CHAPTER 1
SERVICES: CHARACTERISTICS

Introduction

Service form a major portion of our life. Whether we travel, watch television, issue a cheque, ring a housekeeper to upkeep our home, educate our children, in each case and a host of similar cases, we are enjoying the service of one or the other agency and we don't reckon it. Offended when somebody mentions that the school is actually a business which it is or a trust is run professionally. May be, the social system keeps such services beyond the purview of business ethics. But can we ignore the professionalism required? How do we choose a school or even a social organization? Is it not the professionalism of rendering service that makes the difference? Similarly, would we not choose a transport that is punctual, well kept and the steward is courteous? Such and several other aspects of life that we take as granted are all examples of service marketing. The word ‘marketing’ may be presumed to be related to business, but it has been established that marketing is useful and equally applicable to non-profit organizations as well as to those who do not sell tangible things such as banks, airlines and hotels. This paper makes an effort to look into this ‘invisible’ so very important aspect of our life from a marketing angle.

Services: What are they?

In fact, defining a service is much difficult as one has to look beyond the product to which it is attached to or the person who provides it. A service attached to a customer for a product he owns is called customer service, and a service to the same customer by doctor is a health service. A service, like human beings, is known by its deeds. Thus, services are deeds, acts or performances (Berry, 1981). The complexity to this simple definition is added when we realize that there are no pure services or pure tangible products. Nevertheless, this definition by Kotler (1988) does reach the fitness. He defines a service as “any act or performance that
one party can offer to another that is essentially intangible and does not result in
ownership of anything. Its production may or may not be tied to a physical
product."

It is continuum that makes the nature of service ambiguous and it is easier to define it
through the provider which is either products or persons. Pure services are those rendered
by a person to another person with no relation to a tangible product, e.g., Insurance. A
major service is one rendered through tangibles like telephones. A major good will have a
service attached, mainly as after sales service. Pure tangible goods have no service
attached to it. It is, however, nearly impossible to find a pure tangible good without
services attached, particularly in the age of 'maxi-marketing.' In such a situation one
faces a question. How, then, services are different from goods?

Service Vs Goods

The basic difference between the two is the intangibility of the service. A detailed
comparison is depicted in Table 1.

Table 1
A comparison of Services and Goods

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Characteristics</th>
<th>Service</th>
<th>Goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Physical Shape</td>
<td>Intangible</td>
<td>Tangible</td>
</tr>
<tr>
<td>2.</td>
<td>Production</td>
<td>Spontaneous</td>
<td>Time-spread</td>
</tr>
<tr>
<td>3.</td>
<td>Delivery</td>
<td>Along with Production;</td>
<td>Separate with Production;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Spontaneous</td>
<td>scheduled</td>
</tr>
<tr>
<td>4.</td>
<td>Demand</td>
<td>Fluctuating</td>
<td>Stabilized</td>
</tr>
<tr>
<td>5.</td>
<td>Supply</td>
<td>Inflexible</td>
<td>Flexible</td>
</tr>
<tr>
<td>6.</td>
<td>Producer Status</td>
<td>Inseparable from Service</td>
<td>Separate from goods</td>
</tr>
<tr>
<td>7.</td>
<td>Life</td>
<td>Stillborn</td>
<td>Longer life</td>
</tr>
<tr>
<td>8.</td>
<td>Title</td>
<td>No ownership possible</td>
<td>Ownership possible</td>
</tr>
<tr>
<td>9.</td>
<td>Customer</td>
<td>High</td>
<td>Low/absent</td>
</tr>
<tr>
<td>Involvement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Physical Presence of Customer</td>
<td>Absolutely necessary in most of the services</td>
<td>Hardly Necessary</td>
<td></td>
</tr>
<tr>
<td>11. Labour</td>
<td>Tending to be high</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>12. Type of Technology Used</td>
<td>Generally Soft</td>
<td>Generally Hard</td>
<td></td>
</tr>
<tr>
<td>13. Quality</td>
<td>Varies with time and person</td>
<td>Standardized</td>
<td></td>
</tr>
<tr>
<td>14. Role of Physical Surrounding</td>
<td>Important</td>
<td>Not so important</td>
<td></td>
</tr>
<tr>
<td>15. Physical Movement</td>
<td>Of the provider (except in few cases like software package)</td>
<td>Of the product</td>
<td></td>
</tr>
<tr>
<td>16. Consumer Reaction</td>
<td>Spontaneous</td>
<td>Delayed</td>
<td></td>
</tr>
<tr>
<td>17. Repairs</td>
<td>Impossible</td>
<td>Common</td>
<td></td>
</tr>
<tr>
<td>18. Replacement</td>
<td>Rare</td>
<td>Common</td>
<td></td>
</tr>
<tr>
<td>19. Pricing</td>
<td>Labour base</td>
<td>Material base</td>
<td></td>
</tr>
<tr>
<td>20. Seasonality</td>
<td>Yes</td>
<td>Good Specific</td>
<td></td>
</tr>
<tr>
<td>21. Need satisfied</td>
<td>More emotional</td>
<td>Physical</td>
<td></td>
</tr>
<tr>
<td>22. Basis of Competition</td>
<td>Personalization</td>
<td>Technology</td>
<td></td>
</tr>
<tr>
<td>23. Channels of Distribution</td>
<td>Shorter</td>
<td>Longer in most cases</td>
<td></td>
</tr>
<tr>
<td>24. Standardization</td>
<td>Only for routine services</td>
<td>All over</td>
<td></td>
</tr>
<tr>
<td>25. Facility Location</td>
<td>Close to customer</td>
<td>Near supply</td>
<td></td>
</tr>
<tr>
<td>26. Facility Layout</td>
<td>To accommodate customer physical and psychological needs</td>
<td>To enhance production</td>
<td></td>
</tr>
<tr>
<td>27. Product Design</td>
<td>Environment plays a vital role</td>
<td>Only physical product</td>
<td></td>
</tr>
<tr>
<td>28. Process Design</td>
<td>Immediate effect on customer</td>
<td>Customer not involved</td>
<td></td>
</tr>
<tr>
<td>29. Scheduling</td>
<td>As per customer interest</td>
<td>As per completion date</td>
<td></td>
</tr>
<tr>
<td>30. Product Planning</td>
<td>Smoothing production results in losses</td>
<td>Possible</td>
<td></td>
</tr>
</tbody>
</table>
### Characteristics of Service

Services portray similar characteristics as theatrical performances. These characteristics could be summed up in four broad categories.

1. **Intangibility**: Services are intangible in that they do not have a physical shape. So a consumer cannot touch or see it, he can only feel it. He watches the performance of it but the real output is targeted at his feelings: emotional and physical. This is the major difference between and services. The product has three levels but the second level is missing in case of services. This is a great challenge to the marketer. He has to sell an experience, a feeling, something that is abstract. He cannot give a sample. He can demonstrate only in few cases like housecleaning. Therefore, an exact definition of services is difficult. In order that one service is differentiated from others some tangibility needs to be added by managing the evidence or tangibilizing the intangible (Levitt, Bery, 1981). This is the creation of the second level of services. This level is transparent and hence, has been depicted with a dotted line in Figure 2. Every service provider cannot allow the customer to experience before he buys. In such a situation, the strategies that could be utilized to tangibilize the services may include any of the following:

   (a) **Make Them Person or Equipment Based**: Since people see the things through a tangible object, the service could be recognized through the provider which is a person, as in case of architects or an equipment as in vending machines. In the former case the image of the provider and in the latter the standardization or speed of work tangibilizes
the service. Thus, the contact personnel, hold the key. Their dress, demeanor and the interaction process creates tangibility.

(b) **Use of Facts, Figure and Opinions:** When it is not possible to use a tangible object to give a shape to service, the other option is to use ‘tangible’ clues such as performance statistics, number / nature of clients, opinion of experts, or results of a survey / opinion poll.

(c) **Use of Technology:** Technology has formed a good basis of competition in products. It can be used to similar success in services computerized auto scanning as its USP. Similarly, DTP gives an edge to printers.

(d) **Through Personalization of Services:** The Oberoi, New Delhi, has an attendant attached to every customer for all the time he stays in that hotel. Skypak carries and delivers the packers personally.

(e) **Making the Service Conveniently Available:** Beyond working hour banking like the evening branch of Hongkong Bank in Fort, Bombay or 24 hour taxi on call.

(f) **Customer Leverage:** Experience cannot be shown but they can be shared. In service, reference groups play a vital role. Before embarking on a journey to a place a very common tendency is to consult somebody who has been to that place.

(h) **Communication Materials:** The symbol and the kind of paper used for communication as well as the mode of communication used leave a lasting impact on the customers. Even the services are recognized by simply looking or listening to the materials.

(i) **Price:** Price is commonly used to segregate service organizations. A high price is an indication of a better service as in case of courier services.
Post-purchase Communication: One of the most powerful ways to keep customers and get away from the crowd is to keep the customer link alive through several methods like souvenirs, annual congregations, etc.

Services can be divided into two broad processes: Production and Delivery. Tangibilization could be brought at any of these stages. For instance, in a hotel, it is brought by the physical infrastructure at the production stage and courtesy and warmth of the employees at the other stage. As a result, sometimes even a poorly produced service can be overlooked when the delivery is good.

‘Vishala’ a hotel in Ahmedabad, creates tangibility at the production stage by giving it an ethnic touch. This hotel is situated out of the city on the national highway. The cabins are huts. A lantern burns. The food is cooked in earthen pots. You sit on the floor and relish Gujarati food. On the other side, when KLM introduces CCTV with ITN news service on its flights, it is creating tangibility through the delivery of service.

2. Inseparability: Service as performances cannot be separated from the performers. This performer can be a person or and equipment. In fact, the service is recognized by the provider. It is, thus, essential that the provider be present always, whenever the service is required. Another kind of inseparability is from the receiver. Since services cannot be stored, they have to be produced and delivered when wanted. This requires the presence of the customer. Consequently, this poses the problem of distribution of services. The provider has to go to the customer or the customer has to come to the provider. Involvement of a middleman is not possible. When the provider has to go to the customer, the most important thing is the speed of delivery. A waiting customer is very impatient. The provider has to be there at the earliest. Every customer would like to be served first and most quickly. A scheduling of customers is, therefore, necessary. The customer has to be informed the time it will take to reach him on the basis of the prior commitments and the travel time. Modi Xerox follows such scheduling. From the Bhubaneshwar branch, the service engineer reaches the customer in 30 minutes in the
city. In farther areas, it takes 24 hours. Since it informs the customers accordingly, there is no dissonance.

In cases where the customer has to go to the provider the physical surrounding and the warmth of the receiver plays a dominant role in satisfying him. Therefore, every service organization has a waiting hall. This hall is designed to keep the customer at ease. In case of such services, an appointment/reservation policy is followed.

In other cases, the ability / expertise of the provider holds the key. Sometimes even a bad reception is overlooked when the provider has a good image. When the provider is equipment, flawless operation is necessary. The customer should not be "stuck." The machine should not ‘eat’ customers’ money.

In services, consumption and production are highly interactive. They are simultaneous. Against the system in goods, where they are first produced, then marketed and consumed; services are first marketed and then produced and consumed simultaneously. It creates a unique situation where the provider has no time to make amends. Whatever produced is final. Repairs and replacements are not possible. A damage done cannot be compensated, like a bad hair cut. It requires a lot of judgment on the part of provider. A safer way is to interact with the customer, if the services cannot be standardized.

In order that the services reach the customers, two strategies are used: (a) establish multiple outlets and (b) standardize the service. The latter is achieved through systems like ATMs. So that even a common retailer can deal in it. In the former case, franchising is the most common method used.

3. **Inconsistency:** Very few services can be standardized. Even the standardized services need a personal touch. So, the role of people is vital. This makes services inconsistent. They are feelings which cannot be given to every customer to the same
extent. Event when it is possible to give the same feeling, the customer may receive it differently. Further, the time of performance also bears on the quality of service.

However, the primary reason for such inconsistency is the effort to satisfy the customer’s need to the fullest. This requires the customer’s interaction. There is no service where the customer contact is not present. The extent differs. The routine service needs the interaction to a lesser degree than specialized services.

**The strategies open for the two situations are:**

Standardization for routine sources and the services required by a mass of people and customization for specialized services. The standardized service can also be automated. For instance, the direction for a visitor to the guest in a hotel could be given through computers. Specialized services require interaction with the customer and is better dealt with personally.

The degree of interaction also determines the extent of the marketing skill required for a successful sale. It is directly related to the level of customization. (Parsuraman et al., 1983). So a personal service requires a very high skill and nonblank credit agencies to very low skill. Some of the Dos and Don’ts to be kept in mine in a face-to-face contact are (Peel, 1987):

**Do’s**

1. Smile
2. Look customers in the eye
3. Weight the customer up but keep checking
4. Judge the timing of a start of a conversation
5. The first words give the right opening
6. Intonation
7. Listening and appearing to listen
8. Watch the chit-chat
9. Offer Information and help
10. Question tactfully to avoid ‘intrusion’
11. Read the body language
12. Use names
13. End neatly

Don’ts
1. Respond emotionally
2. Crowd the customer
3. Carry on other conversation
4. Try to pull
5. Use slang greetings
6. Order customer about
7. Blame colleagues or the organizer
8. Show favoritism
9. Promise what you can't perform.

4. Perish ability: Services are stillborn. A service once produced is difficult to be replicated. They are consumed as soon as produced and to be produced every time differently. The services cannot be stored. Also, services tend to be fluctuating in demand; there is always a problem of synchronizing the demand. In most of the cases, the organizations are capacity constrained. So, simultaneous attempts to achieve closer match between demand and supply is sought. This is achieved either by adjusting the demand to meet the supply or altering supply to meet the demand (Sasser, 1976). The former is a more difficult a long-term option. In most cases the latter is used. The demand adjustment needs a change in the attitude of people where they are motivated to use the service during non-peak times. Some of the strategies used to achieve this are:

(a) peak-load Pricing: The peak period prices tend to be higher the non-peak period. During non-peak period prices are kept lower so that some customers can be "borrowed" from the peak period.
(b) **Motivating Non-peak Consumption:** Consumption during the lean period can be motivated through incentives like low prices, extra service, more personalized services etc. Welcome Group promotes the visits to Goa in Summer and Monsoon, whereas the season is winter. It markets the serenity and tranquility of the beaches of Goa and not Carnival. Added to it is the reduction in price and more service.

(c) **In-house Alternative Service:** This is provided to cast off the crowd from the service centre. This is more used when the customers going to stay for a longer time and they cannot be served simultaneously. One of the branches of a bank has a library attached. The customers go to the library after receiving the token. A display in the library tells the token number being processed.

(d) **Reservation/Appointment:** A prior reservation policy helps an organization render better service when supply cannot be expanded.

An appointment with a doctor helps the customer in getting rid of long waits and big queues.

The strategies for demand management have been summarized in Table 2. It suggests the strategies under different capacity situation.
### Alternative Demand Management Strategies for Different Capacity

#### Table 2

**Capacity Situation Relative to Demand**

<table>
<thead>
<tr>
<th>Approach used to Manage Demand</th>
<th>Insufficient Capacity (Excess Demand)</th>
<th>Sufficient Capacity (Satisfactory Demand)</th>
<th>Excess Capacity (Insufficient Demand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Take No Action</td>
<td>Unorganized queuing results. (May irritate customers and discourage future use.)</td>
<td>Capacity is fully utilized. (But is this the most profitable mix of business?)</td>
<td>Capacity is wasted. (Customer may have a disappointing experience for services like theatre.)</td>
</tr>
<tr>
<td>Reduce Demand</td>
<td>Pricing higher will increase profits. Communication can be employed to encourage usage in other time slots. (Can this effort be focused on less profitable / desirable segments?)</td>
<td>Take no action. (But ensure the above.)</td>
<td>Take no action. (But ensure the above.)</td>
</tr>
<tr>
<td>Increase Demand</td>
<td>Take no action. (Unless opportunities exist to stimulate and give priority to more profitable segments)</td>
<td>Take no action. (Unless opportunities exist to stimulate and give priority to more profitable segments.)</td>
<td>Price lower selectively. (Try to avoid cannibalizing business; ensure all relevant costs are covered.) Use communication and variation in product/distribution. (But recognize extra costs, if any, and make sure appropriate tradeoffs are made between profitability and usage levels.)</td>
</tr>
<tr>
<td>Inventory Demand By Reservation System</td>
<td>Consider priority systems for most desired segments. Make other customers shift (a) outside peak period or (b) to future peak.</td>
<td>Try to ensure most profitable mix of business.</td>
<td>Clarify that space is available and that no reservations are needed.</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Inventory Demand for Formalized Queuing</td>
<td>Consider override for most desirable segments. Seek to keep waiting customers occupied and comfortable. Try to predict waiting period accurately.</td>
<td>Try to avoid bottleneck delays.</td>
<td>Not applicable.</td>
</tr>
</tbody>
</table>

But it is only those who cannot expand their supply base because of the constraint like the physical infrastructure or the exclusivity use such strategies, for instance, a five star hotel or a cardiologist. Others would like to accommodate the customers by altering the supply base. Some of the strategies that could be used are:

(a) **Use of Part-time Employees** appointed only for that peak period and sometimes for extended business hours.

(b) **Renting Facilities:** A hotel may hire a bungalow or cottage for the period.

(c) **Sharing Services with Other Organization:** For instance, the films that is expected to draw large crowd, is screened in two cinema halls. One of them screens it on regular shows and the other noon show.

(d) **Developing Multiple-skill Persons:** The accountant in a bank may handle a cash counter during the first week of the month.
(e) Reduction in Time Taken to Serve Individual Customers: Tellers at the bank serve this purpose.

(f) Standardizing the Service: Oasis, a restaurant in Bhubaneshwar, offers only fixed meals during lunch hours.

(g) Automating: The routine services could be automated, like the Automatic Teller Machines.

(h) Extended Business Hours: Some hotels have round the clock check-out facility. This needs either part-time appointments or automating. The latter is used only in case of routine services like the vending machines.

(i) Expanding Customer's Role in Delivery: The airport restaurant at DumDum Airport offers self-service to passengers whose flights have been delayed. (It also has a regular restaurant attached).

(j) Less Urgent Service can be Postponed: For instance, the standing instructions to transfer the money to the loan account every month is catered to in the last week of the month when the regular transaction is low.

The variability of demand keeps changing the ARGE (Asset Revenue Generating Efficiency) of the service organization. ARGE is an index of operation efficiency. If is derived by multiplying the capacity utilization rate by the unit price efficiency rate. In order that ARGE is high, the capacity allocation need to be changed over time by services class (Lovelock, 1988).

The capacity allocation to the services at different time necessitates changes in the marketing mix also.

Service Types

In order that some generalization can be made about service marketing, it is necessary to find some commonality among the services. Through such
classifications, goods industry has profited a lot and marketing has been given a status of a profession. By contrast, service industries remain dominated by an operation orientation that that each industry is different (Lovelock, 1983). But marketing needs a marketing orientation and not an operation orientation. Thus, though operationally the services may be different and 'look' to be, different, inherently they can be grouped under several classes.

Several classification that have been attempted are depicted in Table 3 below. A commentary and marketing implications of each one of them is also outlined.

**Previously Proposed Schemes of Classifying Services: Summary and Suggested Marketing Implications (a)**

<table>
<thead>
<tr>
<th>Author</th>
<th>Proposed Classification Scheme</th>
<th>Comments</th>
<th>Marketing Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rathmell (1974)</td>
<td>1. Type of Seller&lt;br&gt;2. Type of buyer&lt;br&gt;3. Buying Motives&lt;br&gt;4. Buying Practice&lt;br&gt;5. Degree of Regulation</td>
<td>Does not clearly define the service as well differentiate from goods</td>
<td>Hard to make</td>
</tr>
<tr>
<td>Shostack (b)</td>
<td>Proportion of physical goods and intangible services contained within each product “package”</td>
<td>Making service a part of goods or goods a part of service</td>
<td>Use of ‘Production line’ approach</td>
</tr>
<tr>
<td>Sasser (b) et al. (1978)</td>
<td>Proportion of physical goods and intangible services contained within each product “package”</td>
<td>Making service a part of goods or goods a part of service</td>
<td>Use of ‘Production line’ approach</td>
</tr>
</tbody>
</table>
| Hill (1977) | 1. Service affecting persons Vs those affecting goods  
2. Permanent Vs Temporary effect of services  
3. Reversibility Vs Non-reversibility of these effects  
4. Physical effect Vs Mental effects  
5. Individual Vs Collective Services | Concerned with the effect of service except in (5) | 1. Customization Vs Standardization  
2. Relationship Management Vs Transaction Management |
|---|---|---|
| Thomas (1978) | 1. Primarily Equipment based  
a. Automated  
b. Monitored by unskilled personnel  
c. Operated by skilled personnel  
2. Primary People based  
a. Unskilled labour  
b. Skilled labour  
2. Emphasis on physical surrounding  
3. Repute of machine and person.  
a. Relationship Past performance |
2. Standardization |
| Kolter (1980) | 1. People based Vs Equipment based  
2. Extent to which clients presence is necessary  
3. Meets personal needs Vs business needs  
4. Public Vs Private Profit Vs Non- | Summary of previous classification and add new classes on the basis of the purpose and ownership of the organization | 1. Image  
2. Customization  
3. Emotion Vs Rationalization  
4. Satisfy a latent need  
5. Personalization Vs Mass |
| Lovelock (1980) | 1. Basic Demand Characteristics | Summarizes previous classifications and suggest new ones | 1. a. Personalization Vs Automation  
b. Demand Synchronization  
c. Transaction Vs Relationship Management  
d. Extension beyond rush hour  
3. a. Franchising Vs Mass  
b. Reservation |
|----------------|--------------------------------|------------------------------------------------------|--------------------------------------------------|
|                | a. Object Served (Persons Vs Property) |                                                      | 1. a. Personalization Vs Automation  
b. Demand Synchronization  
c. Transaction Vs Relationship Management  
d. Extension beyond rush hour  
3. a. Franchising Vs Mass  
b. Reservation |
|                | b. Extent of Demand/Supply Imbalance |                                                      | 1. a. Personalization Vs Automation  
b. Demand Synchronization  
c. Transaction Vs Relationship Management  
d. Extension beyond rush hour  
3. a. Franchising Vs Mass  
b. Reservation |
|                | c. Discrete Vs Continuous relationship between the customers and providers |                                                      | 1. a. Personalization Vs Automation  
b. Demand Synchronization  
c. Transaction Vs Relationship Management  
d. Extension beyond rush hour  
3. a. Franchising Vs Mass  
b. Reservation |
|                | 2. Service Content and Benefits |                                                      | 1. a. Personalization Vs Automation  
b. Demand Synchronization  
c. Transaction Vs Relationship Management  
d. Extension beyond rush hour  
3. a. Franchising Vs Mass  
b. Reservation |
|                | a. Extent of Physical Goods Content |                                                      | 1. a. Personalization Vs Automation  
b. Demand Synchronization  
c. Transaction Vs Relationship Management  
d. Extension beyond rush hour  
3. a. Franchising Vs Mass  
b. Reservation |
|                | b. Extent of Personal Service Content |                                                      | 1. a. Personalization Vs Automation  
b. Demand Synchronization  
c. Transaction Vs Relationship Management  
d. Extension beyond rush hour  
3. a. Franchising Vs Mass  
b. Reservation |
|                | c. Single Service Vs Bundle of Services |                                                      | 1. a. Personalization Vs Automation  
b. Demand Synchronization  
c. Transaction Vs Relationship Management  
d. Extension beyond rush hour  
3. a. Franchising Vs Mass  
b. Reservation |
|                | d. Timing and Duration of Benefits |                                                      | 1. a. Personalization Vs Automation  
b. Demand Synchronization  
c. Transaction Vs Relationship Management  
d. Extension beyond rush hour  
3. a. Franchising Vs Mass  
b. Reservation |
| Lovelock (1983) | 1. Nature of Service Act: Tangible or Intangible Action and who is the recipient (People or Things) | Build on previous classifications and produces matrices by combining bases | 1. Physical infrastructure and personal attention Vs Equipment used  
2. Relationship Vs Transaction Management  
3. Demand Synchronization  
4. Franchising Vs |
|                | 2. Relationship with Customer (Membership and Non-formal) and Nature of Service Delivery (Continuous or Discreet) |                                                      | 1. Physical infrastructure and personal attention Vs Equipment used  
2. Relationship Vs Transaction Management  
3. Demand Synchronization  
4. Franchising Vs |
|                | 3. Extent of Demand Fluctuation Over Time (Wide/Narrow) and Extent to which Supply is constrained (Peak Demand Met/Peak Demand Higher than Supply) |                                                      | 1. Physical infrastructure and personal attention Vs Equipment used  
2. Relationship Vs Transaction Management  
3. Demand Synchronization  
4. Franchising Vs |
### 4. Method of Service Delivery

- **(single/Multiple Side) and Nature of Interaction**
  - Customer goes to Service Organization
  - Service Organization goes to Customer
  - Transaction at Arm's Length

### 5. Customization (High/Low) and Judgment (High/Low)

<table>
<thead>
<tr>
<th>Schemmer (c) (1986)</th>
<th>Labour Intensity and Degree of Interaction and Customization resulting in</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(i) Service Factory</td>
</tr>
<tr>
<td></td>
<td>(ii) Service Shop</td>
</tr>
<tr>
<td></td>
<td>(iii) Mass Service</td>
</tr>
<tr>
<td></td>
<td>(iv) Professional Service</td>
</tr>
</tbody>
</table>

| | A matrix based on service process |
| | 1. Attention to physical surroundings |
| | 2. Personal care |
| | 3. Standardization or Customization or Customized Standardization |

The classifications provided by the authors look at one aspect or the other. Barring the attempt by Lovelock, most of them are too broad to suggest and apply any marketing implication. Lovelock's classifications have tried to look deeper into it and gives good insight into the marketing implication also. Schmenner's attempt is towards the production of the service. Thus, he talks of the production and Lovelock of the delivery of it. But, in an environment where marketing has a more strategic role to play, it becomes all-pervasive and only externally- or internally-oriented approach alone is not sufficient to design the marketing strategies. It requires a strategic service vision that consists of identification of a target market.
segment, development of a service concept to address targeted consumer's needs, identification of an operating strategy to support the service concept and design of a service delivery system to support the operating strategy (Haskett, 1987). More so, when services are produced and consumed simultaneously both the bases are important to determine marketing strategies. Therefore, a service can be looked into from its production, delivery and consumption points of view. A similar approach has been followed to attempt a classification of services. The marketing implications have also been indicated.
### Suggested Service Classification and Marketing Implications

**Table 4**

<table>
<thead>
<tr>
<th>Bases of Classification</th>
<th>Product</th>
<th>Price</th>
<th>Place</th>
<th>Promotion (point of emphasis)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Production</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Equipment Based</td>
<td>Software</td>
<td>Low</td>
<td>Extensive</td>
<td>Technology</td>
</tr>
<tr>
<td>2. People Based</td>
<td>Education</td>
<td>High</td>
<td>Exclusive</td>
<td>Experience</td>
</tr>
<tr>
<td>3. Centralized</td>
<td>Movies</td>
<td>Low</td>
<td>Indirect</td>
<td>Service</td>
</tr>
<tr>
<td>4. At the customer’s premises</td>
<td>Plumbing</td>
<td>High</td>
<td>Direct</td>
<td>Promptness</td>
</tr>
<tr>
<td>5. At a common place</td>
<td>Shows</td>
<td>High</td>
<td>Selective</td>
<td>Reliability and area and place of operation</td>
</tr>
<tr>
<td>6. Requiring physical presence of customers</td>
<td>Saloon</td>
<td>Cost Based</td>
<td>Multiple</td>
<td>Physical setting</td>
</tr>
<tr>
<td>7. Requiring mental presence of customers</td>
<td>Lawyer</td>
<td>Project based</td>
<td>Exclusive</td>
<td>Customization</td>
</tr>
<tr>
<td>8. Capacity constrained</td>
<td>Premium hotels</td>
<td>Variable (capacity based)</td>
<td>Exclusive</td>
<td>Educating non-peak use</td>
</tr>
<tr>
<td>9. Variable supply source</td>
<td>Ordinary hotels</td>
<td>Fixed</td>
<td>Selective</td>
<td>Propagating prior booking</td>
</tr>
<tr>
<td></td>
<td>People oriented</td>
<td>Beauty parlors</td>
<td>Value based</td>
<td>Exclusive</td>
</tr>
<tr>
<td>---</td>
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<td>----------------</td>
<td>-------------</td>
<td>-----------</td>
</tr>
<tr>
<td>1.</td>
<td>Property oriented</td>
<td>Maintenance and repair</td>
<td>Cost based</td>
<td>Selective</td>
</tr>
<tr>
<td>2.</td>
<td>Tangible action</td>
<td>Transport</td>
<td>Cost based</td>
<td>Selective</td>
</tr>
<tr>
<td>3.</td>
<td>Intangible action</td>
<td>Musical performances</td>
<td>Value based</td>
<td>Selective</td>
</tr>
<tr>
<td>4.</td>
<td>Single Outlet</td>
<td>Computer education</td>
<td>High</td>
<td>Exclusive</td>
</tr>
<tr>
<td>5.</td>
<td>Multiple outlet</td>
<td>Shops</td>
<td>Low</td>
<td>Extensive</td>
</tr>
<tr>
<td>6.</td>
<td>Discreet</td>
<td>Shoe-shine</td>
<td>Transaction based</td>
<td>Exclusive</td>
</tr>
<tr>
<td>7.</td>
<td>Continuous</td>
<td>Banking</td>
<td>Time based</td>
<td>Extensive</td>
</tr>
<tr>
<td>8.</td>
<td>Time bound</td>
<td>Travel agency</td>
<td>-</td>
<td>Extensive</td>
</tr>
<tr>
<td>9.</td>
<td>Freely Available</td>
<td>Taxi</td>
<td>Generally extra charge</td>
<td>Selective</td>
</tr>
<tr>
<td>10.</td>
<td>Single</td>
<td>Hotel</td>
<td>Individual pricing</td>
<td>-</td>
</tr>
<tr>
<td>11.</td>
<td>Package</td>
<td>Related service</td>
<td>Price bundling</td>
<td>-</td>
</tr>
<tr>
<td>12.</td>
<td>Requires consumers mental presence</td>
<td>Loans</td>
<td>High</td>
<td>Selective</td>
</tr>
<tr>
<td>13.</td>
<td>Requires consumer's physical</td>
<td>Savings Account</td>
<td>Low</td>
<td>Extensive</td>
</tr>
<tr>
<td>Presence</td>
<td>Equipment Based</td>
<td>ATM</td>
<td>Low</td>
<td>Selective</td>
</tr>
<tr>
<td>----------</td>
<td>----------------</td>
<td>-----</td>
<td>-----</td>
<td>-----------</td>
</tr>
</tbody>
</table>

**C. Consumption**

1. Spontaneous Movies | High | Selective | Enjoyment |
2. Future time Insurance | Low | Exclusive | Long term Benefit |
3. Membership Banking | Entry fee | Exclusive | Exclusivity |
4. Non-formal Transport | Low | Extensive | Frequency |
5. Individual Taxi | High | Exclusive | Personal attention |
6. Mass Education | Low | Selective | Image |
7. Seasonal Tourism | Variable | Extensive | Use of non-peak |
8. Perennial Banks | Stable | Permanence | Continued availability |
9. Centralized Education | Low | Selective | Physical facility |
10. Spread Television | High | Exclusive | Availability |

**D. Buying Effort**

1. Convenience
   i) Staple Shoeshine | Low | Extensive | Availability |
   ii) Emergency Night Taxi | High | Selective | Availability |
2. Shopping Stores | Higher | Selective | Price, Quality and personal touch |
3. Specialty Parlors | Highest | Exclusive | Personal care |
4. Unsought Funeral | High | Exclusive | Absent |

**E. Purpose**

1. Temporary Vs Long-lasting benefit
   Overdraft FD | High | Extensive | Relief Welfare |
   Low |
2. Profit Vs Non-Profit
   Commercial Services | High | - | Commercial benefits |
   Social | Low | | Attitudinal benefit |
<table>
<thead>
<tr>
<th>Service</th>
<th>3. Benefits person Vs Housekeeping</th>
<th>Low</th>
<th>Wide</th>
<th>Personal convenience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org/Business Vs Consultancy</td>
<td>High</td>
<td>Exclusive</td>
<td>Better performance</td>
<td></td>
</tr>
<tr>
<td>Environment Ecological service</td>
<td>High</td>
<td>Exclusive</td>
<td>Making this world a better place to live</td>
<td></td>
</tr>
</tbody>
</table>

**F. Marketing Effort Required**

<table>
<thead>
<tr>
<th>1.</th>
<th>High</th>
<th>Professional service</th>
<th>High</th>
<th>Exclusive</th>
<th>Expertise</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Medium</td>
<td>Hotel</td>
<td>Medium</td>
<td>Exclusive</td>
<td>Physical setting</td>
</tr>
<tr>
<td>3.</td>
<td>Low</td>
<td>Chit Fund</td>
<td>Low</td>
<td>Wide</td>
<td>Direct benefits</td>
</tr>
</tbody>
</table>
SERVICES MARKETING

The Role of Marketing

The dynamics of most services markets have changed; low levels of competition have given way to vigorous and intense competition. In this competitive market place marketing has become a key differentiator between corporate success and failure. This chapter discusses the role of marketing, introduces an expanded marketing mix for services, describes the evolution of services and relationship marketing and outlines the framework for the remaining six chapters.

Marketing is a process of perceiving, understanding, stimulating and satisfying the needs of specially selected target markets by channeling an organization’s resources to meet those needs. Marketing is thus a process of matching an organization’s resources to the needs of the market. Market is concerned with the dynamic interrelationships between a company’s products and services, the consumers’ wants and needs, and the activities of competitors.

The marketing function can be considered as consisting of three key components:

- The Marketing Mix – the important internal elements or ingredients that make up an organization’s marketing programme.

- Market forces – external opportunities or threats which the marketing operations of an organization interact with.

- A matching process – the strategic and managerial process of ensuring that the marketing mix and internal policies are appropriate to the market forces.

The marketing mix is one of the most universal concepts which has been developed in marketing. Most discussions of marketing focus around four key components of the marketing mix, called the 4 P’s. These include:

- Product – the product or service being offered.
- Price - the price charged and terms associated with its sale.

- Promotion - the communications programme associated with marketing the product or service.

- Place - the distribution and logistics function involved in making a firm's products and services available.

The concept of the marketing mix has gained wide acceptance in business and covers these four main elements, each of which comprise a collection of sub activities (for example, promotion includes both advertising and personal selling).

Market forces comprise a number of areas which need to be considered, including:

- The customer - buying behavior in terms of motivation to purchase, buying habits, environment, size of market and buying power.

- The industry's behavior - the motivations, structure, practice and attitudes of retailers, intermediaries and other members of the supply chain.

- Competitors - the way a company's position and behavior is influenced by industry structure and the nature of competition.

- Government and regulatory - control over marketing which relates to both marketing activities and competitive practices.

The task of the manager in developing a marketing programme is to assemble the elements of a marketing mix to ensure the best match between the internal capabilities of the company and the external market environment. A key issue in the marketing programme is the recognition that the elements of the marketing mix are largely controllable by managers within the organization, and that the market forces in the external environment are, to a large extent, uncontrollable. The success of a marketing programme depends primarily on the degree of match between the external environment and the organization's internal capabilities. The marketing programme can thus be
characterized as a matching process, and this is especially important in the services context.

The external forces in fast moving services markets are not stable. Forces can alter quickly and dramatically, as shown by deregulation in airlines, privatization of services such as water and electricity utilities, increased regulation of financial markets and the emergence of new forms of service competition, to name but a few. Changes in these forces create both marketing opportunities and marketing threats. Thus marketing executives need to monitor the external environment constantly and be prepared to alter their marketing mix to create a better match with market opportunities.

Marketing has come relatively late to services. A study of 400 service and manufacturing firms in the mid-1970s concluded that service firms appear to be:

- Generally less likely to have marketing mix activities carried out in the marketing department.
- Less likely to perform analysis in the offering area.
- More likely to handle their advertising internally rather than go to outside agencies.
- Less likely to have an overall sales plan.
- Less likely to develop sales training programmes.
- Less likely to use marketing research firms and marketing consultants.
- Less likely to spend as much on marketing when expressed as a percentage of gross sales.

Taken as a whole marketing in the services sector today still lags behind the consumer goods and industrial sectors. To some extent the lack of attention directed to marketing of services is surprising considering the size of the service sector. This can be at least partly explained by the relative lack of competition in many services businesses.
until recently. Other reasons include the complex nature of a service and the restrictiveness of the traditional 4 Ps of the marketing mix (product, price, promotion and place) when marketing services. Some service industries, however, are more sophisticated in their approach to marketing.

**Services and the Marketing Mix**

The increased attention to the application of marketing in the services sector has brought into question what the key components or elements of a marketing mix for services are, or what they should be. If the elements chosen to develop a marketing mix for a service are not comprehensive, it is likely that a service quality gap will occur between the market requirements and the firm's marketing offer.

It therefore appropriate to reconsider the traditional marketing mix in the context of services. The 4Ps of the marketing mix are derived from a much longer list developed from the Harvard Business School in the 1960s. The original list consisted of twelve elements, including product plan, pricing, branding, channels of distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, fact finding and analysis. Over time, the marketing mix concept gained considerable acceptance and the 4Ps were adopted to capture the key elements.

However, it has been argued that simplifying the original list offers a seductive sense of simplicity which may lead to neglect of some key relevant elements. As a result many authors have added to the basic 4Ps framework. Lists of additional marketing mix elements have been aided which extend the 4Ps framework to five, seven and eleven key elements which should be considered in the marketing mix is needed for services. Some writers have suggested specific marketing mix elements for service industries like banking and airlines, whilst others have suggested different elements for professional services.

Our view of the marketing mix accords closely with that of a colleague, Simon Majaro, who argues that three factors determine whether or not a specific element should be included in a firm’s marketing mix. These include the following:
• The level of expenditure on a given ingredient in the marketing mix, i.e., how important that element is in the firm’s overall expenditure.

• The perceived level of elasticity in customer responsiveness; for example, in the case of a monopoly or government body, prices may be set externally and thus need not be included in the marketing mix.

• Allocation of responsibilities is based on the belief that a well defined and well structured marketing mix needs a clear cut allocation of responsibilities.

We consider the 4Ps model unnecessarily restrictive; an expanded marketing mix is more appropriate. At the same time we would recognize the diversity of the services economy, described earlier, which includes both services firms as well as manufacturing firms to whom services are important. The traditional elements of the marketing mix – product, price, promotion and place, plus three additional elements – people, processes and the provision of customer service. We regard this as a framework particularly appropriate for services, but also relevant for non-service industries, given the importance of the service dimension in most manufacturing companies.

However, at this point it is appropriate to briefly comment on why these three additional elements are important:

• **Customer Service:** There are several reasons for including customer service as an element in a services marketing mix. These include more demanding consumers requiring higher levels of service, the increased importance of customer service (in part due to competitors seeing service as a competitive weapon to differentiate themselves); and the need to build closer and more enduring relationships with customers.

• **People:** In the last chapter we described the inseparability characteristic of services. People are an essential element in both the production and delivery of most services. People are increasingly becoming part of the differentiation
by which service companies seek to create added value and gain competitive advantage.

• **Process:** Processes are all the procedures, mechanisms and routines by which a service is created and delivered to a customer, including policy decisions about some of the customer involvement and employee discretion issues. Process management is a key aspect of service quality improvement.

Given the diversity of the services sector and the different emphasis that is needed in its various kinds of marketing activity, it may be necessary to vary this list. Nevertheless, it is sufficiently robust to cover most services marketing situations. It is equally clear that the 4 Ps model does not capture the full complexity of services marketing in practice and does not recognize the essential interrelationships between key aspects of marketing in service businesses.

**The evolution of services marketing**

Over the past few decades we have seen the focus of the formal study of marketing directed at an increasing number of specific sectors. In the 1950s consumer goods companies were recognized as the most sophisticated marketers. They were often the first companies to develop formal marketing plans and much academic effort was directed at analyzing and researching consumer markets. In the 1960s considerable attention was paid to industrial markets and marketing texts and journals dealing specially with industrial markets started to appear. In the 1970s marketing in non-profit organizations and the associated areas of public sector and societal marketing received attention. It was only in the 1980s that services marketing started to attract attention, which is surprising considering the size and rapid growth of the services sector.

Despite the recent emphasis on services marketing, there is still a considerable misunderstanding within much of the service sector as to what constitutes effective marketing. To some it is still primarily equated with selling and the pursuit of sales, rather than customer satisfaction. To others, for example those offering professional services, it is viewed as the production of brochures, advertising and low-level marketing
communications. Even amongst those service firms which have developed more sophisticated marketing approaches, few have capitalized on the full potential of marketing, and recognized that everyone within an organization has the ability to contribute to external or internal marketing initiatives. Many organizations are still reluctant to make the changes necessary to focus on the marketplace, even when the need for more active marketing is generally agreed.

Service organizations have tended to move through a series of stages in seeking to adopt marketing. This is illustrated in Table 2.1, which shows some of the main stages through which service firms typically evolve, including the following:

- Selling
- Advertising and communications
- Product and service development
- Differentiation and competitor analysis
- Customer service
- Service quality.
- Integration and relationship marketing.

These stages are illustrative and clearly not all service companies will go through all these stages of evolution nor will they necessarily pass through them in the order.

Banks are a good illustration of some of these stages of development, although there is overlap between the stages. Up to the 1960s banks did not worry much about marketing. However, as competition intensified in the 1970s they expended considerable efforts on selling, sales promotion and advertising both to attract funds and promote bank products and services. The emphasis here was on sales rather than customer satisfaction. This was followed by emphasis on new product and new service development, in the 1980s. However, there is little patent protection and few secrets in services. As a
consequence innovations can be quickly copied. Services are especially prone to competitive imitation and advantages from product development tend to be short lived. This resulted in ‘Sameness’ in bank products and, to the branch banker, a large and potentially confusing array of products to try and sell.

During the early 1980s banks undertook more rigorous competitive analysis and developed more sophisticated marketing and strategic plans. They also started to understand positioning and became more adept at market segmentation, as well as identifying strategic means of differentiation.

In the mid-1980s banks also discovered (or rediscovered) the customer and developed ‘putting the customer first’ programmes. These often tended to be ‘smile campaigns’ aimed at making the service provider more friendly, and were accompanied by changes in the physical environment of the bank to make it warmer and more attractive. This may have given an initial advantage to early adopters of this approach but other banks quickly followed suit. Today virtually all the major financial services players in the UK have launched some form of customer care programme.

With the arrival of the 1990s some banks have started to reassess their customer service programmes and have begun a more rigorous pursuit of service quality based on identification of service quality issues and service quality gaps using a variety of techniques, including service blueprinting. This has been accompanied by a more disciplined approach to customer and market research.

Integration and relationship marketing, involves the integration of past effort within a relationship marketing context. This challenges both bankers and other service marketers to do as follows:

Integrate various marketing initiatives.

Capitalize on the use of data-based marketing techniques.

Develop a more disciplined, realistic and focused approach to marketing planning.

Focus on the development of a marketing oriented culture.
Recognize the potential of external and internal marketing and its use in a number of relationship markets not usually considered in the domain of marketing activity.

Increase profitability through improved customer retention.

In the 1990s a new emphasis on marketing is likely to emerge – relationship marketing. Relationship marketing has the potential to draw together the streams of marketing focus into an integrated whole. Relationship marketing draws heavily on services marketing thinking but also has applications to other sectors.

**Relationship marketing**

The term ‘relationship marketing’ was introduced during the 1980s and is a relatively new and evolving concept. An early definition is provided by Leonard Berry: “Relationship marketing is to attraction, maintaining and . . . in multi-service organization . . . enhancing customer relationships. The marketing mind set is that the attraction of new customers is merely the first step in the marketing processes.

Our view of relationship marketing extends this definition. This broadened view has three complementary perspectives:

- The nature of the way the companies view their relationships with customers is changing. Emphasis is moving from a transaction focus to a relationship focus with the aim of long-term customer retention.

- A broader view is emerging of the markets with which the company interacts. In addition to customer markets the organization also becomes concerned with the development and enhancement of more enduring relationships with other external markets including suppliers, recruitment, referral and influence, as well as internal markets.

- A recognition that quality, customer service and marketing activities need to be brought together. A relationship marketing orientation focuses on bringing the three elements into closer alignment and ensuring their combined synergistic potential is released.
The first two of these perspectives deal with the different market domains that can be considered.

'The six-markets model' — a broadened view of where marketing can be applied. It suggests that companies have six key market areas where they should consider directing marketing activity and where the development of detailed marketing plans may be appropriate. In addition to existing and potential customers, those markets are referral markets, supplier markets, recruitment markets, influence markets, and internal markets.

SERVICES MARKET SEGMENTATION

The process of market segmentation

Market segmentation has long been considered as one of the most essential marketing concepts available to managers concerned with marketing products. However, within the services sector marketing the concept is, in general, underutilized, with many organizations adopting an unsophisticated approach to segmentation or merely paying lip service to it. The approach taken is often to wait and see which clients or customers come forward to buy a service, or to offer a range of services without focusing on the specific needs of identified segments. This chapter identifies the particular importance of market segmentation for service industries, outlines a framework for the segmentation process, describes appropriate bases for segmenting markets, and provides examples of successful approaches to segmentation.

Broadly, a service company has the following three alternatives to target market selection:

- An undifferentiated marketing approach, where there is no recognition of distinct segments in the market. This is sometimes termed market aggregation.

- A differentiated marketing approach where a company identifies, for example, five segments in the market, and develops separate marketing mix programmes aimed at each segment.
• A concentrated marketing approach where, although there is recognition that there are a number of discreet segments, the company focuses its marketing mix primarily at one specific segment.

Not many service companies can rely on an undifferentiated marketing approach to maximize their financial returns. Service organizations with monopolies have attempted to do this in the past. Now, with deregulation and privatization, former monopolies are increasingly aware of the need to consider market segments rather than adopting a market aggregation approach. The entry of the Mercury service into the UK telecommunications market, once the sole territory of British Telecom, is a good example of this. However, many service organizations still undertake their marketing activities as if every person in the market (or company, in the case of a corporate market) will want their services. More sophisticated service providers achieve improved performance by targeting those segments most likely to buy their services, and differentiating their offer to them.

The segmentation process divides a heterogeneous market into specific homogeneous segments. This allows identified segments to be targeted with specific services and a distinctive marketing mix. It therefore aims at satisfying customer needs more effectively, ensuring customer retention and loyalty. Market research, which is often required in order to successfully divide the market into segments, ensures that targeted customers are supplied with the service offering which they need and require, thus avoiding the pitfalls of trial and error marketing. On-going analysis of specific market segments is the basis for long-term planning of marketing activity. It also has the advantage that it can help with the development of specific new services and products aimed at satisfying the needs of a particular market segment. Products and services can be planned in the light of knowledge of the requirements of distinct segments.

Market segmentation is especially important for services in the current competitive market place. Service industries are suffering from increasing competition both in the numbers of competitors and in the proliferation of service offerings. Market segmentation helps prevent the waste of valuable resources by directing effort into those areas that will help achieve success.
Service products are frequently not clearly differentiated. Market segmentation offers the opportunity of gaining competitive advantage, in a highly contested market, through differentiation. The market segmentation approach involves identification of the benefits which different homogeneous groups seek, allowing relevant features and requirements to be determined and used as a source of service differentiation.

An example from the airline industry provides an illustration of successful market segmentation strategy. SAS is a small airline with a home base in Scandinavia where there is only a small population to serve as a customer base. The airline has been extremely successful in competing with large airlines in centers of high population. The airline successfully identified a distinct segment of the market – the business traveler – which had previously largely been neglected. By offering this segment a highly tailored service, SAS has reaped rich rewards.

Research was used to identify the specific needs of business executives. This group requires timetabling to fit busy work schedules, punctuality of service, appropriate cabin service, features conducive to working on board the aircraft, and back up ground services such as late check-in facilities. SAS developed a service which met these requirements and reaped the rewards from a much less price sensitive market than that for undifferentiated mass travel.

The whole of SAS was redesigned around the needs of the business traveler. Reservations, ticketing, check-in facilities, choice of aircraft, cabin service, schedules, routes and pricing were all designed to meet the service requirements of this distinct market segment. Competitors who wished to compete for the business traveler segment had to change their services to match those of SAS, but they were often not as successful as they still tried to serve several market segments at the same time. For example, some competitors were not able to provide the ground support for a late check-in service.

Different customers have different needs. A hotel which aims to satisfy the prestige executive market needs to consider the specific requirements of this segment. These might include full secretarial and office facilities, conference amenities, twenty-four hour catering, a fitness facility and late check-out options. Successful marketing identifies specific needs and preferences for services, and then develops strategies to satisfy these preferences.
A single service or product cannot meet the needs of all customers, but it can meet the needs of a specific group of customers. A service business should be positioned to serve particular segments of the market. A service company therefore needs to identify the most attractive parts of the market so that it can serve them effectively and produce the greatest profit. For example, within the financial services industry, the credit card serves a variety of credit, convenience and prestige requirements. American Express focuses on the prestige travel and entertainment market, offering a higher-priced card targeted at the business and high status market segments. The actual service product is very similar to that of Visa and MasterCard, but American Express has concentrated on more distinct prestige market segments and positioned itself accordingly. It has attracted up-market segments and positioned itself accordingly. It has attracted up-market users who are not concerned about the fees charged for the service.

The segmentation process is concerned to divide a heterogeneous market into specific homogeneous segments. The segmentation process follows four board steps:

- The definition of the market to be addressed.
- The identification of alternative bases for segmentation.
- An examination of these basis and the choice of the best base or bases for segmentation.
- The identification of individual market segments, an assessment of their attractiveness and the selection of specific target segments.

Once the market segment has been selected, the process of target marketing involves developing a positioning for the target segments selected and then developing a marketing mix for each target market.

**Definition of the relevant market**

The definition of the relevant market to be addressed involves specifying the customer group to which the company is seeking to market its services. This can be a broad group such as retail customers for a supermarket in a given geographic region, or a much more specific group which can be further segmented. For example, an investment bank may
focus on very high net worth individuals with personal assets exceeding one million pounds. A hotel chain may focus on the business traveler market. A restaurant may focus on family customers.

The definition of a relevant market will have already been addressed in the development of the mission statement. In defining its market the firm needs to conduct an internal audit of its strengths and weaknesses and a review of the resources which are available to it. It also needs to consider carefully the overall strategic objectives of the firm. The choice of the market to be addressed or served will be based on decisions relating to the following:

- The breadth of the service line.
- The types of customers.
- Geographic scope.
- Areas of the value-added chain in which the service firm decides to participate.

Successful market segmentation means satisfying the needs of existing and potential customers in a clearly defined market. This involves understanding customer attitudes, and customer preferences, as well as the benefits which are sought. Definition of the target market and its requirements is the first essential step in the segmentation process.

**Identifying alternative basis for segmentation**

Once the market to be addressed has been identified the next step is to consider alternative means of segmenting a market. We will now review each of these briefly.

**Demographics and Socio-Economics**

Demographic segmentation includes a number of factors including sex, age, family size etc. Socio-economic variables may also be considered here, including income, education, social class and ethnic orgins. Many retail stores target different customer groups, e.g. Harrods, Marks and Spencer and Little woods are targeted at specific socio-economic groups. By profiling demographic segments an organization can identify strengths and weaknesses in its current offerings.
An interesting example of market segmentation is seen in the banking patterns of consumers based on the lifecycle of the household. Whilst other factors such as socio-economic level are also important, the age and family composition of the lifecycle concept are particularly valuable predictors of a household’s propensity to either save or borrow. One study of retail banking in the USA identified the following six lifecycle stages:

- **Bachelor** – a household in which the household head is under 40 years of age, living alone in “empty nest” status.

- **Young married** – a household in which the household head is married and under 40 with no dependent children in the household.

- **Young full nest** – a household in which the household head is under 40 years of age with at least one dependent child.

- **Older full nest** – a household in which the household head is 40 years of age or older with at least one dependent child.

- **Older empty nest employed** – a household in which the household head is 40 years of age or older, retired, with no dependent children.

An analysis of the stages within the customer lifecycle determines what kinds of banking relationships are needed to meet the demands of the household. These needs change significantly from a bachelor who wants easy credit facilities and convenient transactions, young married requiring higher levels of credit facilities, through to older families at the peak of their earning and spending potential, and then older people without children at home who have a higher propensity to save. A financial institution can therefore direct various service offerings to individuals based on their stage within the lifecycle model.

**Psychographic segmentation**

This form of segmentation cannot be explained in clearly defined quantitative measures: it is concerned with people’s behavior and ways of living. Psychographics can
be especially helpful if other more traditional means of segmentation, such as socio-economics or demographics, do not produce clear or useful segments. Rather than being concerned directly with such factors as age, education, income, occupation and marital status, psychographic segmentation is concerned with analyzing lifestyle characteristics, attitudes and personality. Often these elements are examined in conjunction with demographic variables. Service companies are increasingly starting to look at psychographic segmentation, although some attempts at this have been unsuccessful.

Midland Bank was one of the first British banks to develop specific brands aimed at different lifestyle segments. Its Vector brand, introduced in 1987 aimed at young, less financially committed consumers who were high spenders. This was followed by products aimed at two further target markets, Orchard for home owning, family-oriented and budget-conscious consumers and Meridian for high income empty nesters. However, despite gaining 330000 Vector customers Midland has decided to stop selling its Vector brand, in part because of shifting patterns in demographics. Emphasis on the other lifestyle segments has also been abandoned.

Geography

Geographic segmentation divides customers according to where they live or work and correlates this with other variables. This is appropriate where customer needs vary in different areas, or where local and regional trends favor particular types of service offerings. For example, a client may use a local or regional law firm for routine legal work, but city law firms for complex litigation or corporate legal matters. Regional law firms therefore often focus on standard work and may not try to compete with the service offered by large, city law firms who have greater professional resources.

As geographic analysis is a relatively simple means of segmenting a market, it is frequently one of the first segmentation variables to be considered by a service firm. Geographic segmentation dimensions are typically grouped into market scope factors and geographic market measures.

- **Market scope factors** include a consideration of where the markets to be served are located: this may be local, national, regional or global. To be a major player
in some service businesses requires a regional or global presence: airlines wishing to be significant players are recognizing this. Many airlines are seeking increased scale of operations through mergers and strategic alliances. Both SAS and British Airways have been active in this area. BET, a diversified specialist support services company operating in the business services, plant services and distribution services sectors, operates in local as well as national markets in the UK, Europe and the USA depending on the underlying characteristics of the market served and the services being offered. In some cases geographic segmentation can be an inexpensive yet effective segmentation approach. College Football, a year book produced in the USA uses different covers in different regions which each feature a photograph of a current college football star from each region, thus appealing specifically to the interests of different geographic areas.

- **Geographic market measures** include examination of population density, climate-related factors, and standardized market areas. Geographic measures are especially important in the selection of specialized mass communications media. Most mass circulation media profile geographic coverage of standardized market areas in detail as well as providing media circulation by type of reader and other variables. Geographic market measures are used to determine relative sales potential in different geographic areas. In the UK there are a number of geo-demographic services available to the services marketer. These are mostly derived from census data, and use postcodes to locate households. The include ACORN (A Classification of Residential Neighbourhoods). CACI (Consolidated Analysis Centres Incorporated) and PIN (Pinpoint Identified Neighbourhoods analysis). Such services combine household composition data with demographic data.
Segmentation by Service

One area which has received relatively little attention is the consideration of how customers respond to varying service offerings. This may be considered subset of benefit segmentation, but it is of sufficient importance to be addressed separately. The various elements of customer service that can be offered, and possible differentiation in terms of service levels within these elements, represent a considerable opportunity to design service packages appropriate to different market segments.

Segmenting markets by service involves addressing the following issues:

- Can groupings of customers be identified with similar service requirements?
- Can we differentiate our service offering?
- Do all our products require the same level of service?

In a study of the instrument supplies industry, Peter Gilmour examined the response of five customer segments to a range of nine customer service elements. The results of his study shows the response of both the suppliers and the five customer segments, as well as the composite results for all customers. The results show some disparity between customers' and suppliers' perception of the importance of certain customer service elements, particularly in the areas of sales service and back up and efficient telephone handling of orders and queries. There are important differences between market segments. For example, two government markets – government instrumentalities and secondary schools – showed very marked differences in the importance they attached to a wide range of service elements, including availability, after sales service and back up, ordering convenience, competent technical representatives, and demonstrations of equipment.

By explicitly measuring the perceived importance of different customer service elements across market segments, the supplier is much better placed to respond to that segment’s identified needs and allocate the service offering appropriate to it. This particular study suggested that highly qualified technical representation was appropriate
to servicing the government and hospitals segments but not the others, where a less
technically qualified salesman would suffice. Highly efficient and responsive handling of
orders was appropriate for private companies and secondary schools, but was less
necessary for other customer segments.

Studies such as that outlined above suggest that policy decisions to increase or
reduce customer service levels should not be made equally across the entire customer
base or across service factors. Differentiation of the service requirements of different
customer segments offers considerable potential for reducing customer service costs and /
or improving levels of service.

Selection of best base(s) for segmentation

The types of segmentation outlined above are illustrative of the main forms of
segmentation used by services companies. They are, however, by no means exhaustive.
To a large extent the identification of segmentation bases involves an element of
creativity. Those marketing services should constantly be considering alternative ways of
segmenting the market and seeking ways in which they can create differential advantage
over their competitors. This stage of the segmentation process should result in the
selection of the best base(s) for segmentation. The starting point is to list the potentially
useful segmentation options. For example, an initial list developed by the partners of a
large accounting firm included the following.

- Geographic location
- Type of legal entity
- Geographic scale (local / national)
- Stage in business cycle
- Industry type
- Stage in industry life cycle
• Size
• Centralized versus decentralized
• Management style / age / culture
• Buying history
• Profitability
• Degree of risk
• Current level of contract
• Current advisers
• Connector network
• Aspirations
• Growth rate
• Sensitivity / Vulnerability to economic factors
• Ownership
• Capitalization
• Return on capital

Such a list then needs to be evaluated and prioritized to determine the best bases for segmentation. Before proceeding to a more detailed analysis it is useful at this stage to consider, in broad terms, both the current emphasis being placed on these segmentation bases and to form some views of where segmentation emphasis should be redirected.

Once a broad list of possible bases has been identified this is refined to develop a short list of segmentation bases for further consideration. As part of the process each segmentation based needs to be broken down into appropriate individual segments. In
some cases this is straightforward and requires only relatively simple analysis of company records or patterns of demand: segmentation variables such as age, sex and geographic area fall into this category. Other segmentation variables based on psychographics may require considerable market research to identify both the nature of the segments and their demand characteristics.

One approach to choice of the best base(s) for segmentation involves listing the key segmentation bases and the various subdivisions into which segments can be broken down and developing a profile of each market segment to identify those areas which are worthy of more in-depth investigation. This step and the next one interact, as it is often only after examination of specific segment attractiveness that a decision can be made about choice of segmentation base.

**Identify and select target market segments**

The identification and selection of a particular market segment for targeting with a distinctive service offering may depend on many factors, but the size of the segment, its special needs, the extent to which these needs are already being met by the service company or by competitors, and whether the service company has the resources available to meet the service requirements are particularly important.

There are various widely accepted criteria for determining if a market segment is viable. Firstly, the segment must be measurable in size and characteristics. For example, it can be difficult to use social class for segmentation purposes, as boundaries between classes are vague. Secondly, the segment must be meaningful, and capable of generating sufficient long-run profit to merit separate marketing attention. It must be reachable within budget confines. For example, it is not viable for a small regional law firm to target City-based financial institutions. Thirdly, the chosen segments must also be responsive to marketing effort. If the response of a segment to changes in marketing strategies is no different from that of other segments, there is no need to treat it separately. If, for example, all passengers on an airline had a similar service requirement, then it would not be necessary to offer first class, business class and economy travel.

One problem with segmentation is that a given person may be associated with different market segments at different points in time. Business executives may fly
business doss to a work commitment, whilst with their family they may select economy class. This mobility within segments could potentially cause problems for a service company seeking to serve more than one segment with the same personnel or equipment. For example, American Airlines notices that its three class service during summer months caused a fall off of business sales in later months. Business travelers who were taking their families on holiday were attracted to the low-priced, economy service. However, their experience affected their view of American Airlines business class service. American was forced to drop the three-tier service.

This illustration from American Airlines highlights the problem faced by service companies who may find it difficult to offer the same product to distinctly different segments. Manufacturers have an advantage, in that the same basic product can be sold to a variety of different customers with different packaging or distribution systems. However, a service is typically consumed at the point of delivery. A hotel offering quiet, sophisticated surroundings suited to the business traveler cannot accommodate noisy package tour groups during the week. However, business travelers mainly need facilities during the week, and the hotel may be underutilized over the weekend. This represents an opportunity to offer family weekend packages whilst retaining the business travelers during the week.

Choice of target market segments by service companies should be based on detailed review of existing and potential profitability of the segments. We will now consider the approach taken by two service organizations, a retail bank and a large accounting firm.

Some banks are now taking a rigorous approach to segmentation. The study examined in detail the number and percentage of household heads in each lifestyle category in terms of the following:

- Demographic profile, including age of household head, occupation, education, home-ownership, number of full time wage earners in household, annual household income and net worth and average balances.

- Service Penetration: by transaction accounts, regular savings accounts and time deposits. Details of credit services, credit cards used, trust-related services and electronic funds transfer services were included.
- Average dollar balances: by transactions accounts, savings accounts, time deposits, installment credit and revolving lines of credit.

The outcome of such a review, gives a measure of dollars profit produced after each dollar of delivery cost required to service that segment. In this example, the high potential profitability of the older empty nest segments is highlighted. However, not many service organizations go to this level of rigorous segmentation review.

Some professional service firms are now developing more focused approaches to segmentation. One large accounting firm followed an approach, based on industries. It began by identifying its current clients' industries and their usage of products and services over the past five years. Particular attention was paid to cross-selling patterns and the likely future growth in terms of use of its services. It then classified the clients into industry groups. With about a dozen classes at the top of the Standard Industrial Classification and hundreds at the lowest level it was clear that the firm would need to develop its own list by which to classify its clients. From a potentially long list some thirty segments or industry codes were decided on. Clients were then sorted by these industry codes and an overview made of these thirty segments to determine which companies were major players in them. A bank's economic department helped the firm to obtain necessary data so that they could quantify the existing level of industry activity for their firm and its major competitors.

The firm then profiled its existing industry strength as well as the relative attractiveness of the industry sector. An approach similar to the directional policy matrix was used for this purpose. For this analysis an industry priority list, consisting of about twelve industry segments, was prepared the specific target clients were then identified within each of the segments, industry teams were then set up to identify and document 'best practices' being used with those existing clients to whom a full range of accounting and consulting services were being provided. For some industry groups' research was undertaken to identify more clearly the services that clients in these groups wanted and this information was used to improve performance in serving them. This information was then fully documented. A series of industry teams were set up, promotional materials developed and training of staff in the teams was undertaken. The teams commenced with cross-selling of other services to existing clients and then developed an integrated long-
Segmentation, Positioning and Marketing Mix Strategy

The segmentation process should result in one of four basic decisions being reached:

1. The service company may decide to target one segment of the market.

2. The service company may decide to target several segments and so will develop different marketing mix plans for each segment.

3. Management may decide not to segment the market but to offer the service to the mass market. This may be appropriate if the market is very small and a single portion would not be profitable. It also may be the case that the service company dominates the market so that targeting a few segments would not increase volume or profit.

4. Analysis may show that there is no viable market niche for the service offering.

Market segmentation will determine the basic segments of the market to be targeted with a particular service. The services offered to these segments then need to be positioned in the minds of the customers. The next chapter will consider this in detail. Positioning includes a consideration of competitors and this will help determine which segments should be focused on. For example, segments which may seem to be viable might be ignored if competitive products already dominated those segments in market share and in the minds of the customers: smaller banks such as the Cooperative Bank cannot compete with the major high street banks for users requiring convenient locations and frequent face-to-face banking transactions. They have focused on segments who rely more on credit cards and cash dispenser facilities, and use direct mail to build relationships with customers who do not see the need for face-to-face high street banking facilities.

Each individual market or segment may require a specific marketing mix to be designed for it. One approach that helps determination of the marketing mix is an
example of segmentation of the market for package holidays. This approach involves a number of steps including identification of:

- Priority market segments (four in this case).
- Characteristics and common buying factors (by market segment).
- Key success factors (for market as a whole).
- Relative importance of key success factor (in each segment).
- Market size and market share held in each segment (not shown in this example).

Understanding the relative priorities in each market segment in terms of the key success factors assists considerably in coming to a judgment about the appropriate marketing mix to be developed.

The design of the marketing mix will in part be developed as the selection of the target markets proceeds. For example, if a segment is price sensitive, then price levels will already have been considered within the decision to target the segment. A distinct strategy for all of the elements of the marketing mix will need to be developed for each segment.

The relevance of market segmentation is now being increasingly recognized in the services sector. A number of studies have pointed to the importance of market segmentation. One study ranked problems in recognizing, defining, understanding and segmenting markets as the most important problem facing the senior executives surveyed. Another survey ranked segmentation as the third most important marketing tool out of eighteen surveyed. However, despite the recognition of the importance of market segmentation, and the developments that have been made in market segmentation methodology, some service firms are still basing their marketing strategies and tactics on either a broad approach to the market, or a relatively unsophisticated approach to segmentation. Many service firms need to be more disciplined in their focus on their market place.
Segmentation is at the heart of marketing strategy and is concerned with the development of a market position that minimizes competitors' strengths whilst maximizing those of your own company. Segmentation and the associated steps of positioning provide the opportunity to tailor your service offer to better meet the needs of specific segments.
Customer Service, Quality and Marketing:

Over the past five years we have asked over six hundred senior and middle level executives from large and medium sized service companies two questions. The first question is: Does your chief executive claim your organization is marketing driven, marketing oriented or customer focused? Approximately 75 percent of managers claim that these or similar terms are used by their chief executives. We then asked a second question: What percentage of the top 200 service organizations in this country are really customer focused? The average response is between 10 and 20 percent. It seems that there is an enormous gap in the services sector between those organizations that claim to be customer focused and those which actually are.

In this final chapter we address the issue of developing a customer focused service organization. We commence by briefly discussing the relationship between customer service, quality and marketing. We then proceed with an examination of the nature of service quality. We then highlight the role of customer retention and explore several techniques for improving service quality. Finally, we examine an approach for developing a marketing orientation in service organizations.

The issue of improving customer focus concerns the relationship between the service organization and its customers. The relationship marketing concept brings quality, customer service and marketing together. Just as many service companies have not been as successful as they would have liked in achieving a customer focus through their marketing activities, so success has evaded many organizations in their quality and customer service initiatives. Despite the advent of total quality management, BS5750, ISO9000 and, in the USA, the Baldrige Awards, many service organizations continue to address quality primarily on the basis of an operations perspective concerned with conformance to specifications, rather than customer - perceived quality. Amongst many service companies there is also a frustration with their quality initiatives.

In the 1980s enormous attention was directed at the area of customer service. Customer service programmes have been embraced widely within the services sector,
notably in financial services, airlines and the hospitality sectors, but also in many other service industries including public utilities. However, despite considerable efforts and expenditure the results have been slow to materialize in all but a small percentage of programmes. Research by consulting firm Bain & Company shows that whilst 92 percent of chief executives agreed that customer service was extremely important and 77 percent of service industry companies had customer service programmes in place, only 27 percent of them had achieved significant results from these programmes.

Customer service initiatives should be closely related to quality initiatives; but this is not always the case. Our view is that this failure is attributable to a lack of company-wide alignment of purpose towards meeting customers' requirements. The traditional transactional approach towards marketing must bear much of the responsibility for this. Relationship marketing is concerned with bringing the three areas of customer service, quality and marketing into much closer alignment. In many service organizations there is little linkage and integrated management of these three crucial elements. The situation can be compared to three spotlights on a stage: each of the areas may receive attention, but on a separate individual basis. Thus three spotlights fall at this stage as Relationship marketing is concerned with bringing all three elements much closer together where all the three spotlights are focused on, as nearly as possible, the same area.

Research supports the argument that customer-focused quality is a highly important strategic dimension. The PIMS (Profit Impact of Market Strategies Research Work) study undertaken by the Strategic Planning Institute shows relative customer-perceived quality as a critical variable in profitability. One study concluded: In the long run, the single most important factor affecting a business unit's performance is the quality of its products and services, relative to those of competitors.

The relationship between relative customer perceived quality, market share and profitability, measured as return on investment (ROI). The findings suggest that relative perceived quality is more positively related to a company's financial performance than such things as relative market share. While a combination of high relative market share and superior relative quality yield the highest ROI (38 percent) it is possible to obtain good profitability (21 percent ROI) with a low relative market share through high relative quality.
The research refers to both products and services. More recent research which has focused on fifty high performers in the service industry confirms this relationship. The research showed that high-quality service providers earned an average return on investment of 8 percentage points above low-quality service providers.

Quality can be viewed from two perspectives - internal and external. Internal quality is based on conformance to specifications. External quality is based on relative customer-perceived quality. The important point is that quality must be seen from the customer's viewpoint, not the company's. It is essential that quality is measured from the customer's perspective, not from what managers within a company think their customer's views are!

Several reasons have been identified as to why it is unsafe to rely on managerial opinions of customer perceptions. These include the following:

- Management may not know what specific purchase criteria users consider important. For example, customers frequently identify key purchase criteria not identified by management. Even when the criteria are correctly identified, management may misjudge the relative important of individual criteria... sometimes by a factor of 3:1.

- Management may misjudge how users perceive the performance of competitive products on specific performance criteria. These differences in perception of performance may exist for the most basic of criteria.

- Management may fail to recognize that user needs have evolved in response to competitive product developments, technological advances, or other market or environmental influences.

Service Quality:

A model has been developed by Parasuraman and his colleagues which helps identify the gaps between the perceived service quality that customers receive and what they expect. The model identifies five gaps:


5. Expected service – perceived service gap.

Gap 5 is the service quality shortfall as seen by the customers, and gaps 1-4 are shortfalls within the service organization. Thus gaps 1-4 contribute to gap 5. These gaps will now be reviewed.

The first gap is the difference between consumer expectations and management perceptions of consumer expectations. Research shows that financial service organizations often treat issues of privacy and confidentiality as relatively unimportant, whilst consumers considered them very important. In the UK we are poor at complaining when receiving bad service – instead we tend to take our custom elsewhere. If management does not receive feedback about poor service quality then it will believe that it is meeting customer expectations.

The second gap is the difference between the management perceptions of customer expectations and service quality specifications. Managers will set specifications for service quality based on what they believe the consumer requires. However, this is not necessarily accurate. Hence many service companies have put much emphasis on technical quality, when in fact the quality issues associated with service delivery are perceived by clients as more important.

The third gap is the difference between service quality specification and the service actually delivered. This is of great importance to services where the delivery system relies heavily on people. It is extremely hard to ensure that quality specifications are met when a service involves immediate performance and delivery in the presence of the client. This is the case in many service industries: for example, a medical practice is dependent on all the administrative, clerical and medical staff performing their tasks according to certain standards. The practice may set a goal of a maximum fifteen-minute patient waiting time – however, a doctor who keeps a poor scheme will upset the system for all of the staff.
The fourth gap is the difference between service delivery intention and what is communicated about the service to customers. This establishes an expectation within the customer which may not be met. Often this is a result of inadequate communication by the service provider. An example from British Rail illustrates this gap. A timetable suggests to customers that trains will arrive at a fixed time; this is often not the case. Further, British Rail appears to only apologize to customers for late arrival of trains if they are seriously behind schedule, i.e. over five minutes late.

The fifth gap represents the difference between the actual performance and the customers' perception of the service. Subjective judgment of service quality will be affected by many factors, all of which may change the perception of the service which has been delivered. Thus a guest in a hotel may receive excellent service throughout his stay, apart from poor checking out facilities. But this last experience may damage his entire perception of the service, changing his overall estimation of the quality of the total service provided from good to poor.

The gap model outlined above provides a framework for developing a deeper understanding of the causes of service quality problems, identifying shortfalls in service quality and determining the appropriate means to close the gaps.

Service quality is concerned with the ability of an organization to meet or exceed customer expectations. The measure of performance is perceived service quality. It has been argued that the quality of a service has two important components:

- Technical quality - the outcome dimension of the service operations process.

- Functional quality - the process dimension in terms of the interaction between the customer and the service provider.

A question illustrates the difference between these two dimensions of quality. Ask someone who has just left hospital, or had their car serviced, did you receive good service? Provided the patient is well and the car runs smoothly it is difficult to judge the technical quality of the operation – will the patient continue to be well? – Or the car service – was the differential oil changed and the oil filter replaced? Often a decision about quality is determined by the functional quality dimension – how the patient was
treated in hospital or whether the garage staff was courteous, and the car clean and already at the time promised.

These two dimensions of service quality highlight the subjective nature of quality assessments. Generally clients of professional service firms such as accounting and law firms have difficulty in distinguishing between good and outstanding technical quality of the service; thus judgments are often made on the subjective basis of how the client was treated.

Image also has a role to play here. Several writers suggest that technical and functional quality determine much of the corporate image which, in turn, can influence the customer's perceived service quality. In recent years research has been undertaken in an effort to understand the factors which influence service quality. Work by Berry and his colleagues has identified five key areas as follows:

- **Tangibles** – the physical facilities, equipment, appearance of personnel.
- **Reliability** – the ability to perform the desired service dependably, accurately and consistently.
- **Responsiveness** – willingness to provide prompt service and help customers.
- **Assurance** – employees' knowledge, courtesy, and ability to convey trust and confidence.
- **Empathy** – caring, individualized attention to customers.

Details of the research on users of services in four service sectors: credit cards, repair and maintenance, long distance telephone and retail banking. Whilst the study showed all the above factors were important two findings were especially important. Firstly, tangibles have a relatively less important score than other dimensions. Secondly, reliability emerged as by far the most important dimension across all the services studied. Service recovery should also be included within the reliability dimension.

The message for the service provider seems clear. Above all, be reliable and deliver what is promised to the customer. Further, human performance plays a critical role in the customer's perception of service quality. Three of the five dimensions
outlined above – assurance, empathy and response – result directly from human performance; and a fourth factor, reliability, are also largely dependent on human performance.

Service blueprinting/process analysis

Service companies who wish to provide high levels of service quality and customer satisfaction need to understand all the factors which may influence customer perception. Blueprinting or service process analysis is a concept which breaks down the basic systems and structures of an organization in order to develop a greater understanding of the service process. The approach requires the identification of all of the points of contact between the customer and the service provider. Possible breakdowns in the service encounter can then be identified. These can then be acted upon and improved, thereby improving service quality.

Several approaches to carrying out a blue printing exercise have been suggested.

1. Blueprinting / cycle of service analysis. The concept suggests that each contact with the customer is a moment of truth, each being an opportunity to either increase or decrease customer satisfaction. The customer's perception is a continuous stream of experiences which together determine the service quality. The company will very often not perceive the service in this way as their employees are constrained in their view by the particular part of the overall service with which they are involved. The blue printing/cycle of service approach enables a service company to shift its employees' perception so that they have a better understanding of the customer's experience.

2. Value chain analysis. This important analytical tool was described earlier. It involves breaking down each of the activities of a firm into its various activities, and showing where value is added for its customers. Each activity can be analyzed to determine its contribution to customer satisfaction and service quality.

3. Story boarding. This concept was developed by the Walt Disney organization in designing its theme parks in order to engineer the customer experience and ensure the greatest customer satisfaction. When a film is made, each scene is outlined in
advance, using a series of sketches arranged in a sequence known as a storyboard. Similarly, sketches of each contact a customer has with the service provider can be used to identify points for improvement in customer service. Scenes can be rearranged to improve the quality of the customer experience.

The best known methodology is the blueprinting approach suggested by Shostack. Blueprinting involves flow charting the service delivery system of each aspect, including both front office and back office, of the service process, via the following steps.

- The first step in blueprinting is to chart all the components of a service so that the service can be seen clearly and objectively.

- The next important task in blueprinting is the identification of fail points, i.e. the areas most likely to cause execution or consistency problems.

- Setting execution standards is the third critical part of the blueprint. These represent the main quality targets for the service. Execution standards not only define the costs of a service, they also define the performance criteria and tolerances for the completion of each service step.

- Finally, the manager must identify all of the evidence of the service that is available to the customer. Each item that is visible to the customer represents an encounter point where service interaction will occur.

Blueprinting involves identification and management of encounter points, pressure points, or moments of truth. Moments of truth is a term used by Jan Carlzon of SAS to describe every interaction between the services provider and the customer. In the context of an airline these include the following:

1. Customer calls the airline for information

2. Customer books the flight with the airlines representative

3. Customer arrives at airport counter

4. Customer waits in line
5. Ticket agent invites customer to the counter
6. Ticket agent processes payment and issues ticket
7. Customer goes looking for the department gate
8. Gate agent welcomes customer to the flight validates boarding pass
9. Customer waits in departure lounge for flight to depart
10. Boarding agent takes customer’s ticket and invites customer on board
11. Customer boards aero plane, is greeted by flight attendant
12. Customer looks for his/her assigned seat
13. Customer looks for a place to stow carry-on luggage
14. Customer takes his/her seat
15. etc.

Each moment of truth represents a point where the service provider demonstrates elements of both functional and technical quality in different proportions. Every individual moment of truth adds to or detracts from the overall image of the service provider. Every moment of truth reinforces the quality of service or lack of it.

British Airways has consciously adopted this approach in redesigning its products. When Club World – its Business Class – was relaunched, British Airways sought to increase the moments of truth. Following their customer service and quality initiatives their confidence in their quality performance was increased. Increasing customer contact could thus enhance customers’ overall perception of service quality. For example, meals had previously been served on one large tray; now each course was served separately, and this increased the moments of truth.

The blueprint is a valuable tool in helping visualize the service process, understanding what can go wrong and setting performance standards for improvement in service quality. This helps not just with solving potential problems but also in designing
ways to deal with service recovery. Many service companies are now becoming interested in using blue printing methods to improve their service quality.

**Customer retention:**

After the relationship marketing ladder of customer loyalty has been mentioned and pointed out how many service companies place too much emphasis on winning new customers and too little on retaining existing customers. Service firms have, in the past, been very preoccupied with attempting to attract new customers. Advertising campaigns have been designed around the theme of Try us or you will miss out because we are better than the competition. However, a body of recent research points to the strategic importance of customer retention. Companies are now starting to develop specific programmes in order to increase customer loyalty.

Research by consulting firm Bain & Co. suggests that there is a high correlation between customer retention and company profitability. They have developed a formal approach to customer retention that points out the tremendous profit potential that can be unlocked. Customer retention improvement of just a few percentage points can have a dramatic impact on improvement of profitability. The profit impact of a 5 percent increase in customer retention for a range of service businesses. These examples show improvement in profitability, in net present value terms, from 20 percent to 85 percent.

There are many reasons why retaining customers is so profitable. These include the following:

- Retained business.
- Sales, marketing and set up costs are amortized over a longer customer lifetime.
- Increased expenditure over time.
- Repeat customers often cost less to service.
- Satisfied customers provide referrals.
- Satisfied customers may be willing to pay a price premium.
All these reasons may not apply for a particular service business, but overall they represent a significant profit improvement opportunity for most service sector companies.

The ability to achieve an increase in customer retention is related to the existing level of retention. Bain & Co. have identified how average retention rates vary by industry in the USA:

- Credit cards – 92 percent
- Financial services – 83 percent
- Industrial distribution – 80 percent
- Auto services – 75 percent
- Mail order – 63 percent

Although it may not be easy to obtain a 5 percent increase in retention in businesses such as credit cards, on the basis of the statistics, even a 1 percent improvement in this area could yield a 15 percent increase in profitability.

Probably the most important issue for companies to remember is that a customer who is lost through dissatisfaction with a service provider will be gained by a competitor. Keeping customers is therefore a key strategic issue of service companies to address.

Customer retention helps predict the profitability of the company, and therefore provides an excellent management tool for considering the success of quality and customer service programmes. Retaining a customer allows a company to develop the relationship and encourages both repeated, and increasingly frequent, buying activity. Bain & Co. have found that there is a link between quality, client retention and profitability. This is not surprising – customers who are satisfied with the quality of the service will be loyal to the firm.

Marketing activity directed at retaining customers can be expensive, and needs to be closely evaluated against results. The most successful retention programmes segment customers into different levels of profitability, and this helps identify the type and frequency of marketing activity which should be directed at them. Obviously the most
profitable customers are the most valuable, and these are the ones on whom the most resources should be spent.

In order to establish why clients defect, Bain & Co. use root cause of defection analysis. The process involves looking behind the apparent reason for defection and establishing the real reason for a problem. Thus a long wait in the post office may be due to inadequate staffing, lack of training, lack of motivation of staff, complicated form filling, lack of administrative organization or a variety of other reasons. The end result is a dissatisfied customer who may see the problem as inadequate numbers of staff. The real cause, may, however, be very different. Root cause analysis gets to the real reasons for service quality failure.

An additional benefit of effective retention programmes is employee satisfaction. The quantified results of retaining customers can act as a great motivator to staff and increase their willingness to perform excellent customer service. A total quality management approach which strives to attain a service free of defects should be considered an essential part of a retention programme.

**The relationship marketing programme**

There are many excellent examples of firms which have used relationship marketing programmes to develop customer loyalty. One successful example is the all miles scheme. Consumers enroll in the programme, and manufacturing and service companies award Air Miles to programme members when they purchase specified products and services. When consumers earn enough mileage credit, they are able to obtain travel awards. The programme has been very successful in the United Kingdom, with over 3.5 million members joining since 1988 and over 120 sponsoring companies participating. It was launched in the USA 1992. Sponsoring companies increase customer loyalty to their organization with this programme. The programme is heavily advertised by individual sponsors as they promote the programme to their customers. It permits Air Miles and it sponsors to have communication with customers – by bimonthly statements and a book of incentives of sponsors’ offers. Sponsors can prospect for new customers
through placing entries in the special offers book. The secret of the success of the programme is the interactive relationship between the sponsor and the customer.

American Express is one of the best examples of the success of relationship marketing. Membership has its privileges', sets the scene for the special nature of the relationship between the card holder and the company. The approach is not dissimilar to that of many business to business marketing programmes. American Express, however, has learned that the quality of customer service is essential to building a successful relationship with customers. Customers are considered a ‘private audience’ and any opportunity to offer special service and individual attention is acknowledged as producing added value in customers’ eyes. Thus additional benefits to the card, such as ‘Buyers Assurance’ and ‘Global Assist’ (worldwide emergency assistance and ‘Special Events’ (tickets for events block booked in advance and available only to card members) are important additional services offered to customers.

The shift to relationship marketing involves a focus away from one-off sales, which involve limited commitment to the customer, Relationship marketing recognizes the importance of repeat buying, and a high level of commitment to the buyer.

To attract the attention of front-line staff, as well as junior and middle management, we need to dramatize the importance of relationship marketing. Tom Peters has captured the importance of this in his phrase ‘treat the customer as an appreciated asset. He suggests that his US$1500 a month Federal Express account is worth US$ 360000 in terms of future custom. He points out that US$1500 per month is US$18000 per year or US$ 180000 over ten years – assuming a ten-year customer life time. Based on the concept of a satisfied customer becoming a supporter or an advocate, he or she will generate considerable additional business through word of mouth recommendation. A conservative estimate of one referred acquaintance becoming a lifetime (ten-year) user of Federal Express increases the value of the current user from US$ 180000 to US$ 360000. Assuming that the Federal Express courier calls upon forty customers with a similar average sized sales this represents a customer portfolio of 40 x $ 360000 or US$14 million of business to Federal Express!

Viewing customers as an appreciating asset with the monetary values described above, suggests that a different approach should be taken by front-line staff
dealing with customers. It supports a much more serious approach to hiring, training and compensation of a staff member who is managing, say, a US$14 million portfolio of business.

**Developing an effective service mission**

A mission for services

The development of an effective mission statement is especially important in services because of the need for focus and differentiation in service sector businesses. Given the intangibility of services and the significance of people in service operations, organizations need to develop a clear statement of purpose or ‘mission’ to ensure that the appropriate attention is directed at the key elements of their strategy. In this chapter we discuss mission statements and consider what is required to develop and effective mission statement for a service business. Mission statements of a written form are the subject of attention here, although it is recognized that some organizations may have unwritten missions which are nevertheless strongly embedded within their corporate culture.

Mission statements or ‘missions’ go under various guises including: business definitions, statements of business philosophy, belief statements, credos, vision statements, statements of purpose and so on. We will use the term generally here to include these different forms, whilst recognizing that some companies, and writers, distinguish between them. We define a mission as follows:

A mission is an enduring statement of purpose that provides a clear vision of the organization’s current and future business activities, in product, service and market terms, its values and beliefs, and its points of differentiation from competitors. A mission helps determine the relationships in each of the key markets with which the organization interacts, and provides a sense of direction and purpose which leads to better independent decision-making at all levels of the organization.

Such a mission statement should explicitly reflect the underlying beliefs, values and aspirations, and strategies of the organization. However, many companies mission
statements display bland similarity and consist of generalizations rather than unique commitments to a specific set of values and corporate direction.

Companies’ purposes in writing a mission can vary. Whilst some do it for public relations purpose, we view a mission statement as a means of strategically focusing an organization’s business activities. Essentially a mission statement should represent a long-term view of the company in terms of what it wants to be and where it wants to go.

During the last decade many services organizations have started to develop mission statements. Over this period there has been increasing recognition of the potential value of mission statements and some companies have spent enormous amounts of time and effort in developing them. However, whilst much effort has gone into the development of missions in service organizations they have often not resulted in satisfactory end products. In discussing mission statements with hundreds of managers from diverse service businesses ranging from banks and hospitals to actuarial firms and airlines, several problems become apparent:

- Intense frustration is common in groups of managers trying to develop a useful mission.

- The missions of many service firms are not considered satisfactory or useful by their senior managers.

- Employees often see their mission statement as bland and meaningless, and in some cases treat it with skepticism and derision.

We will now consider the key issues in developing a good mission statement for a services business and how to try and avoid the problems listed above.

**The nature of corporate missions**

A consideration of the literature on mission statements suggests a number of key issues are important:

- It is dangerous to define and organization’s mission too narrowly or too broadly.
• The audience for a mission should be carefully considered.

• It is crucial to understand what business you are in.

• A mission statement should be unique.

• It is essential to have a mission statement which is market rather than product oriented.

Each of these issues can be expressed as questions.

**How unique is the mission statement?**

A mission statement needs to be unique to the organization under consideration: a key method of obtaining competitive advantage is to be different in a preferred way to a selected customer base. The mission statement should articulate the point of differentiation and at the same time act as a framework for helping evaluate current and future activities. The acid test of a good mission statement is the substitutability test. If another company’s name can be substituted into your mission and it still makes sense, it is a clear indication that your mission is too general and not sufficiently focused. A mission statement should differentiate the company from other companies operating in the same sector and help to establish and organization’s individuality and uniqueness.

**Is the mission market oriented?**

It is particularly important to avoid mission statements that are product oriented, i.e. the mission should be defined in a way that reflects customer needs rather than product features and attributes. The dangers of product-oriented mission statements become obvious when we consider manufacturers of products such as candlesticks and slide rules, which have seen their markets largely disappear. In the long run, companies which appreciate that they are in the business of satisfying underlying market needs such as illumination or computational aids, rather than producing specific products, are likely to be much more successful than companies which are product oriented.
The value of a mission statement in the context of a physical product is easy to comprehend. In the services sector definition of business scope can be more subtle. The replacement of ‘greasy spoon’ sit down hamburger restaurants by restaurant chains such as McDonalds suggests that customer needs include speed, uniformity of service and product, cleanliness and the McDonalds’ experience. This issue of underlying service needs is of concern to a diverse range of service firms which need to make a decision about the nature of what they offer. Organizations such as airlines, hotels and banks need to consider customer needs carefully and use this knowledge to make an input into the design of the services that are offered.

Unfortunately, many companies mission statements do not satisfactorily answer the five questions posed above. Common problems with mission statements are that they are merely ‘motherhood’ statements, fail to support a relationship focus, are either unnecessarily broad or restricting narrow, and may prevent management taking advantage of new opportunities. A mission statement should articulate the right balance terms of the desired long-term direction of the organization, determine to whom the mission is addressed, indicate the services to be offered and markets to be served, be unique and focus more on customers’ needs rather than on the characteristics of the products and services offered.

Service mission statements

Relatively little research has been undertaken on the nature of mission statements and their content, and clear agreement as to how they should be developed, and what they should include, has not emerged. However, the studies that have been undertaken provide some useful guidelines.

David² has identified nine components of mission statements. These include the following:

1. Customers – who are they?
2. Products or services – what are the firm’s major products or service?
3. Location – where does the firm compete?

4. Technology – what is the firm’s basic technology?

5. Concern for survival – what are the firm’s economic objectives?

6. Philosophy – what are the basic beliefs, values, aspirations and philosophical priorities of the firm?

7. Self-concept – what are the firm’s major strengths and competitive advantages?

8. Concern for public image – what are the firm’s public responsibilities and what image is desired?

9. Concern for employees – what is the firm’s attitude towards its employees?

In a study of mission statements from forty-five service firms and thirty manufacturing firms David found that service firms stressed different competitive advantages in the marketplace from manufacturers. He concluded that service firms generally have less comprehensive mission statements than manufacturing firms. For example, less than 14 percent of the mission statements of service firms addressed issues such as the technology, philosophy, location and self-concept. Service firm missions did, however, include a focus on customers’ orientation and public image issues, with 76 percent of service firms including the ‘concern for customers’ component, and 67 percent of service firms including the ‘concern for public image’ component.

In this study, derived from 181 responses sent to the Business Week, 1000 top corporations in the USA, 59 per cent of responding chief executives indicated that their firm had not developed a formal mission. Thus development and communication of a clear mission appears to be a commonly neglected task in the formulation of business and marketing strategy amongst these companies.

Our observation is that relatively few service organizations have developed effective missions. There is considerable evidence of the poor quality of mission statements. A
study by Byars and Neil examined 157 mission statements from 208 respondents who are members of the Planning Forum, the world's largest membership organization on planning and strategic management. The study concluded that most mission statements were so broadly written that they had little meaning.

Those service companies that have taken the development of a mission seriously and have understood what is needed to develop one have, however, benefited. Dr Thomas Frist Jr. who is president and chief executive officer of the Hospital Corporation of America (HCA), has pointed out the value of and effective mission.

I cannot stress enough how important the development of our written mission and philosophy has been to this company... far more important than any value received from the external public knowing our mission and philosophy has been the internal discipline and direction it has provided our employees throughout all levels of the organisation.

Levels of mission statement

Just as companies have different levels of objectives, ranging from strategic objectives through to tactical objectives and action plans, a service organization should consider to what extent it should develop mission or purpose statements at lower levels. For example, a bank with diverse financial services operations could have a mission statement for the bank as a whole as well as individual missions for each business unit. Thus it might develop missions for retail banking, corporate banking, international banking, investment banking, and its insurance and stock broking activities. Many multi-business service organizations are in a similar position of needing to develop missions for their constituent parts.

It may also be appropriate to have missions at individual functional levels. For example, missions could be developed for internal service functions. Some organizations develop a range of missions for internal service activities and departments. A customer service mission statement, for example, expresses the company's philosophy and commitment to customer service, recognizing that service quality is an important means
of gaining competitive advantage. In some cases customer service and quality missions are stated separately, in others they may be combined as part of the statement of a firm's overall mission.

In each case the 'mission' should focus on the company, business unit or functional service activity. Where missions are formulated, for example, at the departmental level, they should be consistent with higher level missions within the organization.

**Developing a service mission**

We have now illustrated a range of service missions, discussed how the levels of sophistication required vary according to the target audience to which they are addressed, and outlined how missions can be developed for different units or levels within the organization. We will now examine alternative approaches to developing missions, and consider its communication and realization.

The first point in developing a mission statement is to consider if the organization is ready to proceed with the task. Two US authors, Frohman and Pascarella, have suggested if a company cannot answer 'yes' to the following questions, it should weigh up carefully whether to proceed with developing a mission statement. These questions include the following:

1. Are we confident that the benefits of a mission statement justify the time and effort required?
2. Do we really believe we have something to say about the mission of our business in the future that will make a difference now?
3. Do we really believe we have something to say about our management practices and values that is important to our success over the long term?
4. Can we afford to invest the time now to do the work necessary to prepare an effective mission statement?
. Are we willing to be objective in the examination of our management practices and relationships?

. Are we willing to solicit and use feedback from our customers, competitors and others to help us understand the needs we satisfy and how our performance is perceived?

. As a top management group, are we willing to take a stand about our business and values and commit ourselves to setting the example?

. Do we think we can come up with a mission that is general enough to guide the entire organization but specific enough to be meaningful for planning and decision making?

. Is there a champion for the development of a mission statement who is in a position to drive it?

Whilst a mission statement can be developed in isolation by a chief Executive or management consultant, such an approach misses out on a Vital part of the strategic process that of gaining organizational acceptance. The involvement and participation in the development of the mission of Managers and other staff within the organization will greatly enhance the Prospects of achieving it. A number of different approaches can be used for Development of a mission.

A workshop approach

This typically takes place in the context of a strategy or marketing planning workshop with senior executives from the organization. A period is spent explaining the purpose and role of a mission statement and the different types of mission that can exist different levels. This incorporates a review of many examples of both good and bad mission statements and a critique by participants. This is followed by syndicate exercises, where groups of about five people spend a sufficiently long period to produce a first draft mission. The missions from a number of different syndicates are then presented and the strengths and weaknesses of each are discussed in detail. A task force can then be used to
repeat the process at different levels of management and in different business units within the organization, leading to the individual development of a mission statement.

A top team approach

Another approach is one we have used with several boards of directors, with groups of up to eight people. The session starts with the senior managements or board, being asked the purpose of their business. Each member is asked to write his or her view of the mission on a card. Significant variations are often found. After an appropriate period the missions on the cards are collected and shuffled, and during a coffee break they are written up on large sheets of paper and pinned to the walls. The mission statements do not identify their authors. The team is then invited to write a second version of the mission on a card and again these are collected and written on large sheets of paper which replace the ones on the wall. At this point a more detailed discussion follows. After two or three iterations a good draft mission may start to evolve, although in some cases more fundamentals analysis may be needed.

The time devoted to the development of a satisfactory mission can be considerable. In one organization a group met for one afternoon each fortnight for nearly a year before a satisfactory mission statement was developed. However, group procedures like those above can speed up this process.

The development of a mission statement can be assisted by the use of an external catalyst such as a consultant or business school academic who challenges existing internal points of view and biases, and plays a facilitative role. Such a person may also be able to help drafting the mission statement and improving its potential as a communication tool.

Once completed, mission statements change only infrequently. The emergence of a new opportunity, a decline in the company’s existing markets or a new technology offering a breakthrough in service delivery can create the need for change. A mission should be sufficiently robust to last for some time but should be reviewed on an annual basis, and be subject to revision if this is warranted by changes in the external
environment. Whilst the development of a mission is highly contingent on the circumstances of the organization in question, a number of key factors need to be considered during its development. A good mission should do the following.

- Define the purpose of the organization.
- Identify relevant services and markets.
- Assist in reviewing current and future strategic options.
- Create a balance between narrowness and breadth.
- Differentiate the organization from others in its sector.
- Be specific enough to have an impact on the behavior of the organization.
- Be realistic, attainable and flexible.

Focus more on customer needs and their satisfaction than on the characteristics of the services themselves.

Reflect the core competence of the organization.

Permit close integration with corporate objectives, so that success in achieving the mission can be measured.

Be clearly understood and widely communicated through the organization.

The nine components of a mission outlined earlier in this chapter, together with the list above, can act as a check-list when developing a mission.

Whilst there is a some agreement on the aspects that a mission Statement should attempt to address, there is considerable diversity of opinion as to its appropriate length and structure. For some firms a short paragraph is considered sufficient, while others have documents that run to several pages. Our view is that it should be no longer than one page in large typeface. If necessary, a briefing document can be attached which discusses specific issues in the mission statement in greater detail; this can help managers in
explaining the statement to staff. In terms of structure, we advocate a general statement which outlines the overall scope of the business together with a statement such as ‘this will be achieved by ‘followed by a series of bullet point items which spell out in some detail how the mission statement is to be achieved. Whilst some writers argue that there should be some quantification within a mission statement we contend such quantification should be reserved for corporate objectives.

Communicating the mission statement

Once a satisfactory mission statement has been developed, consideration needs to be given to communicating it within and, where appropriate, outside the organization, and to deciding to what extent subsidiary missions should be formulated at lower levels. Organizations approach the communication of their mission statements in different ways. Some draw attention to it by reproducing it on posters and placing it on walls throughout the company. Others produce the mission on a plastic card that can be conveniently carried or placed on a desk. A leading strategy consulting firm has it printed on a card that becomes the font page of a loose leaf personal organizer used within the firm.

One approach that we used in a bank will serve as an illustration of how a mission can be successfully introduced. In this case the mission statement together with a letter from the chief executive explaining how the mission statement had been developed, why it was important, and how it was planned to use it, was circulated to all staff. The letter outlined how the thinking and philosophy behind it would be explained in a series of forthcoming workshops for the staff. This was followed up by all small group workshops for the staff. The workshops involved all staff ranging from receptionists and secretaries up to board level.

In the workshops the mission statement was discussed, the bank’s strategy was explained and key customer service strategies were identified. The workshop involved two syndicate exercises which focused around key improvement areas identified in the mission. Each workshop concluded with every syndicate making presentations to the chief executive and members of the board of directors. The chief executive then addressed each issue raised and in many cases immediately implemented suggestions
made by the syndicates. In some cases it was explained why some things could not be done. In other cases a task force was set up to report to a member of the executive committee via a project team manager. This resulted in a high level of enthusiasm, raised morale, a clear understanding of what the mission stood for, and an on-going work programme which supported the task of achieving the mission.

The mission can also be communicated from senior management down to frontline service providers by a cascade process in which each level of management provides a briefing to the level below, or by a series of workshops run by facilitators based around key issues in the mission. Whatever approach is used the cascade process should be supported by an appropriate internal communication programme. Such an approach can:

- Help acceptance of the core values in the mission statement.
- Involve workers and give them a wider perspective on their company.
- Create a positive impact on organizational behavior.
- Improve commitment.
- Focus attention on the key objectives of the company.
- Assist the internal marketing effort.

If a service providing firm is serious about the mission and the core values contained in it, it can test – by internal market research – to what extent employees are familiar with the mission statement and supportive of the core values it represents. The mission statement can thus be used to identify to what extent the core values are accepted as relevant and appropriate to the organization.

The value of a mission statement does not end when the mission statement is finally written down. It should be something that is constantly rearticulated and reinforced by top managers throughout the organization on an on-going basis. It should also be introduced to new employees on their first day of their induction programme so that they are familiar with the mission and what it represents.
The realizable mission

An effective mission is a fundamental element of a service firm’s marketing strategy. A mission statement, whilst seemingly simple in its completed form, may be the result of intensive and critical self-review for the company. The mission should position the services firm clearly in the markets in which it seeks to serve its customers and should provide an animated vision with which employees can identify.

Describing a mission statement as an ‘animated vision’ suggests that it should be forward thinking, inspirational and dramatized. When the mission is communicated it should have the capacity to motivate the workforce towards organizational goals.

It is necessary to develop a strong overlap between intellectual agreement (the statement of mission) and emotional commitment (the shared values of employees. It is this linkage between mission and values, made by management and other employees that determine the extent to which the mission is realizable. This was well summed up by Jack Crocker, President of Super Value Stores Inc., who said. ‘If a corporation is to succeed and experience continuing, long-term growth, there must exist a meaningful company philosophy [a mission] that justifies the personal commitment and dedication of its people’ Several writers have compared missions to New Year’s resolutions. People must be motivated to want to carry them out. The true value of a mission is evident when the statements in it are translated into actions. If the mission has value, people the organization should believe in and follow the principles it espouses. Thus it is essential for the staff’s shared values to be congruent with the mission.

Research has not been undertaken on the links between a realizable mission – where the intellectual content of the mission statement and emotional commitment to it are highly integrated – and business profitability. However, research carried out by Johnson and Johnson in connection with the Business Roundtable Task Force on Corporate Responsibility and the Ethics Research centre in Washington provides some evidence of such a linkage. The researchers set out to identify companies which had a written codified set of principles outlining their philosophy (i.e. a mission). They then looked for solid evidence that the mission had been promulgated and practiced by the organization
for at least a generation, and examined the performance of the companies in terms of profits and rewards to the shareholder over a thirty-year period.

From an original sample of twenty-six companies, eleven had to be excluded because of the lack of comparable data. The fifteen remaining companies, on average, showed annual compound growth of 11 per cent over the thirty-year period. This represented more than three times the growth of the gross national product over that period. From a shareholder's perspective if US$30,000 had been allocated in the Dow Jones Index over a thirty-year period this would have compounded to US$134,000. If the same US$30,000 had been divided equally amongst the fifteen companies this would be worth more than US $1 million. Whilst the methodology can be criticized, this study presents some evidence that companies with high profit performance have achieved a realizable mission by integrating a statement of mission with the shared values of employees.

The most comprehensive and useful research on the value of mission statements has been undertaken by Andrew Campbell and his colleagues at Ashridge. They identify the following four elements as important in a mission:

- **Purpose** – why the company exists.
- **Strategy** – the competitive position and distinctive competence.
- **Values** – what the company believes in.
- **Standards and behavior** – the policies and behavior patterns that underpin the distinctive competence and the value system.

They argue that a strong mission exists when these four elements link together tightly and describe some key guiding principles or how to create a long term 'sense of mission'. These include the following:

- **It takes years not months.** Creating a sense of mission is a long-term project. One company has been actively working at it for ten years and has still not fully succeeded. On the other hand, if the sense of mission is imposed from above, and
is combined with sweeping management changes, a shorter period, say less than three years, seems to be reasonable.

- True consensus in necessary within the top team. Normally a few people within a company, sometimes as few as two, form the power group at the centre. It is necessary for this group to have a sense of mission if the organization is to have one.

- Action is a better communicator than words. The reason why the top team must have a true belief in the values is because it is their actions that will send out the message. Values are not easily communicated by speeches. They only live in an organization when managers act them out.

- Top team visibility is essential. The values of the organization are its ethos and personality. It is much easier for employees to identify with the ethos if they can associate it with a leader or leadership group. It is hard to believe in an organization if you feel out of touch with the leadership.

- Top team continuity. Continuity of leadership is one of the biggest contributors to creating a sense of mission. Not only does it give the leaders’ time to think through the connections between values and strategies and to identify pivotal behavior, it helps to make the leaders more visible, makes consensus more likely and promotes consistency, one of the most important aspects of communicating a message.

- Statements of mission should have personality. The most highly regarded published statements were those that reflected the organization’s personality and leadership. Frequently they were straight talking, using blunt terms rather than advertising copy.

- Strategy and values should be formulated together. And essential part of creating a mission is the resonance between strategy and values.
• Management should focus on the link between behaviour and values. Employees feel a sense of mission when they believe in what they are doing.

As noted earlier, this discussion has been concerned with a formal written mission a mission does not have to be written down. It smaller organizations the mission is often unwritten but is made explicit by the owner's personal behavior. However, in large organizations written missions are much more common. In the Byars and Neil's study only 16per cent of organizations surveyed had informal word of mouth missions.

Most significant service companies believe it is important to have a formal written codification of their principles and ambition to help guide staff. Many missions make the mistake of focusing on shareholders, customers and managers and do not attempt to motivate the non-managerial workforce. Companies should make employee focus a high priority in their mission statements, as in a service organization it is often the collective behavior of employees which brings success or failure.

REVIEW OF EARLIER STUDIES

Keeping the importance of the Services marketing, an attempt has been made to try review the related studies and some of the important studies are reported. Consulting Industry is undergoing a metamorphosis from passive to dynamic in nature, in the light of super-specialties and better quality of service offered by them. Quality of service is one of the most important factors in the service organizations. Hence, a modest attempt is made to review the existing available literature on Consulting Industry, whose focus was mainly on service dimension. The journals like journal of marketing, journal of retailing, journal of marketing research, Indian Management and Vikalpa has been scanned. Virtually every organization is nowadays concerned with satisfying the users of its products or services be they known as clients, customers, consumers or patients. The subject of satisfaction has been studied extensively in the fields of sociology, psychology, marketing and healthcare management and while the particular focus of interest in each individual discipline tends to be quite distinct, common themes do exist, especially in the
approach to satisfaction found in the 'younger' discipline of marketing which draws on conceptual developments presented in the sociology and psychology literatures. Indeed consumer satisfaction is at the very core of modern marketing theory and practice which is based on the notion that organizations survive and prosper through meeting the needs of customers.

Ever since the first satisfaction studies of the 1960s, Cardozo R. An experimental study of consumer effort, expectation and satisfaction (1965). There has been a proliferation of research on the subject with an estimated 15,000 academic and trade articles published on consumer satisfaction during the past two decades alone.

Simon J.K. (1978) has suggested the public's attitude towards the Service industry has changed, in that they feel negatively towards our current Service delivery system. Service providing companies have not been adequate in their responsibility of marketing their role, services, and needs to the needy. Programs and activities are not usually undertaken in response to need sensitive studies and target populations, nor are they consumer oriented on well publicized. Marketing can help administrators apply new techniques which will enhance the stability of the Consulting Industry while making it responsive to the needs of those who use it.

LaTour S, Peat N. (1979) Conceptual and methodological issues in consumer satisfaction research. In an attempt to explain more fully about the differences and contradictions of expectations researchers are taking a broader view of the term 'expectations', realising that consumers can and do hold several different types of expectation and that these are characterized by a range of levels, rather than a single level. As LaTour and Peat have observed, using expectations only in the sense of 'what will happen' leads to logical inconsistencies such as predicting that a consumer who expects, and subsequently receives, poor performance will somehow be satisfied.

Oliver R. A (1980) proposed cognitive model of the antecedents and consequences of satisfaction decisions. Cognitive antecedents include expectations, performance, attribution disconfirmation and equity/inequity. Disconfirmation theory - By far the most dominant of the conceptual models of consumer satisfaction 'disconfirmation' - proposes that the consumer compares his or her perceptions of the product or service against a 'pre-purchase' comparison level or standard, the most widely researched being consumer
expectations. Satisfaction is then mediated by the size and direction of disconfirmation—the difference between an individual's pre-purchase expectations and the performance or quality of the product or service.

Lehtinen and Lehtinen (1982) have defined service quality in terms of Corporate quality, interactive quality, and physical quality.

Healthcare studies conducted by Linder-Peltz S (1982) and concluded that the role of expectations which are central to the consumer model, play in determining satisfaction with healthcare. The work of Linder-Peltz on the interaction between client expectations and perceptions is seen to be particularly influential in this respect. Data concerning Client's expectations and sense of entitlement to care were collected from 125 first time patients at a primary care clinic, immediately before seeing a physician. Post-visit satisfaction with a number of dimensions of care was also recorded. Two findings from this research suggest that disconfirmation theory might not be an entirely appropriate model for the Services Consulting. The first is that, in spite of being the most important antecedent social-psychological variable, Client expectations could only account for 8% of the variance in satisfaction and, together with values and perceptions (of the service received), only 10% of the variation. This suggests that while there is evidence that client's expectations and values are involved in evaluations they do not appear to be related in any simplistic fashion. According to this study there is little evidence to suggest that satisfaction is largely the result of fulfilled expectations and values.

Linder-Peltz's second important finding is that expectations have an effect on satisfaction independent of other variables (i.e. irrespective of their fulfillment) leading the researcher to conclude that: 'Client's beliefs about Consulting company's conduct prior to an encounter play a significant role in determining subsequent evaluations, irrespective of what (s) he actually did or was perceived to have done. It suggests that clients are likely to express satisfaction no matter what care the Consulting company's Consultant gives, at least in the setting of the present study.

Gronoroos (1983) distinguished the service quality between technical and functional aspects.
NHS Management Inquiry. London: Department of Health and Social Security, in 1984 carried out a study on consumer satisfaction with healthcare and the findings were that health care services in recent years, gained widespread recognition as a measure of quality, especially since the publication of the 1983. After the enquiry, many empirical studies were carried out in the area of quality services in health care industry.

Shotstack (1985) has suggested that service transactions should be broadly defined to include the context of delivery, and that consumer satisfactions with a service can be influenced by the context of service transaction.

Smith and Van Doren (1987) study reveals that, contextual factors are function as quality surrogates cues for consumer perception of quality. One such factor is atmospherics (Kotler 1973) e.g., the appearances of the facility in which the service is delivered (Donovan and Rossister 1982, Binter 1990).

Crosby and Stephens (1987, Day and Bodur (1978) Quelch and Ash (1981), studies have shown that interpersonal characteristics were important criteria in evaluating services, especially professional services.

One major step in developing quantitative measures of service quality was accomplished by Parasuraman, Zeithml and Berry, (1988), who studied the perceived service quality through gap analysis, and consumer perceptions of service. They developed “SERVQUAL” an instrument, specially designed to measure customer perceptions of service quality. Consumers consistently rated “Reliability” as the most critical dimension and “Assurance” as second followed by tangibles, Empathy and Responsiveness.

Haywood – Farmer and Stuart (1988) were the first to study the quality of professional services, with a hypothesis that “Servqual” instrument was and inappropriate to, measure the professional service quality, as there was no mention of core service element of professional services. The study proved the hypothesis, and as a result, Haywood-Farmer and Stuart have modified the Servqual instrument by including the constructs which assess core service, service customization and the knowledge of professional.

Existing studies show that top management commitment to quality is a major factor in determining the success of a company’s quality management program. Many of these studies measure the commitment and success of a company’s quality management programs using information from the company’s own managers. This raises an important research question: Do managers make accurate statements about their commitment to quality and the organization’s emphasis on quality? If not, then the conclusions drawn from existing studies that relied on these statements will be inaccurate. The aim of this study is to answer that research question using the textual data in annual reports and external measures of organizational emphasis on quality.

Annual reports are a key communication vehicle used by senior managers to articulate important matters of the firm, such as their commitment to quality and to its stakeholders. In this study, the textual content of 100 randomly selected annual reports of firms listed in Fortune’s 1988 list of “America’s Most Admired Corporations” was analyzed to measure their emphasis on quality. This measure was then compared against external measures of each organization’s emphasis on quality. The strong positive relationship between senior management’s annual report emphasis on quality and external measures indicates that senior management’s assertions about organizational commitment to quality appear accurate.

Davidow W, Uttal B. (1989) with the help of Disconfirmation theory carried out research on expectations of customer on perceived performance, and they described that Disconfirmation theory proposes that, all things being equal, the higher one’s expectations, the less likely that service or product performance can meet or exceed them, the result being reduced satisfaction or even dissatisfaction; the higher the perceived level of performance, the more likely that expectations will be exceeded, resulting in increased satisfaction. This has led some observers to recommend deliberately under promising the service to increase the likelihood of meeting or exceeding customer expectations.

Woodside, Frey, and Daly (1989) have formulated a multi-attribute model linking perceptions of services quality to patient satisfaction and behavioural intentions. The model was based upon a service script tracing the sequence of acts constituting the service encounter. The service script concept was supported by research showing that
access (Robert and Tugwell, 1987; Russel 1990 and ease of making appointments (kingsley and Hodges 1988) can be important determinants of satisfactions, as can receptionist behaviour (kinglsey and Hodges, 1988).

Zeithamal et al (1990) observed that expressions of satisfaction have little to do with the qualities of the service provided or the care offered and clearly ‘engendering positive expectations’ must not be confused with rising false hopes which deliberately mislead patients, nevertheless the assumption that satisfaction is entirely the product of an evaluation per se may not apply in all situations. In this regard, he noted that while consumers ultimately judge the quality of services on their perceptions of the technical outcome provided and how that outcome was delivered (process quality), many professional services are highly complex and a clear outcome is not always evident. This is certainly true of many healthcare scenarios where the technical quality of the service – the actual competence of the provider or effectiveness of the outcome – is not easy to judge. The patient may never known for sure whether the service was performed correctly or even if it was needed in the fist place.

In terms of services, Zeithaml and Bitner (1991) distinguish between three types of expectations. The first is desired service, defined as the level of service the customer hopes to receive, the ‘wished for’ level of performance blending what the customer believes ‘can be’ and ‘should be’ Customers hope to achieve their service desires but recognize that this is not always possible and for this reason they hold a second, lower level expectation, adequate service, representing the ‘minimum tolerable expectation’ or bottom level of acceptable performance. Finally, predicted service is the level of service customers believe they are likely to get and implies some objective calculation of the probability of performance. Zeithaml and Bitner argue that customers recognize that service performance may vary and that the extent to which they recognize and are willing to accept this variation is called the zone of tolerance. In theory predicted service could equate with either adequate or desired service but is most likely to fall between the two and hence within the zone of tolerance. The zone of tolerance is seen as the range or window in which customers do not particularly notice service performance. When performance falls outside the range (either very high or very low) the customer expresses satisfaction or dissatisfaction.
Stephanie W Walbridge and Lina M Delens (1993) studied on measuring physician attitudes of service quality. It was found that reliability was rated highest in relative importance by the respondents. The professionalism/skill determinant was rated second highest in relative importance. The empathy and assurance were rated third and fourth respectively.

Mark Peyrot et al. (1993) have examined factors related to consumer satisfaction and willingness to recommend the provider, by out-patients. The study examined the non-medical characteristics of the services, viz., staff behaviour, atmospherics information, examination comfort and perceived worth. The study concluded that patient satisfaction and willingness to recommend the provider are related to several consumer perception of service quality. The study further concluded that out-patient health care facilities can increases client satisfaction and willingness to recommend the provider by managing characteristics other than price and technical quality of care. In view of this, attempts should be made to study the issues relating to health care marketing in Indian context, which enable to understand the features of Services marketing in India. In this direction, a modest attempt has been to study the consumer satisfaction and perceived quality of Consulting services.

'Client evaluations are relative to context, to knowledge of services, to expectations, to help received from other services, to perceptions of the ‘pleasantness’ of the social worker. Unless such factors are taken into account, we can never be sure whether the high rate of client satisfaction is related more to factors like knowledge or limited expectations, than the actual helpfulness of the social service contact'.

Nelson (1993) identified the zone of tolerance concept to be particularly applicable to the Consulting services setting and could explain the findings of a study looking at the effect of ‘good’ and ‘bad’ surprises on satisfaction levels. The study was particularly concerned with the effect of social norms which the user might only become conscious of when transgressed; ‘good surprises’ being defined as care going well beyond what was expected and ‘bad surprises’ equivalent to the transgression of typical values. The results indicate that the majority of those relating a ‘good’ surprise (above the level of desired service) or no ‘surprise’ (within the zone of tolerance) expressed satisfaction while those
who had experienced a ‘bad surprise’ (below the level of adequate service) were more likely to have expressed dissatisfaction. The satisfaction processes at play are likely to differ in the same individual depending on the severity of the condition he or she presents with. Patients will probably use different criteria to judge the management of a life-threatening emergency as compared to a routine health check and evaluation may differ depending upon whether it is the patient or the health professional who identifies the problem in the first place. Clearly, healthcare is not homogeneous; it is a distinctive, complex mixture of emotion the tangible and the intangible and its consumption cannot be viewed in entirely the same light as that for a consumer product such as a television or a washing machine.

Williams (1994) has observed that the greater the perceived esoteric or technical nature of service, the more likely it is that many service users will not believe in the legitimacy of holding their own expectations, or of their evaluations. In addition, if a service user is coming into contact with the system for the first time then expectations, which for many have been formed through past experience, might be waiting formation. In both cases a client might wish for the Consulting Company to adopt a paternalistic role in the relationship while they themselves remain a passive partner.

Reuban Eldar, Revital Ronen (1995) describes the three stages of implementation of a quality assurance programme (preparatory, development of quality assurance structure and process, appearance of quality assurance outcomes). Observes that it is advantageous to implement the programme by providing external support to internal quality assurance efforts. Mentions the way of conducting a formative and a summative evaluation of a programme as well as the factors that influence the effectiveness of a programme.

James A Johnson, Vincent K Omachonu (1995) carried a study on Total quality management as a health care corporate strategy and suggested that Total quality management (TQM) must become a part of corporate strategy if it is to become a way of life in health care. TQM should be understood in the context of a cultural transformation. The greatest challenge for top management is to create an organization in which every employee, department and function is linked inextricable to the organization’s mission and vision. One of the key benefits of TQM is the use of teams to work on and achieve
organizational objectives. Health care managers must understand motivation in order to
carry the workforce with them to attain those objectives.
reengineering and examined the concept of patient-focused care and how it fits in
hospital process re-engineering. He described the project undertaken at the Derbyshire
Royal Infirmary, to implement patient-focused care and care pathway development in
accident and emergency, trauma and orthopedics. The study concluded with an insight
into how care pathways have been used to improve hospital documentation, reduce
duplication of information and provide a rich source of data for effective clinical audit.
A Synthesis of Research findings on quality of services in Indian family welfare
programme : The study carried out by Gillan.H.C.Foo (19995). The study describes the
imperical data collected from four different states of India on quality service and the
major emphasis was done on:

Users perception of "Good Quality of Care".

Providers perception of quality of services provided and the problems faced in
providing good quality of services.
The findings were related to supplies, examination time taken by doctors and the waiting
time to get the appointment.
Zeithaml and Bitner (1996) argue, that however under promising of services makes
expectations more realistic, thereby narrowing the gap between expectations and
perceptions, it may also reduce the competitive appeal of the service. The study was
related to under promise the service and then over deliver the same.
A TQM evaluation framework for hospitals. Observations from a study:
Aiiaul Huq (1996) carried out a study on TQM evaluation framework for hospitals and
Aimed to offer a generic tool to evaluate the health of TQM programmes in hospitals.
The developed TQM evaluation tool included ten management dimensions and eight
control and implementation dimensions. To test the validity of the tool and also to obtain
a cross-sectional overview of the status of TQM implementation in hospitals it has used
to evaluate the TQM programme in six mid-western US hospitals. The study was carried
out over a period of one year by groups of executive MBA students. Used a detailed
questionnaire to interview three to four personnel directly involved with TQM planning
and implementation in these hospitals. Validates these evaluation framework and offered insights into the status of TQM implementation in hospitals. Suggested that TQM efforts is successful in the support functions; however, in the patient care activities implementation has been minimal. Most importantly, physician involvement in this effort has been very low in the hospital studies.

Alison Spencer (1996) using consumer feedback to improve services describes how a consumer satisfaction survey was carried out at a community mental health centre and the improvements that occurred as a result. A questionnaire was designed to be delivered as a semi-structured interview to elicit the views and opinions of the clients. Their responses highlighted a number of positive areas about the centre, especially in terms of the staff and the therapeutic support they provide. The feedback also revealed a number of areas where improvements were needed. Reports on sic recommendations, which were mad in terms of medication, activities, privacy, reviews, social service issues and complaints. The staff worked hard to implement a number of changes to improve the quality of the service they provide. The end result is that user views and opinions have been integrated with the service design and delivery, making the centre a user-friendlier place.

VR. Aileni (1998) carried out a study on Perceived Service Quality and Customer Satisfaction in three Corporate Hospitals and found that patient satisfaction, and the recommendations of the hospitals were highly correlated.

Peter Kia Liang Tan (1999) An evaluation of TQM and the techniques for successful implementation shows an in-depth research focusing on the concerns of organizations in improving productivity and profitability levels by effective and efficient means using TQM. Evaluates the findings of TQM implementations from manufacturing and service industries and provides techniques on how TQM can be made to work successfully for any organization are provided.

Robert H.Brooke, Elizabeth A.MyGymn and Paul (2000) presented a paper from US researchers perspective on defining and measuring quality of care and said the purpose of this paper is to summaries what we know about quality of care and indicate that we can do to improve quality of care in the next century. To improve quality of care adequate
data and a strategy to measure quality are required. Each country should have a national quality report, based on standardized comprehensive & scientifically valid measure, which describes the country’s progress in improving quality of care. Advanced tools to assess quality, based on data from the patients and medical records, are also currently being developed.


Objective : To integrate the institutionalization of quality improvement programme in Korean Hospital in which organizational efforts to improve the quality of care have been made only recently. Design : A cross-sectional study based upon an initial telephone contact & follow up mail survey.

Results : Hospitals that had larger bed capacities, that provided territory levels of care or that were in urban areas were found to have a large tendencies to establish QI department. These QI departments most frequently cited improvement of patient satisfaction as one of there are all mission. At the same time, they survey data indicate that the hospital assessment programme may emphasize about term benefits from QI activities at the expense of long term QI institutionalization.

Maldonado carried out a study in Total Quality Management related to perceived impact on Quality Improvement.

The study examines the relationships among corporate board involvement, TQM adoption, perceived market competition, and the perceived impact of quality improvement (QI) activities for a sample of nursing homes in Pennsylvania. The findings of this study have several implications for healthcare managers interested in maximizing the effectiveness of quality improvement efforts.

Board involvement in quality improvement was an important predictor of QI outcomes in the areas of finance, resident care, and human resources. However, TQM adoption had a positive effect on human resources outcomes only. These findings suggest that board involvement in any form of organized QI may be more important than the adoption of a formal TQM program in the nursing home industry. TQM’s emphasis on employee empowerment may account for its positive influence on human resources. Perceived competition was associated with better financial outcomes. Low-cost leadership can be a
key to survival in more competitive markets that require a focus on efficiency and productivity issues in QI efforts. By focusing on process improvement, the facilities may achieve cost reductions that can result in an improved financial position in the market. Facilities that are perceived to be in more competitive environments were also more likely to adopt TQM. This is consistent with the assertion by resource dependence theorists that organizations facing competition for resources must be responsive to the needs of resource providing constituencies.

SUMMARY OF THE MAJOR THEORETICAL PERSPECTIVES ON PERCEIVED SERVICE QUALITY Table 5

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<tr>
<td>What is Provided</td>
<td>Physical Quality</td>
<td>Technical Quality</td>
<td>Outcome Quality</td>
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<tr>
<td>How it is Provided</td>
<td>Interactive Quality</td>
<td>Functional Quality</td>
<td>Process Quality</td>
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PERCEIVED SERVICE QUALITY
(Adapted from Swartz and Brown, 1989)

EMPIRICAL FINDINGS ON THE MEASUREMENT OF SERVICE QUALITY
Table 6

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<tr>
<td>Research Focus</td>
<td>Consumer perceptions of quality in services &amp;</td>
<td>Physician Vs patient perceptions of</td>
<td>Physician Vs patient perceptions of</td>
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<tr>
<th>Quality Determinants Studied</th>
<th>Patient Retail origins: Construction of SERVQUAL</th>
<th>physician professional services</th>
<th>physician professional services: Gap Analysis</th>
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<tr>
<td>Quality Determinants Studied</td>
<td>Studied</td>
<td>Modified</td>
<td>Modified</td>
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<tr>
<td>Access, Communications</td>
<td>SERQUAL: Access, Communications, Competence, Credibility, Reliability, Responsiveness, Security, Tangibles, Understanding the Customer</td>
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<td>Competence, Courtesy,</td>
<td>SERQUAL: Access, Communications, Competence, Credibility, Reliability, Responsiveness, Security, Tangibles, Understanding the Customer</td>
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<td>Credibility, Reliability</td>
<td>SERQUAL: Access, Communications, Competence, Credibility, Reliability, Responsiveness, Security, Tangibles, Understanding the Customer</td>
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<td>Tangibles, Understanding</td>
<td>SERQUAL: Access, Communications, Competence, Credibility, Reliability, Responsiveness, Security, Tangibles, Understanding the Customer</td>
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<td>the Customer</td>
<td>SERQUAL: Access, Communications, Competence, Credibility, Reliability, Responsiveness, Security, Tangibles, Understanding the Customer</td>
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<td>Findings</td>
<td>Original ten SERQUAL Dimensions were consolidated into Five: Tangibles, Reliability, Assurance, Empathy, and Responsiveness</td>
<td>Core services elements were important for the evaluation of professional services. Reliability, Items were ranked as most important. Tangibles were ranked last in importances</td>
<td>Gaps between patient expectations experiences, and between patient experiences &amp; provider perceptions of patient experiences, Create less positive patient experiences, positive patient evaluations of services.</td>
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<tr>
<td>Consumers rated</td>
<td>Core services elements were important for the evaluation of professional services. Reliability, Items were ranked as most important. Tangibles were ranked last in importances</td>
<td>Gaps between patient expectations experiences, and between patient experiences &amp; provider perceptions of patient experiences, Create less positive patient experiences, positive patient evaluations of services.</td>
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<td>Reliability as the Most</td>
<td>Core services elements were important for the evaluation of professional services. Reliability, Items were ranked as most important. Tangibles were ranked last in importances</td>
<td>Gaps between patient expectations experiences, and between patient experiences &amp; provider perceptions of patient experiences, Create less positive patient experiences, positive patient evaluations of services.</td>
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<tr>
<td>Critical and Assurance as</td>
<td>Core services elements were important for the evaluation of professional services. Reliability, Items were ranked as most important. Tangibles were ranked last in importances</td>
<td>Gaps between patient expectations experiences, and between patient experiences &amp; provider perceptions of patient experiences, Create less positive patient experiences, positive patient evaluations of services.</td>
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<td>Second</td>
<td>Core services elements were important for the evaluation of professional services. Reliability, Items were ranked as most important. Tangibles were ranked last in importances</td>
<td>Gaps between patient expectations experiences, and between patient experiences &amp; provider perceptions of patient experiences, Create less positive patient experiences, positive patient evaluations of services.</td>
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**Need for the study**

Most developed economies like the United States, Germany, Japan and Canada have become service dominated economies. It is the tertiary sector which leads the others in contribution to GDP, employment generation and consumption.

Indian economy is showing subtle shift to service dominance. Services are the growing sector of Indian economy. The changes taking place at the micro level point to big boom in the market of services. The future belongs to intangibles like communication, entertainment, professional service and as such.

The services sector in the Indian economy accounted for 2% of the GDP at constant prices in 1960-61. The share increased to 31% in 1970-71, 37% in 1980-81 and more than 40% by the end of the decade 1980's. The sharp increase in the relative share of the services sector in the decades 1970s and 1980s is not a reflection if the slowdown in the growth of the commodity producing sectors rather than an acceleration in the growth of the services sector itself. It is natural that an acceleration in the growth of the services sector results in a deceleration in the growth of the primary and secondary sectors. Here it is important mention that such a positive trend is found in almost all the developing countries. Though we feel the development rate in the service sector is slow, however in a country like India an increase of 25% during the four decades indicates good auguries. It is found that in 1950-51, the share of services was only 15% in India's Gross National Product. Here, it is significant to mention that banking and insurance and transport other than railways are important service sectors which have recorded good auguries albeit in the field of hotel, tourism and communication. All these achievements confirm a good start.

In the context of services marketing, the developing countries should not undermine the development strategies preferred by the developed countries. No doubt, there would be some variation in the strategies but the line of development would be more or less the
same. The identification of services should be in the background of creation of job opportunities.

In almost all the developing countries, the tourism, hotel, education, personal care, entertainment and amusement and warehousing services are fund neglected. No doubt, they have the potentialities for the proper development of all these services but the efforts made for their productive utilization are found very inadequate. Resulting from which we do not find the needed qualitative improvements and ultimately the services become unproductive. The marketing experts feel that the safest way for raising the contribution of services sector to the GDP is to carry forward the task if administering innovative marketing practices. It is not meant that the developing countries have to ignore primary and secondary sectors. Indeed, it hints an optimal utilization of all the three sectors.

Referring to Consultancy services marketing, only large enterprise set ups are getting benefited. But the large medium scale enterprises market is not much explored from consulting services point of view. The study is aimed at understanding the behavior of small and medium scale enterprises across the industry towards consulting industry and vice versa.
Objectives of the study

*Consultancy services: Advertising services, Marketing services, Tax & Auditing services, Human resources training services*

The study is aimed

To analyze the behavior of consulting industry towards potential small and medium scale enterprises

To understand the marketing phenomena existing in the ongoing system

To study the scope of the consulting industry sector with respect to medium and small scale enterprises

To deduce strategies to market Consultancy services more extensively among small and medium sale enterprises

To draw meaningful conclusions and suggestions pertaining to Consulting Industry

Hypothesis

Seeking consultancy services from Consulting Industry is inevitable for small and medium scale enterprises to survive, grow, make profits and diversify.

Methodology

a) Area of study

The major centre of business wheeling and dealing in Andhra Pradesh is Hyderabad. Most corporate houses have their main offices in Andhra Pradesh in this city, as does the...
The city is fast challenging the status of Bangalore as the cyber capital of India, having got a big boost from the fact that one of the only two overseas offices of the US Software giant Microsoft is here. Fuelled by administrative ambition and Government patronage, the IT industry is getting a lot of encouragement here. Capital city, headquarter of the Government of Andhra Pradesh, the world of busy bureaucrats; Hyderabad is also the place where decision get made, deals are sealed and big contracts awarded. Hyderabad is a major trading center for pearls and it also manufactures glass, textiles, guns, railway coaches and paper.

b) Sampling

Hyderabad city has been conveniently divided into 15 zones (strata) based upon the prevalence of target segment’s presence. From each stratum 20 small and medium scale enterprises (potential consultancy services seekers) have been selected randomly and that makes the sample size 300(15*20). And from each of the stratum, 10 companies which provide Consultancy services have been selected which makes the sample size 150(15*10).

This type of sampling is referred to as Stratified random sampling.

c) Data collection

The data collected for the present study comprises both primary and secondary sources. The primary data has been collected through questionnaires. Two questionnaires, one for the potential consultancy services seeking enterprises and the other one for Consultancy service providers have been designed. Questionnaires have questions pertaining to target segment’s respective behavior’s, intended behavior’s, perceptions, intentions and future plans.

The respondents were interviewed and asked to fill the questionnaires. The questionnaires
for potential service seekers and Consultancy service providers had objective specific questions.

The secondary data has been collected from various reference materials like Text books, Journals, Magazines and Internet.

d) Tools of analysis

The data collected through primary sources have been analyzed with the help of simple statistical tools.

7. Limitations

The study contains few limitations

1) The study is mainly based on the information supplied by the respondents through questionnaires by direct interview method rather than by direct observation or by any other means.

2) Some of the respondent's biased nature and their uncooperative tendencies might have crept into the research work.

3) Sample size and type of sample may not fully represent the view of the sector intended to be studied.
Scheme of chapterisation

Chapter -1

This chapter deals with the introduction, review of literature, Need for the study, hypothesis, methodology, Limitations and scheme of chapterisation

Chapter – 2

This chapter deals with behavior of medium and small scale enterprises towards consulting Industry

Chapter – 3

This chapter deals with behavior of consultancy service providers towards potential small and medium scale enterprise’s service seekers

Chapter – 4

This chapter deals with marketing strategies & scope of Consulting Industry towards Potential small & medium scale enterprise’s service seekers

Chapter – 5

This chapter deals with conclusions and recommendations pertaining to the study undertaken.