

## **UNIT -2 MARKETING ENVIRONMENT**

### **MARKETING ENVIRONMENT:**

Marketing Environment consist of all the internal and external influences which affect marketing decision making and have an impact on its performance. For the success of marketing activities it is important to analyze the marketing environment and study the factors and take proper decision

### **Process of environmental analysis**

1. Scanning- process of identifying the signal of changes around the company
2. Monitoring-involves tracking the changes assemble more data and study the pattern of change
3. Forecasting- developing possible changes or actions required in marketing activities
4. Assessment- evaluating the changes before and after action

**The components** of Marketing Environment may be classified into two categories:

Macro Environment factors

Micro environment factors

MACRO ENVIRONMENT- External Factors, Uncontrollable

- ☐ DEMOGRAPHIC
- ☐ ECONOMIC
- ☐ SOCIO -CULTURAL
- ☐ POLITICAL
- ☐ LEGAL
- ☐ NATURAL ENVIRIONMENT
- ☐ INTERNATIONAL

MICRO ENVIRONMENT : Internal Factors, Controllable

- ☐ ORGINISATION POLICIES
- ☐ COMPANY RESOURCES
- ☐ MARKETING MIX
- ☐ SUPPLIERS
- ☐ INTERMEDIARIES

### **Macro Environment**

1. **Demography**: is Understanding the composition and distribution of human population. Structure and composition of population will affect marketing activities. Demographic factors are:

- Age Group
  - Gender
  - Education
  - Religion and Ethnicity
  - Birth and Death rate, population density, rural and urban population
2. **Economic**: Marketers needs to understand not only the population but also the purchasing power of people and willingness to spend. Savings and investment pattern will affect the purchasing power which will affect the economy of the country. it includes factors like
- Income
  - Savings and Investment
  - Inflation
  - Credit Availability
  - Interest Rate
  - Stage of Business Cycle :  
Prosperity, recession, boom, depression, recovery
3. **Social and Cultural** : Society in which people live in, shape their beliefs, cultural values and social norms. Social and Cultural factors are
- Social and Cultural Values / Lifestyle : Influence fashion, youth behaviour, Double Income households, Nuclear families/ joint family, Time Pressure etc.
  - Social Problems: Child Labour, Awareness of Environment pollution, Working and Living Conditions of people
  - Social Trends: Consumerism, Ethical consciousness, social responsibility of business, are the growing trends that the organisation need to pay heed to.
4. **Political and Legal**: Marketing system are affected by government policies, laws and regulations. These are:
- Monetary and Fiscal Policies: Taxes and Duties
  - Social legislation: Anti pollution laws, Drug Control act,
  - Legislation specific to Marketing : MRTP act, Consumer protection Act, Sale of Goods Act, Essential Commodities Act etc.
5. **Technological environment**: Radical development in science and technology has completely transformed life and living conditions. Technology can affect markets and marketing activities in three ways:
1. Emergence of entirely new industries . Eg. *Computers, Lasers, Robots*
  2. Radically alter or destroy existing industries: *Television , Post Office*
  3. Stimulate market and industries not related directly to their production technology: *E-commerce, Information & Communication Sys.*
6. **Market environment**: Marketing strategies recognize the force of competition in a free market economy and these plans are based on the anticipated moves of the

opponent. Marketing strategies are planned, formulated and altered in response to the competition. Competition influences the choice *of target markets, segmentation strategy and marketing mix formulation.*

7. **Natural environment:** Rising awareness about preservation and survival of our ecological system has resulted in increasing focus on *societal marketing*. Marketing Executives need to pay due attention to the quality of our life and environment.
8. **International environment:** Increasing globalization and integration with world economy, marketing needs to consider factors such *as foreign trade and investment policy, Exchange rate fluctuations, Taxes and duties etc.*

### Micro Environment

1. **Organisation:** has many departments. Marketing has to streamline its activities with that of other departments so as to achieve the targets. Organization's structure , values, policies and decision influence marketing activities
2. **Corporate Resources:** comprise of men, money, material, machine and management. These resources influence marketing planning and policy. At the same time, these are controllable and can be adjusted according to marketing plan.
3. **Marketing Mix:** Comprise of four Ps – Product, place, price and promotion. They are influenced by corporate policy on consumer satisfaction, cost effectiveness and prevailing competitive environment. Right mix of marketing gives right product.
4. **Suppliers:** Depending upon the bargaining power of the organisation w.r.t. the suppliers , the marketing activities are affected.
5. **Market Intermediaries:** refer to the distribution channel members. The size of production and supply determine the channel choice. The organisation can decide whether to reach the consumers directly or through wholesalers and retailers.
6. **Employees:** Employees loyalty, productivity, attitude towards organisation can be controlled by following sound and employee oriented policies.

### MARKET SEGMENTATION

#### **Definition:**

Market Segmentation is the process of dividing a market into distinct groups of customers on the basis of some criteria like demographics, needs, behavior etc. such that those within a group are relatively homogeneous with respect to their response to marketing inputs

#### **Benefits of segmentation**

1. Market can be defined more precisely in terms of customer needs
2. Can formulate and implement marketing programmes according to demands in market
3. Identify strength and weakness
4. More effective utilization of resources

## **Essentials of effective market segmentation**

- ☐ Measurability-Segment should be measurable and possible to quantify
- ☐ Definable-Segment should show the degree of homogeneity
- ☐ Viable-Method should be cost effective and profitable for the marketer
- ☐ Reachable It should include physical distribution and communication aspects .

## **Bases for Segmentation:**

1. People Oriented Approach
2. Product Oriented Approach

**People Oriented Approach** is based on Customer Personal Characteristics such as:

- **Demographic**
  - Age- each age group prefer different types of product – *titan has wide range of product based on age*
  - Gender- in baby products pink color is generally referred as girls and blue color is referred to boy
  - Family Size-most of FMCG products have single unit and ‘family pack’ for big families
- **Socio-Economic**
  - Income, Occupation, Education – based on income of people, type of job-salaried(private/ public sector ),self employed ; market is segmented
  - Social class- upper class ,middle class and lower class *eg:magazines*
  - Religion, Race, Nationality –it will explain the diversities and regularities in the market
- **Geographic**

Where people live is one of the best clues to what they want to buy

- Region of the country
- Urban, Semi-Urban, Rural

- **Psycho-graphic**

- Values and Lifestyle

(VALS): Classifies individuals on AIO

- Activities: Work, Hobbies, Shopping style
- Interests: In Food, Fashion, Recreation
- Opinions: About themselves/Others, Social Issues
- Personality : Analytical, Expressive, Friendly, Aggressive, Leader

## **Bases for Segmentation: Product Oriented Approach**

Segmentation is done on the basis of Customer Response Behaviour towards product. Also known as Behavioral segmentation.

In this approach the customers are divided based on the way they respond to, use or know of a product:

- Product Usage Frequency: Light, Medium, Heavy
- Product Usage Occasions: Meal time, Festive Occasions
- Loyalty: Committed, Acceptors, Fence-Sitters, Experimenters, Rejecters
- Benefits: Economy, Performance, durability, Taste, Fragrance

## BUYING BEHAVIOUR

Buyer behavior is defined as — All psychological, social and physical behavior of potential customers as they become aware of, evaluate, purchase, consume and tell others about products and services.

It is the decision making process involved in acquiring evaluating, using and disposing of goods and services by a consumer.

### **Elements of Buyer behaviour:**

1. Buyer Behaviour involve both individual and group influences
2. Social environment plays an important role
3. Is reflected from awareness through post purchase evaluation indicating satisfaction or dissatisfaction
4. Includes purchase, consumption and communication
5. Includes both consumer and business buyer behaviour

### **Factors influence buyer behaviour**

#### **1) Personal Influences:**

##### **a) Demographics**

Age and the life cycle : Lifecycle is an orderly series of stages in which consumer attitude and behavioral tendencies evolve and occur because of developing *maturity, experience, income* , and *status*.

Marketers often define their target markets in terms of life-cycle stage and develop appropriate products and marketing plans for each stage.

Economic Situation: A person's economic situation will affect product choice

. Marketers of income-sensitive goods watch trends in personal income, savings, and interest rates. If economic indicators point to a recession, marketers can take steps to redesign, reposition, and re-price their products closely.

**Occupation and Income:** The profession or the occupation of a person has an impact on the products they consume. The status of a person is projected through various symbols like the dress, accessories and possessions, etc. *For example : Blue-collar workers tend to buy more rugged work clothes, whereas white-collar workers buy more business suits.*

Marketers try to identify the occupational groups that have an above-average interest in their products and services.

### **b) Personality**

Each person's distinct personality influences his or her buying behavior.

Personality can be useful in analyzing consumer behavior for certain product or brand choices. *For example : Coffee marketers have discovered that heavy coffee drinkers tend to be high on sociability. Thus, to attract customers, Starbucks and other coffeehouses create environments in which people can relax and socialize over a cup of steaming coffee.*

- Personality is influenced by self-concept and roles played by an individual. Self Concept has 3 parts:

1. The idealized Self – What would you like to be?
2. Looking Glass Self- How you think others see you?
3. Self Self – Your own concept of what you are like?

Roles : *Loving Father/ Mother, Caring Wife, Friendly Colleague etc.*

### **c) Lifestyle**

Lifestyle is a typical way of living in a dynamic society. The method of measuring a consumer's lifestyle is called *psychographics*. It is a person's mode of living as identified by his or her activities, interest and opinions.

Activities: Work, Hobbies, Shopping

style Interests: In Food, Fashion,

Recreation

Opinions: About themselves/Others, Social Issues

Our life styles are reflected in our personalities and self-concepts. When Psychographic information is combined with demographic information, it gives a well-rounded picture of a person.

External or inter-personal influences on buyer behavior:

1. Family
2. Reference group
3. Social class
4. Culture

## **2) Sociocultural Influences**

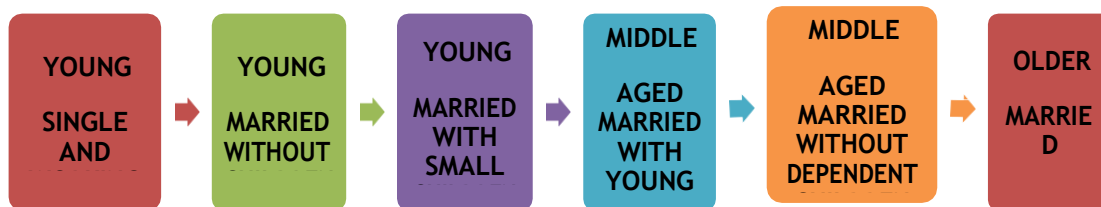
### **a) Family:**

Most consumers belong to a family group. The family can exert considerable influence in shaping the pattern of consumption and indicating the decision making roles. personal values, attitudes and buying habits have been shaped by family members. The members of the family play diff roles such as influencer, decider, purchaser, and user in the buying process

▪ **Family Decision Making**

- **Influencer**
- **Decider**
- **Buyer**
- **User**
- **Maintainer**
- **Disposer**

The **family life cycle** describes the distinct phases that a family progresses through from formation to retirement, each phase bringing with it identifiable purchasing behaviors.



b) **Reference group:**

The concept of reference group is borrowed from sociology and psychology. Reference groups are social, economic, or professional groups to which the buyer belongs. A buyer is influenced by/ get advice from this small groups and uses to evaluate his or her opinions and beliefs.

**Word of Mouth Communication** is the process by which messages are passed from member to member. These influences are reflected in brand preferences and decision making process.

Reference Groups may be of three types:

- I. **Associate reference groups:** Groups an individual belongs to—the individual adopts certain behavior patterns of these groups. **Dissociative reference groups:** Groups people do not want to associate with *Relatives, Friends, Local Club* are reference groups which may be Associate / Disassociate RGs.
- II. **Aspirational reference groups:** Groups an individual aspires to join/associate with. **Opinion leaders** are individuals who exert direct or indirect social influence over others. They are Aspirational RGs

### c) **Social Class**

Sociology points out the relationship between social class and consumption patterns. Consumers' buying behavior is determined by the social class to which they belong or to which they aspire, rather than by their income alone. Three distinct social classes are Upper, Middle and Lower classes.

- Upper class consumers want products and brands that are clear symbols of their social status
- Middle class consumers shop carefully and read advertisements and compare prices before they buy.
- Lower class consumers do not care to read much.

### d) **Culture**

Culture represents an overall social heritage. Culture includes a set of learned beliefs, values, attitudes, morals, customs, habits and forms of behavior shared by a society and transmitted from generation to generation.

Sub cultures exist with the dominant culture with its own set of values, beliefs, attitude, habits and behavior patterns. In Indian culture we have some important bases of subculture such as caste, region and religion. Hence, the pattern of behavior varies between Western and Oriental/ Indian, North and South India and between Muslims and Hindus.

Cultural influence is a force, shaping patterns of consumption and patterns of decision making.

## 3. **Psychological factors:**

### e) **Needs and Motivation**

Need motivates an individual to act. Motivation is all those pressures and influences that trigger, channelize and sustain consumer behaviour.

Motivation tries to explain the WHY of Buyer Behaviour. *Maslow's hierarchy of Needs* helps to understand the role played by motivation in influencing consumer behaviour. Maslow has arranged human needs in a hierarchy, from the most pressing to the least pressing. They are Physiological needs, Safety, Social, Esteem and Self-actualization needs.

### f) **Learning**

Learning is defined as the process by which individuals acquire the purchase and consumption knowledge, gain from past experience and that results in future behaviour.

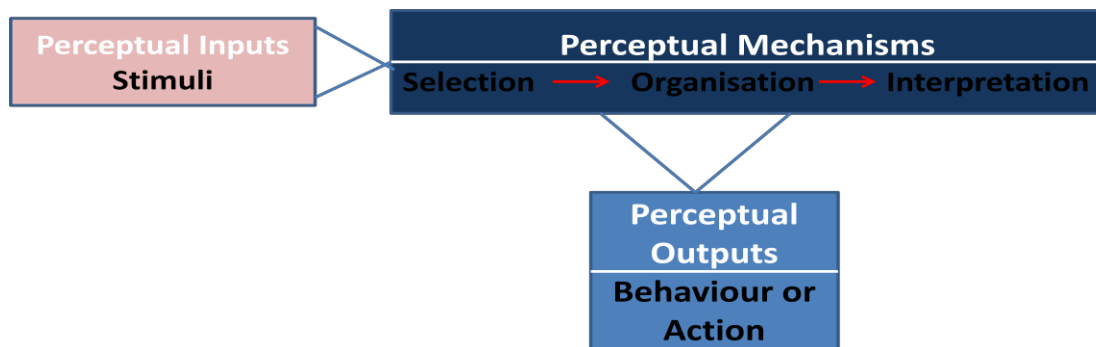




- Marketers have applied the learning process to effectively advertise their products, teach the consumers about their products and help them develop Brand Loyalty.

### g) **Perception**

A motivated person is ready to act. How the motivated person acts is influenced by his or perception of the situation. Perception is the process by which an individual selects, organizes and interprets information inputs to create a meaningful picture of the world.



### h) **Attitude**

Attitudes are an overall evaluation that lead people to respond in a consistently favorable or unfavorable way to a given object. Attitudes are formed through interaction with others, family and peer groups.

It is the attitude of a consumer which leads to purchase or rejection.

For a marketer, the consumers' attitude towards a product/ brand is very important. They are interested in knowing how attitudes are formed and if the attitude is not favourable, how it can be changed.

*Perception is an intellectual process shaping the belief system, Attitude is your disposition (+/-), leading to a behaviour or action.*

### **Situational Factors**

Are temporary conditions that affect how buyer's behave at the time and place of purchase in terms of:

- Whether they actually buy your product,
- or buy additional products,
- or buy nothing at all from

you. They include things like:

- Physical factors
- Social factors
- Time factors

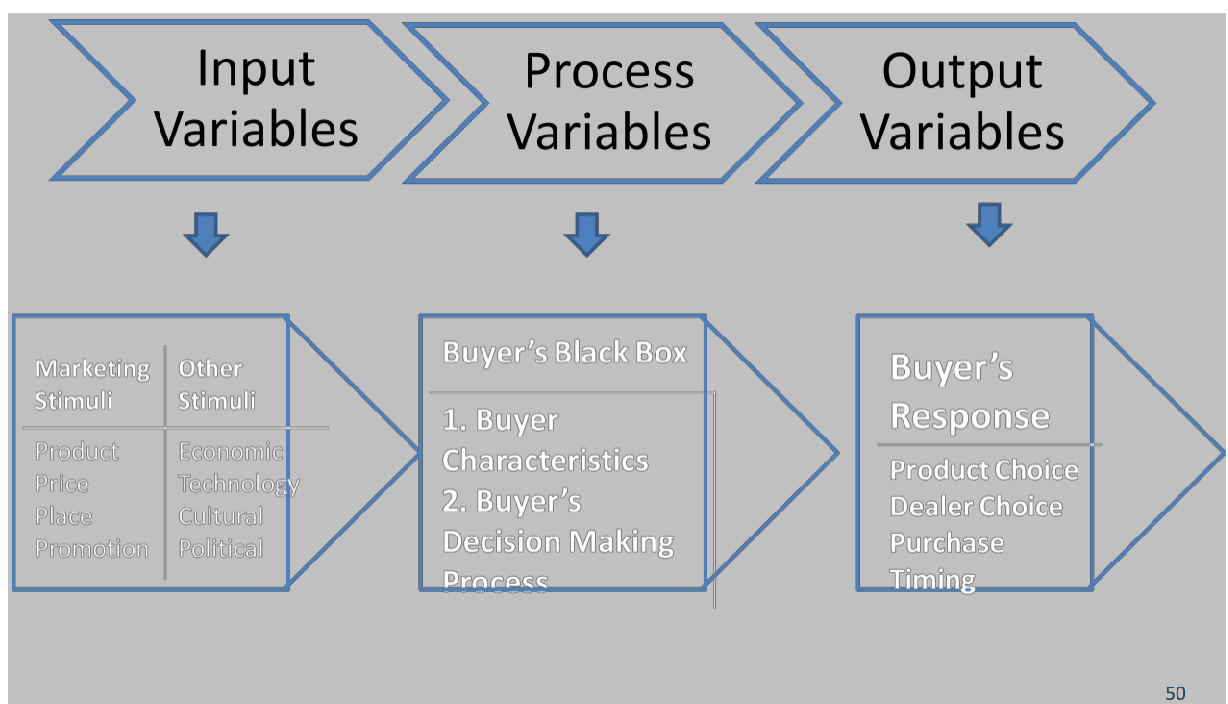
- Reason for the buyer's purchase, and
- The buyer's mood

*You have undoubtedly been affected by these factors sometime.*

*Because businesses very much want to try to control these factors, let's now look at them in more detail.*

## Model Of Buyer Behaviour

### - Stimulus Response Model / Systems Approach/Howard- Sheth Model



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### INPUT

- Potential Customers are subject to various stimuli:
  - Marketing Stimuli
  - Other forces in the marketing environment
 (*Briefly discuss the Stimuli*)

### PROCESS

- Stimuli influence the buyer's decision making in the context of buyers' characteristics  
 (*Briefly discuss the characteristics and decision making process*)

### OUTPUT

- Evoke positive or negative response towards the product

## Buyer's Decision Making Process: 5 Stages

### 1. Need Recognition

**2. Information Search****3. Evaluation of Alternatives****4. Purchase or No Purchase Decision****5. Post Purchase Experience and Behaviour****1. Need Recognition**

The buying process starts when the buyer recognizes a problem or need. The need can be triggered by internal ,external factors, marketing stimuli. *Eg. Person''s normal needs-hunger/ thrust –rises to threshold level and becomes a drive.*

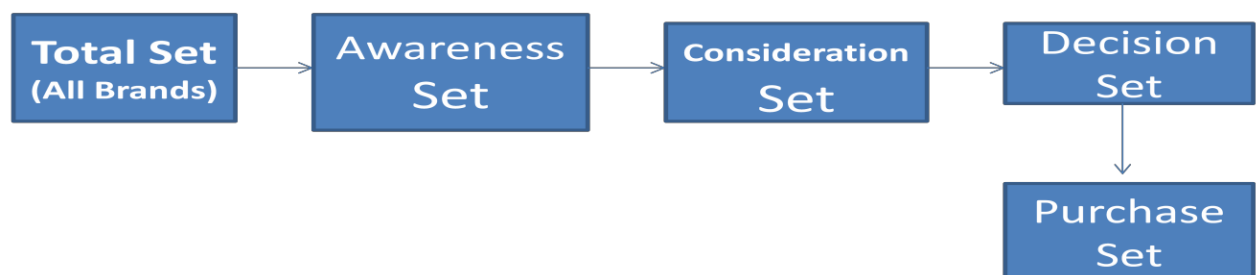
Marketing helps consumers recognize an imbalance between present status and preferred state.

**2. Information Search**

An aroused consumer will be inclined to search for more information. There are two types of search:

1. Internal search- memory.
2. External search- if the consumer needs more information, will engage in external search. These sources are:
  - Friends and relatives (word of mouth);
  - Marketer dominated sources;
  - Public sources etc.

The information search helps buyer find possible alternatives- i.e.- the *Evoked Set*.  
*Eg. Hungry- want to go out and eat. Evoked set is Chinese food , Indian food, Italian food etc.*

**3. Evaluation of Alternatives****Consumer evaluation process:**

The consumer sees each product as a bundle of attributes for delivering the benefits sought to satisfy these needs. A product is viewed as a bundle of attributes. Attributes of interests to buyer may be:

- *Cameras : picture clarity, sharpness, size ,price*
- *Hotels: Location ,cleanliness, atmosphere, price*

Information about the characteristics of the products are provided by the marketer. Competitor brand information helps compare and evaluate the brands. In order to

reduce the number of alternatives, a Cut-off criteria may be applied on the basis of important attributes.

The important attributes are ranked and brands rated on the attributes.

Brand that is rated highest on the most important attributes is more likely to be selected. In evaluation stage the consumer form preferences among the brands. In this phase-consumer Choose buying alternative.

Factors that influence buying at this stage are:

- Situational Factors : Store, Method of purchase , Incentives offered, out of stock, budget etc.
- Social Factors: Attitude of reference group members
- Perceived risk : High priced products imply higher risk. Low priced products may have performance risk. Foreign brands because of After sales service aspect may have high risk.

4. **Purchase or No Purchase Decision:** Consumer decides on the brand to purchase and makes the payment. The consumer may also decide not to purchase any product at all.

## 5. Post Purchase Experience and Behaviour

Consumer analyze the Brand, during Purchase and Usage (Post-Purchase). The analysis is done basis Expectation vis-à-vis Level of Satisfaction. The outcomes are: Satisfaction or Dissatisfaction.

- Satisfaction will create brand preference
- Dissatisfaction will lead to negative feelings and create anxiety and doubts.

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## **CHAPTER IV**

### **INTRODUCTION TO SERVICES MANAGEMENT**

The success of services management depends upon the quality of service rendered by each service provider. Several physical products need the help of service sector to reach the consumers. But only recently, in India and elsewhere a serious thinking is going on to identify service sector as a major sector of the economy. Many developed countries have experienced that service sector is vital for the economic development. For example, without the development of transport system, air, water or land, physical products would not have been moved from production points to the markets and ultimately to the target consumers.

Without the financial services, many industries would not have emerged. The recession experienced recently in the economies would over is due to the failure of the financial services. Every economy in the world today continues to depend on the service sector to foster the manufacturing, farm and trade sectors.

#### **Service Management – A Concept**

Considering the facts that ‘Service Quality is vital for business successes and ‘Consumer is occupying the center stage in the businesses, service provider should consider the success factors of their business. At the end of the day human element occupies the center stage in service sector and other supporting activities like technical skills, marketing skills, etc. provide sufficient strength to carry on the business. In this backdrop, the concept of ‘Service Management’ has to be understood.

There are two terms in ‘**Service Management**’; they are [i] Services and [ii] Management. Services here we mean the invisible, perishable, intangible activity without which people cannot manage the services activities. ‘Management’ here indicates the management thought and functions applicable on the service activities.

**Service Management** referred as ‘Principle and functions of management applied on service marketing activities with a sound marketing plan like marketing mix of services and achieving the goals of service organizations’. It also refers the understanding of various aspects in service sector like service concept, types and classification of services, marketing mix of service industry, consumer behaviour towards services and marketing management of different types of service such as Tourism, Hotel, Healthcare, Finance, Insurance, etc.

### **Meaning and Definition of Service**

**According to “Philip Kotler”**, “a service is an activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything”. Its production may or may not tie with physical product.

**According to Lenard L Berry** “Goods can be defined as objects, devices or things, whereas services can be defined as deeds, efforts or performances”.

**According to American Marketing Association** services as “those activities, benefits or satisfaction which are offered for sale or provided in connection with the sale of goods”.

### **Characteristics of Services**

These characteristics create special marketing challenges and opportunities. That is substantially different from the product marketing. From this we understand that services are a separate activity which has certain features. There are:-

- Intangibility
- Inseparability
- Variability or Heterogeneity
- Perishability
- Ownership or Inability to own the service

**Intangibility:** A pure service cannot be assessed using any of the physical senses i.e. integrity, smell, colour, value etc. This cannot be examined before the purchase of the service due to the intangibility. It means there is no physical identity for the service. Service can be varied in process of purchase and consumed. Due to this it's difficult to measure the quality of service.

It is highly difficult the assessment of consumer needs and requirements in case of services. Its often depends upon minds of the consumer. A consumer faces high degree of uncertainty which purchasing and consuming of services. This problem can be solved with the help of physical evidences.

**Inseparability:** The production and consumption are two different activities. In case of goods production and consumption are separate from each other. But in case of services both

production and consumption happen in the same time it means both are simultaneous with each other. Further it happens with the presence of both service provider and consumer. It refers consumer involvement is more in the production process.

In case of goods generally first product, then offered of sale and finally sold and consumed. This process completely different in the case of services. Here it sold first, then produced and consumed with simultaneously.

**Variability and Heterogeneity:** Goods can be produced with high standard of consistency. In the part of services most of people would have experienced high level of variability. It creates greater problem when marketing and production of services. When consumer involved in the production process it can be difficult to carry out monitoring and control to ensure consistency in standard. This mainly happens in Labour-intensive services i.e. personal services. When the service happen with the presence of both consumer and service provider.

To provide high level quality and maintaining consistency, a service provider has to be introducing the machine based operations. It also called as equipments based production methods. Like telephone operators, automation of many banking services.

**Perishability:** Unlike most of goods for example: machines, equipments and consumables, services cannot be stored. Most manufacturers of goods, who are unable to sell their products in current period they can carry forward as stocks for future sales. But in service there is no chance for service providers to carry forward for sale in subsequent period. For example: room service in a hotel.

This problem creates great attention in minds of service providers. It can be manage by various techniques like scheduling the production, demand and supply approach etc. Price and promotion are tools available to manage the perishability problem of service.

**Ownership or Inability to own the Service:** In the process of purchasing goods buyer generally acquire the title of the goods i.e. ownership transfer from one person to another person. But in service no ownership is transferred from seller to the buyer. The buyer acquires the right to use of service according his requirements.

### **Reasons for Growth of Service Sectors**

**Demography** – the study of population reveals a general increase in the world population, high birth has given scope for Childcare centers, Education intuitions etc. It increases prime target for a verity of services such as fast food, entertainment, etc. The increase in life expectancy indicated expanding market in the age group over 55 years, it has created a new market for Health care, Leisure and Tourism, etc.

**Economic** – The growth of corporate sector and stock market is usually an indicator of growth of an economy. With an overall economic liberalization, resource mobilization though capital market has reached unpredictable heights. The higher per capita incomes increase the use of luxury services.

**Political and Legal** – De-regularization has opened many service industries such as Airlines, Banking, Insurance, etc to more intense competition generating greater innovation and expansion. The policy changes brought about by the government can have a major impact in all sectors of the economy.

**Social** – The increase in single person household, smaller families and working women mean more discretionary income, more time for travel and entertainment and also need for child care services. Changing life styles of the masses due to cultural exchange and communication networks has resulted in continued emphasis on services.

**Technological** – Recent developments in computer science and Information Technology have brought about convergence of various technologies like Telecommunication, Entertainment and Data transformation. The influence of internet has resulted in increasing mobility of educated labour force among countries.

#### **Difference between Physical Goods and Services**

The difference between the goods and services are mainly focus on four generic differences like Intangibility, Heterogeneity (Variability), Perishability and simultaneous Production and Consumption (Inseparability).

Following are the differences between Goods and Services.

| Physical Goods | Services |
|----------------|----------|
|                |          |



|                                                                         |                                                                             |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Tangible                                                                | Intangible                                                                  |
| Transfer of ownership                                                   | No transfer of ownership                                                    |
| Consumers are Homogeneous in Nature                                     | Consumers are Heterogeneous in Nature                                       |
| A thing                                                                 | An Activity or Process                                                      |
| Production and Distribution are separated from Consumption              | Production, Distribution and consumption are simultaneous with each other   |
| Core value produced in Factory outlet                                   | Core value produced with the presence of both Service Provider and Consumer |
| Customer do not participate the production process                      | Consumer participate in the production process                              |
| Can be kept in stock                                                    | Cannot be kept in stock                                                     |
| Quality control is possible                                             | Difficult to control the quality                                            |
| Attributes can be determined before the purchase i.e. Colour, size, etc | Difficult to evaluate in advance                                            |
| 4P's in Marketing mix i.e. Product, Price,                              | 7P's of Marketing Mix (4P's with People,                                    |

|                            |                                |
|----------------------------|--------------------------------|
| promotion and              | Physical Evidence and Process) |
| Shelf life – Days to years | Shelf life - Zero              |

## Classification of Services

Defining categories of services are more complex than goods. The Classifications not only demonstrate the diversity of services but also suggest how important in specific situation. It requires carefully analysis at the time of service operation. The approach to services classification has been to identify the criteria's by which services can be grouped together and to list the service types or organizations which are felt to fit the each segment of service. Following is the most commonly used method of classifications.

### 1. Classifications based on Ultimate User (End user of service)

**Consumer:** Services which are directly provided to consumer to leisure, hair dressing, package holidays, dry cleaning etc.

**Business to Business:** Services provided to business operations by the Advertising Agencies, Printing, Accountancy, consultancy, photographic processing etc.

**Industries:** they required some service like Plant maintenance and repair, Installation, Project managed etc.

### 2. Classifications based on Service Options:

Service can be Labor-Intensive (people based) and Equipment Based services. This can also be represented by the degree of contact i.e. consumer involvement in service operation. That represents low contact or high contact relationship between service provider and consumer.

- **People-based service:** The service present high contact (client's presence) with people. Ex: Education, Dental Care, Medical Services, Tourism etc.

- **Equipment-based services:** The service present low contact with people. Ex: Cinema, Modern Banking Services.

### 3. Classification based on Specialisation:

These classification based on expertise and skill of the service providers.

- **Professional services:** It required prescribed qualification and special knowledge in the particular service. Ex: Medical services, Legal service, Accountancy etc.
- **Non-Professional services:** Ex: Baby sitting, Caretaking, Casual Labour.

### 4. Classification based on Profit Orientation:

- **Non-Profit Orientations:** Some services non profit oriented because they mainly focus on public utility operations and for charity with no consideration. Like Educational institutions, Cultural organizations, Religious institutions etc
- **Commercial/Profit Orientations:** They have profit orientated in their operations. All commercial and economic activities Ex: Banks, Airlines, Hotel, etc.

### 5. Classifications based on External – Internal Service to Manufactures

- **External Services:** Many services are concerned with the distribution, installation and plant maintenance, car repairs, computer service etc. This services provided by the outside agencies.
- **Internal Services:** It refers the interdepartmental services in a same organization. Cover a wide range of services including recruitments, publications, legal services transport etc.

### 6. Classifications based on Customer-Employee Presence:

- **Self Service:** In this type of organizations we can find the presence of customer only in case service delivering process. Ex: ATM service, Self service in Hotel.
- **Interpersonal Service:** In this type of organizations there will be present of both customer and employee. Ex: Education, Medical, Legal etc.
- **Remote Service:** In this type of organizations there will be present only by the employee. Here service delivery through the agents and middleman's on behalf of service provider. Ex: Insurance service.

### **Marketing Mix of Services**

Managing service activity is a critical task which demands more focus on marketing of services. The main objective of any business will be earning profit. The service organization should effectively sell its features to earn profit. Marketing of Services differs from goods marketing, because of certain distinct features such as Intangibility, Variability, Inseparability, Perishability and Ownership.

As in case of marketing of products, the services provider and consumers should meet and finalize the expectations concerned with purchase of service called as “**Service Encounter**”. It refers “a period of time during which a Consumer directly interacts with a Service Provider”. Where there is a mismatch between the service encounter stages concerned with finalizing the service is called as ‘**Critical Incidents**’. This critical incidents main causes for service failure in case of service operations. This service failure can be avoided by effective marketing programme like marketing mix of services.

**Marketing Mix:** It refers to the blend of ideas, concepts and features which marketing management put together to best appeal to their target customer to achieve company goals and objectives. Traditionally marketing mix comprises four elements i.e. Product, Price, Promotion and Place. These famously called as 4P's of Marketing Mix. But the critical features of service creating challenge for the service provider for marketing of the services successfully. For that reason to avoid difficulties in marketing we are using modern marketing mix called as **7P's of Service Marketing Mix**.

## **Service Marketing Mix**

The following are the Marketing Mix components in service marketing. They are

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

### **1. Product**

The product here refers to the Service Offering. Although service is essentially intangible, what we find attributes in case goods, we cannot find in the service. So needs great care to meet consumer needs as closely as possible. It can be prepared in three levels:

- Core Level (Define service needs)
- Tangible Level (Manifestation of products)
- Augmented Level (Add force or additional services)

Product influencing by various factors. They are:

- Branding
- Quality Management
- Life Cycle Management
- New Service Development
- Product strategies

### **2. Price**

It looks very similar to goods pricing. But it is fairly complex issue in terms deciding total price, discounts, mode of payment, and price discrimination for services.

Quality and Times are main determinates of price in Service Marketing. For Ex: Bank deposits. Here the rate of interest offered on deposit considered price. These deposits are having different time period i.e. 1 year to 10 years. Price discrimination also takes place in service. It refers different prices are charges to different customers for the same service.

For Ex: Banks offer additional percent of interest on their deposits for senior citizens and charge low interest on loans and advances for special clauses of customers.

Many of the pricing policies are applicable to service marketing like Discounts and Allowances, Skimming and Penetration pricing, Fixed and Flexible price etc. It's depends on the consumer and competitors in their business.

The basic methods of price determination now used for services are generally as same as in case of goods. Prices to services are determined on:

- Cost basis
- Competition basis
- Demand basis

### 3. Promotion

Promotion is the third most important component of the marketing mix. Once a suitable product has been designed, a promotion strategy must be used to build an image and reputation, differentiate the product from their competitors, generate interest and knowledge, and attract new customers and to generate customer loyalty.

Selection of the promotion tool based on the following factors:

- Nature of the product
- Competitive scenario of the market
- Buyer behavior.

**Promotions Tools:** To achieve the objectives and goals, the organization should develop promotional strategies and tactics by using the usual promotional mix it include Advertisings, Sales promotion, Personal selling and Publicity. In Services marketing, service providers themselves become an important element of the promotion mix.

**Advertisement:** In India certain services like entertainment, tourism travel, hotel, and transport, insurance have been advertising heavily in newspapers, magazines, and radio, television (TV) to promote greater usage and attract more customers.

However, certain professional service such as doctors, lawyers and accountants have a negative attitude towards advertising, they using word-of-mouth communication for attracting new customers. Personal experience place important role in case processional services

**Personal Selling:** Is essential when developing close relationships between the buyers and sellers. Unlike many other components of the promotion mix, personal selling provides the basis for dialogue and offers a focused approach with immediate feedback.

**Sales Promotion:** Is used predominantly to encourage trial and generate brand switching, although with support from other media it is unlikely develop brand loyalty. It recognized that sales of particular service can be focused on staff and intermediaries as well as potential customers.

**Publicity:** Is a special form of public relations that involves news stories about an organization or its products of services. From this the promoter can reach mass audience. It is not paid for and cannot be control by the organizations. It has greater credibility than advertising.

#### **4. Place (Physical Distribution)**

Traditionally most services have been sold directly from producer to consumer. Middlemen are not used in service delivery, because service cannot be separated from the seller and also created and marketed simultaneously. For Ex: Medical, Legal, Educational services etc. If middlemen are not used, it limits the geographical markets. Therefore the frequently used channel includes one agent middleman. For Ex: Brokers

The most important decision element in the distribution strategy relates to the issues of location. It attracts the maximum number of consumers. It depends on types of customer's i.e. regular and frequent visitor. The location factor depends on two important elements such as Availability and Accessibility.

**Franchising:** It's one the fast emerging channel management. It is form license granting another person or institutions exploit a trade name, trade mark or product in return for lump-sum payment of for royalty. This kind of channel widely using in service sector where some kind of homogeneity is possible.

**Integrated Service System:** It is a recent trend in distribution of services. In this system the service provider offers additional related services to the customer. For Ex: India Tourism

Development Corporation which offers it s customers both conduced tours and hotel facility and doing some necessary formalities in case of international tourism activities.

### **5. People**

The people component reflects the important role played by individual in the provision services. People are also an important element in the specification of the marketing mix. The people component of a services marketing mix is most commonly associated with personal selling.

People component represent two aspects i.e. Service Personnel and Customers.

**Service Personnel** – They play an important role in an organization which rendering services. The behavior and attitude of the personnel influence on customer overall perception of the service.

**Customers** – Customers are a part of service process. They mainly influencing from other customers by word-of-mouth communication. It plays the role of promotional tool. Thus service provider should ensure complete satisfaction of the existing customers.

## **6. Physical Evidence**

Physical evidence is one more marketing mix available to the service providers. The service firms must consciously make efforts to manage the physical evidence with their services. It arises directly from the intangible nature of the service. Physical Evidences play an important role in the process of Intangibility to tangibility of service. Physical entities can be successfully employed to describe the service product and its qualities.

Therefore physical evidence like brochures, stationery, equipment, furniture, building etc plays the key role in tangibilise the product.

## **7. Process**

This is the seventh component of marketing mix. In a service organization, the production and delivery happen by this process. It plays key role in service operation. Process takes place great concern in rendering services, because consumers also become the co-producers of the service. Consumer participation vary crucial for successful in the process of handling a service. Designing a Service Process system involves following issues:

- Location
- Facilities
- Procedure and Job Definition
- Service Quality
- Extent of customer Involvement
- Equipment Selection



**The Service Process**

- I. **Service Strategy**- this is the first step in designing a delivery process. It is the process of identifying the needs of customers. It says what is basic expectation of customer from the service provides
- II. **Service concept**-It describes in detail what exactly is customers requirements following aspects
  - Service operation- specific manner in which service is delivered
  - Service experience- customers direct experience
  - Service outcome-results perceive from the company
  - Value of service
- III. **Service Blue print**

A service blueprint is a schematic diagram that represents all the details of a service from the customer and organisation's perspective.

It is an operational planning tool that provides guidance and shows how the service is provided, sequence of action, staff allocation, physical elements to serve a customer

**Features of service blue print**

- It shows how the different service components link into each other – showing the different touch points and options customers have to choose from and how the internal workings support those choices.
- It maps out chronologically and in sequence all the various interactions and actions that occur in parallel when customer and company meet,
- It shows all the interactions by and with the customer.
- It also illustrates the stages and complexity of the encounter and distinguishes between the customer experiences (and decisions) and the systems, invisible to the customer, that operate backstage to ensure that these are delivered.

**IV. Supporting process**

It includes all different elements in the service delivery system like human resource , technology used, inventory, physical environment which will support the delivery of service.

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