2 COMPONENT OF CRM

CRM systems have had a lot of extra features added to them throughout time to increase their use. According to system capabilities, some of these features allow managers to automate different workflow automation activities, such as tasks, calendars, and alarms, as well as the ability to monitor performance and productivity based on data collected inside the system. Other features include recording various customer interactions via email, phone, social media, or other channels.

- **Marketing automation:**

CRM platforms with marketing automation features may automate routine processes to improve marketing initiatives at various stages of the lead generating lifecycle. To convert a sales lead into a paying client, the system may, for instance, send email marketing content automatically when sales prospects enter the system.

- **Sales force automation:**

In order to follow up on leads, acquire new clients, and build a loyal clientele, sales force automation systems keep track of customer connections and automate various sales cycle chores.

- **Contact centre automation:**

Contact centre automation can involve prepared audio that helps with customer problem-solving and information distribution. It is designed to eliminate the tiresome portions of a contact centre agent's job. Customers can be satisfied using a range of software solutions that work in conjunction with the agent's desktop tools to reduce call times and expedite customer support operations. Chatbots and other automated contact centre solutions can enhance the user experience for customers.

- **Geolocation technology:**

Geolocation technology often known as location-based services, is a feature of some CRM systems that enables the creation of geographic marketing campaigns based on the physical locations of consumers, occasionally connecting with well-known GPS (global positioning system) apps. To discover sales prospects based on a location, geolocation technology may also be utilised as a networking or contact management tool.

- **Workflow automation:**

CRM solutions streamline routine duties for firms to enable staff to concentrate on innovative and higher-level jobs. management in charge. CRM allows for the tracking of sales leads, giving sales teams a central location to enter, monitor, and analyse lead data. HRM, or human resource management. CRM systems enable the tracking of employee information inside a company, including contact information, performance reviews, and benefits. This enables the HR department to effectively manage the internal personnel.

4.3 SUMMARY

Services marketing is a type of advertising that companies who offer their clients a service use to raise their brand recognition and sales. Services marketing, as opposed to product marketing, is concerned with promoting immaterial exchanges that benefit consumers.

Effective service marketing techniques are used by advertisers to win over clients' confidence and demonstrate the value of their services. To assist

them sell their services, businesses may build their service marketing tactics on the promotion of concepts, advantages, and promises.

A tool known as customer relationship management (CRM) is used to handle all interactions and relationships between your business and its clients. The objective is straightforward: to strengthen commercial ties. CRM solutions help companies stay in touch with customers, streamline processes, and increase profitability.

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COMPLAINT HANDLING, SERVICE FAILURE & SERVICE RECOVERY

Unit Structure :

- 5.0 Objective
- 5.1 Introduction
- 5.2 Meaning of Complaint
- 5.3 Importance of Complaint Handling
- 5.4 Customer Complaint Handling procedure
- 5.5 Services Failure
- 5.6 Service Recovery
- 5.7 Jay - Customers
- 5.8 Exercise
- 5.9 Bibliography

5.0 OBJECTIVE

After finishing this chapter, you should be able to: define service recovery; explain its significance and stages; discuss its relationship to customer value; identify potential service failure areas in the retail sector; and describe various service recovery strategies.

5.1 INTRODUCTION

Imagine receiving a bill for your mobile phone for Rs. 5,000 while the average monthly charge you have been paying for the last 5 years is no more than Rs. 1000. What response would you have? Would you wish to reprimand the telecom service provider executive right away? Would you like to go to the service provider's nearby office to directly see the executive and have the charge adjusted? You must have been practising the phrases you would use to reimburse the company for such a catastrophe in the bill computation for this entire time. Do you believe the service provider has also practised the responses they will offer you? Additionally, how many times a week do you practise? A service manager would anticipate that all of his executives have received training in this procedure for dealing with irate and unhappy consumers like you.

Even the finest organisations are susceptible to failure. They could be the result of the service not being available when promised, being delivered late or too slowly, the outcome being inaccurate, or the execution being

subpar. All of these failures result in unpleasant experiences. If they are not resolved, consumers may leave, complain to others, or even file a complaint with the customer service department.

While some complaints are made as the service is being delivered, others are made after the fact. Depending on how the complaint is handled in either situation, the client may decide to stick with the business or look for new suppliers in the future.

5.2 MEANING OF COMPLAINT

Data on complaints may be quite helpful for the growth of your company since it enables you to evaluate performance, spot trends in complaints, and better tailor your offerings to meet consumer expectations. Adopting a restrictive definition of a complaint will prevent you from accurately determining the true level of dissatisfaction or the needs of your customers.

The term "complaint" has a very broad definition: "An expression of dissatisfaction made to a supplier in relation to, (a) Carrying on business as a carrier; (b) Carrying on business as a carriage service provider; (c) Supplying a content service using a listed carriage service; and (d) Supplying a telecommunications product's among your customer base.

5.2.1 disgruntled consumer behaviour: Typically, a disgruntled consumer will exhibit a few distinct behavioural patterns.

a) The client remains silent but decides not to repurchase the same service. This is the first typical sign of a disgruntled customer.

b) Loud consumer – The second customer who complained can protest loudly and discourage others from purchasing the same brand in the future.

The third behaviour is when a dissatisfied client goes to the service provider's customer care desk and asks for a resolution to his issue.

d) Consumer seeking legal remedy - The last behaviour is for an unhappy customer to contact the judicial system to seek redress for his complaint.

The third sort of customer is the most straightforward for a service provider to handle. This is true because the customer offers the service provider an opportunity to please him and keep him around for future service needs. Furthermore, these complaints are actually feedback that can help with future service delivery and performance improvements. The majority of the time, customers prefer filing informal complaints and hardly ever go to the service desk, unless the claim has a significant financial or delicate character. If the client doesn't think the company will offer a fair remedy, he or she may decide not to file a formal complaint.

5.3 THE IMPORTANCE OF HANDLING COMPLAINTS

Taking action in response to customer concerns is crucial. It is true that phoney complaints can occasionally surface. The cause of the complaint may frequently be an uncontrolled element. However, it is in the interest of the service organisation to not only address such a situation quickly but also to make sure that this complaint-related issue doesn't come up again. Even if an unhappy customer may already have a bad opinion of the service provider, his opinion might be changed by treating the issue skillfully. In actuality, a well addressed complaint can even increase customer satisfaction. Let's examine a few reasons why service organisations should have a well-thought-out complaint management process.

Lead by example: An organisation may prevent the development of a bad reputation as a result of any missteps in the provision of services by developing and implementing a rapid and responsive complaint management policy. Such a method is sometimes credited to only forward-thinking businesses that might lead their sector by establishing excellent service standards. Thus, a formal system for handling complaints is helpful for improving the quality of services by lowering the causes of complaints.

Positive brand image: Based on the services it provides to customers and the experiences it fosters for them, every service organisation aspires to have a positive brand image. A complaint management system helps an organisation uncover the reasons why it is not providing its customers with high-quality services.

b) Upgrade technical issues: Frequently, complaints about service delivery are caused by technical issues rather than actual deficiencies. If the issue has previously gone unnoticed for any reason, the complaints may be a way to find it and remedy it. A hotel room's malfunctioning water heater is one example of a potential issue. Through customer complaints, service providers are frequently alerted to the need for such service improvements.

5.4 THE PROCEDURE FOR HANDLING CUSTOMER COMPLAINTS

No service provider wants to hear that their support system or method of service delivery is flawed. However, criticisms have to be viewed as chances to enhance the creation and delivery of services. Additionally, by taking complaints seriously and resolving customers' grievances to their satisfaction, service providers can win over a customer and hope that he will spread the word about their values. Therefore, it is critical that all service organisations have a uniform process for handling customer

complaints. The stages for creating a procedure for managing client complaints are as follows:

- a. Have an organisational strategy for accepting complaints: There should be an organised, well-thought-out process for gathering client complaints. The client should be encouraged to voice a complaint to the company directly as opposed to keeping it to himself and venting to other possible customers of the service provider. The company should view a complaint as an opportunity to collaborate with the customer in producing and improving the products and services offered by the company.
- b. Identify the sources through which complaints are received. The organisation has to be reachable through a variety of channels in order to receive complaints. For instance, the customer should be able to get in touch with the appropriate department to file a complaint about the quality of the service in person, by mail, by email, by phone, or by text message. This creates a favourable image of the service provider by demonstrating a receptive attitude towards addressing concerns and enhancing the quality of the provided services.
- c. Create a system for sharing complaints with everyone: The organisation should create a system that allows complaints to be logged into the service organisational system and distributed to all personnel and authorities who need to be informed. This is crucial so that no complaint goes unanswered and so that each complaint may teach us something about how to improve service quality overall.
- d. Inform the Service staff: The Service personnel should be informed of and made aware of the complaint receiving system. Two approaches are involved in this. The service staff should be aware that the standards for the quality of the services should be upheld, and they should also be aware of the process for managing complaints in case there are any further complaints in the future.
- e. Teach the Service Staff to Acknowledge and Handle Complaints: The Service Staff should be taught to Acknowledge and Handle Complaints, as well as Handle the Situation in Front of Loud and Angry Customers. If there is a complaint, the staff should be trained in politeness and given confidence. Dealing with a customer who is irate and complaining could be difficult. Because of this, the service personnel has to be properly taught to handle the issue by remaining composed while being proactive when they get a complaint.

- f) Establish authority for managing complaints: The top management must designate the roles or individuals in the service organisational structure who will be in charge of handling the received complaints. Who should be contacted to resolve a customer complaint should be well known to the service team. Not only should this individual have the power to settle the complaint, but they ought to make it a top priority. A customer who is complaining shouldn't be made to wait or be ignored because doing so might make his issue worse. As a result, the service organisation must develop and put into action a well-thought-out plan for the acceptance and professional handling of a customer complaint. This strategy is just as crucial as a marketing or financial plan.

5.5 FAILURE OF SERVICES

Sometimes providing poor customer service is the result of doing something, and other times it is the result of doing nothing. Simply put, a service failure occurs when a customer's expectations are not met by the service performance.

A consumer would often anticipate being reimbursed for their inconvenience in the form of any combination of refunds, credits, discounts, or apologies when a service failure happens. The opposite of a successful service is one that leaves customers unsatisfied. Poor quality, harsh behaviour, and late delivery are all examples of service failure. All of these instances result in the client not getting the service they were promised. Everybody occasionally experiences service failure. One of the times I received subpar service was when I ordered a meal from a restaurant and discovered a long hair inside of it. When I told our server, he returned the plate, filled it with extra food, and then gave it to me. However, the hair was still present. I haven't returned to the eatery since then. Customers act in this manner when a service outage is not handled effectively.

The management team's plan, the managers' level of leadership, and employees' innate motivations are the main causes of service failures.

- Management strategy: Management should be able to plan and strategize business operations and policies to ensure that every facet of the organisation is well-organized to lower the likelihood of service failure.
- Leadership qualities of managers: Managers must be able to use their leadership abilities to inspire, oversee, and correct organisational processes and activities to achieve greater customer satisfaction and a lower rate of service failure.
- workers' natural instincts: Since workers are the ones who offer service and interact with customers, a significant portion of customer service depends on them. Leadership and management frequently act in ways that

are inconsistent with the customer service objective while dealing with their workforce. Therefore, in order to work effectively and efficiently, employees need to be well-trained and skilled.

Although service failures are a common occurrence, management must deal with the difficult task of recovering from them. A service failure always has a hidden potential; it is up to the management to decide whether it will get worse or whether it will serve as a model for recovery.

There are four steps to service recovery for each service failure, and they are as follows:

Step 1: Express regret and beg for pardon

Listen to the consumers after a service breakdown and don't interject. Give a sincere and genuine apology for the mistake. Give them all the details about what caused the service failure as well.

Go through the complaint with your customer in Step 2:

Always read the complaint in its entirety since you could be missing anything. Because sometimes customers may also be mistaken or make false complaints, this also aids in determining who is actually at fault. After a failure has occurred, we can also find the customers' expectations.

Step 3: Resolve the Issue and Follow Up:

Try to repair the issue with the best alternative in the third phase of service recovery, then follow up with the client. A passenger who paid \$8 for Wi-Fi connectivity on a Southwest Airlines trip was not provided with the service. Later, the airline refunded the money, which helped Southwest Airlines gain a devoted customer.

Stage 4: Clearly Describe the Issue: Recording customer complaints and service issues is the final stage in service recovery, and it also involves preparing staff members for problems that may resemble them in the future. The only method to stop major issues from reoccurring is to carefully record the issue for subsequent investigation.

There are some service failures that cannot improve service recovery. It is up to management or a manager to decide how to handle the circumstance. To handle the failure and maintain excellent relations with the clients, quick thinking and empathy are necessary. Because the majority of customers don't complain, it is easy to lose customers in a service market where there aren't any complaints. However, because customers feel heard, service failure and recovery help to improve customer relations and boost customer loyalty.

Response of the Customer to a Service Failure:

The issue of how customers would respond in the event of a service outage emerges. Or, put another way, how customers respond when the services fall short of their expectations. What choices are available to

customers in the event of a service failure? The following four main options are available to the client:

Avoid action.

- Send the service provider a complaint.
- Taking legal action through a third party, such as a consumer protection organisation, consumer affairs or regulatory agency, a civil or criminal court, etc.
- Stopping the services of the same provider and discouraging others from using similar suppliers.

Therefore, a customer's response to a service failure depends on their knowledge of the company, their resources, their attitude, and the circumstances surrounding their purchase. Innocent clients often react calmly and almost never protest. Active, knowledgeable, and experienced consumers, however, strongly disagree and take all the necessary action in their opinion. These customers will not accept any compromises on service quality, and the business must ensure that they are happy with the results or they may damage the brand's reputation and persuade others to stay away from the business by spreading unfavourable rumours.

5.6 SERVICE RECOVERY

An organization's response to a service breakdown is referred to as service recovery. Failures may happen for a variety of reasons, including when a service is not available when it is expected, when it is provided late or slowly, when the result is inaccurate or poorly performed, and when staff are impolite. Customers react negatively to all of these failures and feel disappointed. If they aren't resolved, customers may stop doing business with the company, complain to others about their bad experiences, or even take legal action against it. According to research, efficiently addressing a customer's issue has a significant influence on the customer's pleasure, loyalty, and financial performance. Customers who encounter service failure but are ultimately happy as a result of the company's recovery efforts will be more devoted than those whose issues are not handled.

More people are likely to return if their concerns are immediately addressed compared to those whose complaints are not. Less people are likely to visit those who never complain.

5.6.1 Service Recovery Stages:

The stages of service recovery in an organisation are represented by the following bullet points:

First Stage: Expiring At this point, the customer's service is effectively over. No complaints are handled. They disregard irate clients. A defective cargo prompts letters to VIPs and even the CEO, but no one responds.

Stage 2: Reactive: A reaction is given after receiving customer concerns. However, it's a careless process with no specified objectives for the response and no one taking responsibility for this business process.

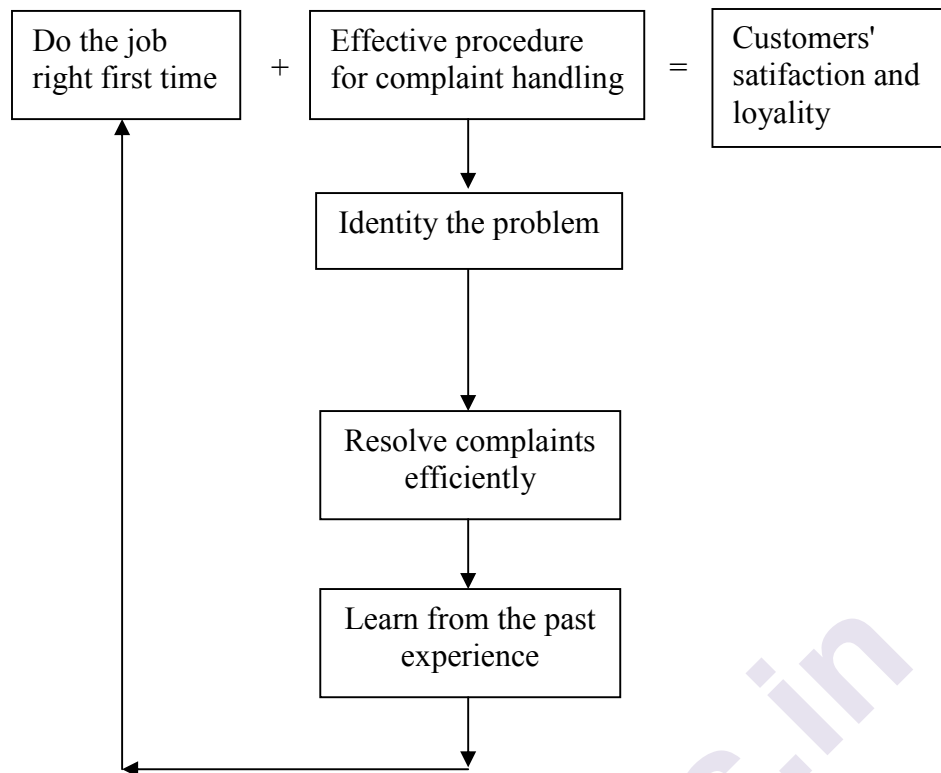
Stage 3: Active Listening: At this point, the solution to the problems consumers have expressed is structured. Guidelines are in place for the response, and certain personnel are in charge of responding to complaints. It is still reactive, though.

Fourth Stage: Attention Moving from reactive to proactive solicitation of consumers with problems is the key transition from Stage 3 to Stage 4. Since most customers don't bother to file complaints, this is crucial. They just switch to other goods vendors. We've all done this, right? It takes a lot of effort to whine! By encouraging customers to voice their grievances, the solicitous duty is performed. Event surveys, often referred to as transactional or transaction-driven surveys, are a popular method for obtaining feedback on problems. More than simply a high level measurement of customer satisfaction must be captured in the survey design. Action must be possible according to the design. The endeavour is made more difficult by the need for anonymity.

Stage 5: Rechecking/Repeat Behaviour: When business process improvement or six sigma programmes are combined with the complaint identification process to enable root cause analysis and resolution, the highest level of service recovery practises is attained. Customers' problems are reported to the owners of business processes so that the process design may be reviewed. There are essentially two layers of feedback loops. The first is client feedback for the business. Second, input from the company's business partners who interact with customers.

5.6.2 Elements of An Effective Service Recovery System:

Human issues, whether real or imagined, are caused by service failure. The strategy should be compassionate, regardless of the cause. To approach such issues carefully, sensitivity and empathy are needed. Therefore, they must be handled with the same caution as glass. The phrase "Justice delayed is justice denied" should be taken seriously when dealing with customer issues. Designing a redressal system that offers correct feedback in a timely, cost-effective manner that is acceptable to the organisation and its consumers presents a number of issues for managers. To manage or address issues swiftly and to create an effective recovery system, one must be aware of the various components of the service recovery system. Because the different components that go into the redressal process might vary from organisation to organisation and scenario to situation, it is not required that a certain approach is appropriate for all organisations and for all sorts of problems. Thus, various issues are addressed using a recovery system. The following list includes each of this system's components:



- (i) A recovery system, as shown in the accompanying figure, consists of three phases, the first of which is making sure that everything is done correctly. But there is always a chance of doing something incorrectly, so nothing is ever guaranteed to be right. If it did occur, issues should be resolved using a productive complaint management process. The second step is represented by it. Finally, successful issue solving results in client loyalty and satisfaction. Following is a quick summary of key actions:
- (ii) Always do things correctly the first time: The marketer should first focus on finishing the work correctly on the first go. The marketer should make all effort feasible in this direction for this. The marketer needs to establish a suitable service design system while also taking into account the wants, requirements, and goals of the consumers. The marketer should refrain from holding any prejudices. Market research may be a huge help at this point.
- (iii) Identification of the Issue: The marketer must follow a successful complaint management approach if a service fails for whatever reason. Finding the root of the issue is the first step in solving this. Because a specific choice is made in the context of a real problem. A need for a solution and a query are presented as a problem. It is comparable to the doctor diagnosing a patient. Therefore, efforts should be made now to pinpoint the actual problem. The root of the issue, or what the genuine problem is, should be emphasised. Additionally, there should be an effort made to establish a cause and effect relationship. The first step

in problem resolution is recognising the issue. There are several techniques that aid in problem detection, including market research to track complaints and cultivate a "complaints as opportunity" culture.

- (iv) **Effective issue Solving:** After an issue has been recognised, the next stage is to find the best solution. There could be several types of alternatives that can fix the issue. Future path of action might be used to identify an alternative. It is important to note that every organisation may have a unique method for handling issues. It relies on an organization's size, financial situation, managerial style, effectiveness of the administrative process, and other factors. However, a general strategy that works in the majority of situations is:

Identification of the issue.

Alternative development; evaluation; alternative selection; alternative implementation; and feedback

To address this, marketers should create efficient mechanisms and provide complaint management training.

- (V) **Learn from the Past:** It is usually advantageous for marketers to prevent mistakes from happening again, because it results in time and financial waste. As a result, a wise marketer constantly tries to draw lessons from the past and act appropriately. The marketer should focus on positive prior events and steer clear of negative ones. He ought to apply root cause analysis for this. He can improve his efficiency and become competent and efficient by taking into consideration his prior experience.

5.6.3 Recommendations for a Successful Service Recovery System:

- 1) **Take quick action:** Time is of the importance to achieve a full recovery if the complaint is raised during service delivery. In cases when complaints are filed after the event, many businesses have rules in place mandating prompt responses. Even though a comprehensive resolution is probably going to take longer, quick recognition is still crucial.
- 2) **Acknowledge errors but avoid becoming defensive:** Act aggressively: Taking a defensive stance might imply that the organisation is hiding anything or is hesitant to properly investigate the problem. As a result, one should approach situations aggressively.
- 3) **To observe and comprehend the issue from the perspective of the customer:** The only way to comprehend what consumers believe has gone wrong and why they are angry is to look at the situation through their eyes. Service employees should refrain from drawing judgements based only on their personal perceptions.

- 4) Participatory environment: The objective should be to achieve a compromise rather than to win a debate or disprove the customer's ignorance. Arguments seldom diffuse anger and prevent listening.
- 5) Attempt to comprehend the customer's emotions: Employees must adopt the mentality of "I can see why you're upset." This is the first step in mending a broken connection and will aid in developing a rapport.
- 6) Give consumers the benefit of the doubt: Not all complaints are legitimate or from sincere customers. Until there is convincing evidence to the contrary, the customers' complaints should be considered to be legitimate. It may not be worthwhile to haggle over a refund or other recompense if there is little money at risk; but, if there is a lot of money at play (as in insurance claims or prospective litigation), extensive study is needed. If the same consumer has a history of complaining. It is best to go into more depth regarding the prior performance.
- 7) An open system to address the issue: When quick fixes aren't feasible, letting consumers know how the business intends to proceed demonstrates that remedial action is being made. It also establishes timeliness expectations.
- 7) Customer feedback on progress: No one should be in the dark. Stress and anxiety are produced by uncertainty. If people are informed and given regular updates, they are more likely to put up with interruptions.

A monetary payment of offer or a comparable service in kind should be made available when consumers did not obtain the service in accordance with the promises or incurred substantial inconvenience as a result of the failure of the service. Such a move could also assist lower the likelihood that the consumer would file a lawsuit. Service promises are frequently stated up front. Customers frequently express a need for an apology and a promise to prevent future occurrences of the same issues.

- 8) Customer dissatisfaction brought on by poor service: one of the biggest obstacles is regaining the client's trust in order to continue the business connection in the future. This might encourage persistence and follow-through by not only calming their rage but also persuading them that steps are being done to prevent a recurrence of the same difficulties. The rehabilitation efforts should focus on fostering customer loyalty and word-of-mouth advertising.

5.7 JAY - CLIENTS

Customers that act carelessly and abusively and cause issues for the business, its staff, and other clients are known as "Jay customers." The name "JAY" derives from the term "Jaywalker," which is used to refer to those who cross roadways illegally or in a risky way. The slang term for "stupid" is JAY. We must address customer fraud in order to deter abuse and opportunistic behaviour. More opportunity for mischief in service industries, particularly when there are many of consumers present. No business wants a persistent connection with a belligerent consumer.

Customers of many types:

1] The Thief: He or she goes out to steal or pay less with no intention of paying. This consumer refuses to pay for services and either tries to pay less than the full amount by swapping price tickets, disputing the bill on spurious grounds, etc., or is actively stealing products and services. Such customers engage in activities like sneaking into movie theatres and using public transportation for free.

[2] The Offender: Some clients disregard the law. Rules may be established by the service provider to guarantee safety or they may be imposed by government agencies, etc. When these rules are ignored, it may be problematic for both the service and the clients.

3] The Aggressive: These individuals are common at supermarkets, airports, and hotels. They may be yelling aggressively or verbally abusing others while maintaining composure. They could act in this way when they are ignored, when the service is poor or breaks down, when the personnel is useless, or when the instructions are issued wrongly.

4] Family feuders: Individuals who frequently engage in conflict with members of their own family.

5] The Vandal: Service vandalism includes damaging hotel furnishings, slicing bus seats, and dumping soda into bank ATMs.

- Young people who are bored and intoxicated frequently commit vandalism.
- Disgruntled clients who believe service providers have mistreated them exact revenge.

(6) Deadbeat customers are those who refuse to pay for the services they have got. Customers may act in this way for a variety of reasons. They may not be able to pay, even though they may not object to being paid. They are not like thieves.

5.8 EXERCISE

- 1) Describe service recovery and the importance of it.
 - 2) Describe the service recovery process.
- What different methods of service recovery are there? Explain.
- 4) "Service recovery produces more loyal customers." Share your thoughts.
 - 5) What advantages can employee training programmes offer for service recovery? Explain.
 - 6) What might go wrong with a retail service?

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IMPROVING SERVICE QUALITY

Unit Structure:

6.0 Objective

6.1 Introduction to Service Quality

6.2 Meaning of Service Quality

6.3 Important Dimensions of Service Quality

6.4 Important Attributes

6.3 Steps that Lead to a Better Management of Service Quality Delivered to the Customers

6.4 Quality Standards

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6.0 OBJECTIVE

There are many ways to increase the quality of service provided by your company, from setting goals for that service that are well-defined and measurable to motivating your staff to leveraging customer feedback and upgrading your service tools to better serve your customers.

6.1 INTRODUCTION TO SERVICE QUALITY

The emphasis on the accessibility of high-quality services to the final consumers may be found in the combination of the two phrases service and quality. The concept of quality focuses on the standard or specification that a company providing services guarantees. We cannot define a precise limit for quality. The potential for excellent creation is limitless. Science-based ideas and inventions pave the path for the creation of high-quality products. More frequent innovations mean fewer gaps in the process of improving quality.

Similar to companies that produce things, companies that generate services are also important in fostering research and developing novel ideas that set them apart from rivals and open up lucrative market niches for them to exploit. Given this context, it is not surprising that innovation processes are more common in developed nations.

Users that experience the sweetness of top-notch services demand the same from other organisations, therefore the quality that is generated defines the border of expectations. The routes for happiness or disappointment are paved by the expectations. If we are successful in exceeding people's expectations, they will be happy, and their contentment will pave the path for us to get a larger portion of the market. It is important to note that the expansion of resources and efforts to provide services in line with customer expectations results in the service quality satisfaction. Additionally, it is believed that there are two categories of service quality: technical quality and functional quality, with the objective of raising the standards of the services we provide in terms of quality. Organisations that provide services must determine the factors contributing to consumers' growing unhappiness and implement the necessary (technical or functional) steps to reduce it.

The technical measures focus our attention on technological breakthroughs and developments that aid to raise the calibre of services. It emphasises the use of technology or the desire for a service that is technology-driven. The functional measurements focus our attention on enhancing the calibre of the services provided by the workers, which opens doors for working style, workplace culture, creation of a lucrative package, behavioural profile of employees, and other factors. The frequency of technical advancements in comparison to the rising impact of high-performing staff leads to the development of technology-driven, user-friendly services with a new level of quality. By placing a high focus on behavioural traits including attitudes, service-mindedness, accessibility, interpersonal interactions, attractiveness, and dedication, employers may increase the functional quality of their workforce. It is true to state that top management did not purposefully design the system to include poor service quality or service breakdowns.

6.2 MEANING

Customers should always come first when defining the term "service quality," since they are the ones who will ultimately determine whether or not the notion is met. Customers place the highest value on quality, and it also serves as the foundation for their opinions.

At least four views have been taken into consideration when defining service quality:

- (i) Excellence: Although it is a sign of a committed learner and high success, excellence's characteristics can alter drastically and quickly. Excellence is frequently determined outside.

- (ii) **Value:** It encompasses a number of aspects, although quality and value are two distinct conceptions, with the former emphasising benefit to the receiver and the latter highlighting sense of matching or surpassing expectations.
- (iii) **Conformance to requirements:** This enables accurate measurement, although it's possible that customers of a service are unaware of or unconcerned with internal requirements.
- (iv) **Meeting and/or Exceeding Expectations:** This definition is inclusive and applies to all service sectors, however expectations shift and may be influenced by interactions with other service providers?

6.3 IMPORTANT DIMENSIONS OF SERVICE QUALITY

The customer's impression of service quality determines it. Customers, however, consider a variety of influences when forming judgements about the quality of the services they receive. All the criteria that customers use to assess the quality of a service must be understood by service marketers.

The following eight quality dimensions were defined by David Garvin in his essay "Competing on the Eight Dimensions of Quality," and they apply to both goods and services. Performance, features, dependability, conformance, durability, usability, aesthetics, and perceived status are a few of them. The following five aspects of service quality have been deemed essential by Parasuram, Zeithmal, and Berry as a further refinement of their first factor discovery.

These are:

Tangibility: Since services are tangible, clients gauge the quality of the services they receive by comparing the tangibles that go along with them. It is the way the communication tools, staff, and physical infrastructure all look. Customers react to questions concerning the physical layout and amenities that FFR provides to its clients in this survey by filling out a specially developed questionnaire.

Reliability: The capacity to deliver the given service consistently and correctly. Reliability refers to a company's ability to keep its commitments, including those regarding delivery, service supply, issue resolution, and price. Customers like to do business with organisations that honour their commitments, particularly those related to the outcomes and fundamental elements of the services they provide. The reliability expectations of customers must be understood by all businesses. Businesses who don't offer the essential service that customers believe they are purchasing let down their clients in the most blatant way.

Response time and readiness to assist clients are examples of responsiveness. This dimension places a focus on being attentive and timely while responding to client requests, inquiries, complaints, and difficulties. The amount of time consumers must wait for assistance, responses to inquiries, or attention to concerns communicates

responsiveness to them. The idea of flexibility and the capacity to tailor the service to the demands of the consumer are also captured by responsiveness.

Assurance: To inspire confidence and trust. The ability of the company and its workers to foster a sense of trust and confidence is referred to as assurance. This factor is likely to be particularly significant for services that consumers consider to be high-risk and/or for which they lack confidence in their capacity to assess. The individual who connects the client to the business, such as the marketing department, may exemplify trust and confidence. Employees are therefore aware of the significance of earning consumers' trust and confidence in order to achieve a competitive edge and to earn their loyalty.

Empathy: It indicates that the business gives each of its consumers the kind of attentive care they deserve. In certain nations, it is crucial to provide each client their own special attention in order to demonstrate that the business is doing all possible to meet their demands. Empathy is a bonus that boosts client loyalty while also earning the consumers' trust and confidence. consumers' expectations are always growing in this cutthroat marketplace, and businesses must do all in their power to satisfy them. Otherwise, dissatisfied consumers will look elsewhere.

6.4 IMPORTANT ATTRIBUTES

The method used to evaluate services for commodities is different from the method employed by customers. Services tend to be high in recognised quality and experience whereas goods tend to be high in search characteristics.

1. Searching for:

Consumers can assess search criteria before making a service or product purchase. The search criteria include things like colour, style, fit, feel, scent, and price. Products like shoes, clothes, washing machines, and vehicles rank well in online searches.

Additionally, the search qualities of business goods like office supplies, component parts, and raw materials are frequently very high. Considering that they rank highly in search results, consumers may readily assess the quality of products before making a purchase.

2. Experience Qualities:

Consumers may only assess experience quality during or after the consuming process. Experience-rich services include food, catering, meals, entertainment, and cosmetic surgery. Lawn services, delivery services, and other services with extensive experience are included under business services. Evaluation doesn't happen until after the service has been used or even while it is being used. For instance, a restaurant meal can only be appraised after it has been consumed.

3. Credence Qualities:

Even after they have finished their consumption, consumers still struggle to evaluate traits of credibility. Consumer services with strong credibility attributes include those related to accounting, funerals, education, and veterinary care.

Examples from the business world include marketing services and financial counselling. Few customers possess the medical or tax expertise necessary to assess if a service was properly done. A business looking to assess consultancy or advertising services will find the same to be true. It is obvious that assessing services with high credibility attributes is challenging.

6.4.2 Steps that lead to a Better Management of Service Quality Delivered to the Customers:

Today, any service organisation must prioritise service quality. This is especially true given the current level of global competitiveness and the large number of companies in the service sector. The airline industry serves as one such example of service gaps. Customers may still have to wait when forecasts are incorrect, and in certain cases they may not even receive service, like when airlines overbook the amount of seats available on a flight.

In such circumstances, overbooking victims may get compensation for their trouble. Some businesses (such as hotels, airlines, conferences/training programmes, and theatres) charge clients who don't show up or cancel their reservations within a certain time frame in an effort to reduce the no show problem.

However, taking the following actions could help manage the level of customer service quality more effectively:

1. Differentiate Customers Who Are Waiting: Not all customers must wait the same amount of time for service. Some businesses distinguish between clients based on need or customer priority, enabling some to wait less time for service than others.

Such difference, sometimes referred to as "queue discipline," represents management guidelines for choosing the next person to serve. The discipline of first-come, first-served is the most popular. But the guidelines could be followed.

Differentiation may be made on the basis of things like:

i. Customer importance: By offering them a dedicated waiting space or separate lines, an organisation may give priority treatment to frequent customers or those who spend a lot of money with them.

ii. Job Urgency: Customers with the most urgent needs may be attended to first. The approach employed in emergency medical treatment is this one. It's also a tactic employed by maintenance companies, like air

conditioning repair, to give precedence to clients whose air conditioners aren't working above those who call for regular maintenance.

iii. Length of the Service Transaction: Shorter service transactions frequently receive preference through "express lanes." Other times, if a service provider anticipates that a transaction will take longer than expected, they will refer the client to a specific provider who only works with clients with special needs.

iv. Paying a Premium Price: Customers who pay more are frequently given priority via distinct check-in lines or expedited systems (for example, first class on an airline).

2. Make Waiting Fun, or at Least Tolerable: Customers can be more or less happy even when they must wait depending on how the business manages the wait. Of course, how clients feel about their service experience will be influenced by how long they really had to wait. Customers' feelings and impressions throughout the wait have an influence on customer satisfaction, not only the length of the wait itself.

David Maister offers numerous waiting-related ideas in a classic paper titled "The Psychology of Waiting Lines," each of which has implications for how organisations might make waiting more enjoyable, or at least tolerable:

i. Time Feels Longer When Unoccupied Than When It Is Occupied: In contrast to when they are engaged in activities, clients who are idle are more prone to become bored and notice the passing of time. Offering waiting clients something to do may enhance their experience and may also be advantageous to the business, especially if the activity has benefits of its own or is somehow connected to the service. According to research conducted in an airline scenario, passengers' levels of rage and unhappiness rise as their level of ambiguity about the wait rises.

ii. According to research, it can help consumers feel more optimistic, tolerate the wait, and ultimately rate the service more favourably by telling them how long they should expect to wait and/or where they stand in the queue.

iii. Unjustified Waits Are Longer Than Justified Waits: When people are aware of why they are waiting, they usually exhibit more patience and less anxiety, especially when the reason for the wait is valid. Giving clients an explanation might help them feel less apprehensive and may even enable them to anticipate their wait time, if only roughly. Customers who are waiting but don't know why start to feel helpless and frustrated.

iv. Inequitable wait times seem to be longer than equitable ones because consumers feel like they are waiting while those who arrived after them have already received service. When there doesn't seem to be any order in the waiting room and there are many of clients waiting to be served, this can happen quite simply. The finest queuing systems for minimising

apparent injustice are those that follow the first-come, first-served principle.

As was previously said, there can be reasons to employ alternative methods to choose who would be served next. For instance, the most dangerously ill or injured individuals would be seen first in an emergency medical crisis. Fairness of waiting times shouldn't be a problem if consumers understand the priority and the rules are presented and applied correctly.

6.5 QUALITY STANDARDS

Initially, production and manufacturing were the contexts in which quality standards were formed. The major goal was to raise the standard and compliance of the product. Quality performance now extends to all facets of marketing.

This is due to the fact that each functional area individually affects the organization's performance and levels of customer satisfaction. Quality systems' primary focus is on procedures and processes in order to improve performance. In order to maintain a set of service quality standards, some quantifiable standards known as benchmarks are developed. Quality must apply to all organisational operations and be both practical and non-restrictive. Additionally, the commitment of everyone in the organization—not just a designated quality manager—is required for good service quality.

More value is received by the buyer when the quality is higher. Better business performance results from this.

i. Benchmarking:

An organisation should now be able to establish quality standards that can be regulated and monitored and that satisfy consumer expectations after thoroughly researching quality concerns in both its internal and external markets. To do this, standard measurements must be established.

Measuring performance both internally and publicly requires the creation of a baseline number and a standard indicator. The organization's desired operational standard is the baseline. This may be thought of as a benchmark, or a metric by which performance can be assessed.

When discussing standards nowadays, it is necessary to compare them to rivals. For instance, the airline can assess its benchmark criteria by examining the quality standards of competing airlines. The standards of allied industries like railroads and other alternative routes of transportation must also be studied by the airlines at the same time.

ii. Quality Assurance:

The following is a list of the steps in the quality process for service organisations:

- (i) The organisation should define quality.
- (ii) Order an internal and external market analysis.
- (iii) Consider a competitive analysis
- (iv) Create quality standards through the benchmarking process.
- (v) Compare actual performance to the quality benchmarks.
- (vi) Create a quality strategy to close any gaps in quality.
- (vii) Create programmes for the correct application of quality standards.
- (viii) Regularly control and observe the business' performance in terms of service quality.

A thorough examination of the protocols/frameworks, training, and communication would be required for the aforementioned procedure.

6.6 METHODS TO MONITOR SERVICE QUALITY

Organisations should continuously assess the quality of their services in addition to implementing quality management practises and service quality improvement methods. This will make it easier for management to guarantee that clients obtain the calibre of service that their business promises.

The management can keep an eye on service quality using the following techniques:

1. Perform customer surveys: Service businesses should frequently perform customer surveys to learn whether consumers have any complaints about the services provided or the service staff (see, for instance, the Sheraton customer survey). Customers should be provided questionnaires to get their feedback and score the level of service the business provides. Additionally, efforts should be made to identify the causes of any unhappiness.
2. Mystery shoppers, who go to service locations pretending to be customers, can also be utilised to spot issues with service quality. These researchers pay close attention to both how the service is provided and how the customers interact with it. They pinpoint any flaws in the service procedures that there may be. The management can then take the appropriate steps to address the shortcomings.
3. Keep an eye on Customer Feedback: Managers should pay close attention to any complaints, recommendations, or even praises that customers may make. In cases of complaints, the management should work to identify the underlying reasons of the issues and take steps to stop them from happening again. If a customer offers some suggestions, management should take them into account, talk to the staff about their

viability and applicability, and implement the suggestions that are worthwhile and workable.

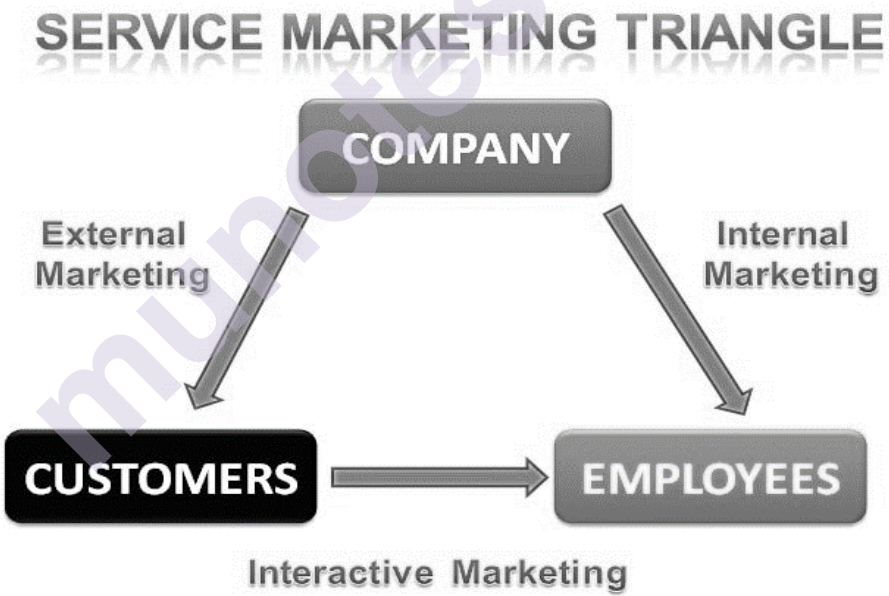
If customers compliment service staff, management should encourage those staff members to keep providing high-quality service by rewarding them.

3. evaluate Service Blueprints and Problem-Tracking System: Management has to continuously evaluate service blueprints and find any issues. The management should adjust the monitoring and problem-tracking methods as needed. To make sure that all the phases in a service process are covered, service blueprinting is the act of displaying the full service process in the form of a graphic or diagram.

A service manager can evaluate the effectiveness of the service on paper since the service blueprint contains details on every single event and activity engaged in the service. Before using the standard testing methods (such test marketing, etc.), he might adjust the service process.

It is undoubtedly not an easy or simple task to improve service quality.

6.6.1 The Service Triangle Management Model



Within the service marketing triangle, there are three different types of marketing.

Internal marketing is advertising to the company's workers. External marketing is advertising to the public.

Interactive marketing, which involves marketing to both customers and staff.

1) Inside sales in the service triangle:

When internal marketing is active, holistic marketing is most effective. An advertising company always works to maintain the motivation of its own staff. They are offered an absurd amount of events to attend in order to make them happy. They also need to be in a good attitude because the most of the time they are working really hard to use their creativity to provide their clients with the best service possible.

Additionally, these same advertising firms give their staff the freedom to make the best choices in front of clients. This empowerment significantly boosts drive and self-assurance.

And that is the main goal of internal marketing based on the service triangle. fostering employee motivation and self-assurance so they can successfully interact with consumers and earn money for the business.

2) External Marketing:

marketing to customers on behalf of the business. As consumers, we are exposed to this form of marketing the most frequently. The different forms of service marketing include direct marketing, public relations, sales promotions, advertising, and, more significantly in the modern day, internet marketing.

3) Interactive marketing: This type of marketing takes place whenever a customer interacts with an employee, including retail stores, restaurants, malls, banks, and other public spaces. Customers and staff interact through marketing inside the service triangle..

Another effective strategy for influencing consumers is interactive marketing. It is most frequently used to assist customers in making decisions about purchases. If a shop executive is under orders to unload Samsung stock, he will only promote Samsung favourably and attempt to influence you to purchase the brand.

Personal selling, customer service, and communicating with consumers on social media and other interactive platforms are some of the several types of interactive marketing.

The industrial sector and the services sector essentially vary in two key ways. One is that businesses in the services industry must be more adaptable for their clients. Second, this flexibility creates stress, which a services provider should be prepared to manage.

The service marketing triangle is a fantastic tool for illustrating all the interactions that occur in the services sector as well as the many marketing tactics that may be used depending on those interactions.

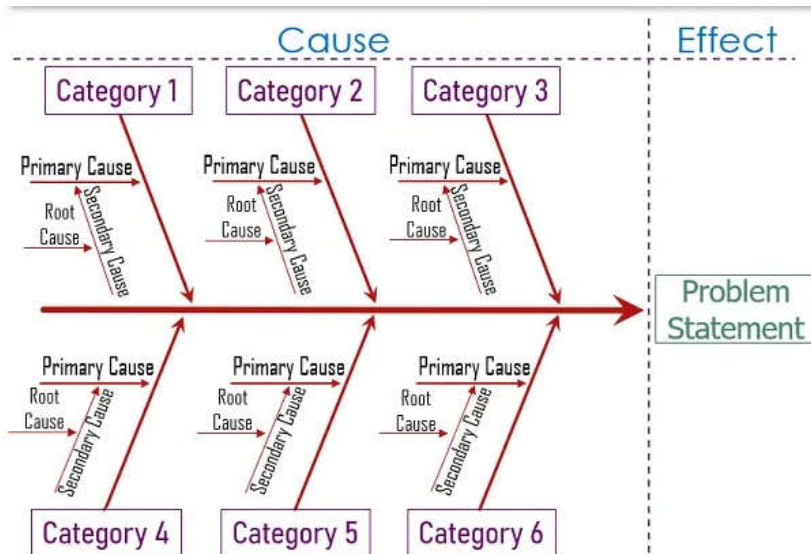
6.6.2 Fishbone Diagram:

An instrument for examining process dispersion is the fishbone diagram. The design is also known as the "Ishikawa diagram," after its creator Kaoru Ishikawa, and the "fishbone diagram," since the entire thing resembles a fish skeleton. The graphic shows the primary reasons and minor causes that contribute to an outcome (symptom).

It is a brainstorming tool for teams that is intended to find probable issues' fundamental causes. It may be referred to as a cause and effect diagram due to its purpose. A issue that has to be solved is typically represented by the "fish head" in a traditional Fishbone diagram. The effects' causes are then arranged along the "bones" and categorised into several groups along the branches. Additional causes can be listed alongside additional side branches. Consequently, a fishbone diagram's basic structure is shown below.

The Fishbone diagram's main objective is to graphically depict the link between a particular outcome and all the factors that affect it. This tool's primary goals are:

- finding the underlying causes of an issue.
- Concentrating on a particular problem without complaining or engaging in pointless conversation.
- Identifying regions with a data shortage.
- The Fishbone diagram can be used to:
 - Concentrate focus on a single problem or issue.
- Have the team focus on the reasons rather than the symptoms.
- Arrange and visually depict the numerous hypotheses on the potential fundamental causes of an issue.
- Illustrate how multiple elements affecting a situation are related to one another.
- Highlight crucial connections between diverse factors and potential causes
- Add more information on how process behaviours..



- Following are the steps for creating and interpreting a cause-and-effect diagram:
- Step 1: Identify and precisely describe the result or impact that will be examined.
- Create the issue and enter it in the box on the diagram's right side. Everyone involved must have a thorough understanding of the problem's nature and the process or product under discussion. If no one understands the goal of the meeting, the issue won't be solved during that meeting. The following guidelines must be followed in this step:
- Select the effect that will be investigated. Effects are described as certain quality traits, issues brought on by work, planning goals, and similar things.
- Operational Definitions should be used. Create an operational definition of the effect to guarantee comprehension.
- Keep in mind that an effect can be either good (an objective) or bad (a problem), depending on the topic at hand.
- Using an effective strategy that concentrates on the intended result helps to promote pride and ownership over productive regions. This could result in a positive environment that motivates the group to participate. It is best to express the consequence positively wherever possible.
- By concentrating on a poor outcome, the team may become distracted and start blaming and expounding on the causes of the issue. However, it can be simpler for a team to concentrate on the root of a problem than the factors that lead to great results. While you should be wary of

the consequences of focusing on a negative outcome, getting a team to pay attention to potential problems can sometimes create a more laid-back environment and increase group participation.

Choose the strategy that will work best for your group.

Step 2 - Draw the spine on a chart pack, make the effect box, then place the chart pack where everyone can see it.

- Sketch a right-pointing horizontal arrow. The spine is as shown.
- Include a brief explanation of the effect or result that the procedure produces to the right of the arrow.
- Define a frame around the effect description.

Step 3: Determine the primary causes(G) that have an impact on the effect under investigation.

These serve as categories under which to record the numerous reasons associated with the major branches of your diagram's major branches.

- Decide which primary factors—or categories—will be used to group other potential causes. Use category names that are appropriate for the diagram you are making.
- List the primary categories that your team chose to the left of the effect box, some above and some below the spine.
- Outline each category label with a box, and link the box to the spine with a diagonal line.

Step 4: For each main branch, find additional particular elements that could be the effect's source. Find as many reasons or factors as you can and tie them to the big branches as subbranches.

- Specify in depth each cause. List a minor cause beneath both major causes if it pertains to both of them.

• Step 5: Determine ever-higher layers of causes and keep grouping them into related causes or categories.

- Asking a series of why questions will help you achieve this. If one branch contains too many subbranches, you might need to divide your diagram into smaller ones. Any three Ms and a P, the four Ps, or a category you provide can be rephrased as an impact.
- Analyse the diagram in step six. You can find reasons that need more research by using analysis. Considering that Cause-and-Effect Diagrams only show Potential Causes, you might want to use a Pareto Chart to guide your team in choosing the first cause to concentrate on.

Examine the "balance" of your diagram, making sure that the majority of the categories have equivalent amounts of detail.

- A dense concentration of things in one region can suggest that more research is required.
- A primary category with few distinct causes may suggest that further causes need to be found.
- You might need to group together multiple big branches that contain only a few minor branches into a single category.
- Keep an eye out for reasons that keep cropping up. These could be the underlying causes.
- In order to calculate the impacts of any adjustments you make, look for things you can measure in each cause.

Fishbone diagrams have the following advantages: • They aid in identifying underlying causes; • They promote group involvement; • They represent cause and effect linkages in an organised, readable manner.

- Increases understanding of the process by assisting everyone in learning more about the variables at play and how they connect
- Identifies locations for data collection

6.7 STRATEGIES FOR IMPROVING CUSTOMER SERVICE QUALITY

Customer service seems to be one of those things where you can never improve. Even when you believe your company is doing a wonderful job of going above and beyond for its customers, another firm comes along and completely destroys you. The fact is that, as with most things in life, the bar can always be raised a little bit.

Over the past several years, the definition of customer service has evolved beyond one-on-one conversations over the phone or in person to encompass social media and other online strategies in front of a much bigger audience. Follow these advice to succeed if you want to raise your sales by enhancing your customer service.

1. Be aware of your mission: What drives your company forward, and why do customers need your goods or services? Before even attempting to modernise your customer care strategy, it is crucial to pause and consider this. After determining your mission, divide it into long- and short-term goals. These will enable you to gauge your progress so that you can keep tabs on the outcomes and adjust as necessary.

2. Request input: It's important to obtain consumer feedback in order to enhance both your customer service and the overall operation of your firm.

Find innovative ways to ask your customers for feedback, for as by sending them surveys by email or SMS.

3. Stay ahead of the responses: Social media is very quick and simple for everyone to utilise. Additionally, customers are using these platforms to share their interactions, favourable or negative, with a brand with their whole following. It is beneficial for firms to interact with these consumers by swiftly responding to all forms of feedback on whichever platform their customers are using, as these customers often expect a response within a few hours.

4. Cross-sell: By ensuring that your sales reps are taking advantage of every chance to cross-sell, you may simply raise your sales without launching a brand-new marketing campaign. When you offer a customer a product or service in addition to those they are already considering, especially when those products or services are connected, you are cross-selling. For instance, you may offer a rain cover together with a rucksack if someone is looking to buy one for an outdoor activity. More sales will result from the additional items you can add to the initial purchase. This is a crucial talent to impart to sales representatives and customer care personnel as it has been shown to increase sales and improve client satisfaction.

5. Provide value-added services: Customer care employees go beyond simply attending to customer needs and difficulties. Additionally, they ought to be imparting knowledge and details about the products and services. Sharing expertise is a fantastic method to add value for your clients and be at the front of their minds when they need guidance or information. Your social media channels are the ideal channels for informing every one of your customers.

6. Establish a referral programme: Offering rewards is a smart way to establish a referral programme. Asking your customer to recommend your business to their community in exchange for some sort of reward is the greatest approach to ensure that you'll obtain plenty of high-quality referrals. People love free stuff. According to studies, those who are introduced to a business by current clients are 18% more likely to stick around.

7. Educate your staff: As the operation's beating heart, your customer service crew needs thorough training in all of the aforementioned topics. Customer service personnel are sometimes the sole point of contact a customer will have with a business; they are the real face of the enterprise. They will be your most useful instrument for promoting your brand identity and products when properly taught and given the freedom to make judgements that will promote customer happiness.

8. Take responsibility: As the organization's leader, you are ultimately accountable for all that occurs. If you want a good customer service staff that will go above and beyond, you must support and manage the team. You must be a leader who accepts responsibility for mistakes and provides credit to others when things go smoothly.

6.8 SUMMARY

It boosts sales. Customers are more likely to work with a company whose products they consider to be of great quality. Additionally, customers are more likely to keep making frequent purchases from companies that provide excellent customer service. It reduces the cost of marketing.

6.9 BIBLIOGRAPHY

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NEW DEVELOPMENTS IN SERVICE MARKETING

Unit Structure :

- 7.0 Objective
- 7.1 Introduction
- 7.2 New Service Development
- 7.3 Types of New Services
- 7.4 Service Redesign
- 7.5 New Service Development Process
- 7.6 Challenges in New Service Development
- 7.7 Peer-to-Peer Sharing
- 7.8 Summary
- 7.9 Bibliography

7.0 OBJECTIVE

We discuss the launch of new goods and services in this lesson. We hear both success and failure tales regarding brand-new, cutting-edge goods. To develop and effectively launch new products or services, it involves money, time, and effort. This session will begin by examining the causes of new product failures.

7.1 INTRODUCTION

All businesses depend on the introduction of new goods and services. You must invest in their growth if you want the business to grow and be profitable. However, starting the development process is dangerous. It requires a lot of structure and preparation.

Often, new technology is insufficient to distinguish the products offered by manufacturing companies. Instead, mixtures of goods and services—referred to as hybrid offerings—create a competitive edge. As a result, manufacturing companies must not only come up with new technology solutions to compete and expand, but also create and implement service strategies through new service development (NSD) and service operations. Insights on how manufacturing companies might employ NSD to create a competitive edge through service innovations are scarce, nevertheless.

The separation or integration of the service business with the traditional business was an early study focus on service infusion in industrial organisations. Recently, the topic of discussion has changed to include or exclude NSD from new product development (NPD). Some services, but not all, appear to benefit from the integration of NSD and NPD. Although there have been suggested specific NSD processes for manufacturing companies, many of which require fewer stages than NPD processes, many services continue to be developed outside of the official NSD process. There are also disagreements on whether NSD should be carried out in manufacturing companies as part of the NPD process, in a distinct NSD process, or whether everything should be seen as service innovation and a new process should replace the NPD and NSD processes.

The introduction of new technologies and enhancements to product performance are the foundation of research on innovation in manufacturing companies. Value is not seen as being jointly generated with a consumer, but rather via traits and functions. As a result, innovations frequently focus on enhancing the performance of a product or service rather than on enhancing the conditions necessary for value co-creation in a client relationship. We define service innovation, in line with Gallouj and Weinstein (1997), as any modification that alters one or more service attributes. Service innovation cannot be described by theory derived from observations of product innovation since new services differ from goods in their innovation modes.

7.2 NEW SERVICE DEVELOPMENT

1. To survive and thrive, organisations must engage in new service development (NSD). However, the procedure can be difficult, time-consuming, expensive, and frequently ineffective. Customers are involved in the service system and production process as co-producers, or participants. As a result, efficient NSD concentrates on creating service requirements that satisfy customer wants and specifications. Other stakeholder groups could also have their own requirements for the service. However, a number of models and methods have been created that can help managers and others create fresh, improved services.
2. Services include ideas from the insurance, banking, hotel, hospitality, and IT sectors, among others.
3. Since services are intangible, it is even more crucial that new services be developed with the four following fundamental characteristics.
4. Services must be impartial and objective.
5. Services should be specific rather than general.
6. In order to produce new services, services should be grounded in reality and evidence rather than opinion.

7. Services ought to be methodical; they shouldn't be metaphysical.

It is essential to outline or structure new service development and adhere to the specified stages. Instead of using objective designs that take into account information about customer perception, market demand, and feasibility, new services are frequently developed based on internal peoples' subjective suggestions about "what should be services and where they will succeed". Since the shows are created and watched simultaneously and frequently feature interactions between customers and employees, it is essential that both parties participate in the process of developing new services.

It is crucial for a new service development system to have four fundamental qualities since services are intangible. (1) It has to be unbiased and not subjective. (2) It must be clear and not ambiguous. (3) It must be fact-based rather than opinion-based. (4) The focus must be methodological rather than philosophical.

Employee participation in the design and development process enhances the possibility that a new service will be successful because workers may spot organisational problems that must be fixed to enable the provision of the service to consumers. Customers should be included in the process of developing new services since they frequently take an active role in service delivery.

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7.3 TYPES OF NEW SERVICES

- A) A major invention is a new service for an unknown market. Examples from the past include the launch of the first broadcast television services and the nationwide, overnight small package delivery service by Federal Express.
- b) New services for a market that is already supplied by items that address the same basic demands make up start-up firms. Examples of services include the development of health maintenance organisations to offer a different method of providing healthcare and online banking for financial transactions.
- c) New services for the currently serviced market indicate attempts to provide current organisation consumers with a service not previously offered by the firm (even if it may be provided by other

businesses). For instance, several airlines provide phone, Internet, and fax services while flying.

- d) Service line extensions are augmentations of the current service line, such as the addition of new menu items by a restaurant, new routes by an airline, new legal services by a law firm, or new courses or degrees by a university.
- e) The most prevalent form of service innovation may be service improvements. Longer service hours, quicker service process execution, or augmentations like more amenities in a hotel room are a few examples of changes to the characteristics of already-offered services.
- f) Style adjustments are among the smallest service advances, despite the fact that they are frequently very noticeable and have a big impact on how customers feel, think, and behave. Ex: Modifying a restaurant's colour scheme.

7.3 SERVICE REDESIGN

Redesigning current services is another effective strategy for service expansion and growth, as many businesses have found.

- Self-service: Putting the consumer in a producing mode as opposed to a passive, receiving one is one way to redesign. The consumer will gain more from the service process redesign in terms of personal control, accessibility, and timeliness.
- Direct service: Bringing the service to the consumer rather than requesting them to visit the supplier is referred to as direct service. This might entail providing the service to the client at their place of business or residence.
- Pre service: This kind of redesign focuses on the front-end procedures and streamlines or enhances the service activation. Pre-admission processing at a hospital, express check-in at a hotel or vehicle rental, and pre-paying tolls on roads are a few examples.
- Bundled service: Combining many services into one is another method to revamp what is now available. Customers gain from this because they get more value and convenience than they would have if they had bought each service separately.

- **Physical service:** Physical redesign aims to improve the customer's experience by altering the tangibles used in conjunction with the service or its physical setting. The interior renovation of Mid way Express Airlines' aircraft has largely altered the overall airline travel experience.

7.4 NEW SERVICE DEVELOPMENT PROCESS

Even though the procedures are the same for both services and tangible goods, how they are carried out varies greatly.

Development of new services or products is rarely a fully linear process. That is helping many businesses develop new services more quickly. There are several processes that may be completed concurrently, and in rare cases, a step may even be bypassed. "Flexible product development" refers to the process of developing a new service or product that involves many processes being completed at once.

planning ahead: The development of service concepts is determined by the front end.

- a) Reviewing the vision and purpose is undoubtedly the first step in developing a new service. a) Business strategy creation. If they are unclear, the organization's general strategic direction must be decided upon and accepted.
- b) Development of a new service strategy: The objectives, vision, resources, and expansion strategies of the organisation will determine the kinds of new services that are appropriate. The organisation will be in a better position to start coming up with particular ideas if it defines a new service strategy (perhaps in terms of markets, types of services, time horizon for development, profit criteria, or other pertinent elements).

Utilising the framework is one way to get started creating a new service strategy. The framework aids in the identification of potential growth avenues for an organisation and serves as a stimulant for original thought.

OFFERINGS	MARKETS	
	Current customers	New customers
Existing services	Share Building	Market development
New Services	Service Development	Diversification

- a) **Idea Generation:** The official solicitation of fresh ideas is the process's subsequent phase. The new service strategy screen outlined in the step before may be used to filter the concepts created at this stage. There

are several paths and approaches for finding new service concepts. Serving consumers and seeing how they use the company's goods and services may also help to spark ideas for new improvements. Formal brainstorming, asking for suggestions from workers and customers, conducting user research, and learning about competitors' offers are some of the most popular techniques.

- b) Service Concept Development and Evaluation:** The intangibility and concurrent production and consumption of services, in particular, impose complicated demands on this stage of the process. It's challenging to put an abstract concept into real language and depict an elusive service. After an idea has been clearly defined, it is crucial to create a description of the service that accurately captures its unique qualities and traits, and **to** ascertain the initial reactions of both customers and employees to the concept. The servicedesign document would outline the issue the service addresses, go over the justifications for providing the new service, list the advantages of the serviceprocess, and justify the use of the service.
- c) Business Analysis:** Assuming that both clients and staff gave the service concept high marks during concept creation, the next stage is to assess its viability and possible financial benefits. At this point, operational viability, cost assessments, demand analyses, and revenue estimates are all evaluated.

Implementation: The new service idea is ready to move on with the process once it has cleared all of the front-end planning barriers.

- c) Testing and service development:** When creating new physical items, this step include building product prototypes and gauging user acceptability. Again, this stage is challenging since services are intangible and generally generated and consumed concurrently. All stakeholders in the new service, including consumers and contact personnel as well as functional representatives from marketing, operations, and human resources, should be included at this stage of service development in order to handle the difficulty. In this stage, the idea is polished to the point where a comprehensive service blueprint outlining the service's implementation strategy can be created. The blueprint will probably change across several revisions based on feedback from all of the stakeholders mentioned. For instance, when a sizable state hospital was developing and evaluating a new collection of services, it included medical researchers, computer programmers and operators, librarians, telecommunications specialists, and records clerks in addition to the physician users. The last phase in the service delivery process is for each region to transform the final design into detailed implementation plans for its portion of the process. Because defining the specifics of the new service at this point requires such sophisticated service development, design, and execution. If not, ostensibly unimportant operational elements can make a promising new service concept fail.

- d) **Market Testing:** It is challenging to test new services in isolation since the delivery system for existing services is frequently entwined with new service offerings. Additionally, because the organisation only has one point of delivery in some circumstances, such as a single-site hospital, it might not be viable to expand the service to a remote market region. However, there are other approaches to evaluating the impact of marketing mix variables. For a while, the new service may be made available to organisation personnel and their families in order to gauge how they would react to changes in the marketing mix.
- e) **Commercialization:** The market is now the focus of the process. In this stage, there are two main objectives. The first step is to foster and uphold acceptance of the new service among a sizable group of service delivery workers who will be in charge of daily service quality. If acceptability has been factored in by include important groups in the design and development process from the beginning, this work will be simpler. The second goal is to keep an eye on every part of the service both before it is introduced and during the whole service cycle. If it takes the user six months to fully enjoy the service, then rigorous monitoring must continue for at least that long. Every aspect of the service, including phone calls, in-person interactions, billing, complaints, and delivery issues, should be evaluated. Costs and operational effectiveness need to be monitored as well.
- f) **Post-introduction Evaluation:** Based on the actual market response to the offering, the information obtained during the service's commercialization can be assessed at this stage and modifications to the delivery method, personnel, or marketing mix factors made.

7.5 CHALLENGES IN NEW SERVICE DEVELOPMENT

- a) The features of a new service product may have an impact on the buyer's decision. Consumers may view these elements as integral components of the "core" service or as "peripheral" to it. The brand, the colour, the design, or the package may all have a significant role in the consumer's choice to acquire a tangible product.
- b) **Branding:** "The marketing of services typically does not place much emphasis on branding, brand development, or brand acceptance." Branding is undoubtedly challenging due to the challenges of upholding quality consistency in service environments. In a research on brand loyalty conducted in the context of the computer rental industry, it was discovered that there was no single factor that caused customers to cancel, keep, or extend their rental agreements.

- c) **Patent:** Since services are intangible, there are no patents. Thus, it is challenging to stop rivals from stealing service innovations, even though trade names can be protected. Because they are simple to copy, innovations can have short life cycles.
- d) **Warranties:** Warranties are frequently connected to the sales of products. However, they could be crucial components of service marketers' strategies. A warranty is an agreement by the seller that the item being sold is suitable for its intended purpose or satisfies certain requirements. These agreements might be either inferred or stated. Warranties may be crucial for promoting specific services. Financial services can benefit from factors like investment programmes that ensure payments despite changes in the external environment.
- e) **Service Product (e) After-sale Service:** The selling of tangible goods is typically linked to after-sale service. But it also applies to markets for services. For instance, as part of their services, airlines can help customers reserve hotels and rent cars. Insurance companies can counsel customers on any policy adjustments they should make as their personal circumstances change. Stockbrokers can help clients rebalance their share portfolios. And a dentist can perform a checkup after performing dental work.
- f) **The removal of service-based goods** is, of course, not simple, and businesses may use a variety of tactics before doing so, including selling overseas, maximising profitability during the remaining life, or revitalising the product in some way. The need for structured processes to support decision making in this area is still there notwithstanding these actions.

7.6 PEER-TO-PEER SHARING

A peer-to-peer (P2P) economy is a decentralised system in which two people work together to exchange goods and services directly or to manufacture products and services jointly without the need of a middleman, incorporated corporation, or commercial enterprise. In a peer-to-peer transaction, the delivery of the item or service and the exchange of money happen directly between the buyer and the seller. A private person or independent contractor who owns both their equipment (or means of production) and their final output typically acts as the producer in a peer-to-peer economy.

A capitalist system may coexist with a P2P economy. Retail and commercial software coexist with open-source (P2P) software. Alternatives to hotels and inns or taxi and livery services, respectively, include services like Uber and Airbnb. By offering intermediate services,

such as a network to link buyers and sellers and process payments, and utilising private contractors to supply services directly to clients, these businesses function as a mix between typical capitalist organisations and pure P2P activity.

P2P transactions have a higher risk of failure on the side of the supplier to deliver, a lower chance that the goods will meet expectations for quality, and a higher chance that the buyer won't pay. This additional risk may be offset by cheaper prices and reduced overhead costs.

The peer-to-peer economy is similar to the economic production of the pre-industrial age, when everyone was a self-producer, in that providers of P2P goods or services own their finished product and means of production. This system was replaced by more effective economic systems that provided greater productivity and wealth. The P2P economy is now much more viable thanks to the Internet and the IT revolution, which has also encouraged investment in service providers who, while not directly producing P2P goods or services, work to make P2P transactions more transparent, secure, and effective.

The current status of developing P2P economy is only the most recent illustration of the benefits of the Internet for users. Today's self-producing, Internet-enabled capitalism is substantial and disruptive enough for businesses and authorities to have taken notice. That demonstrates the enormous potential it has for future innovative business models.

Peer-to-Peer (P2P) Service Examples

Open-source applications: Anyone can view and/or alter the software's source code. Open-source software aims to do away with the requirement for a central publisher/editor by crowdsourcing software coding, editing, and quality control among writers and consumers.

Filesharing: Filesharing is the exchange of media and software files between uploaders and downloaders. Filesharing services can provide screening and protection for shared data in addition to peer-to-peer networking. Additionally, they might let users circumvent intellectual property restrictions in an anonymous way or, alternatively, they might help with intellectual property enforcement.

- **Online marketplaces:** An online marketplace is a network wherein individual vendors may locate potential purchasers for their products. Online marketplaces may provide services including escrow, payment processing, seller advertising, buyer and seller ratings based on past transactions, and buyer and seller ratings.

- **Blockchain and cryptocurrency:** A blockchain is a component of cryptocurrency technology. It is a network where users may send, receive, and verify payments devoid of a clearinghouse or central issuer of money. Making and enforcing smart contracts as well as conducting business with cryptocurrency are made possible by blockchain technology.

- Homesharing: Homesharing enables landlords to rent out all or a portion of their residence to transient tenants. Homesharing services frequently handle payments, guarantee quality, or rate and qualify owners and tenants.
- Ridesharing: A platform for automobile owners to provide chauffeur service to individuals looking for a cab. Platforms for ridesharing and homesharing provide comparable services.

7.9 SUMMARY

To develop and offer new services to its clients, professional service companies take part in new service development projects. Future client wants are anticipated, and proactive innovative solutions to problems or issues are developed. The goal of new service development is to offer new services that clients will value and that differentiate your business from the competitors.

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