

Sub: **Services Marketing**

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Max Marks: 50

Sem: III

Branch: MBA

OBE

Marks CO RBT

Part A -Answer Any Two Full Questions (20*02=40 Marks)

1(a) Define services with examples [03]CO1 L1

Ans. Services are defined as, “any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”. **OR** services can be defined as, “an activity or series of activities rather than things which has some element of intangibility associated with it, which involves some interaction between the customer and the service provider, and does not result in a transfer of ownership. The service sector provides a service, not an actual product that could be held in your hand. Activities in the service sector include (a) Retail, (b) Banks, (c) Hotels, (d) Real Estate, (e) Education, Health, (f) Transport, (g) Media & Communications, (h) Recreation, (i) Electricity, (j) Gas And Water Supply; etc.

(b) Explain the factors contributing to the growth of services sector in Indian economy. [07]CO1 L2

Ans. The following environmental factors are responsible to make a new service.

(i) **Consumer affluence:** Due to the fast rise in the income of consumers, they are attracted towards the new areas like clubs, health clubs, domestic services, travel and tourism, entertainment, banking, investment, retailing, insurance, repairs, etc. and these are growing much faster than ever before. There is a significant change in the pattern of family expenditure.

(ii) **Working women:** During the recent times a large number of women have come up in a variety of professions. The work performance of women in most of services sector like bank, insurance, airlines, etc. is highly appreciable. In short, women are getting involved in almost all male dominated activities. Due to increasing involvement of women in commercial activities, the services like domestic activities, fast food restaurants, marriage counselling, personal care, financial services, retailing, etc. have emerged in the recent times.

(iii) **Double income no kids (DINK):** Dinks are the working couples who have consciously postponed parenthood plans indefinitely or in an increasing number of cases, have decided not to have any children ever. The dink culture is getting stronger and spreading wider day by day. The realisations that parenthood is likely to result in more commitments at home and demands on their time, thereby slowing down their career plans and ambitions, make them postpone their parenthood plans. Whatever be their life style, they have double income and no kids, resulting in the emerging and enhancing of services like, entertainment, hotels and restaurants, career institutes, domestic services, travel resorts, personal care, etc.

(iv) **Leisure time:** People do get some time to travel and holiday, and therefore, there is a need for travel agencies, resorts, hotels and entertainment. There are others who would like to utilise this time to improve their career prospects, and therefore, there is a need for adult education, distance learning, part time courses, etc.

(v) **Greater life expectancy:** According to the World Development Report and World Human Resource Index, the life expectancy of people has increased significantly all over the world barring few developing countries. It may be due to the advancement in the medical technology, and greater awareness about health and education. Greater life expectancy invites opportunities in services like hospitals, Nursing Homes, entertainment, leisure services, investment banking and so on.

(vi) **Product innovations:** In the changing time the consumers have become more conscious of quality than cost. They need high quality goods at par with international standards. Having this in mind the manufacturers have focused their attention on quality improvement, innovations, etc. In this process many more services have emerged on account of product innovation. Some of them are servicing services, repairs, computer, training and development, education, etc.

(vii) **Product complexity:** A large number of products are now being purchased in households which can be serviced only by specialised persons e.g. water purifiers, microwave oven, computers, etc., giving rise to the need for services. The growing product complexities create greater demand for skilled specialists to provide maintenance for these complex products and brings out other services like expert advise, consultancy services, etc.

(viii) **Complexity of life:** Certain product and services have made human life more comfortable and complex as well. Also, life itself has become more complex due to the socio-economic, psycho-political, technological and legal change. This has brought about the emergence of

services like legal aid, tax consulting, professional services, airlines, courier services, insurance, banking, etc.

(ix) **New young youth:** Every new generation has its own characteristics and enjoys a different life style. There is a lot of difference between the generations in respect to their living conditions/ styles, maturity, thinking, attitudes, behaviour, beliefs, satisfactions, performance values and so on. Today's generation with all these changes provide more opportunities to services like entertainment, fast food, computers, travel, picnic resorts, educational institution, counselling, retailing, etc.

(x) **Resource scarcity and ecology:** As the natural resources are depleting and need for conservation is increasing, we have seen the coming up of service providers like pollution control agencies, car pools, water management, etc.

(xi) **Corporate crowd:** The phenomena of globalisation, privatisation and liberalisation coupled with faster urbanization have created the corporate world crowd and its support services. This crowd is responsible in bringing the new services, and redefining the old ones. The services like hotels and restaurants, banking, insurance, travel and tourism, advertising, airlines, courier services, marketing research, health care, legal services, etc. will emerge and flourish more and more.

(c) Explain the characteristics of services and what are the challenges posed by them for the service providers. [10]CO1L2

Ans. Some of most commonly accepted characteristics are as follows:

- (i) **Intangibility:** The most basic and universally cited characteristic of services is intangibility, because services are performances or actions rather than objects, they cannot be seen, felt, tasted, or touched in the same manner that we can sense tangible goods. For example, when we buy a cake of soap, we can see, feel, smell and use to check its effectiveness in cleaning. But, when we pay fees for a semester in the university, we are paying for the benefits of deriving knowledge, skills and education which is delivered to us by teachers. Teaching is an intangible service. When we travel by a plane, the benefit which we are deriving is a service (transportation) but, it has some tangible aspects such as the particular plane in which we fly (Boeing, Avro, Concorde, etc.) and the food and drink which are served.
- (ii) **Inseparability:** In most cases a service cannot be separated from the person or firm providing it. A service is provided by a person who possesses a particular skill (singer,

doctor, etc.), by using equipment to handle a tangible product (dry cleaning) or by allowing access to or use of a physical infrastructure (hotel, train, etc.). Services are typically produced and consumed at the same time. The relationship between production and consumption, therefore, dictates that production and marketing are highly integrated processes. The telephone company produces telephone service while the telephone user consumes it. A plumber has to be physically present to provide the service, the beautician has to be available to perform the massage. The service provider and the client are often physically present when consumption takes place.

(iii) **Heterogeneity:** Since services are performances, frequently produced by human beings, no two services will be precisely alike. The human element is very much involved in providing and rendering services and this makes standardization a very difficult task to achieve. The doctor who gives us complete attention in one visit may behave a little differently in next visit. The new bank clerk who encashes our cheques may not be as efficient as the previous one and we may have to spend more time for the same activity. This is despite the fact that rules and procedures have been laid down to reduce the role of the human element and ensure maximum efficiency. Services are heterogeneous across time, organisations, and people and as a result, it is very difficult to ensure consistent service quality.

(iv) **Perishability:** Perishability refers to the fact that services cannot be saved, stored, resold, or returned. Since services are deeds, performances or acts whose production and consumption takes place simultaneously, they tend to perish in the absence of consumption. Goods can be stored and sold at a later date in the absence of a customer. Services, on the other hand, go waste if they are not consumed. A seat on an airplane or in a restaurant, an hour of a professor's time, or telephone line capacity not used cannot be reclaimed and used or resold at a later time. A primary issue that marketers face in relation to service perishability is the inability to hold inventory. Demand forecasting and creative planning for capacity utilisation are, therefore, important and challenging decision areas. The fact that services cannot typically be returned or resold also implies a need for strong recovery strategies when things do go wrong.

Ans. Services are heterogeneous in that performance may vary across providers, across employees from the same provider, and even with the same service employee. The extent to which customers recognize and are willing to accept this variation is called the “Zone of tolerance”.

- a. Different Customers possess Different Zones of Tolerance
- b. Zones of Tolerance Vary for Service Dimensions

Students can draw the picture showing ZOT.

2.(b) Explain Service Marketing Triangle with its components. State its importance.[07]CO1
L2

Ans. The service marketing triangle or the Service triangle as it is commonly called, underlines the relationships between the various providers of services, and the customers who consume these services. As we know, relationships are most important in the services sector. The service triangle outlines all the relationships that exist between the company, the employees and the customers. Furthermore, it also outlines the importance of systems in a services industry and how these systems help achieve customer satisfaction. As the name suggests, the service marketing triangle can also be used to market the service to consumers. The marketing completely depends on the interaction going on between the customer and the service provider. We will look at each of these interactions in detail, and also read on how to market to your customer based on the interaction.

There are 3 types of marketing which happen within the service marketing triangle

1. Internal marketing – Marketing from the company to the employees
2. External marketing – Marketing from the company to the customers
3. Interactive marketing – Marketing between the customers and the employees

1) Internal marketing in the service triangle

Holistic marketing is most used when internal marketing is in effect. An advertising firm always tries to keep its own employees motivated. They are given a hell lot of parties and outings just so that they are in a jovial mood. And they need to be in a jovial mood because the rest of the times they are using their creative brains very hard to give the ultimate service to their customers. Furthermore, these same advertising companies empower their employees to take the right decisions in front of customers. This empowerment goes a long way in building motivation and

confidence. And that's what internal marketing based on the service triangle is all about. Building confidence and motivation in your employees, so that they build excellent relationships with the end customers and the company gets the money.

2) External Marketing -Marketing from the company to the customers. This is the most common type of marketing which we, as customers, encounter in the market. The various types of service marketing can be advertising, sales promotions, public relations, direct marketing, or more prominently, internet marketing in today's age.

3) Interactive Marketing

The marketing which happens on a retail store, in a restaurant, in a mall, in a bank, or in any format where the customer comes in touch with the employee, is known as interactive marketing. This marketing within the service triangle happens between the customers and the employees. Interactive marketing is also a strong way to influence customers. It is most commonly used to help customers come to a decision with regards to their purchase decision. If a retail executive has received orders that he has to liquidate stock of Samsung, he will only tell you the positive things about Samsung and try to convert your decision into buying Samsung. The various forms of interactive marketing include personal selling, servicing the customer and interacting with customers on social media or other such interactive platforms.

2 (c) Discuss how product/service attributes affect the ease of evaluation for customers.

Service performances-especially those that contain few tangible clues can be difficult to evaluate. As a result, there is a greater risk of making a purchase that proves to be disappointing. Customers who have purchased a physical good that subsequently proves to be a poor choice can often recover easily from their mistake (for instance, they can return a defective CD player, exchange clothing that is the wrong size, or have a car repaired under warranty). These options are not as readily available with services, although recovery is easier for some types of service than others. In the case of possession-processing services, repeating the performance may be an acceptable option. For example, a cleaning service can re-clean an office if a customer complains about the poor quality of the job. By contrast, people-processing services that are performed on

people's bodies may be hard to reverse. After all, a bad haircut must be grown out, and the consequences of a faulty surgical operation or a poorly done tattoo may last forever.

Mental stimulus-processing services such as education, live entertainment, or sporting events can also be difficult to replace if quality does not meet customers' expectations. Theatergoers cannot realistically ask for their money back if actors perform their roles poorly or the script is bad, and neither can sports fans expect refunds if their favourite team plays badly (instead, they use other methods to let the players know of their dissatisfaction!). Similarly, universities don't usually compensate students for poor-quality classroom experiences. Even if a college were willing to let dissatisfied students repeat classes free of charge with a different instructor, those students would still incur significant extra time and mental effort. Finally, information-based services can present challenges for customers when service quality is unsatisfactory. Banking or accounting errors may not be noticed until later, by which time damage may have been done to a customer's reputation (for instance a check was returned rather than paid or a faulty tax return was filed). Customers who receive a consulting recommendation or medical opinion that they are not satisfied with, have the option of seeking a second opinion, but that will involve extra money, time, and worry.

A continuum of product attributes

One of the basic differences between goods and services is that services are harder for customers to evaluate. All products can be placed on a continuum ranging from "easy to evaluate" to "difficult to evaluate" depending on whether they are high in search attributes, experiential attributes, or credence attributes. These three attribute categories provide a useful framework for understanding how consumers evaluate different types of market offerings.

Search attributes- Physical goods tend to emphasize those attributes that allow customers to evaluate a product before purchasing it. Features such as style, color, texture, taste, and sound allow prospective consumers to try out, taste-test, or test-drive the product prior to purchase. These tangible attributes help customers understand and evaluate what they will get in exchange for their money and reduces the sense of uncertainty or risk associated with the purchase occasion. Goods such as clothing, furniture, cars, electronic equipment, and foods are high in search attributes.

Experience attributes- These are properties that can't be evaluated prior to purchase. Customers must experience these features to know what they are getting. Holidays, live entertainment performances, sporting events, and restaurants fall into this category. Although people can examine brochures, scroll through Web sites that explain the features of a holiday destination, view travel

films, or read reviews by travel experts, they can't really evaluate or feel the dramatic beauty associated with hiking in the Canadian Rockies or the magic of scuba diving in the Caribbean until they actually experience these activities. And neither can customers always rely on information from friends, family, or other personal sources when evaluating these or other types of services. Consider your own experiences in following up recommendations from friends to see a particular film. Although you probably walked into the theater with high expectations, you would have felt disappointed after viewing the film if it did not live up to your expectations. Different people may interpret or respond to the same stimuli in different ways.

Credence attributes- Product characteristics that customers find impossible to evaluate confidently even after purchase and consumption are known as credence attributes because the customer is forced to trust that certain benefits have been delivered even though it may be hard to document them. For example, relatively few people possess enough knowledge about financial markets to assess whether their stock broker got the best possible returns on their invested funds. Patients can't usually evaluate how well their dentists have performed complex dental procedures. And most college students must simply have faith that their professors are providing them with a worthwhile educational experience.

In summary, most services tend to be located from the center to the right of the continuum, reflecting two of the basic differences between goods and services, intangibility of service performances and variability of inputs and outputs (which often leads to quality control problems). These characteristics present special challenges for service marketers, requiring them to find ways to reassure customers and reduce the perceived risks associated with buying and using services whose performance and value can't easily be predicted.

3(a) Define Knowledge Gap. [03]CO2L1

Ans. The knowledge gap is the difference between the customer's expectations of the service provided and the company's provision of the service. In this case, managers are not aware or have not correctly interpreted the customer's expectation in relation to the company's services or products. If a knowledge gap exists, it may mean companies are trying to meet wrong or non-existing consumer needs. In a customer-orientated business, it is important to have a clear understanding of the consumer's need for service. To close the gap between the consumer's expectations for service and management's perception of service delivery will require comprehensive market research.

- (b) Explain the differences between High Contact and Low Contact services with examples. [07]
CO1 L2

High-contact service means you offer your customers a lot of hand-holding and direct support, while low-contact service means you give them tools to sort things out for themselves. They're both valid options, so the real question is which approach will work best for you and your clients.

Customer Information Gathering

The level of information you gather to address customer problems will vary, depending on the level of customer service you provide. If you opt for low-contact customer service, you'll address customer concerns and problems as they come up. This strategy typically doesn't gather a lot of information to identify specific solutions.

Customer Access to Employees

The strategy you choose decides how much access a customer has to your employees. Low-contact customer service typically keeps customers at arm's length, dealing with entry-level service reps and seldom reaching top-level managers or executives when a problem occurs. High-contact customer service offers the customer an opportunity, if needed, to speak to employees higher up the chain of command.

Customer Interaction with the Company

The way customers interact with your company differs between high- and low-touch customer service programs. With low-touch customer service, customers often don't speak directly with a human at all. For example, you might only offer an email address as your point of contact when a customer needs help with a problem.

Customer Service Availability

Problems with products and services happen at any time of the day, and your choice of high or low contact customer service dictates what kind of response your clients can expect. If you opt for low-contact customer service, customers typically can't contact a representative outside of business hours. High-contact customer service typically uses 24-hour call centers and help lines for customer problems.

- 3.(c) Describe the importance of service research. What are the types of service research?
[10] CO2L2

Portfolio of Services Research

Research Objective	Type of Research
Identify dissatisfied customers to attempt recovery; identify most common categories of service failure for remedial action	Customer Complaint Solicitation
Assess company's service performance compared to competitors; identify service-improvement priorities; track service improvement over time	"Relationship" Surveys
Obtain customer feedback while service experience is still fresh; act on feedback quickly if negative patterns develop	Post-Transaction Surveys
Use as input for quantitative surveys; provide a forum for customers to suggest service-improvement ideas	Customer Focus Groups
Measure individual employee service behaviors for use in coaching, training, performance evaluation, recognition and rewards; identify systemic strengths and weaknesses in service	"Mystery Shopping" of Service Providers
Measure internal service quality; identify employee-perceived obstacles to improve service; track employee morale and attitudes	Employee Surveys
Determine the reasons why customers defect	Lost Customer Research
To forecast future expectations of customers To develop and test new service ideas	Future Expectations Research

4 You own a restaurant and are developing strategies to be a successful restaurateur. Elaborate what will be your strategies with respect to the marketing mix variables for your restaurant.

The students are expected to apply the service marketing mix variable concept to the real time settings.