

PROF. DEVIDUTT SINGH

ASSISTANT PROFESSOR, SSMC, BHUBANESWAR

LECTURE NOTE ON SERVICE MARKETING

MBA 3rd SEMESTER

SYLLABUS

Course Objective:

1. To understand the meaning of services and the significance of marketing the services.
2. To introduce and apply skills for the 7 Ps of services marketing and design the market plan
3. To analyze the factors contributing to customer satisfaction in a service Organization

Module-I:

Introduction to services marketing, Characteristics of services compared to goods, Emergence of Service Economy, Services marketing Challenges, Service Encounter, Service Blueprint, Service triangle, Service scape , Service marketing mix,

Module-II:

Quality Issues and Models, Gap Analysis, SERVQUAL, Application of SERVQUAL, Service product, New service development, Branding, Packaging, Pricing, Promotion, Service delivery channels: direct channels, franchising, agents, brokers, internet channels, channel conflicts and resolution.

Module –III:

Building customer relationships- Relationship marketing, Relationship value of customers, customer profitability segment, customer life time value, Relationship development strategies, Relationship challenges, e-CRM, Service Consumer Behaviour, Service failure & Recovery, Service Research and innovations -Financial Services, Tourism Services, Education Services, ITES, Telecom services, Health Services.

Books :

1. Services Marketing, Valarie A. Zeithaml, Mary Jo Bitner, D. Gremler,
2. Ajay Pandit, Mcgraw Hill
3. Services Marketing –Karunakaran K - Himalaya
4. Services marketing, Christopher Lovelock, JochenWirtz, Jayanta Chatterjee, Pearson
5. Services marketing, GovindApte, Oxford University Press
6. Services marketing, Rajendranargundkar, Tata Mcgraw Hill

INTRODUCTION TO SERVICE MARKETING

Service marketing refers to the promotion and sale of services, as opposed to physical products. This can include services such as consulting, legal advice, financial planning, and more. Service marketing strategies often focus on building relationships with customers, highlighting the unique benefits of the service being offered, and differentiating the service from competitors.

Key components of service marketing include:

- Understanding customer needs,
- Developing a service offering that meets those needs,
- Effectively communicating the value of the service, and
- Delivering the service in a way that exceeds customer expectations.

Service marketing is the process of promoting and selling services to customers. Services are intangible and cannot be seen, touched, or held like physical products, so the marketing strategies for services are different from those for products.

Service marketing includes identifying customer needs, developing a service offering that meets those needs, effectively communicating the value of the service, and delivering the service in a way that exceeds customer expectations.

FEATURES OF SERVICE MARKETING

Service marketing has several unique features that distinguish it from product marketing. These include:

1. **Intangibility:** Services are intangible and cannot be seen, touched, or held like physical products. This makes it more challenging to communicate the value of the service to customers.
2. **Inseparability:** Services are often produced and consumed at the same time, which means that the service provider and the customer must be in the same place at the same time. This makes it more difficult to separate the service from the service provider.
3. **Variability:** The quality of a service can vary depending on the skills and attitudes of the service provider, as well as the specific needs of the customer. This makes it more difficult to standardize and control the service experience.
4. **Perishability:** Services cannot be stored or inventoried, so any unsold services are lost forever. This makes it more difficult to manage service capacity and can create pressure to fill service slots with any customer who is willing to pay.
5. **Heterogeneity:** Services can be highly variable, which makes it difficult to compare the quality of different service providers.
6. **Simultaneity:** Services are often performed and consumed at the same time, which means that the customer is involved in the service process and can influence the outcome.
7. **People-based:** Services often involve people, whether it is the service provider or the customer. This means that the service experience can be influenced by the personalities and behavior of the people involved.
8. **Inscrutability:** Services can be difficult to evaluate before they are consumed, which makes it difficult for customers to judge the quality of the service in advance.

These features of service marketing require different marketing strategies and techniques to be used, to effectively communicate the value of the service and create a positive customer experience.

CHARACTERISTICS OF SERVICES COMPARED TO GOODS

Basis of Comparison	Goods	Services
Nature	Tangible	Intangible
Transfer of Ownership	Possible	Not Possible
Separable	Goods can be separated from the seller	Services cannot be separated from the service provider
Storage	Goods can be stored	Services cannot be stored
Perishable	Not all goods are perishable	Services are perishable
Production and Consumption	Goods have a significant time gap between production and consumption	Services are produced and consumed together

EMERGENCE OF SERVICE ECONOMY

The emergence of a service economy refers to the shift from an economy based on manufacturing and production of goods to one based on the provision of services. This shift has been driven by several factors, including advances in technology, changes in consumer behavior, and globalization. One of the main drivers of the service economy has been the increasing automation of manufacturing and production processes, which has led to greater efficiency and lower costs for goods. As a result, consumers have been able to purchase more goods at lower prices, leaving them with more disposable income to spend on services. In addition, changes in consumer behavior and preferences have also played a role in the emergence of the service economy. Consumers are increasingly looking for experiences and personalized services that cannot be found in products. This has led to the growth of service-based industries such as healthcare, education, finance, and consulting. Finally, globalization has also played a role in the emergence of the service economy. As businesses have expanded into new markets, they have been forced to adapt their service offerings to meet the unique needs of different cultures and customers. This has led to the growth of service industries such as tourism, hospitality, and logistics. Overall, the emergence of a service economy has led to significant changes in the way businesses operate and compete, as well as the types of jobs and skills that are in demand.

SERVICE SCAPE:-

Service scape refers to the physical and tangible elements that contribute to the overall atmosphere or environment of a service. This includes the design, layout, and appearance of the service setting, as well as the equipment, facilities, and technologies used in the delivery of the service. The services cape serves as a key element of the service experience and can have a significant impact on customer perceptions, emotions, and behaviors.

When a consumer visits a place for a particular service or product, it is the surroundings that encourage or discourages him from following a set course of action.

The elements of the servicescape in service marketing include:

- Physical environment:** The physical design and layout of the service setting, including the décor, lighting, and overall ambiance.
- Space and layout:** The arrangement of the service setting, including the layout of the seating, waiting areas, and service points.
- Furnishings and equipment:** The type and quality of the furniture, fixtures, and equipment used in the service setting, including the service counters, chairs, and payment systems.

- Technology:** The use of technology in the delivery of the service, such as self-service kiosks, digital signage, and mobile apps.
- Signage and way finding:** The use of signs, symbols, and other forms of visual communication to help customers navigate the service setting and find what they need.
- Employee attire:** The appearance and uniform of the service employees, including their grooming, attire, and behavior.
- Sound and music:** The use of sound and music in the service setting, including background music, announcements, and customer interactions.

These elements work together to create a cohesive and consistent atmosphere that can impact customer's perceptions, emotions, and behaviors, and ultimately, the overall quality of their service experience.



The essence of every marketing strategy is the marketing mix. For service marketing, due to special and unique features the marketing mix is extended to include physical evidence, process and people. Service marketing mix is a set of 7 Ps that help organizations in the service sector to create an effective marketing strategy.

The 7 Ps of the service marketing mix are:

- Product
- Price
- Promotion
- Place
- People
- Process
- Physical Evidence

Product:-

Product (i.e. Service) refers to the activities that a marketer offers to perform , which results in satisfaction of a need or want of the target customer. Planning for service product in many ways similar to the planning of tangible goods, although establishing the nature of service is difficult. The service product consists of core product –which is the primary benefit the customers seek from the service and peripheral services that are secondary benefits the customer seek.

The management often tries to integrate core and peripheral services into a competitive strategy. e.g. Accounting firms have added management consultancy to their traditional core offerings of accounting service. Moreover, since services are intangible the service marketers must tangibles the intangible aspect. Superior quality, trusted brand image, extended guarantees, courteous staff, prompt service all from the part of managing the service offering.

Price

The price of the service is the value attached to it by service provider and this must correspond with the customer's perception of the value.

Service pricing decisions are made in more varied environment than product pricing decisions.

Demand for service tend to be less elastic than for goods , meaning that , as prices rise the consumption of the service will not decrease as fast as goods.

The methods of pricing for services cannot be scientific as those for products. Demand oriented method is difficult because of the uncertainty in projecting service demand. Cost oriented method is more common but this is also difficult to implement because it is hard determine the cost of people based services. In some cases competitor based pricing may be suitable, where the service is price sensitive, for example pricing airlines. Whatever the method of price determination, the price of service usually influences image. Since services are more ambiguous than goods, consumers are likely to associate the price of a service with quality.

Promotion

Promotion is used to communicate information about goods and services to target market audience. There is a need to make services more tangible by linking them to objects in promotion. Another important objective of service promotion is to reduce the risk of buying service. The traditional promotion mix includes various methods of communicating the benefits of a service to potential consumers or advertising, sales promotion, personal selling and public relations. These can best be accomplished by establishing the credibility of the service organization and emphasizing the reliability of the service. Using experts and testimonials of famous individuals, linking the service to some objective source as a government agency and using two sided advertising appeals are all means of enhancing the credibility of the service organization.

Place

The place decision refers to the ease of access that potential customers have to a service. They can , therefore , involve physical location decision-e.g. Where to place a hotel, decision about what intermediary to use in making a service accessible to a customer -e.g. Whether a tour operator uses a travel agent or sells it holiday package directly to the customers. The simultaneous production and consumption

Of service indicate the channel of distribution is generally limited. Franchising of service is growing rapidly especially in the fields of health club, accounting and tax services, restaurants, schools etc. Franchising lends itself to any service that can be standardized –a major problem with heterogeneous services.

People

In any service, it is people who play a vital role in the service encounter. This includes both employees and other customers. The attitudes and action of the employees can certainly affect the success of service encounter. It is also likely that the behavior of other customers, in a movie theatre, restaurant or class room can affect an individual service experience.

The importance attached to people management in improving quality and customer-oriented service is increasing to a large extent. Development of quality circle, empowerment and a service culture organization all prove the above. In service,

Marketing is everyone's job. Thus it is important to have employees with skills, commitment, attitude and ability to use discretion in dealing with customers. This is especially true in those service where a high level of contact with customers. By adding value in the way the employees perform and by maximizing the impact of their activities, the firm has a competitive edge over the service companies.

Process

The important objective of marketing is to identify the needs and wants in the market place so that the service may be designed to fulfill these needs. This includes the design of the service process and how the service is delivered. Ultimately, it reflects how all the marketing mix elements are

coordinated to provide consistent and quality service to the customer. In order to be effective the steps involved in the process plan to be followed are:

- Breakdown the process into logical steps and sequence.
- Identify those steps which introduce the highest prospect of something going wrong because of judgment, choice or chance.
- Set deviations or tolerance standards for these steps thereby providing a performance band for functioning.

Physical Evidence

The intangible nature of service means that potential customers are unable to judge a service before it is consumed, increasing the risk involved in the purchase decision. An important element of marketing mix strategy is, therefore, to reduce this level of risk by offering tangible evidence of the nature of the service. This evidence can take a number of forms. The building and the service environment where the service is

Delivered are the major evidences of the service nature. A clean, bright environment used in a service outlet can help to reassure potential customers regarding their purchase decision.

For this reason fast food and photo processing outlets often use red and yellow color schemes to convey an image of speedy service. e.g. – a holiday brochure giving pictorial evidence.

The GAP model:

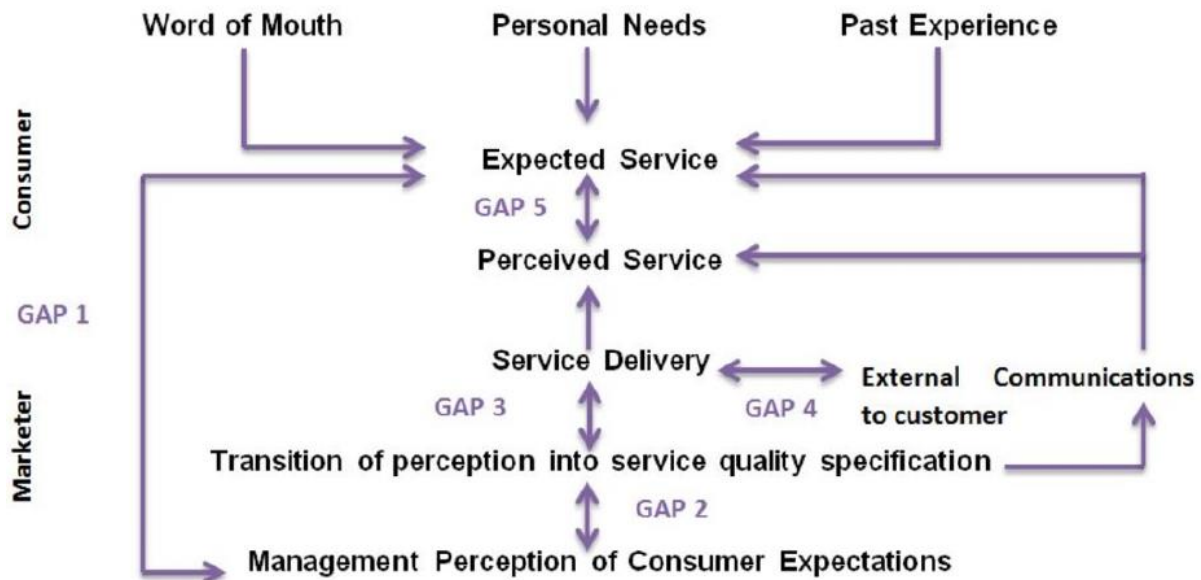
The GAP model was developed by Parasuraman, Zeithaml, and Berry in 1985. It identifies five potential gaps that can lead to a difference between customer expectations and perceptions of service quality: the knowledge gap, the standards gap, the delivery gap, the communication gap, and the perception gap. The model is used to identify areas for improvement in service quality.

These models are useful tools for service providers to measure and improve service quality. By identifying areas where customers' expectations are not being met, service providers can make improvements to meet those expectations and increase customer satisfaction.

GAP ANALYSIS:-

Gap analysis is a useful tool in service marketing that helps identify gaps between customers' expectations and perceptions of service quality. It provides a framework for service providers to identify areas for improvement and implement strategies to close the gap between customer expectations and perceptions.

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Here's a brief description of each gap:

1. **Knowledge gap:** This gap occurs when the service provider does not have a clear understanding of what customers expect from the service. This can be due to a lack of market research or customer feedback.

Reasons for the gap:

- Lack of management and customer interaction.
- Lack of communication between service employees and management
- Insufficient market research.
- Insufficient relationship focus.
- Failure to listen to customer complaints.

2. **Standards gap:** This gap occurs when the service provider does not have clear standards for delivering the service. This can lead to inconsistencies in service quality.

Reasons for the gap:

- Lack of customer service standards.
- Poorly defined service levels.
- Failure to regularly update service level standards.

3. **Delivery gap:** This gap occurs when the service provider fails to deliver the service according to the established standards. This can be due to a lack of training or resources.

Reasons for the gap:

- Deficiencies in human resources policies.
- Failure to match supply to demand.
- Employee lack of knowledge of the product.
- Lack of cohesive teamwork to deliver the product or service.

4. **Communication gap:** This gap occurs when there is a disconnect between what the service provider communicates to customers and what customers actually experience. This can be due to a lack of transparency or misleading advertising.

Reasons for the gap:

- Overpromising.

- Viewing external communications as separate to what's going on internally.
- Insufficient communications between the operations and advertising teams.

5. **Perception gap:** This gap occurs when customers have different expectations of the service than the service provider. This can be due to cultural differences or previous experiences with similar services.

Reasons for the gap:

- This gap can happen because of one of the other four gaps, or simply because the customer perceives the quality of the service incorrectly. In a worst-case scenario, it could lead to a business losing a large proportion of their customers overnight.
- Although the company thought there was no gap, the reality was that their customers were just waiting for someone to fill their perceived gap.

SERVQUAL MODEL

The SERVQUAL model is a widely used model for measuring service quality in service marketing. It was developed by Parasuraman, Zeithaml, and Berry in 1988. The model consists of five dimensions that are used to assess the gap between customers' expectations and perceptions of service quality.

The five dimensions are:

- Reliability:** The ability to perform the promised service dependably and accurately. This includes factors such as keeping promises, delivering on time, and providing accurate information.
- Assurance:** The knowledge and courtesy of employees and their ability to convey trust and confidence. This includes factors such as employee expertise, professionalism, and ability to inspire trust and confidence.
- Tangibles:** The physical facilities, equipment, and appearance of personnel. This includes factors such as the cleanliness of facilities, the appearance of employees, and the quality of materials used in the service.
- Empathy:** The provision of caring, individualized attention to customers. This includes factors such as personalized service, understanding customer needs, and showing concern for customer welfare.
- Responsiveness:** The willingness to help customers and provide prompt service. This includes factors such as the speed of service, the willingness to answer questions, and the ability to respond to customer complaints.

The SERVQUAL model uses a questionnaire to measure the gap between customers' expectations and perceptions of service quality in each of the five dimensions. Customers rate the importance of each dimension and their perceptions of how well the service provider performs in each dimension. The difference between customers' expectations and perceptions is used to identify areas for improvement in service quality.

The SERVQUAL model is a useful tool for service providers to measure and improve service quality. By identifying areas where customers' expectations are not being met, service providers can make improvements to meet those expectations and increase customer satisfaction.

Application of SERVQUAL Model:

The SERVQUAL model is a versatile tool that can be applied in a variety of contexts within service

marketing.

Here are some of the applications of SERVQUAL:

- **Measuring service quality:** The primary application of SERVQUAL is to measure service quality from the customer's perspective. By using the SERVQUAL questionnaire, service providers can identify areas where their service falls short of customer expectations and make improvements to increase customer satisfaction.
- **Benchmarking:** SERVQUAL can be used to benchmark a service provider's performance against that of competitors or industry standards. By comparing their SERVQUAL scores to those of competitors, service providers can identify areas where they are falling behind and take steps to improve their service quality.
- **Service design:** SERVQUAL can be used in the design of new services to ensure that customer expectations are met. By using the SERVQUAL model to identify customer expectations in each of the five dimensions, service providers can design services that meet or exceed those expectations.
- **Customer satisfaction:** SERVQUAL can be used to measure customer satisfaction with a particular service. By comparing customers' expectations and perceptions of service quality, service providers can identify areas where they are falling short and take steps to improve customer satisfaction.
- **Continuous improvement:** SERVQUAL can be used as part of a continuous improvement process to ensure that service quality is constantly improving. By regularly measuring service quality using the SERVQUAL model, service providers can identify areas where they need to improve and take steps to make those improvements.

Overall, the SERVQUAL model is a versatile tool that can be used in many different contexts within service marketing to improve service quality and increase customer satisfaction.

SERVICE PRODUCT:

A service product is a type of product that is intangible and involves the delivery of a service rather than a physical good. Service products are usually consumed or experienced by the customer at the time they are delivered, and they cannot be stored for later use. Some examples of service products include haircuts, consulting services, healthcare, and transportation services.

Service products are also characterized by the fact that they are often produced and consumed simultaneously. This means that the customer is an active participant in the production and delivery of the service. For example, a hair stylist will work with the customer to create the desired hairstyle, and a consultant will work with the client to develop a solution to a problem.

NEW SERVICE DEVELOPMENT:

New service development (NSD) is the process of creating and launching new services to meet the changing needs and preferences of customers. NSD involves a series of steps that service providers must follow to create and introduce new services successfully.

Here are the general steps involved in NSD:

- **Idea generation:** The first step in NSD is to generate ideas for new services. Ideas can come from a variety of sources, including customer feedback, market research, and internal brainstorming sessions.
- **Screening:** Once ideas are generated, they need to be screened to determine which ideas are

feasible and align with the organization's goals and resources.

- **Concept development and testing:** The most promising ideas are then developed into service concepts, which are tested with potential customers to determine their interest and feedback.
- **Business analysis:** If the service concept is found to be viable, a business analysis is conducted to evaluate the costs, revenue potential, and profitability of the new service.
- **Service development:** The next step is to develop the service in detail, including defining the service features, creating the service delivery process, and designing the service environment.
- **Testing and launch:** Once the service is developed, it needs to be tested to ensure that it meets customer needs and expectations. If testing is successful, the service is launched to the market.
- **Evaluation:** After the service is launched, it is essential to evaluate its performance to determine if it is meeting its goals and objectives. This information can be used to refine the service and make improvements.

New service development is critical for service providers to remain competitive and meet changing customer needs. By following a structured process for NSD, service providers can increase the likelihood of success for new services and ensure that they align with their overall business strategy.

BRANDING, PACKAGING, PRICING AND PROMOTION OF NEW SERVICE PRODUCT:

Branding, packaging, pricing, and promotion are critical elements in the successful launch of a new service product.

Here's how these elements can be used to effectively market a new service:

a) **Branding:** Branding is the process of creating a unique name, logo, and identity for a service product. A strong brand can help differentiate the new service from competitors and build customer trust and loyalty. When developing the brand for a new service, it's important to consider the target market, the service's unique features and benefits, and the overall brand strategy of the organization.

b) **Packaging:** Packaging refers to the way the new service is presented to customers. This includes the physical elements such as the service environment, equipment, and materials used in the delivery of the service. The packaging of a new service should be designed to align with the brand and create a positive customer experience.

c) **Pricing:** Pricing is the process of determining the appropriate price for the new service. The price should be based on factors such as the cost of delivering the service, the value it provides to customers, and the pricing strategies of competitors. When pricing a new service, it's important to consider the target market, as well as any promotions or discounts that may be offered.

d) **Promotion:** Promotion refers to the various marketing tactics used to promote the new service to potential customers. This includes advertising, public relations, and sales promotions. When promoting a new service, it's important to consider the target market and choose tactics that will effectively reach and engage potential customers.

Overall, branding, packaging, pricing, and promotion are all critical components of successfully launching a new service product. By carefully considering each of these elements and creating a comprehensive strategy, service providers can increase the likelihood of success for their new service product and attract customers to their brand.

SERVICE DELIVERY CHANNEL:

Service delivery channels refer to the different ways that a service provider delivers its services to customers. Service providers may use one or several delivery channels, depending on their business model and the needs of their customers. It's essential for service providers to understand their customers' preferences and behavior to ensure that they offer the right mix of service delivery channels to meet their needs.

Direct Channels:-

Direct channels in service delivery refer to channels that involve direct interaction between the service provider and the customer. These channels are typically used for services that require a high level of personalization or expertise, and they can help build strong relationships between the service provider and the customer.

Examples of direct channels in service delivery include:

- **Face-to-face interaction:** This is the most traditional form of direct service delivery, where customers meet service providers in person. Examples include retail stores, restaurants, and healthcare providers.
 - **Telephone interaction:** Some service providers offer telephone support or consultations, where customers can speak directly with a representative to receive assistance or advice.
 - **Live chat or instant messaging:** Many companies now offer live chat or instant messaging as a direct channel for customer support or sales. This channel allows customers to receive immediate assistance or information from a representative.
 - **Video conferencing:** Video conferencing is a direct channel that is becoming increasingly popular, especially for services that require a high level of personalization or expertise. Examples include telemedicine appointments, online tutoring, or financial planning consultations.
- Direct channels in service delivery can be highly effective for building strong customer relationships, as they allow for personalized and engaging interactions between the service provider and the customer.

However, they can also be more expensive to operate than indirect channels, such as self-service or automated channels, which may be more suitable for services with lower levels of personalization or expertise.

Franchising:-

Franchising is a business model in which a franchisor grants a franchisee the right to use its business model, brand, and support systems to sell goods or services in a particular territory or market. Franchising can be used as a method of service delivery, where a service provider licenses its brand and business model to franchisees, which then operate their own businesses under the franchisor's guidance.

In service delivery, franchising has several advantages:

- **Increased market reach:** Franchising allows service providers to expand their reach into new markets without having to invest heavily in infrastructure or marketing. By partnering with franchisees, service providers can tap into local knowledge and expertise to gain a foothold in new markets.
- **Consistent service quality:** Franchise agreements typically include strict guidelines and standards for service delivery, which helps ensure that customers receive a consistent level of quality across all locations. Franchisees are also required to undergo training and follow operational procedures to ensure that they meet the franchisor's standards.
- **Reduced risk:** Franchisees are responsible for the day-to-day operations of their businesses, which can help reduce the risk for the franchisor. This can be particularly beneficial for service providers that are expanding rapidly, as franchising allows them to grow their business without taking on significant financial risk.
- **Lower operating costs:** Franchisees typically fund the startup costs for their businesses, which can help reduce the financial burden on the franchisor. Additionally, franchisees are responsible for paying ongoing fees and royalties to the franchisor, which can provide a steady source of revenue for the franchisor.

Overall, franchising can be an effective method of service delivery, particularly for service providers that are looking to expand quickly or enter new markets. However, franchising also requires careful

planning and management to ensure that franchisees operate their businesses effectively and maintain the standards set by the franchisor.

Brokers/agents:-

Brokers are intermediaries who connect customers with service providers, acting as a middleman in the service delivery process. Brokers can be particularly useful in industries where there are many different service providers, or where customers may have difficulty finding the right provider for their needs.

In service delivery, brokers can offer several advantages:

- **Access to a wide range of service providers:** Brokers typically work with multiple service providers, which means they can offer customers a wider range of options than they would have if they were searching for services on their own.
- **Simplified service selection:** Brokers can help customers navigate complex service offerings and make informed decisions about which service providers to use. This can be particularly useful in industries where there are many different providers with varying levels of quality and expertise.
- **Streamlined service delivery:** Brokers can help coordinate service delivery between the customer and the service provider, which can help simplify the process and reduce the burden on the customer.
- **Reduced risk:** Brokers typically have relationships with service providers and can vouch for their reliability and quality. This can help reduce the risk for customers, who may be hesitant to use a service provider they are not familiar with.

However, there are also some potential drawbacks to using brokers in service delivery. For example, brokers may charge fees or commissions for their services, which can increase the overall cost of using a service provider. Additionally, brokers may not always have the customer's best interests in mind and may prioritize their own financial gain over finding the best service provider for the customer.

Internet channels:-

Internet channels in service delivery refer to the use of the internet to deliver services to customers. Internet channels have become increasingly important in service delivery due to the widespread adoption of digital technologies and the increasing demand for online services.

Examples of internet channels in service delivery include:

- a. **Websites:** Service providers can use their websites to provide information about their services, allow customers to book appointments or reservations, and facilitate online payments. Websites can also be used to provide customer support through chatbots or other automated tools.
- b. **Mobile apps:** Mobile apps can be used to provide a wide range of services, including retail, banking, and healthcare services. Apps can be used to deliver personalized content, track user behavior, and facilitate transactions.
- c. **Social media:** Social media platforms such as Facebook, Twitter, and Instagram can be used to deliver services through targeted advertising, customer support, and engagement with customers.
- d. **Online marketplaces:** Online marketplaces such as Amazon, eBay, and Airbnb can be used to deliver a wide range of services, including retail, travel, and hospitality services. These platforms provide a centralized location for customers to browse and purchase services from a variety of providers.

Internet channels in service delivery can be highly effective in reaching customers and providing convenient, personalized services. However, they also require careful planning and management to ensure that customers have a positive experience and that service providers can maintain their brand reputation and quality standards in the online environment.

CHANNEL CONFLICTS & RESOLUTION:

Channel conflict can occur in service marketing when there is a disagreement or competition between different channels or intermediaries that are involved in delivering a service to customers. Channel conflict can arise due to differences in pricing, positioning, distribution, or other factors that affect the relationships between service providers and intermediaries.

Examples of channel conflict in service marketing include:

- **Pricing conflicts:** Different intermediaries may offer different prices for the same service, leading to price competition and undercutting of prices.
- **Positioning conflicts:** Intermediaries may position services in different ways, which can create confusion or conflict for customers and service providers.
- **Distribution conflicts:** Intermediaries may compete for the same customers or territories, leading to conflicts over distribution channels and sales territories.

To resolve channel conflicts in service marketing, service providers can use several strategies, including:

- **Communication and negotiation:** Service providers can engage with intermediaries to understand their concerns and find ways to resolve conflicts through open communication and negotiation.
- **Channel design and management:** Service providers can design and manage channels to ensure that they are aligned with their overall service delivery strategy and that they provide clear differentiation and value to customers and intermediaries.
- **Conflict resolution mechanisms:** Service providers can develop mechanisms such as mediation, arbitration, or legal action to resolve conflicts when they arise.
- **Collaboration and partnerships:** Service providers can collaborate with intermediaries to develop joint marketing and sales initiatives, co-branding, and other partnerships that can help align their interests and resolve conflicts.

Overall, channel conflict is a common challenge in service marketing, but it can be resolved through effective communication, channel design and management, and collaboration between service providers and intermediaries.

RELATIONSHIP MARKETING:

Relationship marketing is an approach to marketing that emphasizes building long-term relationships with customers based on trust, loyalty, and mutual value creation. The goal of relationship marketing is to create loyal customers who will continue to do business with the company over time, rather than focusing solely on acquiring new customers.

Relationship marketing is based on the idea that customers are not just consumers of a company's products or services, but are also valuable partners in the creation of value. By building strong relationships with customers, companies can gain insights into customer needs and preferences, and use that knowledge to create products and services that better meet their customers' needs.

Some key principles of relationship marketing include:

- **Customer focus:** Relationship marketing is based on a deep understanding of customer needs and preferences, and a commitment to creating value for customers.
- **Continuous communication:** Relationship marketing involves ongoing communication with customers, including feedback gathering, customer support, and relationship-building activities.
- **Trust and loyalty:** Relationship marketing is based on building trust and loyalty with customers, through transparent and honest communication, high-quality products and services, and a commitment to customer satisfaction.
- **Personalization:** Relationship marketing involves tailoring products, services, and communications to the specific needs and preferences of individual customers.

- **Long-term perspective:** Relationship marketing emphasizes long-term relationships with customers, rather than short-term transactions or one-time sales.

Relationship marketing can be an effective approach to building strong customer relationships and creating long-term value for both customers and companies. By focusing on customer needs and preferences, building trust and loyalty, and tailoring products and services to individual customers, companies can create a sustainable competitive advantage and achieve long-term success.

RELATIONSHIP VALUE OF CUSTOMERS:

Relationship value of customers in service marketing refers to the long-term economic and strategic value that a customer brings to a company through their ongoing relationship and interactions with the company. The concept of relationship value is based on the idea that loyal customers are more profitable than one-time or occasional customers because they are more likely to make repeat purchases, refer new customers, and provide valuable feedback and insights to the company.

There are several key factors that contribute to the relationship value of customers in service marketing:

- a. **Lifetime value:** The lifetime value of a customer is a measure of the total amount of revenue and profit that the customer is expected to generate over the course of their relationship with the company. Customers with a high lifetime value are more valuable to the company because they provide a steady stream of revenue and are more likely to recommend the company to others.
- b. **Customer loyalty:** Loyal customers are more likely to continue doing business with the company over time, which can lead to higher sales and profits. Loyal customers are also more likely to recommend the company to others, which can help attract new customers and increase brand awareness.
- c. **Customer advocacy:** Customers who are advocates for the company can help promote the company to others through word-of-mouth marketing, social media, and other channels. Advocates can also provide valuable feedback and insights to the company, which can help improve products and services and enhance the customer experience.
- d. **Customer engagement:** Engaged customers are more likely to be satisfied with the company's products and services and are more likely to continue doing business with the company over time. Engaged customers may also be more likely to provide feedback and ideas to the company, which can help improve the customer experience and create new products and services.

Overall, the relationship value of customers in service marketing is a key factor in determining the long-term success and profitability of a company. By focusing on building strong relationships with customers, companies can create a sustainable competitive advantage and achieve long-term growth and success.

CUSTOMER PROFITABILITY SEGMENTATION:

Customer profitability segmentation is a process used in service marketing to group customers based on their profitability to the company. By analyzing customer data such as purchase history, revenue generated, and cost to serve, companies can identify which customers are most profitable and which are least profitable. This allows the company to develop targeted marketing and service strategies that focus on the most profitable customers and minimize the resources spent on less profitable customers.

There are several steps involved in customer profitability segmentation:

- **Data collection:** Companies must collect data on customer purchases, revenue generated, and cost to serve. This data can be collected through customer surveys, sales reports, and other sources.
- **Data analysis:** The collected data is analyzed to identify patterns and trends in customer

behavior. This analysis can help identify which customers are most profitable and which are least profitable.

- Segmentation:** Based on the analysis of customer data, customers are grouped into segments based on their profitability to the company. These segments can be based on factors such as purchase history, revenue generated, or cost to serve.

- Targeting:** Once customers are segmented, the company can develop targeted marketing and service strategies for each segment. This can include offering personalized promotions or discounts to high-profit customers, or minimizing resources spent on low-profit customers.

- Evaluation:** The effectiveness of the segmentation strategy is evaluated over time to ensure that it is meeting the company's goals for customer profitability.

CUSTOMER LIFETIME VALUE:

Customer lifetime value (CLV) is a metric used in service marketing to estimate the total value that a customer will bring to a company over the course of their relationship with the company. CLV takes into account the total revenue that a customer is expected to generate over their lifetime, as well as the costs associated with acquiring and serving that customer.

CLV is important in service marketing because it helps companies make strategic decisions about customer acquisition, retention, and loyalty. By understanding the lifetime value of different customer segments, companies can make more informed decisions about how to allocate resources, design marketing campaigns, and develop customer service programs.

Calculating CLV involves estimating several key variables, including:

- Average revenue per customer:** This is the average amount of revenue that a customer generates for the company over a given period of time.

- Customer acquisition cost:** This is the total cost of acquiring a new customer, including marketing, advertising, and sales expenses.

- Customer retention rate:** This is the percentage of customers who continue to do business with the company over time.

- Churn rate:** This is the percentage of customers who stop doing business with the company over time.

- Discount rate:** This is the rate at which future revenues and costs are discounted to account for the time value of money.

Once these variables are estimated, CLV can be calculated using a formula such as:

CLV = (Average revenue per customer x Customer lifetime) - Customer acquisition cost

or

CLV = (Average revenue per customer x (1 - Churn rate) x Customer lifetime) - Customer acquisition cost

By calculating CLV for different customer segments, companies can identify high-value customers and develop strategies to acquire and retain those customers over the long term. This can include personalized marketing campaigns, loyalty programs, and targeted customer service initiatives that are designed to build strong relationships with customers and enhance their lifetime value to the company.

RELATIONSHIP DEVELOPMENT STRATEGIES:

Relationship development strategies in service marketing are designed to build and maintain strong relationships between a company and its customers. These strategies focus on creating positive interactions, building trust, and demonstrating value to customers over time.

Here are some key relationship development strategies that companies can use in service marketing:

- Personalization:** Personalization involves tailoring products and services to meet the specific needs and preferences of individual customers. By offering personalized recommendations, promotions, and experiences, companies can demonstrate their commitment to meeting the unique needs of each customer.
- Communication:** Communication is key to building strong relationships with customers. Companies can use a variety of channels, such as email, social media, and chatbots, to keep customers informed and engaged throughout their interactions with the company.
- Customer service:** Providing excellent customer service is essential to building and maintaining strong relationships with customers. Companies can offer support through a variety of channels, such as phone, email, and chat, and can provide quick and effective solutions to customer problems and complaints.
- Loyalty programs:** Loyalty programs are designed to reward customers for their repeat business and encourage them to continue doing business with the company over time. These programs can include discounts, free products, and exclusive access to events and promotions.
- Community building:** Building a community around a brand or product can help create a sense of belonging among customers and foster a deeper connection between the company and its customers. Companies can use social media, forums, and other channels to create a space where customers can connect with each other and share their experiences.
- Personal interaction:** Creating opportunities for personal interaction, such as in-person events, workshops, and customer service interactions, can help build trust and rapport between customers and the company.

Overall, relationship development strategies are focused on creating positive experiences and building long-term relationships with customers. By prioritizing these strategies, companies can create a loyal customer base and achieve long-term success and profitability.

RELATIONSHIP CHALLENGES:

Relationships in service marketing face several challenges that can affect the company's ability to build and maintain strong relationships with customers.

Some of the key relationship challenges in service marketing include:

- Managing expectations:** Customers may have unrealistic expectations about the quality of service that a company can provide. It's important for companies to be transparent about what they can and cannot offer, and to manage customer expectations effectively.
- Building trust:** Trust is essential to building strong relationships with customers. Companies must work to establish trust through reliable and consistent service, open communication, and effective problem-solving.
- Maintaining consistency:** Service consistency is essential to building trust and maintaining customer loyalty. Companies must ensure that they provide consistent service across all channels and touch points.
- Dealing with complaints:** Complaints are inevitable in service marketing. Companies must have effective systems in place to deal with complaints promptly and professionally, and to resolve them to the customer's satisfaction.
- Competing on price:** In service marketing, customers are often price-sensitive and may be willing to switch to a competitor if they can offer a lower price. Companies must find ways to compete on value, rather than price, in order to build strong relationships with customers.
- Handling customer data:** With the increasing use of technology in service marketing, companies are collecting and using more customer data than ever before. It's essential for companies to handle customer data responsibly and to be transparent about how they use customer data.

Overall, the challenges in service marketing relationships can be overcome by prioritizing customer needs, building trust and transparency, and providing consistent and reliable service. By addressing these challenges effectively, companies can build strong and long-lasting relationships with their customers.

e-CRM, or ELECTRONIC CUSTOMER RELATIONSHIP MANAGEMENT:

e-CRM, or electronic customer relationship management, is the use of digital technologies to manage and improve customer relationships. e-CRM allows companies to interact with customers through a variety of digital channels, including email, social media, chatbots, and mobile apps.

e-CRM systems typically include a variety of tools and features designed to help companies manage customer data, track customer interactions, and personalize communications.

Some key features of e-CRM systems include:

- Customer data management:** e-CRM systems allow companies to collect and store customer data, such as contact information, purchase history, and preferences, in a centralized database. This data can be used to personalize communications and provide better service to customers.
- Multichannel communication:** e-CRM systems allow companies to interact with customers through multiple digital channels, including email, social media, chat, and mobile apps. This allows companies to provide more convenient and accessible service to customers.
- Marketing automation:** e-CRM systems can automate marketing processes, such as email campaigns and social media posts, based on customer data and preferences. This helps companies provide more personalized and relevant communications to customers.
- Customer service management:** e-CRM systems can help companies manage customer service interactions, such as inquiries, complaints, and support requests. This can improve response times and provide more effective solutions to customer problems.
- Analytics and reporting:** e-CRM systems provide data analytics and reporting tools that allow companies to track customer behavior and measure the effectiveness of their e-CRM strategies. This data can be used to make data-driven decisions and improve customer experiences.

Overall, e-CRM is a powerful tool for companies looking to build and maintain strong customer relationships in the digital age. By leveraging digital technologies to personalize communications, improve service, and provide more convenient interactions, companies can build loyal customer bases and drive long-term success.

SERVICE CONSUMER BEHAVIOUR:

Service consumer behavior refers to the actions and decisions that customers make when purchasing or using services. Service consumer behavior is influenced by a variety of factors, including personal characteristics, social and cultural factors, and the characteristics of the service itself.

Some of the key factors that influence service consumer behavior include:

- Personal characteristics:** Personal characteristics such as age, gender, income, and education can all impact how customers make decisions about services. For example, older customers may prioritize service quality and reliability, while younger customers may be more interested in convenience and accessibility.
- Social and cultural factors:** Social and cultural factors, such as family background, social class, and cultural norms, can also influence service consumer behavior. For example, customers from collectivist cultures may prioritize relationships and social connections when making decisions about services.

•**Service characteristics:** The characteristics of the service itself, such as the level of customization, the degree of interaction with service providers, and the level of risk involved, can all impact customer behavior. For example, customers may be more willing to try new services if they perceive the risk to be low.

•**Service quality:** Service quality is a key driver of customer behavior in service marketing. Customers are more likely to continue using a service if they perceive it to be of high quality, and may switch to a competitor if they perceive the quality to be lacking.

•**Customer expectations:** Customer expectations play a key role in service consumer behavior. Customers may have different expectations for different types of services, and may be more or less forgiving if their expectations are not met.

Overall, service consumer behavior is complex and multifaceted, and is influenced by a wide range of factors. By understanding these factors, service marketers can better understand customer needs and preferences, and develop strategies to attract and retain customers over the long term.

SERVICE FAILURE & RECOVERY:

Service failure is a situation where a service does not meet the expectations of the customer, resulting in dissatisfaction or disappointment. Service failures can occur due to a variety of reasons, including mistakes by service providers, unexpected events, or poor communication.

Service recovery refers to the actions taken by service providers to address service failures and restore customer satisfaction. Service recovery is important because it can help to minimize the negative impact of service failures on customer relationships and loyalty.

Some key steps that service providers can take to recover from service failures include:

•**Apologize:** Apologizing is a simple but important step in service recovery. A sincere apology can help to acknowledge the customer's disappointment and show that the service provider cares about their experience.

•**Listen and understand:** Service providers should take the time to listen to the customer's concerns and understand their perspective. This can help to identify the root cause of the service failure and develop a solution that meets the customer's needs.

•**Act quickly:** Service providers should act quickly to address the service failure and provide a solution. This can help to minimize the negative impact on the customer's experience and demonstrate that the service provider is committed to resolving the issue.

•**Compensate if necessary:** In some cases, compensation may be necessary to fully address the impact of the service failure. Compensation can take many forms, such as a discount, a free service, or a refund.

•**Follow up:** Following up with the customer after the service recovery can help to ensure that the solution met their needs and that they are satisfied with the outcome. This can also provide an opportunity to further build the customer relationship and demonstrate the service provider's commitment to customer satisfaction.

Overall, service failure and recovery are important concepts in service marketing because they can have a significant impact on customer relationships and loyalty. By understanding the steps involved in service recovery, service providers can develop effective strategies to address service failures and build stronger customer relationships over the long term.

SERVICE RESEARCH & INNOVATION

1. Financial Services Sector:

Service research and innovation are important for the financial services industry as it helps in improving the customer experience and providing better services to customers.

Here are some areas where service research and innovation can be applied in financial services:

- Digital transformation:** The financial services industry is rapidly moving towards digitalization, and service research can help in identifying the customer needs and expectations when it comes to digital services. Innovation in digital technologies such as mobile banking, online payments, and digital wallets can help in improving the customer experience.
- Personalization:** Service research can help in understanding the unique needs and preferences of customers, and innovation in personalization technologies can help in providing customized financial products and services that meet the needs of individual customers.
- Customer service:** Service research can help in identifying the pain points and challenges that customers face when it comes to customer service. Innovation in customer service technologies such as chat bots, virtual assistants, and AI can help in improving the quality of customer service.
- Risk management:** Service research can help in identifying the risks associated with financial products and services, and innovation in risk management technologies can help in mitigating those risks.

Overall, service research and innovation can help in improving the competitiveness of financial services companies, by providing better services to customers, improving efficiency and reducing costs.

2. **Tourism Service Sector:**

Service research and innovation are crucial in the tourism sector, as they can help to enhance the customer experience, attract more tourists, and boost the industry's competitiveness.

Here are some areas where service research and innovation can be applied in the tourism sector:

- Personalization:** Service research can help in understanding the unique needs and preferences of tourists, and innovation in personalization technologies can help in providing customized tourism products and services that meet the needs of individual tourists. For example, personalized travel itineraries, customized travel recommendations, and personalized hotel services can help in enhancing the tourist experience.
- Digital transformation:** The tourism industry is rapidly moving towards digitalization, and service research can help in identifying the customer needs and expectations when it comes to digital services. Innovation in digital technologies such as mobile apps, virtual and augmented reality, and online booking systems can help in improving the tourist experience.
- Sustainability:** Service research can help in identifying the sustainable tourism practices that are important to tourists, and innovation in sustainable tourism technologies can help in reducing the industry's impact on the environment. For example, eco-friendly hotels, carbon-offsetting schemes, and sustainable transportation options can help in attracting environmentally conscious tourists.
- Tourism safety:** Service research can help in identifying the safety concerns that tourists have when traveling, and innovation in safety technologies can help in addressing those concerns. For example, technologies such as contactless payment systems, facial recognition technology, and advanced security screening systems can help in improving the safety of tourists.

Overall, service research and innovation can help in improving the competitiveness of the tourism industry, by providing better services to tourists, enhancing their experience, and addressing their concerns.

3. **Education Service Sector:**

Service research and innovation are important in the education sector as they can help in enhancing the quality of education, improving student outcomes, and creating a better learning environment.

Here are some areas where service research and innovation can be applied in the education service:

•**Personalized learning:** Service research can help in understanding the unique learning needs and preferences of students, and innovation in personalized learning technologies can help in providing customized learning experiences that meet the needs of individual students. For example, adaptive learning platforms, personalized learning plans, and competency-based education can help in improving student outcomes.

•**Digital transformation:** The education sector is rapidly moving towards digitalization, and service research can help in identifying the customer needs and expectations when it comes to digital services. Innovation in digital technologies such as online learning platforms, virtual classrooms, and educational apps can help in improving access to education and providing a better learning experience.

•**Student support services:** Service research can help in identifying the challenges that students face when it comes to accessing support services, and innovation in student support technologies can help in addressing those challenges. For example, online tutoring services, career counseling services, and mental health support services can help in improving student outcomes.

•**Teacher training and development:** Service research can help in identifying the training and development needs of teachers, and innovation in teacher training technologies can help in providing professional development opportunities that improve teaching effectiveness. For example, online teacher training programs, micro-credentialing, and mentorship programs can help in improving teaching quality.

Overall, service research and innovation can help in improving the competitiveness of education service providers, by providing better services to students, improving student outcomes, and enhancing the quality of education.

4. **Health Service Sector:**

Service research and innovation are crucial in the health service sector, as they can help to improve patient outcomes, enhance the patient experience, and increase efficiency in the delivery of healthcare services.

Here are some areas where service research and innovation can be applied in the health service sector:

•**Personalized medicine:** Service research can help in understanding the unique needs and preferences of patients, and innovation in personalized medicine technologies can help in providing customized treatment plans that meet the needs of individual patients. For example, genetic testing, precision medicine, and targeted therapies can help in improving patient outcomes.

•**Digital transformation:** The health service sector is rapidly moving towards digitalization, and service research can help in identifying the customer needs and expectations when it comes to digital services. Innovation in digital technologies such as telemedicine, online patient portals, and wearable devices can help in improving access to healthcare services and enhancing the patient experience.

•**Patient engagement:** Service research can help in identifying the barriers that patients face when it comes to engaging with healthcare services, and innovation in patient engagement technologies can help in addressing those barriers. For example, patient engagement platforms, mobile apps, and patient education materials can help in improving patient outcomes.

•**Healthcare delivery and coordination:** Service research can help in identifying the inefficiencies in the delivery of healthcare services, and innovation in healthcare delivery technologies can help in increasing efficiency and reducing costs. For example, electronic health records, clinical decision support systems, and care coordination tools can help in improving the quality of healthcare services.

Overall, service research and innovation can help in improving the competitiveness of health service providers, by providing better services to patients, improving patient outcomes, and enhancing the quality of healthcare services.

5. **Telecom Service Sector:**

Service research and innovation are important in the telecom service sector as they can help in improving the quality of services, enhancing the customer experience, and increasing the efficiency of operations.

Here are some areas where service research and innovation can be applied in the telecom service sector:

- Network quality:** Service research can help in identifying the factors that impact network quality, and innovation in network technologies can help in improving network performance. For example, 5G networks, network function virtualization, and software-defined networking can help in providing faster and more reliable network services.
- Digital transformation:** The telecom service sector is rapidly moving towards digitalization, and service research can help in identifying the customer needs and expectations when it comes to digital services. Innovation in digital technologies such as artificial intelligence, the Internet of Things, and cloud computing can help in providing more advanced and personalized services to customers.
- Customer service:** Service research can help in understanding the needs and preferences of customers, and innovation in customer service technologies can help in providing better customer support. For example, chat bots, virtual assistants, and self-service portals can help in improving the customer experience.
- Value-added services:** Service research can help in identifying the additional services that customers are looking for, and innovation in value-added services can help in increasing revenue streams. For example, content services such as video streaming and music streaming, and IoT- (Internet of Things) based services such as smart homes and smart cities can help in providing additional services to customers.

Overall, service research and innovation can help in improving the competitiveness of telecom service providers, by providing better services to customers, enhancing the customer experience, and increasing efficiency in the delivery of telecom services.