CHAPTER-II

SERVICE MARKETING (WITH REFERENCE TO BANKING AND LIFE INSURANCE)

2.1 Seven P of Service Marketing in Case of Banking

Introduction

The services sector is the most significant sector, which contributes maximum to the GDP in Indian economy. Among fast growing developing countries, India is distinctive for the role of its service sector. Although there are other emerging markets where the share of services in GDP exceeds the share of manufacturing, India stands out for the size and dynamism of its services sector. The share of services in India's GDP increased rapidly from 30.5 per cent in 1950-51 to 55.2 per cent in 2009-10. If construction sector is also included, the share increases to 63.4 per cent in 2009-10 (Economic Survey 2010-11).

In India, the banking sector is a central component of services sector. Banks are the most common institutions for transfer of funds and investments. Prior to economic liberalisation, public sector banks enjoyed a monopoly over market due to protectionist policies of the government. The liberalization policy of the Government of India in 1991 permitted entry to foreign and private banks in the banking industry, leading to increased competition. Because of increased competition, banks are exploring marketing strategies to differentiate their services from their competitors. For designing effective marketing strategies, knowledge of service marketing mix is essential. This paper examines the role of service marketing mix (product, price, place, promotion, people, process and physical evidence) in Indian banking sector.

Service Marketing Mix

Bank marketing deals with providing services to satisfy customers' financial needs and wants. To satisfy these financial needs, customers want specific services. All the techniques and strategies of marketing are used so that ultimately they induce the people to do business with a particular bank. This
requires satisfaction of customers. Traditional marketing mix cannot be responsible for the total marketing function of a service organization like banks. It requires all elements of service marketing mix. Service marketing mix plays an important role in bank marketing. It consists of the various elements of a marketing programme which need to be considered in order to successfully implement the marketing strategy and positioning in the markets. It helps in differentiating services of a particular bank from its competitors.

**Product**

Core product is core benefit that a customer is buying while purchasing a product. The core product is a vital constituent of the services offering and basically addresses two questions; first, “what do the buyers get when they purchase the product” and “what business are we in”? Sometimes fancy facilities, modern equipment, stylish uniforms and terrific signs can never counteract for bad/mediocre food, poor financial advice, an inappropriate will, or lousy music. Influence of diverse product or service attributes on customers’ perceptions can be observed. The quality of this core product largely influences and sometimes may be the ultimate determinant of the overall service quality from the viewpoint of the customers. In the banking sector, the core products are 'deposits' and 'advances'.

All the banks have these two main products and differentiation of banking services with reference to core products difficult to achieve. Banks differentiate their services on the basis of value added services which mainly cover information technology based services. And, customer has to be tech-savvy for availing these value added services. Some example of value added services are: mobile banking, mobile and other payment facilities through ATM or Mobile App. electronic fund transfer, or purchase of other product directly etc.

**Price**

Price means and includes sacrifices given by consumer for obtaining such services or product. Perceived price was defined as the price that is encoded by the consumer. Perceived price as the consumers’ perceptual representation or subjective perception of the objective price of the product / service. Price perceptions are formed in relation to internal reference prices;
the theoretical justification for which can be found in prospect theory that explains that losses or sacrifices are encoded by consumers with respect to internal reference points. Consumers recognize prices as high or low, depending on their internal reference points, which are established either by exposure to competitive prices or past prices. Price in banking sector means interest rate and service charges. Prices are being controlled by RBI in banking sector but limited deregulation has allowed banks to differentiate their services on the basis of differential interest rates. Due to complexity of pricing structure in loans, maintaining transparency without hidden charges is an essential prerequisite for differentiating bank services.

In Indian banking services evaluation, there is not much differentiation in the price (due to regulations by RBI). Therefore, the main differentiator for banking service evaluation would be ServQual dimensions, systematization of services, servicescape and social responsibility. It implies that price is not important in Indian banking industry. But, Growth and emergence of public and private sector banks in India reveals that private sector banks are not preferred for traditional items, such as loans, as their offers are difficult to understand and perceived rate of interest is high, whereas public sector banks are perceived more reliable with lower rates of interest. In Indian banking industry where differentiation is not much in terms of prices, it is required to be fair and transparent without hidden charges. Regulating authority of banking Sector has given flexibility in terms of several charges to be recovered from consumers or account holders. This leads to differentiating consumers on the basis of price of the services. Sometimes banking companies are charging bundle price for the additional services offered by the bank to the customers.

**Place**

Place in banking services means providing banking services at right time in convenient way. Inseparability of production and consumption is the most intriguing characteristic of services. Service provider's physical connection to the service, the customer’s involvement in the service production process and involvement of other customers in the service production process create challenges for service provider. As income of people is rising, there is inclination towards convenience related services. Growing demand of laundry services, housekeeping, home delivery grocery outlets are some example of
services that reflect convenience orientation of people. When customers can't go to service provider to buy services due to time or location, they are provided services through home delivery. While reserving a seat in advance, customer may expect convenience from the reservation service provider. Similarly bank customer may expect proximity of ATM or bank branch while withdrawing money or 24X7 hrs. facility for electronic transactions. Banking services delivered via the Internet, mobile phone interface, voice response system, call centre, automatic teller machines and via face to face in a branch or visit at customer's home not only have various cost implications for bank but also drastically affects the nature of service experience for the customer. If more complexity is associated with a service purchase, customers prefer face to face interaction with service provider.

For availing loan service, customers have to rely on personal channels. Therefore convenience of location plays important role on customer perception regarding banking services. Customers with higher knowledge about a service are more likely to use self-service channels like ATM and internet banking. But, conveniences a key driver of channel choice for the majority of consumers suggests that banks with an extensive branch office system and ATM network would have the opportunity to attract customers who are in convenience segment.

In case of pricing strategies bankers considers various factors. One the major factor is networking of ATMs and cost of operating such network. Operational charges of the banking activities are also recovered in same manner. Bundle pricing for the several sub services are also considered in that case. Competitor's strategy for the price is playing important role in case of private sector bank.

Promotion
Marketing communication helps in differentiating the services when there is no perceptible difference available. Clear focus on the interplay between customers and promotion is an unavoidable aspect of bank marketing. Through promotion, banks communicate their brand messages and their offers to customers. Allahabad Bank, State Bank of Hyderabad and Union bank are providing education loan but Allahabad bank focuses on a better career; State Bank of Hyderabad focuses on right support and Union bank
talks about the good future (Jauhari and Dutta 2009). In a service setting, marketing communication tools are especially important because they help create powerful images and a sense of credibility, confidence and reassurance (Lovelock et al., 2004). Without effective communications, prospects may never learn of service firm’s existence, what it has to offer them or how to use its products to best advantage. In the emerging competitive markets, marketers are using promotional tools in aggressive way to differentiate their services from their competitors. Promotion is actually communication with customers. In banking services, it helps in communicating with customers regarding offering new products, change in interest rate, festival season offers, opening new branches etc. Effective media used by banks to communicate about its services at right time helps in satisfying its customers. Due to complexity of prices involved, customers are left with little choice but to interact with employees to get more clarity. Choosing the right advertising medium by banks for communicating its services helps to satisfy its customers. In Indian banking sector, aggressive and attractive promotional strategies are not visualized. Most often, important schemes are verbally communicated to customers by employees. Decision to buy particular banking services largely depends on decision convenience provided by employees. Notice boards at branches also play significant role in providing information to customers. People (Customers and Employees) Customers and employees both participate in service delivery. Their participation is unavoidable in service delivery. So, both are responsible for effective service delivery. Customers can’t be separated from the production process of service firms and can contribute to their own satisfaction. But, the level of participation may be different across different service firms.

If consumers’ presence is required during service delivery, it is termed as low participation. For example, In Movie Theatreservice is provided regardless of any individual purchase. Payment may be considered the required input from customers. If consumers’ inputs are required for service creation, it is termed as moderate participation. These inputs may be in the form of information, personal effort or physical possession. A customer has to give all relevant information and physical documentation to an accountant for preparing tax return. In case of high participation, customer co-creates the service product.
Here customers have to actively work with service provider to coproduce the service. In weight reduction program customer has to actively follow all the instructions given by instructor to reduce weight.

In service transactions, the raw material to be converted to service output depends, to a great extent, on the facts and information furnished by the customer. Also, clients play a crucial role in influencing the outcome of the transformation process as well. In banking services, customers' inputs are required for producing services like opening account, granting loan or other services. So customer participation is considered as moderate. If customers believe they are partially (or totally) to blame for the failure, they will be less dissatisfied with the service provider than when they believe the provider is responsible and could have avoided the problem (Bitner, 1990). If bank customers are giving all required information to employees which is required for producing services like opening account, granting loan or other services then services may be produced without delay. For pensioners, submission of live certificate is must once in a year otherwise pension will be stopped. So customer role is important in banking sector. Banking customers may enjoy using the computer to obtain airline tickets, or they may like to do all of their banking via ATMs and automated phone systems. Customer education plays an important role in making them learn regarding their role.

Successful service providers can satisfy customer's banking requirements through human element, particularly 'face-to-face’ interaction with the customer. It is worthwhile to mention that employees' Behaviour plays an important role in differentiating banking services. Welcoming the customer with smiling face, friendliness, politeness, understanding customers' problems, etc. have positive impact on customer perception. It is observed that that a smiling face has a valuable effect on customer Behaviour. In India people rely more on social bonding than individualistic approach. Business transactions in a collectivistic culture like India emphasizing social bonding are different from those of individualistic cultures emphasizing structural bonding .Therefore, employees' Behaviour plays a dominant role in differentiating banking services.

More innovative the tools of sales promotion, more positive are the results. It is not wisdom that you just copy the promotional measures adopted by the
competitors. Excellence is required to coil in the essence of offering the innovative measures. It is natural that like other organizations, the banking organizations also think in favour of promotional incentives both to the bankers as well as the customers. The banking organizations make provisions for incentives to the banker and we call this bankers’ promotion. Like this, the incentives offered to the customers are known as customer’s promotion. There are a number of tools generally used in the different categories of organizations in the face of the nature of goods and services sold by them. The gift, contests, fair and shows, discount and commission, entertainment and travelling plans for bankers, additional allowances, low interest financing are a few found instrumental in promoting the banking business.

As and when the banking organizations offer new services and schemes, the tools of sales promotion are required to be innovated. This is with the motto of stimulating the new and old customers. An important thing in the very context is the changing needs and requirements of customers/prospects. The tools like gifts, fairs and shows, discount and commission, additional allowances to bankers are of traditional nature. In this context, the bank professional need to innovate the measures, such as offering a travelling plan to the bankers, provision for gifts having long lasting life and memories, low rate interest for house construction and conveyance or so. But the sales promotion should be linked to the business results and based on their performance, the decisions regarding promotional tool should be made final.

In addition, the customers/prospects are also offered incentives and we call it consumer’s promotion. We can’t negate that incentives to customers would be linked to the offering of a package if a particular scheme is taken by an individual. It is nature that being influenced by the incentives, they evince special interests in the services and make sincere efforts to transact and share substantially to the bank business. We agree with this view that the tools of sales promotion would change in the face of market conditions. The bank professionals bear an outstanding task of studying the competitors’ strategies which would help them in initiating the process of innovation. Here it is important to mention that promotional incentives tithe customers would focus on decisions related to the selection of a tool. There are a number of
considerations to streamline the process. The bank professionals are supposed to study the market conditions and to necessary suggestions, especially regarding the incentives.

**Telemarketing**

An important component of the promotion mix, telemarketing has gained popularity particularly in the developed countries. In the Indian perspective, we find just a beginning and the process has, of course, been initiated by the foreign banks. The telemarketing is a process of promoting the business with the help of sophisticated communication network. The television services fuel the process of telemarketing communication network. The television service fuel the process of telemarketing significantly. Thus the telephonic services and the telecast services determine the instrumentality of telemarketing.

Of late, telemarketing is likely to be a major marketing tool. The telemarketing blossomed in the late 1960s with the introduction of inbound and outbound Wide Area Telephone Service. Providing toll free numbers for balance inquiry as well as for any emergency to the consumers plays very important role in providing timely standardized services or solutions to the consumers.

Television is found to be a growing medium for direct marketing both through network and cable channels: Television is used in two ways to market products directly to consumers. The first is through direct response advertising. Another television marketing approach is becoming shopping channels where an entire television programme or the whole channel is dedicated to selling goods and services. Thus we find telemarketing either working independently or working with the support of television. This it is natural that the significant developments in the field of satellite communication influence the development process in the field of telemarketing.

In the Indian perspective, the telemarketing diverted attention of marketers in the beginning of the decade 1990s but nothing concrete was visible especially in the banking services unless the foreign banks used this tool of promotion. Here it is right to mention that even in the Indian context, the telemarketing can be used effectively if the public sector commercial banks evince interest in marketing through the telephones. Today we have
sound communication network and the main thing that we need is to make available to the branches sophisticated telephonic services. Banking sector get an advantage of integrated network by using Internet, Mobile Phone and Mail for attracting new consumers as well as providing services at the door step of the consumer place. Use of technology at 360 degree for creating brand awareness and retaining consumers is one of the challenging task for the present bankers. For such challenges electronic media plays very important role and according to requirement of the consumers bankers are modifying their process and procedural aspects. The level of competition makes the situation more challenging for the banker for marketing their services. Maximum use of technology has been used for promoting services of banking sector directly or indirectly.

**Physical Evidence (Tangibility)**

Tangibles are defined as the appearance of physical facilities, equipment, personnel and communication material. Tangible indicators in the physical environment of a service firm influence behavior of customers and their future purchase decisions. Consumers look at tangible elements and assume about the service firm and its performance. Better tangible aspects of service quality of the bank branches enhance customers' satisfaction. Apart from the physical décor of the workplace, tangible aspects also include display of current guidelines regarding rate of interest in each investment plan, required service charges for different bank transactions, and other facilities provided by the banks. Physical evidence is important for banks as this is the environment in which the service is delivered and where the bank employees and customers interact. Furniture, equipments, staff members, pass book, cheques book, information boards, etc. provide tangibility to banks. Customers use tangible cues to assess the quality of services provided. Physical environment helps to distinguish a service provider from its competitors and facilitates to influence customer behavior.

Comfort level of consumers inside the branch is a key factor for the satisfaction of consumer as well as one the important aspects of the service quality. Use of different equipments and internal setting for the consumer movement inside the bank plays important role in such case. Ease in
operation and ease inside the branch for operational activities and hassle free execution of the transactions creates customer satisfaction and word of mouth publicity in the banking sector.

Process

Since customers are present during service delivery, 'process' is important for customer satisfaction. Process explains how services are being delivered by service organization. If customer does not have sufficient time, he seeks bank that provides effort and timesaving banking services. Technology has remarkable influence on growth of service delivery options. More and more banks have adopted latest technological tools to deliver their services and this has resulted in reduced costs, creation of value-added services for customers, and the facilitation of their employees' jobs and ultimately, the provision of self-service options for customers. Technology invasion in Indian banks started with the introduction of magnetic ink character reader, currency note counting machine and automation of front- and-back-office operations of the branches. Process improvement has become the focal point of the service quality revolution, because of its promptness in responding to customers than their competitors. It is also elucidated that, by improving the quality of the processes directly or indirectly, the overall quality of the products or services can be made better.

Conclusion

All the above service marketing mix elements revolve around customers. Differentiating the services from competitors is the principal requirement of every service organization. Knowing customers' perceptions regarding services offered to them will help to know their feeling about service marketing mix and relationship of these factors with satisfaction will help marketers to decide marketing strategies for their customers. In banking services price fairness and transparency, distributing banking services in convenient way, behavior of employees, customers 'education, tangibility and process through technology play important role in differentiating services from competitors.
2.2 Seven P of Service Marketing in Case of Life Insurance

INTRODUCTION:
Wherever there is uncertainty there is risk. We do not have any control over uncertainties which involves financial losses. The risks may be certain events like death, pension, retirement or uncertain events like theft, fire, accident, etc. Insurance is a financial service for collecting the savings of the public and providing them with risk coverage. The main function of Insurance is to provide protection against the possible chances of generating losses. It eliminates worries and miseries of losses by destruction of property and death.

It also provides capital to the society as the funds accumulated are invested in productive heads. Insurance comes under the service sector and while marketing this service, due care is to be taken in quality product and customer satisfaction. While marketing the services, it is also pertinent that they think about the innovative promotional measures. It is not sufficient that you perform well but it is also important that you let others know about the quality of your positive contributions. The creativity in the promotional measures is the need of the hour. The advertisement, public relations, word of mouth communication needs due care and personal selling requires intensive care.

INSURANCE MARKETING:
The term Insurance Marketing refers to the marketing of Insurance services with the aim to create customer and generate profit through customer satisfaction. The Insurance Marketing focuses on the formulation of an ideal mix for Insurance business so that the Insurance organisation survives and thrives in the right perspective.

MARKETING –MIX FOR INSURANCE COMPANIES:
The marketing mix is the combination of marketing activities that an organisation engages in so as to best meet the needs of its targeted market.
The Insurance business deals in selling services and therefore due weightage in the formation of marketing mix for the Insurance business is needed.

The marketing mix includes sub-mixes of the 7 P’s of marketing i.e. the product, its price, place, promotion, people, process & physical attraction. The above mentioned 7 P’s can be used for marketing of Insurance products, in the following manner:

1. **PRODUCT:**

A product means what we produce. If we produce goods, it means tangible product and when we produce or generate services, it means intangible service product. A product is both what a seller has to sell and a buyer has to buy. Thus, an Insurance company sells services and therefore services are their product.

In India, the Life Insurance Corporation of India (LIC) and the General Insurance Corporation (GIC) are the two leading companies offering insurance services to the users. Apart from offering life insurance policies, they also offer underwriting and consulting services. When a person or an organisation buys an Insurance policy from the insurance company, he not only buys a policy, but along with it the assistance and advice of the agent, the prestige of the insurance company and the facilities of claims and compensation. It is natural that the users expect a reasonable return for their investment and the insurance companies want to maximize their profitability. Hence, while deciding the product portfolio or the product-mix, the services or the schemes should be motivational. The Group Insurance scheme is required to be promoted, the Crop Insurance is required to be expanded and the new schemes and policies for the villagers or the rural population are to be included.

The Life Insurance Corporation has intensified efforts to promote urban savings, but as far as rural savings are concerned, it is not that impressive. The introduction of Rural Career Agents Scheme has been found instrumental in inducing the rural prospects but the process is at infant stage and requires
more professional excellence. The policy makers are required to activate the efforts. It would be prudent that the LIC is allowed to pursue a policy of direct investment for rural development.

Investment in Government securities should be stopped and the investment should be channelized in private sector for maximizing profits. In short, the formulation of product-mix should be in the face of innovative product strategy. While initiating the innovative process it is necessary to take into consideration the strategies adopted by private and foreign insurance companies.

2. PRICING:

In the insurance business the pricing decisions are concerned with:

i) The premium charged against the policies,

ii) Interest charged for defaulting the payment of premium and credit facility, and

iii) Commission charged for underwriting and consultancy activities.

With a view of influencing the target market or prospects the formulation of pricing strategy becomes significant. In a developing country like India where the disposable income in the hands of prospects is low, the pricing decision also governs the transformation of potential policyholders into actual policyholders. The strategies may be high or low pricing keeping in view the level or standard of customers or the policyholders.

The pricing in insurance is in the form of premium rates. The three main factors used for determining the premium rates under a life insurance plan are mortality, expense and interest. The premium rates are revised if there are any significant changes in any of these factors.

• Mortality (deaths in a particular area):

When deciding upon the pricing strategy the average rate of mortality is one of the main considerations. In a country like South Africa the threat to life is very important as it is played by host of diseases.
• **Expenses:**
  
  The cost of processing, commission to agents, reinsurance companies as well as registration are all incorporated into the cost of instalments and premium sum and forms the integral part of the pricing strategy.

• **Interest:**
  
  The rate of interest is one of the major factors which determines people’s willingness to invest in insurance. People would not be willing to put their funds to invest in insurance business if the interest rates provided by the banks or other financial instruments are much greater than the perceived returns from the insurance premiums.

3. **PLACE:**

This component of the marketing mix is related to two important facets –

i) Managing the insurance personnel, and

ii) Locating a branch.

The management of agents and insurance personnel is found significant with the viewpoint of maintaining the norms for offering the services. This is also to process the services to the end user in such a way that a gap between the services- promised and services – offered is bridged over. In a majority of the service generating organizations, such a gap is found existent which has been instrumental in making worse the image problem.

The transformation of potential policyholders to the actual policyholders is a difficult task that depends upon the professional excellence of the personnel. The agents and the rural career agents acting as a link, lack professionalism. The front-line staff and the branch managers also are found not assigning due weightage to the degeneration process. The insurance personnel if not managed properly would make all efforts insensitive. Even if the policy makers make provision for the quality up gradation, the promised services hardly reach to the end users.
It is also essential that they have rural orientation and are well aware of the lifestyles of the prospects or users. They are required to be given adequate incentives to show their excellence. While recruiting agents, the branch managers need to prefer local persons and provide them training and conduct seminars. In addition to the agents, the front-line staff also needs an intensive training programme to focus mainly on behavioural management.

Another important dimension to the Place Mix is related to the location of the insurance branches. While locating branches, the branch manager needs to consider a number of factors, such as smooth accessibility, availability of infrastructural facilities and the management of branch offices and premises. In addition it is also significant to provide safety measures and also factors like office furnishing, civic amenities and facilities, parking facilities and interior office decoration should be given proper attention.

Thus the place management of insurance branch offices needs a new vision, distinct approach and an innovative style. This is essential to make the work place conducive, attractive and proactive for the generation of efficiency among employees. The branch managers need professional excellence to make place decisions productive.

4. PROMOTION:

The insurance services depend on effective promotional measures. In a country like India, the rate of illiteracy is very high and the rural economy has dominance in the national economy. It is essential to have both personal and impersonal promotion strategies. In promoting insurance business, the agents and the rural career agents play an important role. Due attention should be given in selecting the promotional tools for agents and rural career agents and even for the branch managers and front line staff. They also have to be given proper training in order to create impulse buying.

Advertising and Publicity, organisation of conferences and seminars, incentive to policyholders are impersonal communication. Arranging Kittens, exhibitions, participation in fairs and festivals, rural wall paintings and publicity
drive through the mobile publicity van units would be effective in creating the impulse buying and the rural prospects would be easily transformed into actual policyholders.

5. PEOPLE:
Understanding the customer better allows to design appropriate products. Being a service industry which involves a high level of people interaction, it is very important to use this resource efficiently in order to satisfy customers. Training, development and strong relationships with intermediaries are the key areas to be kept under consideration. Training the employees, use of IT for efficiency, both at the staff and agent level, is one of the important areas to look into.

6. PROCESS:
The process should be customer friendly in insurance industry. The speed and accuracy of payment is of great importance. The processing method should be easy and convenient to the customers. Instalment schemes should be streamlined to cater to the ever growing demands of the customers.

IT & Data Warehousing will smoothen the process flow.
IT will help in servicing large no. of customers efficiently and bring down overheads. Technology can either complement or supplement the channels of distribution cost effectively. It can also help to improve customer service levels. The use of data warehousing management and mining will help to find out the profitability and potential of various customers product segments.

7. PHYSICAL DISTRIBUTION:
Distribution is a key determinant of success for all insurance companies. Today, the nationalized insurers have a large reach and presence in India. Building a distribution network is very expensive and time consuming. If the insurers are willing to take advantage of India's large population and reach a profitable mass of customers, then new distribution avenues and alliances will be necessary. Initially insurance was looked upon as a complex
product with a high advice and service component. Buyers prefer a face-to-face interaction and they place a high premium on brand names and reliability. As the awareness increases, the product becomes simpler and they become off-the-shelf commodity products. Today, various intermediaries, not necessarily insurance companies, are selling insurance. For example, in UK, retailer like Marks & Spencer sells insurance products.

The financial services industries have successfully used remote distribution channels such as telephone or internet so as to reach more customers, avoid intermediaries, bring down overheads and increase profitability. A good example is UK insurer Direct Line. It relied on telephone sales and low pricing. Today, it is one of the largest motor insurance operator. Technology will not replace a distribution network though it will offer advantages like better customer service. Finance companies and banks can emerge as an attractive distribution channel for insurance in India. In Netherlands, financial services firms provide an entire range of products including bank accounts, motor, home and life insurance and pensions. In France, half of the life insurance sales are made through banks.

In India also, banks hope to maximize expensive existing networks by selling a range of products. It is anticipated that rather than formal ownership arrangements, a loose network of alliance between insurers and banks will emerge, popularly known as banc assurance. Another innovative distribution channel that could be used are the non-financial organisations. For an example, insurance for consumer items like fridge and TV can be offered at the point of sale. This increases the likelihood of insurance sales. Alliances with manufacturers or retailers of consumer goods will be possible and insurance can be one of the various incentives offered.

2.3 Service Quality Dimensions:
QUALITY IN SERVICES

The state of quality in service businesses is effectively illustrated by the story of Harry, the Hapless in the first chapter. A typical customer's
experience with various services was personified in the character of Harry who happens to interact with seven services like airlines, gas station, bank and telecommunication. His encounters with all these service providers ended up in disappointment. Whatever may be the reasons, the area of service quality seems to be tricky and slippery. Buck Rogers, former vice-president of IBM once observed, "If you get satisfactory service in this country_ from your grocery store, local hardware store or a friendly computer company, it's a dam near miracle".

Quality and Service Characteristics

One of the major seasons cited in defense of poor service quality is that services are more difficult spheres of operation than goods. They are more complex to create and market than goods. What makes services more complex is their nature. Many of the drivers of poor service quality are attributable to their characteristics. Their characteristics of intangibility, insuperability, perishability and inconsistency throw up new challenges that make service operations complex. The amalgam of the consequences of these characteristics magnifies marketing and managerial issues often cutting across functional boundaries. This raises the difficulty level.

Unlike goods, the outcome of a service production system is not something tangible. Services are experiential in nature. Customer satisfying properties are embedded in people or machines or both. Unlike goods where value is contained in a manufactured object, in services the value is created through an interactive process involving customer and the service-provider. The outcome of this interactive process often is abstract and personal experience. Customer does not take home anything physical. Experience happens and gets consumed simultaneously without providing scope for quality inspection and check. Subjectivity shrouds customer expectations and service delivery. What is expected and what is delivered is not amenable to measurements in the same fashion as in goods.
Customer driven standards

Goods System

Manufacturing system

Tangible output or product

Quality inspection and control

Conforming output

Non-conforming output

Marketing and Sales

Service System

Feedback

Quality

Customer

Service Operations System

Customer

Customer service experience based on a complex interplay of tangible and intangible elements: how to define and measure service quality?

Simultaneous production and consumption: preempts after production and pre-marketing quality check: how to ensure quality the first time every time?

Service involve human element efforts and direct contact: tendency to be variable: how to bring consistency?
Comparison between Goods and Services

Goods provide considerable ease in setting quality standards, standardisation and implementation. Tangibility makes quality measurement possible and management easier. It is easier to get customer requirements converted into quantitative measures. For instance, fuel efficiency desired by the market can be converted into objective standard like mileage per litre of gas. Similarly, customers wanting driving thrill can exactly specify the speed at which they experience thrill in driving. All these customer requirements are easily convertible into objective specifications and lend themselves to easy measurements. Intangibility and experiential nature of services throw them into the pit of haze and lack of clarity.

Goods companies subject their production to quality checks once they come off the assembly line. Inspection of this type allows the firm to ensure that only goods that conform to standards reach the customer beyond this point. The non-conforming produce can be sent for reworking or thrown out of the entire process. A quality manager who has worked in a goods factory would be baffled by the fact that in services, there is no team that runs post-production checks. The service property of simultaneity of production and consumption does not allow for any such quality inspections and checks. Services are produced and consumed at the same time. So, poor service is experienced as poor service. There is no way it can be reworked upon. There is nothing like second time in services. Quality has to be the right the first time. Building such capability is tough. Often slips occur and become part of the experience leading to poor quality perceptions.

In many services, customer's interaction with service system is a prerequisite for service creation. Customers may come in direct contact (like a hospital or a theatre) or indirect contact (like tele-shopping or net university) with the system. This contact complicates the issue of quality by adding 'interactional' element. Goods are manufactured in factories in isolation from customers. Customers do not take active and direct role in their production or marketing process. But services are not created in isolation or separated from the customers. The customer is often a part of the service itself and consumer thereof at the same time.
The customer's contact with the system, process, people and equipment defines the perceived quality in services. The customer encounter process, involving these elements, increases problems in conceptualising service quality and its enforcement. Service quality cannot be as easily defined and articulated as in goods.

Finally, all services in general and some in particular tend to have high human intensity. That is, their creation requires direct contribution from human beings. At times, human element is a major culprit for poor service quality. 'What has been done' is not as serious an issue as is 'how it has been done'. The process orientation brings human aspects to the core of the customer evaluation process. As human performances cannot be totally engineered and mechanised, variations tend to be inherent. It is difficult to make two human tellers or flight attendants identical in their service orientation and skills. People are influenced by their moods and emotional states. Further, their performance over time also cannot be made hundred percent consistent. Variations of these kind create lack of consistency in service output. Customer experience of the same service provider varies from moments of extreme pleasure to extreme disgust.

WHAT IS SERVICE QUALITY?

The poor state of quality in services has been primarily due to lack of clarity and consensus on the issue of what it exactly means. "Quality is especially difficult to define, describe, and measure in services. While quality and quality control measures have long existed for tangible goods, few such measures have traditionally existed for services. In essence, quality is determined by imprecise individual factors: perceptions, expectations, and experiences of customers and providers, and, in some cases, additional parties such as public officials. "I Similar sentiments are shared by another set of researchers in their observation that service quality is difficult to define and measure. 18 Intangibility has contributed to this difficulty in a major way. Accordingly, its definition varies from person to person and from situation to situation.
Objective nature of quality in goods:

- Physical product: measurable and verifiable attributes or ingredients

Objective Quality
Evaluation based on Measurable attributes

Customer’s objective and measurable expectations of attributes or ingredients

Perceived nature of quality in services:

- Services: intangible attributes or dimensions

Perceived quality: Customer’s judgement of superiority based on his or her perceptions on intangible dimensions

Customer’s intangible expectations

Quality in Goods and Services

Another set of researchers in the field of service quality observed that "there is a lot of talk about quality, but quality is a dangerous word. Many customers are tired of broken promises about top quality ... The term is ambiguous and subjective: quality is like beauty, it is in the eyes of the beholder." 19 If there is so much of confusion about what it means, then obviously it would be difficult to measure it. If it is not measurable then it is difficult to quantify it. If it’s not quantifiable, then it would be difficult to manage it.

In one of the early attempts to unravel the mystery associated with service quality, a team of researchers-Parasuraman, Zeithaml and Berry--did a comprehensive-probe. Their study probed into quality issues using focus groups of customers in four services: retail banking, credit cards, security brokerage besides product repairs and maintenance. The most revealing and most unique insight emerging out this research was the criteria used by customers to evaluate service quality. They found that customers use ten dimensional criteria to judge quality in services.

Quality is essentially conceptualised as the discrepancy between customer expectations and perceptions of what is delivered. Customers evaluate market offerings on the basis of their actual delivery on the set of...
expectations for the fulfillment of which they are bought. A product or service is considered of quality when it fulfills customer's expectations. The nature of quality differs in goods and services. Goods being tangibles, made up of objectively quantifiable attributes or ingredients or dimensions, permit objective measurement of quality. Quality in their case can be judged objectively.

Objective quality refers to the technical superiority or excellence of a product against measurable and verifiable standards e.g. speed (miles per hour) of a car or capacity (litres) of a refrigerator.

Quality in services is based on the same discrepancy concept but services being intangible do not permit objective evaluation and measurement. Services are intangible entities and lack physically quantifiable or measurable dimensions like weight or size. In this case, customers evaluate quality based on their perception of what has been received as against their expectations. Quality in services is held in the eyes of the customer. It is therefore called perceived quality. It is customer's personal judgment about a product's excellence or superiority on a set of criteria that forms their expectations.

But, the important question is what the dimensions on which this discrepancy is measured are. Do customers use one dimension or many? Customers bring their concerns or expectations when they interface with a service provider. These concerns form the quality criteria that are used for assessing quality.

QUALITY DIMENSIONS

In their investigation, Parasuraman and others found ten general concerns or dimensions: tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communication and understanding the customer. These general dimensions represent the evaluative criteria used by customers to assess service quality.

Reliability

It is customer's concern whether the service firm would deliver the promised service dependably and accurately. The concern of reliability get reflected in statements like: 'This bank promises to give loan in ten days. Is it really
possible'. From the banking aspects consumer’s assurance for not charging any extra charges for their loan or other products is necessary.

**Responsiveness** It is customer’s concern whether employees of the company would be willing and ready to provide service promptly. "If there is some problem in documentation of loan to be cleared from partners then will the employees of this Bank help me? 'To what extent banking staff and system helps consumers to resolve their problems is important in this aspects of banking. The branch manager is playing important role in this case. Specifically in case of Insurance and Banking Sector complaint handling system of respective organisation have to be more sensitive towards responsiveness. Quick or speedy response serve the purpose of the customer.

**Competence**

It is a concern about whether service providers have necessary knowledge and skill to perform the service.

Does employees or representatives of the organisation who are interacting with the consumers or end user of the services are capable enough to solve the quarr of the consumers. Not only this but to what extent technical knowledge insurance agents carry with them for convincing consumers is playing very important role for such. But, will it really be able to ensure their safety? Are they equipped with all safety mechanisms required to maintain safety?"

For the insurance policy holders the important aspect is to fulfill promises made in the services and offers. Ability of the firm or competency of the firm is measured in terms of performance of claim.

Ability of the organisation to full fill the claims made by them is examined in this components. Competency has directly linked between customer satisfaction and ability of performance. If any claim or promise made by theophany to the consumer had not been full filled then at that time level of confidence in the competency of the firm will be down.
• **Credibility** It is concerned with the service provider's trustworthiness, honesty and believability.
  
  o 'My relationship manager has advised me on how to go about making investments in the stock market. But, can I trust him?'
  o 'The insurance company has made a claim that in case of accident, they would settle the claim without any delay and paper work. Can I believe them without any doubt?'

• **Courtesy** It is reflected in customer's concern about how politely, respectfully, and friendly he or she would be treated during the course of dealings with the service firm.
  
  o 'I have booked this hotel to host a party to honor my parents. Will the staff here serve my guests respectfully and in friendly fashion?'
  o 'This new mega store seems to offer widest possible range of household products. But are the staff there equally trained to interact with customers in friendly manner?'

• **Access** It refers to expectations surrounding the issue of ease with which the staff or service can be approached.
  
  o 'The service offered by this mobile communication service provider is fine but how easy is it. To contact the customer-care department when something goes wrong?'
  o 'In this college, it is difficult to contact the principal to register any complaint.'

• **Communication** It is customer’s concern whether he would be given a patient hearing when required and would be kept informed.
  
  o 'Will this bank keep me informed about the status of my accounts on a regular basis and be able to explain charges they deduct from time to time.'
  o 'Would doctors in this hospital listen to my problems patiently and explain as to why the previous treatment did not work?'

• **Security** Customers expect the service to be free from danger, risk and doubt.
- 'Will my bank disclose my accounts detail to the income tax officials?'
- 'How safe is it to park my car in this parking lot? Will my music system be safe here?'

**Understanding customer** it is customer's concern whether service providers will make genuine efforts to understand customer needs.
- 'Will people in this car garage try to understand the real problem or will they just try to fix it without much understanding?'
- 'Will this hair stylist try to learn my specific preferences or give me an ordinary cut?'

**Tangibles** It is customer's sensitivity about the physical evidence present in the service firm like personnel, equipment, facilitating goods etc.
- 'Will the things normally present in a room like chairs, bed and wall colour be fine and appeal to my family?'
- 'Will my car be repaired in a modern workshop equipped with state-of-art machines and equipments?'

The above dimensions representing customer-evaluative criteria were the outcome of initial exploratory research. Uncovering these quality dimensions was a major breakthrough in understanding quality construct in the context of services. But this discovery is of little use to practicing managers unless some way is devised to measure quality in service enterprises. This called for the next challenge involving development of a scale or measure of service quality. Accordingly, quantitative research was conducted involving customer surveys of five different service sectors: (product repairs and maintenance, retail banking, long-distance telephone, security brokerage and credit cards).

The idea was to develop a measure that would have sound statistical property and broad acceptability. In this process, seven of the above initial quality dimensions were highly correlated. Accordingly, these seven dimensions got consolidated into two broader dimensions. Competence, courtesy, credibility and security got merged to create a broad dimension called assurance. Access, communication and understanding the customer
got combined into empathy. The first three dimensions of tangibles, reliability and responsiveness were retained as it is because they represented unique aspects of the service quality construct. After the statistical analyses of psycho-metric properties of the quality scale, the initial ten dimensions got clubbed into five dimensions. This exercise led to the development of an instrument to measure service quality called SERVQUAL. This instrument measures service quality on five dimensions:

(1) Tangibles:
   How things that have physical dimensions are perceived? These include facilities, equipment, people and materials used in communication.

(2) Reliability
   Perceptions about the ability of the firm to perform the service dependably and accurately as promised.

(3) Responsiveness
   How willing the people are to help and provide prompt service to customer.

(4) Assurance
   Perceptions about the knowledge and courtesy of employees. How confident they appear and how they inspire confidence.

(5) Empathy
   How caring and individualised attention does the firm give to its customers.

In the present study we have taken all the dimension of the service quality with its different detail aspects. All these dimensions and aspects are as follows.

Service Quality aspects of Insurance Company

1. **Dimension of Physical Evidence**
   - Location of the Branch Office
   - Parking Facility
   - Timings
   - Entrance and internal setting
2. Communication of Insurance company on following aspects
   - Notice for payment of Premium
   - Details about Premium, Policy and Other aspects
   - Availability of Receipts in case of On line Payment
   - Regularity of the Communication of Premium Due and other aspects

3. Reliability aspects of the Insurance company for following aspects
   - Reliability Elements
   - Ability of the company to pay claim in Timely manner
   - Sympathy offered when customer has problem
   - Providing services at the time when it has been promised
   - Reliance of Policyholder to get finance against such Policy as promised at the time of taking Insurance

4. Responsiveness of Staff for the Insurance Holder.
   - Proper communication about technical aspects of Insurance Policy
   - Promptness in replaying any Query before taking Insurance
   - Willingness of Employee for resolving any problem of Consumer
   - Behavior of the complaint handling employee at the time of resolution

5. Assurance Dynamics of Insurance Company on following ground.
   - Knowledge about product of the employee
   - Trustworthiness of employee
   - Consistency in Courteous Behavior
   - Ability to solve problem of Employee
   - Promptness in working

6. Behavior of Insurance Agent
   - Explanation about all terms and condition of Insurance policy
   - Reminder about Insurance Premium
   - Assistance in getting loan
   - Assistance in adding additional rider in policy
   - Technical Guidance & Support for any other matter
Service Quality aspects of Banking Companies are as follows.

1. Rate Your Bank in following aspects
   - Dimension of Physical Evidence
   - Location of the Branch Office
   - Parking Facility
   - Timings
   - Entrance and internal setting
   - Comfort level inside the Branch Office
   - Quickness/Speed of Work at counter

2. Evaluate Communication of your Bank on following aspects
   - Different Area or aspects of Communication
   - Notice for Charges
   - Details about Procedure, Policy and Interest Rates at Bank Branch or at Web site.
   - Availability of handy leaflet for understanding product
   - Regularity of the Communication of change in the procedure and policy aspects

3. Evaluate Responsiveness of Staff for the Insurance Holder.
   - Different Dimensions of Responsiveness
   - Proper communication about technical aspects of Bank Product
   - Promptness in replaying any Query before Bank Loan
   - Willingness of Employee for resolving any problem of Consumer
   - Behavior of the complaint handling employee at the time of resolution

4. Evaluate Assurance Dynamics of Your Bank on following ground.
   - Attributes of Responsiveness
   - Knowledge about product of the employee
   - Trustworthiness of employee
   - Consistency in Courteous Behavior
   - Ability to solve problem of Employee
   - Promptness in working

5. Rate the Attributes given below for the behavior of Bank Staff Attributes
- Explanation about all terms and condition of Bank Loan
- Reminder about Installment repayment
- Assistance in getting loan
- Technical Guidance & Support for any other matter

6. Attributes of the Website evaluation
   - Ease in operations
   - Adequate Information about Insurance Plan
   - Security in Payment
   - Updated Information
   - Details about different products
Initial Dimensions:
- Tangibles
- Reliability
- Responsiveness
- Competence
- Courtesy
- Creditability
- Security
- Access
- Communication
- Understanding the customer

Consolidated Dimensions:
- Tangibles
- Reliability
- Responsiveness
- Assurance
- Empathy

Customer Expectations

Service Quality: Discrepancy between customer expectations and perceptions