

UGC NET - MANAGEMENT

SAMPLE THEORY

PAPER - II

- **Marketing of Services**
- **Holistic Marketing of Services**
- **Direct and Online Marketing**
- **New Issues in Marketing**

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MARKETING OF SERVICES

- (A) Introduction and Growing Importance of Services in Marketing.
- (B) Basis for Service Classification.
- (C) Characteristics of Services.
- (D) Developing Marketing Strategies for Services.
- (E) Managing Service Quality.

INTRODUCTION

American Marketing Association (AMA) defines services as “activities, benefits or satisfaction, which are offered for sale, or provided in connection with the sale of goods.” In other words, a service performs something, or offers that something extra, which provides a benefit (value) to the customer.

A service can be provided even by a machine, for example, an ATM kiosk or a vending machine; a person, for example a doctor or an advocate; or a combination of both man and machine, for example services of a mechanic or a technician.

The major factor that differentiates a service from a product is its intangibility. However, it should be noted that the line separating products and services is fact thinning down. In order to attract customers and increase their loyalty, marketers today try to associate their products with an element of service attached to it. For example, when a customer buys a car, he enjoys the facility of free service for the first three years from the car manufacturing company.

If goods and services are represented on a continuum with highly tangible goods on the extreme left and highly intangible services on the extreme right, the bundle of goods and services will fall somewhere along the middle of the continuum.

GROWING IMPORTANCE OF SERVICES IN MARKETING

The service industry is growing in size and importance rapidly and will continue to grow due to the following reasons:

- **Economic well being increases the demand for services:** The growth in population across the world has been increasing for more than a decade. Therefore, the proportion of

the population that has entered the earning stage of their life has also increased considerably.

- **Changing life style:** Advances in medicine and technology have helped increase the average life span of the common man. The increase in life span of the individual has led to more number of elderly people in the society. With the change in life style and work habits, and more and more number of women entering the work force, there is a significant change place in the family patterns.
- **Complexity of the product:** With advance in technology and improved manufacturing processes, manufacturers are producing goods, which are of superior quality and also innovative.

These products need special attention for installation and maintenance. They might also require the service provider to conduct user - training programs. In factories where automated manufacturing units and quality control equipment are used, support services become an indispensable tool. Hence, manufacturing units, and other departments of the organization cannot write off services.

BASIS FOR SERVICE CLASSIFICATION

- (a) On the Basis of the Degree of Involvement of the Customer.
- (b) On the Basis of the Service Tangibility.
- (c) On the Basis of Skills & Expertise Required.
- (d) On the Basis of the Business Orientation of Service Provider.
- (e) On the Basis of the Types of End - User.

There is no universal way to classify services, Services can be classified on several bases. as mentioned below.

Classification on the Basis of the Degree of Involvement of the Customer

In this type of classification, services are categorized on the basis of the degree of involvement of the customer in the service delivery process:

- **People Processing:** The customer is highly involved in the service process and needs to be physically present in order to experience the service. In people processing, the service is directed at the customer.

- **Possession Processing:** The customer doesn't require to be physically present to experience the service but submits his property or belonging to the service provider to avail the service. In possession processing, the service is directed at the object possessed by the customer and not at the customer.
- **Mental Stimulus Processing:** In mental stimulus processing, the attention of the customer must be directed at the service to experience it. In this case, the service is directed at the mind of the customer.
- **Information Processing:** This type of service requires the service personnel to collect information, analyze it, interpret and offer appropriate advice to the client. The employees of the firm then analyze the information and prepare reports in a way that follows the management of the company to formulate strategies to improve its sales. Information processing also takes place in services such as accounting, insurance, legal services, programming, data processing and data transmission.

Classification on the Basis of the Service Tangibility

Services, based on the degree of tangibility, can be classified into:

- **Highly tangible:** In these services, the customer gets a tangible product, though it may sometimes last for only a short period. For example, if a person takes a PC on rent, he gets the PC (a tangible product), which he can use for the period of contract. After the contract period is over, the PC is returned to the service provider.
- **Service linked to tangible goods:** Some organizations offer a warranty period to customers who purchase products from them. During this period, they offer free service if the customer reports any problem with the product.
- **Tangible goods linked to services:** Some services offer a tangible product along with the service requested by the customer. For example, airline services offer food and magazines to passengers, and market research firms provide clients with a detailed report of the research results.
- **Highly intangible:** These are the services, which do not provide customers with any tangible product. For example, at a massage parlor, the customer might not get anything

tangible, except for the relaxing experience. He might smell the aromatic oils or feel relaxed while undergoing the message, but does not get any tangible product.

Classification on the Basis of Skills and Expertise Required

Services can be categorized on the basis of the level of skills and expertise required by the service provider to offer the service:

- **Professional services:** These services require the service provider to be formally trained to deliver the service. The service rendered by a doctor, a pilot, an IT consultant or a corporate trainer are examples of professional services.
- **Non-professional services:** These services do not require the service provider to undergo any training to deliver the service. For example, baby-sitting and housekeeping are examples of non-professional services and can be delivered without formal training.

Classification on the Basis of the Business Orientation of Service Provider

Services can be categorized on the basis of the service provider's purpose of doing business:

- **Not-for-profit organizations:** These are the services in which the main objective of the service provider is to serve the society and not to make profits. For example, government schools and social service organizations are not in the business to make a profit.
- **Commercial organizations:** These are services in which the main objective of the service provider is to earn revenues and make profits. Airlines, insurance firms and restaurants charge customers for the services they offer and attempt to continuously improve their services and profitability.

Classification on Basis of the Type of End-user

Services can be classified into following categories depending on the type of customer who consumes them:

- **Consumer services:** These services are purchased by individual customers for their own consumption. For example, beauty care, physiotherapy and hair cutting are examples of consumer services.
- **Business-to-Business (B2B) services:** These services are purchased by organizations. For example, market research, consultancy and advertising are some of the B2B services.

- **Industrial services:** Industrial services are generally based on a contract between organizations and service providers. Machine installation and plant maintenance are some examples of such services.

CHARACTERISTICS OF SERVICES

Services differ from physical goods in certain characteristics. These characteristics of services make them unique and pose a challenge before marketers to market them separately from goods. The major characteristics of services are intangibility, inseparability, heterogeneity and perishability.

Intangibility

A product is a physical entity, which can be seen, heard, touched, smelt and tasted even before it is purchased or consumed. However, a service is intangible and cannot be experienced unless consumed. The quality of a service cannot be established as clearly as it can be done in the case of a product. For example, consider a situation where a customer decides to use the service of a bank to obtain a loan for the first time. Although he has an idea about the variety of services offered by the bank, he can actually assess the services only after he avails them.

When compared to product manufacturers, it is more difficult for services organizations to ensure consistency in service delivery. However, more and more service organizations are employing stringent measures to ensure that the quality of their services is standardized.

Heterogeneity

A machine can produce units identical in size, shape and quality. But a human being cannot work uniformly and consistently throughout the day. Since human beings offer a service, there is a high probability that the same level of service is not delivered all the time. The service offered by one employee may differ from the service offered by another, although they may belong to the same company. Even the service offered by the same employee may be different at different times of the day. After serving customers continuously for several hours during the day, an employee may not be able to offer the same level of service towards the end of the day. Also, the quality of service offered by employees at one

branch of a service organization may differ greatly from the service offered at another branch. But if the variation in service quality becomes extremely obvious, customers may be dissatisfied and switch to a competing firm.

In some case, however, heterogeneity can benefit an organization. Some customers want specific services, which may not be needed by other customers. In such cases, the organization can offer customized service to such customers and charge a premium from them.

Inseparability

A service is consumed by the customer as soon as it is delivered to him. Thus, production and consumption occur simultaneously in case of services as opposed to products, which are manufactured, inventoried and then consumed. Services cannot be inventoried and need to be consumed immediately. Since the delivery and consumption of a service are inseparable, there has to be interaction between customers and service providers. For example, the interaction between a patient and his doctor is essential if the patient has to be treated for an illness. Therefore, service organizations should take special care in training and motivating these employees. Front-line employees should be trained to be professional in their approach, courteous in the way they talk to customers and patient in dealing with customer queries.

Perishability

Unlike products, services cannot be inventoried or stored for future consumption. Suppose, a hotel has 40 rooms but on a particular day, only 10 rooms are occupied. The hotel has an idle capacity 30 rooms on that day. This is a lost business opportunity for the hotel owner. The fact that it may be fully booked the next day does not compensate for the idle capacity on the first day. It cannot be recovered, as it is lost for all time.

Thus, the perishability of services is another factor that leads to complexity in managing services. Service organizations need to be extremely cautious in their demand and supply plans. They need to consider all the possible factors that affect the demand for their service and strive to avoid excess or shortage of capacity of meet demand.

DEVELOPING MARKETING STRATEGIES FOR SERVICES

Marketers of services face a bigger challenge due to the unique nature of services. They need to take special care to produce, price, promote and distribute their services. In addition to product, price, promotion, and distribution, there are three other aspects of services, which demand the attention of service marketers. These are people, process and physical evidence. The most important challenge faced by marketers is to distinguish their service offering from that of the competitor and bring about a consistency in delivering the service.

Product

Services are intangible in nature and cannot be seen, touched or felt. Another shortcoming of services is that they cannot be evaluated before purchase or consumption. Hence, customers of services, while making their purchase decision, rely heavily on their past purchase experience, word-of-mouth publicity, reputation of the service provider, brand name and promotional activities. Marketers use various strategies to market services. For example, (a) they try to offer the same standardized service to all their customers; e.g. overhauling a car, a courier service, etc., (b) they customize the service according to the needs to the customer;

Pricing

Most customers do not wish to pay for services due to their intangible and perishable nature. Hence, service marketers use various strategies to recover their costs. These strategies also vary across different industries. It is interesting to note how marketers and service providers use various names for the price they charge.

Service providers try to attract their customers by setting flexible price, but it is essential that they take into consideration the cost of providing the service before setting their prices. For instance, people-based services are labor intensive and call for the service provider to set a price that allows him to make a profit after recovering the labor cost. Marketers also use other strategies like setting the price according to (a) demand for the service, (b) season and time of the year, day, etc. (for example, restaurants and resorts vary the price of their service according to the time of the day, season, etc.) (c) age of the service consumer, e.g. low price is usually charged for children and senior citizens in resorts, transport services,

etc. and (d) the customer's ability to pay (for example, some doctors and lawyers charge a fee based on the ability of their client/patient to pay).

Promotion

Promoting an intangible is quite a challenging job for marketers because they cannot exhibit its features. Therefore, marketers resort to using the ambience of the service firm, its employees, awards and certifications received, etc. to project the quality of their service. Such a kind of promotion is seen in the case of hotels, recreation centers, transport services, etc.

Marketers also realize that customers form an opinion about service quality based on their impression of the ambience and employees of the firm. Personal selling plays a dominant role here. Hence, service providers look for ways and means to improve the ambience and also provide training to their staff to improve the service delivery.

Service providers may also make use of the services of other firms to enhance their image. Publicity is another tool, which is widely used by service providers. For instance, professional sports agencies, travel agencies, airways, etc. benefit from the publicity obtained by sponsoring various events. Other service providers like doctors, lawyers, accountants, insurance agents etc. take an active part in community affairs and volunteer services to gain publicity.

Distribution

Services are produced and consumed simultaneously, which implies that services are sold directly to the customer. For example, services like repair, medical care, legal consultation, etc. do not have any intermediaries or distributors. However, there are also other services like public utilities (electricity, gas, ration, mass transport etc.), financial securities, travel and entertainment that require a middleman to distribute these services to the customer.

People

People management is an important aspect of service organizations. Service organizations gain a competitive advantage through their service personnel. The personnel in a service organization can have an impact on the service delivered in various ways. Customers often

judge the performance of a service organization by associating it with the behavior and attitude of its service personnel.

Hence, service organizations take a lot of care in providing behavioral training to their personnel. They lay emphasis on courteous behavior and friendliness while dealing with customers. The personnel are also trained on how to handle unruly and unpleasant customers and on the use of proper language and posture, and maintenance of cleanliness and proper appearance. These measures by service firms help them in maintaining a high quality of service delivery.

Process

Marketing of services depends on meeting customer expectations. Over the years, some service organizations have standardized their processes and thus reduced the element of human judgment and error in their service delivery. Labor costs and competition in the service industry have increased tremendously and many service organizations have made customers an integral part of the service delivery process so that labor costs can be reduced and the benefit can be passed on to the customers.

Though the expectations of some customers are not met, others are ready to be involved in the service production activity for lower prices. Service organizations identify the customers who do not want to take on the co-production responsibility and are willing to pay higher prices for the service to be delivered to them. For example, customers are even ready to pay an additional amount as commission to portfolio managers for managing their mutual funds.

Physical evidence

Service customers experience greater difficulty in assessing a service as they cannot rate it until it is consumed. Therefore, service providers try to attach an element of tangibility to their service offers. This is the physical evidence and can be in any form. For example, brochures in travel agencies showing the details of a holiday destination and the interiors of a fast-food outlet provide physical evidence to the customers.

MANAGING SERVICE QUALITY

Service quality pertains to the comparison of service expectations to the actual service experience and the satisfaction or dissatisfaction that may result from doing so. Measuring service quality is difficult in the service industry because of the intangibility characteristic of services. Hence, service providers need to ensure that they consistently deliver high quality service that will allow them to differentiate themselves from their competitors and help them meet customer expectations.

Success in the service industry depends on the following key aspects – strategic concept of the service, commitment of the top management, high standards, monitoring systems, customer complaints, and satisfying employees.

Strategic Concept

Providing superior service is a challenging task. The task becomes all the more difficult if service providers fail to have a focused service strategy. The operations of every service provider must be guided by a service concept as well as strategic concept. While the service concept determines the degree to which the service provider is able to focus on its target customers and efficiently satisfy their needs, the strategic concept ensures that the service provider has a distinct strategy to fulfill those needs and differentiate itself from its competitors.

Commitment of the Top Management

Commitment of the top management towards maintaining high standards in service quality is of utmost importance for a service organizations to be able to differentiate itself from other competing firms.

High Standards

The best and leading service providers set standards in service quality, which become a benchmark for other in the industry. For example, in the hospitality sector in India, the Taj Group of hotels established service standards, which serve as a benchmark for all other hotels in the country.

Monitoring Systems

The heterogeneity of services and the absence of monitoring systems make it difficult for service providers to maintain a consistent level of service quality. Leading service providers, therefore, adopt a two - pronged strategy. While on one hand, they keep a strict watch on their own service quality and on the other, they closely monitor the quality standards and policies of their competitors. While customer surveys, suggestion and complaint systems allow firms to monitor their own quality standards and customers satisfaction, methods such as comparison - shopping and ghost shopping help firms monitor the service quality standards of their competitors and identify areas where they can improve themselves. Importance performance analysis' by service organizations helps them rate various components of the service on the basis of certain predetermined standards.

In order to monitor the quality, service organizations identify certain crucial aspects pertaining to the service such as cleanliness, timeliness, accuracy, etc. The quality of the service organization of these aspects is assigned a numerical value according to the category it falls into, namely, acceptable, fairly acceptable, or non-acceptable. If any aspect of the firm falls into the non-acceptable or fairly acceptable category, the firm makes efforts to improve on these aspects so as to provide service of acceptable standard, Subsequently, the firm undertakes a periodic monitoring of its processes along these aspects to check for changes and deviations from the acceptable levels.

Customer Complaints

Many times, customers are dissatisfied after marketing the purchase. However very few actually bother to lodge a complaint with the service organization because they either do not know where to lodge the complaint or they feel that lodging a complaint would not serve any purpose.

Service firms today actively solicit feedback from customers. Dwelling into the feedback and analyzing customer comments helps firms take necessary action and improve their services. After receiving comments from customers, the management analyzes the number and nature of complaints received through a particular channel. It then identifies the most common and serious complains among them and acts upon them on priority basis to find a long-term solution. Complaints can be collected by front - line employees of executives

appointed for the purpose, or even the dealers. For example, Maruti Udyog Ltd (MUL) solicits comments and opinions of its customers about the quality of customer service offered by its dealers.

Some firms even give individual attention to each complainant and keep the customer informed of the action being taken on his complaint.

Satisfying Employees

Service delivery calls for the close interaction of customers with the service personnel. The satisfaction or dissatisfaction of the service personnel has an impact on the service delivery process. This, in turn, affects customer satisfaction. Hence, service firms try to ensure efficient service delivery and thereby customer satisfaction, by designing jobs that give their employees job satisfaction and enrichment, provide them the right work environment, and offer a reward system that motivates them to work better. Firms also conduct periodic employee audits to assess the job satisfaction level among their employees.

SERVQUAL MODEL

From a Best Value perspective the measurement of service quality in the service sector should take into account customer expectations of service as well as perceptions of service. However, as Robinson (1999) concludes: "It is apparent that there is little consensus of opinion and much disagreement about how to measure service quality". One service quality measurement model that has been extensively applied is the SERVQUAL model developed by Parasuraman. SERVQUAL as the most often used approach for measuring service quality has been to compare customers' expectations before a service encounter and their perceptions of the actual service delivered.

The SERVQUAL instrument has been the predominant method used to measure consumers' perceptions of service quality.

Service Quality

Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either. Commonly service quality as the extent to which a service meets customers' needs or expectations. Service quality can thus be defined as the

difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs. Always there exists an important question: why should service quality be measured? Measurement allows for comparison before and after changes, for the location of quality related problems and for the establishment of clear standards for service delivery. The SERVQUAL approach, is the most common method for measuring service quality.

Service Quality Gaps

There are seven major gaps in the service quality concept. The three important gaps, which are more associated with the external customers are Gap1, Gap5 and Gap6; since they have a direct relationship with customers.

- **Gap1: Customers' expectations versus management perceptions:** as a result of the lack of a marketing research orientation, inadequate upward communication and too many layers of management.
- **Gap2: Management perceptions versus service specifications:** as a result of inadequate commitment to service quality, a perception of infeasibility, inadequate task standardization and an absence of goal setting.
- **Gap3: Service specifications versus service delivery:** as a result of role ambiguity and conflict, poor employee-job fit and poor technology-job fit, inappropriate supervisory control systems, lack of perceived control and lack of teamwork.
- **Gap4: Service delivery versus external communication:** as a result of inadequate horizontal communications and propensity to overpromise.
- **Gap5: The discrepancy between customer expectations and their perceptions of the service delivered:** as a result of the influences exerted from the customer side and the shortfalls (gaps) on the part of the service provider. In this case, customer expectations are influenced by the extent of personal needs, word of mouth recommendation and past service experiences.

- **Gap6: The discrepancy between customer expectations and employees' perceptions:** as a result of the differences in the understanding of customer expectations by frontline service providers.
- **Gap7: The discrepancy between employee's perceptions and management perceptions:** as a result of the differences in the understanding of customer expectations between managers and service providers.

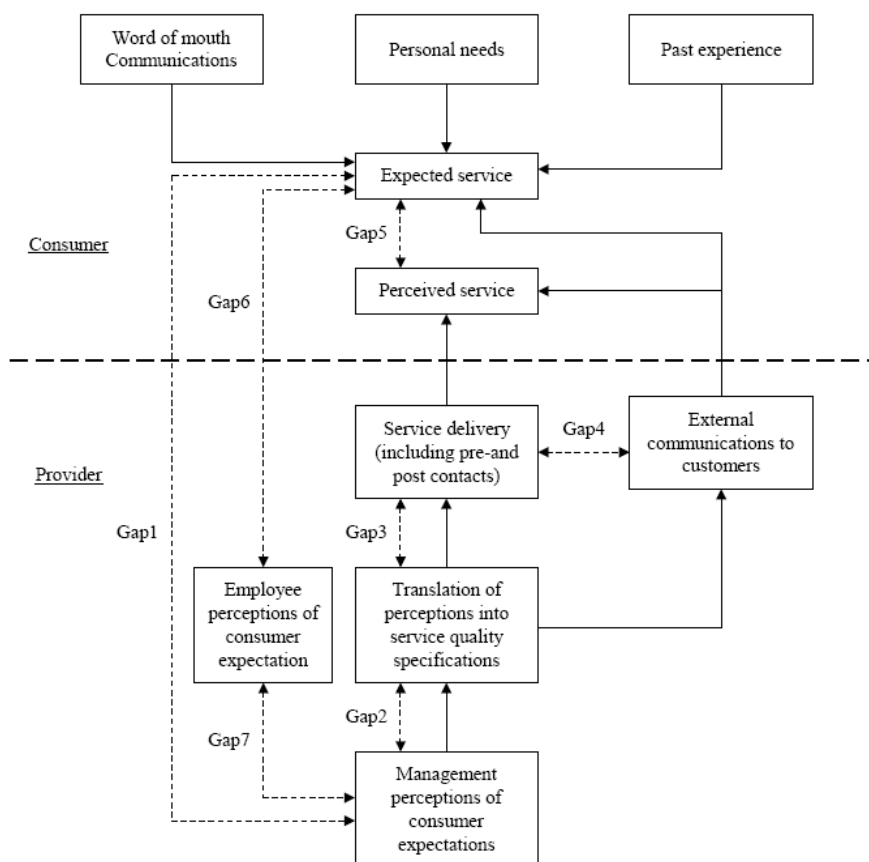


Figure : 1 Model of service quality gaps

According to Brown and Bond (1995), "the gap model is one of the best received and most heuristically valuable contributions to the services literature". The model identifies seven key discrepancies or gaps relating to managerial perceptions of service quality, and tasks associated with service delivery to customers. The first six gaps (Gap 1, Gap 2, Gap 3, Gap

4, Gap 6 and Gap 7) are identified as functions of the way in which service is delivered, whereas Gap 5 pertains to the customer and as such is considered to be the true measure of service quality. The Gap on which the SERVQUAL methodology has influence is Gap 5.

HOLISTIC MARKETING FOR SERVICES

- (A) Introduction.
- (B) Managing Service Brands.
- (C) Developing Brand Strategies for Services.

INTRODUCTION

Because service encounters are complex interactions affected by multiple elements, adopting a holistic marketing perspective is especially important. The service outcome, and whether or not people will remain loyal to a service provider, is influenced by a host of variables. Keaveney identified more than 800 critical behaviors that cause customers to switch services. These behaviors can be placed into one of eight categories (see Table.).

<p>Pricing</p> <ul style="list-style-type: none"> • High Price • Price Increases • Unfair Pricing • Deceptive Pricing <p>Inconvenience</p> <ul style="list-style-type: none"> • Location/Hours • Wait for Appointment • Wait for Service <p>Core Service Failure</p> <ul style="list-style-type: none"> • Service Mistakes • Billing Errors • Service Catastrophe <p>Service Encounter Failures</p> <ul style="list-style-type: none"> • Uncaring • Impolite • Unresponsive • Unknowledgeable 	<p>Response to Service Failure</p> <ul style="list-style-type: none"> • Negative Response • No Response • Reluctant Response <p>Competition</p> <ul style="list-style-type: none"> • Found Better Service <p>Ethical Problems</p> <ul style="list-style-type: none"> • Cheat • Hard Sell • Unsafe • Conflict of Interest <p>Involuntary Switching</p> <ul style="list-style-type: none"> • Customer Moved • Provider Closed
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Figure : 2

FACTORS LEADING TO CUSTOMER SWITCHING BEHAVIOR

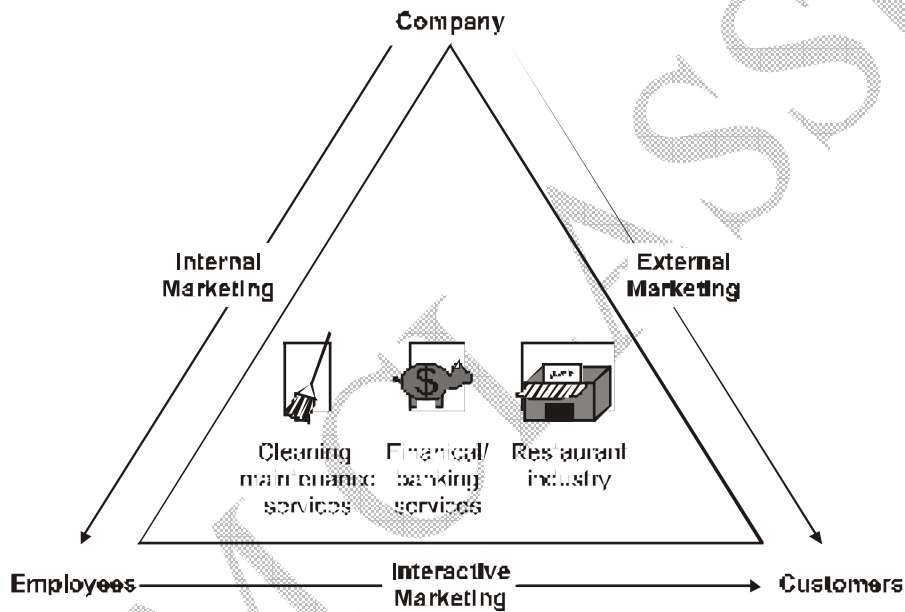


Figure : 3 Three Types of Marketing in Service Industries

Holistic marketing for services requires external, internal, and interactive marketing (see Figure.). External marketing describes the normal work of preparing, pricing, distributing, and promoting the service to customers. Internal marketing describes training and motivating employees to serve customers well.

Interactive marketing describes the employees' skill in serving the client. Clients judge service not only by its technical quality (e.g., Was the surgery successful?), but also by its

functional quality (e.g., Did the surgeon show concern and inspire confidence?). Technology has great power to make service workers more productive.

Companies must avoid pushing productivity so hard, however, that they reduce perceived quality. Some methods lead to too much standardization. Service providers must deliver “high-touch” as well as “high-tech”.

MANAGING SERVICE BRANDS

Some of the world's strongest brands are services—consider financial service leaders such as Citibank, American Express, JP Morgan, HSBC, and Goldman Sachs. Several hospitals have attained “megabrand” reputations for being the best in their field.

Differentiating Services

Service marketers frequently complain about the difficulty of differentiating their services. The deregulation of several major service industries—communications, transportation, energy, banking—has resulted in intense price competition. To the extent that customers view a service as fairly homogeneous, they are less about the provider than the price.

What the customer expects is called the primary service package. Vanguard, the second-largest no-load mutual fund company, has a unique client ownership structure that lowers costs and permits better fund returns. Strongly differentiated from many competitors, the brand grew through word of mouth, PR, and viral marketing.

The provider can add secondary service features to the package. In the airline industry, various carriers have introduced such secondary service features as movies, merchandise for sale, air-to-ground telephone service, and frequent-flier award programs. Marriott is setting up hotel rooms for high-tech travelers who need accommodations that will support computers, fax machines, and e-mail. Many companies are using the Web to offer secondary service features that were never possible before.

Conversely, other service providers are adding a human element to combat competition from on-line businesses.

Sometimes the company achieves differentiation through the sheer range of its service offerings and the success of its cross-selling efforts. The major challenge is that most

service offerings and innovations are easily copied. Still, the company that regularly introduces innovations will gain a succession of temporary advantages over competitors.

DEVELOPING BRAND STRATEGIES FOR SERVICES

- (a) Choosing Brand Elements.
- (b) Establishing image Dimensions.
- (c) Devising Branding Strategies.
- (d) Managing Product Support System.
- (e) Identifying the Satisfying Customer Needs.

Developing brand strategies for a service brand requires special attention to choosing brand elements, establishing image dimensions, and devising the branding strategy.

CHOOSING BRAND ELEMENTS

The intangibility of services has implications for the choice of brand elements. Because service decisions and arrangements are often made away from the actual service location itself (e.g., at home or at work), brand recall becomes critically important. In such cases, an easy-to-remember brand name is critical.

Service companies can also differentiate through symbols and branding. The famous ITC Welcome group logo; Taj Hotels targeting different customer groups with different brands, and Citibank's 'unfixed deposit' are some examples.

Because a physical product does not exist, the physical facilities of the service provider—its primary and secondary signage, environment design and reception area, apparel, collateral material, and so on—are especially important. All aspects of the service delivery process can be branded.

ESTABLISHING IMAGE DIMENSIONS Organizational associations—such as perceptions about the people who make up the organizations and who provide the service—are likely to be particularly important brand associations that may affect evaluations of service quality directly or indirectly. One particularly important association is company credibility and perceived expertise, trustworthiness, and likability.

Service firms must, therefore, design marketing communication and information programs so that consumers learn more about the brand than the information they get for service encounters alone. These programs may involve marketing communications that may be particularly effective at helping the firm to develop the proper brand personality. ICICI Prudential, for instance, tries to build the image of a dependable brand through its marketing campaign.

DEVISING BRANDING STRATEGY

Finally, services also must consider developing a brand hierarchy and brand portfolio that permits positioning and targeting of different market segments. Classes of service can be branded vertically on the basis of price and quality. Vertical extensions often require sub-branding strategies where the corporate name is combined with an individual brand name or modifier. In the hotel and airlines industries, brand lines and portfolios have been created by brand extension and introductions.

MANAGING PRODUCT SUPPORT SERVICES

Thus far we have focused on service industries, no less important are product-based industries that must provide a service bundle. Manufacturers of equipment – small appliances, office machines, tractors, mainframes, airplanes—all have to provide product support service. Product support service is becoming a major battleground for competitive advantage.

IDENTIFYING AND SATISFYING CUSTOMER NEEDS

The company must identify customer need carefully in designing a service support program. Customers have three specific worries:

- The worry about reliability and failure frequency: A farmer may tolerate a combine that will break down once a year, but not two or three times a year.
- The worry about downtime. The longer the downtime, the higher the cost. The customer counts on the seller's service dependability—the seller's ability to fix the machine quickly, or at least provide a loaner.
- The worry about out-of-pocket costs. How much does the customer have to spend on regular maintenance and repair costs?

A buyer takes all these factors into consideration in choosing a vendor. The buyer tries to estimate the life-cycle cost, which is the product's purchase cost plus the discounted cost of maintenance and repair less the discounted salvage value.

To provide the best support, a manufacturer must identify the services customers value most and their relative importance. In the case of expensive equipment, manufacturers offer facilitating services such as installation, staff training, maintenance and repair services, and financing. They may also add value-augmenting services.

Companies need to plan product design and service-mix decisions in tandem. Design and quality-assurance managers should be part of the new-product development team. Good product design will reduce the amount of subsequent servicing. Companies are adding modularity and disputability to facilitate self-servicing.

Postsale Service Strategy

The quality of customer service department varies greatly. At one extreme are departments that simply transfer customer calls to the appropriate person or department for action, with little follow-up. At the other extreme are departments eager to receive customer requests, suggestions, and even complaints and handle them expeditiously.

In providing service, most companies progress through a series of stages. Manufacturers usually start out by running their own part-and-service departments.

Over time, manufacturers switch more maintenance and repair service to authorized distributors and dealers. These intermediaries are closer to customers, operate in more locations, and can offer quicker service. Independent service organizations handle mainframes, telecommunications equipment, and a variety of other equipment lines. They typically offer a lower price or faster service than the manufacturer or authorized intermediaries.

Customer service choices are increasing rapidly, however, and this is holding down prices and profits on service.

DIRECT AND ON-LINE MARKETING

(A) Nature and Scope of Direct Marketing.

- (B) Forms of Direct Marketing.
- (C) Advantages and Disadvantages of Online Marketing.
- (D) Online Advertising.
- (E) Opportunities and Challenges in Online. Marketing.

NATURE AND SCOPE OF DIRECT MARKETING

The UK Direct Marketing Association defines direct marketing as, "Communications where data are used systematically to achieve quantifiable marketing objectives, and where direct contact is invited or made between a company and its customers."

In direct marketing, companies reach their customers directly without any intermediary through a medium, which may be the Internet, telephone, post, etc. Direct marketing is similar to traditional marketing activities except that it has following three additional features.

1. In direct marketing, marketers invite customers to respond to their marketing efforts through the telephone, e mail, etc.
2. The effectiveness of direct marketing can be measured easily because direct feedback is available to marketers from customers.
3. In direct marketing, generally, a database of customers is maintained. This helps marketers understand customers and serve them better, and eventually gives the marketer a competitive advantage.

Direct marketing evaluates the direct response patterns of customers, enables a company to formulate future marketing strategies for building customer loyalty and for profitable business growth.

The rapid increase in the growth of online marketing can be attributed to many factors. Goods, services and ideas can move across continents efficiently at the click of a mouse. With the advent of e-commerce, the rapid growth of the Internet and online transactions taking place at all times of the day and night, today's markets, businesses and customers never sleep. This is not only a new challenge for global businesses attempting to serve a client base that spans time zones, but also for local enterprises that can no longer afford to restrict themselves to traditional hours of doing business. Online business is growing with

the assistance of new powerful technologies like satellite communication, mobile telecommunications, interactive voice recognition, data mining, digital signatures, virtual private networks, and portable computing. The aim of these technologies is to benefit a firm's online marketing efforts, in terms of both cost and value.

FORMS OF DIRECT MARKETING

The various forms of direct marketing include catalog marketing, telemarketing, kiosk marketing, home shopping, and marketing using other media.

Catalog Marketing

Catalog marketing is the process in which companies send their catalogs containing details of products and services to customers and expect them to respond by placing orders by telephone or by mail. Catalog marketing is a convenient way for customers to purchase products.

Telemarketing

Telemarketing is the process of communicating with customers through the telephone, to promote products or services. Telemarketing needs highly trained marketing staff who are given specific objectives. Telemarketing is usually aimed at people who are prospective customers and require the services offered by a marketer. Unlike telesales, telemarketing is a concentrated effort aimed at developing a long-term relationship with customers rather than making immediate sales.

Kiosk Marketing

Kiosk marketing involves the use of kiosks or electronic touch screens, which provide information to customers regarding products and services of a company. The use of kiosks is beneficial for customers because they can be set up at places convenient for them, and enable them to obtain relevant information about the company without visiting the company. They can be set up in even a very small area.

Home Shopping

Home shopping or television home shopping is generally done through television programs in which various products are displayed and their uses are demonstrated to viewers. An attempt is made to persuade the viewers to place orders for these products on the phone or

by writing to the company. Once the orders are placed, these products are delivered to the customers within two to three weeks, normally with a payment-on-delivery option.

Other Media

Direct marketing can also be effectively done through newspapers, magazines, journals, company newsletters, post cards, postal envelopes, leaflets and door-to-door pamphlet distribution. These media can be used effectively either individually or in a combination.

ADVANTAGES AND DISADVANTAGES OF ONLINE MARKETING

The increasing popularity of the Internet with marketers, and e-commerce applications for businesses, is due to the specific advantages associated with online marketing. The advantages are:

- Online marketing efforts reach a larger customer base. In fact, marketing can be done on a global basis using the Internet and it enables marketers to reach potential customers around the world.
- Online marketing allows customers to shop online at their convenience from their home or workplace.
- Online marketing allows firms to provide customers with video clips and statistics thereby giving them ample scope to compare products and services with those of competitors.
- In online marketing, there is a direct interaction between the marketer and the customers. Thus, both the user and the seller have a closer relationship.
- Maintaining an online store does not have traditional costs associated with maintenance of a conventional store. For instance, costs related to real estate, shelf space, interiors, insurance premiums, etc. are almost absent in online marketing.
- Online marketing allows marketers to count the exact number of customers visiting the site. This will allow the marketer to devise his promotional strategy accordingly.

However, online marketing does have certain disadvantages. People are still not accustomed to shopping online. For instance, a grocer trying to sell his goods online may find it difficult to attract customers who want to touch and feel the goods before buying them. Marketers of apparels, flowers and carpets have faced many difficulties in selling their products online and many have to withdraw from the business. It may take some more time

for customers to get used to shopping online. Another difficulty faced by online marketers is associated with the use to credit cards. Indians are still reluctant to give their credit card details for online purchases. This is significantly hampering the growth of the online business in the country.

ONLINE ADVERTISING

With the advent and rising popularity of the Internet, marketers have found it worthwhile to advertise online. There are various methods of online advertising. Some of them are – forums, newsgroups, bulletin boards, web communities, emails and web-casting.

Forums

Forums are discussion groups located on commercial websites that link users to libraries, directories or chat rooms. These help users who are online to send and receive instant messages.

Newsgroups

Conventionally, customers used to lodge complaints with the company's complaint department. But these days, customers can log on to newsgroups or chatrooms and praise a marketer's service or express their discontent about it. Newsgroups can build or destroy a company's image since these messages get exposed to larger audiences. Discontented customers, especially, tend to choose popular sites like Yahoo, which are visited by large audiences, to express their feelings.

Bulletin Boards

Bulletin boards are electronic notice boards where mails can be sent, discussions can be held between individuals and groups and even files can be exchanged.

Web Communities

Users who want to share information online through message boards are called web communities. Message boards allow users to post messages for people having similar interests, and who thus become members of that particular web community.

E-mails

Electronic mails have become a popular medium for marketers to reach customers and promote their products and services personally to the customers. Personalized e-mails relevant to the target customers are sent to persuade them to buy the product/service.

Web Casting

Web casting is a form of broadcasting, using Internet technologies. The information is dispatched to the users according to their requirements. When a user signs up for the service of a webcaster, he gives his consent for receiving and being updated with certain information from time to time.

OPPORTUNITIES AND CHALLENGES IN ONLINE MARKETING

Online marketing offers immense opportunities to marketers to expand their businesses on a global scale. Companies that have traditionally catered to the requirements of a small market are today competing with multinationals by expanding their businesses online. Online marketing gives marketers scope to reach prospective customers across the global. Online advertising gives marketers a chance to reach the maximum number of customers at minimum cost. Marketers can conduct their online business by using the latest technologies. There are, however, certain challenges that online marketers have to face.

Online marketers should also advertise their offerings through conventional media such as print, radio and television. A major factor that contributes to the growth of online business is word of mouth. Online marketers should, therefore, take special care to spread their presence on the net and improve their sales through word of mouth. Maintaining proper public relations will also help the company secure higher sales.

Another major online marketing opportunity is affiliate marketing, that is, paying a commission to a third party site when visitors buy the company's products by logging on to the company's site from a third party's site. According to study conducted by Forrester Research, around \$16 billion of online advertising spending will be for affiliate marketing in 2004.

NEW ISSUES IN MARKETING

- (A) Introduction and Importance of Marketing Ethics.
- (B) Social Impact of Marketing.

- (C) Social Regulations in Marketing
- (D) Enlightened
- (E) Enlightened Marketing.
- (F) Principle of Public Policy Towards Marketing.

INTRODUCTION AND IMPORTANCE OF MARKETING ETHICS

We often see discrepancies between the promised and actual performance of products or services. This makes us feel that we have been deceived or cheated and some products and services may even cause physical injury.

Managing and maintaining ethical standards are as important as any marketing effort.

Since consumers are becoming increasingly aware of the social responsibilities of companies and buying products of those companies which are behaving in a socially responsible and ethical manner, it has become necessary for companies to carry out their businesses in a socially responsible and ethical manner.

The word 'ethics', is known as 'ethikos' in Greek and 'ethicus' in Latin. It is derived from ethos, which means character or manners. Ethics therefore is said to be the science of morals, moral principles and rules of conduct.

The characteristics that define acceptable conduct in marketing are called marketing ethics. Certain fundamental ethical issues have been codified into statutory regulations, to be followed by manufacturers. However, it is not enough to follow these legal regulations if manufacturers want to build a long-term relationship with their customers. To nurture their relationship with customers, manufacturers need to conform to ethical standards, which society expects them to follow.

It is very important for organizations to follow ethical standards. As awareness among customers is on the rise, many customers prefer not to buy products or services of companies that have resorted to unethical practices either in the past or at present. Thus if companies do not ensure that their policies and practices are ethical, they are bound to lose potential customers. These customers may also engage in a negative campaign against the company.

SOCIAL IMPACT OF MARKETING

- (a) Individual Customer.
- (b) Society.
- (c) Political Tasks.
- (d) Environmental Tasks.

An organization can create a positive impact on society if it produces products that are useful to society and do not harm it. Organizations seriously started considering their responsibility towards society, around forty years ago. They have realized that organizational social commitment comprises of four types of responsibilities. They are economic, legal, ethical and philanthropic responsibilities. Although these four categories of responsibilities have existed for decades, ethical and social dimensions have gained increased significance in recent years. As consumers now realize the need to protect environment and society, companies are also forced to realize their responsibilities towards society and environment.

Although a firm is not legally bound to follow ethics, following ethics helps organizations build a positive image in society and this in turn helps them improve their market value.

Philanthropic acts are different from ethical commitments. A firm, which contributes some of its resources for the betterment of the society is said to be performing a philanthropic act. A firm is considered socially responsible, when it fulfills its economic, legal, ethical and philanthropic, commitments. Microsoft, for example, is increasingly becoming a socially responsible company by combining its business activities with philanthropic activities.

Individual Customer

Consumers are becoming increasingly aware of the social commitments of organizations and some prefer to buy products of those firms that are socially responsible, if the services, quality and prices are equal for all firms. Organizations are gradually realizing that following unethical practices for short-term gains would spoil a company's image in the long run and

the costs incurred in becoming socially responsible would improve organizational sustainability in the long run.

Firms must give maximum importance to the customers they are serving. Consumer needs and their purchasing power should be kept in mind while developing products and services. Products should satisfy the quality requirement to target customers. Companies must also ensure that they deal with customers in a fair and respectful manner at all points of contacts.

Society

Every business establishment contributes to society in some form or the other. Similarly, Society also helps business organizations by creating an environment for them to grow in. Since businesses depend on society for their survival, they need to pursue their activities in a manner that does not harm the environment and society, and in fact proves beneficial to them. Many organization have been begun to realize their responsibility towards society.

Some companies put consumers and the society first. Johnson & Johnson showed that it put the health of consumers first when some consumers died after consuming Tylenol syrup for headache.

Companies need to be environment conscious, and sensitive towards issues like global warming and ozone layer depletion. Till recently, CFC (Chloro Fluoro Carbon) that damages the ozone layer was used in most countries to manufacture compressors for refrigerators. However, of late, many companies have developed alternate ways of manufacturing and have banned the use of CFC in any product or process. They should also adopt fair practices of employment like, giving equal opportunities to both men and women of the community, and provide a safe and healthy work environment for employees along with adequate compensation packages. Over the years, organizations have performed a variety of tasks in society. They are financial tasks, economic and production tasks, maintenance tasks, political tasks and environmental tasks.

Political tasks

Companies with global operations need to formulate policies that respect the laws of the land in which they are operating. Every firm is expected to uphold human rights and to violate the rights of its shareholders and employees. Companies with global operations need

to respect the political framework of the countries they are operating in and carry on the business within those limitations.

Environmental tasks

Firms need to protect the environment and ensure that none of their activities affect the environment adversely. The issue of effluent disposal has gained significance in recent times, and most countries have enacted laws for environmental protection. Firms should take steps to tackle industrial waste that cause severe damage to the environment and sometimes, even loss of human life.

SOCIAL REGULATIONS IN MARKETING

- (a) Consumerism.
- (b) Customer Rights.
- (c) Consumer Protection Act.

The social regulations in marketing include customer rights, Consumer Protection Act, consumer forums, Bureau of Indian Standards, competition policy, environmentalism and public action to regulate marketing.

Consumerism

Consumerism can be understood as an organized movement by consumers to protect themselves from exploitation by sellers. Consumerism in India emerged as a reaction against the black marketing and other unethical practices of sellers in the country. Indian consumers raised their voice against the exploitative practices of sellers. Various non-government organizations also began to voice their concern against the exploitative practices of marketers.

Customer Rights

Consumer movement can be described as a collective endeavor of individuals or organizations to protect consumer rights. The issue of consumer rights gained momentum when US president John F. Kennedy passed a bill on rights to protect the interests of consumers. The rights were, the right to safety, the right to be informed, the right to choose and the right to be heard. The right to safety proposed that firms could not knowingly offer such goods to the consumers that may harm them, i.e. all products offered to the market

must be safe. The right to be informed proposed that consumers should have adequate information about the product. The right to choose conveys that consumers should have a wide range of products to choose from. The right to be heard proposed that the consumers should have a say in the formulation of business policies by the government.

Community relations

Companies need to maintain good relations with communities. Firms, which undertake philanthropic work and actively participate in resolving social issues or concerns, have a good image in society. In India, several organizations are spending money to create public awareness on AIDS, road safety, ill effects of alcohol consumption, smoking and chewing of tobacco.

Green marketing

Green marketing is a recent phenomenon, in which manufacturers focus on producing environment friendly products. All marketing efforts are directed towards achieving this goal. The product development, pricing policies, promotional activities and distribution strategies are developed in a way that will not cause any damage to the environment. There are certain organizations, which observe companies' efforts towards green marketing and give a seal of approval to these companies. This seal can be used in their advertising the promotional campaigns.

Consumer Protection Act

The Consumer Protection Act in India was enforced in 1986. The Act paved the way for setting up of consumer redressal forums at the district, state and national level. The enactment of the Consumer Protection Act brought about increased consumer rights awareness in the country and many organization came into existence to fight for the cause. These organizations offer their services through websites. These sites provide necessary services to consumers who want to seek a remedy under the Consumer Protection Act. Awareness among consumers about their rights and the option of seeking timely and just remedies through consumer forums have made business establishments more responsible in their offerings towards customers. People have started demanding better quality products and services. Organizations, both public and private, have realized their

responsibility to offer the best quality products and services to their customers. The Act applies to all goods and services (excluding services that are rendered free of cost) in the country, until and unless the central government categorically exempts a product or a service from it.

ENLIGHTENED MARKETING

Intelligent producers identify the needs of potential customers first and put in all their efforts to satisfy those needs. An enlightened producer's efforts should be directed towards improving the quality of life of these customers by offering them innovative and best quality products at affordable prices. The products should be environment friendly or they should at least not harm the environment.

Enlightened marketing activities of a firm are aimed at leveraging long-term benefits through business practices such as customer-specific marketing, social responsibility marketing, innovative marketing, value marketing and sense-of-mission marketing.

Customer-specific marketing: In this type of marketing, all marketing efforts of an organization are directed towards satisfying the requirements of its consumers with good quality products that will enhance their living standards.

Social responsibility marketing: Socially responsible marketing gives more importance to the society and environment rather than products and profits, in the production and distribution of products to customers.

Innovative marketing: As the name suggests, a company should innovate new products faster than its competitors, devise new ways to reach customers, communicate with them and identify how their unfulfilled needs can be fulfilled.

Value marketing: Companies should focus on creating maximum customer value through their product offerings. The more the value derived by customers through the products, the more loyal they become to the companies. And loyal customers provide long-term profitability to companies.

Sense-of-mission Marketing: Mission statements of firms must reflect their responsibility towards society rather than just their profit motives.

Principles of Public Policy towards Marketing

There are about seven modern marketing principles that address the public policy towards marketing. They are:

Principle of consumer and producer freedom: This principle describes that any marketing effort will be successful if it improves the quality of life of customers. It implies that an individual will excel in his pursuit if he is given complete freedom.

Principle of curbing potential harm: Effective measures should be taken by the government and customer groups to ban harmful products. Legal action should be taken against producers offering goods that can harm customers.

Principle of meeting basic needs: It is the most important criterion because marketing activities should be directed towards fulfilling the basic needs of customers and simultaneously uphold the values of society.

Principle of economic efficiency: Organizations should strive towards achieving economic efficiency by producing goods of high quality and selling them at affordable price. Organizations should adopt the best policies towards achieving economic efficiency.

Principle of innovation: It is imperative for organizations to constantly innovate new products to sustain and grow in the market profitably. However, these innovative practices should suit the changing needs of customers.

Principle of consumer education and information: Offering timely information and creating awareness among consumers about products and services are fundamental for producers to succeed. It helps consumers select the products that meet their requirements.

Principle of consumer protection: Companies should always be cautious towards consumer protection and should try to protect consumer interests in all their activities.