UNIT – I

SIGNIFICANCE OF SERVICES MARKETING

Proper marketing of services contributes substantially to the process of development. If innovative marketing principles are followed in services marketing, the socio-economic transformation will take place at a much faster rate. In future, the service sector would operate in a conducive environment offering great potential. If the opportunities are properly utilised by the service sector, it will lead to an all round development of the economy. The significance of the service economy may be discussed under the following headings:

1. Generation of employment opportunities
2. Optimum utilisation of resources
3. Capital formation
4. Increased standard of living
5. Use of environment-friendly technology.

1. Generation of employment Opportunities

The components of the service sector are wide and varied. For example, the service sector includes personal care services, education services, medicare services, communication services, tourism services, hospitality services, banking services, insurance services, transportation services, consultancy services, etc. The organised and systematic development of the service sector would create enormous employment opportunities. Application of marketing principles in the service sector is instrumental to the development of the economy. However, it is appropriate to mention that India has not been successful in utilising the potential of the service sector. As seen in Table 1.1, in USA about 80 per cent of job opportunities are offered by the service sector compared to India's 60%. So, the significance of the service sector lies in its capacity to create job opportunities. If the service sector is properly developed, it will solve the problem of unemployment in India to a great extent. After liberalisation policy, the service sector in India has been emerging as a dominant component in the economy.

2. Optimum Utilisation of Resources

India is bestowed with rich resources. Particularly, the human resources available in India favour the growth of the service sector. While the labour content in most manufacturing activities is dropping steadily with use of technology, the labour content in the service sector is comparatively high. As India is rich in human resources, service sector can grow steadily. Moreover, service sector offers excellent export opportunities too. In fact, the important agenda of the World Trade Organisation (WTO) is opening up of market for services. So, by exploiting these factors, India can maximise its services export. Though its performance in the export of computer software is quite commendable already, it should concentrate on other areas as well. Service firms such as personal care services, the entertainment services, tourism services, hotel service contribute to the growth of the economy without consuming any natural resources. In a sense, the growth of service firms of this kind conserve natural resources. Thus, services marketing help conserve the valuable resources for future generations.

3. Capital Formation

There are indications that Services will grow more rapidly in the near future. Economic, social and political factors signal an expansion of the service sector. Investments and job generations are far greater in the service sector compared to manufacturing. It is estimated that telecom alone will account for an investment of Rs. 150,000 crores in the coming years. Investment encourages capital formation. For the development of a
nation, the flow of capital should be directed towards the most productive uses. If investments are made in the service sector, it will contribute to the nation-building process. With increased developmental activities, the per capita income increases which, in turn, facilitates capital formation. Performance of profitable services can absorb higher investments, thereby accelerating the rate of capital formation.

4. Increasing the Standard of Living

The standard of living of the people in any country would be decided on the basis of quality and standard of products consumed or services availed in the day-to-day living. Any development is transparent only when the living conditions of the masses improve. When compared with developed countries, the standard of living in India is far from satisfactory. Standard of living cannot be improved by offering more opportunities for earnings. On the other hand, the standard of living is determined by the availability of goods and services for citizens and a wise spending on them. The development of services industry is sure to promote the standard of living of the people.

5. Use of Environment-friendly Technology:

Now-a-days, almost all services are found technology-driven. Developed countries are making full use of latest technology while rendering services. Technologies used by service generating organisations such banks, insurance companies, tourism, hotel services, , mmunicatiW1 services. and. education services are not detrimental in any way to the environment. On the contrary, technologies used in manufacturing organisations may have harmful effects on the environment. So, services industry do not pollute the environment which is indeed laudable.

DIFFERENCES BETWEEN GOODS AND SERVICES

Generally, it is regarded that a good is a thing and a service is an act. In other words, goods represent the object ,or material whereas services is deed or a performance .Both services and goods are interlinked. For example, the airline passenger while availing the services of airport enjoy consumption of food, etc., So, it is comparatively difficult to conceive a pure service or pure good .A pure good gives benefits containing no element of service. Likewise, a pure service would contain no element of goods. Goods can be physically touched an verified . they can also be carried home and can be stored at a place .But services like banking, insurance, personal care, baby sitting, transportation etc., Cannot be stored at a place. The effects of services include, pleasure, entertainment, relieve from ailment etc. The differences between goods and services may be studies under the following heads:

1. Tangibility, 2. Transportability,
3. Heterogeneity, 4. Existence,
7. Small Firm Size, 8. Difficult quality control,
9. Labour Intensity, 10 Legal and Ethical Barriers,
11. Fluctuating demand, 12. Sampling
   Portfolio Theory,

(1) Tangibility

Tangibility means anything which can be viewed or touched or felt. Services are intangibles as they cannot be seen tasted, felt, heard or smelt before they are bought. Services are intangibles as it is not possible to view them. But goods are tangible economic objects. They are capable of being seen,
touched, tasted, heard or smelt. We can only realise the services used by us. A service by nature is an abstract phenomenon and carries intangible perceptions. According to Carman and Uhl, "A buyer of products has an opportunity to see, touch, hear, smell or taste them before they buy". But these things are not possible in case of services.

(2) **Transportability**
Goods can be transferred from one place to another. Manufacturers transport goods from factory to the market. Customers carry home goods bought by them. So, there is transfer of goods from the point of sale to the point of use. Thus, transferability of goods necessitates a physical distribution channel. But it is not possible to physically transfer the services from the point of sale to the point of use. Many service businesses either use electronic channels (computer, TV, Radio) or contact the customers personally. As physical distribution channel is absent in case of services, there is no need of intermediaries like wholesalers or retailers as in the case of goods.

(3) **Heterogeneity**
Services are heterogeneous in nature. For the diagnosis of the physician, the physical presence of the patients is essential. Services vary according to the customers as services are created according to the specific needs of the customers. The heterogeneity of service makes it difficult to establish standards. However, the variability of service is less in case of machine oriented service. Due to services variability, the service provider is not able to provide a consistent quality in operation. This heterogeneous nature is not true with goods or products. Use of technology has made possible large scale production of goods in anticipation of future demand. The quality of goods produced is identical.

(4) **Existence**
Services are non-existent in nature. They can only be realised by availing them at the time of their production. But goods are existent. So, the goods produced at one point are distributed by others at other points. Since goods are existent, they are produced, sold and then consumed. But services are sold, produced and then used.

(5) **Resale**
Goods manufactured at one point are made available for distribution at different centres. Physical inspection of goods is possible before they are bought. The physical attributes of goods such as colour, size, shape, taste, etc., can be determined in advance of their purchase. But it is highly difficult for the customer to evaluate in advance the quality of service. Moreover, when goods are sold, the ownership is transferred in favour of the buyer. But sale of service does not result in transfer of ownership. So these two attributes, namely, *physical inspection* and *transfer of ownership* permit the intermediaries such as wholesalers and retailers to purchase goods for resale.

(6) **Storage**
As services are perishable, they cannot be stored. Service value exists only at the time it is produced. Unutilised or underutilised services are regarded a waste. Vacant rooms in a lodge, vacant beds in a hospital, unsold seats in the aircraft, unbooked marriage hall all represent a permanent loss. If the service provider fails to sell the services, it may be lost forever. But products like machines, equipment, soap, toothpaste can be preserved till they are sold.

(7) **Small Firm Size**
As services are not transportable, many service firms remain small in size. As a matter of fact, the small size does not permit marketing sophistication. Though service organisations like accounting and advertising agencies tend to be big, they are divided into smaller branch offices. Efficient service companies are known for adopting a marketing plan. They respond positively to the ever changing market conditions. The marketing process employed by them is the same as in the case of tangible products. Service firms being small and single unit operations are not able to fully realise
the economies of scale. But organisations marketing tangible goods are generally big in size and are able to realise the economies of scale.

(8) **Difficult Quality Control**

Quality should be the 'mantra' and be included in all operations of the organisation. It is difficult to define the quality concept. The service provider can exercise quality control through standards or specification in the manufacturing process. From the point of view of customer, quality occurs only when the services provided to them satisfy their needs. The idea of quality is, thus, strongly linked to the needs and expectations of the customers. It is very difficult to achieve quality in services as many services are provided only at the point of sale. Consumers find it difficult to judge the quality of service as they have less information about the quality of service offered. But control of quality is easy in respect of tangible products as they have physical features. These physical features can be objectively controlled in order to provide quality products to customers.

(9) **Labour Intensity**

Generally, service organisations are labour-intensive in nature. This factor prevents many service organisations from realising economies of scale. As services are intangibles and consumed simultaneously with production, it is difficult for the service provider to increase his output. Many services are personally produced considering the specific needs of the individual client. But in case of tangible products, it is easy to apply assembly line techniques for the reducing the number of workers.

(10) **Legal and ethical barriers**

Service units are increasing. There has been a significant move towards service industries from manufacturing activities. As a result, a large number of "Small Service Business Enterprises" (SSBES) have emerged which compete for market share by expanding the service offered. But professional ethics prevent many service providers from practising certain kind of marketing activities. Pressure from respective associations prevent professionals such as doctors, attorneys, chartered accountants from developing marketing programmes of their choice.

(11) **Fluctuating Demand**

Services are of perishable nature. Like manufacturing, services cannot stock their output in a warehouse till demand materialises. Matching of supply and demand is difficult in service marketing. When demand is less than capacity, then the cost of services will be more. As a result, profitability will come down and the provision of such a service will remain unproductive. On the other hand, if the demand far exceeds supply, it cannot be met satisfactorily by the service organisations. But the manufacturing organisations can store goods for a later sale. So, they can meet any excessive demand by supplying the goods from warehouse. The variability of service output poses challenges to service providers. Brand building in service is very difficult when compared with tangible goods. It is relatively easy for the marketer of tangible products to incorporate quality control measures into production processes. In case of providing service on a one-to-one basis, such as hair dressing, standardisation of output also becomes difficult.
Internal marketing describes the programmes that instil and maintain a strong service mentality in the mindset of employees. Most of the employees in an organisation serve the external customer. The efforts of all of them should be coordinated to serve the customers well. Customer-service heavily depends upon the service employees. Internal marketing addresses those employees who act as an internal market within an organisation. Employees are given the status of ‘customers’ with the same level of importance attached to the external customers. So, customer satisfaction can be guaranteed only by satisfying the employees (internal customers). In addition to their external marketing plans and strategies, service organisations pay a lot of attention to their internal marketing programmes. The importance of internal marketing is evident from the statement of Jan Carzon. "If you don't serve customers you better serve somebody else in the organisation".

DEFINITION OF INTERNAL MARKETING

The following are some important definitions offered for the term internal marketing.

1. "The means of applying the philosophy and marketing to people who serve the external customers so that:
(a) the best possible people can be employed and retained; and
(b) they do the best possible work". - Berry

2. "The term internal marketing has been coined to characterise the set of activities a firm must undertake to woo and win over the hearts and minds of its employees to achieve service excellence". - Rust

Objectives Of Internal Marketing

According to Gronroos, there are three objectives of internal marketing.

(Figure 12.1)

![Figure 12.1 - Objectives of internal marketing](image-url)
The overall objectives of internal marketing is to create customer conscious and care-oriented personnel. Internal marketing has strategic objectives to create an internal environment that supports the customer conscious personnel. Internal marketing works through supportive management methods, personnel policy internal trading policy and planning and control procedures. The tactical level objectives related to sale of services, supporting services, campaigns and single marketing efforts to the employees are based on the following principles:

(i) The personnel in a service organisation constitute its primary market
(ii) The employees are expected to understand their role in creating customer satisfaction and actively supporting a given service.
(iii) The employees should follow the policies and procedures laid down by the company in order to support the services needed for custom contact.
(iv) The service organisation should launch all service schemes only after getting the full acceptance of customers.
(v) Internal marketing calls for an internal information channel i.e., personal selling is required internally.

Role Of Internal Marketing

The service firm should market the concept of its services internally to own employees before it tries to successfully market them to Internal marketing plays an important role in marketing services.

1. Internal marketing motivates the personnel to work better and satisfy customers.
2. Every employee needs information for his effective functioning in an organisation. Internal marketing builds a good communication network " provides information to all employees thereby supporting the service environment.
3. Internal marketing enables the service organisation to gain additional market share.
4. It signifies the role of every employee and reduces conflict between the functional areas of business.
5. Customer service gets a high priority and the entire organisation focuses on a customer-oriented approach.
6. Internal marketing helps to develop committed personnel who can provide best possible service to customers.
7. Internal marketing equips people with technical skill and knowledge required for their effective functioning.
8. It builds the corporate image by creating awareness and appreciation of the company's aims and strength.
9. It helps the service firm to compete aggressively and gives the organization a competitive advantage.
10. Employees have a clear understanding of their commitment towards the accomplishment of organisational goals.
Components Of Internal Marketing Programmes

The internal marketing programmes should be well coordinated as the firm's external marketing programme. According to William R. George, an internal marketing programme includes the following components.

(i) Latest methods of training (ii) Continuous interaction with the management
(iii) Internal communication (iv) Marketing research; and (v) Other human resource management activities

1. **Latest methods of training**: Employees are treated like customers. These internal customers deal with external customers who actually buy the services of the organisation. Training should be given to employees on interpersonal skills as well as technical skills. Gronroos defines three types of training tasks:
   (a) Develop a holistic view of how a service strategy works and the role of each individual in the service system.
   (b) Develop and enhance favourable attitudes towards a service strategy.
   (c) Develop and enhance communication, sales and service skills among employees.

2. **Continuous interaction with the management**: Training is only a part of a successful internal marketing scheme. Training alone cannot motivate the employees towards better performance. The management must provide continuous support to the service employees. Involving employees in decision making process and rewarding a good performance enhance commitment levels of the employees. Every employee has different motivational aspects. Continuous support and constant encouragement from the management will enable service employees to deliver quality service.

3. **Internal Communication**: Employees should be informed of the new service oriented strategies and new ways of satisfying customers such as CDs, brochures and written manuals etc. Employees should be informed of either complaints or appreciation from customers and management should recognise the excellent performance of employees. Moreover, employees should be informed about job routines and special service emphasis given to the customers. A good internal communication system helps to send the right information to a large number of employees effectively.

4. **Marketing research**: Marketing research reveals the attitudes of the employees and their willingness to perform certain roles in a planned marketing strategy. It is also necessary to obtain internal customer feedback. The research identifies the levels of job satisfaction and its impact on the performance of employees.

5. **Other human resource management activities**: Internal marketing is the domain of human resource management. The HR department within a company is responsible for developing enlightened personnel policies including recruitment, selection and training, appraisal, rewarding and recognition for all employees. Successful personnel policies include recruitment and selection of the right people.

**STEPS IN DEVELOPING INTERNAL MARKETING PROGRAMMES**

Successful implementation of internal marketing programmes requires careful attention and planning. According to Helen Wood Ruffe, an internal marketing programme encompasses the following steps: (i) Market definition (ii) Market research (iii) Market segmentation (iv) Selection of technique (v) Marketing communication; and (vi) Marketing orientation.
(i) **Market definition**: Market definition is the first step in planning an internal marketing programme. It is necessary to define who the internal customers are in order to find out the needs of the customer and determine how a quality service can be provided to them. Each service person is participating and serving in a clearly defined market. Understanding the structure of the market, therefore, is essential both for formal and informal communication.

(ii) **Market research**: Market research is the systematic design, collection, analysis and reporting of data relevant to a specific marketing situation that the company faces. It is necessary to collect and analyse information at all levels in an organisation. This enables the service marketer to identify the opportunities both internally and externally. The internal market should also be researched to find out the attitudes of employees towards the service-oriented tasks, levels of job satisfaction, company policies, etc. Information may be collected through questionnaires, suggestion boxes or in-depth interviews.

(iii) **Market segmentation**: On the basis of the results of market research, the market may be segmented into different groups. Market segmentation will ensure that the efforts of internal marketing are directed at the right segment. Market research facilitates effective segmentation of the market. Employees can be trained and motivated to cater to the needs of a specific segment in the market.

(iv) **Selection of Techniques**: Marketing action involves the selection and implementation of appropriate marketing activities required for the success of internal marketing. Internal marketing provides for, better internal communication team work and employee empowerment. Assigning the right work to individuals and groups is an important aspect while implementing marketing action. Customer care programmes and staff training and development programmes also get due importance.

(v) **Marketing communication**: Marketing communication is essential for effective implementation of plans. Marketing communication motivates employees to actively participate in the service process. Accurate and timely communication of information helps to coordinate the efforts of service employees. Employees become aware of their roles in achieving organisational mission and objectives.

(vi) **Marketing orientation**: An organisation should respond to the changing needs of the market. It should create an effective internal environment which is flexible and responsive. Only then, it can focus on the needs of the customers, ensuring their satisfaction. Marketing objectives and the mission of the organisation should be clearly understood by the employees. The role of the employees should be well defined in order to enable them to contribute towards achieving the organisational goals.

**EXTERNAL MARKETING**

External marketing is directed at those individuals and groups that buy goods and services from an organisation. External marketing involves traditional marketing efforts such as market research, personal selling, advertising, direct mail, sales promotion, pricing and public relations. The organisation makes promises which correspond with the personal needs and wishes of the target group of customers. External marketing helps to build the customer's understanding of the quality of service an organisation can deliver. The service provider should understand the needs of the customer. This necessitates segmentation of the market on a suitable basis - demographic, psychographic or usage pattern. Having identified the service market, the organisation finds suitable ways to compete in that segment. This is achieved by designing an appropriate marketing mix. The concept of external marketing differs from the concept of internal marketing. Differences between internal marketing and external marketing are as follows.

- 8 -
## Distinction Between External and Internal Marketing

<table>
<thead>
<tr>
<th>S.No</th>
<th>External Marketing</th>
<th>S.No</th>
<th>Internal Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>There is interaction between the organisation and customers.</td>
<td>1</td>
<td>There is interaction between the organisation and its employees.</td>
</tr>
<tr>
<td>2</td>
<td>Customers influence the operations of the organization</td>
<td>2</td>
<td>Management plays a crucial role in finalising tasks and directing employees.</td>
</tr>
<tr>
<td>3</td>
<td>Organisation makes promises to its customers.</td>
<td>3</td>
<td>Internal marketing enables the employees to fulfill the promises made during external marketing.</td>
</tr>
<tr>
<td>4</td>
<td>Customers derive benefits from the service offering</td>
<td>4</td>
<td>Employees derive benefits from the compensation plan adopted by the company.</td>
</tr>
<tr>
<td>5</td>
<td>External marketing aims at achieving customer satisfaction</td>
<td>5</td>
<td>Internal marketing increases job satisfaction among employees.</td>
</tr>
<tr>
<td>6</td>
<td>Demand from customers fluctuates as there are frequent changes in the needs of customers.</td>
<td>6</td>
<td>Feedback is obtained from employees. Training and appraisal of employees are suitably adopted.</td>
</tr>
<tr>
<td>7</td>
<td>Market research is conducted on customer trends, competitors' strategy etc., in the market.</td>
<td>7</td>
<td>Needs of employees are not at all fluctuating. The genuine requirements of the employees</td>
</tr>
<tr>
<td>8</td>
<td>In external marketing, promotion mix consists of advertising, sales promotion, publicity, etc.</td>
<td>8</td>
<td>Promotional aspects consist of salary increases, awards, recognition given to the employees.</td>
</tr>
<tr>
<td>9</td>
<td>External marketing focuses on quality, cultural and social factors, standards of living and the needs and wants of customers.</td>
<td>9</td>
<td>Internal marketing pays attention to values, attitudes, beliefs and personalities of service employees, customers.</td>
</tr>
<tr>
<td>10</td>
<td>External marketing makes promises to customers</td>
<td>10</td>
<td>Internal marketing enables employees to fulfill the promises given to customers.</td>
</tr>
<tr>
<td>11</td>
<td>It requires feedback and control.</td>
<td>11</td>
<td>It requires vision and planning.</td>
</tr>
<tr>
<td>12</td>
<td>External marketing pays attention to good public relations.</td>
<td>12</td>
<td>Counselling is given to employees to tone up HR skills.</td>
</tr>
<tr>
<td>13</td>
<td>&quot;Relationship&quot; is the focal point.</td>
<td>13</td>
<td>&quot;Partnership&quot; is the focal point.</td>
</tr>
<tr>
<td>14</td>
<td>Operations in external markets are constrained by trends, fashions and money power.</td>
<td>14</td>
<td>Relationship with employees is constrained by available resources and other institutional factors.</td>
</tr>
<tr>
<td>15</td>
<td>External marketing focuses on operational levels.</td>
<td>15</td>
<td>Strategic and tactical levels are in focus.</td>
</tr>
<tr>
<td>16</td>
<td>Retention of customers is critical</td>
<td>16</td>
<td>16. Retention of employees is critical.</td>
</tr>
<tr>
<td>17</td>
<td>Target groups are individual and</td>
<td>17</td>
<td>Target groups are employees.</td>
</tr>
</tbody>
</table>
SERVICES TRIANGLE

"Services marketing is about promises. Promises are made and promises are kept to customers. Service triangle is the strategic framework which "reinforces the importance of people in the ability of firms to keep their promises and succeed in building customer relationships" - (MJ. Bitner)

A services triangle is made up of three types of marketing, namely 1. External marketing 2. Interactive marketing and 3. Internal marketing.

<table>
<thead>
<tr>
<th>institutional customers.</th>
<th>18 Customers are offered incentives in the form of discounts, premiums, gifts and contests, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>Incentives may be financial and non-financial; bonus, commission, free housing facilities, free medical facilities, etc.</td>
</tr>
</tbody>
</table>

The triangle shows three interlinked groups that work together to develop, promote and deliver services. The key players are company, customers and the providers. Providers can be employees of the firm, subcontractors or outsourced entities who actually deliver the company's services.

External marketing sets up customers' expectations and makes promises to customers.

In interactive marketing or real-time marketing, promises are kept by the firms' employees, subcontractors or agents (service providers). If promises are not kept, customers become dissatisfied and may switch firms.

Internal marketing consists of the activities that management engages itself in order to aid the providers to deliver on the service promise - recruiting, training motivating and rewarding.

All the three sides of the triangle should be properly aligned. They work together to ensure what is promised through the external marketing is delivered. To achieve this, the enabling activities should be aligned with the role of service providers.
UNIT – III
MARKET SEGMENTATION, LAND SERVICE, POSITIONING

EARNING OBJECTIVES

After studying this chapter, you will know about

- the importance of market segmentation
- the segmentation bases and process
- the way services are positioned in the market

N THE changing business environment where specialisation is vital to attract consumer attention, generalised market offerings may not be capable of yielding the desired results. There are basically three desirable alternatives for a service organisation when selecting a target market. They are undifferentiated market, differentiated market (market segmentation) and customisation.

Under this approach, service organisations aim at capturing mass markets with a single package. The marketers pursue mass distribution and mass promotion of one product for all the buyers. Only a few service organisations can depend upon the undifferentiated marketing approach to maximise their financial benefits. Fig. 5.1 illustrates the undifferentiated market. Generally, public sector monopolies follow this approach. Services such as primary education, primary health, law and order services and judiciary services follow the undifferentiated marketing approach in India.

DIFFERENTIATED MARKETING (MARKET SEGMENTATION)

Market segmentation is the most popular technique used to reach the markets with service packages. Markets generally are heterogeneous in nature, with varied cultures, lifestyles and economic backgrounds. Market segmentation is the dividing of heterogeneous markets into segments. It should be ensured while segmentation that each segment is homogenous in all significant characteristics. The requirements of individual customers differ greatly and the levels of compromise and tolerance would also differ. No doubt, every consumer makes a compromise in satisfying a set of needs owing to a number of limitations. The limitations may be availability, personal resources, social factors and suitability. However, the level of compromise depends upon the choices. If an offer from a competitor is more suitable and valuable, there is every likelihood of preferring that offer. In order to reach the customers by matching the service offer to the needs and wants of the consumer, market segmentation is the best approach available to the service providers. The differentiated marketing approach is illustrated in Fig. 5.2.

BASES FOR SEGMENTATION

The selection of the right basis for dividing the market is of vital importance. Companies will take into consideration service characteristics, the requirements of facilitating services, supporting services, the availability of service outlets and, financial and other
resources for the selection of the right basis for market segmentation. The basis for segmentation can be broadly categorised into (1) consumer characteristics and (2) consumer responses.

Consumer characteristics such as those related to geography, demography and psychography are used to divide the market into segments, either by using a single variable or a combination. Consumer response refers to the benefits sought by a consumer from a service provider. The benefits may be with relation to quality, price, relationship, flexibility, exceptions, use occasions and so on. It is not necessary for service companies to choose only one of the two bases. Most service providers develop a mix of these two as their segmentation plan. The following are the popularly used bases for segmenting service markets.

**Geographic Segmentation**

It is the simplest way of segmenting the market. Under this approach, the market will be divided into various geographical units. Companies generally use the marked divisions such as nations, states, regions, cities and towns to get the benefits of already existing database resources at a very low price. Geographic segmentation reflects in the identification of cultural groups, climatic differences, resource combinations, demand supply gaps, religion and race. It provides opportunity to the service stalls to explore distinctive opportunities for product development as well as product differentiation.

**Demographic Segmentation**

Demography is the study of population. Under this approach, the market will be divided into segments based on various demographic variables such as age, family size, gender, family life cycle, income, occupation, education, religion, race, nationality and social class. The differences in consumer responses based on the demographic variables are studied and accordingly segmentation plan is worked out. The demographic variables are the most popular basis for differentiating customer groups. Wants, preferences, user status and usage rates are mostly associated with demographic variables. In addition, demographic variables are easier to measure.

**Psychographic Segmentation**

This approach is more focussed than geographic and demographic approaches. Under this approach, consumers are divided into groups based on lifestyle, personality and values. Many a time, the consumer belonging to the same geographic and demographic group may exhibit different psychographic profiles. People belonging to the same demographic group may vary in their activities, opinions, value perceptions and interests. To use this basis of segmentation, service providers have to develop a sound database on the psychographics of the market in order to make the service offer more focussed.

**Behavioural Segmentation**

For this approach, consumers are divided into groups based on their knowledge, attitudes and use or response to a service. The variables used under this segmentation are occasions, benefits, user status, usage rate, loyalty status, buyer readiness stage and attitude towards the service.

Market segmentation variables relating to geographic, demographic, psychographic and behavioural segmentation are illustrated in Table 5.1.
Technographic Segmentation

The market for technology related services has been on a tremendous rise during the last one-and-a-half decade. Marketers are trying to identify the customer groups that have the willingness as well as the ability to use the latest technology. Forester Research Incorporation has developed a ten-category segmentation scheme, which is also called 'technogrality'. Identification of segments was based on the interaction of three variables. These are attitude towards technology, application of technology and the financial position of the consumers.

Table 5.2 shows the nine segments identified by the Forester Research Inc. The tenth group is called 'sidelined citizens'. The sidelined citizens are those individuals who have no interest at all in technology.

CRITERIA FOR MARKET SEGMENTATION

The bases for market segmentation discussed earlier help to identify the segments of a market relating to a product. Whether the segment has the

Market Segementation Variables

required characteristics or not is an important question. Service firms generally adopt the following criteria for assessing the suitability of segmentation:

Substantiality The size of the segment is an important dimension. An identified segment should be large enough to design a distinctive marketing programme for itself. Substantiality is not only measured in size but also in terms of profitability. The benefits that are expected from segmentation should be more than the estimated expenditure from the special marketing efforts required.

Technographic Segmentation

Measurability The segment identified must be amenable to measurement. Characteristics such as size, purchasing power, response rates and so on need to be measured so as to design appropriate marketing strategy.

Accessibility Accessibility has specific significance in services. Production and consumption of the service take place simultaneously in producer and consumer interaction. Therefore, the segments identified should be within the reach of the service organisations.

Differentiability The differences between segments should be substantial and measurable. For a specific service package, the response from one segment should be different to that of other segments.
CUSTOMISATION

Services are delivered to people mostly by people. By its very character, services are heterogeneous and, as such, no two individuals can have the same service in the same way or can any customer have exactly the same. Service on two occasions. Though service providers can standardise the technical product to a great extent, it is not possible to standardise the functional part. This variability, in one way, is a blessing and, in another way, a curse. Variability provides innumerable opportunities to be innovative at every point and creates better experiences for the customer. On the other hand, it makes service delivery difficult to control and predict. As such, the inconsistancies resulting out of non-standardisation may cause customers to question the reliability of the service provider. If the heterogeneity is pursued in a purposeful manner, it is possible to turn it into an effective customisation standard. As the service itself is frequently delivered in real time by real people, there is an opportunity for one-to-one customisation of the service offering.

In customisation, each customer is a market segment. The service offer is designed and developed to meet the needs and wants of each customer. Fig. 5.3 illustrates the customisation process.

Some argue that segments of one is practically unrealistic. It is true, of course, that in some cases segments of one or customisation is practically impossible but in many services customisation to fit each individual's needs and wants should be pursued because today's consumers demand that they be treated as individuals and are very particular about satisfying a person's specific needs. Customisation is not a big problem for companies that have a limited number of big customers. Even in consumer markets where a company may have millions of customers, customisation is possible, if state-of-the-art technology and employee empowerment is used. Joe Pine in his book on mass customisation describes a number of different approaches for working towards a mass customisation goal. The following are some of the important approaches:

Customising the service around a standardised core: A standard core service such as airline transportation or hotel accommodation, can be customised through addition of features or through creative delivery options. Hotels, for example, offer in-room variations (for example, smoking/non-smoking, size and number of beds) as well as add-ons such as office services for business travellers and exercise facilities.

Creating customisable services: Here the firm offers the same service to everyone, using a design that can be customised by the consumer. Interactive computer services (prodigy, comuserve), ATMs and automated ticketing systems are examples of this type of customisation service. Other examples are self-service salad bars or entertainment environments such as Disney World.

Offering point-of-delivery custom: Using this option, the provider allows customers to communicate what they need or want at the point-of-service delivery. The service is customised in real time by the employee to fit those needs. Classic examples include professional services, health care counselling and personal care services.

Offering standard modules that can be combined in unique ways: This is the approach used by tour companies that offer the traveller different vacation components (hotels, airlines, destinations, lengths of stay) that they can combine to design their unique trip. University degree programmes operate in this way as well. For example, in an MBA programme a student who is interested in service industry management, might take all of the MBA core courses and then design a concentration that includes a course on services marketing, one on quality, one on service
operations and one on human resources. Thus, the MBA product is customised to the individual student's career needs.

Though mass customisation is the most desirable consequence in the market place, not all industries or companies can offer customised services owing to limitations in product parameters (for example, it is very difficult to customise services such as electricity or water) and in some cases government regulations. Therefore, before pursuing mass customisation, a firm should analyse carefully the need for customisation and also the feasibility of customisation.

STAGES OF MARKET SEGMENTATION

There are at least three stages in the process of market segmentation. They are:

. Search
. Selection
. Strategy

Search

The first step in market segmentation is to conduct a survey by using exploratory interviews and focus groups in order to have greater insight into the motivation, attitude and behaviour of consumers. Consumer opinion on the attributes of the service package, the ratings of importance, brand awareness and ratings, attitudes, demographics, psychographics, geographics and mediographics are collected for a sound base for segmentation. The data collected through the survey is analysed by using statistical techniques like correlation, regression, factor analysis, cluster analysis and so on to identify the specific number of the differentiable segments.

Selection

Based on the search information and analysis, segments are identified. The identified segments have to be given a name, based on their dominant characteristics. The identifiable characteristics may be active homeguarding, self-sufficient, socially active, passive homebody, sports enthusiast and so on. Each segment's full details relating to attitude, behaviour, demographics, psychographies and media patterns are studied. Such a study is helpful to select the right customers.

Strategy

The formulation of a right strategy is essential for achieving success through market segmentation. While formulating the strategy, three issues are given special focus. These are value maximisation, capacity utilisation and customer participation.

Value generation by creating an adaptable service package, keeping in view the needs and wants of customers, is pivotal for service firms. Besides, they need to focus upon creating value perceptions in customers in the process of service performance. The orientation of firms should be to maximise value for customers.

Capacity utilisation is another dimension in the formulation of strategy. The demand and capacity management ensures quality service production at minimum cost.

Customer participation influences the value generation as well as value perception. By studying the capabilities of different customers in participating in the service production process, the right kind of approach can be designed. Every customer is distinctive in his/her ability, approach, enthusiasm and involvement in using a service. Therefore, a proper mechanism is to be evolved to make every customer participate effectively.
SERVICE POSITIONING

Positioning means projecting the image of the product or service in such a way that consumers perceive its value distinctively from that of competitive offers. In other words, positioning intends to influence the perceptual process of Consumers against a product or a service. The studies on consumer behaviour provide that consumers do perceive against a marketing stimulation. Since marketing stimulations are many, a consumer may not respond selectively through a perceptual process. Thus, positioning will be required right from drawing consumer attention to influencing the consumer to take a positive decision, that is, in purchasing the service.

Al Ries and Jock Trout who highlighted the value of positioning say that positioning starts with a product—a piece of merchandise, a service, a company, an institution, or even a person. However, positioning is not what you do to a product. 'Positioning is what you do to the mind of the prospect that is we position the product in the mind of the prospect.'

There is no standard rule as to how to position a product or service. The only guiding principle is providing a simple and precise answer to the very basic and fundamental question of the consumer, 'Why should I buy or prefer your offer?' This may be against a need, value or competition. The need and value perceptions and competition scenarios do change in a marketing environment. Accordingly, service firms should develop new answers to the consumers' question. In other words, positioning needs to be changed or repositioning needs to be done as per the changing scenarios.

POSITIONING STRATEGIES

A service company can use any of the following themes for positioning:

- **Service attributes**: A company can position the service attributes such as the facilitating services and the supporting services.
- **Service benefits**: This strategy focusses upon the distinctive benefit the consumer can get with the use of the service.
- **Service application positioning**: The service company makes the consumer identify the service need or desire and the suitability of the service offered to satisfy his/her need or desire.
- **Service user positioning**: A service company may identify the target group and position the service as the best for them.
- **Competitive positioning**: The positioning may be against the competition or away from the competition.
- **Quality positioning**: The positioning focusses on quality leadership of the firm.
- **Price positioning**: The positioning is to communicate the best value for the price the consumers pay.

- **Leadership positioning** This communicates to the consumers that the service company is a major shareholder in the market and enjoys the acceptance of the majority. Some companies may focus on innovation leadership.
- **Excellence positioning** The positioning is on the performance and the efficiency of the firm.

Service firms should study, time and again, the effectiveness of their positioning strategy in influencing the consumer's mind. Based on the results they need to initiate appropriate changes in the strategy.
UNIT – III
SERVICE MARKETING MIX

In the service industry, developing and implementing successful marketing programmes are necessary to foster a customer orientation. Services marketing places ample emphasis on selecting and balancing the right marketing mix elements. The term 'marketing mix' was first introduced by Prof. Neil H. Borden of the Harvard Business School. Later, it became widely used throughout the world. The practice in the initial stage of industrialisation was that an organisation fixed its production facilities at first and then adjusted all other functional activities around it. In other words, marketing took place only after the manufacture of product. With the advent of rapid industrialisation, more and more varieties of products were manufactured. Naturally, importance was given to marketing activities. The role of service generating organisations became important. Creating the marketing mix is a task for management that will help customer-oriented marketing decisions.

MEANING OF MARKETING MIX

The marketing mix refers to the combination of ideas, concepts and features which put together best appeal to the target market segments. Market mix is tailored to each target segment in order to meet the specific needs of consumers in the individual segments. The conceptual framework of marketing mix designed by the different experts is the same. Experts such as Kotler, Keeley Lazar, and Davar etc., agree that the marketing mix comprises four elements, products, price, promotion and place. These elements include those marketing variables that are directly controlled by the organisations. The product mix includes product line and quality, brand, packaging and services. The promotion mix includes, advertising, public relations, sales promotion, word of mouth promotion, personal selling and tele-marketing. The price mix includes strategic decisions related to the use of pricing. The place mix is concerned with the distribution process. The four elements of marketing mix can be combined in different ways in order to produce desirable results in the market. The marketing mix provides a bridge between marketing strategy and marketing tactics. Marketing strategy establishes a match between the organisation's skills and capabilities and the identification of the needs of the target market. Marketing tactics are related to decisions as how to deliver the product or service offer that reflects this matching process. Thus, marketing mix has both strategic and tactical dimensions.

SERVICE MARKETING MIX

The traditional marketing mix is considered in the context of services. Since a different marketing mix is needed for services, some have expanded the traditional four Ps. Thus, the marketing mix components in service marketing include (i) Product (ii) Pricing (iii) Promotion (iv) Place (v) People (vi) Physical evidence and (vii) Process. The service marketer encounters many challenges in the form of heterogeneity of the services, requirements of customers, interaction with customers while delivering service, perishability of service and intangibility of offer, etc. These unique characteristics of services necessitate the extension of scope of marketing mix. Thus, the elements of marketing mix can be expressed in the form of a diagram.
The above figure shows the following seven elements 7 Ps of marketing mix
1. Product
2. Price
3. Promotion
4. Place
5. People
6. Process
7. Physical evidence.

DEFINITIONS OF SERVICE MARKETING MIX

The following definitions are offered for the term service marketing mix.
1. "The marketing mix concept is a well established tool used as a structure by marketers. It consists of the various elements of a marketing programme which need to be considered in order to successfully implement the marketing strategy and positioning in the company's market. It is the important internal elements or ingredients that make up an organisation's marketing programme". - Adrian Payne

2. "It is a combination of different sub mixes of the marketing mix, such as product mix, promotion mix, price mix and the place mix. Some of the experts also talk about sub mixess like people, physical evidence and Process" - 8M. Jha

3. A marketer is viewed as a "decider" or "artist" or a "mixer of ingredients" who designs a marketing mix. "He may follow a recipe prepared by others, or prepare his own as he goes along or adopt a recipe to the ingredients immediately available, or experiment with or invent ingredients no one else has tried". - Neil Borden.

CHARACTERISTICS OF SERVICE MARKETING MIX:

The marketing mix which is a tool used by markets to exhibit the following features.
1. The marketing mix represents the important internal elements or ingredients that make up an organisation's marketing programme.
2. Services marketing mix is different from traditional marketing mix in the context of services.

The four is Ps of marketing mix namely, product, place, price and promotion are derived from a list developed by Harvard Business School in the 1960s. The original list included twelve elements: Product plan, pricing, branding, channels of distribution, personal selling, advertising; promotion, packaging, display, servicing, physical handling, fact finding and analysis. Over a period of time, the marketing mix gained a wide acceptance of the markets and the four Ps were adopted. Many authors have extended four Ps to five, seven and eleven key elements, which should be considered in the marketing mix. Several authors emphasise that a different marketing mix is needed for services. Marketing mix elements for service industries like banking and airlines are different from those of professional services.
3. According to Simon Majaro, three factors determine whether or not a specific element should be included in a firm's marketing mix:
   (i) The level of expenditure on a given ingredient in the marketing mix.
   (ii) The perceived level of elasticity in customer responsiveness. For example, in the case of a government body, prices may be set externally without being included in the marketing mix.
(iii) Allocation of responsibilities: A well structured marketing mix needs a clear cut allocation of responsibilities.

4. Making any decision about marketing mix depends upon how the service is to be positioned and the market segments to be addressed.

5. Marketing mix is a blending process.
6. Service marketing mix is an extended form of traditional marketing mix. The inclusion of additional elements (people, process, and physical evidence) is the result of the intangibility, inseparability and heterogeneity of services.

7. Each element in the marketing mix supports other elements. They reinforce the positioning of the product and deliver appropriate service quality to achieve competitive advantage.

Having identified the various features of the framework of service marketing mix, a brief description of each element is attempted in the following paragraphs.

**1. PRODUCT (SERVICE PRODUCT)**

According to Adrian Payne, a product is an overall concept of objects or processes which provide some values to customers. Goods and services are sub-categories of product. The term produce is used in a broad sense to denote either a manufactured good or product and a service. Strictly speaking, customers are not buying goods or services but specific benefits and value from the total offering. This total offering to the customer is termed as "offer". Offer represents those benefits that customers derive from the purchase of goods or service. The offer is divided into four (i) a prime good (ii) a tangible good with accompanying services (iii) a major service with accompanying minor goods and services and a (iv) prime service. The offer is viewed at several levels, which include (i) the core or generic product (ii) the expected product (iii) the augmented product and I (iv) the potential product. The offer is viewed at several levels, which include (i) the core or generic product (ii) the expected product (iii) the augmented product and I (iv) the potential product. Figure 4.3 shows the total product concept.

**THE TOTAL PRODUCT CONCEPT**

<table>
<thead>
<tr>
<th>Product level</th>
<th>Customer’s view</th>
<th>Marketer’s view</th>
<th>Personal computer example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core product</td>
<td>Customer's generic need which must be met.</td>
<td>Basic benefits which make product of interest. Marketer's product decisions on tangible and intangible components.</td>
<td>Data storage, processing, speed of processing, retrieval</td>
</tr>
<tr>
<td>Expected product</td>
<td>Customer's minimal set of expectations.</td>
<td>Marketer's product decisions on tangible and intangible components.</td>
<td>Brand name, warranty, service support. the computer itself</td>
</tr>
<tr>
<td>Augmented product</td>
<td>Seller's offering over and above what customer expects or is accustomed to.</td>
<td>Marketer's other mix decisions on price, distribution, and promotion.</td>
<td>Diagnostic software, trade in allowance, base price plus options, dealer network, user clubs, personal selling.</td>
</tr>
<tr>
<td>Potential product</td>
<td>Everything that potentially can be done with the product that is of utility to the customer.</td>
<td>Marketer's actions to attract and hold customers regarding changed conditions or new applications.</td>
<td>Use as a system controller, facsimile machine, music composer, and other areas of application.</td>
</tr>
</tbody>
</table>
Flour levels of product are briefly described below:

(i) The core or generic product: The core product represents the basic services of a product. This product is at its basic level. For example, food served in a restaurant, a bed in a hotel room for the night, safety of deposits and loanable funds in a bank.

(ii) The expected product: The expected product consists of the core product together with the minimal purchase conditions which need to be met. For example, in a restaurant, in addition to basic food served, aspects such as cleanliness, timely service, polite and courteous service of bearer, availability of menu and background music are expected. In case of the banking service, apart from the safety of funds invested, customers expect accuracy of accounts, timely service, convenient banking hours, courtesy, carrying out the standing instructions are expected. Customers buying an airline ticket expect a range of additional elements such as comfortable waiting area, prompt in flight service, good quality food, clean toilets and timely arrivals.

(iii) The augmented product: Augmented product refers to offerings (product benefit or services in addition to what customers expect). This concept enables a product to be differentiated from another. For example, though IBM has not got technologically advanced core product, they are praised for excellent customer service. This adds value to their core product in terms of reliability and responsiveness. The augmented product of a restaurant includes sparkling floors, ambience, smart employees, courtesy, music of choice, etc. In the case of banking augmented services may take the form of congenial waiting room, courteous staff with "May I help you" attitude, relationship orientation, quicker service, admission of faults, etc.

(iv) The potential product: Potential product refers to doing everything potentially feasible to hold and attract the customers. The concept of potential product of a restaurant is viewed in terms of a pleasing flower arrangement, manager's word of thanks, readiness to go out of the way to serve, etc. The banking service may include occasional greetings at home, "The how are you Mr. X" culture, surprise gifts, readiness to go out of the way to serve the individual customer, etc. The potential product consists of added features and benefits that may or may not give benefits to the customers. Potential product offers scope for redefinition of the product in order to attract new customers.

2. PRICE

Price plays a significant role in the marketing mix by attracting revenue to the marketer. Pricing decisions are important for determining the value of the service as perceived by the customer building of an image for the service. Price serves as a basis for perception of quality. The pricing strategy should be in tune with the marketing strategy. Pricing strategy should gain competitive advantage for the firm. Generally, firms add a percentage mark up on cost. This approach is not relevant in a competitive market in view of the following reasons:

(i) Pricing decisions have an impact on marketing channels. Suppliers, sales people, distributors, competitors and customers all are affected by the pricing system.

(ii) Since services are intangible in nature, pricing of services is highly important. The price is indicative of the quality of service that customers receive. Customers, by going through the menu of a restaurant can perceive the quality of food and the restaurant's service level.

(iii) Pricing gives customers information about the immediacy of delivery and the importance of availability. Premium pricing is followed during maximum demand period and discounted pricing when the demand for the service is low. Complications arise in pricing of services within the package of holidays, railways and airlines, entertainment and leisure services, media and advertising services, etc.

(iv) Pricing allows homogeneous services to be differentiated and facilitates the adoption of a premium pricing strategy.
(v) Pricing decisions should be consistent with the overall marketing strategy. Discriminatory pricing (charging different prices in different markets) is desirable in certain situations. The price to be charged depends on the type of the customer to whom the service is sold.

(vi) A firm may decide to offer bundles of the services at special prices. For example, package holidays offer a bundle of benefits like travel, hotel, transportation, sports facilities and equipment.

A simple cost-plus price structure cannot offer the above advantages.

**Pricing Objectives**

The price policies for service marketers should be on the lines of those used throughout the general field of marketing. The pricing policy to be followed should be based on pricing objectives. The important pricing objectives are survival, profit maximisation, sales maximisation, prestige and ROI.

In quoting prices, some firms try to meet competition. Where adverse market conditions prevail, marketers quote lower prices in order to ensure survival in the market, even foregoing profitability.

The pricing goals of service marketers is to maximise the profit for each sale.

H is to ensure maximisation of profitability over a given period.

Sales maximisation is another important objective aimed at market share. The marketer may sell the service in the initial period even at loss in an effort to capture a high share of the market.

A service firm may adopt prestige as its pricing objectives. It may use pricing to position itself as an unique player. Prestigious restaurants charge a high price for their services.

Finally, pricing objectives may be based on achieving a desired return on investment.

The pricing decisions of the service marketers are based on the following considerations:

- Positioning of the service, corporate objectives, the nature of competition, life cycle of the services, elasticity of demand, cost structures, shared resources, prevailing economic conditions and service capacity.

- In short, pricing in service organisations is demand oriented. Many sellers charge what the traffic will bear. However, a kind of cost plus pricing has not lost its utility which forms the primary basis for price determination.

### 3. PROMOTION

Promotion is an important part of the marketing mix for many marketers. The promotion element of the service marketing mix communicates the positioning of the service to customers. Promotion adds tangibility and helps the customer evaluate the service offer. The promotion of services encompasses a number of areas as shown by the Figure 4.4

The promotion mix includes six elements, namely (a) Advertising (b) Personal selling (c) Sales promotion (d) Public relations, (e) Word of mouth; and (f) Direct mail. Advertising for services Advertising is the impersonal communication used by service firms. Advertising in service marketing adds to the customer's knowledge of the service, persuades the customer to buy and differentiates the service from other service offerings. Persistent advertising is, therefore, a must for the success of the marketing of the service.

Since the core product is intangible, service marketers find promotional aspects difficult. They choose the tangible elements that come along the product for promotion. Airlines, for example, promote their service by advertising about the quality of cuisine, the width and pitch of seats and the quality of their in-flight service. Nowadays, advertising is extensively undertaken for financial services, telecommunication, retailing, etc. Service firms spend a considerable Sum on advertising. Advertising secures the following objectives in service marketing.
(i) Advertising creates an understanding of the service firm in the minds of the customers by focusing on the firm's services, activities and areas of expertise.
(ii) Advertising creates a positive image of the firm among the customers.
(iii) Advertising converts the needs, values and attitudes of the customers into a strong sense of identification.
(iv) Advertising makes the tasks of the sales people easy by creating a positive background for the service offering.

(B) Personal Selling

Personal selling has assumed much importance in service firms owing to the following reasons.
(i) There is a personal interaction between the service provider and the customer.
(ii) The service is provided by a person not a machine.
(iii) "People" are becoming part of the service product.

ADVANTAGES OF PERSONAL SELLING

The important advantages of personal selling are as follows:

(i) Personal contact

In services marketing, three 'customer contact' functions have been identified which include selling, servicing and monitoring. A framework for considering the personal contact function based on the views of Kotler is given below: Personal contact function in services

<table>
<thead>
<tr>
<th>Function</th>
<th>Responsibilities</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Selling</td>
<td>To persuade potential customers to purchase services and/or to increase the use of services by existing customers.</td>
<td>Insurance agent, stock broker, calling bank officer, real estate sales person.</td>
</tr>
<tr>
<td>2. Servicing</td>
<td>To inform, assist and advise customers</td>
<td>Airline flight attendant, insurance claims adjuster, ticket agent, bank branch manager.</td>
</tr>
<tr>
<td>3. Monitoring</td>
<td>To learn about customer's needs and concerns and report them to management</td>
<td></td>
</tr>
</tbody>
</table>

Source: E.M. Johnson, E.E. Scheuing and K.A. Gaida, 'Profitable Services Marketing.',  

These personal contacts help the service marketer maintain customer's satisfaction at a high level.
(ii) Relationship enhancement
The intimate contact in service business offers a great scope to enhance the relationship between the service provider and the customer. The relationship enhancement is evident from the Figure 4.5.

1. Advocate

   *Emphasis on* developing and enhancing relationships (customer keeping)

   Supporter

   Client

   Emphasis on new customers (customer catching)

   Customer

   Prospect

   Figure 4.5 - The relationship marketing ladder of customer loyalty. Source: 'Services Marketing' By Adrian Payne Page 33

(iii) Cross selling
A capable sales person communicates the details of services he offers. The close contact he maintains with the customers leads to cross selling. Though he closes the sale of one service, the close contact paves the way for cross-selling other services. The banker by maintaining a close contact with current account holders provides a range of service including a mortgage, insurance, savings account, fixed deposits and stockbroking services.

(iv) Sales promotion

*Sales promotion is defined as follows:* "Those marketing activities other than personal selling, advertising and publicity that stimulate customers and dealers effectively, such as display shows, exhibitions, demonstrations and various non-recurrent selling efforts not in the ordinary routine are the sales promotional measures". According to R.S. Davar, Sales promotional activities are devices aimed at reaching the consumer at home or in his business establishment. The tools are generally in the forms of samples, contests, demonstrations and coupons. Sales promotion directed at consumers may be done with a view to increase the product's rate of use among existing customers or to attract new customers to the company's product. It may also be undertaken to retaliate against a competitor's sales promotion or other activities". Figure 4.5 shows various tools of sales promotion:

**TOOLS OF SALES PROMOTION**

1. Free offers
2. Contests
3. Discount and commission
4. Fairs and shows
5. Coupons, prizes
6. Cash refunds
7. Warranties

The following table shows the commonly used tools of sales promotion by certain Indian companies.

(a) **Premiums and free offers**

(i) **Aristocrat Luggage** - "If you buy an Aristocrat within the next week, you get a Philips 2 B and transistor worth Rs. 266 free". It is only for a week, starting today.

(ii) **Suzuki Shogun bike** - The company offered Ray-Ban sunglasses free. The Campaign reads:

“FREE RAY - BAN Sunglasses - With the Suzuki Shogun, the most powerful bike of its kind."

(iii) **Aquafresh toothpaste**: At the time of launching Aquafresh toothpaste, two tubes were offered for the price of one.

(iv) **Benchmark**: Garment store Benchmark offers "Buy two Arrow shirts, get Rs. 845 worth shirt free. Buy two Lee bottoms; get Rs. 850 worth shin free. Buy two Wrangler jeans; get Rs. 745 worth shirt free. Buy two Ruggers shirts; get a travel bag free. Buy one Flying machine jeans; get a waist pouch free"

(b) **Discounts, price off**

Hawkins pressure cookers "Upto 150 off on a new Hawkins in exchange any old pressure cooker".

(c) **Instalment offers**

Washotex washing machines: "Pay 20 per cent now, take home Washotex “scheme. Facility was offered for paying the balance in 24 equal monthly instalments.

4. **Exchange schemes, Money back offers**

This is a popular promotional tool employed in the consumer durable market

Akai exchange scheme: The AKAI colour TV (53 cm) was available for a shocking Rs. 5,990. "Bring your old 51 cm or 53 cm colour TV in proper working condition with remote. Take home the Akai: For Rs. 5,990 in exchange". Phil 5-in-one-offer: The offer consisted of philips TV, two in one, iron, mixer grin( and rice cooker at an attractive price.

(e) **Consumer contests**

The Bombay Dyeing Contest: The company offered over Rs. one crore in prizes in 1990s. The contest carried 25 first prizes (25 Ambassador cars). Also there were 60,000 other prizes. The entrants had to rank top ten Indian film stars from a series of 32 names. Entrants had to complete a slogan on Bombay Dye Fabrics. A panel of judges decided the winners on the basis of the most Popular ranking and the quality of the slogan.

(1) **Display at the Point of Purchase**

ITC: ITC set up branded outlets while launching its brand "Benson & Hedges cigarettes. The scheme cost ITC upto Rs one lakh per outlet.

Pepsi Cool Zone: Pepsi set up cool zones to create a visual effect. The: zones housed Pepsi display racks. (g) Sales promotion on the internet

Several leading brands like Levis, Sony, Cadbury, Bacardi and Pepsi run online contests offering exciting prizes.

Publicity or Public Relations (PR)
The British Institute of Public Relations defines PR as follows:
"The Planned and sustained effort to establish and maintain goodwill between an organisation and its publics. "Publics" include all the groups of people an organisations which have an interest in the service company.

"Publicity consists of non-personal stimulation of demand for a product or service by way of arranging commercially significant news to have appeared in mass media tree of cost (not paid for the sponsor). Publicity is a tree news appearing in mass media about a company and its products. National Egg coordination committee for example publicises the nutritional value of eggs which boosts the image of the poultry farms. The marketing tasks undertaken by PR includes: (i) building or maintaining image (ii) Supporting the other communication activities (iii) handling problems and issues (iv) reinforting positioning (v) influencing specific publics (vi) assisting the launch of new services.

Word Of Mouth Promotion

Customers who are already exposed to the delivery of a service, share their experiences with other potential customers. They offer advice on service providers and businesses who are established already. Personal recommendations through word of mouth constitute the most important information source. Service buyers trust a particular service when recommendations for buying come from friends, associates, colleagues or experts. People buy most services on the basis of world most recommendations which is based on direct experience. Word of mouth recommendation is a supplement to advertising rather than a substitute. Word of mouth recommendations persuade customers to patronise a particular service. Opinion leaders playa vital role in the adoption of new services or products. So, service providers should identify the opinion leaders and their followers. The opinion leaders are those who exert influence on their followers or in a particular social strata. Figure 4.6 shows how a word of mouth promotion influences.

Gronroos also gives the communication pattern illustrating the influence of word of mouth recommendation. It passes through some distinct stages like (i) expectations or purchase (ii) interactions (Hi) experiences; and (iv) word of mouth or referrals.

Customers, whether existing or new, have certain expectations from the services. Having decided to purchase a service, the customer interacts with the service provider and learns about the technical and functional quality of the service being supplied. On the basis of their interactions, the customer will or will not favour the service. Negative experiences conveyed to them will have an adverse impact. Customers who are dissatisfied tell as many people as possible about their bitter experience. Such negative word of mouth communication reduces the effectiveness of sales promotional efforts undertaken by the service marketer.

4. PLACE

Place mix of services marketing involves the location and channels which are the two key decision areas. The service provider should decide as to how to deliver the service to the customer and where this should take place. The service provider should ensure that the promised services reach the ultimate users without any distortion. With regard to location, a service firm decides where its operations and staff are situated. The importance of location for a service depends upon the interaction between the service provider and the customer. There are three types of interaction between the service provider and the customer: (i) The customer goes to the service provider (ii) The service provider goes to the customer; and (iii) The service provider and customer transact business at arm's length. Apart from deciding about location of services, the service provider has to decide who participates in the delivery of services. Traditional distribution channels such as wholesale, retailing, etc., available for marketing of goods are not suitable in the service distribution. However, intermediaries such as agents, brokers, consultants etc., participate in service
distribution. The channels of distribution available for service units may be of three types, namely (i) direct distribution (ii) through agent or broker; and (iii) and through two-level middlemen.

Service provider

Apart from the above channels, franchises and contracted service deliveries are employed in fast-food, dry cleaning, soft drinks, courier services etc.

5. PEOPLE

In all the organisations, people play a decisive role. Employees working in the service organisations are the contact people with the customers. Employees working in a bank, hotel, hair-cutting saloon etc., are all frontline people. They are in direct contact with the customers who visit their services. The role of these frontline people decides the success of the service organisation. According to Parasuraman and Berry, a service organisation can be only as good as its people. The strength and success of the service organisation lies in the quality of the service personnel working in the organisation. The behaviour and attitude of the personnel will have an impact on the customer's overall perception of the service.

For example, the behaviour of the waiter in the restaurant is a crucial factor that determines the patronage of customers. So, the service organisations should attract, develop, motivate, and retain qualified employees for the best customer service. People working in the service organisations are considered "the first level of customers“. Well trained and highly motivated employees render the best service to the customers. Internal marketing is an important activity in contributing to the people element of marketing mix. Internal marketing develops responsiveness, responsibility and unity of purpose among the service personnel working in the organisation. It removes functional barriers to organisational effectiveness. According to N. Piercy and N. Morgan "Internal marketing is concerned with the development of a customer orientation, the alignment of internal and external marketing, ensures coherent relationship marketing”.

Apart from sales personnel, customers are a source of influencing other customers by word of mouth. For example, a customer who is satisfied with the service rendered by professionals such as doctors, lawyers, tax consultants brings in a number of other customers. Most of the customers are prepared to buy the services of service providers on the recommendations of their friends, relatives, associates, etc. At the same, a dissatisfied customer talks ill of the service he had received. So it is essential that the service provider should ensure total satisfaction of the existing customers.

6. PHYSICAL EVIDENCE

Physical evidence is another important variable to be considered in the context of services marketing. Since a service is intangible, it is important for the client to search for evidences which enables him to evaluate the service. Physical evidences are those tangible clues which customers may receive during the process of receiving the service. The customers evaluate the worthiness of the service with the physical evidences they receive. Physical evidences can be successfully employed to describe the service-product and its distinguishing qualities. In the words of Lowe "service firms must be aware that every aspect of the company with which the consumer comes into contact will be used as a measure of the level of service that he can expect from the organisation". The facilities, objects, communication, etc., constitute the physical evidence of the service provider. Many customers repeat visits because of the physical evidence of the service.
Types of physical evidence

Physical evidence can be divided into two components, namely peripheral evidence and essential evidence.

1. Peripheral evidence: Peripheral evidence can be possessed by the consumer but it has no independent value as such. For example, the cheque book issued by a bank has value only when the customer has sufficient money in his account. Though peripheral evidences have little independent value, they are the real source of competitive differentiation. They do have an impact on customer perception about the nature of service.

2. Essential evidence: Essential evidences cannot be possessed by the consumer. However, essential evidences form a dominant part of the services and have an independent value to the customers. For example, a bank branch, car, aircraft, hotel building, campus of a university, etc.

The success of the service provider lies in the effective coordination of both peripheral evidence and essential evidence. For example, an airline should effectively combine the essential evidence - plane with physical evidences such as food, beverages, uniform of air hostess, magazines, etc., in order to create a favourable image about their service in the minds of the customers.

7. PROCESSES

This is the seventh component of marketing mix. The processes by which services are created and delivered to the customers are an important element of marketing mix. Customers perceive the delivery system as a part of the service itself. The decisions on process management are of great importance to the success of the marketing of the service.

The processes involve the procedures, tasks, schedules, mechanisms, activities and routines by which a service is delivered to the customer. Processes are based on the policy decisions about the customer involvement and employee discretion. Process management is a pre-requisite of service quality improvement. The importance of this element is increasingly felt in those services which cannot be stored. Banks by introducing automatic teller machines (ATMs) are able to satisfy an important customer need. In the strict sense, it has diverted "the cash withdrawal" to the ATMs. The process management of the service provider must assure the availability of the service with consistent quality. In services marketing, process management involves supplying the service output in terms of specific quantity, right quality, prompt delivery at an appropriate notice.

There are three kinds of delivery process: (i) Line operations; (ii) Job shop operations; and (iii) Intermittent operations. In the line operations, consumers move through logically arranged operations. This is possible only when the services provided are standardised and consumer's requirement is of a routine nature. When customers require a combination of services in different sequences, the job-shop operations are quite suitable. For example, services organisations such as restaurants, repair shops, management consultants, hospitals and educational institutions deliver services by adopting job-shop operations. When a type of service is rarely repeated, intermittent operations are suitable. For example, service organisations offering consultancy and advertising by adopting intermittent operations.
UNIT – IV
Marketing of Service

In marketing, any reference to product normally applies to service also. While defining the term ‘marketing’ William J. Stanson has said, it is a total system of interacting business activities designed to plan price, promote and distribute want - satisfying products and services to products and services to present and potential customers, and distribute clear from this definition that all marketing activities focus not only on want - satisfying products but on services as well.

In this chapter, we, shall deal with marketing of services of Banking, Insurance, Healthcare, Consultancy service, Tourism and Communication.

FINANCIAL SERVICES – BANKING

The financial services such as banking and insurance are an inevitable part of an economy. This is the area which really needs to be strengthened. Financial services like banking and insurance require a focus on improving efficiency and performance through operations and costs. In India, as a result of the reforms in 1990s, the financial system has improved in terms of number of financial instruments and the number of active participants in the market. The banking and insurance industries are mostly government-owned despite a lot of private participation in this segment. Both banks and insurance companies have introduced technology to ensure greater customer convenience. "Customised services" is the norm today in this competitive world.
CHARACTERISTICS OF MARKETING OF FINANCIAL SERVICES

Marketing of financial services exhibits some distinct characteristic features. Figure 14.1 shows the characteristic features which distinguish financial services from physical products.

1. Intangibility
   Basically, financial services are intangible. Financial services are presented to customers in varied forms - current account, savings account, mortgage account, credit cards by banks. Likewise, various insurance policies are offered to suit the diverse needs of customers. All these financial services are intangible which are supported by certain tangibles like pass book, cheque book, policy documents, etc. They enhance the image of both the service provider and the customers.

2. Inseparability
   Services cannot be separated from the services provider. Everyday, transactions are carried out as automated services. Banks transact with different types of customers. They may be general users, industrial users and prospects. A prospect has the potentials to become a customer if attracted by their service. Customer of banks and insurance companies avail the various financial services by visiting such organisations.

3. Variability
   Financial service transactions can differ among institutions and even within one institution. However, computerisation provides a greater degree of standardisation. Persons having an account in the bank use the basic banking facilities. The industrialists and entrepreneurs use credit facilities offered by the bank for expansion of their business. Some customers may want transactions to be handled as speedily as possible while others may prefer a caring approach and a friendly chat.

4. Perishability
   This feature depends on the type of transaction. According to Helen Woodruffe, when a cheque needs to be cleared by a certain date and if the system causes a delay, then the benefits to the consumers are lost, so the service could be said to be regarded perishable. An insurance policy becomes perishable when it expires and in this case production and consumption are not simultaneous with financial service. A person dining in a hotel, consumes the service immediately. But a customer signing for a savings plan offered by the bank may expect benefits over a long period. The financial service in the form of a mortgage gives long term benefits to customers. Banks in association with Life Insurance Corporation offer an array of insurance products. Policy is taken on a simple declaration of good health and no medical checkup is required for the account holders, irrespective of their age. The customers have to pay just an average of 50 praise a day (Rs.180 per year) as premium for a life insurance cover of Rs. one Wd1 for the age group of 18-35 under "IB Jeevanka/yan"
5. High investment and long-time purchases

Sometimes, customers take a long time to plan their purchase. They collect information about the products from a variety of sources including advertisements, advice from colleagues, and formal advice from a consultant. They will also study carefully competing brands and products. When a customer buys a car or any other major asset, the financial service includes high involvement purchase. The incidence of risk is high and a lay man experiences difficulties in assessing the potentials of the service entailing high involvement purchases.

6. Brand loyalty

Brand loyalty of customers is observed in banking and insurance transactions. Once a person as opened an account with a bank, he is likely to stay in long term relation ship With the bank. Customers use the services of their banks to cater to needs arising out at different points of time. Customers prefer the same bank for saving their surplus as well as for availing loans. Customers will not hesitate to change the service provider if they are dissatisfied. The service providers must study the changing needs of their customers and introduce the financial products to retain satisfied customers.

ROLE OF PERSONAL SELLING IN FINANCIAL SERVICES

Personal selling is instrumental in promoting financial service such as banking and insurance. In this context, personal selling is considered a process of financial services. The Marketing person exercise tact, skill and knowledge to influence the buyer of the services. The process of personal communication is effective as immediate feedback is possible. Personal sale thus provides one to the communication, Customising a financial service is possible with personal selling.

For example, a customer seeking a housing loan does not just require finance. He also needs ancillary services like loan counselling or legal advice to ensure the title of the property is clear (i.e., free from encumbrance). He also needs technical advice to ensure that the structural aspects of the property are in order. This is these "add on services" that distinguish the calibre of the services rendered. Personal selling explains the importance of a wide array of housing loans such as pure home loan, home improvement and extension, land loans, for non-residential premises and other simple home loans.

The following facts are observed regarding personal selling in financial services.
1. It is a direct personal relation between the buyer and the seller.
2. It is oral presentation in a conversation
3. It is a two-way communication
4. It is selling goods and services
5. It is found more effective in the service generating organisations
6. It is based on the professional excellence or expertise of an individual
7. It is an important element of the promotion mix.

HEALTH SERVICE

India is the major player in the world in healthcare industry. Low costs combined with excellent facilities have stimulated the development of health care service. Hospitals serve the masses by launching mass awareness programmes to prevent ailment, which will pave way for a healthy life of the people. The marketing principles for medicare services focus on distributing the services to users in a decent way.

World Health Organisation (WHO) has enlarged the functional areas for modern hospitals. A hospital is considered a social institution for delivery of health care and offering considerable advantages to both the patient and the society. It is considered to be the place for the diagnosis and
treatment of human ills and restoration of health and well being of those temporarily deprived of. As a social institution, a hospital is responsible for protecting the social interests. The following table illustrates different types of hospitals that exist in our country. The classification is on the basis of objective, ownership, path and size.

<table>
<thead>
<tr>
<th>Size</th>
<th>Hospitals</th>
<th>Ownership</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teaching</td>
<td>Allopath</td>
<td>Government</td>
<td>Teaching cum research</td>
</tr>
<tr>
<td>District</td>
<td>Ayurved</td>
<td>Semi-Government</td>
<td>General</td>
</tr>
<tr>
<td>Taluk</td>
<td>Homeo</td>
<td>Voluntary agencies</td>
<td>Special</td>
</tr>
<tr>
<td>Primary</td>
<td>Unani</td>
<td>Private Charitable</td>
<td>health care</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

MARKETING MIX FOR HOSPITALS
The marketing mix for hospital comprises product mix, promotion mix, price mix and place mix.
1. Product
A product is a set of attributes assembled in an identifiable form. The product is the control component of any marketing mix. The product mix deals with a variety of issues relating to development, presentation, and management of the product which is to be offered to the market place. It covers issues such as

service package, core services and peripheral.

THE SERVICES OFFERED BY THE HOSPITALS ARE AS FOLLOWS:
(i) Emergency services (ii) Ambulance services (iii) Diagnostic services (iv) Pharmacy services; and (v) Consultancy services.

The emergency services offered by the hospitals are very important and advanced as medical and para medical personnel attending on the patients are

1.Price
Price is the significant element of the marketing mix. As a social institution, a hospital must charge price acceptable to a target customer. The price element must coordinate with other elements of the marketing mix. Hospitals charge price on the basis of the treatment prescribed by the respective consultants and facilities offered to the patient. The fee structure is discriminatory since hospitals treat the weaker sections of the society to provide them with an opportunity to avail the quality medical services. In the U.S.A around 72 percent, the people are covered by medical insurance right from basic check up to major surgeries, which is not the case with India. Figure 14.7 shows the fee strategy for hospitals.

2.Promotion
Promotion is an important dimension of marketing which simplifies the task of motivating the prospects and turning them into actual users. Promotion includes advertising, sales, PPOJ1,lotin, personal selling, and publicity. In the mediate services, the 'word of mouth' communication plays a major role. Hospitals introduce different health services such as master
health programmes, diabetes health checkup aria-annual. h !ltb'. check-llPfi)- the corporate world. Moreover, hospitals create. mass awareness pr mes through camps conducted in rural areas. Hospitals advertise their services in health magazines. 4. Place
Place refers to the service provider and the customer. Identification of a suitable location is a must for distribution of medicare services. The places for locating p h " &sible to.(ustomers. Accessibility is defined as the ease and convenience with which a service can be purchased, used or received. The location must ensure easy availability of the service to the customers. The services must be capable of being purchased, used and received.

3. People
People play an important role in the provision of services. Offering of treatment requires efficient medical, para medical and frontline staff. Customers are the judges to evaluate the performance of medical personnel. Personnel offering their services to the vulnerable sections and thrust areas should be suitably rewarded. Quality service can be provided by:
(i) Keeping dedicated and service-oriented personnel.
(ii) Providing training to the employees to acquire up-to-date knowledge in health care.
(iii) appointing professionally competent medical consultants.
(iv) Use of latest technology.
The hospital authorities must ensure best medical attention to customers. Because satisfied users act as an agent or hidden salesforce.

4. Process
Process is a sequence of activities where inputs are converted into output. Hospitals give importance to the process involved in the provision of services. The process meant for the hospitals is divided into four stages

Indian Health Care Industry
Health care industry in India is gaining popularity due to rise in rate, (i) better standard of living; and (iii) increased awareness consciousness among people. Indians spend five to six times more care as compared to their spending, say about 10 or 15 years earlier.

The Indian healthcare market is one of the fastest growing markets. By 200& the market is expected to be worth $4; compared to over $20 billion now. The same is expected to touch $ 2012, according to a study done by the UK. Trade and Investment.

India is undoubtedly a land of opportunities. Good health care far great demand. So, the Indian Government is encouraging the industry in this regard.
In India, private hospitals account for more than 75% of the health care infrastructure. Quality is now the key issue with patient factors leading to the growth of Health care in India.
The following are the key indicators which drive the industry I growth:
1. The Government of India is giving high priority to this sector budgetary outlay. It has considerably reduced custom duties equipment imports. It has allowed higher depreciation rates to fiscal incentives for new hospitals;
2. Supreme court's ruling makes it mandatory for all the hospital advanced infrastructure for emergency medical devices. ME should be an effective clinical waste management system.
3. Government has proposals to upgrade most of the sub health better infrastructure.
4. Huge investments are being made both by private and government players on world class equipment and devices.
5. Growing number of doctors annually lead to increased demand equipment.
6. Cut in custom duties will invite multinationals to invest in medical equipment in India.
7. With the privatisation of insurance sector, more and more Indians are being covered under medical insurance. This naturally requires proper and quality health care infrastructure. (Source: Economic Times)
   In the detachment phase, the patient is discharged from the hospital on the advice of the consultant after settling the account.
   Finally, feedback is obtained from the patients. The patient evaluates the worthiness of the service rendered to him. Patient's suggestions are considered important for the further improvement of the services.
8. Physical evidence
   Physical evidence is the environment where the service is delivered. It consists of both tangible and intangible evidences. The tangibles in the service environment are always important to customers. They evaluate the medicare with the tangibles available with them. Modern hospitals are equipped with good ambience where cordial relationship prevails. When a patient looks at the physical evidences, he can form an opinion about the hospitals. Hospitals should have good ventilation, good lighting, clean and well equipped rooms. Both physical and peripheral evidences are given utmost importance.

**TOURISM SERVICE**

Marketing in tourism is the systematic and coordinated execution of business policy by tourist undertakings. The tourist undertakings may be private or state owned at local, regional, national and international levels. In the words of Burkart and Medlick "tourism marketing activities are systematic and coordinated efforts extended by National Tourist Organisation and or tourist enterprises at international, national and local levels to optimise the satisfaction of tourist groups and individuals in view of sustained tourist growth". From the above, the following points can be understood.
   (i) Tourism marketing is a process of creating a product or service.
   (ii) It comprises fact finding and marketing research.
   (iii) Tourism marketing aims at transforming potential tourists into the actual tourists.
   (iv) It is confined to generating demand and increase of market share.
   (v) Tourism marketing is a managerial process involving a sequence of activities aiming at customer satisfaction.

Users of tourism services

Tourism means travelling for pleasure and fun. "Tourism denotes the temporary, short-term movement of people to destinations outside the place where they normally live and work and their activities during their stay at these destinations". The origin of the word 'tourist' dates back to 1292 AD. Tourists are the voluntary temporary travellers, travelling in the expectation of pleasure from the novelty
Service Marketing

Immerge experienced on a relative of and non-recurrent round trip". Tourism.
(i) persons travelling for pleasure; (ii) persons arriving in the course of (iii) persons travelling for business purposes; and (iv) persons travel invention.

There Are Different Categories Of Users Availing The Services Of Tour Organisations.
Figure 14.6 shows various users of tourism services. From the above figure given in page 14.15, it is understood that domestic, foreign kids, teens, youths, students, executives, artists, politicians, cine artistes, men, women, rural, urban, literate, illiterate, rich, poor, executives, academicians, artists, sportsmen, white collar (clerical), blue collar (manual) etc. are various categories of tourists.

Apart from the above classification, users of tourism services can be non-users, potential users, actual users, occasional users, and habitual users.
1. Non-users are those persons who are not interested in using the services. The reasons may include lack of willingness and pursuit of leisure.
2. Potential users are the prospective users. They have willingness to avail tourism services, if they are influenced through marketing strategies, they will use the tourism services.
3. Persons who are already using the services of tourism are known as actual users.
4. Persons who occasionally travel are known as occasional users of tourism services.
5. Habitual users are in the habit of availing tourism services regularly.

Marketing Mix For Tourism

Marketing mix for tourism consists of different sub mixes such as the product mix, the promotion mix, the price mix, the place mix, and the people.

(D) The Product Mix

Like the manufactured products, tourists cannot feel, taste, touch or sample a package tour. The tourism product is a non-material and intangible aspect. The formulation of the product mix is an important task for marketing the tourism services profitably. The product mix for the tourism industry includes multi-dimensional services like attraction, accommodation, transportation, recreation, restaurant and shopping. Figure 14.9 shows the users of tourism services the following shows the users of tourism.

<table>
<thead>
<tr>
<th>General</th>
<th>Sex</th>
<th>Region</th>
<th>Education</th>
<th>Status</th>
<th>Profession</th>
<th>Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic, foreign, kids, teens, youths, students, executives, artists, politicians, cine artistes</td>
<td>Men</td>
<td>Rural</td>
<td>Literate</td>
<td>Rich</td>
<td>Executives</td>
<td>White Collar</td>
</tr>
<tr>
<td>women</td>
<td>Urban</td>
<td>Illiterate</td>
<td>Poor</td>
<td>Academicians</td>
<td>(clerical)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Artists</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sportsmen</td>
<td>Blue collar</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(manual)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Tourism product

<table>
<thead>
<tr>
<th>Accommodation</th>
<th>Recreation</th>
<th>Restaurant</th>
<th>Attraction</th>
<th>Transportation</th>
<th>Shopping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Five star</td>
<td>Theatre</td>
<td>Western</td>
<td>Nature</td>
<td>Airways</td>
<td>Artistic</td>
</tr>
<tr>
<td>Four star</td>
<td>Pubs</td>
<td>Chinese</td>
<td>Historic</td>
<td>Railways</td>
<td>Handicraft</td>
</tr>
<tr>
<td>Three star</td>
<td>Night life</td>
<td>Indian</td>
<td>Socio-cultural</td>
<td>Roadways</td>
<td>Handloom</td>
</tr>
<tr>
<td>Two star</td>
<td>Music</td>
<td>Others</td>
<td>Heritage</td>
<td>Sea ways</td>
<td>Books</td>
</tr>
<tr>
<td>One star</td>
<td>Meeting</td>
<td></td>
<td>Lake</td>
<td></td>
<td>Selected plants</td>
</tr>
<tr>
<td>Others</td>
<td>Get together</td>
<td></td>
<td>Parks</td>
<td></td>
<td>Seed of flowers</td>
</tr>
<tr>
<td>Cottages</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Garments</td>
</tr>
<tr>
<td>Havelis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Jewellery</td>
</tr>
</tbody>
</table>

### Services Mix

**Following Are The Salient Features Of Tourism Product**

(I) **Tourism Product Is Highly Perishable:** Production and consumption tourism service are simultaneous. The product is used when it is offered. Business is lost when tourists do not visit the places. So "the tourism marketers make the best possible efforts tourist service.

(II) **Product Is A Service Product:** Tourism is a service wt multi-dimensional. It involves accommodation, recreation, cat transportation, and shopping. So, its marketers formulate n marketing strategies, which help them in capitalizing or opportunities.

(III) **Tourism Services Are Meant For Pleasure:** Tourists travel for people by visiting tourist sports. Some tourist seek adventure, others tour for religious purpose etc. Tourist operators and marketers should consider these aspects while providing various services.

(IV) **Extensive of Infrastructural Facilities Is Essential:** Tourism industry cannot exist without infrastructural support. Tourism industry needs hotels and transportation. So, the existence of adequate infrastructural facilities leads to efficient functioning of tourism. Sophisticated communication facilities, clean hotel accommodation and hygiene are some means of achieving success in tourism.

(V) **Users Of Tourist Services Are Heterogeneous:** Users of tourism services are virtually all – men and women, kids, youth, poor and rich, literature and illiterate, etc., both in rural and urban areas.