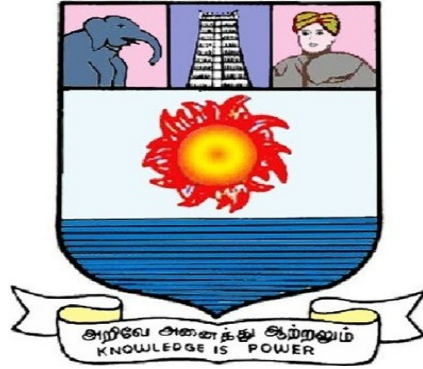


JMBA63 –SERVICES MARKETING



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SYLLABUS

JMBA63 – SERVICES MARKETING

UNIT	Details
I	Marketing Services: Evolution & growth of the service sector. Characteristics of service -Nature and Scope of Services –classification of service -designing of the service,blueprintingusingtechnology,Challenges&IssuesinServicesMarketing.
II	Marketing Mix in Service Marketing: The seven Ps: product decision, pricing strategies and tactics, promotion of service and distribution methods for services. Service market segmentation, targeting and positioning.
III	Effective Management of Service Marketing: Service life cycle -New service development -GAP model of service quality -Measuring service quality SERVQUAL-Internal marketing of services-external Versus internal Orientation of service strategy.
IV	Delivering Quality Service: Designing service delivery system, Service channel Pricing of services, methods –Service marketing triangle-Managing demand, Managing supply-Integrated Service marketing communication.
V	Marketing of Service With Special Reference To: 1. Financial services, 2. Health services, 3.Hospitality services including travel, hotels and tourism, 4. Professional service, 5.Publicutility service,6.Educational services and e-services.

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Unit – I

Structure:

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1.1 Introduction to Services

As India moves increasingly toward a services economy, marketers need to know more about marketing service products. On a simplistic note, one can say that services are activities or benefits that one party can offer to another that are essentially intangible and do not result in the ownership of anything. Thus we see how services are different from goods.

During the past decade services have increasingly assumed an important role in the Indian economy. Ever since this trend was set in the nineties, services have gained dominance. The competition, simultaneously, in service organisations, is becoming intense and severe. As a result these organisations have to have a more professional approach to managing their

businesses. Perhaps it is in this context that the role of marketing is gaining importance in service organisations. In this unit, you will be introduced to the concept of services.

1.2 Meaning of Service

A service is an intangible economic activity, benefit, or satisfaction offered for sale or provided in connection with goods, which fulfills a customer need without transferring ownership of a physical product. It is an action performed for another, such as medical care, education, transportation, or professional repair.

1.3 Definitions of Service

According to Kotler (Philip Kotler, 2003) “Service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in ownership of anything.”

According to American Marketing Association (AMA, 2007) “A service is an act or performance offered by one party to another, which is essentially intangible and does not result in ownership.”

According to Zeithaml & Bitner (Valarie Zeithaml & Mary Jo Bitner, 2003) “Services are deeds, processes, and performances provided for or with the help of people or objects.”

According to Fitzsimmons & Fitzsimmons (James Fitzsimmons & Mona Fitzsimmons, 2004) “A service is a time-perishable, intangible experience performed for a customer.”

According to Gronroos (Christian Grönroos, 1990) “A service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and service employees or physical resources.”

1.4 Evolution of Service Sector in India

The service sector in India has evolved from a minor economic component to a dominant force, contributing over 55-60% of GDP by 2025. Driven by the 1991 liberalization, it leapfrogged traditional development by transitioning directly from agriculture to services, particularly excelling in IT, ITES, and financial services, now driving over 8% growth in recent years.

Key Stages in Evolution:

- ✓ **Pre-1991 (Stagnant Growth):** In the first three decades after 1947, India was predominantly agrarian with minimal service growth.
- ✓ **1990s (The Turning Point):** Liberalization allowed private sector participation and foreign investment, causing a boom in IT, communications, and financial services.
- ✓ **21st Century (Global Leadership):** India solidified its position in Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO) due to a skilled, English-speaking workforce and low costs.
- ✓ **Post-COVID (Digital Transformation):** The pandemic fast-tracked digital services, remote work, and e-commerce, making the sector more resilient and tech-oriented.

Key Characteristics and Drivers:

- ✓ **Contribution to GDP:** The sector's share of Gross Value Added (GVA) rose from ~50% in FY14 to ~55.3% by FY25.
- ✓ **Employment vs. GDP:** While generating over 60% of GDP, it employs only about 25-30% of the workforce, showing a "jobless" growth trend, though this is shifting.
- ✓ **Dominant Sub-sectors:** Trade, hotels, transportation, finance, and IT services are the primary drivers.

- ✓ **Policy Support:** Initiatives like Digital India, Smart Cities, and improved FDI policies have accelerated this growth.

The future of the sector is focused on AI, automation, and expanding its contribution to 56% of GVA by 2047.

1.5 The Growth of Service Sector in India

The expansion of India's services sector has been closely linked to the economic reforms of the 1990s. While the sector began to grow in the mid-1980s, it gained significant momentum after India initiated a series of structural reforms in response to a severe balance of payments crisis. Today, the services sector is not only the largest contributor to India's GDP but also a major driver of employment, foreign investment, and exports. It encompasses a wide range of activities, including trade, hotels and restaurants, transport, storage and communication, finance, insurance, real estate, business services, community and personal services, and services associated with construction.

To enhance India's share in the global services market from 3.3% and enable multi-fold growth in GDP, the government has implemented several initiatives to strengthen commercial services exports. As a result, India's services exports stood at approximately Rs. 20,40,317 crore (US\$ 237.55 billion), while imports were Rs. 10,20,974 crore (US\$ 118.87 billion), highlighting India's strong position in global trade. The services trade surplus of Rs. 10,19,343 crore (US\$ 118.68 billion), up from Rs. 8,71,698 crore (US\$ 101.49 billion) in FY25 (April-October 2024).

India's services sector has steadily increased its share of Gross Value Added, rising from 50.6% in FY14 to about 55.3% in FY25, with an average growth of 8.3% since FY23. The sector also ranked first in attracting Foreign Direct Investment, according to data from the Department for Promotion of Industry and Internal Trade. India's unique skills and competitive advantage in

knowledge-based services, supported by initiatives such as Smart Cities, Clean India, and Digital India, have created a conducive environment for growth and innovation.

The Confederation of Indian Industry has outlined a plan to position India as a global logistics hub, emphasizing collaboration among stakeholders to unlock opportunities across industries and regions. This initiative aims to create aspirational career paths, facilitate professional development, and cultivate leadership opportunities. Positive demand trends in the sector have driven growth in new business volumes and further job creation, with the gig economy comprising 12 million workers, over 2% of the workforce, growing at a 17% CAGR and posting a 38% YoY increase, fuelled by digital connectivity, urbanization, and flexible work preferences.

Global agencies have recognized India's growth trajectory. The World Bank forecasted India's GDP between 6.3%-6.5% for FY26, owing to increased government spending on infrastructure and rising household investment in real estate as key drivers. With a growing services trade surplus, rising employment in knowledge and gig-based work, and continued government support, India's services sector is poised to unlock multi-trillion-dollar opportunities, stimulating sustained economic growth both domestically and globally.

Market Size

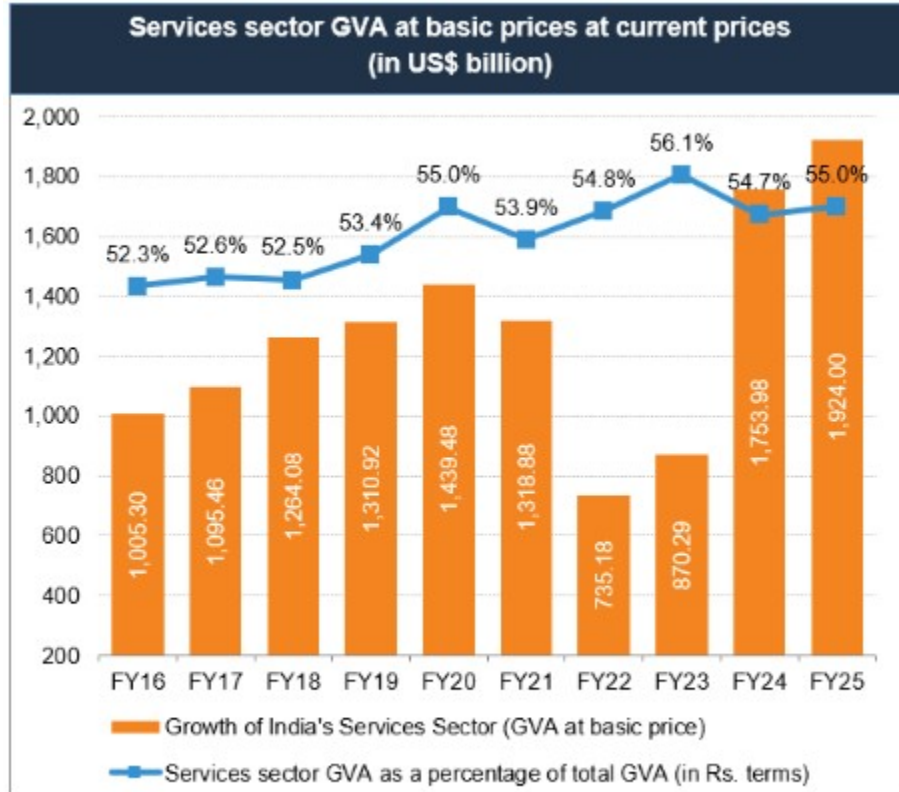
The services industry performed strongly in FY26 (April to June 2025), driven by robust export demand and record hiring. In FY25, the sector generated nearly three jobs for every one created in manufacturing, reinforcing its position as the primary driver of employment. It now employs approximately 182 million people, with major contributions from trade, transport, education, finance, and healthcare.

India's sustainable tourism market is projected to grow significantly over the next decade, reaching Rs. 1,851 crore (US\$ 216 million), up from Rs. 317 crore (US\$ 37 million) in April 2025, according to the Founder and Chairman of MakeMyTrip, Mr. Deep Kalra. This growth reflects increasing domestic and international interest in eco-friendly travel and experiential tourism.

The Ministry of Health and Family Welfare (MoHFW) is leveraging artificial intelligence (AI) to strengthen public health services across the country. In the healthcare sector, the telemedicine market is also expanding rapidly, reaching Rs. 31,191 crore (US\$ 3.64 billion) in 2025 and projected to rise to Rs. 90,660 crore (US\$ 10.58 billion) by 2030, driven by growing demand for remote consultation and digital healthcare solutions.

Connectivity in remote regions is improving, particularly in the Northeastern Region, where as of June 2025, 42,093 out of 45,934 villages now have mobile access, including 40,663 with 4G coverage. This expansion was supported by 2,485 towers commissioned under the Digital Bharat Nidhi program, extending services to remote and border areas.

Financial inclusion is also being strengthened through the expansion of Digital Banking Units (DBUs). The Government of India plans to nearly double the number of DBUs to 200 by the end of FY26, enabling them to offer a broader range of financial products, including insurance and pension schemes, to underserved populations.



Source: IMF, World Bank

Recent Investments/ Developments

Some of the investments/ developments in the services sector in the recent past are as follows:

- ✓ Sales of non-IT services companies recorded a growth of 10.6% in Q2 FY26 as compared to 7.5% growth in Q1 FY26.
- ✓ As of September 2025, the wireless subscriber base of Jio stood at 492 million, followed by Bharti Airtel 300 million, Vodafone Idea 128 million, and BSNL 30 million.
- ✓ India has emerged as the world's third-largest mobile phone exporter with shipments worth Rs. 1,75,665 crore (US\$ 20.5 billion) in CY24, driven by the Production-Linked Incentive (PLI) scheme and greater global value-chain integration.
- ✓ India's fintech sector ranked third globally in H1 2025, raising Rs. 7,618 crore (US\$ 889 million), with Bengaluru attracting 55% of investments.

- ✓ As of June 2025, India stays in the lead with the fintech adoption rate of 87%, substantially higher than the world average of 67%.
- ✓ According to RBI's Scheduled Banks' Statement, deposits of all scheduled banks collectively surged by a whopping Rs. 2,46,77,712.36 crore (US\$ 2,873.18 billion) as of October 2025.
- ✓ The Indian services sector was the largest recipient of FDI inflows worth Rs. 10,46,481 crore (US\$ 122 billion) between April 2000-June 2025.
- ✓ As of March 2025, experts forecast that India is poised to attract over Rs. 52,32,600 crore (US\$ 610 billion) in alternative investments, primarily private equity and venture capital, from 2025 to 2027, substantially powering the startup ecosystem.
- ✓ India's services exports stood at approximately Rs. 20,40,317 crore (US\$ 237.55 billion) in FY26 (April-October 2025), while imports were Rs. 10,20,974 crore (US\$ 118.87 billion) in the same period reinforcing India's global standing.
- ✓ On July 2, 2025, IDC reported that India's domestic IT & Business Services market reached Rs. 1,41,389 crore (US\$ 16.5 billion) in 2024, growing by 6.9% YoY, while maintaining a projected CAGR of approximately 8% between 2022 and 2027.
- ✓ A large pool of skilled IT manpower has made India into a global outsourcing hub. In 2025 it commands a 55% share in the global sourcing market.
- ✓ India ranks third globally in economy-wide digitalisation and 12th among G20 members in individual user digitalisation. The digital economy, having contributed 11.74% of GDP in 2022-23, is expected to account for nearly one-fifth of national income by 2029-30.

- ✓ As of 2025, International Workplace Group (IWG) operates just over 100 centres in India, and plans to add 40-50 more by end-2025, aiming to quadruple its footprint over the next three to five years.
- ✓ According to experts, India is expected to receive over Rs. 52,32,600 crore (US\$ 600 billion) in alternative investments over the next three years, significantly boosting the startup ecosystem.
- ✓ The Indian hotel industry experienced a resurgence in 2023, fuelled by domestic leisure travel, MICE events, and business travellers' return. Premium hotels saw higher occupancy and room rates, with continued domestic travel growth expected in 2024.

Government Initiatives

The Government of India recognises the importance of promoting growth in the services sector and provides several incentives across a wide variety of sectors like health care, tourism, education, engineering, communications, transportation, information technology, banking, finance, and management among others.

- ✓ India's digital healthcare transformation is advancing through initiatives like the Ayushman Bharat Digital Mission (ABDM), which has successfully created over 73 crore Ayushman Bharat Health Accounts (ABHA) as of January 20, 2025, and the Digital Health Incentive Scheme (DHIS), aimed at enhancing accessibility, affordability, and efficiency in healthcare delivery.
- ✓ India's new GST 2.0 introduces a two-tier tax for services at 5% (without ITC) and 18% (with ITC), lowering costs for essentials like insurance, waste disposal, cinemas, gyms, and hotels, while job work and petroleum services move to the 18% slab, with logistics and delivery platforms also brought under clearer compliance.

- ✓ The Union Budget 2025-26 has allocated Rs. 22,000 crore (US\$ 2.6 billion) to the BharatNet project, marking a 238% increase from the previous fiscal year. This funding aims to extend broadband connectivity to all government-run secondary schools and primary healthcare centres in rural areas, enhancing digital infrastructure and access to services.
- ✓ India's draft National Telecom Policy 2025 (NTP-25) aspires to achieve 100% 4G coverage and 90% 5G population coverage by 2030 underscoring a bold vision to elevate digital inclusion and infrastructure.
- ✓ As of June 2025, an impressive 42,093 out of 45,934 villages in India's Northeastern Region now have mobile connectivity, including 40,663 with 4G access, supported by 2,485 towers commissioned through the Digital Bharat Nidhi to extend services in remote and border areas.
- ✓ As of August 2025, over 56 crore Jan Dhan accounts have been opened in the past 11 years, with a total deposit balance of Rs. 2,68,000 crore (US\$ 31 billion).
- ✓ According to RBI's Scheduled Banks' Statement, deposits of all scheduled banks collectively surged by a whopping Rs. 2,39,99,113 crore (US\$ 2,800.69 billion) as of August 2025.
- ✓ As of June 2025, India has 23 Indian Institutes of Technology (IITs), 21 Indian Institutes of Management (IIMs), and 20 All India Institutes of Medical Sciences (AIIMS), reflecting significant growth in premier higher education and research institutions.
- ✓ On July 24, 2025, India and the United Kingdom signed the India-UK Free Trade Agreement, notably liberalising the services sector by expanding market access for Indian professional, computer-related, IT and telecom services, enabling mutual recognition of

qualifications, and introducing a Double Contribution Convention that exempts Indian professionals working temporarily in the UK from paying UK social security contributions, enhancing competitiveness and mobility.

- ✓ The Ministry of Health and Family Welfare (MoHFW) is leveraging artificial intelligence (AI) to enhance public health services across India focusing on developing and adopting AI-driven healthcare solutions.

Centre has formulated an ‘Action Plan for Champion Sectors in Services’ to give focused attention to 12 identified Champion Services Sectors.

Road Ahead

The growth of India’s services sector is being shaped by both domestic and global factors. A wide range of service industries has witnessed double-digit expansion in recent years, driven by digital technologies, innovation, and supportive institutional frameworks established by the government. The ease of doing business in India has improved significantly for both domestic and foreign firms, reflecting advancements in regulatory culture and government initiatives.

Ongoing reforms, including the lowering of trade barriers, easing of FDI regulations, and deregulation, have further strengthened the sector’s growth prospects. The implementation of GST 2.0 has created a unified national market and reduced the overall tax burden on goods and services. This reform is expected to lower costs over the long term through the availability of input tax credit, ultimately contributing to more competitive pricing of services. With these structural reforms, technological adoption, and favourable policy measures, India’s services sector is poised for sustained growth, supporting the country’s broader economic development.

The digital economy alone is estimated to reach US\$ 1 trillion by 2025, highlighting the transformative potential of the sector in driving employment, exports, and innovation.

1.6 Characteristics of Service

The following are the characteristics of services:

i) Intangibility

Services are intangible, which means they cannot be seen, touched, or physically possessed before they are purchased. Unlike a product, a service exists as an experience or an action, making it difficult for customers to evaluate its quality in advance. For example, when you hire a consultant or get a massage, you cannot physically hold the service; you only experience its effects or outcomes.

Example: A legal consultation – you can't hold the advice itself; you only benefit from the guidance provided.

ii) Inseparability

Services are inseparable from their providers, meaning that production and consumption happen simultaneously. The presence of the service provider is often necessary for the service to be delivered effectively. For instance, a haircut requires both the stylist and the client to be present; the service cannot occur without this interaction.

Example: A doctor's appointment – the doctor and patient must both be present for the service to occur.

iii) Variability (Heterogeneity)

The quality of services can vary significantly depending on who delivers them, when, and how. This variability makes it challenging to ensure uniform service standards. For example, the

customer experience at a restaurant may differ based on the chef, the server, or even the day of the week, making consistency a key challenge for service businesses.

Example: Home cleaning services – one cleaner may do a thorough job, while another may miss some areas.

iv) Perishability

Services are perishable, meaning they cannot be stored for later use or sale. If a service opportunity is missed, such as an empty hotel room or an unfilled airline seat, the chance to sell it is gone forever. This makes demand forecasting and scheduling critical for service providers to minimize lost revenue.

Example: Movie theater tickets – once the showtime passes, any unsold tickets cannot be used later.

1.7 Nature of Services

i) Intangibility

Services are intangible in nature. It means that the services provided to a consumer cannot be touched, seen, or felt, instead, they can be experienced only. As individuals cannot taste, feel, or touch a service, they cannot determine its quality before consumption; hence, it gives rise to the purchase. Therefore, it is essential for the service providers to continuously work on their services to provide desired results to the customers. For example, a doctor should provide a favourable experience to a patient.

Example: A doctor providing a consultation must ensure a reassuring and helpful experience, as patients cannot “see” the service beforehand.

ii) Inconsistency

As there is no tangible product in the services, they are inconsistent in nature and have to be exclusively performed by the service provider every time. Besides, different customers have different expectations, wants and demands. Therefore, the service providers should alter their offer to meet the customers' requirements as closely as possible. For example, beauty parlor services, etc.

Example: A beauty parlor may offer slightly different results depending on the stylist or the customer's preferences.

iii) Inseparability

The production and consumption of services are inseparable as they co-occur. For example, if we manufacture a television today, we can sell it at a later date. However, we cannot do the same with services, as they have to be consumed as and when they are produced. Even though the service providers can design a substitute for their services as per the requirements, customer interaction is an essential part of services.

Example: A live music concert cannot be “stored” and experienced later; the audience must attend when the performance happens.

iv) Inventory

As discussed earlier, services do not mean any tangible component; therefore, we cannot store them for future use. In simple terms, services are perishable in nature, and one cannot store the service itself but can store some associated goods to the service for future use. For example, one can purchase an airplane ticket and store it, but can experience the journey only when the airlines provide it to the customer.

Example: Airline tickets can be purchased in advance, but the flight experience itself is perishable—it cannot be stored.

v) Involvement

A customer is involved in the production of the service. In simple terms, as the customer is the recipient of the service, their participation at the time of service delivery is a must. However, the service providers can make necessary changes in the services as per the need of the customer. For example, Urban Clap cannot provide massage service if the customer is not present or does not participate.

Example: UrbanClap (now Urban Company) cannot provide a massage service if the customer is absent or does not actively participate.

1.8 Scope of Services

The scope of service refers to the range and areas in which services are offered to meet the needs of customers. It defines the types, industries, and purposes of services and helps businesses understand where they can provide value beyond physical products. Services can be offered in almost every sector, including healthcare, education, banking, hospitality, transport, and professional fields like legal or consulting. They can be people-based (requiring human interaction) or equipment-based (automated or technology-driven), and may involve high customer participation (like coaching or fitness training) or low participation (like cleaning or delivery services). Services can also be purely intangible (like consulting) or hybrid (like dining at a restaurant or airline travel). Overall, the scope of services is vast and diverse, covering economic, social, and personal needs, making it a critical area for marketing strategies.

Examples:

i) Healthcare Services

- ✓ Hospitals providing surgeries and consultations
- ✓ Clinics offering diagnostic tests

- ✓ Telemedicine platforms offering online doctor consultations

ii) Education Services

- ✓ Schools and colleges providing teaching and exams
- ✓ Coaching centers offering competitive exam training
- ✓ Online learning platforms offering skill development courses

iii) Financial Services

- ✓ Banks offering savings accounts, loans, and ATM services
- ✓ Insurance companies providing life, health, or vehicle insurance
- ✓ Investment firms giving financial advice and portfolio management

iv) Hospitality & Tourism

- ✓ Hotels providing lodging, room service, and dining
- ✓ Travel agencies arranging tour packages and bookings
- ✓ Airlines offering flight services with check-in and in-flight facilities

v) Transportation Services

- ✓ Taxi or ride-sharing services like Uber or Ola
- ✓ Railway and bus services for passenger travel
- ✓ Logistics and courier services for goods delivery

vi) Professional Services

- ✓ Law firms offering legal advice and documentation
- ✓ Accounting and auditing services for businesses
- ✓ Consulting firms providing management, IT, or marketing solutions

vii) Personal & Household Services

- ✓ Beauty parlors, spa, and massage services

- ✓ Home cleaning, maintenance, and repair services
- ✓ Laundry and dry-cleaning services

viii) Recreational & Entertainment Services

- ✓ Movie theaters, live concerts, and streaming platforms
- ✓ Sports coaching or fitness centers
- ✓ Theme parks and recreational clubs

1.9 Classification of Service

The following are the main classifications of services:

i) Based on Tangibility

Services can be classified by how tangible or intangible they are. Pure services are entirely intangible, such as legal advice from a lawyer, consulting services from a management consultant, or psychotherapy sessions. Tangible-dominant services combine physical goods and services, like dining at a restaurant (food plus service), staying at a hotel (room plus hospitality), or visiting a spa (facility plus massage). Hybrid services include both physical and intangible elements; for example, a mobile phone plan involves a physical SIM card but also includes customer support, data plans, and billing services.

ii) Based on Customer Interaction / Participation

Services also differ in the level of customer involvement. High customer contact services require significant participation, such as attending classes at a university, getting medical treatment from a doctor, or hiring a personal trainer for fitness sessions. Low customer contact services require minimal interaction, for instance, insurance claim processing, cloud storage services like Google Drive, or utility services such as electricity and water supply.

iii) Based on Customization / Standardization

Services can be classified by how standardized or tailored they are. Customized services are designed to meet individual customer needs, like a travel agent arranging a personalized holiday itinerary, a tailor making bespoke clothing, or a chef preparing a special menu for a private event. Standardized services are uniform and delivered the same way to all customers, such as fast-food chains like McDonald's or KFC, online banking services, and self-service ticket kiosks at train stations.

iv) Based on Delivery Method

Services can also be categorized by how they are delivered. People-based services rely on human effort, such as doctors treating patients, teachers delivering lessons, or waiters serving food at a restaurant. Equipment-based services depend on technology or machines, like ATMs for banking, self-checkout machines at supermarkets, or airline online booking platforms. Mixed services combine both human interaction and equipment, such as airline travel, where pilots and cabin crew work alongside the airplane and reservation systems.

v) Based on Nature of Demand

Services are also classified by the type of customer. Consumer services target individual customers, such as haircuts at salons, Netflix or Disney+ for entertainment, or home cleaning services. Business services cater to organizations, like DHL providing logistics solutions for companies, IT support for firms, or management consultancy services for corporations seeking efficiency improvements.

vi) Based on Relationship with Customers

Finally, services can be classified according to their relationship with the customer's main needs. Core services are the main reason the customer engages, such as purchasing an

airline ticket, opening a bank account, or attending a yoga class. Supplementary services are additional offerings that enhance the core service, like free Wi-Fi on a flight, airport lounge access, home delivery of purchased goods, or follow-up advice from a healthcare provider after treatment.

1.10 Service Design

Service Design is a comprehensive approach to enhancing customer experiences by carefully analyzing and optimizing the workflows and tasks involved in delivering a service. Unlike traditional design that focuses solely on the product, service design looks at the entire journey a customer takes, from their first interaction to building a long-term relationship with the service provider.

By viewing the process from the customer's perspective, service design aims to create seamless, user-friendly experiences that benefit both the customers and the employees. Through a well-structured process that includes understanding users, identifying issues, and testing innovative solutions, service design bridges organizational gaps, reduces redundancies, and ultimately improves the overall service experience.

Service Design is a strategic approach that focuses on optimizing and improving the interactions between customers and organizations. It involves analyzing the workflows, tasks, and processes that are part of delivering a service, with the goal of enhancing the overall customer experience. By viewing the service from the customer's perspective, Service Design helps to simplify complex systems, ensuring that each interaction is seamless, effective, and user-friendly. Service Designers collaborate closely with customers, frontline employees, and internal teams to prototype and refine better service experiences. This approach is not only useful

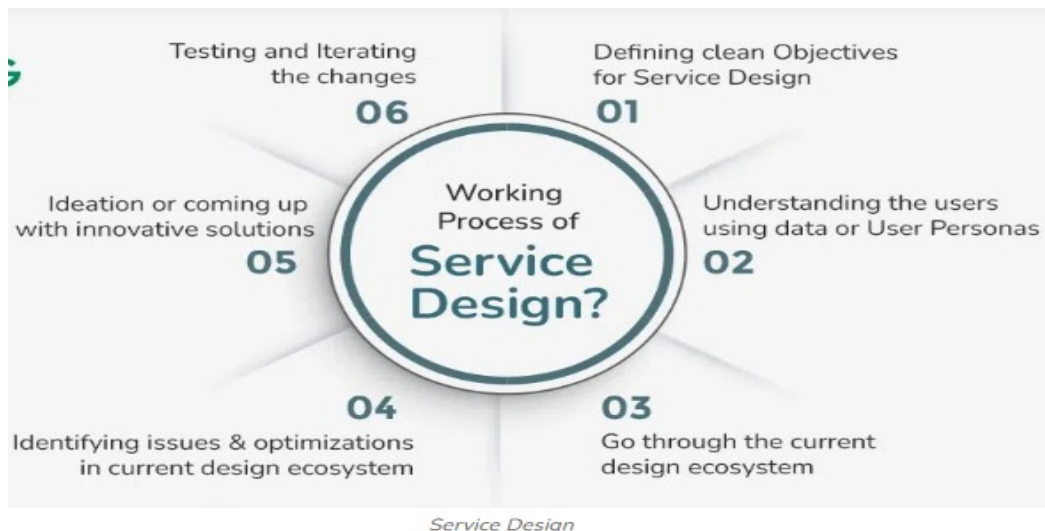
for improving existing services but also for creating entirely new ones that meet customers' needs more effectively.

Service Design addresses three key questions:

- ✓ **What do customers want?**
- ✓ **What are customers' needs?**
- ✓ **How do customers prefer to interact with the service?**

Working Process of Service Design

The Service Design process is a structured approach that can be broken down into six key steps. Each step is essential for ensuring that the service meets the needs of both the users and the organization. Here's how the process works:



Step 1. Defining Clear Objectives for Service Design:

The first step is to establish clear and specific goals for the service design project. This involves understanding what the organization aims to achieve, such as improving customer satisfaction, streamlining processes, or enhancing the overall user experience. Setting these objectives provides a clear direction for the entire design process.

Step 2. Understanding Users Through Data and User Personas:

To create a service that truly meets the needs of its users, it's essential to gather detailed insights about them. This can be done by analyzing data, conducting user research, and developing user personas. These personas represent different types of users, helping designers to empathize with their needs, behaviors, and pain points.

Step 3. Reviewing the Current Design Ecosystem:

Before making any changes, it's important to thoroughly examine the existing service design. This involves mapping out the current user journey, identifying all the touchpoints, and understanding how users interact with the service. This step helps in identifying what's working well and what areas need improvement.

Step 4. Identifying Issues and Opportunities for Optimization:

Once the current design ecosystem is understood, the next step is to pinpoint any issues or inefficiencies. This could include identifying gaps in the service, redundant processes, or areas where the user experience could be enhanced. Recognizing these issues is crucial for making informed decisions about what changes need to be made.

Step 5. Ideation and Developing Innovative Solutions:

With a clear understanding of the problems, the team can begin brainstorming and ideating potential solutions. This step encourages creative thinking and the exploration of various ways to improve the service. The goal is to come up with innovative ideas that address the identified issues and align with the objectives set at the beginning.

Step 6. Testing and Iterating Changes:

After implementing the proposed solutions, the service design needs to be tested to ensure it meets the desired outcomes. This involves gathering feedback from users and making

necessary adjustments. Iteration is key in this step, as it allows for continuous refinement and improvement of the service based on real-world feedback.

This process is cyclical, meaning that it can be repeated as needed to continually enhance the service and adapt to changing user needs or business objectives. By following these steps, organizations can create well-designed services that provide a seamless, satisfying experience for users.

Benefits of Service Design

i) Bridging Organizational Gaps: Many organizations have departments like sales, marketing, and support working in silos, which can lead to inconsistencies in the customer experience. Service Design helps bridge these gaps by ensuring that all departments are aligned in delivering a cohesive and satisfying customer journey.

ii) Reducing Redundancies: Redundancies in design and processes often waste time and resources without adding value to the customer experience. Service Designers focus on identifying and eliminating these inefficiencies, ensuring that every aspect of the service contributes to a better customer outcome.

iii) Improving Customer and Employee Experience: Service Design is not just about improving the customer experience; it also enhances the experience for employees. By streamlining workflows and making processes more efficient, both customers and employees benefit from a smoother, more satisfying interaction.

iv) Surfacing Conflicts: Service Designers play a crucial role in identifying and resolving conflicts between what a company aims to deliver and what it actually delivers. By addressing these misalignments, Service Design helps ensure that the service meets customer expectations and aligns with the business's goals.

v) Fostering Conversations: Effective communication is key to a successful service design. Service Designers facilitate conversations between different teams, ensuring that everyone is working towards the same objectives. This collaboration reduces inconsistencies and helps create a more unified and effective service experience.

1.11 Challenges in Services Marketing

Marketing services presents unique challenges because services are fundamentally different from physical products. They are intangible, inseparable, variable, and perishable, which makes attracting and satisfying customers more complex. The main challenges are outlined below:

i) Intangibility

Services cannot be seen, touched, or stored before they are consumed, making it difficult for customers to evaluate them in advance. For example, when booking a hotel room at Marriott, guests rely on online reviews, photos, and the brand's reputation to judge the service quality. To reduce uncertainty, firms often use tangible cues such as professional uniforms, well-designed facilities, brochures, and service guarantees.

ii) Inseparability

Services are produced and consumed at the same time, meaning the service quality is directly linked to the provider's performance. For instance, in a restaurant like Olive Garden, the customer's satisfaction depends not only on the food but also on the attentiveness, behavior, and skill of the staff. This makes employee training and customer interaction management critical for service success.

iii) Perishability

Unlike products, services cannot be stored for future use. An empty seat on an airline like Delta or an unsold hotel room at Hilton represents lost revenue that cannot be recovered. To manage this, companies adopt strategies such as advance bookings, off-peak discounts, dynamic pricing, and reservations to optimize capacity and match demand.

iv) Heterogeneity (Variability)

Service quality can vary depending on who delivers it, when, and where it is provided. For example, two customers visiting Starbucks may experience slightly different service depending on the barista or location. To maintain consistency, firms use standardized processes, staff training, service manuals, and technology like automated ordering systems.

v) Customer Involvement

Many services require active participation from customers, and their level of involvement can affect the outcome. For instance, members at Gold's Gym must actively follow workout routines and attend sessions regularly to see results. Educating customers, providing clear instructions, and managing expectations are essential to ensure satisfaction.

vi) Pricing Challenges

Pricing services can be difficult because their value is intangible. Consulting firms like McKinsey & Company often charge premium fees, which customers may find hard to justify since results are not immediately visible. Service providers address this by using value-based pricing, transparent communication, and bundled packages to show the benefits clearly.

vii) Promotion Difficulties

It is challenging to communicate the benefits of intangible services. Insurance companies such as State Farm rely on testimonials, case studies, and demonstrations to build trust and

convey the value of their services. Creative advertising, strong branding, and customer stories help bridge this gap.

viii) Service Recovery

Service failures are inevitable, and how a company handles mistakes can impact customer loyalty. Companies like Amazon handle delivery delays or product issues by providing quick refunds, replacements, or apologies, turning potentially dissatisfied customers into loyal ones. Effective service recovery strategies help maintain trust and reputation.

1.12 Issues in Services Marketing

Services marketing faces several issues that arise due to the unique characteristics of services—intangibility, inseparability, perishability, and heterogeneity. These issues affect how companies design, deliver, and promote their services.

i) Intangibility of Services

Since services cannot be touched or seen before consumption, customers often find it difficult to assess quality. For example, when purchasing life insurance from LIC, customers cannot physically evaluate the service. To address this, firms use tangible cues such as brochures, branding, certificates, or testimonials to create trust and reduce perceived risk.

ii) Maintaining Service Quality (Heterogeneity)

Service quality often varies depending on the provider, time, and place. For instance, a customer visiting Starbucks in New York may have a different experience than one in Chicago due to staff behavior or local practices. Ensuring consistent quality is an ongoing issue, requiring standardized processes, employee training, and technology support.

iii) Employee Performance and Interaction

Because services are inseparable from their providers, employees play a critical role in shaping customer perception. In a restaurant like Olive Garden, the efficiency and friendliness of the staff directly affect customer satisfaction. Managing employee performance and motivation is therefore a key issue.

iv) Managing Perishability

Services cannot be stored, so any unsold capacity is lost forever. For example, an empty hotel room at Hilton or an unsold flight seat on Delta Airlines represents lost revenue. Companies must carefully forecast demand, use dynamic pricing, and offer promotions to maximize capacity utilization.

v) Customer Participation

Many services require active customer involvement, which can affect outcomes. For example, at a fitness center like Gold's Gym, results depend on how actively members follow training programs. Educating customers and setting clear expectations are critical to avoid dissatisfaction.

vi) Pricing Challenges

Pricing services is difficult because their value is intangible. Consulting services from McKinsey & Company are expensive, yet clients may find it hard to evaluate the return on investment. Companies address this by using value-based pricing and communicating benefits clearly.

vii) Promotion and Communication

Promoting intangible services can be difficult because benefits are not immediately visible. Insurance companies like State Farm rely on testimonials, case studies, and detailed

explanations to convince customers of the service value. Clear communication and branding strategies are essential to overcome this issue.

viii) Service Recovery

Service failures are inevitable, and handling them effectively is crucial. Companies like Amazon resolve customer complaints with prompt refunds or replacements. Effective service recovery strategies help maintain customer loyalty and trust.

ix) Technology Adoption and Innovation

Rapid technological changes are both an opportunity and a challenge. Services like Uber depend heavily on technology for app-based bookings, GPS tracking, and digital payments. Keeping up with technology while maintaining personalized service is a continuous issue.

x) Competition and Differentiation

Services are easily replicable, making competition intense. Coffee chains like Starbucks and Dunkin' offer similar products, so creating unique experiences, loyalty programs, and service differentiation is a constant challenge.

Check Your Progress

Choose the Correct Answer:

1. The service sector mainly deals with:

- a) Manufacturing goods
- b) Producing tangible products
- c) Providing intangible benefits
- d) Mining activities

Answer: c) Providing intangible benefits

2. Which of the following is NOT a characteristic of services?

- a) Intangibility
- b) Inseparability
- c) Standardization
- d) Perishability

Answer: c) Standardization

3. Banking, insurance, and education fall under which category of services?

- a) Tangible goods
- b) Pure services
- c) Industrial goods
- d) Durable goods

Answer: b) Pure services

4. Service blueprinting is mainly used for:

- a) Pricing goods
- b) Designing service process
- c) Manufacturing products
- d) Advertising goods

Answer: b) Designing service process

5. One major challenge in services marketing is:

- a) Storage of services
- b) Quality control
- c) Mass production
- d) Ownership transfer

Answer: b) Quality control

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	Define Services Marketing.	CO1	Remember	PO1
2	List any four characteristics of services.	CO2	Remember	PO1
3	What is meant by Nature and Scope of Services?	CO2	Understand	PO2
4	Classify services with examples.	CO3	Understand	PO3
5	What is Service Blueprinting?	CO4	Understand	PO4

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the evolution and growth of the service sector and its contribution to economic development.	CO1	Analyze	PO1
2	Discuss in detail the characteristics of services and distinguish them from goods.	CO2	Analyze	PO2
3	Describe the nature and scope of services marketing in the modern business environment.	CO2	Evaluate	PO3
4	Explain the classification of services and its importance in marketing strategy.	CO3	Analyze	PO4
5	Discuss service design and blueprinting using technology. Explain the major challenges and issues in services marketing.	CO4	Create	PO5

UNIT – II

Structure:

2.1 Concept of Service Marketing Mix

2.2 7 P's of Service Marketing Mix

2.3 STP Marketing - Segmentation, Targeting, and Positioning

2.1 Concept of Service Marketing Mix

Service Marketing is a type of marketing that focuses on promoting and selling services instead of physical goods. It uses specific strategies to increase demand, highlight the benefits, and provide excellent customer service experiences. This kind of marketing puts a strong emphasis on understanding customer needs, providing customized services, ensuring customer satisfaction, and keeping customers engaged to build loyalty and encourage repeat business. The main goal is to make customers feel valued and give them a positive and unforgettable experience that sets the business apart from its competitors.

2.2 7 P's of Service Marketing Mix

The 7 P's of service marketing mix is an extension of the traditional 4 P's (Product, Price, Place, and Promotion) specifically tailored for service marketing. These additional three P's focus on the unique aspects of services, which are intangible, perishable, variable, and inseparable from their providers. Each of them is explained below,



i) Product (Service Offering)

Product includes the core service or offering that the business provides to its customers. It encompasses both tangible and intangible aspects of the service, such as features, benefits, quality, branding, and customization options.

Example: A software company offering a cloud-based project management tool. Features include task management, file sharing, team collaboration, and customizable project dashboards.

ii) Price

Price refers to the amount customers are charged for the service. Pricing strategies in services marketing may involve considerations, such as value-based pricing, dynamic pricing, bundling, or subscription models.

Example: A streaming service offering different subscription tiers, such as basic, standard, and premium, with corresponding prices based on the level of access, streaming quality, and number of simultaneous streams allowed.

iii) Place (Distribution)

In services marketing, place refers to the channels through which the service is delivered to customers. This includes physical locations, online platforms, distribution partners, and any other touchpoints where customers interact with the service.

Example: A food delivery service using a mobile app and website to connect customers with local restaurants. Customers can place orders online, and the service coordinates delivery through its network of drivers

iv) Promotion

Promotion involves all the activities used to communicate the value of the service to the target audience and persuade them to purchase or use it. Promotion strategies in services marketing may include advertising, public relations, personal selling, sales promotions, and digital marketing tactics.

Example: A hotel chain running a targeted digital advertising campaign promoting special vacation packages for families during the holiday season. The campaign includes display ads, social media posts, and email newsletters.

v) People

When we talk about "People" in service marketing, we're highlighting how important the workers are in providing the service. This includes everyone from the folks you see up front helping you, like waiters or cashiers, to the managers making sure things run smoothly behind the scenes, and even the support staff helping out in different ways. Basically, how you feel about the service often depends on how friendly, skilled, and helpful these people are.

Example: A luxury spa resort prides itself on hiring highly trained and friendly staff. The spa therapists, concierge, and other employees are attentive to guests' needs, providing personalized recommendations and ensuring a relaxing experience.

vi) Process

Refers to the procedures, systems, and workflows involved in delivering the service. A well-defined and efficient service process is crucial for ensuring consistency, quality, and customer satisfaction. Process design may involve aspects such as service blueprinting, automation, standardization, and continuous improvement efforts.

Example: An online retailer has a streamlined order fulfillment process. Customers can easily browse products, add items to their cart, and complete the checkout process within a few clicks. The retailer offers multiple payment options and provides order tracking updates to keep customers informed.

vii) Physical Evidence

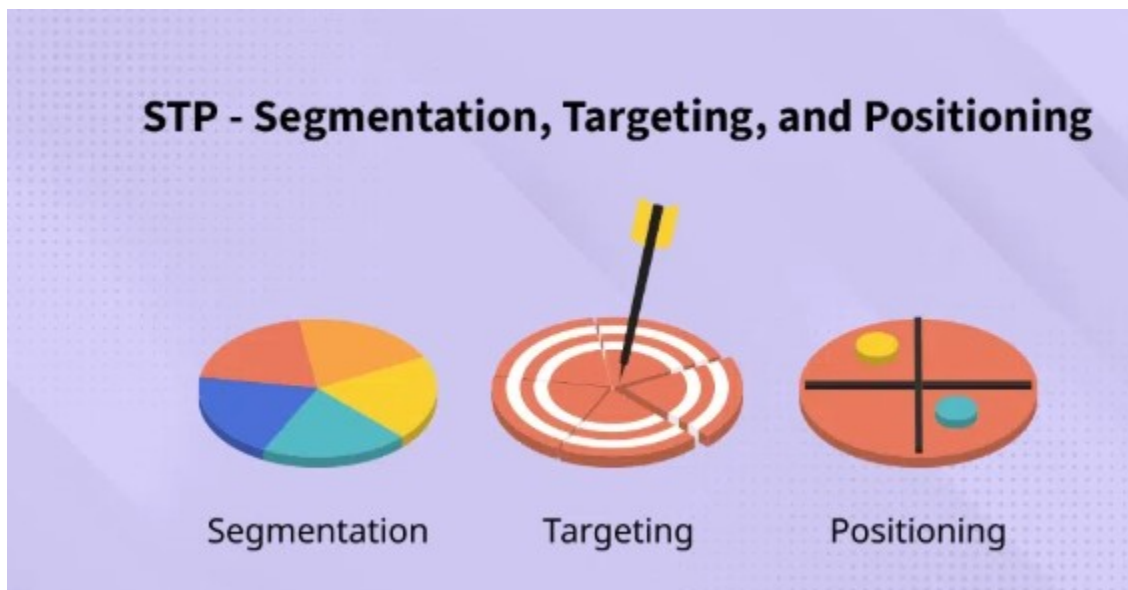
"Physical Evidence" means the stuff you can see, touch, or notice when you're using a service. It's like the things around you that give you an idea of what the service is like. For example, when you walk into a restaurant, you might notice how clean and comfy it looks, or you might see the menus and signs they have. All these things—like the decorations, furniture, signs, and even the uniforms people wear—help you decide if the service is good or not.

Example: A car rental company maintains a fleet of modern vehicles, all cleaned and well-maintained. The rental locations are equipped with clear signage, comfortable waiting areas, and professional staff uniforms, creating a positive impression for customers.

2.3 STP Marketing - Segmentation, Targeting, and Positioning

Reaching the right people with your business's message is key. That's where the STP marketing model comes in handy. STP stands for Segmentation, Targeting, and Positioning. It's a strategy that helps businesses figure out who their most important customers are, focus their marketing efforts on these groups, and make sure their brand stands out from the competition.

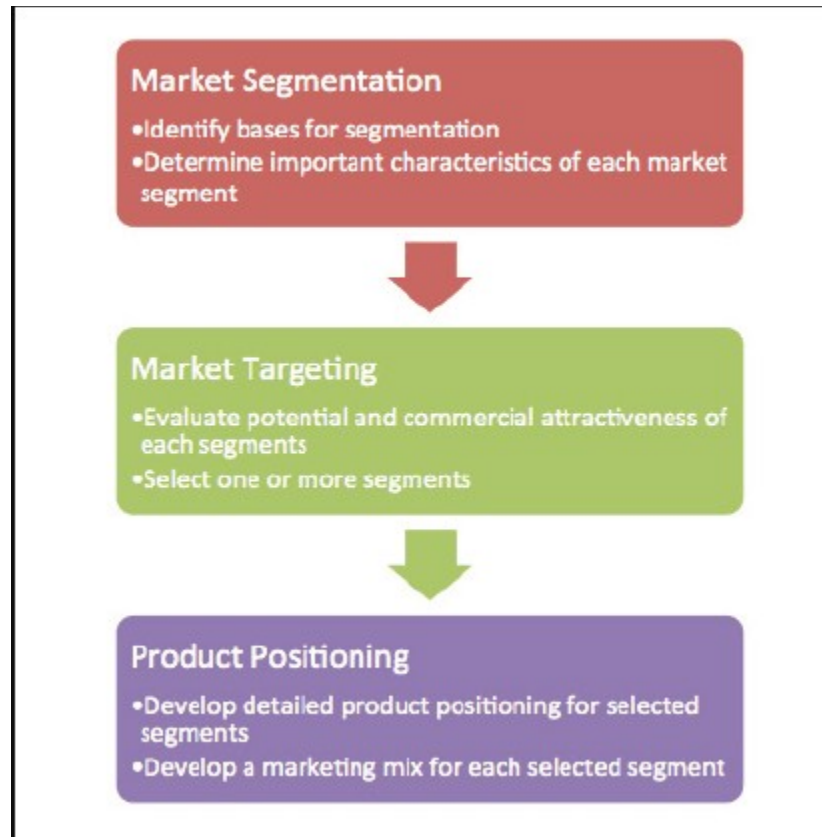
Here, we'll break down the STP model into easy-to-understand parts and show you how to use it to improve your marketing.



What is STP?

Modern marketing covers various steps of selling goods and services to customers. There are various techniques and models that the business analyses and opts for best to sell goods and services in the market. One very effective marketing strategy is the **STP (Segmentation, Targeting, and Positioning) model**. In STP, **S** means **Segmentation**, **T** means **Targeting**, and **P** means **Positioning**. STP marketing example:

Financial Services: A bank (S) segments (STP) by demographics and behavior, targeting (T) young professionals with a good income, who are new to investing. They position (P) themselves as a friendly and educational resource for first-time investors.



What is Segmentation?

Segmentation is the first step of the STP strategy. Segmentation is the process of dividing the whole market into small subgroups based on shared characteristics like age, gender, taste, preferences, etc. Customers having similar needs and behaviours are to be put together. A market segment is a portion of the whole market that is expected to respond similarly to a given situation. Segmentation helps the business identify what type of customers they should target to sell their product/service. For these reasons, a company should properly do the segmentation process. Market segmentation can be done based on:

- ✓ Psychographic Attributes (lifestyle preferences)
- ✓ Geographic Attributes (location)
- ✓ Behavioural attributes (habits)
- ✓ Demographics (age, gender, etc.)

Once the company is done with the market segmentation process, it can focus on choosing the best segment for its products and/or services. When the segmentation is done correctly, a company can entirely focus on one or more segments, without wasting any time and resources.

For example

Volkswagen Group is responsible for producing brands like Audi, Porsche, Lamborghini, and Ducati. Even after being so expensive, brands still generate a handsome revenue. Volkswagen depicts the importance of perfect market segmentation.

What is Targeting?

The process of evaluating market segments and choosing the best to target comes under Market **Targeting**. Market Targeting undertakes the decision of choosing the best target audience and the degree to which the target market should be targeted. In simple terms, it is a **process of choosing the best target audience for the product/service** and declaring the other segments to be useless for a particular kind of product/service.

A business must determine the target audience after thorough research; otherwise, the business is going to end up wasting time and resources with no return on investment. Generally, a new product/service is first made available to a single target, and if it remains optimal, the business takes up other segments as well. Market targeting also depends on the size of the company. Besides, *the more the target markets, the more will the cost of targeting.*

For example

Nike's target market includes those people who are interested in getting fitter.

What is Positioning?

The activity of positioning involves placing the product/service in the minds of the target customers and making the image of the product/service superior as compared to other similar products. Various factors affect the process of positioning such as:

- ✓ The larger the size of the target market, the more it will be difficult to position the product/service.
- ✓ If there is no competition in the market, then the business can create a completely different and new market positioning strategy.
- ✓ If the product has already a good brand value, then it will be of advantage to the business to position any new product/service.
- ✓ If the company decides to offer fewer prices for its product/service than the rival firms, then the business can have an advantage in market positioning.

For example

Starbucks wanted to make itself 'The Third Home' between home and work so that people can come and relax whenever they are tired. They decided to target customers with medium and high-level income. Starbucks uses the following taglines to strengthen its positioning in the market:

- ✓ 100% Recycled Paper Use
- ✓ The Finest Milk Use
- ✓ The Best Coffee
- ✓ Rich & Smooth Flavours

- ✓ Natural & Clean

Importance of STP Marketing

STP is one of the most important concepts of marketing which helps in developing a suitable marketing mix. STP is necessary to understand the behaviour of customers and choose the right target market for products. It tells the business about the target market so that they can focus on the right audience and not waste time on other segments.

Segmentation is necessary to divide the whole customer base based on their similarities. Segmentation tells us how a particular segment of customers tends to behave similarly. **Targeting** is also a most important activity, as it tells us which customer group the business should focus on?, and Which customer base is most appropriate for one's products/services? **Positioning** helps the business in placing a positive image of their products/services in the minds of target customers so that customers will remember the product and keep buying it.

Benefits of STP Marketing

i) Sharpened Customer Focus: The STP marketing makes it necessary for you to get into the minds of your customers. Segmenting your market by their demographics, needs and behavior will help you clearly understand who your best clients are. When you know this, you will be able to concentrate your efforts towards meeting their needs directly thereby making what you communicate about resonate with their wants and pains.

ii) Increasing Marketing Efficiency: There is no more general approach in marketing. It's time to channel your resources to the areas that have potential under STP marketing strategies. This means that you don't spend money where there is no possibility of conversion henceforth leading into more cost-effective expenditure on advertisements which will yield better results.

iii) Boosted Customer Engagement: Picture creating marketing materials that seem as if they were intended for individual clients. This is what STP helps you achieve. Knowing what each of your target groups requires or likes enables you to make unique messages for them. As a result, you will have more loyal customers who are deeply engaged with the brand.

iv) Distinct Brand Positioning: STP marketing allows for a different kind of branding in the face of stiff competition. By deliberately taking a position in relation to the market, businesses communicate their exclusive selling points to particular segments. Accordingly, this makes them unique thereby attracting the right audience while at the same time keeping off wrong ones.

v) Data-Driven Decision Making: To be successful with STP marketing, you need customer data. You have to divide your market using this information and then use it to choose who to sell to and where to sell it. You therefore make judgments based on facts which minimizes uncertainty because you only do what your buyers want.

Relationship between Segmentation, Targeting, and Positioning

Marketing mix undertakes activities like segmentation, targeting, and positioning, namely STP. These activities are interlinked and sequenced to form an optimal marketing mix. The very first step is segmentation. **Segmentation** involves dividing the whole customer base according to their needs, preferences, age, gender, etc. Segmentation tells us how a particular segment of customers tends to behave similarly.

After dividing the whole customer base into segments, businesses choose the optimal segment(s) for their products. This process is known as **Targeting**. Targeting involves choosing the right customer segment(s) for the product. After targeting, there comes **Positioning**. Positioning involves activities of creating an image in the minds of the customer base, the base that gets chosen in the targeting process.

STP Marketing Example

1. McDonald's

Segmentation - McDonald's segments its market based on several factors:

- ✓ **Demographics:** They consider age, gender, income, and family size. **For instance**, they have offerings like Happy Meals for children and Value Meals for budget-conscious consumers.
- ✓ **Psychographics:** McDonald's taps into consumers' lifestyles and personalities. **For example**, they offer healthy options for health-conscious individuals and late-night hours for those seeking convenience.
- ✓ **Behavioural:** They target customers' buying behaviour, through the frequency of visits and order preferences. They have tailored options for regular customers and promotions to attract occasional visitors.

Targeting - McDonald's primary target audience includes:

- ✓ **Families:** They provide a family-friendly atmosphere with play areas and offerings like Happy Meals, targeting parents and children.
- ✓ **Young Adults:** The menu offers a range of products that are appealing to young adults, from classic burgers to trendy items like wraps and salads.
- ✓ **Teens:** They attract teenagers with affordable items, quick service, and a place to hang out.
- ✓ **Children:** Through Happy Meals, toys, and colourful packaging, they create an appealing environment for kids.

Positioning: McDonald's positions itself using the following strategies:

- ✓ **Convenience:** They emphasize fast service, drive-through options, and extended hours, positioning themselves as a quick and convenient dining option.
- ✓ **Affordability:** McDonald's offers value menus and combo meals at reasonable prices, targeting budget-conscious consumers.
- ✓ **Variety:** Their diverse menu caters to different tastes, from classic burgers to salads and healthier options, appealing to a broad range of preferences.
- ✓ **Consistency:** McDonald's maintains a consistent quality and taste across its global locations, creating a sense of familiarity and reliability.

2. Nvidia's

Segmentation - Nvidia segments its market based on several factors:

- ✓ **Industry Needs:** Different industries like gaming, professional visualization, data centers, and automotive have unique requirements that Nvidia addresses with specialized products.
- ✓ **Usage:** They consider how consumers use their products, from casual gaming to professional graphic designing and AI research.
- ✓ **Technological Proficiency:** Nvidia also segments its customers by their level of technological proficiency, offering cutting-edge products for tech enthusiasts and simpler solutions for less tech-savvy users.

Targeting - Nvidia's primary target audiences include:

- ✓ **Gamers:** Offering high-performance GPUs that deliver a superior gaming experience, targeting both casual and hardcore gamers.
- ✓ **Professional Designers and Creators:** Targeting professionals in 3D modeling, video editing, and graphic design with their Quadro series.

- ✓ **Data Centers and Enterprises:** Providing GPUs that accelerate computing for AI, deep learning, and high-performance computing applications.
- ✓ **Automotive Industry:** Targeting manufacturers with SoCs for in-vehicle infotainment systems and autonomous driving technology.

Positioning - Nvidia positions itself using the following strategies:

- ✓ **Innovation Leader:** Positioning itself at the forefront of technological innovation, especially in AI and gaming graphics.
- ✓ **High Performance:** Emphasizing the superior performance and reliability of their products for both gaming and professional applications.
- ✓ **Ecosystem Developer:** Building a comprehensive ecosystem around its products, including software (like GeForce Experience, Nvidia SDKs) and partnerships with game developers and other tech companies.
- ✓ **Sustainability and Corporate Responsibility:** Nvidia also positions itself as committed to sustainability and ethical practices, appealing to environmentally and socially conscious consumers and businesses.

How to Build an STP Marketing Strategy

Step 1: Define Your Market:

The global market is vast. To aim at your audience efficiently, you have to come up with a niche. Think of factors like Total Available Market (TAM), Serviceable Available Market (SAM), and Serviceable Obtainable Market (SOM) which will help you know the size of the overall market, the part of it that is right for your product or service and what section can realistically be reached out to.

Step 2: Create Audience Segments:

Now that you've defined your market, divide it further based on demographics (age, income), geographics (location), psychographics (interests, lifestyle) as well as behavioral patterns (purchase history, website visits). The more levels deep this goes; more accurate will be different segments within your audience.

Step 3: Develop Segment Profiles:

You should develop detailed profiles for each of your viable market segments. These should include descriptions of their needs, behaviors, demographics, brand preferences and how they shop. This will enable you to compare them and select the ones most suitable for targeting with your marketing efforts.

Step 4: Evaluate Segment Attractiveness:

Collate findings from market data and client studies against each other in order to evaluate the attractiveness of different segments. Important things to think about are the size of each segment, its growth rate, price sensitivity as well as brand loyalty levels shown by members of these segments towards certain products or services. Identify the segments with the highest potential return on investment (ROI).

Step 5: Select Target Audience(s):

From your research and segment attractiveness, select the target audience(s) which best fit into your business strategy as well as overall objectives. Consider aspects such as segment size, competition levels and potential growth among others

Step 6: Develop a Positioning Strategy:

Devise what sets you apart from other players in your industry that will also be appealing to those you want to reach out to with this message. This can include but is not limited to being better than what is currently available (category-based), meeting specific needs or preferences of

consumers (consumer-based), offering something different / unique while also being aware about who else has done it before them(competitor-based) and highlighting the advantages that customers stand gaining if they buy into it(benefit- based)

Step 7: Choose Your Marketing Mix:

The final step is to implement your STP marketing strategy. Develop a “marketing mix” that fits where you have position your brand plus gets the attention of the people you have identified as your consumers. The mixture of marketing stands for Product (features, design, quality); Price (pricing strategies, discounts); Place (distributive channels); and Promotion (marketing communications).

Check Your Progress

Choose the Correct Answer:

1. In service marketing, which of the following is an additional “P” beyond the traditional 4Ps?

- a) packaging
- b) people
- c) profit
- d) planning

Answer: b) people

2. Which pricing strategy is commonly used by service firms during low demand periods?

- a) skimming pricing
- b) penetration pricing
- c) differential pricing
- d) cost-plus pricing

Answer: c) differential pricing

3. In service marketing, “place” mainly refers to:

- a) packaging design
- b) physical decoration
- c) distribution methods and delivery channels
- d) advertising location

Answer: c) distribution methods and delivery channels

4. Dividing the market based on lifestyle or personality is called:

- a) geographic segmentation
- b) demographic segmentation
- c) behavioral segmentation
- d) psychographic segmentation

Answer: d) psychographic segmentation

5. Positioning mainly aims to:

- a) increase production efficiency
- b) create a distinct image in customers’ minds
- c) reduce service cost
- d) expand distribution

Answer: b) create a distinct image in customers’ minds

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	What is the difference between a product and a service?	CO1	Understand	PO1, PO2
2	List the 7Ps of service marketing.	CO1	Remember	PO1
3	What is differential pricing in services?	CO2	Understand	PO3, PO4
4	Define market segmentation.	CO3	Remember	PO2, PO3
5	What is positioning in service marketing?	CO3	Understand	PO3, PO4

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the concept of service marketing and the seven Ps of service marketing	CO1	Understand	PO1, PO2
2	Analyze product decisions in service marketing, including service design, quality, and branding	CO2	Analyze	PO1, PO3
3	Evaluate pricing strategies and promotion methods for services	CO3	Evaluate	PO2, PO4
4	Examine distribution methods for services, including direct, indirect, and digital channels	CO4	Analyze	PO3, PO5
5	Discuss service market segmentation, targeting, and positioning (STP) and their application in competitive strategy	CO5	Understand / Apply	PO2, PO4

UNIT – III

Structure:

3.1 Service Life Cycle

3.2 New Service Development

3.3 GAP Model of Service Quality

3.4 Measuring service quality

3.5 SERVQUAL Model of Service Quality

3.6 Internal Marketing of Services

3.7 External versus Internal Orientation of Service Strategy

3.1 Service Life Cycle

A service life cycle defines the entire span of a service from conception to retirement, comprising key stages like strategy, design, transition, operation, and improvement. It ensures services are aligned with business goals, efficiently deployed, and consistently improved, ultimately enhancing value, reducing risks, and maximizing profitability.

Stages of Service Life Cycle

The Service Life Cycle is a structured framework used in IT Service Management (ITSM) to manage IT services effectively from their initial idea to continuous improvement. It ensures that IT services are aligned with business objectives and deliver value to customers. The concept of the Service Life Cycle is explained in detail in the ITIL Service Lifecycle Suite.

The Service Life Cycle is divided into five interconnected stages: Service Strategy, Service Design, Service Transition, Service Operation, and Continual Service Improvement. Each stage plays a specific role in managing services. These stages are not isolated; instead, they

work together as a continuous process to ensure that services remain efficient, reliable, and aligned with changing business needs.

The main purpose of dividing service management into stages is to provide a systematic and organized approach. It helps organizations plan services properly, design them carefully, implement them successfully, operate them efficiently, and improve them continuously. This lifecycle approach ensures better quality services, higher customer satisfaction, reduced risks, and ongoing business growth.



i) Service Strategy

Service Strategy is the first stage of the Service Life Cycle. It defines the overall direction and objectives of IT services. In this stage, the organization identifies customer needs, market opportunities, and financial requirements. The main aim is to decide what services should be offered and how they will create value for the business.

For example, a bank may decide to introduce online banking services after analyzing customer demand and market competition. Before launching the service, the bank studies costs, risks, expected benefits, and required resources. This planning process is part of Service Strategy.

ii) Service Design

Service Design focuses on designing new IT services or improving existing ones according to business requirements. It includes designing service processes, policies, infrastructure, and Service Level Agreements (SLAs). Proper design ensures that services are reliable, secure, and cost-effective.

For example, when designing the online banking system, the bank must plan system security, server capacity, backup systems, and user access controls. It must also define service availability, such as 24/7 access for customers. All these planning activities are performed during the Service Design stage.

iii) Service Transition

Service Transition ensures that newly designed or modified services are built, tested, and deployed successfully into the live environment. It manages changes carefully to reduce risks and service disruptions.

For example, before launching the online banking system, the bank tests the software, trains employees, and migrates customer data securely. After successful testing, the system is deployed for customer use. This entire implementation process is part of Service Transition.

iv) Service Operation

Service Operation is responsible for managing and delivering IT services on a daily basis. It ensures that services function smoothly and any issues are resolved quickly. Activities such as incident management and problem management take place in this stage.

For example, if customers face login issues in online banking, the IT support team resolves the problem immediately. Regular monitoring of servers and handling technical issues are part of Service Operation.

v) Continual Service Improvement (CSI)

Continual Service Improvement focuses on evaluating service performance and identifying areas for enhancement. It ensures that services remain efficient and aligned with business goals.

For example, if customers request a mobile app for easier banking access, the bank analyzes feedback and improves the service by developing a mobile application. Regular performance reviews and customer feedback analysis are part of CSI.

The Service Life Cycle provides a structured approach to managing IT services from planning to continuous improvement. By following these five stages—Service Strategy, Service Design, Service Transition, Service Operation, and Continual Service Improvement—organizations can deliver high-quality services that meet customer expectations and business objectives.

3.2 New Service Development

New Service Development (NSD) refers to the process of creating and introducing a new service to meet customer needs and achieve business objectives. It involves planning, designing,

testing, and launching a service in a systematic manner. In IT Service Management, new service development follows the structured approach explained in the ITIL Service Lifecycle Suite.

New Service Development begins with identifying market opportunities or customer demands. Organizations analyze business requirements, available resources, risks, and expected benefits before deciding to develop a new service. Proper planning ensures that the service will create value and support business goals.

The development process generally includes idea generation, feasibility analysis, service design, testing, implementation, and evaluation. During this process, factors such as cost, quality, technology, customer satisfaction, and risk management are carefully considered.

For example, a telecom company may introduce a new mobile banking service after identifying customer demand for digital payments. The company studies technical requirements, designs the service platform, tests it for security and performance, and then launches it in the market. After launch, feedback is collected to improve the service further.

Thus, New Service Development is a structured and continuous process that helps organizations innovate, remain competitive, and meet changing customer expectations.

Stages in the New Service Development Process

The New Service Development (NSD) process is a systematic approach to create and launch a new service. According to ITIL Service Lifecycle Suite, it typically involves several stages that ensure the service meets business objectives, customer needs, and quality standards. Each stage is critical for reducing risks and ensuring successful service delivery.

i) Idea Generation

This is the initial stage where new service concepts are identified. Ideas can come from market research, customer feedback, competitor analysis, or internal innovation.

Example: A bank may receive requests from customers to offer a mobile app for instant loan approvals.

ii) Feasibility Analysis

In this stage, the organization evaluates the technical, operational, and financial feasibility of the proposed service. Risks, costs, and expected benefits are analyzed to decide whether to proceed.

Example: The bank analyzes whether it has the technology, staff, and budget to develop the mobile loan service efficiently.

iii) Service Design

Once feasibility is approved, detailed service design begins. This includes defining service processes, architecture, user interface, security measures, and Service Level Agreements (SLAs).

Example: Designing the mobile app interface, security protocols, backend server requirements, and customer support workflow.

iv) Service Development and Testing

In this stage, the service is developed and rigorously tested. Any technical issues, bugs, or gaps in functionality are addressed to ensure the service works as intended.

Example: Developing the mobile banking app, testing login authentication, transaction processing, and error handling before launch.

v) Service Implementation / Transition

The service is deployed into the live environment, with training provided to staff and information shared with customers. Change management ensures minimal disruption to existing services.

Example: Launching the mobile banking app to customers while monitoring server performance and user adoption.

vi) Service Operation

After deployment, the service is managed and supported on a daily basis. Incidents, problems, and service requests are handled to maintain smooth operation.

Example: Customer support resolves login issues, transaction errors, and app performance problems.

vii) Continual Improvement

Feedback from users and performance metrics are analyzed to make improvements. Enhancements are implemented to increase service efficiency, reliability, and customer satisfaction.

Example: Based on feedback, the bank adds features like instant notifications, bill payments, and account statements in the mobile app.

3.3 GAP Model of Service Quality

The **GAP Model of Service Quality** is a framework used to identify gaps between customer expectations and the actual service delivered. It was introduced by **A. Parasuraman, Valarie Zeithaml, and Leonard Berry** in the 1980s and is widely referenced in service management and marketing literature. The model helps organizations understand where service quality can fail and how to improve it.

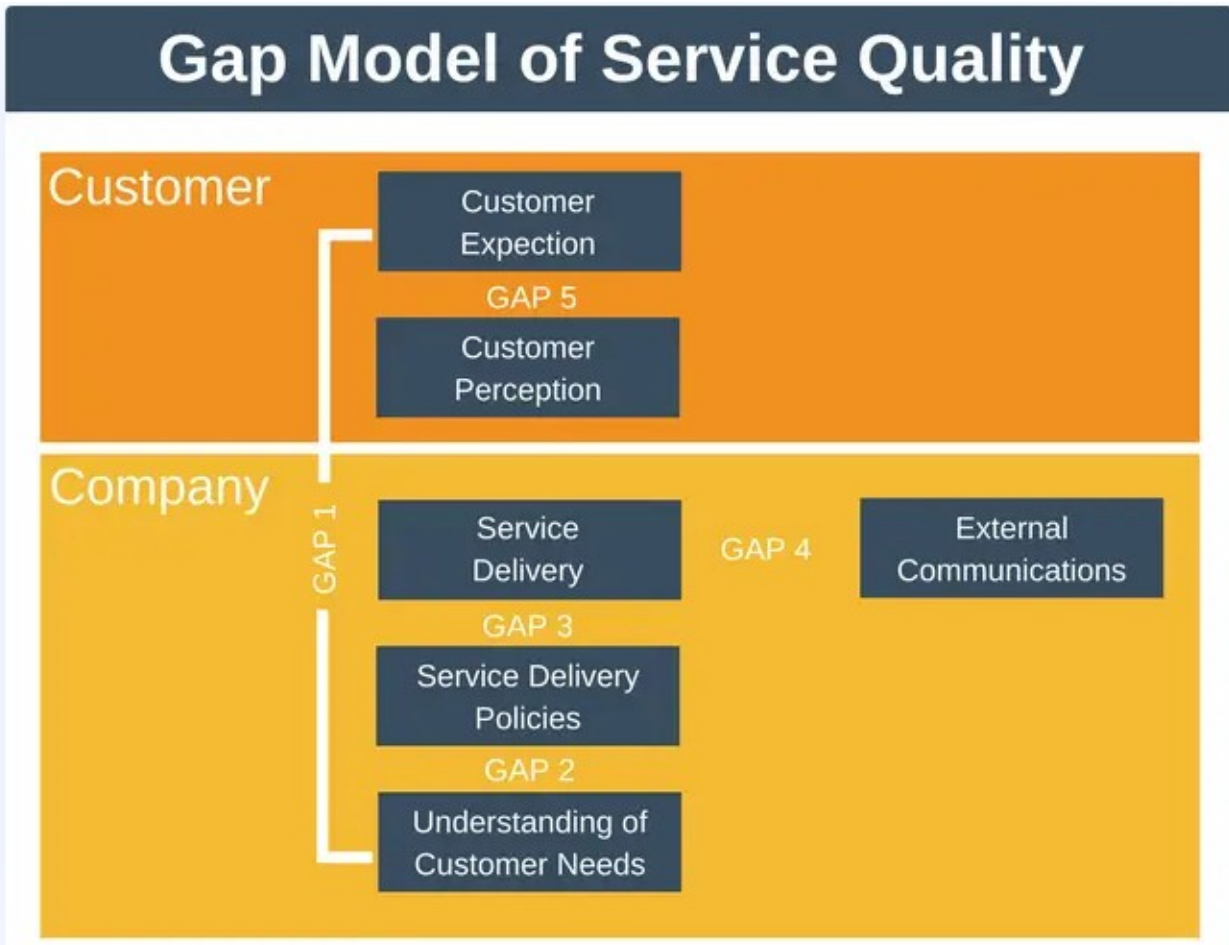
Purpose

The GAP Model helps businesses:

- ✓ Identify areas where service delivery does not meet customer expectations
- ✓ Understand the root causes of poor service quality

- ✓ Implement corrective measures to improve customer satisfaction

The Five Gaps in Service Quality



i) Gap 1: Knowledge Gap

This gap exists when management does not correctly understand customer expectations.

Example: A hotel management believes customers prioritize luxurious décor, but customers actually value prompt and friendly service more.

ii) Gap 2: Policy Gap

This gap occurs when service quality specifications or standards are not properly designed to meet customer expectations.

Example: A bank sets a policy of 48-hour loan processing, but customers expect same-day approval.

iii) Gap 3: Delivery Gap

This arises when the service delivery fails to meet the set standards or specifications.

Example: A call center has a policy of resolving queries within 24 hours, but in practice, it takes 72 hours due to staff inefficiency.

iv) Gap 4: Communication Gap

This gap occurs when there is a mismatch between what the company promises in marketing or communication and the actual service delivered.

Example: An airline advertises “on-time flights” but frequently has delays.

v) Gap 5: Perception Gap / Service Quality Gap

This is the ultimate gap that customers experience when their expectations are not met by actual service. It is influenced by Gaps 1–4.

Example: If a restaurant promises gourmet quality but serves mediocre food, customers perceive low service quality.

3.4 Measuring service quality

Measuring service quality is the process of evaluating how well a service meets or exceeds customer expectations. Since services are intangible, variable, and customer-dependent, measuring their quality is more difficult than measuring product quality. Therefore, organizations use structured models and tools to assess customer satisfaction and service performance.

Service quality is mainly measured by comparing **customer expectations** with **actual service performance**. If performance meets or exceeds expectations, customers perceive high service quality. If performance falls short, service quality is considered poor.

Methods of Measuring Service Quality

i) Customer Feedback

Organizations collect feedback through surveys, suggestion boxes, online reviews, and interviews. This helps understand customer satisfaction levels and areas needing improvement.

Example: A hospital may ask patients to rate cleanliness, staff behavior, and waiting time after treatment.

ii) SERVQUAL Model

The SERVQUAL model, developed by A. Parasuraman, Valarie Zeithaml, and Leonard Berry, is one of the most popular tools for measuring service quality.

It measures service quality across five dimensions:

- 1. Tangibles** – Physical facilities, equipment, and appearance of staff
- 2. Reliability** – Ability to perform the promised service accurately
- 3. Responsiveness** – Willingness to help customers promptly
- 4. Assurance** – Knowledge and courtesy of employees
- 5. Empathy** – Caring and individualized attention to customers

Customers rate both expectations and perceptions, and the gap between them indicates service quality.

iii) Service Performance (SERVPERF)

This method measures only the actual performance of the service rather than comparing it with expectations. It focuses directly on customer perceptions.

iv) Complaint Analysis

Customer complaints provide valuable information about service failures. Analyzing complaints helps identify recurring problems and improve processes.

v) Key Performance Indicators (KPIs)

Organizations use measurable indicators such as response time, resolution time, service availability, and customer retention rate to evaluate service performance.

Example: A telecom company may measure average call waiting time and network uptime percentage.

Measuring service quality is essential for improving customer satisfaction and maintaining competitive advantage. By using tools like customer surveys, SERVQUAL, performance metrics, and complaint analysis, organizations can identify gaps in service delivery and implement continuous improvements.

3.5 SERVQUAL Model of Service Quality

The renowned SERVQUAL Model, developed by *Zeithaml, Parasuraman, and Berry* in the 1980s, remains a highly esteemed framework for evaluating service quality. According to this model, the distance between a customer's expectations and their actual perceptions greatly influences service quality. It encompasses five crucial dimensions: tangibles, reliability, responsiveness, assurance, and empathy. **Tangibles** encompass the physical elements of service provision, such as facilities and equipment. **Reliability** focuses on the consistency and dependability of the service. **Responsiveness** concerns the ability to promptly and effectively assist customers. **Assurance** involves the conveyance of competence, courtesy, and credibility, building trust and confidence in customers. The concept of **empathy** is crucial in providing

exceptional customer service, as it entails both understanding and compassion for the needs of customers.



- ✓ The SERVQUAL Model, developed in the 1980s, is a widely used framework for assessing service quality.
- ✓ It identifies five key dimensions: tangibles, reliability, responsiveness, assurance, and empathy.
- ✓ These dimensions are crucial for determining the quality of service.
- ✓ This model is valuable for businesses seeking to enhance customer satisfaction and loyalty.

How SERVQUAL Model measure Service Quality?

i) Establishing Client Objectives

The first step in correctly utilizing the SERVQUAL model to evaluate service quality is to ascertain what customers anticipate receiving from the service they will shortly be receiving. Gathering client input via surveys, interviews, focus groups, and other techniques might help achieve this.

ii) Evaluating Views of Actual Service Provision

After setting these expectations, it's critical to find out how clients feel about the actual services they received. This involves assessing the impressions of the clients in five main domains: tangibles, assurance, responsiveness, dependability, and empathy.

iii) Calculating the Gap

To ascertain the difference between customer expectations and perceptions, the SERVQUAL model considers both. This is accomplished by deducting the perceived degree of service received from the level anticipated for each aspect of service quality.

iv) Evaluating and Understanding the Data

Organizations may thoroughly review the data to identify areas where there are significant discrepancies between consumer expectations and perceptions by computing the gap scores for each dimension. When the gap score is positive, it means that customers' perceptions exceed their expectations, but when it is negative, it means that expectations are not being met.

v) Putting Improvements into Practice

Organizations may identify particular areas for improvement and create plans that effectively close the gap between customer expectations and perceptions by thoroughly analyzing gap scores. This can be putting new buildings or equipment into use, training employees, adopting changes to service delivery procedures, or enhancing customer communication.

vi) Constant Monitoring and Feedback

The SERVQUAL model continually emphasizes the need for continuous monitoring and feedback since achieving excellent service quality is a constant endeavor. To maintain a high level of service and satisfy customers' ever-changing requirements and expectations, firms

should continually assess consumer expectations and perceptions, quantify the gap, and adjust as necessary.

Gaps of Service Quality

Through the lens of the SERVQUAL model, one can identify discrepancies between customer expectations and perceptions across the five dimensions of service quality. These gaps offer valuable insights into the areas where enhancements are necessary to elevate service delivery. The five primary gaps are:

Gap 1: Gap between Customer Expectations and Management Perceptions

The existence of this gap results from a lack of alignment between customer expectations and management's understanding of those expectations. This emphasizes the crucial role of accurately comprehending and aligning with customer expectations.

Gap 2: Gap between Management Perceptions and Service Quality Specifications

This gap signifies the contrast between how management perceives customer expectations and the service quality standards set by the organization. It emphasizes the necessity for open communication and alignment between management and frontline staff to ensure that service quality aligns with customer expectations.

Gap 3: Gap between Service Quality Specifications and Service Delivery

When organizations fail to meet their set standards of service quality, a gap is formed. This can be attributed to a variety of factors such as insufficient training, limited resources, or ineffective operations, emphasizing the critical role of properly implementing service standards.

Gap 4: Gap between Service Delivery and External Communications

This gap arises when the actual service received by customers differs from the organization's external messaging, such as advertisements or brand guarantees. It underscores the

importance of open and honest communication to establish trust and properly manage customer expectations.

Gap 5: Gap between Customer Expectations and Customer Perceptions

The last missing piece in the puzzle is the disparity between customers' expectations and their experience of the service. This crucial element is the ultimate gauge of a service's quality, underscoring the significance of meeting or surpassing customer expectations to foster satisfaction and loyalty.

Criticisms of the Model of Service Quality

i) Heavy Emphasis on Gaps

SERVQUAL's primary goal is to identify any differences between customers' perceptions and expectations. Some experts counter that this method overlooks other important aspects of service quality, such as client satisfaction, loyalty, and overall experience.

ii) Personality and Insufficient Objectivity

SERVQUAL's heavy dependence on customers' subjective assessments, which might be impacted by their emotions, past interactions, and cultural factors, is another drawback. As a result, questions have been raised concerning the veracity and quality of the information gathered by SERVQUAL questionnaires.

iii) Improper Service Quality Measurement

Some opponents express worry that SERVQUAL's use of Likert scale answers to measure service quality may miss crucial aspects of the customer experience. They also note that the approach may not adequately address the emotional and intangible components of service quality due to its emphasis on concrete service features.

iv) Execution Challenge

Using SERVQUAL surveys may be a laborious and resource-intensive procedure that requires a significant outlay of funds for planning, gathering, and evaluating data. Because of its intricacy, the model might not be successfully used by businesses, especially smaller ones.

v) Limited Scope

Because SERVQUAL is primarily focused on conventional service industries, it may not be as useful in other areas where service quality is equally important, such as manufacturing and technology. Furthermore, the model could not be broad enough to account for changing trends and behavioral adjustments in customers given its strong emphasis on consumer expectations and perceptions.

vi) Fixed Aspect

Detractors argue that SERVQUAL's fundamental premise of constant customer expectations and perceptions ignores the dynamic nature of consumer preferences, emphasizing the necessity for a more adaptable and dynamic method of evaluating service quality.

vii) Lack of Practical Information

SERVQUAL's capacity to pinpoint service quality shortcomings is one area of concern. Opponents contend that this instrument could not provide workable answers, simply highlighting areas that need development. Consequently, entities may encounter challenges while attempting to apply efficacious tactics to improve their provision of services.

viii) Results Inconsistencies

Moreover, studies have shown inconsistent results from SERVQUAL questionnaires, casting doubt on the validity and reliability of the tool in a variety of settings and sectors.

How was the Model of Service Quality Developed

i) Literature Review

Parasuraman, Zeithaml, and Berry carefully read through a large body of prior research before delving into the field of service quality and customer satisfaction. In their thorough analysis, they found gaps and inconsistencies in the theories and studies that are currently being conducted, with an emphasis on quantifying the quality of services.

ii) Qualitative Studies

The three researchers conducted several qualitative studies to learn more about the perceptions and preferences of consumers about service quality across various sectors. They established the foundation for SERVQUAL through enlightening interviews and stimulating focus groups.

iii) Formulation of Service Quality Characteristics

Parasuraman, Zeithaml, and Berry identified five crucial characteristics of service quality: tangibles, assurance, responsiveness, empathy, and reliability after examining the qualitative study. These elements were thought to be crucial for comprehending the customer's viewpoint and overall service encounter.

iv) Creation of Measurement Instrument

The researchers designed an extensive questionnaire with several items to measure each dimension efficiently. Customers' actual opinions on the service they received as well as their expectations about the quality of the service were assessed using this questionnaire.

v) Pilot Analysis

To confirm its validity and reliability, the SERVQUAL questionnaire underwent preliminary pilot testing. To fine-tune the measuring instrument, this entailed delivering the questionnaire to a specific sample of clients and closely examining their answers.

vi) Validation Experiments

Parasuraman, Zeithaml, and Berry carried out further validation experiments on the SERVQUAL questionnaire to bolster its validity. These thorough studies sought to verify the validity and reliability of the instrument across a range of contexts, including industry and cultural situations.

vii) Improvement and Iteration

The researchers conducted validation studies and pilot testing before making the required modifications to the SERVQUAL questionnaire to improve its applicability and efficacy. This required changing the questionnaire's items, perfecting the answer scales, and confirming the validity of the results in various settings.

viii) Publication and Verbalization

The results of these initiatives were published in academic journals such as the Journal of Retailing and the Journal of Marketing, which helped SERVQUAL gain acceptance as a standard gauge of service excellence across a range of industries.

3.6 Internal Marketing of Services

In Services Marketing, internal marketing is a critical concept that emphasizes treating employees as “internal customers” to ensure high-quality service delivery. Unlike physical products, services are intangible and produced and consumed simultaneously, making

employees' performance directly tied to customer satisfaction. Hence, organizations focus on motivating, training, and empowering their staff to deliver excellent service.

Objectives

- ✓ **Employee Alignment** – Ensures employees understand the organization's service vision and goals.
- ✓ **Service Quality Improvement** – Motivated employees are more likely to provide consistent and high-quality service.
- ✓ **Customer Satisfaction** – Satisfied and engaged employees create better customer experiences.
- ✓ **Employee Retention** – Enhances job satisfaction and reduces turnover.

Key Elements of Internal Marketing

i) Training and Development

Equip employees with the necessary skills, knowledge, and customer service etiquette.

Example: A hotel trains front-desk staff on check-in procedures, guest handling, and complaint resolution.

ii) Communication

Share clear information on service standards, organizational policies, and goals.

Example: A bank provides weekly updates about new loan products and service campaigns to its staff.

iii) Motivation and Rewards

Recognize and reward employees for excellent performance to encourage service excellence.

Example: A call center awards bonuses to employees who achieve high customer satisfaction scores.

iv) Empowerment

Give employees the authority to make decisions that improve customer experience.

Example: A restaurant allows servers to provide complimentary items to resolve customer complaints immediately.

3.7 External versus Internal Orientation of Service Strategy

In services marketing, a robust service strategy requires organizations to focus on both external and internal orientations. These orientations ensure that services are aligned with customer expectations while being supported by capable employees and efficient processes. Both orientations complement each other and are essential for delivering high-quality services consistently.

i) External Orientation

External orientation emphasizes understanding and fulfilling customer needs, expectations, and preferences. It involves analyzing the market, studying competitor offerings, and identifying opportunities to create value for customers. This orientation is outward-looking and focuses on building strong customer relationships and competitive advantage.

Example: A luxury hotel analyzes guest preferences and introduces personalized room services and loyalty programs. By understanding customer expectations, the hotel tailors its services to enhance satisfaction and repeat business.

Benefits of External Orientation:

- ✓ Improved customer satisfaction and loyalty
- ✓ Better alignment of services with market trends

- ✓ Stronger brand reputation and competitive advantage

ii) Internal Orientation

Internal orientation focuses on employees, processes, and resources to ensure that services are delivered efficiently and consistently. This orientation is inward-looking and emphasizes employee training, motivation, empowerment, and process optimization. It ensures that the organization has the internal capability to deliver the services promised to customers.

Example: The same hotel invests in staff training on hospitality skills, empowers employees to resolve guest complaints, and monitors service quality standards to maintain consistent service delivery.

Benefits of Internal Orientation:

- ✓ Enhanced employee satisfaction and engagement
- ✓ Consistent service quality across operations
- ✓ Reduced errors and service failures

Check Your Progress

Choose the Correct Answer:

1. Which of the following is the first stage of the Service Life Cycle?

- a) Service Design
- b) Service Operation
- c) Service Strategy
- d) Service Transition

Answer: c) Service Strategy

2. In New Service Development, the stage where ideas are evaluated for technical and financial feasibility is called:

- a) Service Design
- b) Feasibility Analysis
- c) Service Transition
- d) Continual Improvement

Answer: b) Feasibility Analysis

3. The GAP Model of Service Quality measures the difference between:

- a) Employee satisfaction and training
- b) Customer expectations and perceptions of service
- c) Internal and external marketing
- d) Product quality and service quality

Answer: b) Customer expectations and perceptions of service

4. Which of the following is NOT a dimension of SERVQUAL?

- a) Tangibles
- b) Reliability
- c) Responsiveness
- d) Pricing

Answer: d) Pricing

5. Internal marketing primarily focuses on:

- a) Customer loyalty programs
- b) Employee training, motivation, and empowerment
- c) Competitor analysis
- d) Advertising campaigns

Answer: b) Employee training, motivation, and empowerment

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	Define Service Life Cycle and list its stages.	CO1	Remembering	PO1, PO4
2	What is New Service Development?	CO2	Understanding	PO1, PO2
3	List the five gaps in the GAP model of service quality.	CO3	Remembering	PO1, PO3
4	What are the dimensions of SERVQUAL?	CO4	Understanding	PO1, PO3
5	Explain the difference between internal and external orientation of service strategy.	CO5	Understanding	PO1, PO2

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the Service Life Cycle in detail with examples.	CO1	Understanding / Applying	PO1, PO4
2	Discuss the stages of New Service Development with examples.	CO2	Understanding / Applying	PO1, PO2
3	Explain the GAP Model of Service Quality and its importance in service marketing.	CO3	Understanding / Analyzing	PO1, PO3
4	Describe methods of measuring service quality, including the SERVQUAL model, with examples.	CO4	Understanding / Analyzing	PO1, PO3
5	Discuss internal marketing of services and differentiate between internal and external orientation of service strategy.	CO5	Understanding / Analyzing	PO1, PO2

UNIT – IV

Structure:

4.1 Introduction to Delivering Quality Service

4.2 Designing Service Delivery System

4.3 Service channel

4.4 Pricing of services

4.5 Methods of Pricing Services

4.6 Service Marketing Triangle

4.7 Managing Demand and Supply in Services Marketing

4.8 Integrated Service Marketing Communication

4.1 Introduction to Decision Support System

Delivering quality service is a cornerstone of services marketing and a key driver of business success. Unlike physical products, services are intangible, perishable, and heterogeneous, which makes maintaining consistent quality a challenge. In services, the customer often participates in the production and consumption process, meaning that the quality of service depends not only on the outcome but also on how the service is delivered.

Quality service is defined as the ability of an organization to consistently meet or exceed customer expectations. It is measured not only by the functional outcome but also by the overall experience, including responsiveness, reliability, empathy, assurance, and tangibles—the five dimensions highlighted in the SERVQUAL model.

The goal of delivering quality service is to create satisfied, loyal customers who perceive value in the service. To achieve this, organizations must focus on three key elements:

- 1. Understanding Customer Expectations:** Knowing what customers want and value in the service.
- 2. Efficient Service Processes:** Designing and implementing processes that ensure consistent service delivery.
- 3. Employee Capability and Engagement:** Training, motivating, and empowering employees to deliver services effectively.

Example: In a hotel, delivering quality service involves not only providing clean rooms and timely check-ins but also ensuring courteous staff, smooth communication, and attention to guest preferences. Each of these factors contributes to the overall perception of service quality.

4.2 Designing Service Delivery System

Designing a service delivery system is a crucial aspect of service management and marketing. Unlike physical products, services are intangible, perishable, and often produced and consumed simultaneously, which makes consistent delivery a major challenge. A service delivery system outlines how a service is provided to customers, ensuring efficiency, reliability, and high-quality experiences.

A well-designed system integrates people, processes, technology, and the physical environment, while also considering customer participation. Effective design not only enhances service quality but also supports employees in performing their roles efficiently and confidently.

Example: In a hotel, the service delivery system encompasses reservation, check-in, room service, housekeeping, and check-out procedures. Each component must function seamlessly to ensure guest satisfaction.

Objectives:

- ✓ **Ensure Consistent Service Quality** – Deliver services reliably across time and locations.

- ✓ **Enhance Customer Satisfaction** – Create smooth and enjoyable service experiences.
- ✓ **Optimize Resources** – Make efficient use of staff, technology, and facilities.
- ✓ **Reduce Service Failures** – Identify and prevent potential errors or bottlenecks.
- ✓ **Support Employee Performance** – Provide clear processes, training, and empowerment.

Components of a Service Delivery System

i) People – Employees are the primary interface with customers; their skills and behavior directly influence service quality.

Example: Frontline bank staff trained to resolve customer queries efficiently.

ii) Processes – Defined procedures ensure services are delivered consistently and efficiently.

Example: Hospital admission, treatment, and discharge process.

iii) Technology – Tools that support or automate service delivery, enhancing efficiency and accuracy.

Example: Online booking systems, self-service kiosks, CRM software.

iv) Physical Evidence / Environment – Tangible elements that shape customer perceptions of service quality.

Example: Clean, well-designed restaurant interiors and signage.

v) Customer Participation – The role customers play in the service process.

Example: Online banking, ATM usage, or self-check-in at airports.

Example:

Hospital Service Delivery System:

- ✓ **People:** Doctors, nurses, receptionists
- ✓ **Processes:** Registration → Diagnosis → Treatment → Billing → Discharge
- ✓ **Technology:** Electronic health records, diagnostic machines, online appointment systems

- ✓ **Physical Evidence:** Clean wards, signage, and patient-friendly facilities
- ✓ **Customer Participation:** Providing medical history and following instructions

This integration ensures efficient, high-quality care for patients.

4.3 Service channel

A service channel is the medium or platform through which a service is delivered to customers. In services marketing, the choice of service channel is crucial because it affects customer convenience, accessibility, satisfaction, and overall experience. Unlike products, services are intangible, perishable, and often require customer participation, making the design of an appropriate service channel essential.

Service channels can be physical, digital, or hybrid, depending on the nature of the service, customer preferences, and organizational objectives.

Example: A bank offers services through branches (physical channel), mobile banking apps (digital channel), and ATMs (self-service channel).

Types of Service Channels

i) Face-to-Face / Direct Channel

- ✓ Services are delivered in person, allowing direct interaction between employees and customers.
- ✓ **Example:** Restaurant dining, hotel check-in, or in-person banking.
- ✓ **Advantages:** Personal touch, immediate feedback, relationship building.
- ✓ **Challenges:** Limited scalability and higher operational cost.

ii) Self-Service Channel

- ✓ Customers perform service activities themselves, often using technology.
- ✓ **Example:** ATMs, online ticket booking, self-checkout kiosks.

- ✓ **Advantages:** Convenience, 24/7 availability, reduced labor costs.
- ✓ **Challenges:** Requires customer capability; limited personal interaction.

iii) Remote / Digital Channel

- ✓ Services are delivered without physical interaction, often through digital platforms.
- ✓ **Example:** Mobile banking, telemedicine, e-commerce, online learning.
- ✓ **Advantages:** Wide reach, cost-efficient, accessible anytime.
- ✓ **Challenges:** Limited personal interaction and potential technology issues.

iv) Hybrid / Multi-Channel

- ✓ Combines multiple channels to provide flexibility and choice for customers.
- ✓ **Example:** Retail stores offering in-store shopping, online ordering, and home delivery.
- ✓ **Advantages:** Increases customer convenience and satisfaction.
- ✓ **Challenges:** Requires seamless integration to avoid inconsistencies.

Factors Influencing Choice of Service Channel

- ✓ **Customer Preferences:** Convenience, accessibility, and comfort.
- ✓ **Nature of Service:** Complexity, intangibility, and need for personalization.
- ✓ **Cost Considerations:** Investment in infrastructure, technology, and employees.
- ✓ **Control and Quality:** Maintaining consistent service standards across channels.
- ✓ **Competition and Market Trends:** Alignment with industry norms and competitor strategies.

Example:

Banking Services:

- ✓ **Branch Banking:** Face-to-face assistance for complex transactions.
- ✓ **ATM Services:** Self-service for cash withdrawal, deposits, and balance inquiry.

- ✓ **Mobile Banking App:** Digital channel for fund transfers, bill payments, and account monitoring.
- ✓ **Hybrid Approach:** Initiate transactions online and complete them at the branch.

This multi-channel approach enhances convenience while maintaining service quality.

Importance of Service Channels

- ✓ Improves **customer convenience** and satisfaction.
- ✓ Expands **market reach** and accessibility.
- ✓ Reduces **operational costs** through automation and self-service.
- ✓ Enables **flexibility and personalization** in service delivery.

4.4 Pricing of services

Pricing of services is a critical component of the services marketing mix. Unlike physical products, services are intangible, perishable, and heterogeneous, which makes pricing more complex. Service pricing not only influences revenue and profitability but also shapes customer perception of value and quality.

Setting the right price is essential to balance customer expectations, market demand, cost of service delivery, and competitive positioning.

Example: An airline may charge different prices for economy, business, and first-class tickets based on service level, demand, and timing.

Characteristics of Services Affecting Pricing

- i) **Intangibility** – Customers cannot see or touch the service before purchase, making perceived value a key factor.
- ii) **Perishability** – Services cannot be stored; unused capacity (like empty airline seats) represents lost revenue.

iii) Heterogeneity – Variability in service delivery may require pricing adjustments based on customization or complexity.

iv) Simultaneity – Services are produced and consumed at the same time, limiting the ability to correct errors, which can affect pricing decisions.

Objectives of Service Pricing

i) Revenue and Profit Maximization – Ensure the service generates sustainable income.

ii) Market Penetration – Attract new customers through competitive or introductory pricing.

iii) Customer Value Communication – Signal quality and differentiate from competitors.

iv) Demand Management – Use pricing to regulate demand during peak and off-peak periods.

v) Cost Recovery – Cover operational costs and maintain service quality.

Factors Influencing Service Pricing

✓ **Cost of Service Delivery:** Direct costs (materials, labor) and indirect costs (overheads, technology).

✓ **Customer Perception of Value:** Willingness to pay based on perceived benefits.

✓ **Competition:** Pricing strategies of competitors in the same market segment.

✓ **Demand and Supply:** Peak vs. off-peak pricing to manage capacity utilization.

✓ **Service Differentiation:** Unique features or premium service levels justify higher prices.

Methods of Pricing Services

i) Cost-Based Pricing – Price is determined by adding a markup to the total cost of delivering the service.

Example: A consulting firm charges a fee equal to the cost of labor plus a profit margin.

ii) Competition-Based Pricing – Price is set in line with or slightly different from competitors’ offerings.

Example: Mobile network providers offering similar data plans at competitive rates.

iii) Value-Based Pricing – Price is based on the perceived value of the service to the customer rather than cost.

Example: Luxury spa charging premium rates due to high perceived relaxation and experience.

iv) Demand-Based / Dynamic Pricing – Prices vary depending on demand fluctuations.

Example: Airlines increasing ticket prices during holidays or reducing them during low-demand periods.

v) Bundle Pricing – Offering a package of services at a single price to encourage higher purchase.

Example: Telecom companies bundling internet, mobile, and TV services.

Example

Airline Service Pricing:

- ✓ **Cost-Based:** Operational cost of flight + markup.
- ✓ **Value-Based:** Premium for business class due to extra comfort and services.
- ✓ **Demand-Based:** Higher ticket prices during holidays; discounted off-season fares.
- ✓ **Bundle Pricing:** Flight + hotel + car rental packages.

4.5 Methods of Pricing Services

Pricing services requires careful consideration because services are intangible, perishable, and variable. Organizations adopt different pricing methods depending on costs, customer perception, competition, and demand. The main methods of pricing services are:

i) Cost-Based Pricing

In this method, the price of a service is determined by calculating the total cost of service delivery and adding a profit margin. It ensures that all expenses are covered and a profit is earned.

Example: A consulting firm charges clients based on the number of employee hours plus a predetermined markup.

ii) Competition-Based Pricing

Prices are set in line with or slightly different from competitors' offerings. This approach is useful in markets where services are similar and price-sensitive.

Example: Mobile network providers offering similar data plans at competitive rates to attract customers.

iii) Value-Based Pricing

Price is based on the perceived value of the service to the customer rather than the cost of production. It is ideal for differentiated or premium services.

Example: A luxury spa charges premium rates due to the perceived relaxation, ambience, and exclusivity offered.

iv) Demand-Based / Dynamic Pricing

Prices are adjusted according to fluctuations in demand, timing, or capacity. This method is common in services with perishable inventory, such as airline seats or hotel rooms.

Example: Airlines increase ticket prices during peak travel seasons and offer discounts during off-peak periods.

v) Bundle Pricing

Multiple services are offered together as a package at a single price, encouraging customers to buy more while simplifying purchasing decisions.

Example: Telecom companies offering internet, TV, and mobile services as a single bundle.

4.6 Service Marketing Triangle

The Service Marketing Triangle is a framework used in marketing to illustrate the relationships and communication flows between a company, its employees, and its customers in a service context. It emphasizes that service marketing is not just about promoting a service but also about aligning employees and customers with the company's promises.

The Triangle has Three Key Points:



i) Company – The organization or service provider that sets the service strategy, brand promise, and standards.

ii) Employees (Internal Marketing) – Staff who deliver the service. The company must train, motivate, and enable employees to perform the service effectively.

iii) Customers (External Marketing) – The recipients of the service. The company communicates with them to create expectations and deliver value.

The triangle highlights three types of marketing/communication flows:

i) External Marketing (Company → Customer)

- ✓ How the company communicates its service promise to customers through advertising, sales, and branding.
- ✓ **Example:** A hotel's website promoting luxury amenities.

ii) Internal Marketing (Company → Employees)

- ✓ How the company trains, motivates, and supports employees to deliver the service promised.
- ✓ **Example:** Employee training programs in customer service skills.

iii) Interactive Marketing (Employee → Customer)

- ✓ The actual service delivery and interactions between employees and customers. This is where the service promise is fulfilled.
- ✓ **Example:** A friendly receptionist making a guest feel welcome.

4.7 Managing Demand and Supply in Services Marketing

Services differ from physical products in key ways: they are intangible, perishable, and produced and consumed simultaneously. These characteristics make managing demand and supply particularly challenging. Unlike goods, excess demand cannot be stored, and idle capacity

represents lost revenue. Therefore, service marketers must strategically balance demand and supply to ensure efficiency and customer satisfaction.

Managing Demand

Managing demand refers to strategies that influence customer behavior so that demand aligns with the service provider's capacity.

Strategies to Manage Demand:

i) Pricing Strategies

- ✓ Differential pricing encourages customers to use services during off-peak periods.
- ✓ **Example:** Airlines offering lower fares for weekday flights.

ii) Reservation and Appointment Systems

- ✓ Scheduling services helps control peak demand.
- ✓ **Example:** Salons and medical clinics use appointment slots to reduce waiting times.

iii) Promotional Communication

- ✓ Marketing campaigns can shift demand to less busy times.
- ✓ **Example:** Hotels offering midweek discounts to reduce weekend crowding.

iv) Queuing and Waitlists

- ✓ Informing customers about wait times or using structured queues can manage excess demand.
- ✓ **Example:** Popular restaurants managing dinner rushes through reservations.

Managing Supply

Managing supply involves aligning the service provider's capacity with anticipated demand.

Strategies to Manage Supply:

i) Capacity Management

- ✓ Adjust the number of employees or service units according to demand fluctuations.
- ✓ **Example:** Call centers increase staff during peak call hours.

ii) Flexible Workforce

- ✓ Employ part-time or cross-trained staff to respond to demand surges.
- ✓ **Example:** Hotels hiring extra housekeeping staff during holidays.

iii) Facility and Equipment Utilization

- ✓ Optimize the use of resources to prevent idle capacity.
- ✓ **Example:** Gyms rotating equipment or extending hours during peak periods.

iv) Subcontracting or Outsourcing

- ✓ Temporarily increase service capacity without permanent investments.
- ✓ **Example:** Catering companies hiring additional cooks for large events.

4.8 Integrated Service Marketing Communication

Integrated marketing communication (IMC) combines many marketing channels to create a cohesive and consistent brand message. Developing a coherent communication strategy entails coordinating efforts across digital media, direct marketing, public relations, sales promotion, and advertising. Through the alignment of these disparate components, IMC guarantees that all marketing endeavors collaborate harmoniously to augment brand exposure and consumer involvement. Fundamentally, IMC wants to reinforce important brand characteristics and values by presenting a consistent brand image across all channels and touchpoints. Through this integration, businesses may establish more enduring relationships

with their target market, cultivating trust and brand loyalty. Through the strategic coordination of messages and promotional activities, IMC enables customers to have a more memorable and powerful brand experience.

Why IMC is Important?

i) Constant Brand Communication: IMC makes ensuring that a single brand message is communicated over all channels of communication, supporting the maintenance of the brand's identity and core values at different touchpoints.

ii) Improved Consumer Participation: IMC helps businesses engage consumers more successfully by combining marketing initiatives, which builds stronger bonds and relationships.

iii) Efficient Resource Allocation: By coordinating marketing initiatives, reducing effort duplication, and optimizing the impact of each campaign, IMC makes it possible to allocate resources efficiently.

iv) Better [ROI](#): IMC may increase marketing campaigns' efficacy and therefore their return on investment and overall cost-efficiency by aligning marketing channels in a synergistic way.

v) Enhanced Brand Loyalty: IMC's consistent and well-coordinated communication fosters consumer trust and loyalty, which promotes advocacy and repeat business.

vi) Flexibility in Changing Markets: By incorporating real-time data and insights into communication plans, integrated marketing communications (IMC) helps businesses to adjust to changing customer preferences and market trends.

vii) Competitive Advantage: Organizations that successfully integrate IMC stand out from the competition by offering a smooth and engaging brand experience that appeals to customers.

Approaches to Integrated Marketing Communication

To guarantee the smooth integration of marketing initiatives across several media, integrated marketing communication, or IMC, uses a variety of strategies. Here are a few crucial methods:

i) Constant Communication: Making sure that the public relations, social media, advertising, and sales promotions all use the same version of the brand message. Messaging consistency improves brand awareness and serves to reaffirm brand identity.

ii) Cross-Channel Integration: Ensuring a cohesive and coordinated strategy by coordinating marketing initiatives across several channels. In order to optimize the impact of each channel and give customers a consistent brand experience, this entails coordinating tactics, content, and timing.

iii) Focused on consumers Approach: Delivering pertinent and tailored communication by concentrating on the requirements and preferences of the intended audience. Marketers may increase engagement and response rates by customizing messaging and content to resonate with particular target groups by analyzing customer behavior and preferences.

iv) Information-Driven Insights: Using consumer and data analytics insights to guide marketing choices and enhance communication tactics. Marketers may improve the efficacy of their campaigns and improve their messaging by identifying trends, preferences, and opportunities through the analysis of consumer data and feedback.

v) Combined Strategy Formulation: It is the process of creating extensive marketing campaigns that use a variety of platforms and strategies to accomplish predetermined goals. In order to guarantee a seamless and effective execution, integrated campaign planning entails coordinating objectives, tactics, and resources across several teams or departments.

vi) Integration of Technologies: It refers to the combination of marketing technology and solutions to increase team communication, automate operations, and expedite procedures. This entails utilizing analytics tools, customer relationship management (CRM) platforms, and marketing automation platforms to improve the efficacy and efficiency of providing integrated marketing communication.

Components of the Integrated Marketing Communications (IMC)

i) **Advertising**: Advertising is the paid marketing of goods, services, or brand messaging across a range of media, including print, radio, television, internet platforms, and outdoor billboards. Strategic design is used in advertisements to draw in viewers, raise awareness, and sway their opinions.

ii) **Public Relations (PR)**: Its main goals are to manage and shape the public's opinion of a brand through effective relationship-building and communication strategies. To improve a brand's credibility and reputation, this includes influencer relationships, events, sponsorships, press releases, and media relations.

iii) **Direct Marketing**: Using media like email, direct mail, telemarketing, and SMS, direct marketing is communicating directly with specific customers or target populations. With this individualized strategy, marketers may reach out to customers directly with customized offers, promotions, or messaging, encouraging a more prompt and personalized reaction.

iv) **Sales Promotion**: Using transient incentives like discounts, coupons, competitions, samples, or loyalty programs, sales promotion strategies aim to boost sales right away or foster customer involvement. These promotions are frequently utilized to draw in new clients or boost revenues during particular times.

v) Virtual Marketing: Virtual/Digital marketing reaches and interacts with customers through online platforms and channels including social media, websites, mobile applications, and search engines. This include techniques to improve brand awareness, create leads, and drive traffic online, including as pay-per-click (PPC) advertising, social media marketing, content marketing, and search engine optimization (SEO).

vi) Content Advertising: To draw in and hold on to a well-defined audience, content marketers create and disseminate valuable, pertinent, and consistent information. This material is intended to inform, entertain, or inspire customers while discreetly advertising the business. It can come in a variety of formats, including articles, blogs, videos, infographics, and podcasts.

vii) Social Media Marketing: Social media marketing is connecting and interacting with customers via the use of social media platforms like YouTube, LinkedIn, Instagram, Facebook, and Twitter. Social media is a tool that brands utilize to distribute content, engage with followers, create communities, and show off their personalities and beliefs in order to humanize their business.

viii) Partnerships and Sponsorships: In order to broaden their audience, increase brand awareness, and establish their reputation, brands frequently work with other brands, companies, or individuals through partnerships and sponsorships. This might be contributing to co-branded campaigns, supporting events as a sponsor, or teaming up with influencers to promote goods or services.

ix) Internal Communication: Internal communication makes sure that messages are consistent and aligned at all organizational levels, including with employees. Workers are vital in fulfilling the brand promise to consumers and are frequently seen as brand ambassadors. To keep staff

members informed and involved, internal communication initiatives could include town hall meetings, newsletters, intranet updates, and employee training.

x) Combined Digital Tools and Technologies: Brands frequently use a variety of digital tools and technologies to improve marketing efforts across many channels, measure performance metrics, and simplify communication procedures in order to successfully implement IMC strategies. To manage and assess the success of marketing efforts, this may involve the use of social media management tools, analytics software, marketing automation platforms, and customer relationship management (CRM) software.

Integrated Marketing Communications Tools

i) Automation in [Marketing](#) Platforms: With the help of these platforms, marketers can automate time-consuming activities like lead nurturing, social media posting, and email marketing. They frequently have tools for campaign tracking, targeted messaging, and consumer segmentation, which help to improve and expedite marketing procedures.

ii) Customer Relationship Management (CRM) Systems: Systems for managing and analyzing customer relationships and data across the customer lifecycle are known as customer relationship management, or CRM systems. Marketers may track customer activity, tailor messages, enhance lead management, and target more effectively by combining CRM data with their campaigns.

iii) Content Management Systems (CMS): Websites, blogs, and multimedia may all be created, published, and managed more easily with the help of content management systems (CMS) platforms. By offering tools for content production, editing, scheduling, and delivery, they let marketers to interact with their audience across a variety of channels and have a continuous online presence.

iv) Tools for Social Media Management: With the aid of these resources, marketers may plan posts, schedule content, track engagement metrics, and examine audience behavior. Brands may successfully connect with their audience on social networks by using tools for social listening, content curation, and social advertising.

v) Analytics and Reporting Tools: Analytics tools help marketers monitor important metrics like website traffic, conversions, engagement, and ROI by offering insights into the effectiveness of marketing campaigns and channels. Marketers may increase overall marketing effectiveness by identifying patterns, optimizing campaigns, and making data-driven choices through the analysis of data and analytics.

vi) Email Marketing Software: Email marketing software facilitates the creation, distribution, and monitoring of email campaigns for the purpose of engaging with potential clients and consumers. These solutions, which assist marketers in reaching their audience with relevant and targeted messages, frequently come equipped with capabilities for email design, list segmentation, automation, customization, and analytics.

vii) Tools for Search Engine Optimization (SEO): With the use of SEO tools, marketers may enhance the visibility and search engine ranks of their websites and content. They support marketers by offering insights into link-building possibilities, competition research, website audits, and keyword performance. This helps them draw in more quality leads and boost organic traffic.

viii) [Advertising Platforms](#): Marketers may design and oversee paid advertising campaigns across several channels with the help of advertising platforms like Google Ads, Facebook Ads, and LinkedIn Ads. With the use of these platforms' targeting choices, ad formats, budget limits,

and performance monitoring tools, marketers can successfully reach their target audience and assess the effectiveness of their campaigns.

ix) Public Relations Software: PR software aids in the administration of influencer outreach, press releases, events, and media relations for businesses. These solutions, which assist marketers in enhancing brand exposure and reputation through earned media channels, frequently include functionality for journalist databases, press release distribution, performance measurement, and media monitoring.

x) Project Management Tools: These tools facilitate the coordination, planning, and planning of marketing campaigns and projects by marketers. By offering functions for project monitoring, file sharing, task management, and team communication, they help marketers optimize processes and guarantee the prompt completion of IMC projects.

Integrated Marketing Communications Examples

i) Coca-Cola's "Share a Coke" Campaign: The Coca-Cola "Share a Coke" campaign is a great illustration of integrated marketing communications (IMC). Customers' names were printed on bespoke packaging, and they were urged to use the hashtag #ShareACoke when posting pictures and narratives on social media. In order to produce a cohesive message that connected with customers all across the world, this campaign skillfully combined public relations, experiential marketing, social media marketing, and advertising.

ii) Nike's "Just Do It" Campaign: The famous "Just Do It" campaign by Nike is another illustration of IMC at its finest. Nike successfully spread their brand message of inspiration and empowerment to athletes and fitness fanatics worldwide using a combination of print ads, social media campaigns, athlete endorsements, and experiential marketing events.

iii) Product Launch Events at Apple: Apple carefully plans its product launch events, using aspects of digital marketing, experiential marketing, public relations, and advertising. Through teaser ads, media invites, live streaming, and social media coverage, these events create hype and expectation that culminates in a unified brand experience that upholds Apple's reputation for innovation and cutting edge.

iv) Red Bull's Content Marketing Strategy: Red Bull uses a variety of platforms to deliver interesting and shareable content, which is a prime example of integrated marketing communications (IMC). Red Bull skillfully combines its marketing efforts to appeal to its target group of daring and thrill-seeking people, from holding music festivals and developing its own media platform (Red Bull Media House) to sponsoring extreme sports events and making branded films.

v) Dove's Real Beauty Campaign: This campaign, which uses social media, content marketing, public relations, and advertising to dispel beauty stereotypes and advance body acceptance, is a potent illustration of integrated marketing communications (IMC). Dove consistently conveys an inspiring message to customers throughout the globe through thought-provoking ads, social media campaigns, influencer collaborations, and user-generated content.

Benefits of Integrated Marketing Communications

i) Consistency: By ensuring a consistent brand message across all marketing channels, integrated marketing communications (IMC) removes uncertainty and strengthens brand identification in customers' perceptions.

ii) Enhanced Brand Exposure: IMC increases brand exposure by combining several communication channels including digital marketing, public relations, and advertising. This helps the brand reach a larger audience and become more recognizable.

iii) Enhanced Customer Engagement: Through the delivery of consistent and pertinent messages that are customized to each customer's preferences and behaviors across a variety of touchpoints, IMC enhances customer engagement, resulting in stronger bonds and greater loyalty.

iv) Cost Efficiency: IMC minimizes waste and redundancy by better leveraging resources and coordinating marketing operations. This maximizes the return on investment (ROI) for marketing initiatives while also reducing costs over time.

v) Enhanced Marketing Effectiveness: Campaigns that are integrated and make use of a variety of channels and strategies are more likely to motivate consumers to take action, whether it be sharing content, making a purchase, or interacting with the brand. This leads to increased conversion rates and better sales results.

vi) Improved Data Insights: IMC makes it possible to gather and analyze data from a variety of channels and sources, which offers insightful information about the trends, tastes, and behavior of consumers. With this data-driven strategy, marketers can optimize their campaigns for maximum efficacy and make well-informed decisions.

vii) Competitive Advantage: Businesses who use integrated marketing communications (IMC) stand out from rivals who might not use such integration and consistency in their marketing campaigns by showcasing a united and cohesive brand image that appeals to customers.

Steps in the Integrated Marketing Communications Planning Process

i) Performing a Situation Analysis: It entails evaluating the internal and external variables, including as market trends, competition analysis, SWOT analysis, and consumer insights, that may have an influence on the brand's communication objectives.

ii) Clearly Defining Objectives: Creating quantifiable, targeted communication goals that complement the organization's overarching marketing and commercial objectives. These goals must to be based on key performance indicators (KPIs), attainable, and practical.

iii) Finding the Target Audience: To make sure that communication efforts are suited to their needs, interests, and motivations, target audience groups should be defined based on behavioral, psychographic, and demographic traits.

iv) Creating Key Messages: Creating concise, coherent messaging that communicate to the target market the brand's distinct positioning, advantages, and value proposition. The goals and identity of the brand should be reflected in these communications.

v) Choosing Communication Channels: To effectively reach the target audience, choose the best combination of communication channels and methods. Public relations, digital marketing, social media, direct marketing, events, and sponsorships are a few examples of this.

vi) Formulating the IMC Strategy: Formulating a thorough IMC strategy that describes how every communication channel will be synchronized and integrated to provide a consistent brand message across various touchpoints.

vii) Putting the Strategy into Action: Using the selected communication strategies and channels in accordance with the budget and schedule specified will help to carry out the IMC strategy. This might entail managing media placements, starting campaigns, producing content, and organizing promotional events.

viii) Monitoring and Measuring Outcomes: Using pertinent analytics tools and metrics, continuously assess the efficacy and performance of the IMC initiatives. This makes it possible to continuously optimize and improve the communication plan using data and insights from real-time operations.

ix) Assessing and Modifying: Carrying out a post-campaign assessment to appraise the IMC plan's overall effectiveness and impact in relation to the set goals. Adjustments can be made in light of the results to enhance next campaigns and maximize resource allocation.

Check Your Progress

Choose the Correct Answer:

1. Which of the following is the primary focus when designing a service delivery system?

- a) minimizing production costs
- b) ensuring consistent service quality and customer satisfaction
- c) maximizing inventory storage
- d) standardizing product packaging

Answer: b) ensuring consistent service quality and customer satisfaction

2. A service channel refers to:

- a) the physical location or medium through which the service is delivered to customers
- b) the distribution of products through wholesalers
- c) the pricing strategy used for services
- d) employee training methods

Answer: a) the physical location or medium through which the service is delivered to customers

3. Which of the following is a common method of service pricing?

- a) cost-plus pricing, demand-based pricing, and competition-based pricing
- b) just-in-time pricing
- c) fixed retail markup only
- d) bulk commodity pricing

Answer: a) cost-plus pricing, demand-based pricing, and competition-based pricing

4. In the Service Marketing Triangle, which interaction is referred to as “interactive marketing”?

- a) company → employee
- b) company → customer
- c) employee → customer
- d) customer → customer

Answer: c) employee → customer

5. Integrated Service Marketing Communication (ISMC) emphasizes:

- a) only advertising and promotions to attract customers
- b) coordinating all communication channels to deliver a consistent service message
- c) reducing employee involvement in service delivery
- d) pricing services based only on competitors

Answer: b) coordinating all communication channels to deliver a consistent service message

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom’s Level	PO
1	What is meant by service delivery system?	CO1	Remembering	PO1
2	List the key elements of designing a service delivery system.	CO1	Understanding	PO1
3	Define a service channel.	CO2	Remembering	PO1
4	Give two examples of service channels.	CO2	Understanding	PO2
5	What are the main methods of pricing services?	CO3	Remembering	PO3

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the process of designing an effective service delivery system and its impact on service quality.	CO1	Analyzing	PO1
2	Discuss the different types of service channels and their significance in service delivery.	CO2	Understanding	PO2
3	Critically evaluate the various pricing methods used in services and their effect on customer demand.	CO3	Evaluating	PO3
4	Illustrate the Service Marketing Triangle with examples and explain the role of each interaction.	CO4	Applying	PO2
5	Explain Integrated Service Marketing Communication (ISMC) and discuss how it ensures consistency in service delivery.	CO6	Understanding	PO1

UNIT – V

Structure:

5.1 Introduction to Marketing of Services

5.2 Financial Services

5.3 Health Services

5.4 Hospitality Services (Travel, Hotels, Tourism)

5.5 Professional Services

5.6 Public Utility Services

5.7 Educational Services

5.8 E-Services (Electronic Services)

5.1 Introduction to Marketing of Services

Marketing of services is a distinct branch of marketing that deals with intangible offerings where the focus is on customer experience, trust, and relationship management rather than physical ownership. Unlike goods, services cannot be touched, seen, or stored, and they are consumed at the time of production. Therefore, the principles of marketing services require unique strategies that address these differences.

Services are becoming increasingly dominant in modern economies, from banking and health care to education and e-services. Effective services marketing ensures that organizations can differentiate themselves, satisfy customers, and build loyalty.

Key Characteristics of Services

- i) **Intangibility:** Services cannot be physically possessed. Customers rely on **brand reputation, testimonials, and guarantees** to evaluate quality. For example, a customer cannot touch or examine an insurance policy; they rely on the credibility of the insurer.

- ii) **Inseparability:** Services are often produced and consumed simultaneously. The interaction between the provider and the customer is crucial. For instance, a medical consultation requires the presence and input of both doctor and patient.
- iii) **Variability (Heterogeneity):** Service quality may vary with personnel, timing, location, or circumstances. Consistency is a challenge. For example, the experience in two branches of the same hotel may differ due to staff performance.
- iv) **Perishability:** Services cannot be stored. Empty airline seats or unused hotel rooms represent lost revenue that cannot be recovered.
- v) **Ownership:** Unlike goods, services do not result in ownership. Customers pay for the **experience, outcome, or access** rather than acquiring a tangible product.

5.2 Financial Services

Financial services include banking, insurance, investment, and other monetary products.

The marketing of financial services focuses on **trust, credibility, and personalized solutions**.

Characteristics: Financial products are intangible, often involve perceived risks, and depend heavily on the service provider's professionalism. Customers cannot physically examine a loan or an insurance policy before purchase.

Challenges: Convincing customers of reliability, differentiating from competitors, and delivering consistent quality.

Marketing Strategies:

- ✓ Building long-term customer relationships through loyalty programs and personalized advice.
- ✓ Emphasizing brand credibility through certifications, awards, and testimonials.
- ✓ Leveraging digital channels such as mobile banking and online investment platforms.
- ✓ Providing quick and convenient services to enhance customer satisfaction.

Example: A private bank offering wealth management services and investment planning with a dedicated financial advisor.

5.3 Health Services

Health services encompass hospitals, clinics, telemedicine, diagnostic centers, and pharmacies. Marketing in healthcare is highly sensitive as it involves human well-being and trust.

Characteristics: Services are inseparable, quality depends on professional expertise, and outcomes are often uncertain. Patients place high trust in service providers.

Challenges: Communicating intangible benefits, managing quality variability, and building trust.

Marketing Strategies:

- ✓ Highlighting medical expertise, accreditations, and technological capabilities.
- ✓ Patient-centric care focusing on empathy, comfort, and safety.

- ✓ Digital marketing for appointment booking, telemedicine, and patient engagement.
- ✓ Community programs for awareness and preventive care.

Example: Hospitals promoting specialized care units like cardiology or oncology with certified staff and advanced diagnostic tools.

5.4 Hospitality Services (Travel, Hotels, Tourism)

This sector includes hotels, resorts, airlines, travel agencies, and tour operators. Marketing here focuses on **experience creation, personalization, and customer satisfaction.**

Characteristics: Highly intangible and experiential, perishable (unsold rooms or tickets), and variable depending on location, staff, and season.

Challenges: Maintaining service consistency, managing seasonal demand, and differentiating in a competitive market.

Marketing Strategies:

- ✓ Building brand reputation and online presence.
- ✓ Creating memorable, personalized experiences.
- ✓ Using digital platforms for reservations and promotions.
- ✓ Implementing loyalty programs and unique offerings such as eco-tourism or adventure packages.

Example: Luxury resorts offering curated honeymoon packages with personalized services.

5.5 Professional Services

Professional services include legal, accounting, consulting, IT, architecture, and engineering services.

Characteristics: Knowledge-intensive, intangible, client-specific, and highly dependent on the provider's expertise.

Challenges: Communicating service value before delivery, building credibility, and fostering long-term relationships.

Marketing Strategies:

- ✓ Highlighting qualifications, experience, and successful outcomes.
- ✓ Utilizing referrals, testimonials, and professional networks.
- ✓ Establishing thought leadership via seminars, publications, and online content.
- ✓ Offering customized services according to client needs.

Example: A consulting firm showcasing case studies of digital transformation projects to attract new clients.

5.6 Public Utility Services

Public utilities include electricity, water supply, gas, and public transportation.

Characteristics: Essential services, high social dependence, often regulated, and reliability is critical.

Challenges: Limited differentiation due to regulation, managing public expectations, and improving accessibility.

Marketing Strategies:

- ✓ Awareness campaigns to encourage efficient usage.
- ✓ Transparent communication regarding service schedules and outages.
- ✓ Customer service centers for complaints and feedback.
- ✓ Reliability and accessibility improvements.

Example: Municipal water authorities sending SMS alerts about maintenance and supply updates.

5.7 Educational Services

Educational services include schools, colleges, universities, coaching centers, and online courses.

Characteristics: Intangible outcomes such as knowledge, skills, and career prospects. Quality depends on faculty, infrastructure, and reputation.

Challenges: Communicating value before enrollment, differentiating programs, and meeting diverse expectations.

Marketing Strategies:

- ✓ Highlighting faculty expertise, accreditations, and placement records.

- ✓ Digital marketing: online applications, virtual tours, webinars.
- ✓ Alumni success stories and testimonials.
- ✓ Personalized learning solutions and student experience enhancement.

Example: Universities offering online courses with interactive lectures, mentorship, and global placements.

5.8 E-Services (Electronic Services)

E-services include online banking, e-commerce, digital subscriptions, telemedicine, and cloud services.

Characteristics: Fully intangible, delivered electronically, and dependent on user experience. Security, speed, and reliability are critical.

Challenges: Building trust online, ensuring seamless user experience, and personalizing services.

Marketing Strategies:

- ✓ User-friendly interfaces and seamless digital experience.
- ✓ Security and privacy assurances.
- ✓ Personalization through AI and analytics.
- ✓ Active customer engagement via social media, chatbots, and email marketing.

Example: E-commerce platforms providing personalized product recommendations and 24/7 customer support.

Marketing of services emphasizes creating value, trust, and memorable experiences. Each sector presents unique challenges due to intangibility, inseparability, variability, and perishability. Successful services marketing requires:

- ✓ Deep understanding of customer needs.
- ✓ Relationship-oriented approaches.
- ✓ Consistent service quality.
- ✓ Effective use of both digital and traditional communication channels.
- ✓ Trust-building and credibility enhancement.

In today's service-driven economy, financial, health, hospitality, professional, public utility, educational, and e-services sectors rely heavily on marketing strategies that ensure customer satisfaction, loyalty, and long-term growth.

Check Your Progress

Choose the Correct Answer:

1. In financial services marketing, which of the following is most important for building customer confidence?

- a) physical features of the product
- b) trust and credibility
- c) packaging design
- d) store location

Answer: b) trust and credibility

2. Which of the following is a major challenge in marketing health services?

- a) creating loyalty programs
- b) communicating intangible benefits and building trust
- c) designing attractive product packaging
- d) transporting the service

Answer: b) communicating intangible benefits and building trust

3. Unsold airline seats and empty hotel rooms are examples of which service characteristic?

- a) inseparability
- b) variability
- c) perishability
- d) intangibility

Answer: c) perishability

4. In professional services like consulting or legal services, what is the most effective marketing strategy?

- a) highlighting expertise, experience, and client testimonials
- b) focusing on physical product packaging
- c) mass advertising with no personalization
- d) offering discounts on tangible goods

Answer: a) highlighting expertise, experience, and client testimonials

5. For e-services like online banking, e-commerce, or cloud services, which factor is most critical in marketing?

- a) physical store location
- b) personalized digital experience and security
- c) manual delivery of services
- d) brand packaging

Answer: b) personalized digital experience and security

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	Define marketing of services.	CO1	Remembering	PO1
2	What is inseparability in services?	CO2	Understanding	PO2
3	What is perishability? Give an example from hospitality services.	CO3	Understanding	PO5
4	List two marketing strategies used in educational services.	CO4	Applying	PO3
5	How do e-services enhance customer experience through digital marketing?	CO5	Understanding	PO4

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the key characteristics of services and discuss how they influence marketing strategies.	CO1	Understanding	PO1
2	Discuss the marketing strategies used in financial services and explain the role of trust and credibility.	CO2	Analyzing	PO2
3	Describe the marketing challenges in health and hospitality services and suggest suitable strategies to overcome them.	CO3	Evaluating	PO5
4	Explain the marketing approaches used in professional, educational, and public utility services with suitable examples.	CO4	Applying	PO3
5	Analyze the role of digital marketing in e-services and how it enhances customer experience.	CO5	Analyzing	PO4