



Question Bank 030030602: Services Management

Unit- 1 Understanding Aspects of Services-I

Answer the following. (1 Marks)

1. List any one important entity of 'Service Triangle Marketing Model'.
 - The Customer
2. List any one component of 'Service Triangle Marketing Model'.
 - External Marketing
3. Write any two examples of services ,which have informal relationship with customer
(1) Cinema and (2) Police
4. How can a company bring consistency in the service delivery and transaction?
With the help of Automation
5. Enlist any two ways to overcome the variability factor.
 - (2) Training of internal customers
 - (3) Automation
6. Write the contribution of service sector in India's GDP?
47.9%
7. Mention two examples of highly intangible services.
 - Counselling
 - Consultancy
8. Which type of market needs to be conquered by a Not-for-profit firm?
 - The Client Market
 - The Donor Market
9. Write two examples of overfull demand.
 - Berth in Indian railway during summer
 - Demand of LPG and electricity connection
10. Write any two ways to overcome intangibility of service.
 - Documentation
 - Facts and figures

Briefly answer the following. (2 marks)

1. Define services.

Those activities that provide time, place, form or psychological utilitarian benefits are called services.

2. What is meant by external marketing?

The company does 'external marketing' on the customer. It promises benefits, explains features and assures satisfaction by way of advertisement, public relation exercises and other forms of corporate communication.

3. What is low contact service?

Providers interaction is very low with the customers. Interaction is mostly done by machines. E.g. weighing machine installed in almost all railway stations.

4. Explain the concept of 'Perishability' in the context of services.

Perishability implies that services can not be stored. If the transaction does not take place during the given time, the service offer loses its value.

5. Write one example of 'Association' used to overcome problem of intangibility in services?

E.g.: ICICI Bank seeks to associate itself with the rejuvenated and dynamic Amitabh Bachchan. The "Big B" is an appropriate symbol of enduring popularity, versatility, strength, character and genuine success

6. What does latent demand imply?

This is a demand that lies deep inside a consumer unfulfilled, as no service offer exists to satisfy it.

7. What is meant by 'provider'?

Provider is the internal customer of an organization who completes the service transaction on behalf of the company. They can be employees, franchisees, channel partners, distributors, wholesalers etc.

8. Give an example of 'Business to business end-users'.

Ex. –ACC asking Thomson Press to print its annual report.

9. Write any two examples in which physical representation of an intangible service can be done.

1. Visa Card associating itself with Sachin Tendulkar to convey youth, success and versatility,
2. NIIT, the leading computer education firm linked itself with Vishwanathan Anand

to intelligence convey.

10. List ways to overcome the problem of variability in services.

- Training of external customer
- Training of internal customer
- Recruitment and selection of internal customers
- Automation

Answer the following (limit 250 words). (5 marks)

1. “Services are a game of promise marketing”-Discuss.

"SERVICES ARE A GAME OF PROMISE MARKETING"

The service triangle of marketing is a powerful model and gives great insight into management and dynamics of service business.

It is said that services marketing are a game of "promises" played amongst three entities in the service transaction. The three entities in a service transaction are:

- **The Company:** This is the organization that has dreamed up the service product, its various benefits. It offers the service product to achieve its service goals to the customers.

E.g. Indian Hotel Company that owns and manages the Taj Brand of Hotels offers expensive accommodation, entertainment, leisure etc.

The company will use external communication to touch base with its customers, using media and publicity. In the process it 'makes promises' to them about its offers, experiences and benefits. This is much before the transaction and consumption of the service exchange.

- **The Customer:** The customer is the one who wants his needs, wants and desires satisfied. It will do so by consuming the service product.

E.g. Leena Patel, a teacher in a school would like to get a life insurance from SBI Life and also to get a housing loan from SBI for a certain special rate of interest.

E.g. The Roy family is keen to take the 15-day tour package offered by the Kerala Tourism during their winter vacation.

- **The Provider:** They are the internal customers of an organization who invariably complete the service transaction on behalf of the company. They are mostly employees but also include franchisees, channel partners, distributors, wholesalers,

retailers and now Business Process Outsourcing and call centers etc.

E.g.: Employees of the Fort Branch, D. N. Road, Mumbai of HSBC will help open fixed deposits, or arrange loan transactions for its customers.

E.g.: Bharat Travels, Chennai is a franchisee of tour package operator Thomas Cook. Its employees sell the tour packages at Pondicherry and other places in the South.

2. Why is service industry important to the economy? Enumerate the Central Government efforts to facilitate the growth of service industry in Economy.

It is now very much accepted by economists and financial experts that services are making robust contributions to all economies in general and India's in particular. The Institute of Chartered Accountants of India has declared that in 2002, 52% of the nation's GDP came from services. If we divide the economy into three main sectors which contribute to the GDP:

- The Primary Sector, which consists of agriculture, fisheries, mining etc., contributed 27.5% to the GDP in 1999-2000.
- The Secondary Sector, comprising industry and manufacturing contributed 24.6%.
- The Tertiary Sector, consisting of services contributed 47.9%. The tertiary sector comprises the government, defence, finance, logistics, banking and investments, insurance, education, utilities, communication, entertainment, sports etc.

Most of the developed economies have over two-third of the contributions to their GDP coming from services. For US, it is over three-fourths. Environmental controls and regulations have forced many of the manufacturing jobs to shift from Canada, US and Europe to the Third World. The employment then shifted to the services and the 'knowledge economy' became a buzzword. This also to a great extent explains the unity of the developed economies to push to include services under the World Trade Organization regime and open access. Additionally, over 50% of the manufacturing jobs are related to such facilitations as plans, designs, drawings, Maintenance, Repairs and Operations (MROs) etc. They are supply of services than actual manufacturing and production.

Taking the analysis further, if one computes the number of people employed in the services across the globe and in India, it reveals the irreversible and bounding growth and importance of services.

Sector	1981 (%)	1991 (%)
• Primary Sector - agricultural workers, farmers, miners, fishermen etc-	69.4	67.3
• Secondary Sector - manufacturing, and process.	12.9	12.2
• Tertiary Sector - services	17.7	20.5

3. Explain end-user as one of the classification of service industries.

End-user:

Service industries can be classified by the type of end-users and they are of three types:

1. Individual consumer as an end-user

Services are consumed by individuals. Some examples are leisure, hairdressing, personal finance, package holiday tour etc. The implication for the marketer is profound: it is for a mass market and there is scope for mass communication. If there is a possibility of branding (e.g.: NIITFuturz) then there is tremendous scope of enlarging the geographical reach of the market, the catchments area of service retail outlet as well as for franchising.

2. Business to business end-users

This implies that one business or a firm from one industry will seek services from another business or another company from another industry. This has connotations of industrial marketing - abhorring mass media, more personal selling, high involvement, with Decision Making Units and Decision Making Processes different from consumers.

Good examples are:-

- When Tata Steel asks J. Walter Thomson Associates, the advertising agency, to design its advertising campaigns.
- When A.C.C. asks Thomson Press to print its annual report.
- When Infosys asks Price WatehouseCoopers to do its accountancy and certify its accounts.
- When Maharashtra Tourism Development Corporation asks Tata Consultancy Services to help them plan their tourism objectives and help them choose their beach destinations.

3. Industrial end-users

This end-user of services is plants and factories. They might require very unique services that are equally technical Some examples are:

- ONGC would require for its drilling rigs - offshore in Bombay High or inland in Assam - such services as Maintenance, Repair and Operations (called MROs)

from Essar Gujarat.

- Godrej Housing, the real estate developer, would require services from PECOPP, the pest control company.
- Many industries would require assistance from Brihan Mumbai Corporation (BMC) for hygiene, garbage clean-up and maintenance.

4. List five different types of demand to avoid perishability. Explain any two of them.

Nine different types of demand have been identified. The service marketer has to understand and adopt them in his marketing to avoid perishability. They are:

- 1. Rising demand:** This occurs when the service offer is in the growth stage of the product life cycle, customers are aware of the service category and service brand, and the rate of adoption is increasing in geometric progression with more first-time buyers trying the service offer and customers making repeat purchases. The service marketer not only should recognize this trend but also measure the rate of rise of demand. This information would enable him to cater to the rising demand by appropriately increasing capacity of service - facilities, service personnel etc. - and avoid opportunity lost.
- 2. Falling demand:** There could be many reasons for declining demand for a particular service offer: direct competition, substitute competition, price being unattractive, poor service delivery etc. E.g. falling demand for video parlour services due to the popularity of satellite broadcasting TV channels. E.g. Declining popularity of pool parlours, once the rage in Mumbai and other metros.
- 3. Zero demand:** The market may not be having a need of a particular service offer because of various demographic, socio-economic and sometimes geo-demographic factors. The service marketer has a choice: either create demand for the service by finding out the needs, wants and desires of the market or do not enter the market. E.g. People in a certain locality may not be interested in home delivery as they dislike strangers coming into their homes, especially when the men folk are not at home. Even courier services are badly hit due to this social factor. Thus modern retailing or non-store retailing may not take off in that place.
- 4. Full Demand:** In this situation the service marketer will find that the demand is equal to supply. It is an ideal situation for the firm but danger lurks when a new entrant brings out his offer. Then either the market has to increase consumption or else the players battle it out amongst themselves fighting for the same pie. Normally price

wars are inevitable, margins fall and the viability of the service firms comes into question. Only the fittest tend to survive; mergers and acquisitions become the norm or else the weaker players face closure and bankruptcy.

- 5. Overfull demand:** This takes place when demand far outstrips supply, and the service marketer is not able to handle the demand. This implies that there are either fewer capable players or entry barriers and regulation against free market enterprise. Either way, the service marketer cannot be complacent and has to be prepared for de-marketing his service. If not disillusionment may set in and negative feelings might creep into the customer's mind.

E.g.: There is more demand, in India, for LPG supply and connections.

E.g.: Berths in Indian Railways, especially during the summer or any other holiday seasons.

- 6. Negative Demand:** This is a kind of anti-demand. Customers would do anything to avoid consuming a particular service. This could be because they might fear bodily harm, irreversibility in the consumption, high risk etc. They would sometimes pay to avoid the consumption/experience of the service offer.

E.g. Cosmetic surgery - With increasing media reports of the harmful effects of cosmetic surgery and beauty treatments, there might be a negative demand by the target market for the service. Similarly there are people who have a phobia against inoculation and would do anything to avoid it.

- 7. Latent Demand:** This is a demand that lies deep inside a consumer unfulfilled, as no service offer exists to satisfy it. The consumer may not be able to accurately articulate his demand and features of the offer and therefore may not be able to voice his desire. But when such a service is offered in the market, he grabs it.

E.g.: Good day-care centres and crèche - With women coming out in the workforce in larger numbers, there was an urgent need for such services. Prior to this, there were many who either could not enter the workforce or had to discontinue their jobs after motherhood. This is one of the reasons for the popularity of 'play schools' and Euro Kids.

- 8. Seasonal or irregular demand:** Demand for certain services fluctuates with seasons or is irregular. Sometimes there is regularity in their irregularity (seasonal). Some seasons there would be peak demands while in others there would be less. This greatly affects the service management, delivery and profitability. The service

marketer should, with suitable promotions shift the demand to off-peak hours/seasons.

E.g. Hotel accommodation in Goa during the monsoon - While there is hardly any accommodation available in Goa during summer; rooms go abegging during the monsoon. Hoteliers then bring out special monsoon packages with lower price and positioning on romance ("Come to Goa during the monsoon for your honeymoon - it's you and the rains!").

- 9. Unwholesome demand:** People tend to lose interest in the service offer when they receive new information about the process or ingredient in the service. The new information is unsavoury and their desire for the service evaporates. The service or goods become unwholesome, without any nutrition, resembling junk foods.

Thus, the desire for Narmada Darn evaporates when the abysmal treatment and compensation to the 'oustees' are highlighted in the media. Cigarettes, liquour, drugs, heavy usage of cell phones, are all unwholesome demands for which demarketing is required.

5. What are the different ways to overcome variability? Explain the role of ' Training of Internal Customer' and 'Training of External Customer'

Some of the ways this can be overcome are:

- Training of Internal Customers
- Recruitment and selection of Internal Customers
- Training of External Customers
- Automation

Following are the factors for overcoming variability in service industry.

- **Training of Internal Customers** - This is one of the most important tools for a service organization to beat heterogeneity or variability. The variability occurs, as mentioned before, due to the difference in the background of the internal customers, their varying moods, experiences, involvement, orientation and skills. Training would be the equalizer and all the internal customers - employees, channel partners, associate partners and third party administrator - would project uniformity in the service delivery to the customers. This projection is more important because what the customers perceive is the service quality,

E.g. A retail bank has different types of businesses for different types of customers and their varying needs - personal banking (savings, current accounts and their respective

deposits and withdrawals), small business, agricultural banking, international business, institutional business etc. A customer might have to go to several desks in one day - deposits, demand drafts, enquiry for foreign exchange, personal loans etc. But the variability factor makes him have different encounters. Different employees will leave him with different experiences: he would be satisfied with the customer service in one, dissatisfied with another and delighted with the third. It could also be that the same employee was quite competent in the personal banking section but was floundering in the international section. Only training would iron out the kinks in skill and orientation differentiation.

Different types of training:

- ✓ Orientation-cum-Induction Refresher
- ✓ Re-skilling
- ✓ Motivational, leadership, group dynamics
- **Training of External Customers** - Another way to reduce variability is to train the customers to go through the transaction process. Service is a transaction between the service provider and the customer. It is not enough if only one of the players (read provider) in the transaction game is at a high level of competence. To complete the transaction process, the customers should also be knowledgeable about the service offer, process, rules and norms. Otherwise the learning curve of the customer tends to be longer, delaying the service transaction and lowering the service quality.
- The consumers affect the transaction due to the following differences amongst themselves:
 - Varying socio-economic backgrounds like income, education, family of orientation etc.
 - Moods, involvement, orientation
 - Experiences

E.g. In a post-graduate college, in a certain course, students could have different demographic profiles. Some could have had schooling in the vernacular medium while others could be from convents or English-medium schools. Again, some could be from the science stream while others could have a humanities background. All these make them adopt a different approach and orientation to the transaction, making the teaching a high quality or-low quality transaction as the case might be.

Unit: 2 Understanding Aspect of Services-II

Answer the following. (1 Marks)

1. **List any one reason to require a strategy for firm.**
 - Direction
2. **What is meant by 'BHAG'?**

“Big, Hairy, Audacious Goal”
3. **Write any one type of service strategy.**
 - Strategy as a Plan
4. **List any one tactic to handle an argumentative customer.**
 - Respond immediately
5. **Explain any one strategy of competitive advantage developed by Michael Porter.**

Cost leadership
6. **When is customer delighted?**

Customer is delighted when the service delivery is perceived to be beyond expectation.
7. **How customers build expectations towards firm's services?**

Customer builds expectation based on their respective needs, knowledge and past experience with the service firm.
8. **Give any two reasons for occurrence of complaints.**
 1. 'My mistake'
 2. 'Your Mistake'
9. **List any two variability factors of service provider that makes customer service delivery inconsistent.**
 - Attitude
 - Mood
10. **List at least one quality and skill that a customer service professional should have in order to provide excellent customer service.**
 - Product knowledge

Briefly answer the following. (2 marks)

1. Define strategy.

Strategy is a deliberate search for a plan of action that will develop a business's competitive advantage and compound it.

2. Write Michael Porter's definition of value.

"What buyers are willing to pay...superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price".

3. Differentiate Customer and Consumer.

A customer is a person who makes the buying decision. He is involved in the final transaction with the service provider, experiencing the encounter.

Whereas consumer is the one who utilizes the service offered.

4. Mention any two essential customer service behaviours.

1. Recovery from customer service failure;
2. Adaptability to customer service failures;
3. Spontaneity in surprising (by surprising the customer expectation) and pleasing customers;
4. Coping with problem customers

5. Define the term 'Complaint'.

Complaint is the voicing of dissatisfaction about the product or service related directly or indirectly to the customer's experience of the product.

6. State any two ways of handling knowledgeable customer.

- Understanding the customer
- Not attempting to bluff him, and therefore one does not know the answer, one should consult someone who knows it.

7. State any four characteristics of customer service culture.

- Quality
- Service
- Responsiveness
- Communication
- Value

8. Enlist any four qualities that a customer service professional should have in order to provide excellent customer service.

- Product knowledge
- Strong communication and interpersonal skills
- Team player
- Good listener

9. Define the term “strategy as a position”.

This strategy is used by service firm when it seeks to position itself uniquely in its environment for survival and for coping against the competitive thrust.

10. List characteristics of friendly customer.

- Talkative or business-like
- Likes to be good
- Is warm and hospitable

Answer the following (limit 250 words). (5 marks)

1. Explain any two strategies of competitive advantage developed by Michael Porter.

For strategies at the SBU level, Michael Porter" urges service firms to first assess scope of target market and differential advantage(s) and then choose the appropriate strategies. He has propounded three approaches to give a service firm a decisive "competitive advantage", cost leadership, differentiation and focus.

- **Cost Leadership** is a competitive strategy where a service firm seeks to be a low cost producer, satisfying a broad market base with a standard service product. This it does so by aggressively pursuing operating efficiencies and then under pricing the competition. Porter recommends efficient facilities, systems and processes, tight cost and overhead controls, minimization of costs in R&D, advertising, sales and distribution, service etc. and posting handsome profits derived from volume business. With a sales turnover of \$245 billion, it is a classic case study of a service firm succeeding to be the
- **Differentiation strategy** for a service firm involves developing offerings, which are perceived as unique by all the six markets in the industry (see The Six-Market Model, Chapter 4, Relationship Marketing in Services). The creation of a distinctive image of the firm's service products requires meticulous planning, usage of high quality processes, innovative designs, or leveraging on unique product attributes and features. This uniqueness would make the service firm to charge a premium price and target a

broad or a very narrow market.

- **Focus strategy** is adopted by a service firm or the SBU when it 'concentrates its entire attention on a very specific customer segment and their needs. The service firm then services this segment with uniquely designed offers. The target segment can be specific by.
 - Geographical location (FM radio services, newspaper services, Bank of Madura which was predominantly in South India before being merged with ICICI Bank etc.),
 - Specialized needs of the customers (a not-for-profit service organization managing an old age home, Monginis franchising system to cater to lifestyle foods like cakes, pastries, patties, croissants etc., prosthesis and medical aids like Jaipur Foot marketing company, ICICI starting a subsidiary only for shipping needs through SCICI which got swallowed in the reverse merger, RBI hiving off its Agricultural and Rural Development Cell, ARDC, into a fully fledged institution National Bank for Agriculture and Rural Development, NABARD) ,
 - A segment can be a customer group by age (teenagers), mother and child market (Johnson and Johnson), outdoor sports personalities (Countryside,' the adventure sports company) etc.

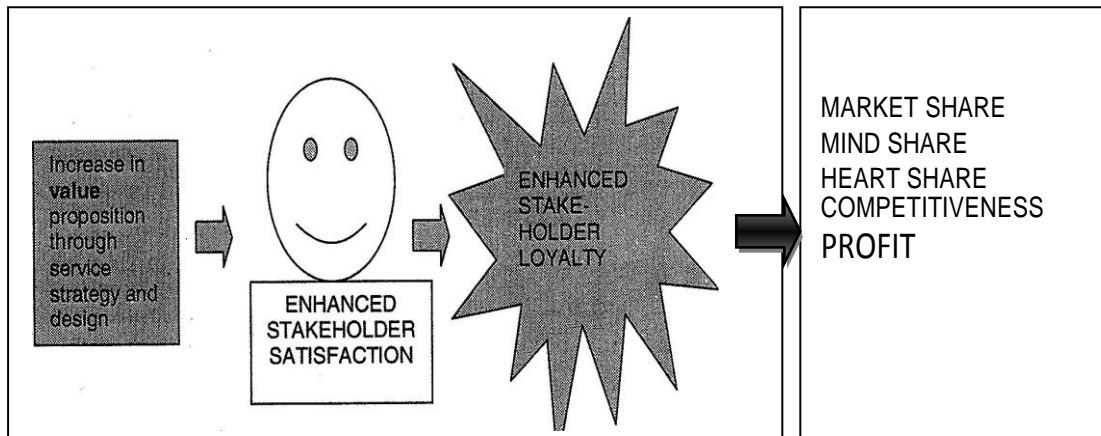
Focus strategy helps a service firm to concentrate on satisfying the needs of its target customers better. They can use either the Differentiation or Cost Leadership strategies or both inside their Focus strategy.

2. What should be the essence of strategy for a service firms?

The intent for a service firm to indulge in strategy would be to survive, prosper and flourish, overcoming all kinds of competition. This would include targeting the right audience and winning their heart share, mind share and market share - much better than the competition. A service organisation like a retail chain, a hotel or a consultancy firm has a bigger challenge in getting customers and making' profits than a firm dealing in goods:

- Its intangibility makes it very difficult for the firm to measure quality and be distinguishing and distinctive in the minds of its market. It de facto renders effective business communication almost the only viable solution for marketing.
- Its variability factor makes consistency of service offer a challenge, while
- The perishability characteristic forces the firm to better manage demand and supply

- To top it all, with no patent protection on service design and ideas, lead-time on differentiation and uniqueness is becoming shorter and shorter for service firms.



Enduring success for a service firm, then, would imply giving an incomparable value proposition to not just its customers but also all its stakeholders (see Fig. 6.1). As per the service-value model, satisfied customers will lead the service firm to profitability and prosperity - through repeat purchase; brand loyalty and buzz-effect. Variability and inseparability of service implies that external customer satisfaction can only be derived from the satisfaction of internal customers. The customers' perception that there is intrinsic value proposition in the offer becomes the driver of loyalty, referrals and the propensity to pay more for the service. Therefore, the purpose of service strategy should be to create value and enhance competitiveness.

3. Explain the need for service firm to have strategy.

According to Henry Mintzberg" there are four reasons for a firm to require strategy:

1. **Direction** - A service firm needs' strategy to map its passage to meet its desired goals of prosperity, enhancement of its competitiveness and other targets like image.
2. **Focus and coordination** - Strategy gives a sense of cohesiveness to the service firm. There is better coordination of all its functions and activities as well as rationalisation of all its resources.
3. **Define the service firm** - Giving definite purpose, philosophy and meaning to the service firm, strategy makes the service firm more understandable for the stakeholders.
4. **Reduce uncertainty**- Strategy helps a service firm cope with rapidly changing dynamics of the business environment. With reduced feelings of shocks of change, employees turn out to give better performances, and are less stressed. Strategy provides "consistency" to the service firm.

4. Discuss the competitiveness of the service firm in detail.

The competitiveness of the service firm is assured if it continues to create value for all its stakeholders who are:

- Its customers and consumers - the main source of enduring revenue and buzz-effect communication
- Shareholders - in effect the owners of the firm
- Employees, channel partners like franchisees, retailers, dealers, agents, and even business process outsourcers who constitute the 'providers' and who are responsible for the quality of encounters and 'moments of truth'
- Government and regulators, whose decisions affect the fortune of the service firm and who take a low opinion on poor corporate governance
- Community members, opinion leaders like experts and the media, and
- Suppliers, whose customers are the service firms, and therefore are an interested market on the value proposition as a vendor

Creation of value would generate loyalty amongst its customers, which has a linear relationship with profitability and also with shareholders, bringing support for its policies and operations. Value can be defined in many ways:

$$(a) \text{Value} = \frac{\text{Benefits (that a customer receives)}}{\text{Price (that a customer pays)}}$$

Using the above template, a service marketer can increase value - in its offer, and for all stakeholders - in five different ways:

- (1) Increase benefits, keeping price constant
- (2) Increase benefits more than the increase in price
- (3) Reduce benefits less than the reduction in price
- (4) Reduce price, keeping benefits constant
- (5) Increase benefits reducing price.

5. Explain the different types of customers with their characteristics and way to handle them.

Different customers have different types of demands, varying in their scale and scope. Classifying customers would enable service providers to understand their different demands. There are four types of customers - friendly, timid, knowledgeable and argumentative. Their respective characteristics and methods to handle them are outlined below:

- **Friendly Customer** –

He has the following characteristics: - Talkative or business-like

- Likes to be good
- Is warm and hospitable

The customer service personnel can usually handle such customers by - Responding to his warmth

- Being friendly too
- Not taking this kind of customer for granted

- **Timid Customer**

- His characteristics are typically - He is indecisive
- Can be evasive and hard to pin down

The usual method to handle him is by trying: - Trying to understand the customer

- Might be a low reactor
- Might be preoccupied, and therefore
- Strike a conversation so as to get his attention.

- **Knowledgeable Customer** - the following characteristics are typical of him:

- Knows a lot about the firm's product and service
- Does not appreciate evasive answers to his questions
- He can be handled by:
- Understanding the customer
- Not attempting to bluff him, and therefore
- In case one does not know the answer, one should consult someone who I

- **Argumentative Customer** - He displays the following characteristics:

- An angry man
- Seems eager to close down on the call
- Unwillingly providing information
- In extreme cases might end up being abusive

These types of customers, who are unfortunately many, and pose a challenge to service firms, can be handled in the following way:

- The customer service personnel should be calm, should neither react nor argue.
- Should listen more, making affirmative sounds
- Respond immediately
- Demonstrate empathy

6. **‘How customers evaluate the service quality of a firm’. - Discuss.**

Customers tend to evaluate the quality of the service with their expectations", When their expectations are met by the perceived service delivery, then the customers are satisfied; they are dissatisfied when it falls below their expectations. A customer is 'delighted' when the service delivery is perceived to be beyond expectations.

Different customers tend to have different expectations which are based on their respective needs, knowledge and past experience with the service firm. Word-of-mouth and company-controllable communication like employee behaviour and advertisements affect the build-up of expectations to a great extent.

- **Employees''**: Customers build up on their perception of the service not only by the end-result of it but also by the way the service providers interacted with them and delivered the service. Singapore Airlines consistently scored high on the travellers' list of favourite airlines (reflecting positively on their profits) only by the high degree customer service provided by the 'Singapore Girl'.
- **Service outlet design and layout**: This acts as physical evidence cues. A neat and clean restaurant or a hospital gives perceptions of hygiene and efficiency, while a chaotic airport gives images of absence of management.
- **Situational factors as stimulants**: Any out of the ordinary incidents like sales or customer service personnel going beyond the call of duty to help out a customer acts as a situational stimulant, making the service transaction memorable.

Unit: 3 Sector Analysis of the Service Industry-I

Answer the following. (1 Marks)

- 1. State any one category of retailers based on the form of ownership of the retail stores.**
 - Unaffiliated or Independent Retailers
 - A Chain Retailer or Corporate Retail
- 2. Which type of retail store offers a wide variety of products with some depths of assortments?**

General line retailing
- 3. Give any one example of specialty store.**

Bata India
- 4. What are the key segments of retailing?**

Food and Apparel
- 5. Which is the best visible element of retailing?**

Distribution or place
- 6. Which is the largest service industry in the United States?**

Travel and tourism
- 7. Who are called unaffiliated or independent retailers?**

Those who own and operate only one retail outlet.
- 8. Write any one example of service retailing.**

Retail banks OR Travel agencies
- 9. State any two characteristics of destination under tourist product.**
 - Culture
 - Religion
- 10. State any two major players in the hotel industry.**
 - Indian Hotels Company Ltd. (IHCL)
 - Ashoka chain of hotels

Briefly answer the following. (2 marks)

1. What is meant by co-management?

The franchiser and franchisee jointly manage the franchise business, with more involvement of day-to-day affairs by the former.

2. List the major industries that support the tourism industry.

1. The Hotel Industry
2. Transportation

3. Define the term 'Tourism'.

'Tourism' refers to the phenomena and relationships arising from the 'travel' and stay of people away from their normal home for a variety of purposes.

4. State the concept of 'travel'.

Travel means commuting from one place to another with the help of various modes of transport such as roadways, railways, airways etc.

5. Give any two reasons which are responsible for the lack of growth in the tourism industry?

1. Government
2. Poor infrastructure

6. Which are the key issues impacts to management decision in tourism marketing?

- Occupancy rate
- Profitability
- Satisfying tourists' need

7. State any two importance of effective segmentation to tourism marketing manager.

- Enable the service provider to identify gaps in the market
- Enhance the image destination in product positioning

8. What is known as co-operative chains?

The independent retailers were forced to form associations amongst themselves, known as co-operative chains, to compete more effectively with corporate chain store.

9. Explain the concept of franchise system.

A Franchise system results from a contractual agreement between a franchiser and a retailer and a retail franchisee, thus allowing the latter to conduct a given form of business under an established name as per a particular business format in return for an initial fee and a percentage of monthly gross sales as royalty.

10. List any two retail - mix that is used by number of retailers.

- Pricing Policy
- Advertising and Promotion Programme

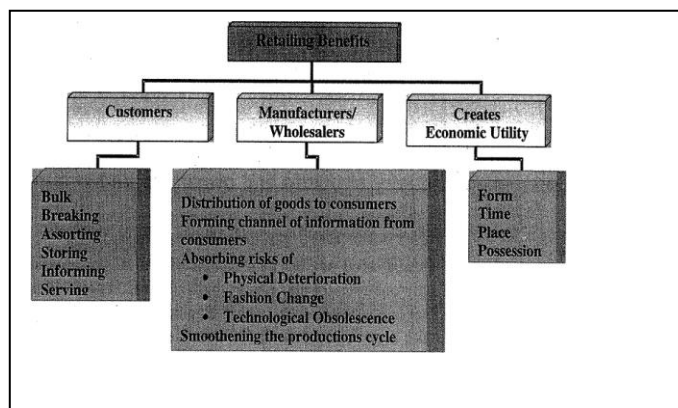
Answer the following (limit 250 words). (5 marks)

1. Explain different benefits of retailing to the customer.

The implementation of such a retail marketing strategy yields benefits for consumers, manufacturers and wholesalers and creates economic utility as described by the following figure.

• **Retailing Benefits:**

- **Breaking bulk** - Retailers buy goods from either wholesalers or manufacturers in large quantities and then breaks them into smaller sizes for their individual customers. As a result, customers can now purchase a wide variety of goods in appropriate quantities within their limited shopping budgets. Their capital is not locked up in bulk purchases.
- **Varieties and Assortments** - Thanks to the retailers, the consumer gets a wide array of choices of goods. There are not only different brands available for the consumer to compare and shop, but also such variants as sizes, colours and volume.



- **Holding inventory** - Retailers take on risks onto themselves by holding inventory and stocks on behalf of both customers and manufacturers, saving considerable amount of money for them. The manufacturers get their payments from the retailers that they can quickly cycle it back on to their manufacturing, making their capital conveniently liquid; the customers are saved from bulk purchases and get to buy a lot more items from their limited budgets.
- **Other services** that the retailer performs are demonstrations, testing, tasting, display, handling enquiry, complaints, guarantees, warranties, finance, home delivery etc.

2. Write a short note on any two leading organized retailers of India.

Pantaloon: Pantaloon Retail India Limited, which operates Pantaloon superstores, has around 14 Pantaloon family stores and 10 Pantaloon 'Shoppes' across the country. In

addition, they also run 4 hypermarkets under the 'Big Bazaar' brand. Since the opening of their first store in 1997, in terms of financial size, Pantaloon has already raced to the front to become the country's largest public limited retail giant with a turnover of US \$ 87 million. They have managed to do so, among other strategies, by keeping costs down. Their policy of buying directly from manufacturers (to eliminate the middlemen), cash purchases (to get a cash discount) and optimum stock management has helped them to pass on the benefits to the customers that work well in this price sensitive market. Their future plans, to become a US \$ 217 million super retailer by 2005, include setting up eight new Big Bazaars (hypermarkets), four new Pantaloons stores, three independent food stores and a mall in Bangalore.

Landmark group: Owned by the \$600 million Landmark Group, which operates 170 stores worldwide, Lifestyles forayed into the Indian retail market in 1998,! Lifestyle India achieved a turnover of US \$ 29 million in 2002-03 with five stores in operation. One of the primary reasons of their success in India has been their experience in running the retail chains overseas. Their strategic decision to set up everything under one roof versus setting up separate stores in different segments has stood them in good stead. Another advantage they have is that Lifestyle has developed its own in-house label, which comprises 11 % of total merchandise.

In addition, its parent company does bulk purchases of commodities that are sold at these stores so that the products can be sold at a cheaper rate. Lifestyle plans to open six more stores aiming to offer around 500000 square feet of shopping space by next year and to achieve a turnover of US \$ 50 million in 2003-04.

Pantaloon and Lifestyle are considered to be the powerhouses of retail in India. According to industry sources, in next 12 to 18 months, both these superstores will offer two million square feet of retail space between them. Effectively, these two retailers will cover over 10 % of mall space in the country by 2004.

RPG Group - According to the above mentioned survey, the most enthusiastic player in organised retail in India is the Goenka group's RPG Enterprises. RPG's retail empire is one of the largest in India, having more than 100 stores that includes Food World - an alliance with Dairy Farm International of the Jardine Matheson Group; Music World - a 50:50 joint venture with Dairy Farm International, Health & Glow (cosmetics, health products and medicines) and Giant (hypermarkets). Primarily based in south India, the turnover of RPGs' retail empire is around US \$ 98 million and accounts for 9 % of the

group's turnover.

Raheja Group: The K Raheja promoted Shoppers' Stop, credited with ~ starting the retail revolution in India, is said to be the leader in department store format. At present, Shoppers' Stop has 14 stores across India. Shoppers' Stop also runs the book store chain 'Crossword' which it acquired two years ago. The future plans of this chain, having a turnover of US \$ 66 million, are to open 33 more Shoppers' Stop by the year 2007 and 12 more Crossword stores by the end of this year. A unique feature of Shoppers' Stop operations is that their private labels such as Stop, Kasish, Life and Carrot contribute 20 % to its turnover.

TATA Group: the US \$ 9.7 billion TATA Group's retail arm Trent runs the Westside chain of stores. Trent has already established 11 Westside departmental stores measuring 20000 square feet each, in Mumbai, Bangalore, Hyderabad, Chennai, Pune, New Delhi, Kolkata, Nagpur and Ahmedabad. The company hopes to expand rapidly with similar format stores that offer a balance between style and price retailing. Future plans include establishing the Westside brand in all large towns with a population of over 100000. Trent is also planning to venture into food and grocery retailing through a chain of hypermarkets. Group company TATA Coffee, which holds over 32 % in Barista Coffee Company, has targeted 160 espresso bars in India and abroad in the recent future. Some of its other well known names in the Indian retail arena are ITC Lifestyle, Globus, Nilgiris, Cafe Coffee Day, Quickys, Amoretto's, Bata, Super Sabka Bazaar etc.

3. **Classify retail institution and their format.**

1. General Line Retailing - those retail stores which offer wide variety of products with some depths (choices in volume, weight, colours and sizes) of assortments. Some examples:

- a) Departmental Store -these have many product lines, like Akbarally's.
- b) General Merchandise discount stores/Super stores - these stores have limited customer service with low mark-up, carrying diversified product lines, like Apna Bazar.
- c) Membership warehouse store/Wholesale Clubs -they thrive on bulk purchase from the vendors on behalf of their members.
- d) Variety Stores

2. Limited Line Retailing - Those stores which have considerable assortment of goods within one or a few related product lines, like shoe centres. Some examples:

- Specialty Stores - Bata, Medicine Shoppe.
 - Boutiques - Sheetal
 - Category Dominant Limited Line Store - VIP Luggage stores, Toys 'R' Us, etc:-
3. **Factory Outlet Stores** - Limited line store which were mostly within the factory premises selling exclusively the 'seconds' products of the factory.
 4. **Convenience Stores** - Convenient to the customers by location/proximity and extended time of business hours, like '7/11', petrol bunk stores of BPCL/ Shell.
 5. **Food Retailing** -
 - a) Super markets - wet, dry and canned food is sold.
 - b) Combination Super stores - low cost, high volume, limited service operation combines grocery stores and general merchandise. Example: Hypennarche in Europe.
 6. **Service Retailing** - Retail banks, Travel Agencies.
 7. **Non-store Retailing** - these stores have no concept of inventory or stocks.
 - a) Mail order/Catalogue Retailing - Soliciting customers through brochures, catalogues and mail as also for payment and delivery; Examples: Otto Burlington, Reader's Digest Books etc.
 - b) Vending Machine Retailing - ATMs for retail banks.
 - c) E-commerce/e-shopping/e-tailing - amazon.com, HLL's Sangam direct.
 8. **Direct Retailing** - Company approaches its customer directly, maintaining its sales force and inventory; example: Dell Computers and Eureka Forbes.
 9. **Flea Markets** - It lacks structure and order; is known for heavy discounts, used merchandise and counterfeit products; like 'Fashion Street' in Mumbai, 'Sunday Market' in Delhi etc.
4. **Explain different types of tourism.**

In relation to a given country, the following forms of tourism can be distinguished:

- **Domestic Tourism:** This takes place when the resident/citizen of one country travels only within the country. Thus the Ramanathan family from Madurai making an itinerary that includes the Golden Triangle of Delhi, Jaipur and Agra would be considered as domestic tourism. For India, domestic tourists are the largest - over 100 million and growing fast - and cannot be ignored in any tourism strategy.
- **Inbound Tourism:** This involves the travel of a non-resident - be (s) he a foreigner or a national resident in the given country - in that country, after arrival from another

country. Thus a group of Germans coming in on a charter flight of UVI Holidays and having a 23-day itinerary in India would be a good example of inbound tourism. This is growing and at the best of times has reached a figure of 2.5 million for India. But this achievement should not make Indian tourism planners complacent, as little Singapore - which is no larger than either Kolkata or Delhi - garners more than 7 million visitors.

- **Outbound Tourism:** This takes place when resident(s) of a country travels to another country or countries. Thus when the Chatterjees of Kolkata take up a package tour offer of SOTC/Kuoni Travel for a 15-day sojourn to the Far East and Australia, they would be classified as outbound tourists.

The inbound and outbound travelers both need passports to travel, as compared to domestic travelers. The inbound and outbound tour operators have handling agents in the destination countries; i.e. tie-ups, counterparts etc.

These three basic forms can be combined in various ways to derive the following categories of tourism, viz.:

- Internal Tourism: This comprises 'Domestic Tourism and Inbound Tourism.
- National Tourism: This comprises Domestic Tourism and Outbound Tourism.
- International Tourism: This consists of Inbound Tourism and Outbound Tourism.

5. 'Hotel and transportation industries support the tourism.' – Discuss.

Major industries that support the tourism industry are:

- I. The hotel industry
- II. Transportation
 - a. The airline industry
 - b. The road network and railways
- III. Tour operators and travel agents
- IV. The destination

These facilities decide the status of a place in a tourist's portfolio. They on one hand attract tourists to a particular destination and on the other act as a major demotivating factor if they are unable to fulfill the expectations of the visitors. The major bottlenecks of the tourism industry are found to be here. Let us look at some of these services and detect areas that need attention.

- I. **The Hotel Industry:** The hotel industry is a very important component of tourism. Hotels provide a meeting, eating and resting place to all kinds of people. Today, hotels provide not only air-conditioned rooms with a telephone, television and a

music channel, but also services like telex, fax, secretarial service etc. for the convenience of their business guests. Many hotels have shopping arcades, travel agencies, banks, beauty parlours, swimming pool and health club facilities for their guests. The large infrastructure which is required to make the guests comfortable is provided by the hotel industry. Some of the main departments of the hotel are front office, housekeeping, food & beverages and sales.

The major players in the industry are Indian Hotels Company Ltd. (IHCL) operating under the Taj brand, the Oberoi, Oriental Hotels, Hotel Leela Venture and the Ashoka chain of hotels, owned and operated by the Indian Tourism Development Corporation (ITDC). There are around 1,000 classified hotels and the total room availability is pegged at 60,000 rooms. Hotels are classified into six categories according to the star rating assigned by the Department of Tourism. These range from one-star to seven-star deluxe depending upon size and amenities.

II. **Transportation:** A well-knit and co-ordinate system of transport plays an important role in the sustained economic growth of a country. The present transport system of India comprises several modes of transport including rail, road, air transport etc. Air, however, has special significance for long distances and on routes involving difficult terrain.

Recently, the state tourism departments, in collaboration with the state roadways, have started offering package tours. Luxury buses and taxis have become very popular. Taxis with educated drivers are in great demand.

Railways are an important mode of transportation for tourists. It is not only economical but also very comfortable. The railways in collaboration with the department of tourism offer package tours. Most of the tourism places have been well connected by train. The tourism industry is also affected by the performance of these services.

6. Explain the any two reasons, responsible for the lack of growth in the Indian tourism industry.

- The reasons responsible for the lack of growth in the tourism industry are:
- The plethora of taxes imposed and procedural complications caused by the government.
- Poor infrastructure
- Inadequate world-class accommodation and untrained personnel manning key

facilities

- Unfocused marketing of the Indian tourism product package
- Apprehensions about the law and order situations
- Poor security arrangements, which have led to fears of terrorism.

Government: One of the most glaring reasons that transpire is the lacuna in the government's policies towards the industry. The government is the most important player in this industry and all the other players have to follow the lead taken by it. However, the actions of the government have not been proactive. Rather it has been late in rising to the opportunity that the tourism industry offers. There are not enough incentives offered to the complementary industries like hotels and travel agencies.

There is no incentive for the hospitality industry to set up shop in an area, as is the case with other industries. The government should be taking the lead and attracting the industry to places that have vast tourist potential but have still not fully developed. Incentives like tax holiday or a reduced rate of duties would go a long way in the promotion of the places. Secondly, the various restrictions in place in areas like Sikkim and the North-East should be relaxed so that more people can visit those places.

Even when the government is in charge of maintaining the sites of historical importance, it has been greatly hampered by lack of resources. The sites that are under the Archaeological Survey of India are in a pathetic condition as the agency does not have enough manpower nor the money to look after all of them. This has led to the gradual decay and destruction of many important sites both by nature as well as by vandalism.

Poor infrastructure: - The infrastructure has been a major reason why the international tourist has been skipping the country. Delayed or absence of connectivity to different locations, lack of proper accommodation facilities, bad roads and no communication facilities are some of the factors that are stopping people from visiting many places. Unless the infrastructure is properly developed, a large majority of tourists will give the country a skip. Again this is linked to the earlier bottleneck: the absence of a proactive government. Unless the government sanctions the infrastructure projects, there will be no improvements. An example that has been in the news is the airport project in Bangalore. Although the proposal has been lying with the government for years, it has not been implemented yet. There is an acute lack of proper accommodation facilities for the tourist. So more hotels have to be built. Even now there are some places that are not

properly connected by good and navigable roads. These also need to be developed.

Apprehensions about the law and order situation: - The lack of security that is faced by a lot of international tourists is also a major cause for concern. There have been many instances where tourists have been physically assaulted, robbed and harassed. Any such incident reflects badly on the country and creates a negative image in the tourist's own country. In the mid-nineties, when insurgency was thought to be on a decline in Jammu and Kashmir, five foreign tourists were kidnapped. This led to a lot of clamour and the State Department of the US issued a specific warning to its citizens not to visit Jammu and Kashmir. Although the notice was only for J&K, it affected the total inflow of tourists into the country. Similarly a French national was sexually assaulted in New Delhi and that too had attracted international attention. Apart from these, there are hundreds of other incidents like cheating that tarnish the image of the country. All these concerns have to be met.

Misconceptions about the country: - The image of the country has taken a long time to change from the earlier 'land of snake charmers'. There are many places where the image of India is one of poverty, superstition, and disease. One of the main reasons why tourists stay away from India has been the fear of being infected by some exotic disease. The case of plague in Surat in 1994 led to a decrease of 36% in the arrival of foreign tourists in India. All these misconceptions, unless addressed immediately will create a problem for the growth of the industry.

Poor security arrangements: - The security arrangements at several airports are inadequate. Due to this, illegal activities flourish. Smuggling has been taking place at a very fierce rate. It is the poor security arrangements that led to the U.S. terrorist attacks. The hijacking of the IC-814 Indian Airlines plane also was possible only due to poor security measures. All these acts have created fear in the minds of the travellers, and thus their eagerness to travel has begun to diminish.

Unit: 4 Sector Analysis of the Service Industry-II

Answer the following. (1 Marks)

1. Mention any two classifications of hotel on the basis of its nature.

- Heritage Hotels
- Beach Resorts Hotels
- Wildlife Resorts Hotels
- Government Approved Hotels

2. Which types of consumer cautiously spend money on food and prefers economical food?

Budget consumers

3. Which type of consumers hardly eats out or visit restaurants and prefers homemade food, due to health or other reasons?

Occasional consumers

4. Which types of restaurants provide food but do not provide table service?

Take-out restaurant

5. List any two categories of service restaurants.

- Family Style
- Quick Service/Fast Food
- Multi-Concept Chain
- Upscale
- Fast Casual
- Buffet Service

6. List any two types of consumers in a restaurant.

- Budget Consumer
- Variety Seeking Consumer
- Occasional Consumer

- Bulk Regular Consumers

7. Enlist any two types of welfare catering.

- Industrial Catering
- Institutional Catering
- Service Catering

8. Which type of catering provides service without seeking profit?

Welfare Catering

9. Give an example of referral market in catering industry.

A caterer having tie-ups with marriage halls.

10. Which type of consumers purchase food in bulk in certain special situation or occasions?

Bulk occasional consumers

Briefly answer the following. (2 marks)

1. What characterises a two star hotel?

These hotels are mostly available in the small cities and in particular areas of larger cities. These hotels provide all the basic facilities needed for general accommodation and offer lowest prices.

2. Why hotel industry is called an inseparable service?

In the hotel industry, the customer has to go to the service provider in order to avail of the service. He cannot use the services just by sitting at his residence. Thus it is an inseparable service.

3. What is automate?

An automate is a form of a cafeteria-style restaurant in which simple food, usually coffee, sandwiches and other food such as macaroni and cheese are served to the clientele through vending machines.

4. What characterises variety seeking consumers?

They are those kinds of consumers who frequent food joints and are fond of trying different varieties of food, typically exploring new cuisines and dishes.

5. Define restaurant.

A restaurant is defined as a public place or premises, where meals or refreshments may be obtained.

6. List factors on which profitability of the hotel industry depends.

- Tourism
- Business factor
- Room occupancy
- Seasonality
- Political scenario
- Tax structure
- Industry bottlenecks
- Differential pricing

7. Define the term ‘Catering’.

The term, catering, is used for a person or a company providing the main meal, food, drink or similar services for any large event, particularly banquets, conventions and weddings.

8. State any two types of ‘Caterers’.

- Caterers specializing in one particular range of food
- Caterers providing any type and range of food as wanted by consumer
- Caterers who carry out only core activity of catering
- Caterers who have number of associate activities along with their core function
- Caterers who now position themselves as one stop solution service providers for any function
- Caterers who provide catering services to organizations, schools or institutions on regular basis

9. Give an example of railway catering.

Mac Donald’s along with Radha Krishna Hospitality Service Ltd.

10. What is meant by opinion market in catering industry?

Word of mouth plays a very important role in this sector as advertising and marketing is hardly practiced and due to which having a strong opinion market renders many benefits to the marketer.

Answer the following (limit 250 words). (5 marks)

1. How hotels are classified in India? Explain any one kind of classification.

A. **On the basis of standards:** Hotels divided in different categories depending on their location, facilities, infrastructure, and amenities provided. All the star hotels in India are government-approved with continuous control on the quality of services offered.

1. **Five Star Hotels:** The most luxurious and conveniently located hotels in India are grouped under Five Star Deluxe Hotel Category. Five Star Deluxe hotels in India are globally competitive in the quality of service provided, facilities offered, and accommodation options. These are top of the line hotels located primarily in metropolitan cities like New Delhi and Mumbai and major tourist destinations like Jaipur Agra, and Goa. located mostly in the big cities. These hotels provide all the modern facilities for accommodation and recreation matching international standards in hospitality.
2. **Four Star Hotels:** A rung below five star hotels, these hotels provide all the modern amenities to the travellers with a limited budget. Quality of the services is almost as high as the five-star-and-above categories.
3. **Three Star Hotels:** These are mainly economy class hotels located in the bigger and smaller cities and catering to the needs of budget travellers. These hotels are value for money and give good accommodation and related services on the reduced price.
4. **Two Star Hotels:** These hotels are mostly available in the small cities and in particular areas of larger cities provide all the basic facilities needed for general accommodation and offer lowest prices.
5. **One Star Hotels:** The hotels with the most basic facilities, small number of rooms, and location in far-flung areas are grouped under One Star Hotel category. These hotels are best towards for the cheapest available accommodation option (apart from camps and hostels).

B. On the basis of nature:

- 1. Heritage Hotels:** Heritage hotels in India are best to customers for their sheer elegance, luxury, and royal treatment. They are tourist attractions in themselves. Exquisitely designed and decorated, meticulously preserved, high standards of service, and ethnic cultural motifs help the tourists get the complete experience of India.
- 2. Beach Resorts Hotels:** Lakshwadeep and Andaman and Nicobar have a long coastline and they offer beach resortsa amazing array of beaches.
- 3. Wildlife Resorts Hotels:** A wildlife resorts are a midst the forest. They can be in the form of rent house or tent in the midst of the dense wilderness.
- 4. Government Approved Hotels :** These are the hotels having government approval for providing a minimum level of accommodation facilities.

2. Explain any four key characteristics of hotel service with suitable example.

The industry's ups and downs reflect, in part, the limiting characteristics inherent in hotel keeping.

- 1. Perishability:** If the full capacity of the services is not utilized, the service becomes perishable. If a hotel having an accommodation facility of 100 rooms is able to lease out only 70 rooms on a particular day, then the remaining 30 rooms or 30% capacity perishes and can never be reused.
- 2. Variability:** Services can vary greatly. Services are performances, often involving the co-operation and skill of several individuals, and are therefore unlikely to be the same every time. This potential variability of service quality raises the risk faced by the consumer. The service provider must find ways to reduce the perceived risk due to variability.
- 3. Inseparability:** In the hotel industry, the customer has to go to the service provider in order to avail of the service. He cannot use the services just by sitting at his residence. Thus, the hotel industry is an inseparable service.
- 4. Intangibility:** Intangible services are difficult to sell because they cannot be produced and displayed ahead of time. In the case of the hotel industry, the core benefit is

getting good food, boarding and lodging facilities. The tangible services are those which one can touch and taste. Thus the hotel industry is tangible.

3. Describe the following categories of restaurant.

1. Automat:

2. Cafe Coffee house:

3. Cafeteria:

4. Fast-food restaurant:

1. Automat: An automat is a form of a cafeteria-style restaurant in which simple food, usually coffee, sandwiches and other food such as macaroni and cheese, are served to the clientele by means of vending machines. The diner inserts a combination of coins into a sliding mechanism to remove his meal, which is generally wrapped in waxed paper. The automat was developed in the early 1900s, and the first American automat opened in 1902. The most prominent operator of this format was Horn & Hardart. In the United States, this format apparently never spread beyond major northern industrial cities. The format was threatened by post-war suburban flight and the rise of fast food establishments in the 1950s.

2. Cafe Coffee house: A coffeehouse, coffee shop, or -cafe shares some of the characteristics of a bar, and some of the characteristics of a restaurant. It focuses on coffee and perhaps tea and hot chocolate. Other food may range from baked items to soups and sandwiches, other casual meals, and light desserts that complement their caffeine-centric fare.

3. Cafeteria: A cafeteria is a type of self service restaurant in which there is no table service. Instead, patrons select items that they want, placing them on a tray and then report to a cashier to pay. They are often found in schools, colleges, department stores, and office buildings.

4. Fast-food restaurant: A fast-food restaurant is a restaurant characterized by food which is supplied quickly after ordering and by minimal service. The food in these restaurants is commonly cooked in bulk in advance and kept hot, or reheated to order. Many fast-food restaurants are part of restaurant chains or franchise operations, which ship standardized foodstuffs to the individual restaurants from central locations. Because the capital requirements to start a fast-food restaurant are relatively low,

particularly in areas with non-existent or little enforced health codes, small individually owned fast food restaurants are common throughout the world.

4. Discuss any three types of consumers served in restaurant with example.

1. Budget consumers: These are the type of consumers who are very cautious of the money they spend on food and prefer economical food. They are those consumers who eat outside food out of necessity rather than for pleasure. They may also be conscious of the type of food they eat and prefer homely food. They may thus prefer ordering Tiffin's everyday rather than visiting a food joint. Eg.: Bachelors or students staying in lodge who prefer homely food at economical rates would be a good example of budget consumers for a restaurant.

2. Variety seeking consumers: They are those kinds of consumers who frequent food joints and are fond of trying different varieties of food, typically exploring new cuisines and dishes. They may visit a restaurant at least three times a fortnight.

Eg.: An example of this could be a college going student, who goes out to eat at least 3-4 times in a fortnight, and every time he goes out he would want to eat something different and not the same thing every time he goes out. Say for once he may eat something like pavbhaji, another time may be Pizza and another time he may eat chinese. Thus he is a variety-seeking consumer who frequents food joints and always eats something different from the previous time he ate out.

3. Occasional consumers: They are consumers who hardly eat out or visit restaurants and prefer homemade food, due to health or other economical reasons.

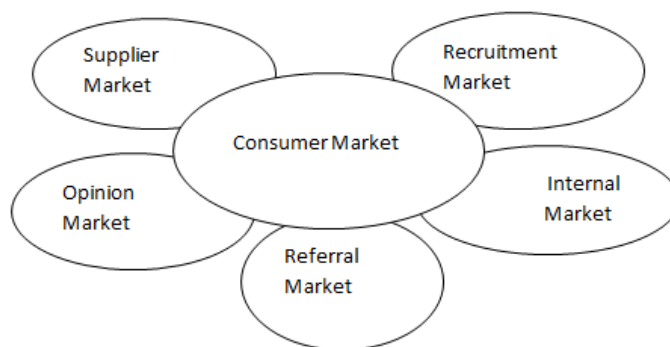
Eg.: Middle and old age would fall under this category of consumers as they usually prefer homemade food to outside food and occasionally would go/visit a restaurant. Also a lower middle class family could be an occasional consumer for the simple reason that he cannot afford to visit/frequent restaurants or eat out.

4. Bulk regular consumers: These are the consumers who generally purchase the raw materials or prepare food in large quantities on a regular basis. Eg.: A sandwichwala may purchase the bread that he requires in bulk, everyday.

5. Bulk occasional consumers: These are the consumers who purchase food in bulk, i.e. in large quantities but in certain special situations or on certain special occasions, like in case of wedding or party orders.

5. Write a short note on market model for catering industry.

- 1. Supplier market:** The suppliers in the industry are generally the people who supply vegetables, raw meat and other associated appliance. Since no proper demand estimation is possible for these small players, having a good relation and tie-ups with suppliers play a very vital role for the success of the business.
- 2. Opinion market:** Word of mouth plays a very important role in this sector as advertising and marketing is hardly practiced and due to which having a strong opinion market renders many benefits to the marketer.
- 3. Referral market:** Certain services have limitations with regard to budget and therefore having a strong referral market helps in enhancing the constant customer flow and enriching the customer base. E.g. A caterer having tie-ups with some marriage halls.
- 4. Internal market:** If you have your employees with you there is no end to what you can achieve in your business and this holds true even for services. Thus having a motivated, well-trained workforce helps enhance the service delivering procedure.
- 5. Consumer market:** The consumers generally include individuals, corporate houses, hotels, clubs, educational institution, etc. These are the core segment from where the maximum revenue flows.



6. Explain various categories of catering industry.

The catering industry can be divided into three categories:

- 1. Commercial Catering:** It involves catering for profit and customer satisfaction.
- 2. Transport Catering:** Railway Catering: In this case pantry cars are attached to the trains where the food is cooked or in most cases catering is done by outside

contractors. Eg. Recently, Mac Donald's along with Radha Krishna Hospitality Services Ltd. are involved in the Indian railway category.

3. **Marine Catering:** This is the catering mainly done for the crew and the passengers. Apart from different kinds of meals served social activities like parties, dance, etc. are also organized to earn goodwill and provide customer satisfaction.
4. **Airline Catering:** Today airline catering has reached a high level of sophistication. Eg. Ambassador Sky Chef in Air India. They are to serve 28,000 meals per week.
5. **Welfare Catering:** This catering involves catering without profit. It is generally out of compulsion or obligation or a legal requirement or charity.
6. **Industrial Catering:** Carried out in big industrial or manufacturing units. The employees contribute very small amount of food cost and are served buffet meals.
7. **Institutional Catering:** This type of catering is carried out in school and college canteen or in institutional hostels. Here the price is very nominal. Very rarely it is given to outside contractors.
8. **Service Catering:** This is done in jails and in military services where no money is charged at all from the consumers. The food is either cooked in-house or is outsourced.