

COMMERCE II

SERVICE SECTOR

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MODULE I : CONCEPT OF SERVICES

INTRODUCTION:

MEANING,CHARACTERISTICS, SCOPE & CLASSIFICATION OF SERVICES. IMPORTANCE OF SERVICE SECTOR IN THE INDIAN CONTEXT

MARKETING MIX FOR SERVICES:

CONSUMER EXPECTATIONS, SERVICES MIX - PRODUCT,PLACE, PRICE PROMOTION, PROCESS OF SERVICE DELIVERY, PHYSICAL EVIDENCE AND PEOPLE

SERVICE STRATEGIES:

MARKET RESEARCH AND SERVICE DEVELOPMENT CYCLE, MANAGING DEMAND AND CAPACITY,OPPORTUNITY & CHALLENGES IN SERVICE SECTOR

MEANING & CHARACTERISTICS OF SERVICES

Services are acts or performances performed by one party to another for a consideration.

PHILIP KOTLER, 'Service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. It's production maynot be tied to a physical product'

CHARACTERISTICS:

1 INTANGIBILITY

6 CAN BE

VIEWS AS SPECTRUM

2 INSEPARABILITY

7 CHANNEL OF

DISTRIBUTION

3 INCONSISTENCY

8 NON TRANSFER

OF OWNERSHIP

SCOPE OF SERVICES

1	BANKING	10
	HOTEL SERVICES	
2	INSURANCE	
	11 OTHER SERVICES	
3	TRANSPORT	-
	REPAIRS & MAINTENANCE	
4	WAREHOUSING	-
	MEDIA SERVICES	
5	COMMUNICATIONS	-
	MANAGEMENT CONSULTANCY	
6	INFORMATION TECHNOLOGY SERVICES	- COURIER SERVICES

CLASSIFICATION OF SERVICES

1 DEGREE OF CUSTOMER CONTACT

2 DEGREE OF CUSTOMISATION

3 DEGREE OF DISCRETION

4 DEGREE OF DEMAND AND SUPPLY

5 DEGREE OF SKILLS

6 SOCIAL SERVICE/PROFIT ORIENTATION

7 DEGREE OF TANGIBILITY

8 DEGREE OF LABOUR INTENSIVENESS

9 DEGREE OF GOVT. REGULATION

10 DEGREE OF RELATIONSHIP WITH THE CUSTOMERS

11 FACILITIES AND EQUIPMENTS

IMPORTANCE OF SERVICE SECTOR IN INDIA

1 CONTRIBUTION TO GDP

2 EMPLOYMENT

3 CONTRIBUTION TO EXPORTS

4 CAPITAL FORMATION

5 SUPPORT TO PRIMARY & SECONDARY SECTOR

6 REVENUE TO THE GOVERNMENT

7 IMPROVE EFFICIENCY

8 FACILITATES REGIONAL DEVELOPMENT

9 SOCIAL DEVELOPMENT

10 REDUCE INEQUALITIES

11 IMPROVES STANDARD OF LIVING

MARKETING MIX FOR SERVICES

CONSUMER EXPECTATIONS

Consumer/users have some normal expectations, such as –

- Services should be provided regularly, promptly and continuously
- Service charges should be fair and reasonable.
- Services should be provided to all those who need them and willing to pay service charges, without any discrimination.
- Complaints of consumers regarding service should be given prompt attention.
- Services provided should be safe and secured.

Consumer expect a certain level of service from the service provider. The level of expectations may range from high to low depending on various factors such as personal factors, past experience, nature of service, fee/price charged etc.

TYPES OF SERVICE EXPECTATIONS

Desired Service: Highest level of expectations can be termed as desired service. It is that level of service, which the customer hopes to receive from the service provider. The desired service is the combination of what the customer believes 'can be' and 'should be'. (Five star hotel-good ambience, hospitality, elegant crockery etc. Fast food restaurant-quick service, clean environment and tasty food etc.

Adequate Service: it represents minimum tolerable expectations i.e. minimum level of service which customer will accept without being dissatisfied. They realize that the desired service is not always not possible. (Graduate from reputed institutions may have desired to join high paid management jobs but due to economic slowdown, it may not be possible, and they accept lower-paid jobs)

Zone of Tolerance

Service performance may vary across service providers, across employees of the same service providers, or even from the same employees at different times. The extent to which customers recognise and are willing to accept this variations in service performance is called 'the zones of tolerance'. Zones of tolerance vary for service dimensions. More important the dimensions/factors, the smaller is the zone of tolerance. Different customers possess different zones of tolerance.

Zones of tolerance vary for service dimensions. More important the dimensions/factors, the smaller is the zone of tolerance.

If the service performance is within the zone of tolerance, customers are likely to be satisfied.

If service performance is above the zone of tolerance (service performance exceeds desired service), customers are most likely to be delighted.

If service performance drops below adequate service, customers are most likely to be dissatisfied with the service provider.

FACTORS INFLUENCING CUSTOMER EXPECTATIONS OF SERVICE

Desired Service Expectations:

Personal Needs

Educational Level

Personal Service Philosophy

Income Level

Influence of others

Corporate Image

Price/Fees charged

Urban/Rural Customers

Degree of Competition

Adequate Service Expectations:

Customers self-perceived service role

Perceived service Alternatives

MARKETING MIX FOR SERVICES

SERVICE PRODUCT: The product element of marketing mix for services refers to the variety and depth of service offered within a particular package. Service product must be designed properly to create value to the customers. Designing the marketing mix begins with creating a service concept which would satisfy customer needs better than the competitors.

Levels of service: Prof. Theodore Levitt's product concept model can be applied to the service concept. The various steps include-

1 Core service: It is primary level of a service product, which constitutes the primary benefit that a consumer wants from a service. (Film-entertainment, college-education)

2 The basic service: The service provider transform the core benefit into basic service, after adding some features to the core benefit. Basic service consists of all those activities which customer assumes to be present in the given service.

MARKETING MIX FOR SERVICES

3 The expected service: Here service provider plans for an expected service product. Expected service must consists of as set of attributes and conditions, which buyers normally expect. (Hotel-trained staff, good food, proper seating arrangement etc.)

4 The Augmented service product: Here service provider providers augmented service that exceeds customer expectations. (An airline-hotel accommodation, service provider-special gifts)

5 The potential service product: It is the product of future. The service provider must be proactive to find out better ways of delighting the customers. (Holiday package with cultural evening, sightseeing tours etc.)

MARKETING MIX FOR SERVICES

PRICE: It is the key element of marketing services. It is the value exchange between the service provider and its customers. Pricing affects both promotion and profitability of the service offered. Elements of pricing may include-list price, marginal price, price level, price discount, allowances etc. Certain factors needs to consider in pricing services, such as, competition, corporate image, costs of operations, customer nature, objectives of firm, demand, nature of services, economic conditions etc.

PLACE & TIME: It is the location or time or channel through which the service is supplied or delivered. Location decision is important for service firm as accessibility can ultimately determine whether a service succeeds or fails. The elements of place mix for services are- channel numbers and management, services intermediaries, outlet locations, transportation, distribution coverage etc.

MARKETING MIX FOR SERVICES

PROMOTION: This component of marketing mix for services play three vital roles, such as - Providing needed information and advice, persuading target customers of a specific brand or service product and encouraging them to take action at specific times. The elements of promotion mix are- sales promotion, advertizing, after-sales services, training facility, publicity etc.

PHYSICAL EVIDENCE: It is an important element of the marketing mix for services, as customer comes in contact at least some part of service production facilities, equipment's and personnel's. Physical evidence provides clues as regards service quality. It adds substance to the service concept, by playing important role at the pre-order stage, at the service consumption stage and at the post purchase stage. The elements of physical evidence are - external services where service firm is located, the structure and the building, parking space, internal environment (ambience/décor), furniture/fixture, dress/uniforms etc.

Guidelines for physical evidence strategy – recognition of impact of physical evidence, blueprint the physical evidence, clarify strategy roles of servicescape, customer and employee feedback, physical evidence opportunities, modernize the physical evidence etc.

MARKETING MIX FOR SERVICES

PROCESS/SERVICE DELIVERY: Here process is the service. Insufficient attention to the service process leads to poor service quality and dissatisfaction amongst customers. The service process relates to HOW a service is delivered to the customers. It involves method and sequence of actions with which the firm delivers the service elements. Customers may be actively involved in these processes, when acting as co-producers or service process may be handle automatically (ATM).The blueprint of service process differs from service to service. It may be broadly divided into three phases such as – introduction phase, delivery of the core-service, concluding phase.

PEOPLE: It is an element covering a set of policy alternatives in respect of service providers and service receivers. People play important role in the marketing of services, as in case of many services, there is direct interaction between customers and contract personnel. Customer's assessment of first-line staff depends on the quality of services offered to them. Employee's behaviour in services must be strongly customer-oriented. Important elements of this mix are – recruitment, training, placement, motivation, customer education, customer training, team work, skill and interpersonal behaviour.

MARKETING MIX FOR SERVICES

PRODUCTIVITY & QUALITY: Improvement in productivity and quality is vital for success and survival of service firm. Improvement in productivity can be undertaken through training and motivating service staff, cost-cutting measures etc. improvement in quality should be defined from a customer perspective. It must lead to customer satisfaction and loyalty.

SERVICE STRATEGIES

MARKETING RESEARCH :

Philip Kotler, ‘marketing research is systematic problem analysis, model building and fact finding for the purpose of improved decision making and control in the marketing of goods and services.’

American Marketing Association defines marketing research as ‘the systematic gathering, recording, and analysing of data about problems relating to marketing of goods and services.’

Features:

1. Systematic process of data collection
2. Scope - wide range of areas
3. Continuous in nature
4. Applied research not fundamental research (subject to commercial considerations)
5. Methods used are varied
6. Suffers from limitations

STEPS IN MARKETING RESEARCH

- 1. Define the problem**
- 2. Determine the data needs**
- 3. Research design** – grand plan for conducting research, provides guidelines, it contains elements such as – statement of research problem, time frame, areas of collecting data, resources required, techniques of data collection, sample size etc.
- 4. Collection and organization of data**
- 5. Analysis and interpretation of data**
- 6. Research report**
- 7. Follow-up of report**

SERVICE DEVELOPMENT CYCLE

In order to develop/introduce new service, the service provider has to follow lengthy process involving many steps. Marketing research plays very important role right from idea generation to review of service performance.

1) Idea Generation: Here different ideas are noted as possibilities for providing useful service to the society or to certain section of the society. Out of many ideas promising is to be selected for actual use. New ideas may develop out of need and expectations of customers, change in business environment, change in govt. policies, change in lifestyle of people, growing standard of living of people etc.

2) Idea Development: The ideas which are reasonably promising will be developed further. Some broad details such as investment requirements, space requirements, amount of time needs to be devoted, kind of employee's requirements etc.

SERVICE DEVELOPMENT CYCLE

3) Idea Screening: Here information collected in the second stage will be considered in the initial scrutiny/screening of the ideas. Ideas which are impractical will be abandoned at this stage, so further analysis of ideas will be manageable. Ideas screening would narrow down the ideas just to two or three where further investigation will be undertaken. Ideas which are promising and have potential to be successful will be selected.

4) Concept testing: Service concept is different from service idea. It is an elaborate version of the service idea, which is viewed from customer angle. Marketing research helps to undertake concept testing, to find out if the service is acceptable to the customers, also to find out if there is large enough market to sustain the service over a period of time.

SERVICE DEVELOPMENT CYCLE

5) Business analysis: At this stage only one or two promising ideas are used for further detailed investigation. Additional information is collected for detailed business analysis such as, possible demand for service, profit margin, operational cost including marketing cost, possible investment, possible customer support etc. Here economic, financial, commercial feasibility study is undertaken for best service project for execution.

6) Service Development: Service ideas that survive the business analysis stage are transformed into actual service development. Here new service will be ready and all arrangements (blueprint or plan relating to people, processes and physical evidence etc.) for its market introduction will be ready.

SERVICE DEVELOPMENT CYCLE

7) **Market Testing:** At this stage, the new service will be introduced to a team of customers who will use the service and give views/reactions about the new service. Market testing is, in fact, a risk control tool, a safety device. It is an experimental marketing at minimum cost and risk. When market tasting results are favorable, the firm can move further for marketing its new service.

8) **Commercialization and marketing of new service:** At this stage company take decision to go for large scale manufacturing and marketing of new service. It is followed after the positive and promising test marketing results. At this stage service provider needs to undertake effective promotion mix along with promotional offers.

9) **Review of service performance:** Customer feedback is necessary to obtained to find out the level of customer satisfaction. Based on the performance and feedback the firm may take decision regarding – continuation of service, changes in service marketing mix etc.

STRATEGIES FOR MANAGING CAPACITY AND DEMAND

A) Shifting Demand to match capacity

1) Strategies to reduce demand during Peak period

Offer Incentives for non-peak usage

Modify timing and location of service delivery

Communication with customers

Preference to priority customers

2) Strategies to increase demand during Lean period

Vary the use of facilities

Vary the services offering

Additional business from existing customers

Differentiate on price

STRATEGIES FOR MANAGING CAPACITY AND DEMAND

B) Adjusting Capacity to meet demand

1) Stretch existing capacity

Stretch service time temporarily

Stretch labour temporarily

Stretch facilities temporarily

2) Adjust capacity with demand fluctuations

Part time employees

Outsource the services

Facilities on rent

OPPORTUNITIES IN THE SERVICE SECTOR

- 1 Liberalization of the Indian economy**
- 2 Growth in the service sector**
- 3 Increase in disposable income**
- 4 FDI**
- 5 Exports**
- 6 Population growth**
- 7 Free trade agreements**
- 8 Availability of competent professionals**

CHALLENGES IN THE SERVICE SECTOR

1 Challenges of Intangibility

(Demonstration of services is difficult / Pre-purchase evaluation is not possible)

Creation of strong corporate image

Training of employees

Encouragement to loyal customers

Décor should give a pleasant appearance

2 Challenges of Inseparability

(Restrict geographical reach / physical presence of the customer and service provider is essential)

Outsourcing of some services

Franchising agreements

Training to the support staff

Use of automation

CHALLENGES IN THE SERVICE SECTOR

3 Challenges of Inconsistency

(Lack of standardization / Quality control)

Training to employees for consistency

Motivation of employees

Undertaking customer satisfaction survey

Technology support

4 Problem of perishability

(Service cannot be kept in inventory / Mass production is not possible)

Complimentary services during non-peak hours

Low pricing during non peak timings

Differential pricing

CHALLENGES IN THE SERVICE SECTOR

5 Challenges of managing high demand

Offer incentives for non-peak usage

Preference to priority customers during peak timings

Modifications in timings and location of service delivery

6 Challenges of Customer retention

Customer satisfaction survey

Changes in marketing mix

Introduction of new and innovative product

CHALLENGES IN THE SERVICE SECTOR

7 Challenges of managing workforce diversity

Forming committees of members belonging to diverse groups
Organising informal get-togethers, Cultural activities,
Celebrating different festivals

8 Challenges of employees retention

Matching jobs with individuals skills and aptitudes
Employee relationship management
Motivational training programmes
Stress management techniques
Retention bonus