Chapter 1: understanding the service Products, Consumers and Markets

Answer the following. (1 Marks)

1. What comprises knowledge based service?
These are the technologies of power and energy, materials, physical design, methods of working, and information technology (IT).

2. What is meant by search properties of goods?
Characteristics of the product that a customer can evaluate before actually purchasing it, such as colour, shape, price, fit, and feel.

3. What is meant by credence properties of goods?
Characteristics that customers find difficult to evaluate even after consumption.

4. Write two examples of high contact service industries.
Hair dressing, Lodging, Medical, Restaurant, Hotel and Public transportation etc.

5. What marks the beginning of the service encounter stage?
It begins with submitting an application, requesting a reservation, or placing an order.

6. How do customers evaluate service quality?
Customers evaluate service quality by comparing what they perceived and what they received.

7. List any two factors which influence customer expectations.
Customer’s expectations are influence by advertising, pricing, new technology, service innovation and social trend.

8. What is meant by desired service?
The type of service customer hope to receive is known as desired service.

9. What is predicted service level?
The level of services that customers anticipate receiving is known as predicted service.

10. Write two examples of credence properties of goods.
    a. Surgery
    b. Professional services like accountancy.

11. List two factors that shape service market.
    a. Government policies
    b. Social changes
    c. Business trends
    d. Advances in information technology
    e. Internationalization

12. Write two examples of tangible elements of services.
    Hotel beds, restaurant meals, spare parts installed during repairs, and bank cards and check books.

13. Write two examples of intangible elements of services.
    Labour and expertise of service personnel.

14. Mention any four huge service organisations.
    • Hotel industries
    • Banking
    • Healthcare
    • Medicine

Briefly answer the following. (2 marks)

1. Which activities are covered under internal service?
Internal services include recruitment, legal and accounting services, pay-roll administration, office cleaning, landscape maintenance, supply-chain management, advertising, and many other kinds of services.

2. Define service?
A service is an economic activity for customers at specific times and places by bringing about a desired change in or on behalf of the recipient of the service.
3. Explain the concept of internal corporate analysis.
   Internal corporate analysis focuses on identifying the organisation’s resources, any limitations or constraints, its goals and how its values shape the way it does business.

4. List 7Ps of service marketing.
   - Product
   - Price
   - Place
   - Promotion
   - Physical environment
   - People
   - Process

5. List four types of perceived risk in purchasing and using services.
   - Functional
   - Financial
   - Physical
   - Psychological
   - Sensory
   - Temporal

6. Mention various risk reduction strategies before deciding to purchase a product.
   - Seeking information from respected personal source
   - Looking for guarantee and warrantee
   - Using web to compare service offering
   - Relying on firm that has good reputation

7. What could be the outcome of post purchase stage?
   The outcome may be whether to remain loyal to the provider that delivered service and whether to pass on positive or negative recommendation to family members and other associations.

8. What is zone of tolerance?
   The extent to which customers are willing to accept variation is called zone of tolerance.

9. What is meant by adequate service?
   Minimum level of service that customer accept without being dissatisfied is known as adequate service. Most of the customer are realistic and understand that companies can’t always deliver the desired level of service; hence they also have a threshold level of expectation, termed adequate service.

10. List basic steps involved in identifying suitable market position.
    - Market analysis
    - Internal analysis
    - Competitor analysis

11. Mention two basic differences between goods and services.
    - Intangible elements dominate value creation.
    - Customers may be involved in the service process.

12. Draw the diagram of factors influencing customers’ expectations and services.
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Answer the following (limit 250 words). (5 marks)

1. What is meant by positioning strategy? Also, describe the marketing concepts that underlie it.

The research and analysis that underlie development of an effective positioning strategy are designed to highlight both opportunities and threats to the firm in the competitive marketplace, including the presence of generic competition, and competition from substituting products. Market analysis addresses such factors as the overall level and trend of demand and the geographic location of this demand. Is demand increasing or decreasing for the benefits offered by this type of service? Are there regional or international variations in the level of demand? Alternative ways of segmenting the market should be considered and an appraisal made of the size and potential of various market segments. Research may be needed to gain a better understanding of not only customer needs and preferences within each of the different segments but also how each segment perceives the competition.

Internal corporate analysis focuses on identifying the organization’s resources (financial, human labor, and know-how, and physical assets), any limitations or constraints, its goals (profitability, growth, professional preferences, and so on), and how its values shape the way it does business. Using insights from this analysis, management should be able to select a limited number of target market segments that can be served with either new or existing services.

Competitor analysis can provide a marketing strategist with a sense of competitors’ strengths and weaknesses, which, in turn, may suggest opportunities for differentiation. Relating these insights back to the internal corporate analysis should suggest what might be viable opportunities for the organization to achieve differentiation and competitive advantage and thereby enable managers to decide which benefits should be emphasized to which target segments. This analysis should consider both direct and indirect competition.

Position statement is the outcome of integrating these three forms of analysis. This statement articulates the desired position of the organization in the marketplace and, if desired, that of each of the component services it offers. Armed with this understanding, marketers should be able to develop a specific plan of action. The cost of implementing this plan must, of course, be related to the expected payoff.

2. What are the main reasons for growing share of the service sector in all major economies of the world?

In numerous countries, increased productivity and automation in agriculture and industry, combined with growing demand for both new and traditional services, have jointly resulted in a continuing increase over time in the percentage of the labor force that is employed in services. There’s a hidden service sector within many large corporations that are classified by government statisticians as being in manufacturing, agricultural, or natural resources industries. This is so called internal service cover a wide range of activities, including recruitment, legal and accounting services, pay-roll "administration, office cleaning, landscape maintenance, supply-chain management, advertising, and many other kinds of services. Organizations are increasingly choosing to outsource the internal services that can be performed more efficiently by a specialist subcontractor. Internal services are also being spun out as separate service operations offered in the wider marketplace. When such tasks are outsourced, they become part of the competitive
marketplace and are therefore more easily identifiable as contributing to the services component of the economy.

Among the forces that shape service markets are government policies, social changes, business trends, advances in information technology, and internationalization.

The opening up of the service economy means that there will be greater competition. In turn, more competition will stimulate innovation, not least through the application of new and improved technologies. Customer needs and behaviour evolves, too, in response to changing demographics and values, as well as new options. Both individually and in combination, these developments will require managers of service organizations to focus more sharply on marketing strategy.

However, the willingness and ability of managers in service firms to respond to the dramatic changes affecting the service economy will determine whether their own organizations survive and prosper or go down to defeat at the hands of more agile and adaptive competitors.

**Technology Is a Key Driver of Service Innovation**

The term technology, as commonly used, refers to the practical application of cutting-edge tools and procedures. Innovative service providers are interested in how they can use new technological developments to automate and speed up processes, reduce costs (and perhaps prices), facilitate service delivery, relate more closely to their customers and offer them more convenience, add appeal to existing products, and make it possible to develop new types of services. Five types of technology have implications for a broad array of service industries. These are the technologies of power and energy, materials, physical design, methods of working, and information technology (IT). The application of one type of technology in any service industry often involves others in a supporting role. When people speak of “high technology,” they are usually referring to modern applications derived from research and development in the physical sciences. In recent years, the focus has been on IT and, specifically, the merger of computer and telecommunications technology that facilitated the development of wireless services and the Internet, whose best-known components are e-mail and the World Wide Web.

3. **Write a short note on basic differences between goods and services.**

   1. **Customers Do Not Obtain Ownership of Services**
      
      Perhaps the key distinction between goods and services lies in the fact that customers usually derive value from services without obtaining ownership of any tangible elements; exceptions include food services and installation of spare parts during delivery of repair services. In many instances, service marketers offer customers the opportunity to rent the use of a physical object, such as a rental car or a hotel room; to hire the labor and expertise of people; to rent, as a loan, a sum of money; to subscribe to a network; or to pay for admission to a service facility.

   2. **Service Products Are Ephemeral and Cannot Be Inventoried**
      
      Because a service is a deed or performance, it is ephemeral—transitory and perishable—and so cannot usually be stocked as inventory after being produced. (Exceptions are found among those service performances that can be recorded for later use in printed or electronic form.) Although facilities, equipment, and labor can be held in readiness to create the service, these elements simply represent productive capacity, not the product itself.

   3. **Intangible Elements Dominate Value Creation**
      
      Although services often include important tangible elements, such as hotel beds, restaurant meals, spare parts installed during repairs, and bank cards and checkbooks, intangible elements—including the labor and expertise of service personnel—dominate the creation of value in service performances.

   4. **Customers May Be Involved in the Production Process**
      
      Many services require customers to participate in creating the service product. Customer involvement can take the form of self-service, as in using a Laundry or withdrawing money from an automated teller machine (ATM), or cooperation with service personnel in such settings as hairdressers, hotels, colleges, or hospitals. Under such circumstances, customers can be thought of as partial employees, and service firms have much to gain from trying to train their customers to make them more competent and productive.

   5. **Other People Are Often Part of the Product**
      
      The difference between one service and another often lies in the quality of employees who serve the customers. This is especially so in many high-contact services, in which customers not only come into contact with service personnel but also rub shoulders with other customers. As a result, the type of customers who patronize a particular service business can shape the nature of the service experience. If you attend a sporting event, the behavior of the fans can add to the excitement of the game if they are enthusiastic but well behaved. However, if some of them become rowdy and abusive, it can detract from the enjoyment of other spectators at the stadium.
4. There Is Greater Variability in Operational Inputs and Outputs
The presence of employees and other customers in the operational system makes it difficult to standardize and control quality in both service inputs and outputs. Manufactured goods can be produced under controlled conditions, designed to optimize both productivity and quality, and then checked for conformance with quality standards long before they reach the customer.

5. Many Services Are Difficult for Customers to Evaluate
Most physical goods tend to be relatively high in search properties; those characteristics of the product that a customer can evaluate prior to purchasing it, such as color, shape, price, fit, and feel. Other goods and many services, by contrast, may emphasize experience properties, which can be discerned only after purchase or during consumption. These properties include taste, wearability, ease of handling, quietness, and personal treatment. Finally, there are credence properties, which are characteristics that customers find difficult to evaluate even after consumption, because they are purchasing expertise in areas in which they are not very knowledgeable themselves. Examples are surgery; professional services, such as accountancy; and many technical repairs.

6. The Time Factor Assumes Great Importance
Many services are delivered in real time while customers are physically present. There are limits as to how long people are willing to spend at the service factory, as customers place a value on their time, and some people are willing to pay more for faster service. Increasingly, busy customers expect service to be available at times when it suits them rather than when it suits the service company. In response, more and more firms are offering extended hours, with some even staying open 24/7.

7. Distribution Channels Take Different Forms
Manufacturers usually require physical distribution channels to move goods from factory to customers. Service businesses may choose to combine the service factory, retail outlet, and point of consumption at a single location or use electronic means to distribute their services, as in broadcasting or electronic funds transfers. Sometimes, as in banking, firms offer customers a choice of distribution channels, ranging from visiting the bank in person to conducting home banking on the Internet.

4. Explain the concept of service marketing mix.

The product marketing mix consists of the 4 P’s which are Product, Pricing, Promotions and Placement. These are discussed.

The extended service marketing mix places 3 further P’s which include People, Process and Physical evidence. All of these factors are necessary for optimum service delivery.

**Product** – The product in service marketing mix is intangible in nature. Like physical products such as a soap or a detergent, service products cannot be measured. Tourism industry or the education industry can be an excellent example. At the same time service products are heterogeneous, perishable and cannot be owned. The service product thus has to be designed with care. Generally service blue printing is done to define the service product. For example – a restaurant blue print will be prepared before establishing a restaurant business. This service blue print defines exactly how the product (in this case the restaurant) is going to be.

**Place** - Place in case of services determine where is the service product going to be located. The best place to open up a petrol pump is on the highway or in the city. A place where there is minimum traffic is a wrong location to start a petrol pump. Similarly a software company will be better placed in a business hub with a lot of companies nearby rather than being placed in a town or rural area.

**Promotion** – Promotions have become a critical factor in the service marketing mix. Services are easy to be duplicated and hence it is generally the brand which sets a service apart from its counterpart. You will find a lot of banks and telecom companies promoting themselves rigorously. Why is that? It is because competition in this service sector is generally high and promotions is necessary to survive. Thus banks, IT companies, and dotcoms place themselves above the rest by advertising or promotions.

**Pricing** – Pricing in case of services is rather more difficult than in case of products. If you were a restaurant owner, you can price people only for the food you are serving. But then who will pay for the nice ambience you have built up for your customers? Who will pay for
5. Explain in detail the steps involved in service purchase.

**Prepurchase Stage**

The decision to buy and use a service is made in the prepurchase stage. Individual needs and expectations are very important here because they influence what alternatives customers will consider. If the purchase is routine and relatively low risk, customers may move quickly to selecting and using specific service provider. But when more is at stake or if a service is about to be used for the first time, customers may conduct an intensive information search. The next step is to identify potential suppliers and then weigh the benefits and risks of each option before making a final decision.

This element of perceived risk is especially relevant for services that are high in experience or credence attributes and thus difficult to evaluate prior to purchase and consumption. First-time users are especially likely to face greater uncertainty. Risk perceptions reflect customers' judgments of the probability of a negative outcome. The worse the possible outcome and the more likely it is to occur, the greater the perceived risk.

customers can use a variety of methods to reduce them during the prepurchase stage. In fact, you've probably tried some of the following risk-reduction strategies yourself before deciding to purchase a service:

- Seeking information from respected personal sources (family, friends, peers)
- Relying on a firm that has a good reputation
- Looking for guarantees and warranties
- Visiting service facilities or trying aspects of the service before purchasing
- Asking knowledgeable employees about competing services
- Examining tangible cues or other physical evidence
- Using the Web to compare service offerings

**Service Encounter Stage**

After making a purchase decision, customers experience additional content with their chosen service provider. The service encounter stage often begins with submitting an application, requesting a reservation, or placing an order. Contacts may take the form of personal exchanges between customers and service employees or impersonal interactions with machines or computers. In high-contact services, such as restaurants, health care, hotels, and public transportation, customers may become actively involved in one or more service processes. Often, these customers experience a variety of elements during service delivery, each of which may provide clues to service quality.
Post purchase Stage
During the post purchase stage, customers continue a process they began in the service encounter evaluating service quality and their satisfaction/dissatisfaction with the service experience. The outcome of this process will affect their future intention whether to remain loyal to the service provider that delivered the service and whether to pass on positive or negative recommendations to family members and other associates.

6. Write a short note on customer’s expectations.

Customers buy goods and services to meet specific needs. Needs are often deeply rooted in people's unconscious minds and may concern long-term existence and identity issues. When people feel a need, they are motivated to take action to fulfill it. In many instances, purchase of a good or service may be seen as offering the best solution to meeting a particular need. Subsequently, consumers may compare what they received against what they expected, especially if it cost them money, time, or effort that could have been devoted to obtaining an alternative solution.

Many affluent consumers have most of the physical goods they want and are turning to services to fill new or still unmet needs. Increased spending on more elaborate vacations, sports, entertainment, restaurant meals, and other service experiences are assuming greater priority, even at the expense of spending slightly less on physical goods.

According to Daniel Bethamy of American Express, consumers want "memorable experiences, not gadgets." This shift in consumer behavior and attitudes provides opportunities for those service companies that understand and meet changing needs, continuing to adapt their offerings over time as people's needs evolve. For example, some astute service providers have capitalized on the increased interest in adventure sports by offering such services as guided mountain climbs, paragliding, white-water rafting trips, and mountain biking adventures. The notion of service experiences also extends to business and industrial situations; consider the example of modern trade shows, where exhibitors, including manufacturers, set out to engage the customer's interest through interactive presentations and even entertainment.

Customers' expectations about what constitutes good service vary from one business to another. For example, although accounting and veterinary surgery are both professional services, the experience of meeting an accountant to talk about your tax returns tends to be very different from visiting a vet to get treatment for your sick pet. Expectations are also likely to vary in relation to differently positioned service providers in the same industry. Travellers might expect no-frills service for a short flight from Lucknow to Delhi but would undoubtedly be very dissatisfied with that same level service, even in economy class, on a full-service airline flying from Delhi to Frankfurt or Mumbai to Tokyo. Consequently, it's very important for marketers to understand customer expectations of their own firm's service offerings, especially as they relate to performance.

Expectations change over time, influenced by both supplier-controlled factors, such as advertising, pricing, new technologies, and service innovation, as well as social trends, advocacy by consumer organizations, and increased access to information through the media and the Internet. For instance, health care consumers are now better informed and often seek a more participative role in decisions relating to medical treatment.

7. Write a short note the following.
   a. Many services are difficult for customers to evaluate.
   b. Significance of time factors in services.

Many Services Are Difficult for Customers to Evaluate
Most physical goods tend to be relatively high in search properties; those characteristics of the product that a customer can evaluate prior to purchasing it, such as colour, shape, price, fit, and feel. Other goods and many services, by contrast, may emphasize experience properties, which can be discerned only after purchase or during consumption. These properties include taste, wearability, ease of handling, quietness, and personal treatment. Finally, there are credence properties, which are characteristics that customers find difficult to evaluate even after consumption, because they are purchasing expertise in areas in which they are not very knowledgeable themselves. Examples are surgery; professional services, such as accountancy; and many technical repairs.

The Time Factor Assumes Great Importance
Many services are delivered in real time while customers are physically present. There are limits as to how long people are willing to spend at the service factory, as customers place a value on their time, and some people are willing to pay more for faster service.
Increasingly, busy customers expect service to be available at times when it suits them rather than when it suits the service company. In response, more and more firms are offering extended hours, with some even staying open 24/7.
Chapter 2: Key elements of Service Marketing

Answer the following. (1 Marks)

1. What is market competitive analysis?
   Market competitive analysis is addressing each off the markets in which the firm is involved or thinking of entering.

2. What is resource allocation analysis?
   Resource allocation analysis, requiring definition and appraisal of the firm’s resources and how they being allocated, as well as identification of additional resources that might reasonably be obtained.

3. What is the purpose of service marketing concept?
   To clarify the benefit offered to customers and the cost they will incur in return.

4. What is augmented product?
   The combination of core and supplementary product is known as augmented product.

5. State the purpose of molecular model of augmented product.
   The purpose of molecular model to identify tangible and intangible elements involved in service delivery.

6. What is "self-service" marketing?
   Individual customers control the nature and content of website they visit.

7. What is supplied by core product?
   The core product supplies central problem solving benefit that customer seeks.

8. What is meant by reciprocal marketing?
   Online retailers allows its paying customers to receive promotion for another online retailer and vice versa.

9. What comprises information and promotion flow?
   Distribution of information and promotion materials relating to service offer.

10. List profit and revenue objectives of the pricing.
    - Seek profit
    - Cover costs

11. Write patronage and user base pricing objectives.
    - Build demand
    - Build a user base

Briefly answer the following. (2 marks)

1. What is meant by marketing asset statements?
   Details of the firm’s existing customer portfolio (including its size, profile and value), knowledge of the market and competitors, its product line, the reputations of its brands, its marketing implementation skills and positioning strategy/ies.

2. Mention techniques for keeping in touch with customers and building their loyalty?
   Techniques for keeping in touch with customers and building their loyalty include direct mail and contacts by telephone or other forms of telecommunication, including faxes, e-mail, and web sites.

3. List elements of operating assets statements.
    - Physical facilities
    - Equipment
    - Information technology
    - Human resources (numbers and skills)
    - Alliances and partnership
    - Cost structure

4. Explain the concept of supplementary products.
   This element augment the core product, both facilitating its use and enhancing its value and appeal. Adding supplementary elements can increase the performance and value of the core product.
5. What are the advantages of internal communication?
   It helps to ensure efficient and service delivery, achieve productive and harmonious
   working relationship, and build employee trust, respect and loyalty.

6. Differentiate between personal and impersonal communication.
   Communication experts draw a broad division between personal and impersonal
   communications. Personal communications (those in the left-hand column of boxes
   in Figure 5-2) involve personalized messages that move in both directions between
   the two parties—such as personal selling, telemarketing, customer training,
   customer service, and word of mouth. Impersonal communications (a much larger
   group of possibilities depicted in all the other columns) involve messages that move
   in only one direction and are generally targeted at a large group of customers and
   prospects rather than at a single individual.

7. Which types of communication tasks are performed by marketer?
   Promoting consumer awareness, providing information and consultation, facilitating
   two-way communication with customers through e-mail and chat rooms, stimulating
   product trial, enabling customers to place orders, measuring effectiveness of
   advertising and promotional campaigns.

8. Which type of service use concept of product flow.
   Service which involve people or possession processing, require physical facility for
   delivery. For information-processing services, such as weather forecasts, internet
   banking transaction, distance education by satellite, broadcast news, and
   entertainment.

9. Explain the concept negotiation flow?
   Its main objective is to sell the right to use a service. This element focuses on
   reaching an agreement on the service feature and configuration and the terms of
   offers so that purchase contract can be closed.

10. List various activities carried under public relation.
    Sending new releases
    Holding press conferences
    Staging special events
    Sponsoring newsworthy activities put on by third parties.

11. Mention the objective for seeking profit.
    • Make the largest possible contribution.
    • Achieve a specific target level, but do not seek to maximize profit.
    • Maximize revenue from a fixed capacity by varying prices and target segment
        over time.

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

1. Elaborate various message transmission channels of marketing.
   a. Personal Selling
      Interpersonal encounters in which efforts are made to educate
      customers and promote preference for a particular brand or product are refereed
      to personal selling.

      Relationship marketing strategies are often based on account management
      programs, whereby customers are assigned a designated account manager who acts
      as an interface between the customer and the supplier. Account management is
      most commonly practiced in industrial and professional firms that sell relatively
      complex services, resulting in an on-going need for advice, education, and
      consultation. Examples of account management for individual consumers can be
      found in insurance, investment management, and medical services.

      Face-to-face selling to new but costly perspective whereas telemarketing is a lower
      cost alternative.

   b. Trade Shows
      In the business-to-business marketplace, trade shows are a popular
      form of publicity that also combines important personal-selling opportunities.
      Examples are IT expo, auto expo etc.

   c. Advertising
      As the most dominant form of communication in consumer marketing,
      advertising is often the first point of contact between service marketers and their
      customers, serving to build awareness, inform, persuade and remind. (Broad
      array of paid advertising media is available, including broadcast (TV and
      radio), print (magazines and newspapers), movie theatres, and many types of
      outdoor media (posters, billboards, electronic message boards, and the exteriors of
      buses or bicycles). Some media are more focused than others, targeting specific
geographic areas or audiences with a particular interest. Advertising messages delivered through mass media are often reinforced by direct-marketing tools, such as mailings, telemarketing, faxes, or e-mail.

d. Direct Marketing this category embraces mailings, recorded telephone messages, faxes and email.

e. Sales Promotion A useful way of looking at sales promotions is as a communication attached to an incentive. It include various form such as discounts, coupons, voucher,

2. Write an essay on marketing communication mix.

Most service marketers have access to numerous forms of communication, referred to collectively as the marketing communications mix. Various communication elements have distinctive capability-ties relative to the types of messages they can convey and the market segments most likely to be exposed to them. As shown in Figure 5-2, the mix includes personal contact, advertising, publicity and public relations, sales promotion, instructional materials, and corporate design.

Communication experts draw a broad division between personal and impersonal communications. Personal communications (those in the left-hand column of boxes in Figure 5-2) involve personalized messages that move in both directions between the two parties—such as personal selling, telemarketing, customer training, customer service, and word of mouth. Impersonal communications (a much larger group of possibilities depicted in all the other columns) involve messages that move in only one direction and are generally targeted at a large group of customers and prospects rather than at a single individual.

Messages Transmitted through Production Channels

In this category are communications developed within the organization and transmitted through the production channels used to deliver the service itself, primarily front-line staff and service outlets. A further subdivision is possible within this category if the originating service firm employs intermediaries to deliver service on its behalf.

- Customer Service from Front-line Staff
- Customer Training
- Service Outlets

Message transmitted through marketing channels

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Relationship marketing strategies are often based on account management programs, whereby customers are assigned a designated account manager who acts as an interface between the customer and the supplier. Account management is most commonly practiced in industrial and professional firms that sell relatively complex services, resulting in an on-going need for advice, education, and consultation. Examples of account management for individual consumers can be found in insurance, investment management, and medical services. Face-to-face selling to new but costly perspectives whereas telemarketing is a lower cost alternative.

b. Trade Shows In the business-to-business marketplace, trade shows are a popular form of publicity that also combines important personal-selling opportunities. Examples are IT expo, auto expo etc.

c. Advertising As the most dominant form of communication in consumer marketing, advertising is often the first point of contact between service marketers and their customers, serving to build awareness, inform, persuade and remind. A broad array of paid advertising media is available, including broadcast (TV and radio), print (magazines and newspapers), movie theatres, and many types of outdoor media (posters, billboards, electronic message boards, and the exteriors of buses or bicycles). Some media are more focused than others, targeting specific geographic areas or audiences with a particular interest. Advertising messages delivered through mass media are often reinforced by direct-marketing tools, such as mailings, telemarketing, faxes, or e-mail.

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3. Discuss key steps in service planning.
The task begins at the corporate level with a statement of objectives. This statement leads into a detailed market and competitive analysis, addressing each of the markets in which the firm is involved or thinking of entering. Parallel to this step is a resource allocation analysis, requiring definition and appraisal of the firm’s resources and how they are being allocated as well as the identification of additional resources that might reasonably be obtained. This pair of steps can be thought of collectively as a form of SWOT analysis, identifying strengths, weaknesses, opportunities, and threats on both the marketing and operational/human resources fronts. Each leads to a statement of assets.

The marketing assets statement includes details of the firm’s existing customer portfolio (including size, profile, and value), knowledge of the market and competitors, its product line, the reputation of its brand(s), its marketing implementation skills, and its positioning strategy/ies.

The marketing opportunities revealed by this analysis must now be matched against an operating asset statement. Can the organization afford to allocate the physical facilities, equipment, information technology, and human resources needed to market existing service products more effectively, add enhancements designed to improve competitive appeal, or create new service offerings? Conversely, does an analysis of these operating assets suggest new opportunities to improve their utilization in the marketplace? If it lacks the resources needed for a new marketing initiative, could the firm leverage its existing assets by partnering with intermediaries or even with customers themselves? Finally, does an identified marketing opportunity promise sufficient profits to yield an acceptable return on the assets used after deducting all relevant costs?

Planning and Creating Services

From a marketing perspective, the next step in transforming an opportunity into reality involves creating a service marketing concept to clarify the benefits offered to customers and the costs they will incur in return. This marketing concept considers both core and supplementary services, their characteristics in terms of both performance level and style, and where, when, and how customers will be able to have access to them. The related costs of service include not only money but also the definition of the amount of time, mental hassle, physical effort, and negative sensory experiences likely to be incurred by customers in receiving service.

A parallel step is to establish a service operations concept, which stipulates the nature of the processes involved (including use of information technology) and how and when the various types of operating assets should be deployed to perform specific tasks. Hence, the need to define the geographic scope and scheduling of operations, describe facilities design and layout, and identify the human resources required. The operations concept also addresses opportunities for leveraging the firm’s own resources through use of intermediaries or the customers themselves. Finally, the operations concept clarifies which tasks and resources will be assigned to front-stage and which to back-stage operations.

Defining the marketing and operations concepts is necessarily an interactive process, as either one may have to be modified in order to bring the two into the harmony needed to proceed with a given service offering. The planning task then moves on to a set of choices that management must make in configuring the service delivery process—the topic of Chapter 7.

4. Explain nature of service.

Defining the Nature of the Service Offering

When designing a service to implement a particular service marketing concept, product planners need to take a holistic view of the entire performance they want customers to experience.

Core Product This central component addresses two questions: What is the buyer really purchasing? 2) What business are we in? The core product supplies the central problem-solving benefits that customers seek. Thus, transport solves the need to move a person or physical object from one location to another; management consulting is expected to yield expert advice on the actions that a company should take; and repair services restore a damaged or malfunctioning machine or building to good working order.~

Supplementary Services These elements augment the core product, both facilitating its use and enhancing its value and appeal. The extent and level of supplementary services often play a role in differentiating and positioning core product.
Delivery Process
The third components deal with the procedures used to deliver both the core Product and each of the supplementary services. The design of the service offering must address how the various service components are delivered to the customer, the nature of the customers role in those processes, how long delivery lasts and the prescribed level and style of service to be offer.

5. Write a short note on ‘word of mouth’ publicity.

Word of Mouth Recommendations from other customers are generally viewed as more credible than are firm-initiated promotional activities and can have a powerful influence on people's decisions to use (or avoid using) a service. In fact, the greater the risk that customers perceive in purchasing a service, the more actively they will seek and rely on word of mouth (WOM) to guide their decision making. Customers who are less knowledgeable about a service rely more on WOM than do expert consumers. Because WOM can act as such a powerful and highly credible selling agent, some marketers use a variety of strategies to stimulate positive and persuasive comments from existing customers. These strategies include

• Referencing other purchasers and knowledgeable individuals. For instance: "We have done a great job for ABC Corp., and if you wish, feel free to talk to Mr. Dixit, their MIS manager, who oversaw the implementation of our project."

• Creating exciting promotions that get people talking about the great service that the firm provides. Both Virgin Atlantic Airways and Southwest Airlines have run many campaigns that successfully stimulated discussions and commentary. Similar strategy was recently implemented by VLCC by participating in Jassi's makeover in the popular TV serial.

• Developing referral incentive schemes, such as offering an existing customer some units of free or discounted service in return for introducing new customers to the firm.

• Offering promotions that encourage customers to persuade others to join them in using the service: 'Bring two friends, and the third eats for free' or 'Subscribe to two mobile service plans, and we'll waive the monthly subscription fee for all subsequent family members.'

• Presenting and publicizing testimonials that simulate WOM. Advertising and brochures sometimes feature comments from satisfied customers.

Research in the United States and Sweden shows that the extent and content of word of mouth is related to satisfaction levels. Customers holding strong views are likely to tell more people about their experiences than are those with milder views. And extremely dissatisfied customers tell more people than do those who are highly satisfied. Noting the important role that service employees play in customer satisfaction, Dwayne Gremler, Kevin Gwinner, and Stephen Brown suggest that measures to improve the quality of customer/employee interactions may be an appropriate strategy for
stimulating positive WOM.\textsuperscript{18} Interestingly, even customers who were initially dissatisfied with a service can end up spreading positive WOM if they are delighted with the way the firm handled the service recovery.\textsuperscript{19}

With the rapid proliferation of the Internet, the spread of personal influence has been accelerated, causing it to evolve into a "viral marketing" phenomenon that business cannot afford to ignore.\textsuperscript{20} In fact, viral marketing has now become an industry in itself. Dot.com companies, such as Epinions.com, have built their entire businesses and Web sites around customer WOM.

6. Write an essay on use of internet application in marketing

Marketers use the Internet for a variety of communications tasks: promoting consumer awareness and interest, providing information and consultation, facilitating two-way communications with customers through e-mail and chat rooms, stimulating product trial, enabling customers to place orders, and measuring the effectiveness of specific advertising or promotional campaigns.\textsuperscript{28} Firms can market through their own Web sites and place advertising on other sites. Advertising on the Web allows companies to supplement conventional communications channels at a reasonable cost. But as with any of the elements of the marketing communications mix, Internet advertising should be part of an integrated, well-designed communications strategy.

Many early Web sites were little more than electronic brochures, featuring attractive graphics that took too long to download. By contrast, interactive Web sites allow customers to engage in dialogue with a database and come up with customized information. Transportation firms, such as airlines and railroads, offer interactive sites that allow travellers to evaluate alternative routes and schedules for specific dates, download printed information, and make reservations online. Some sites offer discounts on hotels and airfare if reservations are made over the Internet—a tactic designed to draw customers away from intermediaries, such as travel agents.

The interactive nature of the Internet has the potential to increase customer involvement dramatically, as it enables "self-service" marketing in which individual customers control the nature and extent of their contact with the Web sites they visit. Many banks allow customers to pay bills electronically, apply for loans over the Internet, and check their account balances online. Indian Railways uses its Web site to promote advance online purchase of train tickets. The site also offers instructions on how the online ticket window works, states how the tickets' will be delivered, and provides responses to frequently asked questions.

Enabling marketers to communicate and establish a rapport with individual customers is one of the Web's greatest strengths. These characteristics lend themselves to a new communication strategy called \textit{permission marketing}, which is based on the idea that traditional advertising doesn't work as well any more because it fights for attention by
interrupting people. For example, a 30-second television spot interrupts a viewer’s favorite program, a telemarketing call interrupts a meal, and a print ad interrupts the flow of a magazine or newspaper article. In the permission-marketing model, the goal is to persuade consumers to volunteer their attention. In essence, customers are encouraged to "raise their hands" and agree to learn more about a company and its products in anticipation of receiving information or something else of value to them. This means that customers self-select into the target segment.

The Health Communication Research Institute issues prepaid phone cards to patients at doctors’ offices or in hospitals as a way to measure patient satisfaction. The patient uses the phone card to call an automated service that records responses to questions about the recent medical care experience. As a reward, the caller gets 30 minutes of free long-distance calling. For an illustration of how H&R Block used a promotional contest to get customers to volunteer to learn about a new tax preparation service, see Best Practice in Action 5-2.
Chapter 3: Managing the service delivery Process

Answer the following. (1 Marks)

1. What is meant by blue print?  
The design for a new building captured on architectural drawing called blueprints.

2. When does treatment error occur?  
A treatment error occurs during the contact between the server and the customer.

3. When does customer error occur?  
Customer errors can occur in the preparation stage before a service encounter take place.

4. List examples of treatment errors.  
Examples of treatment errors are lack of courteous, professional behaviour, failure to acknowledge, listen to, or react appropriately to the customers.

5. What is meant by tangible errors?  
Errors related to failure in the physical element of the service.

6. Who are jay customers?  
One who act in a thoughtless or abusive way, causing problem for firm, its employees, and other customers.

7. Write intension of thief customers.  
Steal goods, and switching price labels, No intension of paying.

8. What is meant by family feuders?  
People who get into arguments with other customers – often members of their own family – make up a sub category of belligerents we call family feuders.

9. List categories of employee response.  
a. Cognitive response  
b. Emotional response

10. Who developed the ‘servicescape model’?  
Mary Jo Bitner has developed the servicescape model.

11. List components of service environment.  
a. Ambient condition  
b. Space/ functionality
c. Sign
   d. Symbol and artefacts.

12. Which model shows response of people towards environment?
   The Mehrabian-Russell Stimulus-Response Model

13. What is guaranteed by reservation?
   Reservations are supposed to guarantee that services will be available when the customer wants it.

**Briefly answer the following. (2 marks)**

1. What is line of visibility?
   The customer experience “front stage” and the activities of employees and support processes “back stage” where customer can’t see them. Between the two lies what is called line of visibility.

2. What is clarified by service blue prints?
   Service blueprint clarifies the interaction between customers and employees and how these interactions are supported by additional activities and system backstage.

3. List any four key components of blue print.
   - Definition of standards for each front stage activity.
   - Physical and other evidence for front stage activities
   - Principal customer actions
   - Line of interaction
   - Front stage action by customer contact personnel
   - Line of visibility
   - Back stage action by customer contact personnel

4. Which kind of behaviour is displayed by thief customer?
   Bypass electricity meter, access telephone lines free of charge, or circumvent normal cable TV feeds, riding free on public transportation, sneaking in to movie theatre, not paying restaurant bill.

5. List behavioural characteristics of belligerent customers.
   They are red in face, shouting angrily, icily calm and mouthing of insults, threats and obscenities.

6. Give examples of activities of vandal type of customers.
7. What is the effect of yield analysis on a manager?
Yield analysis forces manager to recognize the opportunity cost of allocating capacity to one customer when another might subsequently yield a higher rate.

8. What is the goal of fail–safe procedure?
The goal of fail-safe procedure is to prevent errors, such as performing tasks incorrectly, in the wrong order, or too slowly; or doing work that wasn’t requested in the first place.

9. Draw the Mehrabian- Russell Stimulus – Response Model

10. List any two advantages of Russel Model.
It allows a direct assessment of how customers feel while they are in the service environment. Firms can set target for affective states.

11. Draw the figure of “the Russel model of affect”

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

1. Describe any five propositions on the psychology of waiting time.
Unoccupied time feels longer than occupied time. When you’re sitting around with nothing to do, time seems to crawl. The challenge for service organizations is to give customers something to do or to distract them while waiting.

Pre- and post-process waits feel longer than in-process waits. Waiting to buy a ticket to enter a theme park is different from waiting to ride on a roller coaster once you’re in the park. There’s also a difference between waiting for coffee to arrive near the end of a restaurant meal and waiting for the server to bring you the check once you’re ready to leave.

Anxiety makes waits seem longer. Can you remember waiting for someone to show at a rendezvous and worrying about whether you had got the time or the location correct? While waiting in unfamiliar locations, especially outdoors and after dark, people often worry about their personal safety.

Uncertain waits are longer than known, finite waits. Although any wait may be frustrating, we can usually adjust mentally to a wait of known length. It’s the unknown that keeps us on edge. Imagine waiting for a delayed flight and not being told how long the delay is going to be. You don’t know whether you have the time to get up and walk around the terminal or whether to stay at the gate in case the flight is called any minute.

Unexplained waits are longer than explained waits. Have you ever been in a subway or an elevator that has stopped for no apparent reason, without anyone telling you why? In addition to uncertainty about the length of the wait, there’s added worry about what is going to happen. Has there been an accident on the line? Will you have to leave the train in the tunnel? Is the elevator broken? Will you be stuck for hours in close proximity with strangers?

Unfair waits are longer than equitable waits. Expectations about what is fair or unfair sometimes vary from one culture or country to another. In the United States, Canada, or Britain, for example, people expect everybody to wait their turn in line and are likely to get irritated if they see others jumping ahead or being given priority for no apparent good reason.

The more valuable the service, the longer people will wait. People will queue overnight under uncomfortable conditions to get good seats at a major concert or sports event that is expected to sell out.

Solo waits feel longer than group waits. Waiting with one or more people you know is reassuring. Conversation with friends can help to pass the time, but not everyone is comfortable talking to a stranger.

Physically uncomfortable waits feel longer than comfortable waits. "My feet are killing me!" is one of the most frequently heard comments when people are
forced to stand in line for a long time. And whether seated or unseated, waiting seems more burdensome if the temperature is too hot or too cold, if it’s drafty or windy, and if there is no protection from rain or snow.

*Unfamiliar waits seem longer than familiar ones.* Frequent users of a service know what to expect and are less likely to worry while waiting. New or occasional users of a service, by contrast, are often nervous, wondering not only about the probable length of the wait but also about what happens next. About whether they can afford to take the time to wait.

2. **Elaborate different types of Jay customers.**

We define a jay customer as one who acts in a thoughtless or abusive way, causing problems for the firm, its employees, and other customers.

**The Thief.** This jay customer has no intention of paying and sets out to steal goods and services (or to pay less than full price by switching price tickets or contesting bills on baseless grounds). Shoplifting is a major problem in retail stores. For those with technical skills, it’s possible to bypass electricity meters, access telephone lines free of charge, or circumvent normal cable TV feeds. Riding free on public transportation, sneaking into movie theatres, or not paying for restaurant meals are also, popular. And we mustn’t forget the use of fraudulent forms of payment, such as stolen credit cards or checks drawn on accounts without any funds.

**The Rule breaker** Just as highways need safety regulations many service businesses need to establish rules of behaviour for employees and customers to guide them safely through the various steps of the service encounter.

**The Belligerent** You’ve probably seen this person in a store, at the airport, or in a hotel or restaurant: red in the face and shouting angrily or perhaps icily calm and mouthing off insults, threats, and obscenities. Things don’t always work as they should: Machines break down, service is clumsy, customers are ignored, a flight is delayed, an order is delivered incorrectly, staff are unhelpful, a promise is broken. Or perhaps the customer in question is expressing resentment at being told to abide by the rules. Service personnel are often abused, even when they are not to blame. If an employee lacks authority to resolve the problem, the belligerent may become madder still, even to the point of physical attack. Drunkenness and drug abuse add extra layers of complication.

**The Family Feuders** People who get into arguments (or worse) with other customers—often members of their own family—make up a subcategory of belligerents we call family feuders. Employee intervention may calm the situation or make it worse. Some situations require detailed analysis and a carefully measured response.
**The Vandal** The level of physical abuse to which service facilities and equipment can be subjected is truly astonishing. Soft drinks are poured into bank cash machines; graffiti is scrawled on both interior and exterior surfaces; burn holes from cigarettes scar carpets, tablecloths, and bedcovers; bus seats are slashed and hotel furniture broken; telephone handsets are torn off; customers’ cars are vandalized; glass is smashed and fabrics torn. The list is endless. Customers don’t cause all the damage, of course. Bored or drunk people are the source of much exterior vandalism. **The Deadbeat** Leaving aside the thief, customers have many reasons for failing to pay for services they have received. Once again, preventive action is better than a cure.

### 3. Write a short note on servicescape.

Building on the basic models in environmental psychology, Mary Jo Bitner has developed a comprehensive model that she named the servicescape. shows the main dimensions that she identified in service environments, which include ambient conditions, space/functionality, and signs, symbols, and artifacts. Because individuals tend to perceive these dimensions holistically, the key to effective design is how well each individual dimension fits together with everything else. Next, the model shows that there are customer and employee-response moderators. This means that the same service environment can have different effects on different customers, depending on what they like: Beauty lies in the eyes of the beholder and is subjective. Rap music may be sheer pleasure to some customer segments and sheer torture to others. One important contribution of Bitner’s model was that she included employee responses in the service environment. After all, employees spend much more time there than do customers, and it’s crucially important that designers become aware of how a particular environment enhances (or at least does not reduce) the productivity of frontline personnel and the quality of service they deliver. Internal customer and employee responses can be categorized into cognitive responses (e.g., quality perceptions and beliefs), emotional responses (e.g., feelings and moods), and psychological responses (e.g., pain and comfort). These internal responses lead to overt behavioral responses, such as avoiding a crowded department store or responding positively to a relaxing environment by remaining there longer and spending extra money on impulse purchases. It’s important to understand that the behavioral responses of customers and employees must be shaped in ways that facilitate production and purchase of high-quality services. Consider how the outcomes of service transactions may differ when both customers and frontline staff feel agitated and stressed rather than relaxed and happy.

Service environments are complex and have many design elements. Table 10-1, for example, presents an overview of all the design elements that might be encountered in a retail outlet. In this section, we focus on the main dimensions of the service
environment in the servicescape model: the ambient conditions, space and functionality, and signs, symbols, and artifacts.\textsuperscript{12}

4. **Discuss Mehrabian- Russell Stimulus – Response Model**

It a stimulus model of how people respond environment. The model adopted from environmental psychology, holds that environment and its conscious and unconscious perceptions and interpretations influence how people feel in environment. For example, we don’t avoid an environment simply because there are a lot of people around us; rather, we are deterred by the unpleasant feeling of crowding, of people being in our way, of lacking perceived control, and of not being able to get what we want as quickly as we wish to. If we had all the time in the world and felt excited about being part of the crowd during seasonal festivities, exposure to the same number of people might lead to feelings of pleasure and excitement that would lead us to want to stay and explore that environment.

In environmental psychology, the typical outcome variable is *approach* or *avoidance* of an environment. Of course, in services marketing, we can add a long
list of additional outcomes that a firm might want to manage, including how much money people spend while on the firm's premises and how satisfied people are with the service experience after they have left the environment.

The Russell Model of Affect

Given that affect, or feeling, is central to how people respond to an environment, we need to understand those feelings better. Russell's model of affect is widely used to help in understanding feelings in service environments.

As shown in Figure 10-3, emotional responses to environments can be described along two main dimensions: pleasure and arousal. Pleasure is a direct, subjective response to the environment, depending on how much the individual likes or dislikes the environment. Arousal refers to how stimulated the individual feels, ranging from deep sleep (lowest level of internal activity) to highest levels of adrenaline in the bloodstream, for example, when bungee-jumping (highest level of internal activity). The arousal quality is much less subjective than the pleasure quality. Arousal quality depends largely on the information rate, or load, of an environment. For example, environments are stimulating (have a high information rate) when they are complex, have motion or change in it, and have novel and surprising elements. A relaxing environment (with a low information rate) has the opposite characteristics.

How can all our feelings and emotions be explained by only two dimensions? Russell separated the cognitive, or thinking, part of emotions from these two basic underlying emotional dimensions. Thus, the emotion of anger about a service failure could be modeled as high arousal and high displeasure, which would locate it in the Distressing region in our model, combined with a cognitive attribution process. When a customer attributes a service failure to the firm—blames the firm for something under the firm’s control and the firm is not doing much to avoid its happening again—this powerful cognitive attribution process feeds directly into high arousal and displeasure. Similarly, most other emotions can be dissected into their cognitive and affective components.

The advantage of Russell’s model of affect is its simplicity, as it allows a direct assessment of how customers feel while they are in the service environment. Firms can set targets for affective states. For example, a bungee-jumping business or roller-coaster operator might want its customers to feel aroused (assuming that there is little pleasure
when having to gather all one’s courage before jumping); a disco or theme park operator may want customers to feel excited (which is a relatively high arousal environment combined with pleasure); a bank may want its customers to feel confident; a spa may want customers to feel relaxed; and an airline operating a long-haul overnight flight may want its passengers to feel sleepy after dinner. Later in this chapter, we discuss how service-environments can be designed to deliver the types of service experiences desired by customers.

5. Write an essay on developing a blueprint.

It’s no easy task to design a service, especially one that must be delivered in real time with customers present in the service factory. To design services that are both satisfying for customers and operationally efficient, marketers and operations specialists need to work together. In high-contact services, in which employees interact directly with customers, it may also be appropriate to involve human resource experts in the design of service processes. A key tool in service design is blueprinting, a more sophisticated version of flowcharting.

The design for a new building or a ship is usually captured on architectural drawings is called blueprints so called because reproductions have traditionally be printed on special paper on "which all the drawings and annotations appear in blue. These blueprints show what the product should look like and detail the specifications to which it should conform. In contrast to the physical architecture of a building, ship, or piece of equipment, service processes have a largely intangible structure. That makes them all the more difficult to visualize. The same is true of such processes as logistics, industrial engineering, decision theory, and computer systems analysis, each of which uses techniques similar to blueprinting to describe processes involving flows, sequences, relationships, and dependencies.¹

Developing a Blueprint

How does one get started on developing a service blueprint? First, you need to identify all the key activities involved creating and developing the service in question; then you must specify the linkages between these activities. Initially, it is best to keep activities relatively aggregated in order to define the "big picture." Subsequently, any given activity can be refined by "drilling down" to obtain a higher level of detail. In an airline context, for instance, the passenger activity "boards aircraft" can be decomposed into steps: Wait for seat rows to be announced, give agent boarding pass for verification, walk down jetway, enter aircraft, let flight attendant verify boarding pass, find seat, stow carry-on bag, sit down.

A key characteristic of service blueprinting is that it distinguishes between what customers experience "front-stage" and the activities of employees and support processes—"backstage," where customers can’t see them. Between the two lie what is called the line of visibility. Operationally * oriented * businesses are sometimes so focused. On back stage activities that they neglect to consider the customer’s view of front-stage activities.
Service blueprints clarify the interactions between customers and employees and how these interactions are supported by additional activities and systems backstage. Because they show the interrelationships among employee roles, operational processes, information technology, and customer interactions, blueprints can facilitate the integration of marketing, operations, and human resource management within a firm. There is no single, required way to prepare a service blueprint, but it’s recommended that a consistent approach be used within any one organization. To illustrate blueprinting later in this chapter, we adapt and simplify an approach proposed by Jane Kingman-Brundage.3

Blueprinting also gives managers the opportunity to identify potential process fail points, where there is a significant risk of things going wrong and diminishing service quality. Knowledge of such fail points enables managers to design procedures to avoid their occurrence or to prepare contingency plans (or both). Points where customers commonly have to wait can also be pinpointed. Standards can then be developed for execution of each activity, including times for completion of a task, maximum wait times between tasks, and scripts to guide interactions between staff members and customers.

6. **Draw the blue print for any service organisation.**
Chapter 4: Implementing service marketing

Answer the following. (1 Marks)

1. What is meant by transaction?
   A transaction is an event during which exchange of value take place between two parties.

2. Which is the main focus of data base marketing?
   Information exchange

3. What is meant by interaction marketing?
   When there is a face to face interaction between customers and representative of the list supplier interaction marketing occurs.

4. In which context network marketing occurs?
   Network marketing occurs generally in business to business context.

5. What is known as formalized relationship between the firm and an identifiable customer?
   A membership relationship

   - Lead
   - Iron
   - Gold
   - Platinum

7. List any one expectation of customers about their complaints?
   a. Procedural justice
   b. Interactional justice
   c. Outcome justice

8. List any one customer driven approaches to improve productivity.
   - Changing the timing of customer demand
   - Involve customers more in productions
   - Ask customers to use third parties

9. Which category of customer are more price sensitive and less committed to firm?
   Gold tier

10. Which category of customer helps marketer to achieve economies of scale?
    Iron category of customers
Briefly answer the following. (2 marks)

1. With whom a marketer develops relationship for better network?
The Customers, supplier, distributors, the media, consultants, trade associations, government agencies, competitors and customers of their customers.

2. List four distinct types of marketing.
   - Transactional marketing
   - Interaction marketing
   - Network marketing
   - Data base marketing

3. What is meant by total relationship marketing?
   Marketing based on relationship, networks, and interaction, recognising that marketing is embedded in the total management of the network of the selling organisation, the market, and society. It is directed to long term, win win relationship with individual customers, and value is jointly created between the parties involved.


5. What is the benefit of “unified customer interface”?
   At each transaction, the relevant account details, knowledge of customer preferences and past transactions, or history of a service problem are at the fingertips of the person serving the customer. This can result in vast service improvement.

6. List three courses of action taken by customers in case of service failure.
   - Take some form of public action.
   - Take some form of private action
   - Take no action

7. List customer feedback collection tools.
   - Total market survey, annual survey, transactional surveys
   - Mystery shopping
   - Unsolicited customer feedback
   - Focus group discussion and service reviews
8. List four levels of service performance.
   - Service losers
   - Service nonentities
   - Service professionals
   - Service leaders

   - Changing the timing of customer demand
   - Involve customers more in productions
   - Ask customers to use third parties

10. List any one objective of effective customer feedback systems.
    - Assessment and benchmarking of service quality and performance.
    - Customer driven learning and improvements
    - Creating a customer oriented service culture.

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

1. Explain in detail four distinct types of marketing.

   **Transactional Marketing**
   A transaction is an event during which an exchange of value takes place between two parties. One transaction or even a series of transactions don't necessarily constitute a relationship, which requires mutual recognition and knowledge between the parties. When each transaction between a customer and a supplier is essentially discrete and anonymous, with no long-term record kept of a customer’s purchasing history, and little or no mutual recognition between the customer and employees, then no meaningful marketing relationship can be said to exist. This is true for many services, ranging from passenger transport to food service or visits to a movie theater, in which each purchase and use is a separate event.

   **Database Marketing**
   In database marketing the focus is still on the market transaction, but now it includes information exchange. Marketers rely on information technology, usually in the form of a database, to form a relationship with targeted customers and retain their patronage over time. However, the nature of these relationships is often not a close one, with communication being driven and managed by the seller. Technology is used to (1) identify and build a database of current and potential customers, (2) deliver differentiated messages based on consumers' characteristics and preferences, and (3) track each relationship to monitor the cost of acquiring the consumer and the lifetime value of the resulting purchases. Although technology can be used to personalize the
relationship, relations remain somewhat distant. Utility services such as electricity, gas, and cable TV are good examples.

**Interaction Marketing**

A closer relationship often exists in situations where there is face-to-face interaction between customers and representatives of the supplier (or “ear-to-ear” interaction by phone). Although the service itself remains important, value is added by people and social processes. Interactions may include negotiations and sharing of insights in both directions. This type of relationship exists in many local service markets, ranging from community banks to dentistry, in which buyer and seller know and trust each other. It is also commonly found in many B2B services. Both the firm and the customer are prepared to invest resources to develop a mutually beneficial relationship. This investment may include time spent sharing and recording information. As service companies grow larger and make increasing use of technologies such as interactive web sites and self-service technology, maintaining meaningful relationships with customers becomes a significant marketing challenge. Firms with large customer bases find it increasingly difficult to build and maintain meaningful relationships through call centers, web sites and other mass delivery channels (Figure 12.3).

**Network Marketing**

We often say that someone is a “good networker” because he or she is able to put individuals in touch with others who have a mutual interest. In a B2B context, marketers work to develop networks of relationships with customers, distributors, suppliers, the media, consultants, trade associations, government agencies, competitors, and even the customers of their customers. Often, a team of individuals within the supplier’s firm collaborates to provide effective service to a parallel team within the customer’s organization.

2. **Write a short note on tiering the customer base.**

**The Customer Pyramid**

Marketers should adopt a strategic approach to retaining, upgrading, and even terminating customers. Customer retention involves developing long-term, cost-effective links with customers for the mutual benefit of both parties, but these efforts need not necessarily target all customers with the same level of intensity. Recent research has confirmed that most firms have different tiers of customers in terms of profitability, and these tiers often have quite different service expectations and needs. According to Valarie Zeithaml, Roland Rust, and Katharine Lemon, it’s critical for service firms to understand the needs of customers within different profitability tiers and to adjust their service levels accordingly. Just as service product categories can be tiered to reflect the level of value included (see Chapter 7, pp. 190–191), so can groups of customers. In the latter instance, customer tiers can be developed around different
levels of profit contribution, needs (including sensitivities to variables such as price, comfort, and speed), and identifiable personal profiles such as demographics. Zeithaml, Rust, and Lemon illustrate this principle through a four-level pyramid (Figure 12.5).

- **Platinum.** These customers constitute a very small percentage of a firm’s customer base, but they are heavy users and contribute a large share of the firm’s profits. Typically, this segment is less price-sensitive but expects highest service levels, and it is likely to be willing to invest in and try new services.

- **Gold.** The gold tier includes a larger percentage of customers than the platinum tier, but individual customers contribute less profit than platinum customers. They tend to be slightly more price-sensitive and less committed to the firm.

- **Iron.** These customers provide the bulk of the customer base. Their numbers give the firm economies of scale. Hence, they are often important so that a firm can build and maintain a certain capacity level and infrastructure, which is often needed to serve gold and platinum customers well. However, iron customers in themselves are often only marginally profitable. Their level of business is not sufficient to warrant special treatment.

- **Lead.** Customers in this tier tend to generate low revenues for a firm, but often require the same level of service as iron customers, which turns them into a lossmaking segment from the firm’s perspective.

![Figure 12.5 The Customer Pyramid](source: Copyright © 2001, by The Regents of the University of California. Reprinted from the *California Management Review*, Vol. 43, No. 4. By permission of The Regents.)

3. **Discuss objectives of CRM.**

Many firms have large numbers of customers (sometimes millions), many different touch points (for instance, tellers, call center staff, self-service machines, and web sites), at multiple geographic locations. At a single large facility, it’s unlikely that a customer will be served by the same front-line staff on two consecutive visits. In such situations, managers historically lacked the tools to practice relationship marketing. Today,
however, CRM systems act as an enabler, capturing customer information and delivering it to the various touch points. From a customer perspective, well-implemented CRM systems can offer a unified customer interface that delivers customization and personalization. This means that at each transaction, the relevant account details, knowledge of customer preferences and past transactions, or history of a service problem are at the fingertips of the person serving the customer. This can result in a vast service improvement and increased customer value. From a company perspective, CRM systems allow the company to better understand, segment, and tier its customer base, better target promotions and cross-selling, and even implement churn alert systems that signal if a customer is in danger of defecting.42 Service Perspective 12.3 highlights some common CRM applications.

- Data collection
  Customer data such as contact details, demographics, purchasing history, service preferences, and the like
- Data analysis
  Data captured is analysed and categorized
  Used to tier customer base and tailor service delivery accordingly.
- Sales force automation
  Sales leads, cross-sell, and up-sell opportunities can be effectively identified and processed
  Entire sales cycle from lead generation to close of sales and after-sales service can be tracked and facilitated through CRM system
- Marketing automation
  Mining of customer data enables the firm to target its market
  Goal to achieve one-to-one marketing and cost savings, often in the context of loyalty and retention programs
  Results in increasing the ROI on its marketing expenditure
  CRM systems also enable the assessment of the effectiveness of marketing campaigns through the analysis of responses

4. Why customers complain?

- **Obtain restitution or compensation.**
  Consumers often complain to recover some economic loss by seeking a refund, compensation, and/or have the service performed again.
- **Vent their anger.** Some customers complain to rebuild self-esteem and/or to vent their anger and frustration. When service processes are bureaucratic and unreasonable, or when employees are rude, deliberately intimidating, or apparently uncaring, the customers’ self-esteem, self-worth, or sense of fairness can be negatively affected. They may become angry and emotional.
Help to improve the service. When customers are highly involved with a service (e.g., at a college, an alumni association, or their main banking connection), they give feedback to try and contribute toward service improvements.

For altruistic reasons. Finally, some customers are motivated by altruistic reasons. They want to spare other customers from experiencing the same shortcomings, and they may feel bad if they fail to draw attention to a problem that will raise difficulties for others if it remains uncorrected.

5. Discuss four levels of service performance.

Service Losers These organizations are at the bottom of the barrel from both customer and managerial perspectives, getting failing grades in marketing, operations, and human resource management alike. Customers patronize them for reasons other than performance; typically, because there is no viable alternative—which is one reason why service losers continue to survive. Such organizations see service delivery as a necessary evil. New technology is introduced only under duress, and the uncaring workforce is a negative constraint on performance.

Service Nonentities Although their performance still leaves much to be desired, entities have eliminated the worst features of losers. Their marketing strategies are unsophisticated, and the roles of human resources and operations might be summed up, respectively, by the philosophies "adequate is good enough" and "if it ain't broke, don't fix it." Consumers neither seek out nor avoid such organizations.

Service Professionals These organizations are in a different league from nonentities and have a clear market-positioning strategy. Customers within the target segments seek out these firms based on their sustained reputation for meeting expectations. Marketing is more sophisticated, using targeted communications and pricing based on value to the customer. Research is used to measure customer satisfaction and obtain ideas for service enhancement. Operations and marketing work together to introduce new delivery systems and recognize the trade-off between productivity and customer-defined quality. There are explicit links between backstage and front-stage activities and a much more proactive, investment-oriented approach to human resource management than is found among nonentities.

Service Leaders These organizations are the creme de la creme of their respective industries. Whereas service professionals are good, service leaders are outstanding. Their company names are synonymous with service excellence and an ability to delight customers. Service leaders are recognized for their innovation in each functional area of management, as well as for their excellent internal communications and coordination among these three functions—
6. Discuss various generic productivity-improvement strategies.

   a. Careful control of costs at every step in the process
   b. Efforts to reduce wasteful use of materials or labor
   c. Matching productive capacity to average levels of demand rather than peak levels, so that workers and equipment are not underemployed for extended periods
   d. Replacement of workers by automated machines
   e. Providing employees with equipment and databases that enable them to work faster or to a higher level of quality
   f. Teaching employees how to work more productively (faster is not necessarily better if it leads to mistakes or unsatisfactory work that has to be redone)
   g. Broadening the array of tasks that a service worker can perform (which may require revised labor agreements) so as to eliminate bottlenecks and wasteful downtime by allowing managers to deploy workers wherever they are most needed
   h. Installing expert systems that allow paraprofessionals to take on work previously performed by more experienced individuals earning higher salaries.