Services Marketing - Definition

Introduction

The world economy nowadays is increasingly characterized as a service economy. This is primarily due to the increasing importance and share of the service sector in the economies of most developed and developing countries. In fact, the growth of the service sector has long been considered as indicative of a country's economic progress.

Economic history tells us that all developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy.

This shift has also brought about a change in the definition of goods and services themselves. No longer are goods considered separate from services. Rather, services now increasingly represent an integral part of the product and this interconnectedness of goods and services is represented on a goods-services continuum.

Definition of Services

The American Marketing Association defines services as - "Activities, benefits and satisfactions which are offered for sale or are provided in connection with the sale of goods."

Types of Services

1. **Core Services:** A service that is the primary purpose of the transaction. Eg: a haircut or the services of lawyer or teacher.
2. **Supplementary Services:** Services that are rendered as a corollary to the sale of a tangible product. Eg: Home delivery options offered by restaurants above a minimum bill value.

Difference between Goods and Services

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

Goods	Services
A physical commodity	A process or activity
Tangible	Intangible
Homogenous	Heterogeneous
Production and distribution are separation from their consumption	Production, distribution and consumption are simultaneous processes
Can be stored	Cannot be stored
Transfer of ownership is possible	Transfer of ownership is not possible

Services Marketing - Importance

Stated simply, Services Marketing refers to the marketing of services as against tangible products.

As already discussed, services are inherently intangible, are consumed simultaneously at the time of their production, cannot be stored, saved or resold once they have been used and service offerings are unique and cannot be exactly repeated even by the same service provider.

Marketing of services is a relatively new phenomenon in the domain of marketing, having gained in importance as a discipline only towards the end of the 20th century.

Services marketing first came to the fore in the 1980's when the debate started on whether marketing of services was significantly different from that of products so as to be classified as a separate discipline. Prior to this, services were considered just an aid to the production and marketing of goods and hence were not deemed as having separate relevance of their own.

The 1980's however saw a shift in this thinking. As the service sector started to grow in importance and emerged as a significant employer and contributor to the GDP, academics and marketing practitioners began to look at the marketing of services in a new light. Empirical

research was conducted which brought to light the specific distinguishing characteristics of services.

By the mid 1990's, Services Marketing was firmly entrenched as a significant sub discipline of marketing with its own empirical research and data and growing significance in the increasingly service sector dominated economies of the new millennium. New areas of study opened up in the field and were the subject of extensive empirical research giving rise to concepts such as - the product-service spectrum, relationship marketing, franchising of services, customer retention etc.

Importance of Marketing of Services

Given the intangibility of services, marketing them becomes a particularly challenging and yet extremely important task.

- **A key differentiator:** Due to the increasing homogeneity in product offerings, the attendant services provided are emerging as a key differentiator in the mind of the consumers. Eg: In case of two fast food chains serving a similar product (Pizza Hut and Domino's), more than the product it is the service quality that distinguishes the two brands from each other. Hence, marketers can leverage on the service offering to differentiate themselves from the competition and attract consumers.
- **Importance of relationships:** Relationships are a key factor when it comes to the marketing of services. Since the product is intangible, a large part of the customers' buying decision will depend on the degree to which he trusts the seller. Hence, the need to listen to the needs of the customer and fulfill them through the appropriate service offering and build a long lasting relationship which would lead to repeat sales and positive word of mouth.
- **Customer Retention:** Given today's highly competitive scenario where multiple providers are vying for a limited pool of customers, retaining customers is even more important than attracting new ones. Since services are usually generated and consumed at the same time, they actually involve the customer in service delivery process by taking into consideration his requirements and feedback. Thus they offer greater scope for customization according to customer requirements thus offering increased satisfaction leading to higher customer retention.

The 7 P's of Services Marketing

The first four elements in the services marketing mix are the same as those in the traditional marketing mix. However, given the unique nature of services, the implications of these are slightly different in case of services.

1. **Product:** In case of services, the 'product' is intangible, heterogeneous and perishable. Moreover, its production and consumption are inseparable. Hence, there is scope for customizing the offering as per customer requirements and the actual customer encounter therefore assumes particular significance. However, too much customization would compromise the standard delivery of the service and adversely affect its quality. Hence particular care has to be taken in designing the service offering.
2. **Pricing:** Pricing of services is tougher than pricing of goods. While the latter can be priced easily by taking into account the raw material costs, in case of services attendant costs -

such as labor and overhead costs - also need to be factored in. Thus a restaurant not only has to charge for the cost of the food served but also has to calculate a price for the ambience provided. The final price for the service is then arrived at by including a mark up for an adequate profit margin.

3. **Place:** Since service delivery is concurrent with its production and cannot be stored or transported, the location of the service product assumes importance. Service providers have to give special thought to where the service would be provided. Thus, a fine dine restaurant is better located in a busy, upscale market as against on the outskirts of a city. Similarly, a holiday resort is better situated in the countryside away from the rush and noise of a city.

4. **Promotion:** Since a service offering can be easily replicated promotion becomes crucial in differentiating a service offering in the mind of the consumer. Thus, service providers offering identical services such as airlines or banks and insurance companies invest heavily in advertising their services. This is crucial in attracting customers in a segment where the services providers have nearly identical offerings.

We now look at the 3 new elements of the services marketing mix - people, process and physical evidence - which are unique to the marketing of services.

5. **People:** People are a defining factor in a service delivery process, since a service is inseparable from the person providing it. Thus, a restaurant is known as much for its food as for the service provided by its staff. The same is true of banks and department stores. Consequently, customer service training for staff has become a top priority for many organizations today.

6. **Process:** The process of service delivery is crucial since it ensures that the same standard of service is repeatedly delivered to the customers. Therefore, most companies have a service blue print which provides the details of the service delivery process, often going down to even defining the service script and the greeting phrases to be used by the service staff.

7. **Physical Evidence:** Since services are intangible in nature most service providers strive to incorporate certain tangible elements into their offering to enhance customer experience. Thus, there are hair salons that have well designed waiting areas often with magazines and plush sofas for patrons to read and relax while they await their turn. Similarly, restaurants invest heavily in their interior design and decorations to offer a tangible and unique experience to their guests.

What is Physical Evidence of Service Quality?

As services are intangible, physical evidence of a service is provided by the tangible cues that customers rely on to evaluate the service before purchase, and during and after the delivery of the service. Proper design of the servicescape can help in closing gap between

management perceptions of customer requirements and service design and delivery specifications. Physical evidence generally consists of the following:

1. **Servicescape:** It includes (i) facility exteriors like exterior design, signage, parking, landscape and the surrounding environment, and (ii) facility interiors like interior design, equipment, signage, layout and air quality and temperature.

2. **Other tangibles:** It includes business cards, stationery, billing statements, reports, employee dress, uniforms, brochures, web pages and the virtual servicescape.

Roles played by Physical Environment

The physical environment affects customers and employees, i.e. anybody who uses it. It can play various roles as discussed in the following sections:

1. **Package:** The physical evidence of a service plays a role similar to that of product packaging, it wraps the service and communicates its characteristics to the customer. A clean, safe servicescape conveys the image of a superior quality service to the customers and makes them feel proud of being associated with the service, i.e., it enhances the image benefits received by the customer.

2. **Facilitator:** A hindrance-free layout of the servicescape can enhance employee performance and customer satisfaction. Physical evidence like comfortable chairs in the seating area matches the requirements of customers thereby enhancing the perception of the quality of service in their minds.

3. **Socialiser:** The servicescape helps customers and employees socialize and interact with each other and among themselves as services are mainly delivered through interactions during the moments of truth. The physical evidence also sets the mood for the service, a cheerful mood at entertainment services, a professional mood around offices and calm, relaxing ambience in healthcare establishments.

Differentiator: The physical evidence can help to differentiate and position a service for a particular segment of customers when designed according to their tastes and preferences including what they are willing to pay for. For instance, the physical evidence for a high-priced upper class area would be enhanced and differentiated from a low-priced lower class area in any service setting or among similar services.

Relationship between Physical Environment and the Service Consumer

Professor Mary J. Bitner introduced a framework for understanding environment-user relationships in service organisations in 1992. The framework is depicted in Figure 1 below:
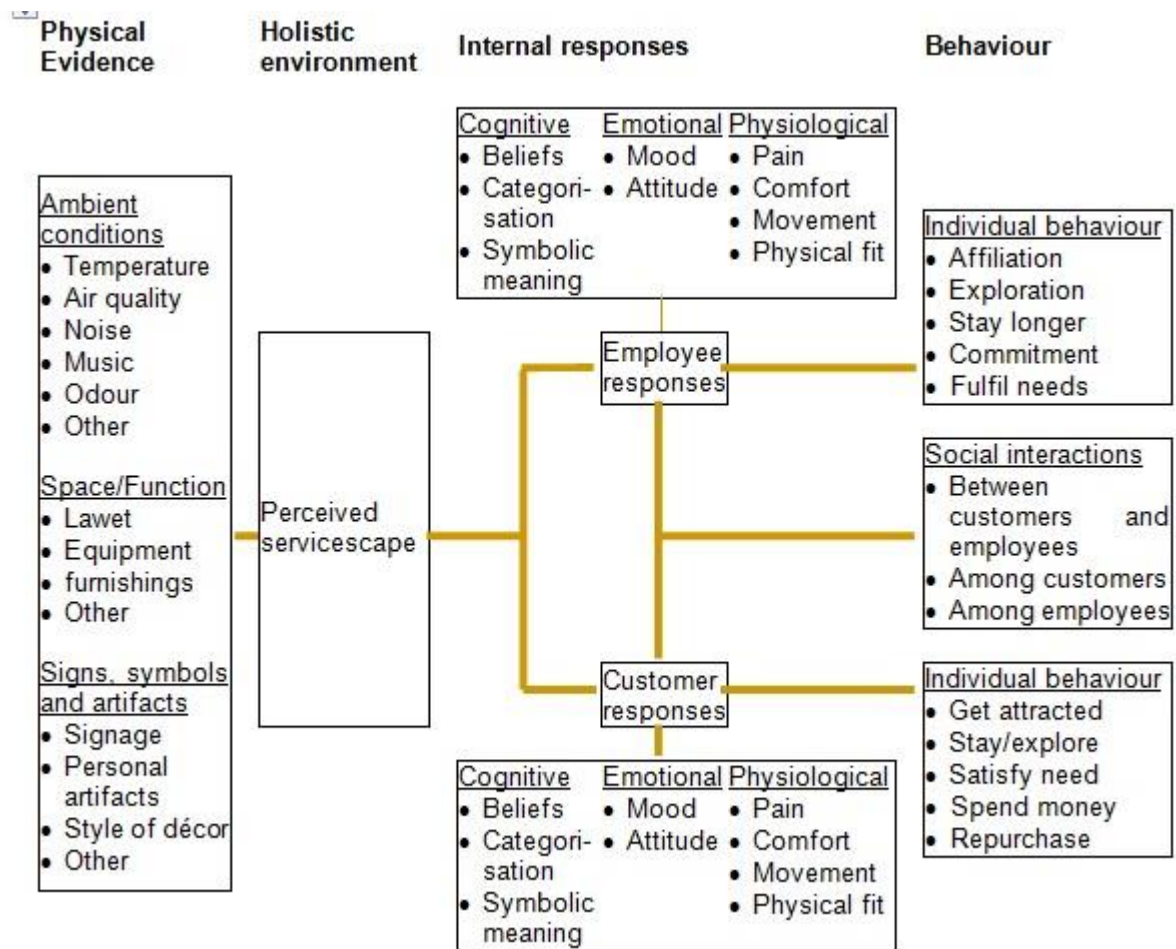
1. \

Figure 1: Physical Evidence - User Relationship

he objective of our service business is to attract customers and ensure that they are able to satisfy their needs while enjoying the service experience. They would like to spend their money if they perceive that they have received net benefit from our company. If they are satisfied with the service, they would repurchase our services and refer our services to others.

Our employees would mainly serve the customer. It is important that they feel comfortable at our servicescape. This would help them feel like staying till they complete their duty and do additional innovation for the benefit of the customers and our organisation in the long term.

As we know very well by now, services are primarily delivered through interactions between and among employees and customers.
In order that the above desirable behaviour can take place effectively and efficiently, it is important that they receive the right cues from the environment that can elicit the right internal responses within customers and employees. The responses would be of three types, cognitive, emotional and physiological. The right environment would give them desirable cues. For instance, a clean and organized office would convey a sense of efficiency to customers and employees alike. High quality, working equipment would give assurance to customers that their problems would be flawlessly satisfied at the service outlet. Similarly, the availability of efficient working equipment gives service providers the opportunity for doing a good job of their service. The physical evidence, like presence and placement of chairs gives meaning to the space and indicates the category or segment of customers who are

likely to receive the service in those surroundings. These are the cognitive responses of the physical evidence of service.

Lighting, music, décor, air temperature and freshness make up the ambience of the servicescape which is aided by sparkling surroundings and equipment. This gives a positive mood and attitude to customers and service providers. On the other hand, a poorly-lit, damp servicescape quickly conveys a negative attitude of the service provider and elicits negative emotional response from the customers.

Above cognitions and emotions give rise to physiological responses like pain or comfort. The placement of physical facilities gives them direction for movement and rest. On the whole, customers and employees feel fit and comfortable at the service facility. These responses give employees an opportunity to provide flawless service to customers that they can be proud of. Similarly, customers are able to negotiate their way in the service facility and have their needs satisfied in the enabling atmosphere.

Hence, it is clear that the appropriate physical evidence, consistent with the service concept and the brand image, elicits positive cognitions, emotions and physiological responses from customers and service providers. This enables the production and consumption of services thereby leading to fulfilment of customers' and organisations' goals.

Design and Maintenance of Physical Facilities

We have understood by now that physical evidence is an important aspect of our service, which cannot be ignored. Accordingly, we have to employ architects, interior designers and merchandise designers to design physical features that are consistent with our service concept and conveys the value, form and function, outcome and the nature of experience that customers are to receive from the servicescape. More importantly, they must match the preferences of our customers, yet provide slightly more than what our customer segment would have ordinarily expected from the facility. You may have noted how various elements of the physical evidence of Jet Ariways are blue in colour while those are red in colour for Kingfisher Airlines. These elements are consistent with the logo and masthead and reflect the value and nature of experience that each airline has promised to deliver. The physical evidence should have elements of surprise, joy, interest and captivation inbuilt in them, in order to be perceived to be slightly beyond the expectations of the customers and delight them.

Elements of the physical evidence, particularly the servicescape, are costly and cannot be redone again and again without making large outlays. Hence it has to be executed correctly the first time itself.

Every bit of the physical environment that is likely to affect employees, customers and visitors must be identified in the service blueprint. Alternative designs for these facilities must be evaluated and the right one must be executed with care. The opinion of customer representative, service personnel, service managers, stockholders, collaborators and visitors must be taken and a consensus arrived at while selecting an appropriate design. This procedure will also help the service providers and their collaborators to get involved and invest interest and time in the development of the facility while feeling a sense of ownership for the same. Care must be taken to involve as many of the above people as possible in decisions related to the smallest details of the servicescape, so that the very best is obtained

without requirements for later replacement and rework.

Once the service is in operation, much attention must be given to the maintenance of the facility in order to keep it spick and span and in working order. All unused, non-working and damaged objects should be removed without delay and replaced with new components. We must remember that visitors to our facility will quickly get used to the physical evidence in our service facility. In order to maintain their interest in the company and to give them a feel of a renewing firm, the servicescape should be modernised and updated beyond the expectations of customers. It is a challenge to implement what customers could be suggesting later on, before they can expect it. This can keep our customers interested in our organisation and patronise the same. Interesting elements of the servicescape can become a matter of special attraction and customers would speak about it to others while intentionally or unintentionally promoting the firm and its services to them.

Understanding Customer Expectations

We have already discussed that on-stage contact personnel would actually deliver parts of the service to customers during the moments of truth. Who decides what to perform and what to deliver? If your answer to this question is, that, the customer decides what has to be delivered at each moment of truth, then you are quite right. Service personnel have to deliver what the customer expects at each moment of truth of a particular service. In case we are wrong about what customers expect, and, we deliver something that is unpleasantly different from their expectations, customers would get dissatisfied with our service and refuse to purchase the same. Therefore, we have to learn about what customers could expect from the service that we wish to deliver.

Customer expectations can be either in the form of their prediction as to what they are likely to receive from the service personnel, or what they desire they can and should be receiving from the latter. For instance, customers would expect that the postal service will deliver their mail someday, but they might desire that the mail be delivered next day. The first category of expectations is called 'would' expectations while the second category of expectations are called 'should' or 'desired' expectations. As a customer focused service provider, we will be more interested in the 'should' expectations of the customer as fulfilment of those expectations is likely to provide complete satisfaction to the customer.

While customers have their desired expectations, they are normally prepared to change the level of their expectations depending upon previous experiences, information captured from various sources or the current situation. Accordingly, they would settle for a minimum or 'adequate' level of service that could satisfy them for that instance of service. For example, when customers find that the service facility is crowded with other customers, they would start expecting lower levels of service from what they would ideally desire from the service personnel. It is important for us to know the minimum level of service that could satisfy customers, as they would be dissatisfied if the service level fell below this minimum level. This could motivate them to leave the service without purchasing it. They are likely to talk ill about the service to others as dissatisfied customers tend to talk to more people about their frustrations that satisfied people talk to others about their positive experiences.

Customer expectations could have the following orientations:

Outcome orientation, i.e., customer expectations of what (e.g. a haircut) he/she should receive from the service,Process orientation, i.e., customer expectations of how (e.g. smoothly or happily) he/she should receive the outcome of the service, and

Relationship orientation, i.e., customer expectations about how he/she can relate (e.g. as a non-intrusive friend) to the service personnel.

How will we find out what customers desire from our service personnel at each moment of truth.If your answer is that you will take a representative, yet random sample of customers from our target market and ask them, you are on the right track. We must ask our customers to imagine the situation from their past experience of the moment of truth in a same or similar service. Then we must ask them to write down *not* what happened, *instead* their desire as to what service personnel should be doing during the particular moment of truth and how he/she should be doing it. Collate the customers' desired expectations at each moment of truth.

It is possible that the desired expectations vary, both with respect to their content, and the level of intensity for different customers. For example, at the entry to a restaurant, some customers may desire a smooth door which they can operate themselves, others might wish that the door is opened for them by the doorman, still others may wish that they be greeted by the doorman while opening the door while some customers might desire that they be greeted with a rose at the time of entering the restaurant. Which of these desires are to be acceded to? One simple way is to provide what most of the customers want. However, the expectations may not point towards a single mostly demanded desire in some cases.

There is a more sophisticated method of choosing which of the above desires should be satisfied at the moment of truth. Noriaki Kano and his colleagues developed a method around 1979 by which various requirements of customers could be classified into three categories as follows:

1. Must-be requirements: Take the example of the provision of soap in the washroom of a restaurant. Customers would be dissatisfied if these requirements are not fulfilled but would take it for granted when these are provided.

2. One-dimensional requirements: Take the case of the speed with which food is served at a restaurant. Customers would be more satisfied with faster service and less satisfied with slower service. In general, customers' satisfaction would be proportional to the level that their requirement is fulfilled.

3. Attractive requirements: Imagine the example of receiving a rose at the time of entering a restaurant. Customers would be delighted, when such requirements are fulfilled, but will not be dissatisfied when these not fulfilled.
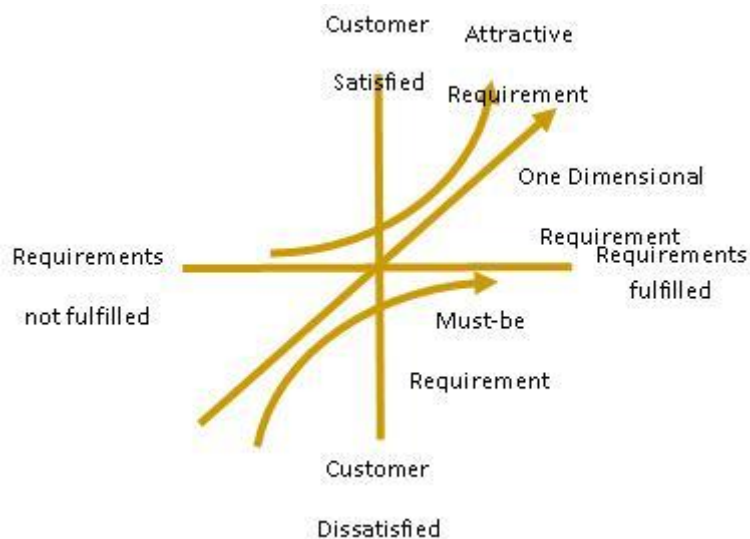
Figure : Kano's Model

The above model has been depicted pictorially in Figure 14.2. In order to categorise desired customer expectations into the above three categories, the customers would have to be asked a pair of functional and dysfunctional questions. In order to categorise customers' wishes to be greeted with a rose at the time of entry, the pair of questions would be as follows:

Functional: How would you feel if you are given a rose at the time of entry?

Dysfunctional: How would you feel if you are not given a rose at the time of entry?

Customers would be asked to answer each of the above questions in terms of the following options: 1. I like it that way 2. It must be that way 3. I am neutral 4. I can live with it that way 5. I dislike it that way. Now the mean value of the answers of all the respondent customers are plotted on the Kano Evaluation Table (see Table 24-1) and the requirements classified into each of the three types, attractive, must-be or one-dimensional.

Table 24-1: Kano Evaluation Table

Customer requirements		Dysfunctional				
		1. like	2. must-be	3. neutral	4. live with	5. dislike
Functional	1. like	Q	A	A	A	O
	2. must-be	R	I	I	I	M
	3. neutral	R	I	I	I	M
	4. live with	R	I	I	I	M
	5. dislike	R	R	R	R	Q

	A = attractive	I = indifferent
	M = must-be	R = reverse
	O = one-dimensional	Q = questionable result

Now we must ensure that all must-be requirements are fulfilled, the one-dimensional requirements are fulfilled as much as possible with respect to what the competition does and the attractive requirements are fulfilled to distinguish our service from our competitors. In this way we can ensure that we are on the track of providing customers what they want so that they can be motivated to purchase our services.

24.4 Preparing the Service Script

Once we have decided what and how service personnel are going to perform at each moment of truth, we have to write down the service script. The service script would encapsulate the customer expectations in print that are to be met by our service offering, i.e. what and how service personnel would deliver the service at each moment of truth. For instance, the script would mention how the door attendant would greet the customers, and open the door to let them in. It would also mention that if the capacity was full, the attendant would tell that to the customers, give them an estimate of the time they would have to wait for their turn, request them to sit down in the waiting area or advice them to visit another restaurant if other customers were already waiting in queue. Similarly, the waiter would have to learn the script to take and confirm the order, to serve in the correct manner, to take feedback and present the bill at the right time and the correct way. You must have noted that the script removes ambiguity about what and how the service has to be delivered at each moment of truth, ensures that the service is completely delivered without the customer having to undergo discomfort in fulfilling missing links like beckoning the waiter again and again to state his requirements. The service script pinpoints the exact role each service personnel has to play in order to deliver the service correctly. Even when something goes wrong in the delivery and the customer complains, service personnel have to learn the script to be followed to handle the irate customer and make good or 'recover' the service! The service script, is prepared in consultation with the service personnel, the service manager and a representative customer. The script is acted out few times before being finalised and isused for training service personnel.

Developing Brand new services:

New Service Characteristics:

Since services are intangible, it has to have 4 basic characteristics:

1.It must be objective, not subjective

2.It must be precise, not vague.

3.It must be fact driven, not opinion driven.

4.It must be methodological, not philosophical.

NEW SERVICE DEVELOPMENT PROCESS/ STAGES:

I Front End Planning:

a.   Business Strategy Development:

The first Step is to review the vision and mission of the company.

b.   New Service Strategy Development:

The product portfolio strategy and a defined organizational structure for new product / service development are critical for the foundation of success. (Possibility in terms of markets, types of services, time horizon, profit criteria).

OFFERINGS	MARKETS	
	Current customers	New customers
Existing services	Share Building	Market development
New Services	Service Development	Diversification

The framework allows an organization to identify possible directions for growth.

Offerings are some of the most common approaches.

➢ There should be formal mechanism for ensuring an ongoing stream of new service possibilities.

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➢ The mechanism may include a formal new service development department with responsibility for generating new ideas, suggestion boxes for employees, customers, new service development teams to

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identify new services.

c. Idea Generation:

Formal brainstorming, solicitation of ideas from employees and customers, lead-users researchers and learning about competitors.

d.Service Concept development and evaluation:

ϖ   After clear definition of the concept, it is important to produce a description of the service that represents its specific features and then to determine initial customer and employee responses to the concept.

e. Business Analysis:

ϖ   Assuming the service concept is favourably evaluated by customers and employees at the concept development stage, the next step is to determine its feasibility and potential profit implications.

ϖ   This stage will involve preliminary assumptions about the costs of hiring and training personnel delivery system enhancements, facility changes.

ϖ   The organization will pass the results of the business analysis through its profitability and feasibility screen to determine whether the new service idea meets the minimum requirements.

II IMPLEMENTATION:

f. Service development and testing:

It involves construction of product prototype and testing for consumer acceptance.

During this phase, the concept is refined to the point where a detailed service blueprint representing the implementation plan for the service can be produced.

g.   Market testing:

The new service may be offered to employees of the organization and their families for a time to assess their responses to variations in marketing mix.

At this stage, pilot study has to be done for the service, to be sure that the operational details are functioning smoothly.

h.   Commercialization:

At this stage, the service goes live and introduced to the market place.

• The first is to build and maintain acceptance of the new service among large numbers of service delivery personnel who will be responsibility day-to-day for service quality.

• To monitor all aspects of the service during introduction and through the complete service cycle.

i. Post introduction evaluation:

At this stage, the information gathered during commercialization of the service can be viewed and changes made to the delivery process, staffing or marketing –mix variables on the basis of actual offering to the market response.

Retaining Current Customers

It is widely known, that the cost of acquiring new customers is about five time the cost of retaining current customers. While money has to be spent in acquiring new customers, a company gains from old loyal customers as they:

1. purchase the services of the company repetitively,

2. are cheaper to serve as they do not have to be educated for repeated service deliveries and play their roles accurately,

3. are willing to pay a increased price for the same service as they are satisfied with it,

4. purchase other services from the same company, and,

5. refer the company to other people, who in-turn purchase from and add to the revenues of the company.

A customer can be retained when he/she becomes loyal to the company. A customer becomes loyal to the company when he/she is satisfied with the quality of service delivered by the company and receives true economic value (TEV) from the company. Professors Sunil Gupta and Valerie Zeithaml have written in 2006 that both customer satisfaction, and resulting customer retention, enhances financial performance of a firm. For instance 1% increase in the American Customer Satisfaction Index can lead to a $240 to $275 million improvement in firm value.

We may note that not all customers are profitable for a company. It has been found that the top 20% of the customers generate 220% of the profits while non-profitable customers eat away a lot of the generated profit as shown in Figure 37-1 and Figure 37-2. So, we would be interested in identifying our profitable customers and nurture them, while negotiating low-cost services or higher prices with non-profitable customers. In one company, researchers found that the single largest customers also accounted for the heaviest investments from the company to serve them and were therefore, eating into the company's profits. Company personnel then negotiated with their largest customer for higher prices while streamlining the services offered to the customer. We would then be wondering how we can calculate the value of a customer to our company. The model used to do that is called customer lifetime value (CLV) as described in the following section
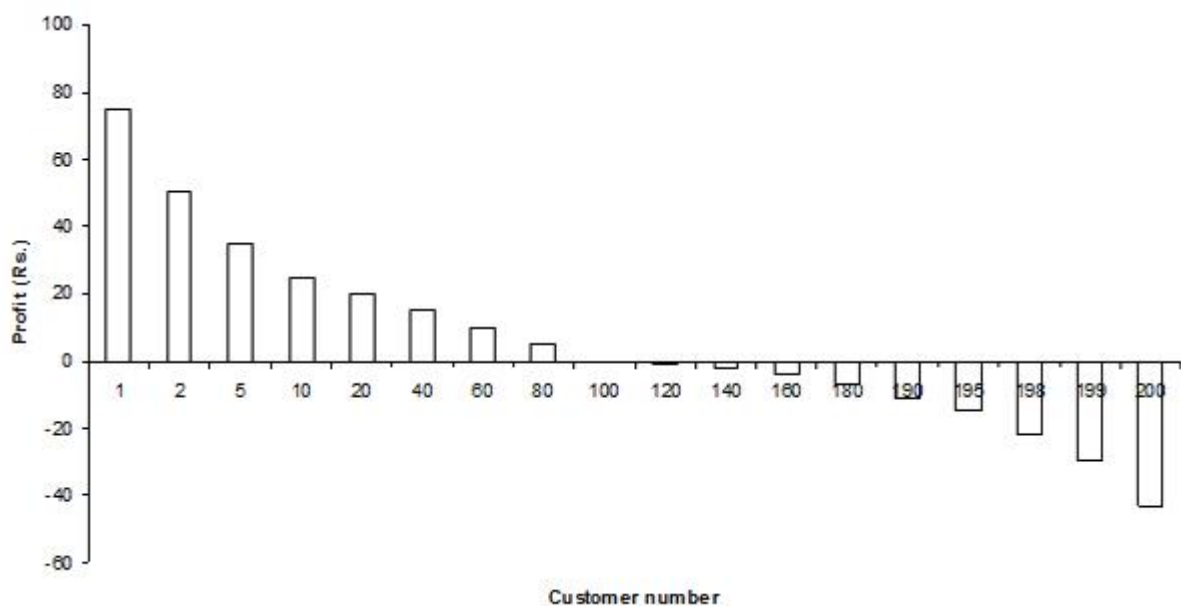

Figure 37-1: Customer Profitability Ranked from Most to Least Profitable Customers
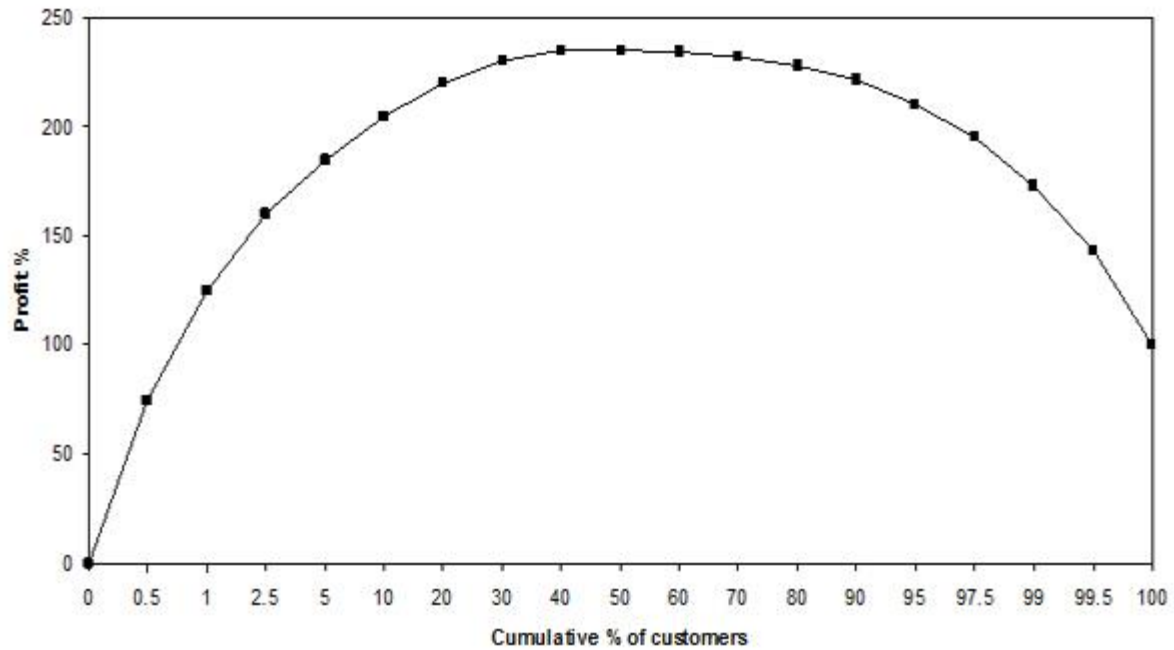
Figure 37-2: Whale Curve showing Customer Profitability

Customer Lifetime Value

Professors Sunil Gupta and Donald R. Lehman have shown in 2003 that the customer lifetime value can be calculated using the following formula:

CLV = mr(1+i-r) where,
m is the constant margin received from the customer,
r is retention rate, i.e. the probability that the customer will make a repurchase, and
i is the prevailing interest rate

The margin and retention rates are calculated from an analysis of previous shopping data of the customers. It is clear from the above formula that the value of a customer retained with the company is directly proportional to the retention rate. Many research studies have found that making investment on customer retention is more important than investments on improving the margin or investing in customer acquisition, although this is dependent on the life cycle of the service industry. For instance, studies have found that it is five times more costly to acquire new customers than to retain current customers. Hence, it is important to retain current customers of a company and try to make them loyal to the company.

Types of New Services

New services can be of the following six types:

1. Radical innovations that are new to the world like guaranteed overnight courier delivery by Federal Express
2. New services offered to customers having access to competitive products

3. New services offered to customers by a company which was not providing those services earlier like Barnes and Noble
   booksellers offering coffee services
4. Service-line extensions like an airline offering additional routes

5. Service improvements like augmenting hotel rooms with internet facilities
6. Style changes like changing the colour of the servicescape, redesigning the website, logo, etc.

Reasons for Success/Failure of New Services

According to Professor Robert G. Cooper (2001) that the primary reasons for failure of new products and services included:

1. no unique benefits offered

2. insufficient demand

3. unrealistic performance goals like market share, etc. for the new service

4. poor fit between the new service and others within the organisation's portfolio

5. poor location

6. insufficient financial backing

7. failure to take the necessary time to develop and introduce the new service

Professors Henard and Szymanski wrote in 2001 that the primary reasons for success of new services are that the new service:

1. meets customer needs, has advantage over the competition, and is technologically sophisticated,

2. has dedicated R&D, dedicated human resources and availability of marketing, predevelopment, technological and launch proficiencies in the firm for new service development and commercialisation, and

3. enjoys existence of the potential for absorption in the market

Professor G. L. Shostack wrote in 1984 that as services are intangible, new service development system should have the following four characteristics:

1. It must be objective, not subjective

2. It must be precise, not vague

3. It must be fact driven, not opinion driven

4. It must be methodological, not philosophical

As services are produced and consumed simultaneously, customers are heavily involved in the production and consumption of services. Customers may be co-producing a service as in a self-service restaurant. Therefore, both employee and customer representatives must be a part of the new service design and development team from the very beginning. For instance, some hotels involve their customers and service personnel in the design of their hotel rooms besides architects, managers and other professionals.

Professor John T. Gourville wrote in 2004 that successful new product / services offer plenty of new benefits while requiring little change in consumer behaviour. As illustrated in Figure Error! No text of specified style in document..1, new offerings like Google became successful as it provided a powerful search engine vehicle requiring no change in customer's way of searching the Internet.

		New Benefits Provided	
		Few	**Large**
Change in customer Behaviour	**High**	*Sure failures:* DVORAK keyboard	*Long Hauls:* Satellite Radio
	Low	*Easy Sells:* McDonald's Vegetarian Menu	*Smash Hits:* Google

Figure 1 : Criteria for success of New Offerings

Stages in New Service Development

Professors Zeithaml, Bitner, Gremler and Pandit, have published the stages of new service development from various sources in their book entitled "Services Marketing" in 2008. The stages are depicted in Figure below. These stages are discussed in some detail in the following paragraphs.

Front-end planning	1	Business strategy review		
	2	Developing new service strategy		

	3	Idea generation	Screen ideas against new service strategy	Drop
	4	Concept development and evaluation	Test concept with customers and employees	Drop
	5	Developing the business case	Test for Feasibility and profitability	Drop
Implementation	6	Service development and testing	Conduct service prototype test	Drop
	7	Market testing	Test service and mix elements	Drop
	8	Commercialisation		
	9	Post-introduction evaluation		

Figure 2: Stages in New Service Development

Stage 1: Business Strategy Review

At this stage we must review and understand the vision, mission, values and strategic orientation of our company. The vision of transporting goods, i.e., cargo service would be different from the vision of transporting mail, i.e., courier service. In 1997, Michael Treacy and Fred Wiersema have written about three value disciplines that companies must choose from. These include: 1. the operationally excellent firm, which is efficient and delivers services at the lowest cost to the customer, 2. the product/service leader, i.e., offering innovative services under a strong brand, and 3. The customer intimate firm, that excels in customer attention and customer service.

Next, we must understand the strategic orientation that our company has decided to take to excel in the marketplace. A strategy is essentially a means to reaching business goals that our company has decided for itself. Generic strategies are game plans for operating and surviving in the marketplace. Michael Porter has written about three generic strategies in 1980. These are: 1. cost leadership strategy, i.e., becoming the lowest cost provider of services, 2. differentiation strategy, i.e., providing unique set of benefits to the customers which are not offered by our competitors, and 3. focus strategy, i.e., focusing on a niche or narrow market segment and fulfilling the needs of that segment through its service offerings.

Stage 2: Developing New Service Strategy

We must decide the strategy that our company would like to take to grow in the marketplace and align new service development in that direction. These include 1. intensive growth, 2. integrative growth and 3. diversification.

For intensive growth, the company would strive to increase market share for its current services in the current market or develop and launch new services in existing markets or take current services to new markets. These strategies are depicted in the matrix published by Professor H. I. Ansoff in 1965. A company can increase its market share by changing the style of operations and enhancing its customer intimacy, for instance. Ordinarily, service businesses choose to grow by taking their current services to new markets, i.e., new countries and cities and adapt the offering to the preferences of the customers in the new market. You may have noticed how McDonald's opened its outlets in various cities in India, one after another. On the other hand, post offices in India started providing fixed deposit services and passport related services in the same markets where they were offering postal services. Similarly, a customs agent may launch courier services in the city where they are located, as an example of growing their business by offering new services in existing markets.

		Market	
		Current	New
Services	New	New Service Development	(Diversification)
	Current	Increasing market share	Market development

Figure 3 Ansoff's Matrix indicating Intensive Growth Strategies

For integrative growth, the company would form joint ventures or alliances with other companies in order to deliver complementary services, such as catering services for airlines. It might also like to acquire other companies or merge with them.

Under the diversification strategy, the company develops and launches new services in new markets. This step is risky as the company does not have prior experience with the new service in the new market. However, once the intensive and integrative modes of growth have been exhausted, a business would have no choice other than to diversify its business into new services in new markets.

Knowledge about the above strategic orientation of our company will help us formulate the new service strategy. We can now initiate the new service development process in alignment with the new service strategy.

 Stage 3: Idea generation

As indicated in Figure 2, the third stage of new service development is that of idea generation. This stage requires a formal department to be set up in our company. The activities in this stage would include conducting idea generation exercises like brainstorming and focus group discussion with customers, observing customers in different situations wherein they receive the same benefit through similar or ernative services and learning about the services provided by competitors. The company must also place suggestion boxes and institute suggestion reward schemes to attract suggestions from their employees. Listening to customers is the best way to receive ideas, not only for improvements in the

current services offering, but also for entirely new services. The idea must align with the new service strategy; otherwise the idea must be dropped or shelved. It must also undergo preliminary evaluation regarding the potential market for the benefit that customers are willing to receive from the service. We must keep in mind that the quantum of investments starts increasing rapidly from this point onwards for developing each idea. Unless the idea has clear potential, it must be dropped, otherwise the company will face further losses if the idea is allowed to be developed further and is dropped at a later stage due to lack of feasibility.

Stage 4: Service Concept Development

An idea that appears feasible and profitable is taken up for development of the service concept. The service concept is the description of the service in terms of the value it will provide customers, the form and function of the service, the type and level of experience that customers are likely to receive from the service, and the outcome of the service. The concept is developed by involving customers, service personnel, service managers, suppliers and other professionals such that it is acceptable to all and everybody agree that it is likely to provide much needed benefits to the customers. Further details about the service concept are discussed in Lesson 12. The service concept is tested with customers and employees and is dropped if it is not found to offer substantial benefits to customers in comparison to existing alternate methods by which customers can satisfy their need.
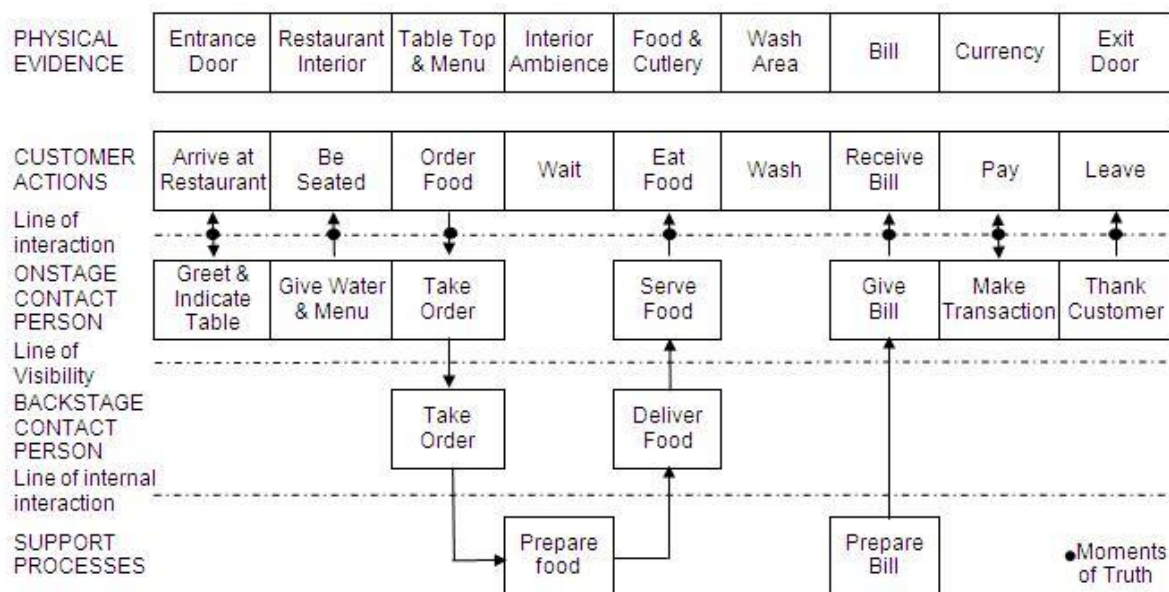

Figure 4: Blueprint of a Typical Restaurant Service

A blueprint of the service can also be drawn at this stage as elaborated . The blueprint would help in laying out the service process and estimating various costs involved in delivering the service to customers. This would help in estimating the profitability of the service business and developing the business case as discussed in the following section.

Stage5: Developing the Business Case

The service concept is then tested for marketing, technical and economic feasibility as discussed in Lesson 6. It is ensured that it will be possible to deliver the services in a manner acceptable to customers, the customers are willing to purchase the service, and the service remains profitable with a three-year ROI/ROCE that is greater than the prevailing bank interest rate. If the service does not seem to be profitable, it must be dropped without incurring any further cost in developing the concept further. The profitable business case is then developed for approval of the management and representatives of the shareholders and investors.

Stage 6: Service Development and Testing

Once the business case for the service has been approved, it is taken up for development of the actual service. The blueprint of the services is further developed and the service prototype is tested with actual customers. For example, a bank can test new ideas by reorganizing current branches for the test period and observing and collecting data from actual customers about the benefits of the new idea. One bank found that installing TVs with CNN channel reduced the perceived waiting time for the customers and then the same was taken up for implementation in big branches. In this way all new concepts are tested and those ideas that do not provide substantial benefits to customers are promptly dropped.

Stage 7: Market Testing

Once the service prototypes have been tested, these are put together for a pilot test. Alternative marketing mix elements or 7Ps options are tested at this stage. At first, the pilot service is offered to the employees of the organisation and their feedback is collected. The service is then modified according to the feedback received and is offered to actual customers for a short period and their feedback collected. The feedback is analysed for effecting further modifications in the service and tying up any loose ends. If the service passes the market testing phase and it is found that customers are enthusiastic about the new service and the service is estimated to generate profits, the service development is taken to the next stage.

Stage 8: Commercialisation

The plan for rolling out the new service is then drawn up. It is usually rolled out in a phased manner by opening it up in the least risky markets and then quickly spreading it to other markets if the feedback is favourable. Commercialisation has two important objectives. The first objective is to elicit the support of the large number of service personnel who are going to deliver the services. At this stage the new service is marketed to the employees of the organisation as a new smart offering that generates profits and bonuses for the organisation. The second objective is to monitor the service throughout the period that customers purchase and use the service. Every interaction at the moment of truth and every detail is monitored and feedback collected from the customers as to whether the latter's needs are being fulfilled, whether they are deriving benefits from the service and are satisfied and what modifications they would like to be made in the service. The service is constantly modified based on the feedback collected. Customers' comfort with the price

and other marketing mix elements is thoroughly ensured by the service manager and adjustment and improvements are continuously made so that customers feel a compelling need to purchase the service.

Stage 9: Post-launch evaluation

The service is reviewed for performance according to a pre-planned period of review. Customers, employees, the market and the context keep changing with time. It is important to effect necessary changes periodically in the service in line with the changes in the above dimensions. The service blueprint comes in handy at this stage. It is also inspected for alternate ways to gain further efficiency and pass on part of the benefits so accrued to the customers and part of the same to the organisation. Customers and employees are requested for new ideas for this new service and same are incorporated to be able to provide the latest to the customers and to remain ahead of competitors in the marketplace.

Introduction

We should design the service process properly so that our company can deliver superior quality services to its customers. The plan for delivering the services, called the service blueprint, must be drawn so that all parties clearly understand how a service is to be delivered to its customers. While the service blueprint is a physical plan of the service process, we have to also understand the expectations of customers at various points during the process of service delivery. Service would be considered to be of high quality only when it meets the expectations of the customers who purchase the service. A service blueprint gives an indication of the roles that employees, customers and collaborators have to play so that customers can get the benefit of the service and its outcomes.

Developing the Service Blueprint

In 1984, G. Lynn Shostack coined the term "service blueprint" to mean a visual diagram of the service processes in terms of the step by step actions that the customer would be expected to follow in order to receive the service. The service blueprint of a restaurant is depicted in Figure below. We can see that each customer action will take place at a physical location which is part of the servicescape. It is important that each part of the servicescape gives the impression expected of the brand to the customer, as the customer would be observing these physical cues of the service. For instance, a creaky door at the entrance would signify an ill-maintained service outfit, and a soiled menu card would raise doubts in the minds of customers about the level of higene maintained at the restaurant. On the other hand, a light, refreshing music can help to provide some comfort to a tired and hungry customer while he is waiting for the food to be served at a sit-in restaurant.

The customer would be interacting with service personnel, who are called 'on-stage contact' as these contact employees would be visible to the customer while interacting with them and performing the service. You may note, that, on-stage contact personnel interact with the customer at several points in the 'line of interaction'. These points can be considered as

pictorial representation of the 'moments of truth' – a term coined by Jan Carlzon in 1980 to signify the moments when service personnel interact and deliver a part of the service to the customer. At each of these points, contact personnel must fulfill the needs of the customer and satisfy him/her. If they are unable to meet the needs of the customer at these points, the customer will be dissatisfied. However, the customer will be delighted if contact personnel are able to figure out the latent needs of the customer at these points and deliver a part of service that has not been expected by the customer.

Just as customers would have interactions with service personnel, they would similarly interact with elements in the servicescape, knowingly or unknowingly. They must have a pleasant experience with these 'moments of truth' too. That is why it is important to give enough attention to the design of the elements of the servicescape as these elements would in-turn determine the quality of experience that customers have at a particular servicescape.

On-stage contact personnel would receive support from 'back-stage contact' personnel, who would not be visible to customers. Yet they may serve the customer over phone, internet, etc. Hence, backstage contact personnel are separated from the customers by a virtual 'line of visibility'. Service personnel may be further supported by various support processes often driven by a computer. Often, customers would interact with the front-end of a support process like a computer touch-screen for receiving information as part of their service.
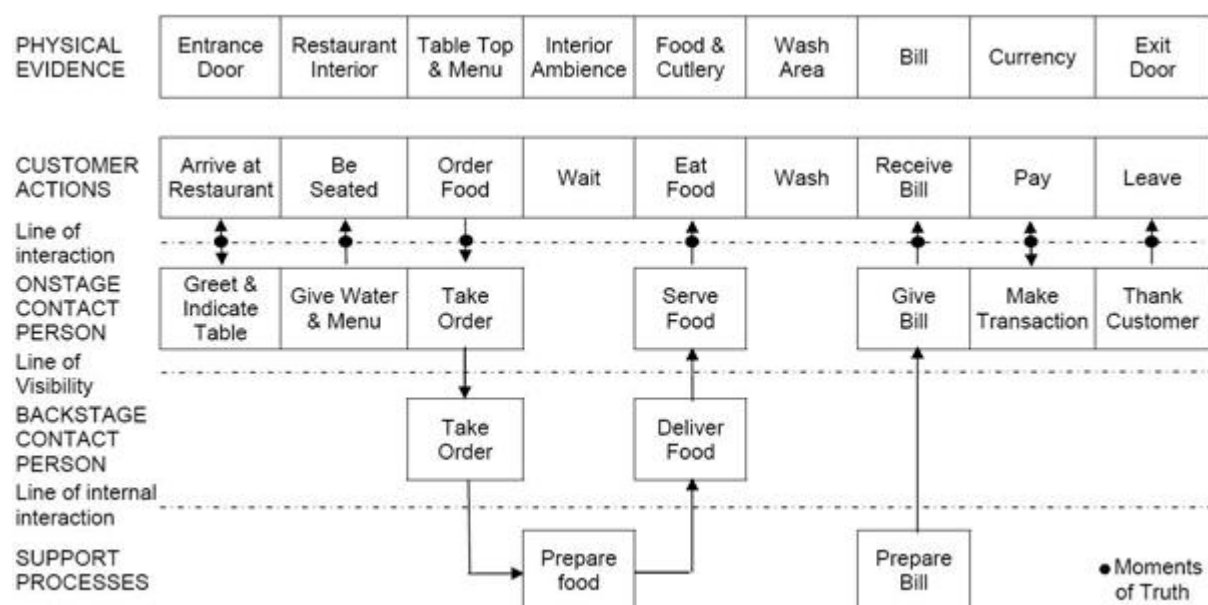
PHYSICAL EVIDENCE	Entrance Door	Restaurant Interior	Table Top & Menu	Interior Ambience	Food & Cutlery	Wash Area	Bill	Currency	Exit Door
CUSTOMER ACTIONS	Arrive at Restaurant	Be Seated	Order Food	Wait	Eat Food	Wash	Receive Bill	Pay	Leave
ONSTAGE CONTACT PERSON	Greet & Indicate Table	Give Water & Menu	Take Order		Serve Food		Give Bill	Make Transaction	Thank Customer
BACKSTAGE CONTACT PERSON			Take Order		Deliver Food				
SUPPORT PROCESSES				Prepare food			Prepare Bill		● Moments of Truth

Figure: Blueprint of a Restaurant Service

Introduction

Before we move into the next lesson , we must understand the process of how customers purchase and consume services

Stages of Service Consumption

Customers purchase and consume services in five stages as follows:

1. Awareness of need,

2. Search for information,

3. Evaluation of alternative services,

4. Making the purchase decision,

5. Experiencing the service, and

6. Post-experience evaluation of the service.

You may note that unlike products, customers cannot "return" a service if they are dissatisfied with it. However, they can complain about the service and seek redressal in some form. At that time, service personnel and service managers will have the opportunity to recover the service, which we will discuss in a later lesson. We will discuss the above stages of consumer behaviour in the following paragraphs.

Awareness of need

As customers grow older, or even otherwise, customers may need help in performing certain chores. They might need help in handing their finances, transporting themselves from home to their workplace and back, preparing their tiffin for consumption at their workplace, payment of electricity bill at the electricity office, etc. As you know well by now, customers can get the above help in the form of services. Thus customers can become aware of their need from within and seek the help of a service.

At times customers may not have a real need, however, they may become aware of a service and feel like availing the service in order to make their life more hassle-free and save time for leisure of for doing more important work. This phenomenon underlines the use of marketing communications like advertising, promotions, word-of-mouth publicity, service sampling or trial experiences, catalogues and other forms of direct marketing, etc., that we are going to discuss in a later lesson.

Once customers are aware of their need they will start searching for services. We call this stage as the stage of search for alternatives which we will discuss in the next section.

Search for Alternatives

Who can help me with paying my electricity bills or who can deliver cooked food to my office at lunch time? These are some of the questions a customer would be asking to him/herself while searching for alternative service providers. While some customers may begin asking family members and friends, some customers would quickly sit down with his/her copy of the "Yellow pages" that lists various professional services.

How can service professional service firms attract the customer while he/she is at this stage? You must have thought that these firms can advertise and endeavour to bring their name and a description of their service in front of the customers' eyes. For instance, service firms can advertised their services like tourism or spa facilities in large billboards erected at prominent locations in the city.

Evaluation of Alternatives

In this stage, the customer compares the alternatives that he/she has listed. Needless to say, the customers would perform a cost-benefit analysis of the services. Besides the costs and benefits accruing out a particular service, the customer may worry about the risks associated with each service. Professors Christopher Lovelock, Jochen Wirtz and Jayanta Chatterjee have listed seven types of risks in their book entitled Services Marketing: People Technology and Strategy published in 2010. These risks are listed in the table below:

Table : Risks Customers perceive while purchasing a service

Type of risk	Explanation	Example of customer concerns
Functional	Unsatisfactory performance outcomes	Will I get what I wanted?
Financial	Monetary loss and unexpected costs	Would my money be stolen if I make a credit card transaction?
Temporal	Wastage of time, delays	How long do I have to wait at the doctor's clinic and what will happen to the household chores?
Physical	Injury to person or possessions	What will happen if I fall sick during the tour?
Psychological	Personal fears and emotions	Is there a chance that the aircraft I am travelling in crashes?
Social	How others think and react	What will my friends say if I buy this cheap service?
Sensory	Unwanted effects of any of the five senses	Will the hotel room be clean enough?

People who face the above risks would usually do something to assure themselves that their fears are unfounded. Customers can take several actions and service providers can help customers with their actions. This set of customer and service provider actions are listed in the table below:

Table 2: Customer and Service Provider actions to Mitigate customer risk and fear

Customer actions	Service provider actions
Seek information from respected personal sources like friends, family and peers. Rely on a company with good reputation about its credibility	Advertise company credibility Generate good word-of-mouth
Look for guarantees and warrantees	Provide unconditional service guarantees

Visit the service facility to check various aspects of the service	Invite customers to tour the service facility. Keep the service facility sparkling and tidy. Keep the facility safe.
Ask knowledgeable employees about competing services	Inform employees about the value being provided by the service. Train employees in selling skills
Examining tangible cues or other physical evidence	Keep facilities and merchandise sparkling and attractive
Use the Internet to compare service offerings and search for reviews and ratings	Create own comparative website and list competitor's features on the website truthfully

Evaluating a service can be difficult due to its intangibility and simultaneity. Intangible services may be high on search, experience or credence attributes. What are search, experience or credence attributes and how do those affect service evaluation?

1. Search attributes: Search attributes are features like style, colour, texture, taste, sound etc. Which customers can sample before purchase. For instance, customers can visit a hotel room, or check out the restaurant menu before deciding to purchase the service

2. Experience attributes: When attributes of a service cannot be experienced before a purchase, the customer has to rely on experience attributes. For instance, a customer can see the menu at a restaurant, buy he/she has to taste the food and beverages before making a purchase. Some restaurants are able to provide customers a free dish which they can sample or experience before taking the decision to purchase the services of the restaurant. Many customers would rely on the experience of other people like family members and friends to form an opinion about the service and experience the same.

3. Credence attributes: These attributes of the service cannot be tested even after the consumption of the service. Take the case of hospital surgery. There is no way a patient can know whether the surgery was done properly. In such cases the customer has no choice by to rely on the reputation of the surgeon who has performed the surgery. This makes it imperative for service businesses to enhance the reputation of their business and rely on the word-of-mouth that customers would spread once they have experienced uneventful services from the service provider.

4. **Making the Purchase Decision**
   As discussed earlier, a customer can make a purchase decision among various alternatives using a cost-benefit comparison. Once he/she has decided to purchase a service, he/she will be ready to experience the service.

5. **Experiencing the Service**
   The service purchased by the customer may be a high touch or a low touch service. High touch services are like hair styling service where the customer has substantial contact with the service provider. On the other hand, low touch service is like the automatic teller machine (ATM) service where there is little contact with service employees.

All services are delivered during the moments of truth, i.e. the moments when a customer comes in contact with service personnel. The customer must be satisfied or delighted by the service personnel during these moments of truth. As discussed elsewhere, service personnel must be able to understand the needs of the customers and be able to meet them promptly if they are to satisfy their customers at the moment of truth.

6.   **Post-Experience Evaluation of the Service**

Once the service has been experienced, a customer might think about the service he/she received. They would feel satisfied if the service met their expectations, they would feed dissatisfied if the service failed to meet their expectations and they would be delighted if the service exceeded their expectations.

In case customers are dissatisfied with their service they are likely to tell fifteen other people about how dissatisfying the service was. On the other hand if the service was satisfactory or delightful they would tell at least five other people about the service. Once satisfied or delighted, customers may decide to repurchase the service in the future or recommend other people to purchase the service. Moreover, satisfied customers would not mind slight future increases in the price of the service and continue to purchase their services from the same company. Service marketers can seek to strike a relationship with the customers at this stage. They can signify to the customers that they would be providing the best services to the customers in future and request customers to shop from them in future.

Introduction

To start with, we can deliver services to our customers through our company outlets. We can also use electronic channels to deliver information based services like distant education and tax advice. However, in order to grow our business, we would like to take the help of other collaborators to distribute our services. We may like to take the help of agents to sell our services (like ticketing), brokers to bring prospects (i.e. potential customers) to our business and franchisees to provide our brand of services to customers.

We would always prefer company owned outlets as we can control the format and the quality, have first-hand knowledge of changing customer requirements and develop improved or new services, know our customers and maintain close relationship with them. The location of our retail outlet is an important decision, which we are going to elaborate in a subsequent section.

Once a winning concept and format are crystallized over a period of time, we may like to allow a franchisee to make investments and take the risk of delivering our brand of services to new markets, while we can earn the license fees from our franchisee. However, we have to manage the challenges of operating through a franchisee, which includes lack of control over quality and employee motivation, ambiguity over roles, highly publicized conflicts with the franchisee and lack of first-hand knowledge of customers and their changing requirements.

Once the franchisee settles down to operate the business, he has to maintain the quality

and format of the service, send his employees for periodic training and development, and take part in promotion exercises to acquire and retain customers. Usually, conflicts arise regarding the payment of license fees and encroachment upon his territory by other franchisees of the same brand. We shall discuss strategies for effective conflict resolution in a subsequent section.

Agents and brokers can help our business as they are in better contact with local markets than we can. For instance, large numbers of taxi operators can double up as brokers for bringing customers to a hotel. Similarly, a large number of agents can sell our services at outlets close to customers at a fraction of the cost that we would otherwise encounter, if we were to access and sell the services through our own personnel. However, the disadvantages are that the agents and brokers usually work for our competition too, and we have to strive hard to provide differential value at reasonable prices to our customers.

Internet channels are the cheapest mode of service delivery, provided the customer segment has access to the Internet. It is also beneficial for our customers as it saves time, energy and resources by cutting down on travel and increases convenience and flexibility for the customer. However, we have to then contend with low first-hand interaction with the customer, although we can receive quick customer feedback and the customer can access all our competitors available over the Internet. Moreover, the electronic delivery channel would conflict with the interests of agents, brokers and franchisees and decisions have to be taken to be fair to all businesses at the same time. The other concern over electronic delivery channels is the maintenance of electronic service quality, which we shall discuss in a subsequent section. Let us now turn our attention to the management of channel conflict.

Managing the Retail Location

The decision regarding the location of our service outlets is important because that would determine the number of customers visiting our outlet and the cost of property and transportation of personnel and goods. Our service outlet would be located at a site in an area within a city and we have to decide about all the above locations.

The decision about the city is made by considering the population, their demand for our services and their purchasing power. The decision about the area is made by considering the attraction that various business districts hold for shopping customers, the nature of competition existing in the area, the direction of spread of the city, zoning regulations and the availability of access roads, visibility of the site and parking. A business district may be central, secondary or neighbourhood type. Rents are fairly high at central business districts and getting proper parking space may be an issue. A secondary business district would have a smaller trade area, i.e. the population that could be served would be smaller. However, it would not have the disadvantages of the central business district. The neighbourhood business district can support only small business that can cater to its neighbourhood.

Besides being in a business district, our outlet could be a freestanding or isolated outlet like a petrol station or a part of a shopping centre that is managed as a single property. While an isolated outlet has no competition around, we have to invest in advertising to get customers out of their homes to visit our outlet. With rising fuel costs, customers may not ordinarily

like to travel long distances for a single service. Shopping centres have a modern management and outlook and could be particularly suitable if our service is aligned with modern day trends and customers who are trendy.

Deciding the Location

Professors Nakanishi and Cooper wrote in 2007 that the Multiplicative Competitive Interaction (MCI) model can be used to calculate the probability that a consumer would choose an object with certain values of several attributes of the object using a formula that followed from the Luce choice axiom introduced by Professor Duncan R. Luce in 1959. This model takes care of various criteria that consumers may use to choose in purchasing services from the particular outlet all combined into an MCI coefficient or attractiveness index for the outlet. These criteria would include the distance that consumers have to cover to reach the proposed outlet, and its attractiveness as reflected in its physical and brand image, perceived service quality, price, and other features sought by customers depending on the type of the service. The above model can be used to pinpoint the location of a new service facility taking into consideration existing outlets of the same brand and competitive brands after analysing various uncertain scenarios that are likely to take place during the planning period of say, 15 years in the future. The outlet location with the maximum estimated market share and revenue is revealed by the model. Once the service outlet is located, the scenario under which it was located may turn out to be incorrect leading to a blunder. In order to take care of this situation, Professor Tammy Drezner has shown in 2009 how the minimax regret model can be used to pinpoint a location so that minimum loss is suffered under the non-development of the assumed scenarios. We can read more about the above procedures from the referenced textbooks.

Let us now discuss the management of service delivery over the electronic media in the following section.

Managing the Quality of Electronic Channel

According to Professor A. Parasuraman, e-Service quality is the extent to which a website facilitates efficient and effective shopping, purchasing and delivery of products and services. The dimensions of e-Service Quality have been grouped under two heads, i.e. core dimensions and recovery dimensions, by Professors Parasuraman, Zeithaml and Malhotra in 2005. The core and recovery dimensions are as follows:

Core dimensions of e-service quality

- Efficiency: This includes the ease and speed of accessing and using the website.

- Fulfilment: The extent to which the site's promises about delivery are fulfilled.

- System availability: Correct technical functionality of the web-site.

- Privacy: The degree to which the site is safe and protects customer information.

Recovery dimensions during failure

- Responsiveness: Effective handling of problems and returns through the site.

- Compensation: The degree to which the site compensates customers for problems.

- Contact: The availability of assistance through telephone and online representatives.

Superior websites are user-friendly, technically sophisticated and have an alternate channel to assist customers when they face a problem.

Service Encounters

A **service encounter** is any direct interaction between a **service** provider and customers and may take varying forms. For **example**, a bank customer wishing to make account inquiries may choose between an interaction with an ATM or over the Internet, or with a bank employee by telephone, letter, or face to face in a branch.

From the customer's point of view, the most vivid impression of service occurs in the **service encounters** or "**Moment Of Truth**," when the customer interacts with the service firm. This is the foundation to "Satisfaction of Service Quality" — it is where the promises are kept or broken. The concept of **service encounter** was put forth by Richard Norman, taking the metaphor from Bull Fighting. Most services are results of social acts, which take place in direct contact between the customer and the service provider. At this stage the customer realizes the perceived service quality.

Encounter Cascade

The encounter cascade refers to a series of encounters right from the time a customer comes to take the service. The encounter cascade can be important as any encounter can be critical, as it determines customer satisfaction and loyalty. If it's the first interaction of the customer then the initial interaction will be the first impression. So, these interactions have to be given importance, as they are critical and influences customer's perception of the organization. For example, a customer calling for the repair service may switch to some other company if he is put on hold for a long time or even treated rudely. Even if the technical quality of that firm is superior, the firm may not get a chance to prove themselves in front of the customer. When the customer has had many interactions with firm, each encounter will be important as it will create a combined image of that firm. Many positive experiences will give an image of "high quality" and many negative experiences will represent a bad image. Combination of positive and negative interactions will leave the customer confused about the quality.

It is suggested that not all encounters are equally important in building long-term relations. For every organization, certain encounters can act as a key to customer satisfaction. For example, in a hospital context, a study of patients revealed that encounters with the nursing staff were more important in predicting the customer satisfaction. As it is rightly said "one bad apple can ruin the whole basket of apples." The same applies in this too; one negative encounter can drive the customer away, no matter how many encounters had taken place in the past. So a firm has to give a lot of importance to such encounters.

However some encounters are more critical. For example, a customer who has been using a bank for nearly 15 years is quite happy with the service. He has a huge deposit and many accounts. One fine morning, when he comes out of the bank the watch man asks 5$ for parking charges of his car. He goes inside the bank and informs the clerk at the counter, who directs him to the officer. The officer directs him to the Manager, who says he is helpless as this is a new policy of the bank. The customer who was so happy with the bank services decides to close all his accounts.

Types of Service Encounters

A service encounter occurs every time a customer interacts with the service organization. There are three general **types of service encounters** – remote encounters, phone encounters, and face-to-face encounters. A customer may experience any of these types of service encounters, or a combination of all three in his/her relations with a service firm.

1. **Remote Encounter:** Encounter can occur without any direct human contact is called as Remote Encounters. Such as, when a customer interacts with a bank through the ATM system, or with a mail-order service through automated dial-in ordering. Remote encounters also occur when the firm sends its billing statements or communicates others types of information to customers by mail. Although there is no direct human contact in these remote encounters, each represents an opportunity for a firm to reinforce or establish perceptions in the customer. In remote encounter the tangible evidence of the service and the quality of the technical process and system become the primary bases for judging quality. Services are being delivered through technology, particularly with the advent of Internet applications. Retail purchases, airline ticketing, repair and maintenance troubleshooting, and package and shipment tracking are just a few examples of services available via the Internet. All of these types of service encounters can be considered remote encounters.

2. **Phone Encounters:-** In many organizations, the most frequent type of encounter between a customer and the firm occurs over the telephone is called as phone encounter. Almost all firms (whether goods manufacturers or service businesses) rely on phone encounters in the form of customer-service, general inquiry, or order-taking functions. The judgment of quality in phone encounters is different from remote encounters because there is greater potential variability in the interaction. Tone of voice, employee knowledge, and effectiveness/efficiency in handling customer issues become important criteria for judging quality in these encounters.

3. **Face-to-Face Encounters:** A third type of encounter is the one that occurs between an employee and a customer in direct contact is called as Face-to-Face Encounter. In a hotel, face—to—face encounters occurs between customers and maintenance personnel, receptionist, bellboy, food and beverage servers and others. Determining and understanding service equality issues in face—to—face context is the most complex of all. Both verbal and non-verbal behaviors are important determinants of quality, as are tangible cues such as employee dress and other symbols of service (equipment's, informational brochures, physical settings). In face—to—face encounters the customer also play an important role in creating quality service for herself through his/her own behavior during the interaction. For example, at Disney theme parks, face-to-face encounters occur between customer and ticket-takers, maintenance personnel, actors in

Disney character costumes, ride personnel, food and beverage servers, and others. For a company such as, IBM, in a business-to-business setting direct encounters occur between the business customers and salespeople, delivery personnel, maintenance representatives, and professional consultants.

The importance of encounters:
a. If a customer is interacting with a firm for the first time, the initial encounter will create a first impression of the organization.
b. Even when the customer has had multiple interactions with a firm, each individual encounter is important in creating a image of high quality.
c. A combination of positive and negative interactions will leave the customer confused towards the firms quality.
d. Not all encounters are important. There are certain key areas where it is important to concentrate. Ex: In hotel-early encounter to visitors.

Sources of pleasurable and displeasure in service encounter:
1.**Recovery –**employee response to service delivery system failure: There has been a failure in service delivery system and an employee is required to handle customer complaints/ disappointments.
2.**Adaptability-** Employee response to customer needs and requests: Here how the service firm is able to adapt its delivery system when the needs are not met. Here the customers judge service
3.**Spontaneity** –unprompted and unsolicited employee action: Employee spontaneity in delivering memorably good or poor service is the remembered by the customers.
Ex: Being treated like royalty.; Rudeness, Stealing, discrimination, ignoring the customers.
4.**Coping-** Employee response to problem customers: In some cases, customers were basically uncooperative provider. In such cases how the service provider copes with the situation is a challenging.

Services Markets Segmentation

Market segmentation is the process of aggregating customers with similar wants, needs, preferences, or buying behaviour. Market targeting involves evaluating the attractiveness of the segments and selecting ones the firm will serve. In other words, segmentation is the analysis conducted about customers and targeting is the managerial decision about whom to serve. Both of these are required for effective market positioning, which involves establishing he competitive position for the service in the mind of the customer and creating or adapting the service mix to fit the position.

The segmentation process, shown in the following figure is concerned to divide a heterogeneous follows four broad steps:

•The definition of the market to be addressed.

•The identification of alternative bases for segmentation

•An examination of these bases 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.
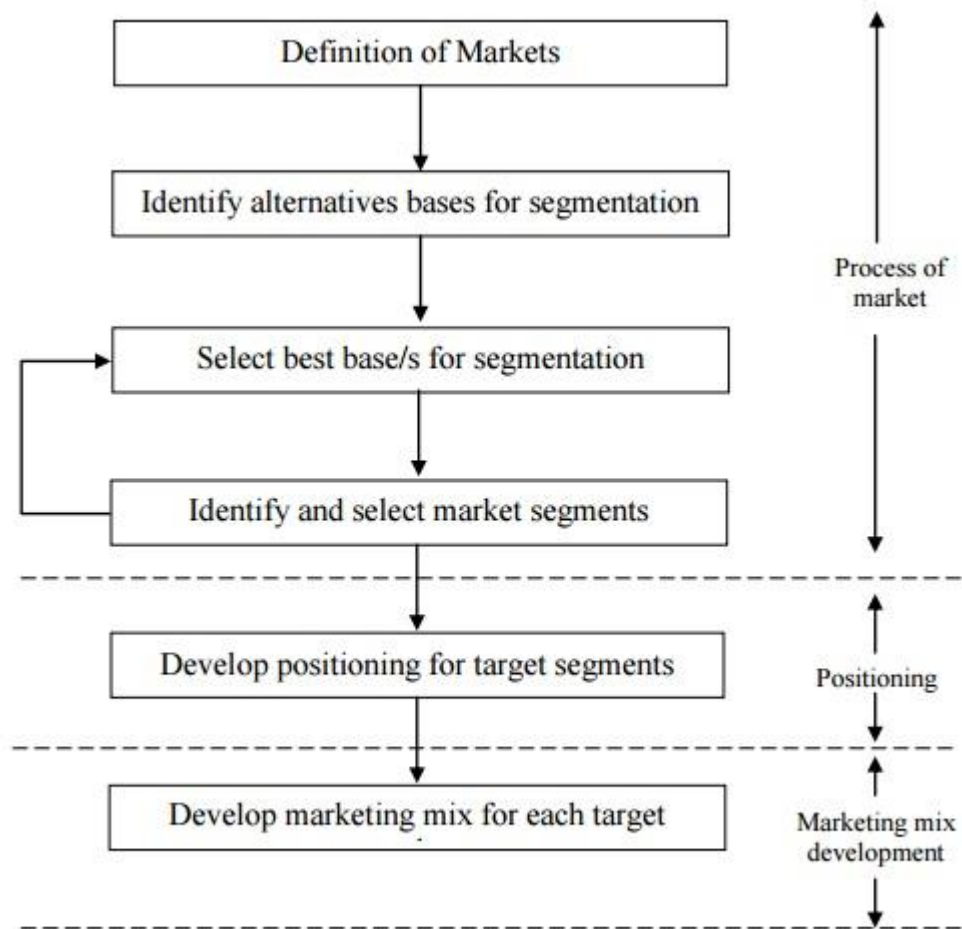
Fig. 5.1 Services market segmentation

**Fig. Services market segmentation**

Definition of 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.

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.

Bases of Segmentations

Market segments are formed by grouping customers who share common characteristics that are in some way meaningful to the design, delivery, promotion, or pricing of the service.
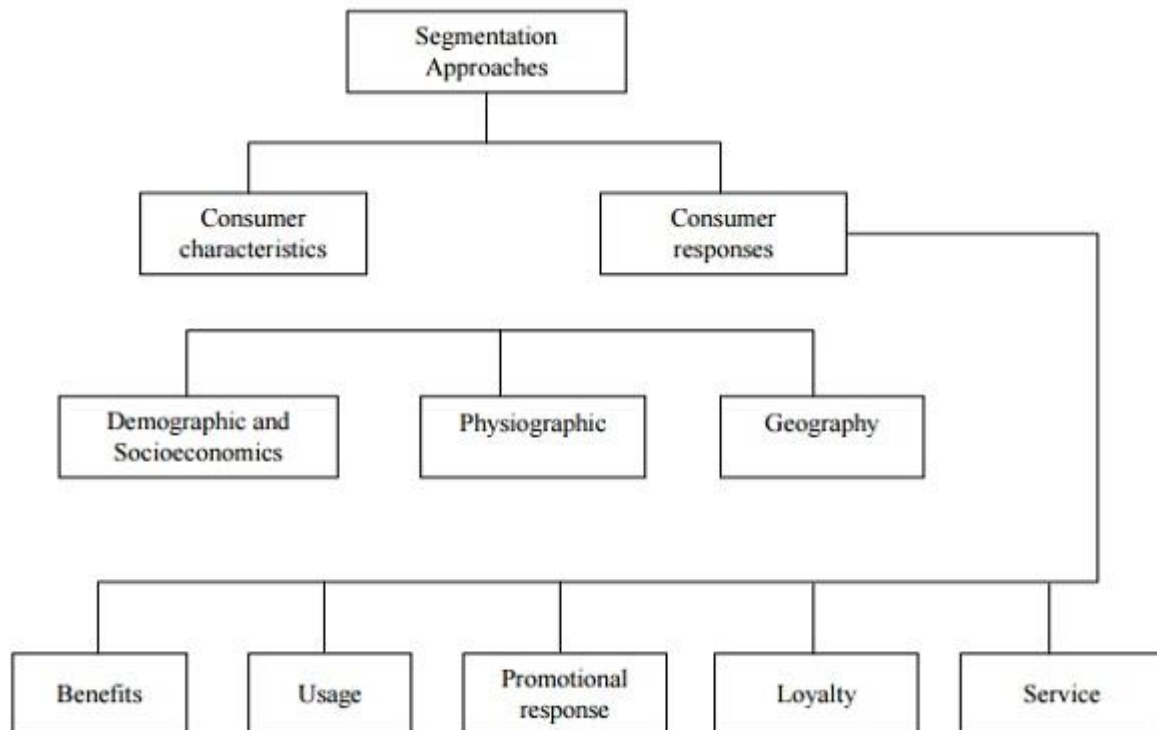
Demographics and socio-economic segmentation

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 origins. Many retail stores target different customer group.

Psychographic segmentation

This form of segmentation cannot be explained in clearly defined quantitative measures it is concerned with people''s behaviour and ways of living..

Geographic segmentation

Geographic segmentation divides customers according to where they live or work and correlates this with other variables.

A 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 factor and geographic market measures.

1. Market scope factors include a consideration of where the markets to be served are located: this maybe local, national, regional or global.

2.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.

Benefit segmentation

The segmentation variables listed above focus on the personal attributes of the customer. Segmentation can can also be carried out on the basis of the customer"s response.

Usage segmentation

Usage segmentation focuses on the type and extent of usage patterns. Consumers are typically divided into heavy users, medium users, occasional users or non-users of the service being considered.

Promotional response segmentation

Promotional response segmentation considers how customers respond to a particular form of promotional activity. This may include response to advertising, sales promotions, in-store displays and exhibitions.

Segmentation by service

One area which has received relatively little attention is the consideration of how customers respond to varying service offerings..

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?

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

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

2. The service firm 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 bout to offer the service to he mass market. This may be appropriate if the market is very small and 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.

The relevance of market segmentation if now being increasingly recognized in the services sector.

What is Service Quality?

Service quality is the assessment of quality which is done during the service delivery processes. It is an attitude formed by a long-term overall evaluation of a firm"s performance. "The quality of service is the degree of conformance of all the relevant features and characteristics of service to all the aspects of customer needs limited by the price and delivery he/she will accept."

Adapting from what is written down in ISO 9001: 2000, quality can be defined as the characteristic of the service that bears upon its ability to meet customer requirements. Customer requirements can be of following three types:

1. Those stated by the customer,
2. Those generally implied as provided by similar services, and,
3. Those obligatory on the part of the service provider. For instance, it is obligatory for service providers to provide information regarding the price of the service as and when sought by the customer.
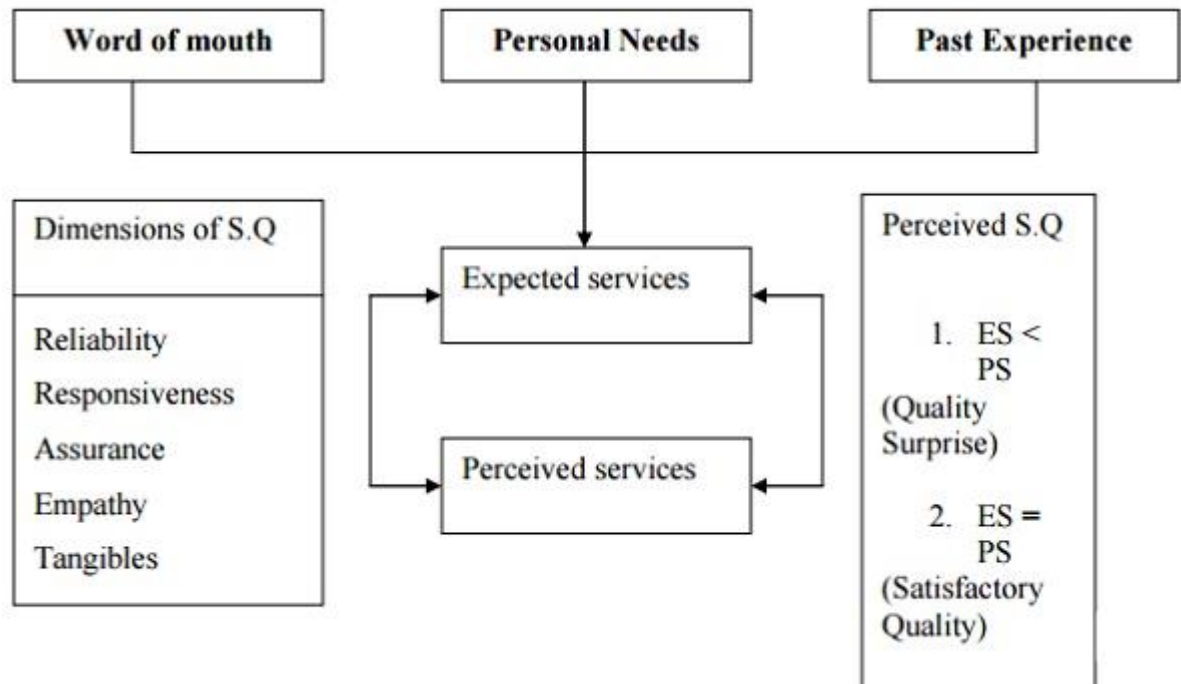
In the case of services, customer requirements consist of:

1. the service outcome, i.e. the reason why customers purchased the service in the first place, or, what is left with the customer after the service is over

 2. the expectations of the customer, that is the manner in which (or how) the service is delivered to the customer.

Understanding Service Characteristics:

Quality	Definition	Examples	
		Consumer	**Business**
Search quality	Evaluated prior purchase	Shoes, jeans	Tools, components
Experience quality	Evaluated during/after service	Catering services	Repair services
Credence quality	Evaluation is difficult even after consumption	Education	Consultancy services

Dimensions Of Service Quality

| Word of mouth | Personal Needs | Past Experience |

| Dimensions of S.Q | Expected services | Perceived S.Q |

Dimensions of S.Q

Reliability
Responsiveness
Assurance
Empathy
Tangibles

Expected services

Perceived services

Perceived S.Q

1. ES < PS (Quality Surprise)

2. ES = PS (Satisfactory Quality)

1.**TANGIBLES**: This includes the service provider's appearance of employees. E.g. parking facilities , interior design, menu card, staff appearance

2.**RELIABILITY**: It is the ability of the service firm to perform the service promised dependably and accurately.E.g. catering services

3.**ASSURANCE**: It refers to the knowledge and courtesy of the employees of companies and their ability to inspire trust and confidence in the customer mind.E.g. BPO service

4.**EMPATHY**: It is the caring individualized attention the service firm providers to each customer. E.g. Medical service

5.**RESPONSIVENESS:** It is the willingness of the firm's prompt service.

E.g. Airline service, Enquiry desk

Perspectives Of Service Quality:

1. Transcendent View –Quality judged E.g. Medical service experience

2. Product based View –Quality depends on each service E.g. Saloon ingredients

3. User based View –Quality lies in the eyes of the user E.g. Education

4. Manufacturing View –Quality based productivity E.g. BPO services

5. Value based View –Service quality is judged in terms of value and prices E.g. Transport services

What is Customer Satisfaction?

Customers are satisfied when their requirements are met. It is dependent upon the quality of the service and the value that the customer receives from the service. The value received by a customer is the difference between the benefits received from the service and the costs incurred for receiving those benefits. Customers are dissatisfied when their requirements are not met. Customers are delighted when the delivered service exceeds their expectation of the requirements that would be met by the service.

For example, you might be enjoying icecream at an ice-cream parlour with a kid. The kid drops some ice-cream on your clothes. Observing this, the waiter brings you some moist tissue to wipe off the spillage. You did not expect that the waiter will deliver this bit of service to meet your requirement in this case. Thus, the waiter exceeded your expectation and you would be delighted to receive this bit of service. Soon, you would begin expecting this sort of service from waiters, and it would become part of the expected service. Now, if this bit of service is not delivered at another instance of a similar mishap, you would be dissapointed and dissatisfied with the service. Thus, the bit of service that causes delight currently, soon becomes part of the generally implied requirements for the customer and must be met by the service provider at an affordable, yet profitable, price to satisy the customer.

The Gap Model of Service Quality

Professors Parasuraman, Berry and Zeithaml published the gap model of service quality in 1985. According to this model, five gaps lead to poor quality of services delivered to a customer. The gaps must be closed in order to deliver excellent quality. We shall discuss how each of the gaps can be closed in the following sections.

Gap 1 - Requirements gap: This gap follows from management's ignorance of customer requirements. This gap can be addressed by taking the following steps:

1. Adequate marketing research orientation: This includes conducting sufficient market research about customer requirements, instead of basing our decisions on intuition or gut feeling, and incorporating the conclusions into service design and delivery.

2. Adequate upward communication: This includes adequate direct communication between customers and management, adequate communication between customers and the service personnel and adequate communication between service personnel and the management regarding the requirements of customers.

3. Adequate focus on customer relationships: This includes proper market segmentation and carefully marketing to the intended segment, interacting with customers while treating them as long-term relationships instead of treating them as short-term transactions and focusing on understanding and serving current customers instead of running after acquiring new customers.

4. Adequate service recovery: This includes having a process of understanding why a customer was dissatisfied with a faulty service delivery, delivering the correct service to the aggrieved customer, learning the lessons and incorporating the lessons into future service delivery.

Gap 2 - Design gap: This gap is about building an incorrect service design and incorporating unsatisfactory service standards. This gap can be addressed in the following manner:

1. Proper service design: This includes having a systematic service design process leading to clear delivery and connecting the design and the services mix to the positioning of the service in the minds of the customer.

2. Incorporating customer driven standards: This includes having a process of eliciting the standards of service delivery at each moment of truth from our customers. The company must adhere to these service standards and not fall below the customer specified levels.

3. Appropriate servicescape and physical evidence: This includes having appropriate design and construction of a comfortable servicescape to meet the needs of customers and service personnel in production and consumption of services, adequate maintenance and updating of the servicescape and developing physical evidences, such as servicescape merchandise, in line with the expectations of the customers.
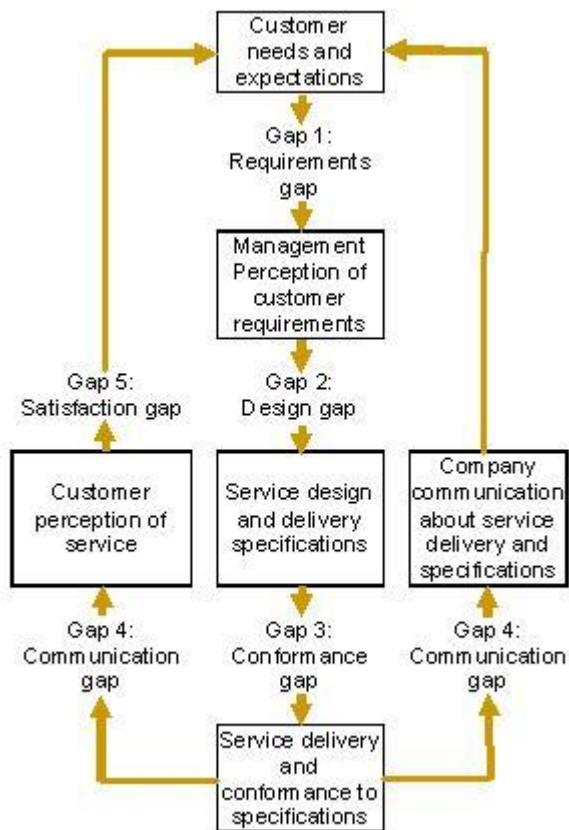
Figure: Gap Model of Service Quality

Gap 3 - Conformance gap: This gap is about service personnel not delivering to established standards and procedures. This gap can be addressed by taking the following measures:

1. Effective human resource policies: This includes effective recruitment, clear service roles, ensuring proper employee-technology-job fit, appropriate evaluation and compensation systems, adequate empowerment to be able to serve the customer up to his/her expectations, adequate control over situations and excellent teamwork keeping customer satisfaction as the main goal.

2. Properly educated customers: This includes customers fulfilling their roles and responsibilities and affecting other customers positively.

3. Good relationships with service intermediaries: This includes clarity over the roles of the intermediaries like agents, franchises, brokers, retailers, etc., appropriate empowerment, and inculcating the discipline of taking customers and their requirements seriously and endeavouring to meet those to the satisfaction of the customer, and having systems to control the quality and consistency with which intermediaries deliver the services to the customers of the brand.

4. Successfully matching demand and supply: This includes the ability to divert peak hour customers to lean hours, and the capability to cross-train employees for smoothly handling customers and delivering services during peak hours while adhering to service standards.

Gap 4 - Communication gap: This gap is about the difference between actual delivery of service and the promises and perceptions communicated during advertising and promotion of the services. This gap can be addressed by the following methods:

1. Having integrated marketing communications: This includes maintaining consistency among all communications about the service offering, proper marketing and communication about the service to employees and ensuring proper interactive communication among service personnel and customers in order to give them the correct perception of the service.

2. Under-promising and over-delivering: This includes delivering more that what is promised and remembering that actions speak louder than words.

3. Adequate horizontal communications: This includes having adequate communications throughout the company and her collaborators about the services so that no gaps and confusions arise due to difference in knowledge between several arms of the service company

Gap 5 - Satisfaction gap: This is the gap between customers, expectations and perception of the actual service experience by them. This gap can be closed by closing the above four gaps.

In 1982, Professor Christian Gronroos wrote that service quality can be of two types: 1. technical quality, i.e., the quality of the outcome and 2. functional quality, i.e., the quality related to the manner in which, or how, the services have been delivered.

Based on their research, Professors Parasuraman, Berry and Zeithaml advanced five dimensions of functional service quality in 1988. These include the following:

1. Reliability: Ability to perform the promised service dependably and accurately

2. Responsiveness: Willingness to anticipate customer needs, help customers and provide prompt service

3. Assurance: Knowledge and courtesy of employees and their ability to inspire trust and confidence

4. Empathy: Caring, individualized attention that is provided to the customers

5. Tangibles: Appearance of physical facilities, equipment, personnel and communication materials

Introduction

We have learnt about service quality and value delivery in earlier lessons. You must have noted that it is essential to deliver correct services to customers in order to satisfy and retain them. However, we may make mistakes in delivering the service, resulting in disgusted customers. In such a case, the service outcome has to

be provided as early as possible so that customers do not leave our service and start purchasing from the competition. This process is called service recovery. It is elaborated in the following section.

Service Recovery

As soon as a problem occurs, or is reported by the customer, it is essential to listen intently to the customer and understand the extent and repercussions of the error. Having understood the problem, service personnel should explain the reason for the problem and apologise for the hassle caused to the customer. He should then take responsibility for the problem and note down what the customer wants as a solution to the problem. Try to accommodate the customer by acceding to the request unless it is unreasonable. If desirable, give choices to the customer to fulfil his/her need and provide something extra to cover up for the inconvenience caused to the customer. For instance, if the customer has taken the trouble to telephone us or send us a letter, cover the cost of that communication while recovering the service.

A customer complaint is an opportunity for improving the service and ensuring an error-free delivery in future. Accordingly, customer complains should not be disregarded at any cost. Service personnel should not ignore the customer, keep him/her waiting and act as if nothing is wrong. They should not blame the customer, leave him to fend for himself and downgrade him by recovering the services only partially. We must remember that a customer talks about a bad experience to about fifteen other people, while he/she talks about a good experience to about five other people. Every person who hears a story of service failure from a customer would avoid purchasing the service resulting in loss of both the current and new customers. On the other hand, recovering a service promptly can surpass customer expectations leading to the customer recounting the tale to others while inadvertently promoting the brand to other people. That is why, it is extremely important to take customer complaints seriously and recover the service beyond the expectations of the customer.

Our service personnel might require coping with problem customers who make unreasonable demands, once in a while. For instance, a workshop participant may request us to fetch him a packet of cigarettes while smoking is prohibited in the academic complex. How do we tackle such customers? Service personnel must listen and try to accommodate the customer as far as possible. They should explain the policies and let go of the customer, if necessary. They should take care that the customers' behaviour is neither able to affect them personally nor affect other customers of the service.

Servicescape: Meaning, Types, Behaviours, Roles & Approaches

Meaning of Servicescape:

'Servicescape' refers to the environments in which services are delivered and where the firm and customer interact.

Service providers should build environments that achieve a balance between two primary objectives:

(1) Develop environments that appeal to consumer pleasure and arousal states while avoiding atmospheres that create submissiveness; and

(2) Construct environments that facilitate the operational ease and efficiency of the firm.

The concept of a service scape was developed by Booms and Bitner to emphasize the impact of the physical environment in which a service process takes place.

If you were to try to describe the differences a customer encountered when entering a branch of say like McDonald's compared with a small family restaurant, the concept of service scapes may prove useful. Booms and Bitner defined a service scape as "the environment in which

the service is assembled, and in which the seller and customer interact, combined with tangible commodities that facilitate performance or communication of the service".

The Christmas tree in a classroom is part of the physical environment of the service – the servicescape. Due to their abstract nature, services cannot be tried before purchase or consumption; therefore, customers look for physical evidences of the service. Shostack believes that a product is judged by an abstract image but a service is already abstract. Therefore, we will evaluate a service with comprehensive or tangible things. As the service itself is not tangible, the peripheral clues will be evaluated.

In schools, man evaluates the buildings, the classrooms or the staff-rooms for instance. Bitner defines servicescapes as the "physical environment" of the service encounter or the "man-made, physical surroundings as opposed to the natural or social environment". However, this last definition does not fit perfectly with the school servicecape. Indeed the natural surroundings of a school such as the sea or the mountain nearby, might influence the service. "Research suggests that the physical settings may also influence the customer's ultimate satisfaction with the service". Some classrooms with nice decoration and materials on the walls are more welcoming for students than others, harsh and disorganized with basic atmosphere. The willingness to learn is higher for students in nice servicescape and their perception of the service is higher by consequence .

The service is often produced and consumed simultaneously: therefore, the surroundings might have a strong impact on customer perception and be consequence on customer experience of the service. (Bitner) Because of this time consideration (services are produced and consumed simultaneously) it appears that the satisfaction of both—employees and customers—are strongly linked. In some schools, the classrooms are very hot in summertime and very cold in wintertime.

These bad climatic conditions of classrooms, will afflict the working conditions of the teacher and thereby', the quality of the service for their students. According to environmental psychologists, individuals react to places by avoidance or approach (Bitner). Depending on the classroom, staff and pupils will show a behaviour willing to stay, explore, work and affiliate or reluctant to these actions.

However, employees and customers have different needs and desires for their environment surroundings. Teachers prefer to have their own classroom to have all the materials they need to teach, whereas students might prefer to have their own classroom as well to avoid to move thirty students each hour from one room to other.

What does the Servicescape Include?

Bitner refers to the servicescape as the "built environment" or, more specifically, the "man-made, physical surroundings as opposed to the natural or social environment".

The three important aspects of the servicescape are:

(1) Spatial Layout and Functionality:

Because service environments generally exist to fulfill specific purposes or needs of customers, spatial layout and functionality of the physical surroundings are particularly important. Spatial layout refers to the ways in which machinery, equipment, and furnishings are arranged, the size and shape of those items, and the spatial relationships among them. Functionality refers to the ability of the same items to facilitate the accomplishment of customer and employee goals.

The spatial layout and functionality of the environment are particularly important for customers in self-service environments, where they must perform the service on their own and cannot rely on employees to assist them. Thus the functionality of an ATM machine and of self-service restaurants, gasoline pumps, and Internet shopping are critical to success and customer satisfaction.

The importance of facility layout is particularly apparent in retail settings, where research shows it can influence customer satisfaction, store performance, and consumer search behaviour. Research conducted in two department stores in Korea found that store facilities significantly affected consumers' emotional responses. Layout accessibility, facility aesthetics, and seating comfort have all been shown to impact patrons' perceptions of quality in spectator sports and casino settings as well.

(2) Signs, Symbols, and Artifacts:

Many items in the physical environment serve as explicit or implicit signals that communicate about the place to its users. Signs displayed on the exterior and interior of a structure are examples of explicit communicators. They can be used as labels (name of company, name of department, and so on) for directional purposes (entrances, exits), and to communicate rules of behaviour (no smoking, children must be accompanied by an adult). Adequate signs have been shown to reduce perceived crowding and stress.

Other environmental symbols and artifacts may communicate less directly than sign, giving implicit cues to users about the meaning of the place and norms and expectations for behaviour in the place. Quality materials used in construction, artwork, presence of certificates and photographs on walls, floor-coverings, and personal objects displayed in the environment can all communicate symbolic meaning and create an overall aesthetic impression.

The meanings attached to environmental symbols and artifacts are culturally embedded. Restaurant managers in United States, for example, know that white tablecloths and subdued lighting symbolically convey full service and relatively high prices, whereas counter service, plastic furnishings, and bright lighting symbolise the opposite. In U.S. office environments, certain cues such as desk size and placement symbolise status and may be used to reinforce professional image.

Signs, symbols, and artifacts are particularly important in forming first impressions and for communicating new service concepts. When customers are unfamiliar with a particular service establishment, they will look for environmental cues to help them categorise the place and begin to form their quality expectations. In a study of dentists' offices, it was found that consumers use the environment, particularly its style of decoration and level of quality, as a cue to the competence and manner of the service provider.

(3) Ambient Conditions:

Ambient conditions include background characteristics of the environment such as temperature, lighting, noise, music, scent, and colour. All of these factors can profoundly affect how people feel think, and respond to a particular service establishment. For example – a number of studies have documented the effects of music ort consumers' perceptions of products, their perceptions of how long they have waited for service, and the amount of money they spend.

When there is music, shoppers tend to perceive they spend less time shopping and in line than when there is no music. Slower music tempos at lower volumes tend to make shoppers more leisurely, and, in some cases, they spend more. In the Mayo Hospital lobby, piano music serves to reduce stress. Shoppers also spend more time when the music "fits" the product or matches their musical tastes.

Other studies have similarly shown the effects of scent on consumer responses. We know that scent in bakeries, coffee shops, and tobacco shops, for example, can be used to draw people in, and pleasant scents can increase lingering time. We also know that the presence of a scent reduce perceptions of time spent and improve store evaluations.

Scents that are congruent with the product type, cause customers to spend more time thinking about their product decisions. A nursing home chain discovered that in its facilities "the best odour was no odor." Patients and their families believed that unpleasant odours signified an unclean facility, whereas the odor of cleaning solvents signified that unpleasant odours were being covered up.

As a general rule, ambient conditions affect the five senses. Sometimes such dimensions may be totally imperceptible (gases, chemicals, infrasound) yet have profound effects, particularly on employees who spend long hours in the environment.

The effects of ambient conditions are especially noticeable when they are extreme. For example, people attending a symphony in a hall, where the air conditioning has failed and the air is hot and stuffy, will be uncomfortable, and their discomfort will be reflected in how they feel about the concert. If the temperature and air quality were within a comfort tolerance zone, these ambient factors would probably go unnoticed.

Ambient conditions also have a greater effect when the customer or employee spends considerable time in the servicescape. The impact of temperature, music, odours, and colours

builds over time. Another instance, in which ambient conditions will be particularly influential, is when they conflict with what the customer or employee expects.

Types of Servicescapes:

The physical setting may be more or less important in achieving the organisation's marketing and other goals depending on certain factors:

(i) Servicescape Use:

First, organisations differ in terms of whom the servicescape will actually affect. That is, who actually comes into the service facility and thus is potentially influenced by its design—customers, employees, or both groups? There are three types of service organisations that differ on this dimension. At one extreme is the self-service environment, where the customer performs most of the activities and few if any employees are involved.

Examples of self-service environments include ATMs, movie theatres, express mail drop-off facilities, self-service entertainment such as golf and theme parks, and online Internet services. In these primarily self-service environments, the organisation can plan the servicescape focusing exclusively on marketing goals such as attracting the right market segment and making the facility pleasing and easy to use.

At the other extreme of the use dimension is the remote service, where there is little or no customer involvement with the servicescape. Telecommunications, utilities, financial consultants, editorial, and mail-order services are examples of services that can be provided without the customer ever seeing the service facility. In fact, the facility may be in a different state or a different country.

(ii) Complexity of the Servicescape:

Some service environments are very simple, with few elements, few spaces, and few pieces of equipment. Such environments are termed lean. Shopping mall information Kiosks and FedEx drop-off facilities would be considered lean environments because both provide service from one simple structure.

For lean servicescapes, design decisions are relatively straightforward, especially in self-service or remote service situations in which there is no interaction among employees and customers. Other servicescapes are very complicated, with many elements and many forms. They are termed elaborate environments.

Understanding of Different Behaviours in the Servicescape:

The physical environment is particularly salient for services, as most services are produced and consumed simultaneously, with the consumer "in the factory" experiencing the total service within the firm's physical facility. Bitner suggested that the service setting can affect

consumers' emotional, cognitive, and physiological responses, which, in turn, influence their evaluations and behaviours.

Our focus is on affective responses or feelings that are created by contact with the physical environment. Environmental elements within the services setting influence emotions in two dimensions – pleasure and arousal. The 'pleasure dimension' refers to the degree to which a consumer feels good or happy with the environment, whereas 'arousal' refers to the degree by which the person feels excited, stimulated, or active in an environment.

Servicescape may influence the consumer's affective state in either a positive or negative direction, which in turn may affect post-purchase evaluations. The framework for understanding servicescape effects on behaviour follows from basic stimulus — organism — response theory. In the framework the multi-dimensional environment is the stimulus, consumers and employees are the organisms that respond to the stimuli, and behaviours directed at the environment are the responses.

The assumptions are that dimensions of the servicescape will impact customers and employees and they will behave in certain ways depending on their internal reactions to the servicescape. That human behaviour is influenced by the physical setting in which it occurs, is essentially a truism.

Interestingly, however, until the 1960s, psychologists largely ignored the effects of physical setting in their attempts to predict and explain behaviour. Since that time, a large and steadily growing body of literature within the field of environmental psychology has addressed the relationships between human beings and their built environments.

Various theorists have tried to examine the content of affect, the dimensions that underlie it, and the distinction between types of affect.

Different approaches have been used – facial expression research, language-based research and logical theory derivation and testing based on a psycho-evolutionary perspective. Although most empirical studies on emotions in satisfaction research have used Izard's Differential Emotions Scale, Russell's model of affect was chosen for the present investigation for several reasons. First, the two models based on facial expression research and psycho-evolutionary perspectives only define discrete dimensions, which do not capture the possible similarities and differences among emotions.

Second, the Russell model separates cognition from affect. Russell defines affect as an internal state being comprised of pleasure and arousal. This two-dimensional matrix categorizes all affective responses as valenced combinations of pleasure and arousal. Other dimensions of affect (e.g., locus of causality, importance of the emotion, locus of control, and dominance) can thus be interpreted as cognitive appraisals.

In contrast, Izard's and Plutchik's frameworks implicitly include cognitive processes in their models. Third, our goal was to assess consumers' responses to the pre-consumption retail

environment as opposed to interpersonal aspects of consumption, thus further justifying the use of this emotions scale.

Mehrabian and Russell suggested that affect mediates the relationship between the physical environment and an individual's response to that environment, thus resulting in two behaviours – approach or avoidance. Approach behaviours are represented by an individual's desire to stay, explore, or work in an environment, whereas avoidance behaviours refer to the opposite.

In terms of consumer behaviour, approach behaviours include a desire to patronize an outlet and a willingness to return for future purchases. Because our goal was to examine the impact of the preprocess environment on post-purchase evaluations, the out-come variable in the Russell model was changed from avoidance/approach behaviour to satisfaction, and repurchase intention.

(i) Individual Behaviours:

Environmental psychologists suggest that individuals react to places with two general, and opposite, forms of behaviour – approach and avoidance. Approach behaviours include all positive behaviours that might be directed at a particular place, such as desire to stay, explore, work, and affiliate.

Avoidance behaviours reflects the opposite — a desire not to stay, to explore, to work, or to affiliate. In a study of consumers in retail environments, researchers found that approach behaviours (including shopping enjoyment, returning, attraction, and friendliness toward others, spending money, time spent browsing, and exploration of the store) were influenced by perceptions of the environment.

In addition to attracting or deterring entry, the servicescape can eventually influence the degree of success consumers and employees experiences in executing their plans once inside. Each individual comes to a particular service organisation with a goal or purpose that may be aided or hindered by the setting.

The ability of employees to do their jobs effectively is also influenced by the servicescape. Adequate space, proper equipment, and comfortable temperature and air quality—all contribute to an employee's comfort and job satisfaction, causing him or her to be more productive, stay longer, and affiliate positively with coworkers.

(ii) Social Interactions:

In addition to its effects on their individual behaviours, the servicescape influences the nature and quality of customer and employee interactions, most directly in interpersonal services. It has been stated that "all social interaction is affected by the physical container in which it occurs." The "physical container" can affect the nature of social interaction in terms of the duration of interaction and the actual progression of events.

In many service situations, a firm may want to ensure a particular progression of events (a "standard script") and limit the duration of the service. Environmental variables such as

physical proximity, seating arrangements, size, and flexibility can define the possibilities and limits of social episodes such as those occurring between customers and employees, or customers and other customers.

Roles of the Servicescape:

The servicescape can play many roles. An examination of the variety of roles and how they interact, makes clear how strategically important it is to provide appropriate physical evidence of the service.

(1) Facilitator:

The servicescape can also serve as a facilitator in aiding the performances of persons in the environment. How the setting is designed, can enhance or inhibit the efficient flow of activities in the service setting, making it easier or harder for customers and employees to accomplish their goals. A well-designed, functional facility can make the service a pleasure to experience from the customer's point of view and a pleasure to perform from the employee's. On the other hand, poor and inefficient design may frustrate both customers and employees.

(2) Socialiser:

The design of the servicescape aids in the socialisation of both employees and customers in the sense that it helps to convey expected roles, behaviours, and relationships. For example – a new employee in a professional services firm would come to understand her position in the hierarchy partially through noting her office assignment, the quality of her office furnishings, and her location relative to others in the organisation.

The design of the facility can also suggest to customers what their role is relative to employees, what parts of the servicescape they are welcome in, and which are for employees only, how they should behave while in the environment, and what types of interactions are encouraged. For example – consider a Club Med vacation environment that is set up to facilitate customer-customer interactions as well as to facilitate guest interactions with Club Med staff.

The organisation also recognises the need for privacy, providing areas that encourage solitary activities. To illustrate further, in some Starbucks location the company is experimenting with shifting to more of a traditional coffeehouse environment where customers spend social time rather than coming in for a quick cup of coffee on the run. To encourage this type of socialising, these Starbucks locations have comfortable lounge chairs and tables set up to encourage interaction and staying longer.

(3) Package:

Similar to a tangible product's package, the servicescape and other elements of physical evidence essentially "wrap" the service and convey an external image of what is "inside" to consumers. Product packages are designed to portray a particular image as well as to evoker

particular sensory or emotional reaction. The physical setting of a service does the same thing through the interaction of many complex stimuli.

The servicescape is the outward appearance of the organisation and thus can be critical in forming initial impressions or setting up customer expectations—it is a visual metaphor for the intangible service. This packaging role is particularly important in creating expectations for new customers and for newly established service organisations that are trying to build a particular image. The physical surroundings offer an organisation the opportunity to convey an image in a way not unlike the way an individual chooses to "dress for success."

The packaging role extends to the appearance of contact personnel through their uniforms or dress and other elements of their outward appearance. Interestingly, the same care and resource expenditures given to package design in product marketing are not generally provided for services, even though the service package serves a variety of important roles. There are many exceptions to this generality, however.

Smart companies like Starbucks, FedEx, and Marriott spend a lot of time and money relating their servicescape design to their brand, providing their customers with strong visual metaphors and "service packaging" that conveys the brand positioning.

(4) Differentiator:

The design of the physical facility can differentiate a firm from its competitors and signal the market segment. The service is intended for given its power as a differentiator, changes in the physical environment can be used to reposition a firm and/or to attract new market segments. In shopping malls the signage, colours used in decor and displays, and type of music wafting from a store signal the intended market segment.

Washington mutual bank clearly communicates through its servicescape its differentiation as a bank for consumers and families. As you enter one of its branches, the first thing you see is a mural of children. Then you are greeted by an informal, khaki-clad concierge. There is an area for children to play as well as a retail store offering financial books, software, and piggy banks, clearly differentiating this bank from those whose focus is commercial accounts or private, upscale banking.

The design of a physical setting can also differentiate one area of a service organisation from another. This is commonly the case in the hotel industry where one large hotel may have several levels of dining possibilities, each signalled by differences in design: Price differentiation is also often partially achieved through variations in physical setting. Bigger rooms with more physical amenities cost more, just as larger seats with more leg room (generally in first class) are more expensive on an aeroplane.

A development in movie theatres is the addition of luxury screening rooms with club chairs and waiters. Taking advantage of this alternative, customers, who are willing to pay a higher price to see the same film, can experience the service in an entirely different environment.

Internal Responses to the Servicescape:

The perceived servicescape does not directly cause people to behave in certain ways. Although the internal responses are discussed independently here, they are clearly interdependent – A person's beliefs about a place, a cognitive response, may well influence the person's emotional response, and vice-versa.

In other words, employees and customers respond to dimensions of their physical surroundings cognitively, emotionally, and physiologically, and those responses are what influence their behaviours in the environment. For example, patients, who come into a dentist's clinic that is designed to calm and sooth their anxieties (emotional responses), may believe as a result that the dentist is caring and competent (cognitive responses).

(1) Variations in Individual Responses:

In general, people respond to the environment in the ways just described — cognitively, emotionally, physiologically — and their responses influence how they behave in the environment. However, the response will not be the same for every individual, every-time. Personal differences as well as temporary conditions such as moods or the purpose for being there can cause variations in how people respond to the servicescape. One personal trait that has been shown to affect how people respond to environments is aroused seeking. Arousal seekers enjoy and look for high levels of stimulation, whereas arousal avoiders prefer lower levels of stimulation.

(2) Environment and Cognition:

The perceived servicescape can have an effect on people's beliefs about a place and their beliefs about the people and products found in that place. In a sense the servicescape can be viewed as a form of nonverbal communication, imparting meaning through what is called "object language." In other cases, perceptions of the servicescape may simply help people to distinguish a firm by influencing how it is categorised.

The overall perception of the servicescape enables the consumer or employee to categorise the firm mentally. Research shows that in the restaurant industry a particular configuration of environmental cues suggests "fast foods," whereas another configuration suggests "elegant sit-down restaurant." In such situations, environmental cues serve as a short-cut device enabling customers to categorise and distinguish among types of restaurants.

(3) Environment and Emotion:

In addition to influencing beliefs, the perceived servicescapes can directly elicit emotional responses that, in turn, influence behaviours. Just being in a particular place can make us feel happy, light-hearted, and relaxed, whereas being in another place may make us feel sad, depressed, and gloomy.

The colours, decor, music, and other elements of the atmosphere can have an unexplainable and sometimes very sub-consciousness effect on the moods of people in the place. For some people, certain environmental stimuli (noises, smells) common in dental clinics can bring on

immediate feelings of fear and anxiety. Environmental psychologists have researched people's emotional responses to physical settings.

They have concluded that any environment, whether natural or engineered, will elicit emotions that can be captured by two basic dimensions:

(a) Pleasure/displeasure; and

(b) Degree of arousal (amount of stimulation or excitement).

Servivescapes that are both—pleasant and arousing—would be termed exciting, whereas those are pleasant and non-arousing, or sleepy, would be termed relaxing. Unpleasant servicescapes that are arousing would be called distressing, while unpleasant, sleepy servicescape would be gloom. These basic emotional responses to environments can be used to begin predicting the expected behaviours of consumers and employees who find themselves in particular type of place.

(4) Environment and Physiology:

The perceived servicescape may also affect people in purely physiological ways. Noise that is too loud, may cause physical discomfort, the temperature of a room may cause people to shiver or perspire, the air quality may make it difficult to breathe, and the glare of lighting may decrease ability to see and cause physical pain. All of these physical responses may, in turn, directly influence whether people stay in and enjoy a particular environment.

It is well known that the comfort of seating in a restaurant influences how long people stay. The hard seats in a fast-food restaurants cause most people to leave within a predictable period of time. Similarly, environmental design and related physiological responses affect whether a person can perform his or her job function well. A vast amount of research in engineering and design has addressed human physiological responses to ambient conditions as well as physiological responses to equipment design.

Such research fits under the rubric of human factors design or ergonomics. Human factors research systematically applies relevant information about human capabilities and limitations to the design of things and procedures people use. Thus an arousal avoider in a loud, bright disco with flashing neon might show strong disliking for the environment, whereas an arousal seeker would be very happy.

In a related vein, it has been suggested that some people are better screeners of environmental stimuli than others. Screeners of stimuli would be able to experience a high level of stimulation but not be affected by it. Non-screeners would be highly affected and might exhibit extreme responses even to low levels of stimulation. The particular purpose for being in a servicescape can also affect a person's response to it.

A person who is on an aeroplane for a one-hour flight will likely be less affected by the atmosphere on the plane than will the traveller who is embarking on a 10-hour overseas flight. Similarly, a day-surgery hospital patient will likely be less sensitive and demanding of her environment than would a patient who is spending two weeks in the hospital. And a person

who is staying at a resort hotel for a business meeting will respond differently to the environment than a couple on their honeymoon.

Temporary mood states can also cause people to respond differently to environmental stimuli. A person who is feeling frustrated and fatigued after a long day at work is likely to be affected differently by a highly arousing restaurant than the person would be after a relaxing three-day weekend.

The important thing to remember is that not every person will always respond in the same way to the environment — individual moods, purposes, and expectations may influence the response. And common personality characteristics (arousal seeking, environment screening) may cause certain groups of people to respond in predictably similar ways.

Approaches for Servicescape Effects:

The main approaches for servicescapes are as follows:

(1) Direct Observation:

Using observation methods, trained observers make detailed accounts of environmental conditions and dimensions, also observing and recording the reactions and behaviours of customers and employees in the servicescape. Through direct observation, depth interviews, and photography, researchers compared detailed accounts of gift giving as it was observed and experienced in two separate retail stores – the mouse house and baubles.

Over-time and extended involvement with the stores, the researchers were able to explore settings, actors, events, processes, and objects related to gift giving. The advantages of direct observation, when done by highly trained and skilled observers, are depth of information acquired and its accuracy. The interrelationship of elements of the environment and the reactions and interactions of participants in the environment can be unobtrusively recorded, increasing the validity of the findings beyond what is typically found in a standardised survey. The findings could be very useful in redesigning the servicescape or in comparing different facilities. Direct observation can also be useful when there is very specific servicescape question that needs answering — for example, "What are the foot traffic flow patterns in the mall during peak business hours, and are the new signs effective in directing people?" The disadvantages of direct observation are primarily related to time and dollar costs.

First, the researchers who observe the servicescape, must be highly trained and skilled in ethnographic methods, which makes data collection expensive. Second, they must be allowed to observe for some period of time, and the interpretation of their detailed records can be very labour intensive. Unlike the survey method, the data cannot, as a rule, be entered into a computer and analysed with nice, clean quantitative results.

(2) Environment Surveys:

An environment survey asks people (either customers or employees) to express their needs and preferences for different environmental configurations by answering predetermined questions in a questionnaire format. This is the type of research conducted in a retail bank setting that was designed to measure the importance of different environmental dimensions and elicit user expectations about bank facilities.

The study surveyed 3,000 bank customers and 2,000 bank employees about 32 environmental variables organised into five categories – ambient conditions, aesthetics, privacy, efficiency/convenience, and social conditions. Across the categories, employees and customers often had different expectations for the bank facility. Although this study was conducted in on specific setting, more recent research has developed a general measurement scale to assess "perceived servicescape quality.

"The scale measures perceptions of three servicescape factors—ambience, design, and social conditions. The measure was developed using perceptions of 1,674 consumers across 10 different industries. The advantages of surveys are the ease of administration and interpretation of results. Usually, the data are collected via standardised questions and the results can be entered into a computer and easily interpreted.

Thousands of questionnaires can be sent out or administered over the phone, so sample sizes can be very large and many environmental variables can be explored simultaneously. The primary disadvantage of an environmental survey is that sometimes the results may be less valid than results from other methods i. e., the answers to the survey questions may not truly reflect how people feel, or how they will behave.

(3) Photographic Blueprints:

A photographic blueprint essentially provides a visualisation of the service at each customer action Step. The visual can be a slide, a photograph, or the entire service process as video-taped from the customer's point of view. By combining service blueprint with photos, managers and other service employees can see the evidence of service from the customer's point of view. The photographic blueprint can provide a powerful analytic tool to begin assessing the service process.

Photographic blueprints are extremely useful in providing clear and logical documentation of the physical evidence as it currently exists in a given service situation. Before changes can be made, the current state of physical evidence should be made apparent to all concerned. The photos and/or video-tapes give more depth to the process blueprint, and the blueprint forces certain logic on the analysis of the physical evidence.

The photographic blueprint can give a vivid picture of how things are. The main disadvantage of a photographic blueprint is that it is just a starting point. In and of itself it doesn't answer any questions, but many questions can be asked of it. It doesn't give any clues as to customer and employee preferences and needs; it could, however, be used as a catalyst for gathering customer and employee opinions.

(4) Experiments:

Experimental methods are among the best ways to assess specific customer and employee reactions to environmental changes or alternatives when it is important to know their true reactions and preferences. Experiments involve exposing groups of customers to different environmental configurations and measuring their reactions. The advantages of experiments lie primarily in the validity of the results, i.e., if the experiment is carefully done, you can believe and rely on the results.

Because environmental dimensions often affect people subconsciously and the multitude of dimensions interacts to form a composite impression, it is difficult to get accurate responses to questions about the environment in the absence of actual experience. As with direct observation methods, the disadvantages of experiments relate primarily to costs and time. Ideally, actual servicescape prototypes would be designed and various groups of consumers would respond to the alternatives.

Marriott Hotels has used this approach in designing its hotel rooms. However, because of the expense involved in constructing actual servicescapes, some form of simulation (verbal descriptions, photos/slides, scale models, videos, and computer simulations) will likely be used. Environmental psychologists and marketers have shown that simulated environments can work well in achieving results similar to what would be found in actual, constructed environments.

Functions of the Servicescape:

Service environments also called Servicescape, relate to the style and appearance of the physical surroundings and other experiential elements encountered by customers at service delivery sites. Designing the service environment is an art that takes considerable time and effort and can be expensive to implement.

The Servicescape primarily performs the following functions:

**(1) Image, Positioning and Differentiation:**

For organizations delivering high contact services or leisure services like shopping malls, the design of the service environment and the way in which tasks are performed by the service contact personnel jointly play a vital role in creating a particular corporate identity and shaping the nature of the customers' experience. Hence, the form Servicescape is not only a message, attention, and effect creating medium but forms an integral part of the service experience and value proposition.

(2) Facilitating the Service Encounter and Enhancing Productivity:

Servicescapes can be so designed that they facilitate service encounters and consequentially also increase productivity. For example inclusion of child-care enclosures in the Servicescapes

of shopping malls, is an innovative design innovation, for facilitating lengthy shopping experiences of customers visiting these malls.

SERVICE MARKETING TRIANGLE
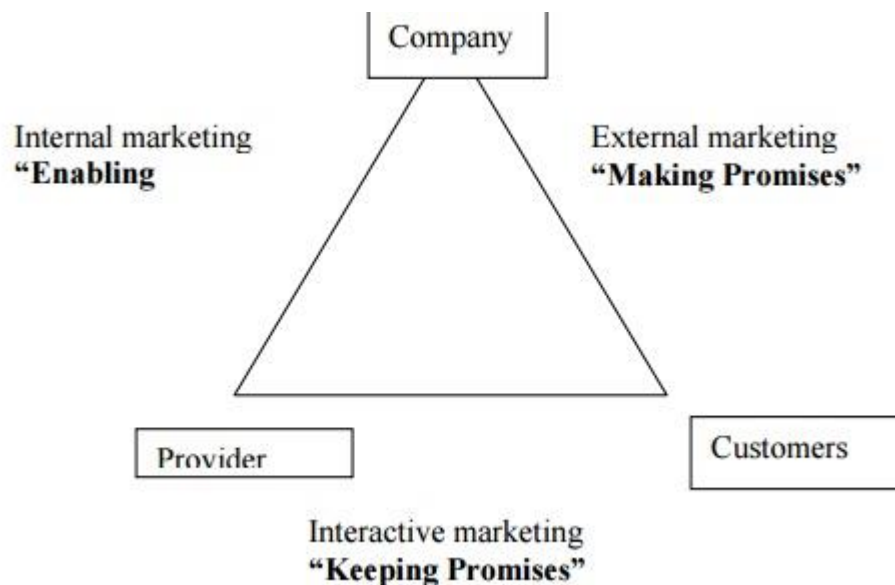
The service marketing triangle or the Service triangle as it is commonly called, underlines the relationships between the various providers of services, and the customers who consume these services.

As we know, relationships are most important in the services sector. The service triangle outlines all the relationships that exist between the company, the employees and the customers. Furthermore, it also outlines the importance of systems in a services industry and how these systems help achieve customer satisfaction.
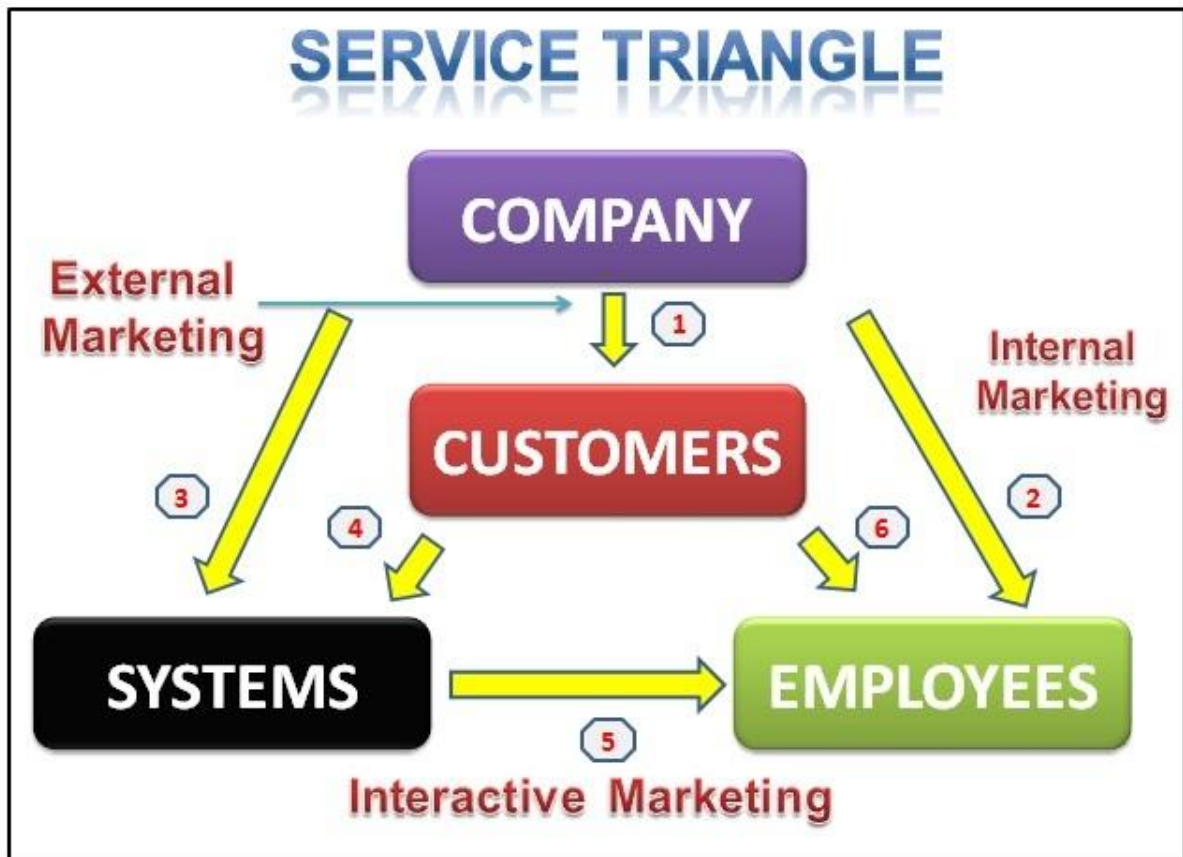
As the name suggests, the service marketing triangle can also be used to market the service to consumers. The marketing completely depends on the interaction going on between the customer and the service provider. We will look at each of these interactions in detail, and also read on how to market to your customer based on the interaction.

There are **6 main relationships in the Service triangle**. And based on these relationships, there are three ways to apply marketing tactics.

1) Company to Customers

One of the critical thing is to communicate the service strategy to the customers. Most of the E-commerce companies are nowadays employed in convincing the customers to buy from their portal only. For this buying, they are communicating various service advantages which the customers have. Communication of the service strategy to customers is important to build the trust of customers and hence to convert the customers to be loyal to the company.

2) Company to employees

Another important relationship in the service triangle is that between the company and the employees. Imagine an Airline where the flight attendants themselves are frustrated with the company. You, as a customer, will land up with the poorest services.

Hence, training employees, building value and trust, and empowering employees are some of the ways that the company can use to make their employees a positive influencing force for the customers.

3) Company to systems

To keep customers happy, efficient and productive systems need to be developed. Imagine your father's bank in the 1960's where everything was done by paper. If he wanted to transfer money, he had to fill many forms. Ultimately it was a tedious process.

However, due to advanced systems, nowadays you can not only transfer money to others sitting at home, you can practically do 80% of the banking work sitting at home from your laptop. That's the importance of systems in a service marketing triangle.

4) Customers to systems

Although building systems are important, these systems should be most useful to customers. Taking the same example of banking systems above, it is surprising that even today when you go to a bank, there is a queue. Look at retail stores. There's always a big line to check out.

The interaction between customer and system is critical to build the service brand. Taking the example of E-commerce systems, when the customer is promised various service advantages, and when he fails to return a product due to system errors or logistics errors, he becomes dissatisfied with the service.

For a company, it is important not only to build systems, but ensure that the systems comply to the customers and give excellent experience to customers.

5) Employees to system

Not only do systems leave customers frustrated, they also leave the employees frustrated. Imagine a McDonald's where orders taken at the front desk are not reaching the kitchen. Or imagine a service center, where although you have entered a grievance, the employee is not getting your complaint and hence not calling you. Ultimately it is the employee on whom you are going to get angry!!

6) The most important relationship in the service triangle – Employee to Customers

The employee to customer interaction is also known as the "moment of truth" or "critical incidents". A single customer can become dissatisfied with the way the employee treated him. Or that single customer can buy a lot of material from the same store, because the employee treated him or her like a king or queen.

That's the difference your employees can create when they interact with customers. There are companies which are high in the customer satisfaction index, just because their employees are well-trained and are empowered to take their own decisions. More importantly, these employees are ingrained with the habit that "Customer is king".

Once your employees starts treating the customer as if they are really king, the whole service triangle gets completed, and you will get the best results from all processes employed.

There are 3 types of marketing which happen within the service marketing triangle

1. Internal marketing – Marketing from the company to the employees
2. External marketing – Marketing from the company to the customers
3. Interactive marketing – Marketing between the customers and the employees

1) Internal marketing in the service triangle

Holistic marketing is most used when internal marketing is in effect. An advertising firm always tries to keep its own employees motivated. They are given a hell lot of parties and outings just so that they are in a jovial mood. And they need to be in a jovial mood because the rest of the times they are using their creative brains very hard to give the ultimate service to their customers.

Furthermore, these same advertising companies empower their employees to take the right decisions in front of customers. This empowerment goes a long way in building motivation and confidence.

And that's what internal marketing based on the service triangle is all about. Building confidence and motivation in your employees, so that they build excellent relationships with the end customers and the company gets the money.

2) External Marketing

Marketing from the company to the customers. This is the most common type of marketing which we, as customers, encounter in the market. The various types of service marketing can be advertising, sales promotions, public relations, direct marketing, or more prominently, internet marketing in today's age.

3) Interactive marketing

The marketing which happens on a retail store, in a restaurant, in a mall, in a bank, or in any format where the customer comes in touch with the employee, is known as interactive marketing. This marketing within the service triangle happens between the customers and the employees.

Interactive marketing is also a strong way to influence customers. It is most commonly used to help customers come to a decision with regards to their purchase decision. If a retail executive has received orders that he has to liquidate stock of Samsung, he will only tell you the positive things about samsung and try to convert your decision into buying Samsung.

The various forms of interactive marketing include personal selling, servicing the customer and interacting with customers on social media or other such interactive platforms.

In essence, there are two main differences between the services sector and the manufacturing sector. One is that the services sector needs to be more flexible for their customers. And second is, that this flexibility brings stress, and a services guy should be able to deal with stress.

The service marketing triangle is an excellent representation of all the interactions which happen within a services sector, and accordingly how different forms of marketing can be used based on the interactions happening.