Marketing of Services

Answer. 1 (i)

The service sector, also called the tertiary sector, is one of the three parts of the economy in the Three-sector hypothesis. The service sector provides a service, not an actual product that could be held in your hand. Activities in the service sector include:

- (a) Retail,
- (b) Banks,
- (c) Hotels,
- (d) Real Estate,
- (e) Education, Health,
- (f) Transport,
- (g) Media & Communications,
- (h) Recreation,
- (i) Electricity,
- (j) Gas And Water Supply; etc.

Answer. 1(ii)

Services Marketing refers to the marketing of services as against tangible products. Services marketing is a sub field of marketing, which can be split into the two main areas of goods marketing (which includes the marketing of fast moving consumer goods (FMCG) and durables) and services marketing. Services marketing typically refers to both business to consumer (B2C) and business to business (B2B) services, and includes marketing of services like telecommunications services, financial services, all types of hospitality services, car rental services, air travel, health care services and professional services.

Answer. 1 (iii)

Differences between Goods & Services:

Given below are the fundamental differences between physical goods and services:

<table>
<thead>
<tr>
<th>Goods</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible</td>
<td>Intangible</td>
</tr>
<tr>
<td>A physical commodity</td>
<td>A process or activity</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>Homogeneous</td>
<td>Heterogeneous</td>
</tr>
<tr>
<td>Production and distribution are separation from their consumption</td>
<td>Production, distribution and consumption are simultaneous processes</td>
</tr>
<tr>
<td>Can be stored</td>
<td>Cannot be stored</td>
</tr>
<tr>
<td>Transfer of ownership is possible</td>
<td>Transfer of ownership is not possible</td>
</tr>
</tbody>
</table>

**Answer. 1 (iv)**

An important feature of service that ownership cannot be transferred as in case of products. The service user (customer) has only the right to a buying process such as occupying room or hiring a taxi or hearing a teacher. The service cannot be purchased and stored. We cannot buy and own the services. Therefore, services are provided to the consumers. Provider sells the service and consumer consumes it and he (customer) cannot own the services.

**Answer. 1 (v)**

Franchising is the practice of using another firm's successful business model. The word 'franchise' is of Anglo-French derivation - from franc - meaning free, and is used both as a noun and as a (transitive) verb. For the franchisor, the franchise is an alternative to building 'chain stores' to distribute goods that avoids the investments and liability of a chain. The franchisor's success depends on the success of the franchisees.

The term ‘franchising’ refers to a relationship where one party the franchiser provides the development work on a service and instructs standard of delivery, while coming to an arrangement with a second party the franchisee who is licensed to deliver the service, taking some share of the financial risk and reward in return.
**Answer. 1 (vi)**

The service product is a service that can be sold and that is performed within Customer Service (for example, inspection of your car). You can use the sales order and the service order to process these service tasks. Service as a product represents a wide range of intangible products offerings that customers value and pay for in the marketplace. Service products are sold by service companies and by non-service companies such as manufacturers and technology companies.

**Answer. 1 (vii)**

Manufacturers, wholesalers, retailers, consumers, Government, public policies, market conditions all influence price and are influenced by price and pricing of a product, service or an idea.

> Pricing as a function marketing plays an important role in the economy of any country.

a. It regulates demand as price can increase or decrease the demand for a service. It is the strongest of the four ‘Ps’ in the marketing mix.
b. It is the prime mover of the wheels of economy as it controls production, consumption and distribution.
c. It affects the living standard of the people in a society, regulates business profits and thus acts a powerful agent of sustained economic standard.
d. Price acts as a competitive weapon to increase or decrease the sales and affect the profits of competitors.
e. Price is the basis for generating profits. It is often used to set aside the weaknesses of other determinants of marketing mix and yet earn profit.
f. For any corporate decision price as an important base as the available money resources will act as the cut-off point in the business activities.

**Answer. 1 (viii)**

Service Strategy defines the objectives, resources, and constraints within which services and the relationships they define with customers are to be managed. The service strategy for the service provider can be defined in a number of ways. The principle methods of these definitions can be summarized as follows:

a. **Perspective**: where the service strategy is articulated as a mission statement or vision statement.
b. **Position**: where the service strategy is expressed in a specific way that allows comparison between competitors.

c. **Plan**: where the service strategy is asked as a question.

d. **Pattern**: where the service strategy is defined as a consistent set of activities to be performed in a defined period of time.

The reality of these four Ps of strategy is that a combined definition is most commonly used. However, certain circumstances may dictate a more dominant element to come through the strategy statement.

**Answer. 1 (ix)**

Service encounter is also known as the *Moment of truth*. it is when the customer interacts with the service or product for the first time.

It has 3 different P's than the product and they are:

a. **people**

b. **process**

c. **physical evidence**

Service encounters are transactional interactions in which one person (e.g., a vendor, office clerk, travel agent) provides a service or good (e.g., a product, an appointment, airline tickets) to another person.

A service encounter is a period of time during which customer interact directly with a service. It is also called as "Moment of Truth".

**Answer. 1 (x)**

**Financial services** are the economic services provided by the finance industry, which encompasses a broad range of organizations that manage money, including credit unions, banks, credit card companies, insurance companies, consumer finance companies, stock brokerages, investment funds and some government sponsored enterprises.

**Answer. 2.**

In service marketing the matching of supply and demand is particularly difficult because of the perishable nature of services which cannot be stored and the participation of customers in creation of service. Sometimes their reaction may be quick or slow; this creates variability in capacity.

It is difficult to match demand and supply but it should be managed for two reasons:
First, when demand is below capacity then the cost will increase, profitability will be eroded and the service may even become unproductive. Many services carry relatively high fixed cost.

Secondly, when the demand and capacity supply are out of balance the service itself can take on a different form. A delicate balance may have to be struck between profitability and quality of service to satisfy customers, this is known as “optimum capacity utilization”.

The following are the important measures to manage the demand and supply effectively. For this purpose financial as well as volume measure should be taken.

However, the organizations are more concerned with the problem of matching demand and supply over the short term. There are three possible approaches to tackle this problem. They are:

(i) One can attempt to predict the fluctuations in demand, thus allowing capacity planning.
(ii) One can operate with a relative level capacity and tailor demand to fit.
(iii) One can tailor capacity to fit demand at any point. This has been described by Sasser, Olsen and Wyckoff as the “Chase strategy”. These approaches are not mutually exclusive and service marketers often need to combine elements of all the three.

A. PREDICTING DEMAND:
Service marketer should try to understand the reasons for fluctuations in demand. This depends on a thorough understanding of the customer and segment(s) that are being targeted.
There are three principle sources of information which can help to explain consumer behavior leading to demand fluctuations. They are:
(i) Historical sales data
(ii) Desk research
(iii) Customer surveys

If the majority of demand fluctuations can be identified, then two short-term capacity matching strategies are possible:

(a) Customer choice
(b) Short-term capacity elasticity

B. STRATEGIES FOR MANAGEMENT OF DEMAND
Demand can be left to find its own level or it can be managed broadly in two ways. They are:
(a) Shaping demand
(b) Inventory demand

C. STRATEGIES FOR MANAGING SUPPLY
Sometimes the organizations have to alter the capacity to increase the demand. They are as:
(a) Changing the number and hours of personnel
(b) Customer participation
(c) Resource transfer or Cross training
(d) Subcontracting
(e) Share capacity
(f) Scheduling work shift

(Describe all terms)

**Answer. 3.**

One of the most important aspects of product strategy relates to the issue of the development of new products, a strategy which is becoming increasingly important as the intensity of the competitive environment increases. The cost associated with the development and launch of a completely new product can be phenomenal and if the product fails to meet target sales figures, then the company may not survive. Although the risk associated with failure may be less for service providers when compared to manufacturers.

The following are circumstances when new services development is necessary:

a. When major service has reached the maturity stage of its life cycle and may be moving towards decline stage, the services may be developed to maintain the volume of sales.

b. When there is spare capacity. For example, during the off-season to increase the room occupancy, of a hotel, new services may be designed.

c. New services can be developed to balance an organization’s existing sales portfolio and thus reduce risk of dependency on only a few services offered within a range.

d. An organization may be forced to introduce new product or service to allow it to cater to customer’s diverse needs. This helps to retain and develop a relationship with its customers.

e. When a competitor leaves the market, an opportunity may arise for an organization to satisfy unmet needs by introducing a new service.

**Answer. 4.**

Pricing is equivalent to the total service offering. This includes the brand name, a package, delivery, other benefits and so on.

Pricing is the of translating the qualitative offerings into quantitative terms (rupees and paise). The value of a unit of service to customers at a point of time.

Pricing begins with an understanding of the target markets, organizational objectives and marketing objectives.
The art of successful pricing is to establish a price level which is sufficiently low than an exchange represents good value to buyers, yet it should be high enough to allow a service provider to achieve his financial objectives.

**STRATEGIES ISSUES OF PRICING**

A pricing strategy has to be designed which is compatible with the rest of the marketing mix. The final aim is to achieve the organizational objective and to give the service provider a profitable market position.

The process of strategic pricing involves:

A. Discounts and Allowances
   a. Quantity discounts
   b. Cash discount
   c. Functional discount
   d. Seasonal discounts

B. Segmented Pricing Strategy
   a. Customer segmented
   b. Product form pricing
   c. Location pricing
   d. Time pricing
   e. Combination of customer and time discount

C. New Service Pricing Strategy
   a. Price skimming strategy
   b. Saturation pricing strategy

D. One-price and Flexible-price Strategies
   a. Resale price maintenance

E. Service portfolio pricing
   a. Optional additional services
   b. Captive services
   c. Competing services

**Answer. 5.(a) External Marketing:**

External marketing describes the normal work done by the company to prepare, price, distribute and promote the review to customers. Customers will have certain expectations from the service providers, which are partly created by the service provides themselves. By the external marketing function involving traditional marketing efforts, such as market research, personal selling, advertising, direct mail, sales promotion, pricing, and public relations, the organizations gives
‘promises’. These promises hopefully correspond with the personal need and wishes of the target group of customers. Marketing specialists inside the organization or outside of it, for example in advertising agencies and market research firms, re mainly responsible for this type of external marketing.

Also mention characteristics of External marketing.

**Answer. 5.(b) Internal marketing**

The internal marketing concept has been developed largely within the context of services marketing, where it has high levels of customer service which depend heavily on the personnel who interact with customers.

Internal marketing addresses employees who act as internal market within an organization, and whose participation and role is recognized as critical to maintain ‘service quality’ and ‘service delivery’. It gives employees the status of internal customers, with the same level of importance as external customers. The concept of internal marketing is that optimum levels of customer satisfaction will be gained when employees themselves are satisfied and organizations must pay proper attention their internal marketing programmes in addition to their external marketing plans and strategies.

Also mention characteristics of Internal marketing.

**Answer. 5.(c) Interactive Marketing**

**Interactive Marketing** refers to the evolving trend in marketing whereby marketing has moved from a transaction-based effort to a conversation. John Deighton argued that interactive marketing features “the ability to address an individual and the ability to gather and remember the response of that individual” leading to “the ability to address the individual once more in a way that takes into account his or her unique response”(Deighton 1996). Interactive marketing is not synonymous with online marketing, although interactive marketing processes are facilitated by internet technology. The ability to remember what the customer has said is made easier when we can collect customer information online and we can communicate with our customer more easily using the speed of the internet. Amazon.com is an excellent example of the use of interactive marketing, as customers record their preferences and are shown book selections that match not only their preferences but recent purchases.

**Interactive Marketing - Customer Involvement in Brand Building**
**Interactive Marketing** allows customers and prospects to participate in the process of building a brand's image in a certain market or target group's minds. Thanks to the consumer's ability to "interrupt" a brand's communications and to complement or modify its messages to fit his or her perception, the process of building the brand itself is crowdsourced among its main target group, with or without the brand manager's intervention. According to CEO of Situation Interactive, Damian Bazadona, "Customers have unprecedented access to information about companies. With brands becoming more defined by actions and not simply words, social networks, search engines and mobile device growth gives our consumers even more power, so it's important to love customers, treat employees like gold and show a passion for what the organization does.

**Interactive Property Marketing**

The shift towards interactive marketing is much attributed to greater consumer response and customer acquisition rates.

For example, in interactive property marketing, consumers are able to view and experience an entire development as they would on an entirely dynamic and interactive interface during mere construction stages. Consumer interaction and understanding of the prospective project is dramatically enhanced leading to higher confidence in the buying process. At the same time, the interactive technology can capture consumer statistics including usage information and interests in a non-obtrusive manner that can then be used to individually target to the consumer immediately or at a later stage.

**Interactive Marketing - Site Stickiness**

1. Understanding the user's behaviour is important in the design of the website itself. This is referred to as site stickiness.

2. A user constantly makes judgements about the value of continuing or abandoning a visit to a website; these judgements are based on the value of the current page, which informs assumptions about the value of pages not seen.

**Answer.6.**

**Service quality** is a comparison of expectations with performance.

A business with high service quality will meet customer needs whilst remaining economically competitive. Improved service quality may increase economic competitiveness.

This aim may be achieved by understanding and improving operational processes; identifying problems quickly and systematically; establishing valid and reliable service performance measures and measuring customer satisfaction and other performance outcomes.
Definition:

From the viewpoint of business administration, service quality is an achievement in customer service. It reflects at each service encounter. Customers form service expectations from past experiences, word of mouth and advertisement. In general, Customers compare perceived service with expected service in which if the former falls short of the latter the customers are disappointed.

For example, in the case of **TAJ Hotels, Resorts and Palaces**, wherein TAJ remaining the old world, luxury brand in the five-star category, the umbrella branding was diluting the image of the TAJ brand because although the different hotels such as Vivanta by Taj- the four star category, Gateway in the three star category and Ginger the two star economy brand, were positioned and categorized differently, customers still expected the high quality of Taj from all their properties.

The accurate measurement of an objective aspect of customer service requires the use of carefully predefined criteria.

The measurement of subjective aspects of customer service depends on the conformity of the expected benefit with the perceived result. This in turns depends upon the customer's expectation in terms of service, they might receive and the service provider's ability and talent to present this expected service. Successful Companies add benefits to their offering that not only satisfy the customers but also surprise and delight them. Delighting customers is a matter of exceeding their expectations.

Pre-defined objective criteria may be unattainable in practice, in which case, the best possible achievable result becomes the ideal. The objective ideal may still be poor, in subjective terms.

Service quality can be related to service potential (for example, worker's qualifications); service process (for example, the quickness of service) and service result (customer satisfaction).

**Dimensions Of Service Quality**

A customer's expectation of a particular service is determined by factors such as recommendations, personal needs and past experiences. The expected service and the perceived service sometimes may not be equal, thus leaving a gap.

Ten determinants that may influence the appearance of a gap were described by Parasuraman, Zeithaml and Berry.
(a) **Competence** is the possession of the required skills and knowledge to perform the service. For example, there may be competence in the knowledge and skill of contact personnel, knowledge and skill of operational support personnel and research capabilities of the organization.

(b) **Courtesy** is the consideration for the customer's property and a clean and neat appearance of contact personnel, manifesting as politeness, respect, and friendliness.

(c) **Credibility** is the factors such as trustworthiness, belief and honesty. It involves having the customer's best interests at prime position. It may be influenced by company name, company reputation and the personal characteristics of the contact personnel.

(d) **Security** is the customer feeling free from danger, risk or doubt including physical safety, financial security and confidentiality.

(e) **Access** is approachability and ease of contact. For example, convenient office operation hours and locations.

(f) **Communication** means both informing customers in a language they are able to understand and also listening to customers. A company may need to adjust its language for the varying needs of its customers. Information might include for example, explanation of the service and its cost, the relationship between services and costs and assurances as to the way any problems are effectively managed.

(g) **Knowing the customer** means making an effort to understand the customer's individual needs, providing individualized attention, recognizing the customer when they arrive and so on. This in turn helps in delighting the customers i.e. rising above the expectations of the customer.

(h) **Tangibles** are the physical evidence of the service, for instance, the appearance of the physical facilities, tools and equipment used to provide the service; the appearance of personnel and communication materials and the presence of other customers in the service facility.

(i) **Reliability** is the ability to perform the promised service in a dependable and accurate manner. The service is performed correctly on the first occasion, the accounting is correct, records are up to date and schedules are kept.

(j) **Responsiveness** is to the readiness and willingness of employees to help customers in providing prompt timely services, for example, mailing a transaction slip immediately or setting up appointments quickly.

Later, the determinants were reduced to Five: tangibles; reliability; responsiveness; service assurance and empathy.
Answer.7.

The level of expectation can vary widely depending on the reference point the customer holds. Although most everyone has an intuitive sense of what expectations are, service marketers need a far more thorough and clear definition of expectations to comprehend, measure, and manage them.

The Zone of Tolerance:

Services are heterogeneous in that performance may vary across providers, across employees from the same provider, and even with the same service employee. The extent to which customers recognize and are willing to accept this variation is called the “Zone of tolerance”. (Describe with Diagram)

a. Different Customers possess Different Zones of Tolerance
b. Zones of Tolerance Vary for Service Dimensions

FACTORS THAT INFLUENCING CUSTOMER EXPECTATIONS OF SERVICE

Because expectations play such a critical role in customer evaluation of services, marketers need to understand the factors that shape them. Following are the key influences on customer expectation:

A. Sources of Desired Service Expectations
   a. Personal Needs
   b. Personal Service Philosophy
   c. Derived Service Expectations

B. Sources of Adequate Service Expectations
   a. Perceived Service Alternatives
   b. Situational Factors
   c. Predicted Service

C. Source of Both Desired and Predicted Service Expectations
   a. Explicit Service Promises
   b. Implicit Service Promises
   c. Word-of-Mouth Communication
   d. Past Experience

(Describe all)

Answer.8.
A service failure is generally described as service performance that falls below a customer’s expectations in such a way that leads to customer dissatisfaction. Failures occur for all kind of reasons – the service may be unavailable when promised, it may be delivered late or too slowly. The outcome may be incorrect or poorly executed, or employees may be rude or uncaring. Although these types of failures bring about negative feelings from customers, research suggests that only a portion (45 percent) of customers who experience a problem with service delivery actually complain to the employees serving them, and a very small number (1 to 5 percent) complain to management or the company headquarters. This phenomenon, commonly referred to as the “tip of the iceberg”.

Service failures left unfixed can result in customers leaving, telling other customers about their negative experiences, and even challenging the organization through consumer rights organizations or legal channels.

Service failure occurs because of following reasons:

(a) The service may be unavailable when promised,
(b) it may be delivered late or too slowly.
(c) The outcome may be incorrect or poorly executed,
(d) or employees may be rude or uncaring.

(Explain all)

HOW CUSTOMERS RESPOND TO SERVICE FAILURES

Customers who experience service failures can respond in a variety of ways. It is assumed that, following a failure, dissatisfaction at some level will occur for the customer. In fact, research suggests that a variety of negative emotions can occur following a service failure, including such feelings as anger, discontent, disappointment, self-pity, anxiety, and regret. These initial negative responses will affect how customers evaluate the service recovery effort and presumably their ultimate decision to return to the provider or not.

Many customers are very passive about their dissatisfaction, simply saying or doing nothing. Whether they take action or not, at some point the customers will decide whether to stay with that providers or switch to a competitor. Customers who do not complain are not very likely to return. For companies, customer passivity in the face of dissatisfaction is a threat to future success.

(Elaborate with illustration)

Answer.9 (a) Branding and Packaging of Services
The main purpose behind branding is to "add value". Today, most companies view "brands" as assets that will yield long term returns through customer satisfaction and loyalty. This is based on the brand's capacity to add value to the usage experience of the customer. We define "value" here as 'the consumer's estimate of the product's overall capacity to satisfy his or her needs' (Kotler). This satisfaction comes from comparing the product's perceived performance in relation to her expectations. There is no doubt that branding adds to both expectations (if I fly Singapore airlines I will get quick, efficient, courteous service. I will get whatever I need with minimal effort on my part) and perceived performance (I am flying Singapore Airlines. It is known for its top class service. I find the food and ambience to be of excellent quality. The service personnel go out of their way to make me feel comfortable).

Most branding goes on to add value through "intangibles" (such as brand associations, values, culture, brand personality) to what is essentially "tangible" in terms of the product itself (soap, shampoo, toothpaste). But this does not happen when the product in question is a "service".

A service is a deed, process and performance (Zeitaml and Bitner). It is intangible and does not result in the ownership of anything. It cannot be standardized. Services cannot be displayed as "tangible" products can. It is therefore difficult to communicate even the basic benefits and attributes of a service.

The success of any brand lies in consistently delivering "value" over a period of time. Such consistency is possible in the case of a "tangible" product that is homogenous, standardized, readily displayed and communicated. But how does one manage this aspect of consistency when the product in question is intangible or a "service"?

But for the customer, branding in a service definitely adds value. This is because the decision making process in a service is essentially a complex one. Let us look at the various stages.

**1. Information search** : Since services cannot be displayed, information regarding them is hard to evaluate. Branding can reduce the risk associated with selecting a service by making this evaluation easier.

**2. Evaluation of alternatives** : Again, the evoked set of alternatives in the case of a service is likely to be smaller because a service is not readily displayed (hairdresser, travel agent, hotel). And if a brand has been successful in capturing a place in the consumer's mind it is likely to stay there. This is because the consumer may find that the costs of switching from the currently used service are high.

**3. Purchase and consumption** : Branding can influence the customer's experience of a service in terms of both expectations and perceptions.

**4. Post purchase evaluation** : If a customer is satisfied, she may go to the same service brand again to cultivate a "more satisfying" relationship (using the same tailor, designer, courier).

So how does one successfully brand a service and what does one brand? The answer probably lies in managing the following:
• **The process**: Even if a service is non-standardized, a fair degree of standardization can be achieved in the actual mechanism and flow of activities through which a service is delivered (interaction of bank staff with customers).

• **The people**: Successful service brands such as Singapore Airlines, Club Med, Walt Disney and Hyatt have shown that training and motivation can make service interactions a success. Most of these organizations have a 'what to do if...' kind of a list as a part of their training. Roles of service personnel are rehearsed to achieve a fair degree of consistency. A word of caution here. While the roles should be rehearsed, the 'scripts' should not, and should be spontaneous (witness the interactions of airhostesses on Indian Airlines. They have given a new meaning to the terms 'friendly' and 'courteous')

• **The evidence**: Since a service is essentially intangible, it is the tangible aspects that reassure a customer and create a certain amount of credibility.

This could be in the form of documents, physical equipment and personnel themselves (the actual credit card for a subscriber, the facilities at the hotel for a user, appearance of flight attendants for a traveler). A brand can help shape expectations and perceptions about all these to add value to the customers’ experience.

Packaging is the process of enclosing, or containing the product in bottles, plastic bags, wrappers, lubes, paper cartoons and boxes etc. For the purpose of displaying useful information regarding the product, its contents, weight, size, price, constituents, usage necessary instruction about the usage and storing the product must be recorded on the package. Package reduces the risk of wastage, spoilage, leakage, and evaporation etc. in the process of transportation and storage.

**Function of Packaging**

1. **Protection**

The fundamental functions of packaging is to protect it from sun, rain, moisture, insects and atmospheric contracts etc. packaging maintain the product fresh and enhances its life. So, we use air-tight containers for certain products.

2. **Easy identification**
Every producer has its own distinct packaging, different from other with respect to design, size, color and other specification packaging helps-us in the easy identification and immediate picking up of the product.

3. **Convenience**

Packaging provides convenience in the transportation and storage of the product. It is convenient for the consumers to use these products. Packaging of Tropicana Real and Frooti Juices facilitates their consumption. Packaging, no doubt helps us in the safe and convenient handling and storing of the product.

4. **Sales promotion**

It is rightly said that packaging works as silent, salesman. It catches the attention of customers, who pick up the product, go through its description and are induced to purchase the product. Self service is becoming more and more common in the field of shopping, where the customer picks up the product himself and makes its payment on the counter. Packaging in these circumstances promotes the sales.

5. **Innovative ideas**

The producers sometime develop innovative ideas about packaging which promotes their sales. For examples, shampoo, tomato ketchup, surf, sugar, milk, oil etc., are sold in small pouches. In addition to the above functions packaging facilities branding of the product. Empty packages have their resale value for customers. Packaging builds image of the product and its producers. The effective packaging is the source of prestige to its producers. Packaging continues to be more important in the modern growing completion, open, display of the product and self service of the customers.

**Answer.9 (b) Marketing challenges in service business**

Because of the basic characteristics of services, marketers of services face some very distinctive challenges. Answers to questions such as the ones listed here still elude managers of services:

(i) How can service quality be defined and improved when the product is intangible and non-standardized?

(ii) How can new services be designed and tested effectively when the service is essentially an intangible process?
(iii) How can the firm be certain it is communicating a consistent and relevant image when so many elements of the marketing mix communicate to customers and some of these elements are the service providers themselves?
(iv) How does the firm accommodate the fluctuating demand when capacity is fixed and the service itself is perishable?
(v) How can the firm best motivate and select service employees who, because the service is delivered in real time, become a critical part of the product itself?
(vi) How should prices be set when it is difficult to determine actual costs of production and price may be inextricably inter-wined with perceptions of quality?
(vii) How should the firm be organized so that good strategic and tactical decisions are made when a decision in any of the functional areas of marketing, operations, and human resources may have significant impact on the other two areas?
(viii) How can the balance between standardization and personalization be determined to maximize both the efficiency of the organization and the satisfaction of its customer?
(ix) How can the organization protect new service concepts from competitors when service processes cannot be readily patented?
(x) How does the firm communicate quality and value to customers when the offering is intangible and cannot be readily tried or displayed prior to the purchase decision?
(xi) How can the organization ensure the delivery of consistent quality service when both the organization’s employees and the customers themselves can affect the service outcome?

**Answer.9 (c) Quality models in service business**

The service quality model or the ‘GAP model’ developed by a group of authors- Parasuraman, Zeithaml and Berry at Texas and North Carolina in 1985, highlights the main requirements for delivering high service quality. It identifies five ‘gaps’ that cause unsuccessful delivery. Customers generally have a tendency to compare the service they 'experience' with the service they 'expect'. If the **experience does not match the expectation**, there arises a gap.

**GAP 1:**
Gap between consumer expectation and management perception: This gap arises when the management does not correctly perceive what the customers want. For instance – hospital administrators may think patients want better food, but patients may be more concerned with the responsiveness of the nurse.

GAP 2:

Gap between management perception and service quality specification: Here the management might correctly perceive what the customer wants, but may not set a performance standard. An example here would be that hospital administrators may tell the nurse to respond to a request ‘fast’, but may not specify ‘how fast’.

GAP 3:

Gap between service quality specification and service delivery: This gap may arise owing to the service personnel. The reasons being poor training, incapability or unwillingness to meet the set service standard.

GAP 4:

Gap between service delivery and external communication: Consumer expectations are highly influenced by statements made by company representatives and advertisements. The gap arises when these assumed expectations are not fulfilled at the time of delivery of the service. For example – The hospital printed on the brochure may have clean and furnished rooms, but in reality it may be poorly maintained – in this case the patient’s expectations are not met.

GAP 5:

Gap between expected service and experienced service: This gap arises when the consumer misinterprets the service quality. The physician may keep visiting the patient to show and ensure care, but the patient may interpret this as an indication that something is really wrong.

(Also give Diagram of Service Quality Model)