

# Introduction

## WHAT IS SERVICE SECTOR?

Service sector is the third of the three economic sectors. This sector provides intangible goods like services. Financial services, management consultancy, telephony and IT are good examples of service sector.

## WHAT IS SERVICE SECTOR INDUSTRY?

The service sector industries are involved in providing services to businesses as well as final consumers.



# Types of service sector

Service sector can be broadly divided into two parts:

## (A) business services

- i. Banking
- ii. Insurance
- iii. Transportation
- iv. Warehousing



## (B) Social services

- A. Education
- B. Health
- C. Administration

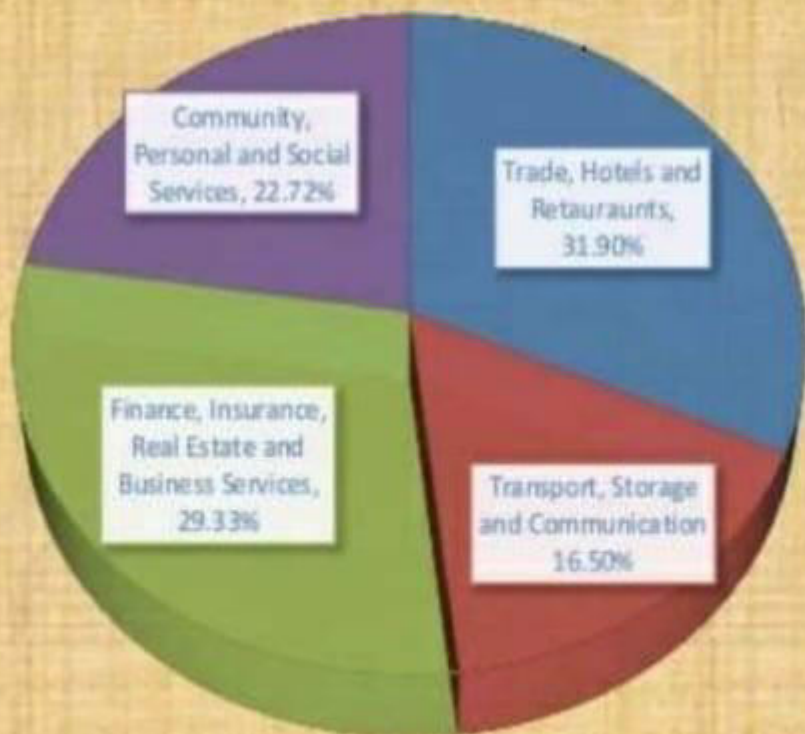


## (C) Personal services

- A. Tourism.
- b. restaurants .
- C. Recreational.



## % SHARE

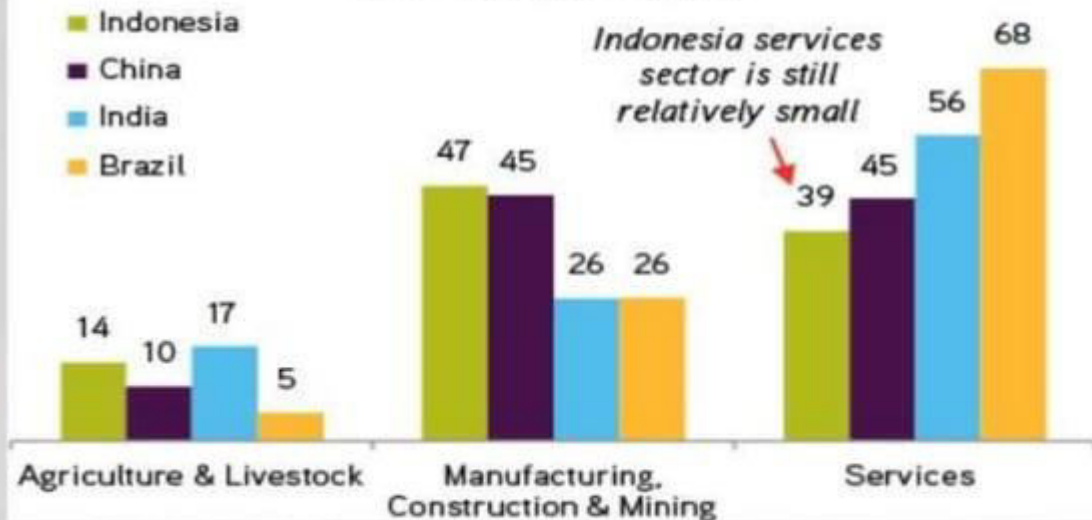


# Effects on economy

- ▶ The service sector plays an increasingly important role in the global economy and the growth and development of countries.
- ▶ The 2011 World Development Indicators show that the services sector accounted for almost 71% of global GDP in 2010.
- ▶ For developing countries service trade is the new frontier for enhancing their participation in international trade.
- ▶ Relative resilience in the latest financial and economic crises.

# Inter country comparison of Sector wise contribution to GDP

2012 GDP by Industry (%)



# Service sector industries in India and their effects on Indian economy

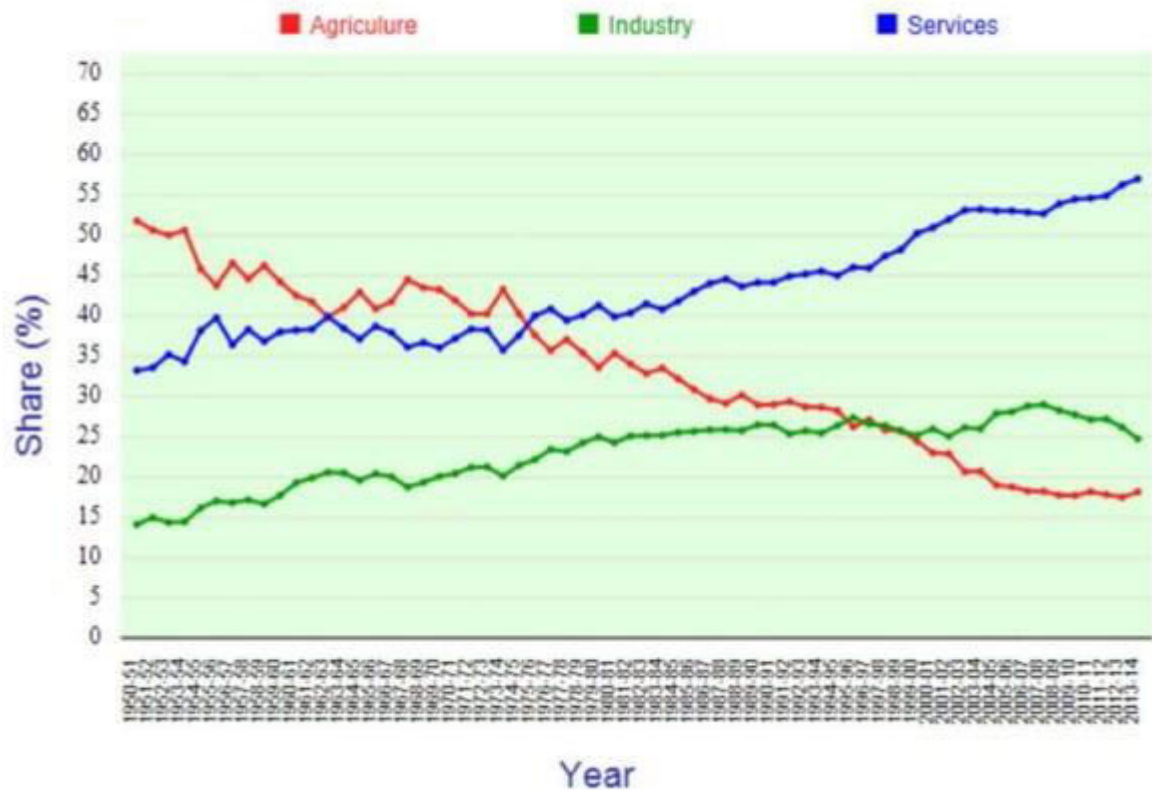
## Service sector industries in India

- ▶ Wide variety of sectors such as health care, tourism, education, engineering, communications, transportation, information technology, banking, finance, management, among others are available in India.
- ▶ The Government of India recognizes the importance of promoting growth in services sectors and provides several incentives

# Effects on Indian Economy

- ▶ The services sector is the key driver of India's economic growth.
- ▶ The sector contributed around 66.1 per cent of its Gross Value Added growth in 2015-16, thereby becoming an important net foreign exchange earner and the most attractive sector for FDI (Foreign Direct Investment) inflows.
- ▶ In 2014, 57.9% of total GDP was produced by Service sector.
- ▶ In Services sector, India world rank is 11 and GDP is \$1185.79 billion.
- ▶ Indian service sector has attracted FDI equity inflows in the period April 2000-March 2017, amounting to about US\$ 59.47 billion which is about 17.92 per cent of the total foreign inflows.

## Sectorwise contribution of GDP of India (1950-2014)



# Swot analysis on Indian service sector

## Strength

- Highly skilled, English-speaking workforce
- Cheaper workforce
- Abundant manpower

## Opportunities

- Indian companies should work closely with western governments and assuage their concern and issues.
- Development market
- Can be branded as quality ITES destination rather than a low cost destination

## Weakness

- Cost of telecom and network infrastructure is much higher in India than in US
- Lack of financial suppliers
- Political opposition

## Threats

- Competition from China, Philippines and south Africa could have an edge on the cost factor
- Slowdown of demand
- Customer indecisiveness: the requirement change and change often.

## Initiatives of government

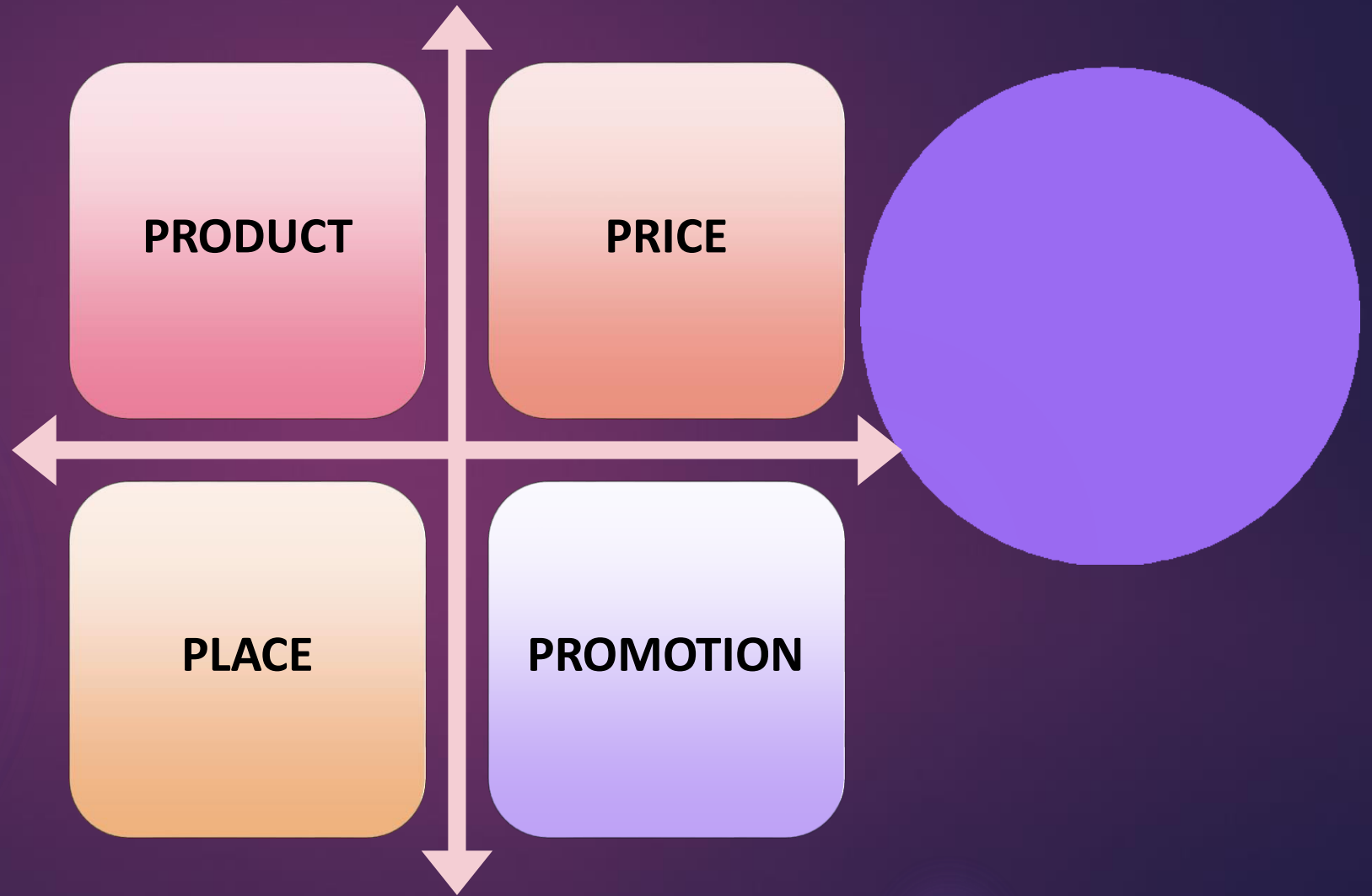
- ▶ Ministry of Civil Aviation, Government of India, launched 'DigiYatra'
- ▶ Various schemes to attract FDI
- ▶ This service sector is increasing standards of living of Indian people, quality of service available.
- ▶ Providing employment to the citizens.

# FOUNDATION OF SERVICE MARKETING

*WHAT IS **MARKETING**....*

ACCORDING TO *PHILIP KOTLER*, “MARKETING IS HUMAN  
ACTIVITY DIRECTED AT SATISFYING NEEDS AND WANTS  
THROUGH EXCHANGE PROCESS”

# 4 Ps OF MARKETING



# WHAT IS **SERVICES**....

ACCORDING TO **PHILIP KOTLER**, “ANY ACTIVITY OF BENEFIT THAT ONE PARTY CAN OFFER TO ANOTHER THAT IS ESSENTIALLY **INTANGIBLE** AND **DOESN'T RESULT IN THE OWNERSHIP** OF ANYTHING. ITS PRODUCTION MAY OR MAY NOT BE TIED TO A PHYSICAL PRODUCT”

# IMPORTANCE OF SERVICE

- ✓ SHARE IN NET NATIONAL PRODUCT
- ✓ HELPS INDUSTRIALISATION
- ✓ EXPANDS AGRICULTURE
- ✓ REMOVES REGIONAL IMBALANCES
- ✓ GROWTH IN MARKET
- ✓ HIGH QUALITY OF LIFE
- ✓ INCREASES PRODUCTIVITY
- ✓ RISE IN INTERNATIONAL TRADE

# CHARACTERISTICS OF SERVICES

**INTAGIBILITY**

**PERISHIBILITY**

**INSEPERABILITY**

**SIMULTANEITY**

**VARIABILITY**

**LACK OF OWNERSHIP**

**QUALITY MEASUREMENT**

**NATURE OF DEMAND**

# REASONS FOR GROWTH IN SERVICE

- ✓ CONSUMER AFFLUENCE
- ✓ WORKING WOMEN
- ✓ DINK
- ✓ LEISURE TIME
- ✓ PRODUCT INNOVATIONS
- ✓ PRODUCT COMPLEXITIES
- ✓ COMPLEXITIES OF LIFE
- ✓ NEW YOUTH



# *WHAT IS SERVICE MARKETING....*

THE *AMERICAN MARKETING ASSOCIATION* DEFINES SERVICE MARKETING AS AN ORGANISATIONAL FUNCTION AND A SET OF PROCESSES FOR **IDENTIFYING AND CREATING**, **COMMUNICATING AND DELIVERING VALUE TO CUSTOMERS** AND FOR **MANAGING CUSTOMER RELATIONSHIP** IN A WAY THAT BENEFIT THE ORGANISATION AND STAKE HOLDERS.

# IMPORTANCE OF MARKETING OF SERVICES

- ✓ A KEY DIFFERENTIATION
- ✓ IMPORTANCE OF RELATIONSHIP
- ✓ CUSTOMER RETENTION
- ✓ MULTIPLE TOUCHPOINTS
- ✓ SERVICE PROLIFERATE
- ✓ FEEDBACK IMPOVES SERVICES
- ✓ TECHNOLOGY IMPACTS



# RETAIL FINANCIAL SERVICES

**DEBIT CARD**

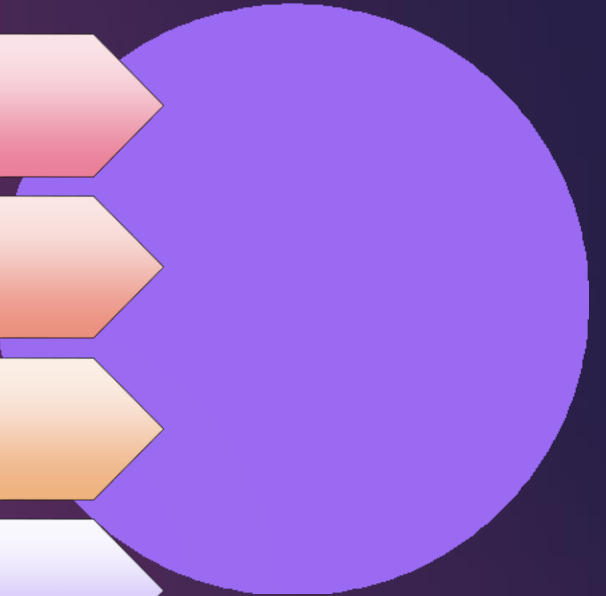
**CREDIT CARD**

**RETAIL LOANS**

**INSURANCE**

**INVESTMENT SERVICES**

**CREDIT SERVICES**



## 4 I's OF SERVICE MARKETING

**INTAGIBILITY**

**INCONSISTENCY**

**INSEPERABILITY**

**INVENTORY**



## 3 R's OF SERVICE MARKETING

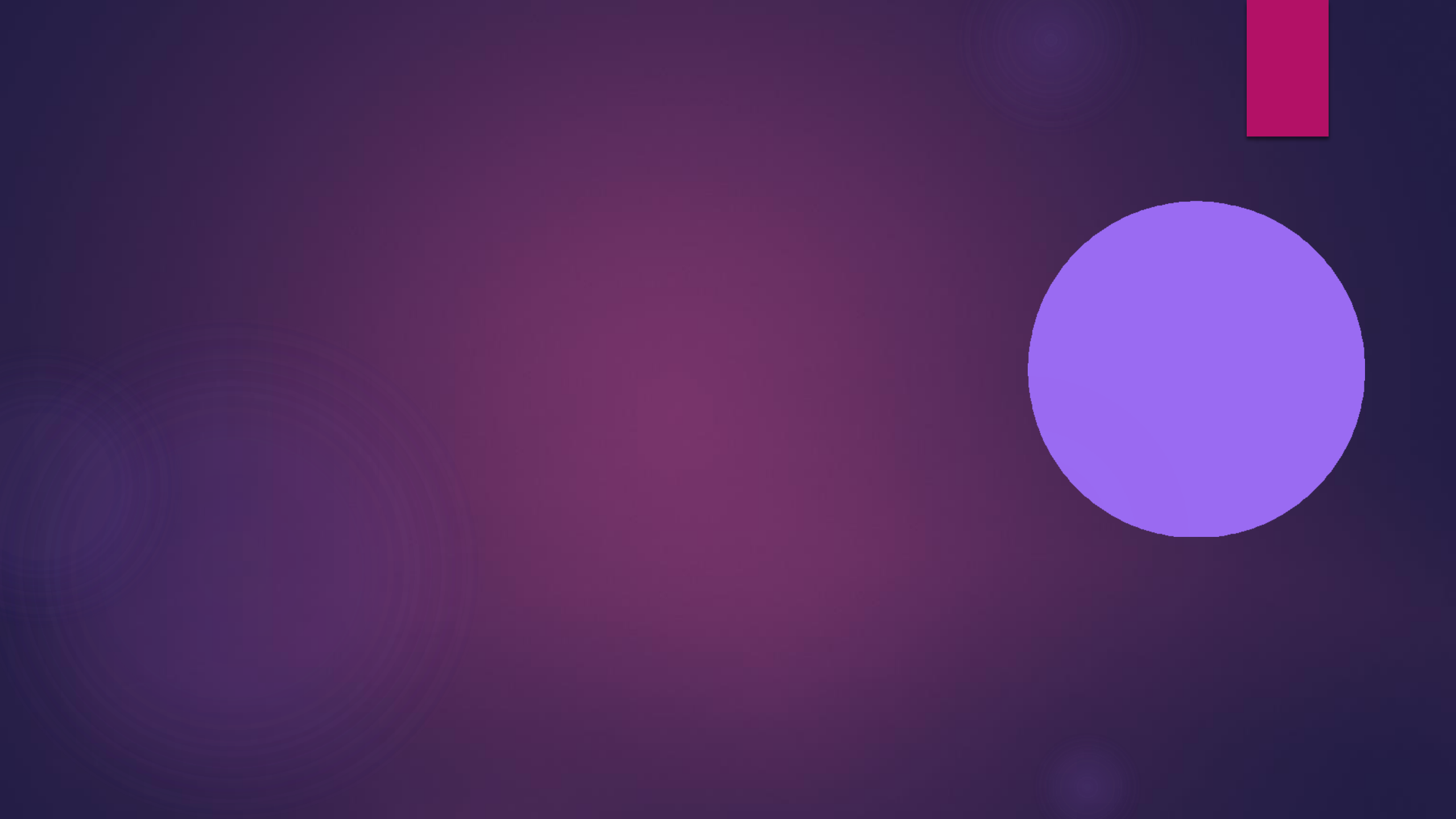
**RELIABILITY**

**RESPONSIVENESS**

**RESPECT**



# MANAGING SERVICE ENCOUNTERS



MODULE-2

# GAP Model

# GAPS MODEL OF SERVICE QUALITY




# Gap Model

The gap model of service quality is a framework professionals use to analyze customer satisfaction and identify areas for improvement. Most companies, regardless of whether they are sales- or service-focused, involve some component of customer service. Some industries that use this tool include retail, food, hospitality and health care

# *Definition of service*

*Berry define service as act, deeds, & performance.*

*AMA define service as activities, benefits or satisfaction that are offered for sale, or provided in connection with the sale of goods.*




# *What is quality*

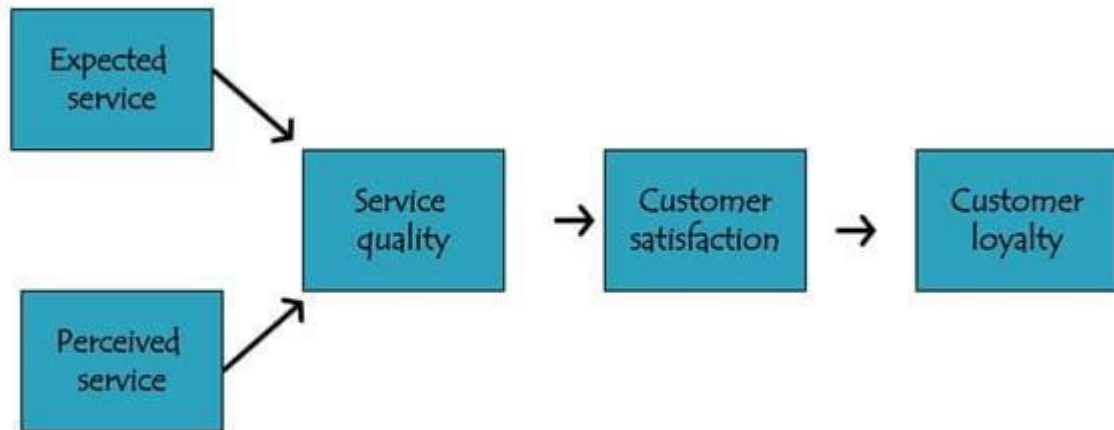
- ▶ *In the words of crosby:-*Quality is conformance to requirements
- ▶ *ASQC Define:-* Quality is the totality of features and characteristics of a product, or service that bear on it's ability to satisfy stated or implied needs.
- ▶ *Fully satisfy customer requirements at the lower cost.*

# What is service quality?

An assessment of how well a delivered service conforms to the client's expectations. Service business operators often assess the service quality provided to their customers in order to improve their service, to quickly identify problems, and to better assess client satisfaction.



# What is service quality?

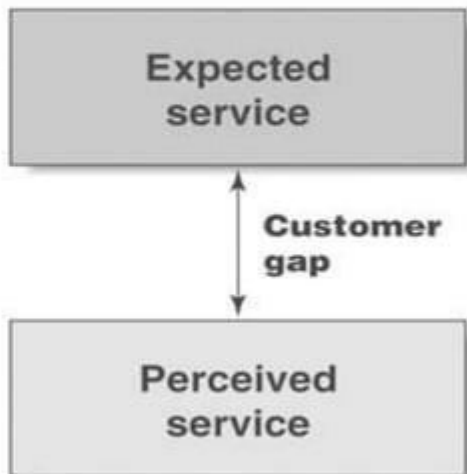


# GAPS MODEL OF SERVICE QUALITY




# The Customer Gap

## The Customer Gap



The Gaps Model was proposed by A Parasuraman, Valarie Zeithaml and LL Berry in 1985 in the Journal Of Marketing






**Professor A. Parasuraman**



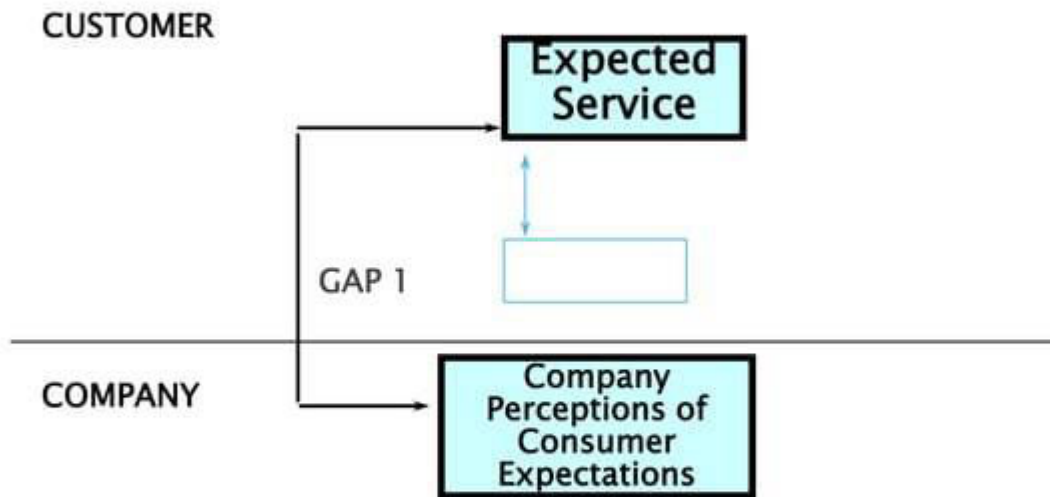
Dr. Valarie Zeithaml



Dr. Leonard L. Berry

- ▶ Customer gap:
    - Difference between expectations and perceptions
  - ▶ Provider gap 1:
    - Not knowing what customers expect
  - ▶ Provider gap 2:
    - Not selecting the right service designs and standards
  - ▶ Provider gap 3:
    - Not delivering to service standards
  - ▶ Provider gap 4:
    - Not matching performance to promises
- 

# Provider Gap 1



# GAP 1

Wi tribe: Was not offering usb dongle internet

Pizza hut: Was not offering Lemon pie and brownies

HBL: No online payment services

Ufone: Was not offering internet services

Apcoms: No management degree in start

Customer's expectations



- ▶ Inadequate marketing research orientation
- ▶ Lack of upward communication
- ▶ Insufficient relationship focus
- ▶ Inadequate service recovery



Company's perceptions of customer expectations

**Reasons  
for  
provider  
gap  
I**

# Key Factors Leading to Provider Gap 1

Customer Expectations

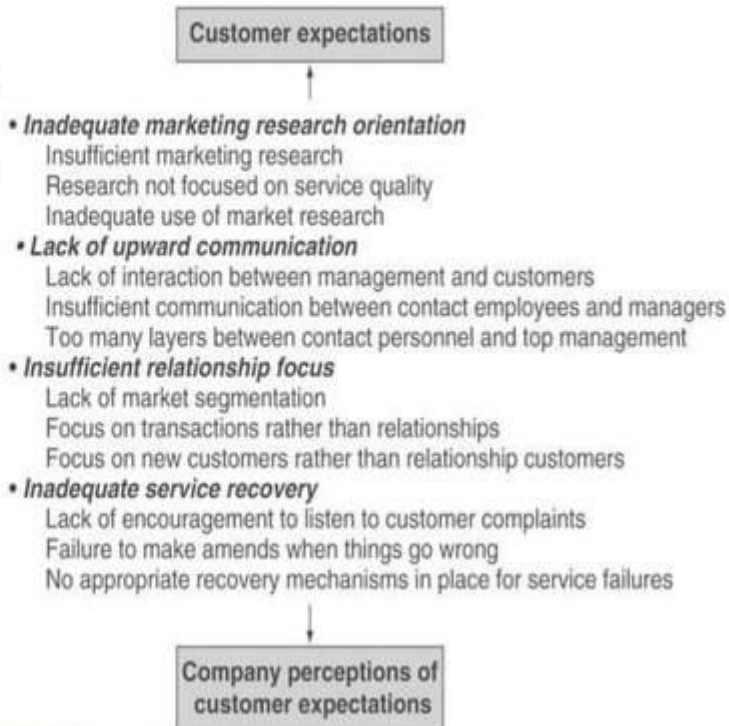
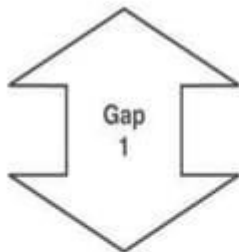
- ***Inadequate Marketing Research Orientation***
  - Insufficient marketing research
  - Research not focused on service quality
  - Inadequate use of market research
- ***Lack of Upward Communication***
  - Lack of interaction between management and customers
  - Insufficient communication between contact employees and managers
  - Too many layers between contact personnel and top management
- ***Insufficient Relationship Focus***
  - Lack of market segmentation
  - Focus on transactions rather than relationships
  - Focus on new customers rather than relationship customers

Company Perceptions of Customer Expectations



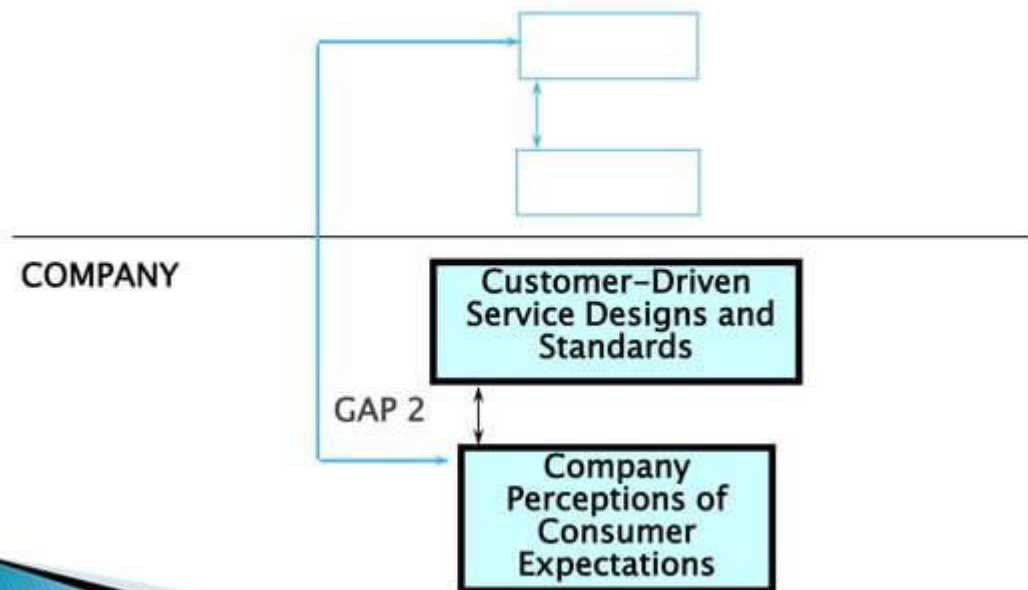
# Key Factors Leading to Provider Gap 1

FIGURE 2.2  
Key Factors Leading  
to Provider Gap 1:  
The Listening Gap



# Provider Gap 2

CUSTOMER



# GAP 2

Wi tribe: It then started usb dongle but not up to standard

Pizza hut: Started offering Lemon pie and brownies but not of high quality

HBL: Started offering online payment but not of excellent quality

Ufone: started offering low quality internet services

Apcoms: Started offering management degree but not HEC recognized

**Reasons  
for  
provider  
gap  
2**

Translation of perceptions into service quality specifications

- ▶ Poor service design
- ▶ Absence of customer-defined service standards
- ▶ Inappropriate physical evidence and services cape

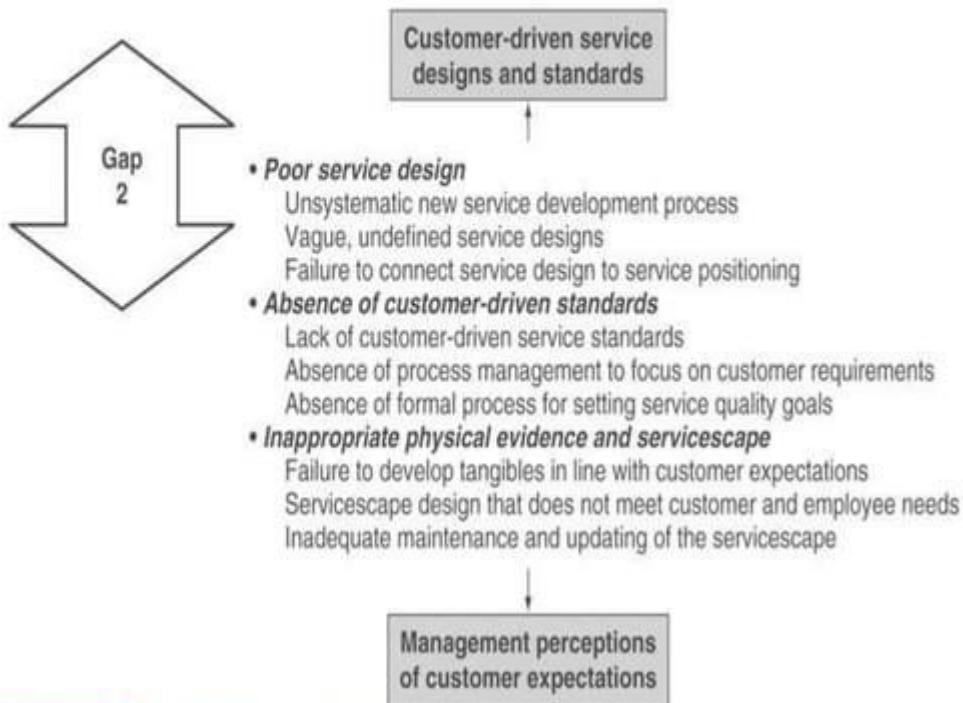
Management perceptions of customer expectations

# Key Factors Leading to Provider Gap 2



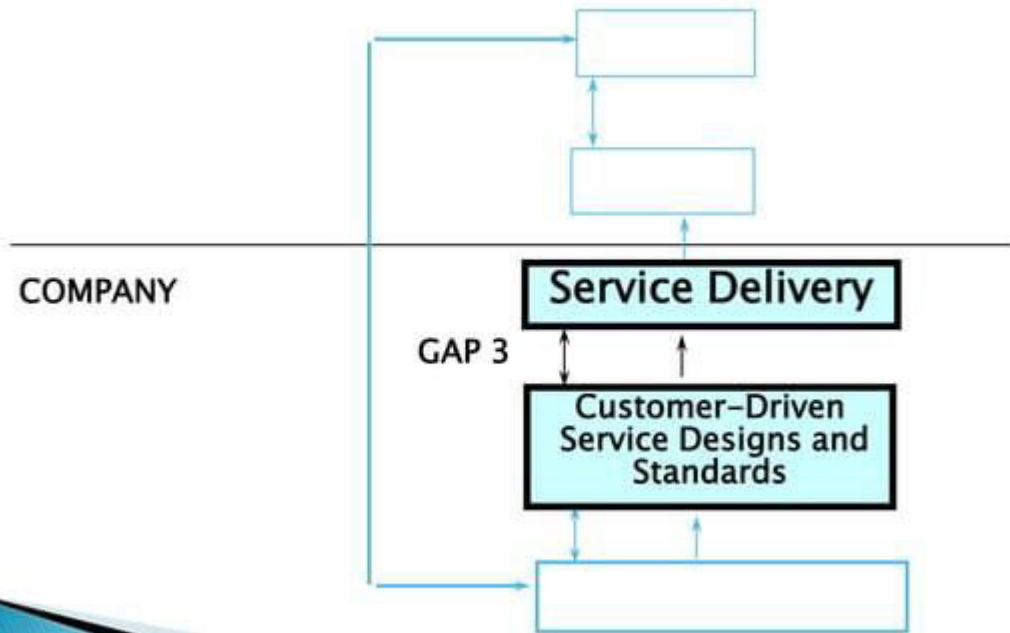
# Key Factors Leading to Provider Gap 2

FIGURE 2.3  
Key Factors Leading  
to Provider Gap 2:  
The Service Design  
and Standards Gap



# Provider Gap 3

CUSTOMER



COMPANY

GAP 3

Service Delivery

Customer-Driven  
Service Designs and  
Standards

# GAP 3

Wi tribe: no user guide given by  
Customer officer

Pizza hut: Unavailability of dessert

HBL: Not on time

Ufone: CSR is not much informed  
regarding service details

Apcoms: Teachers were not highly  
qualified

The diagram illustrates the flow from service designs and standards to service delivery, with reasons for provider gap in the middle. A large purple double-headed arrow on the left is labeled 'Reasons for provider gap 3'. A light blue arrow points from the top box to the middle box, and a light green arrow points from the middle box to the bottom box.

Customer-driven service designs and standards

Reasons  
for  
provider  
gap  
3

- ▶ Poor human resource policies
- ▶ Failure to match supply and demand
- ▶ Customer not fulfilling their roles
- ▶ Problems with service intermediaries

Service delivery

# Key Factors Leading to Provider Gap 3

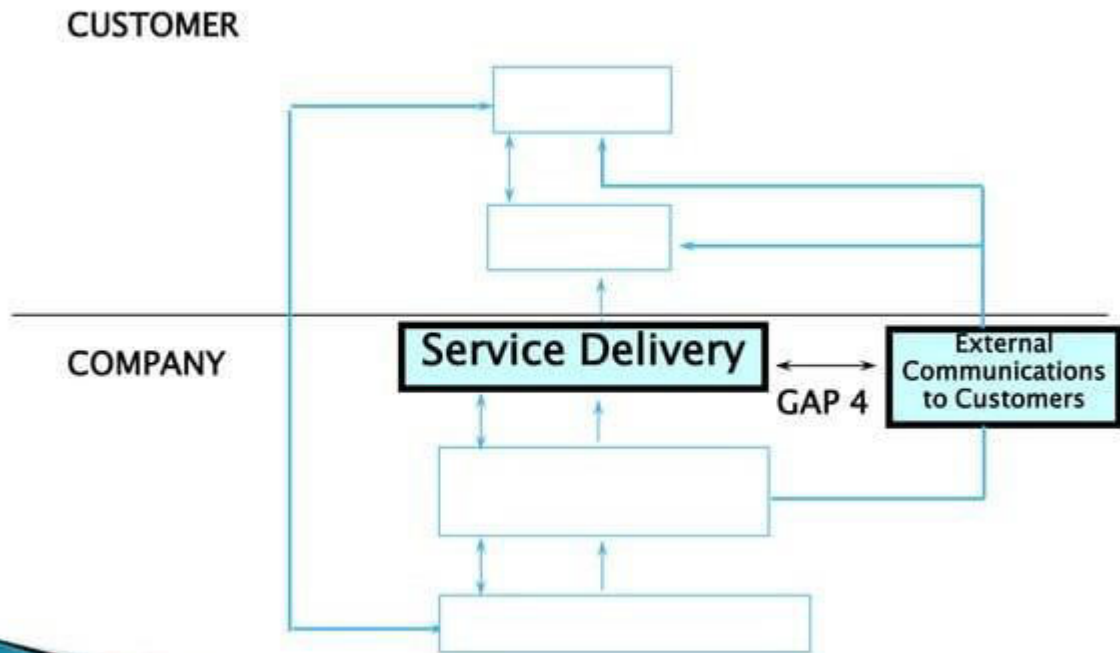


## Customer-Driven Service Designs and Standards

- ***Deficiencies in Human Resource Policies***
  - Ineffective recruitment
  - Role ambiguity and role conflict
  - Poor employee-technology job fit
  - Inappropriate evaluation and compensation systems
  - Lack of empowerment, perceived control and teamwork
- ***Failure to Match Supply and Demand***
  - Failure to smooth peaks and valleys of demand
  - Inappropriate customer mix
  - Over-reliance on price to smooth demand
- ***Customers Not Fulfilling Roles***
  - Customers lack knowledge of their roles and responsibilities
  - Customers negatively impact each other
- ***Problems with Service Intermediaries***
  - Channel conflict over objectives and performance
  - Channel conflict over costs and rewards
  - Difficulty controlling quality and consistency
  - Tension between empowerment and control

## Service Delivery

# Provider Gap 4



# GAP 4

Wi tribe: excellent services but not exactly what it advertises

Pizza hut: it is good to eat but not as much as the mouth watering ad seems to be

HBL: delivered service is good but not exactly the same as depicted in ads

Ufone: Really good but not exactly according to ads

Apcoms: It is good but not as much shown in advertisements

**External communications to consumers**



- ▶ Lack of integration of marketing communications
- ▶ Inadequate management of customer expectations
- ▶ Overpromising
- ▶ Inadequate horizontal communications



**Service delivery**

**Reasons  
for  
provider  
gap  
4**

# Key Factors Leading to Provider Gap 4



Service Delivery

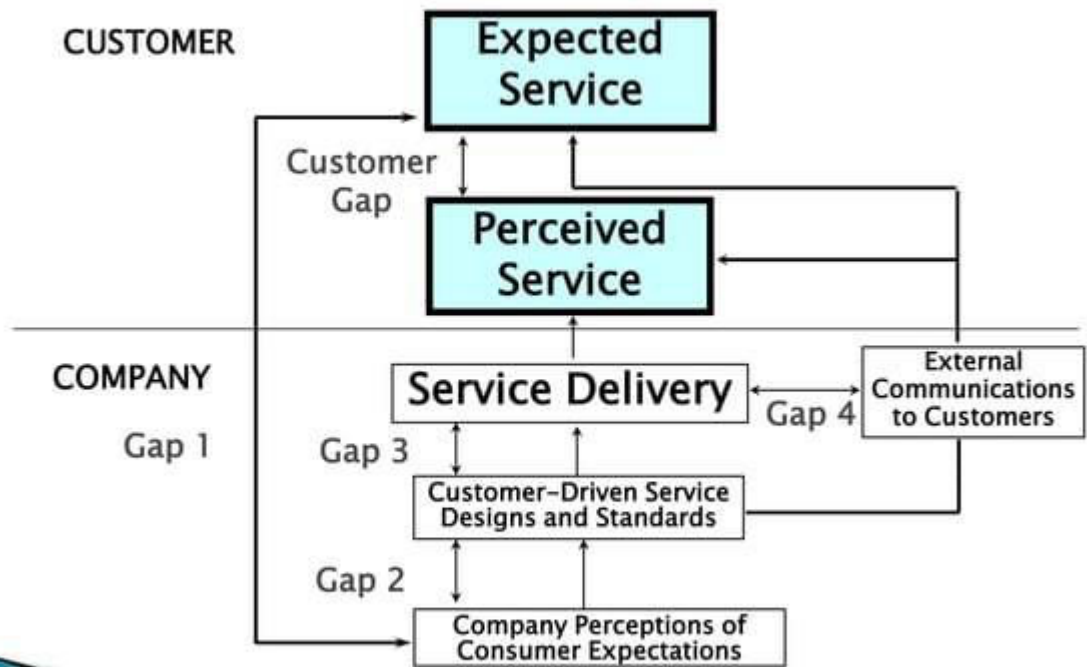
- *Lack of Integrated Services Marketing Communications*  
Tendency to view each external communication as independent  
Not including interactive marketing in communications plan  
Absence of strong internal marketing program
- *Ineffective Management of Customer Expectations*  
Not managing customer expectations through all forms of communication  
Not adequately educating customers
- *Overpromising*  
Overpromising in advertising  
Overpromising in personal selling  
Overpromising through physical evidence cues
- *Inadequate Horizontal Communications*  
Insufficient communication between sales and operations  
Insufficient communication between advertising and operations  
Differences in policies and procedures across branches or units

External Communications  
to Customers

# The Services Marketing Triangle



# Gaps Model of Service Quality



# Closing the gaps

- ▶ Gap 1: Learn what customers expect
- ▶ Gap 2: Establish the right service quality standards
- ▶ Gap 3: Ensure that service performance meets standards
- ▶ Gap 4: Ensure that delivery matches promises



## Closing gap 1: Learn what customers expect

- ▶ Use research, complaint analysis, customer panels
- ▶ Increase direct interactions between managers and customers
- ▶ Improve upward communications
- ▶ Act on information and insights

listen to  
customers



## Closing gap 2: Establish the right service quality standards

- ▶ Top management commitment to providing service quality
- ▶ Set, communicate, and reinforce customer-oriented service standards
- ▶ Establish challenging and realistic service quality goals
- ▶ Train managers to be service quality leaders
- ▶ Be receptive to new ways to deliver service quality
- ▶ Standardise repetitive tasks

## Service Quality Awards

- ▶ Prioritise tasks
- ▶ Gain employee acceptance of goals and priorities
- ▶ Measure performance of service standards and provide regular feedback
- ▶ Reward managers and employees for achievement of quality goals

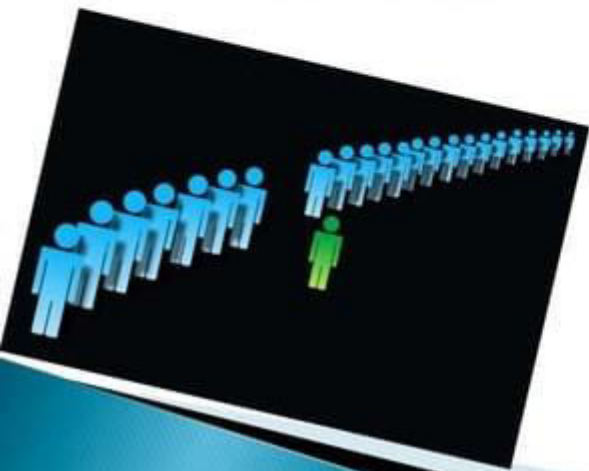


## Closing gap 3: Ensure that service performance meets standards

- ▶ Attract the best employees
- ▶ Select the right employees
- ▶ Develop and support employees
  - train employees
  - provide appropriate technology & equipment
  - encourage and build teamwork
  - empower employees
  - internal marketing



- ▶ Retain good employees
  - measure and reward service quality achievements
  - develop equitable and simple reward systems



## Closing gap 4: Ensure that service delivery matches promises

- ▶ Seek input from operations personnel on what can be done
- ▶ 'Reality' advertising
  - real employees, real customers, real situations
- ▶ Seek input from employees on advertising
- ▶ Gain communications between sales, operations and customers
- ▶ Internal marketing programs

- ▶ Ensure consistent standards in multi-site operations
- ▶ In advertising, focus on service characteristics that are important to customers
- ▶ Manage customer's expectations
  - What are realistic expectations?
  - Explain industry realities
- ▶ Tiered service options
  - Offer different levels of service – user pays

Why do we always have to wait?



# Brief Summary Gaps in Service Quality

Gap	Problem	Cause(s)
1. Consumer expectation - mgmt. perception	The service features offered don't meet customer needs	Lack of marketing research; inadequate upward communication; too many levels between contact personnel and management
2. Management perception - service quality specification	The service specifications defined do not meet management's perceptions of customer expectations	Resource constraints; management indifference; poor service design
3. Service quality specification - service delivery	Specifications for service meet customer needs but service delivery is not consistent with those specifications	Employee performance is not standardized; customer perceptions are not uniform
4. Service delivery - external communication	The service does not meet customer expectations, which have been influenced by external communication	Marketing message is not consistent with actual service offering; promising more than can be delivered

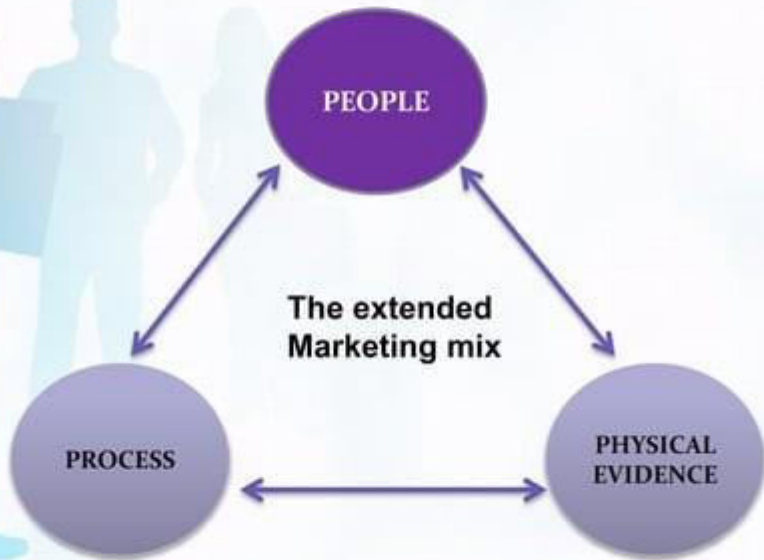
**THANK YOU**



# Role of employees' & Customer' in Service Delivery

They are responsible for understanding customer needs and for interpreting customer requirements in real time. By focusing on the critical role of service employees and by developing strategies that lead to effective customer-oriented service, organizations can begin to close the service performance gap.

# Introduction



The background of the slide features a light blue gradient with several semi-transparent silhouettes of people. One large silhouette of a person stands on the left side, facing right. Behind it and to the right, there are several smaller, overlapping silhouettes of people, suggesting a group or a meeting. The overall aesthetic is clean and professional.

## Introduction continu.....

Employees' & customers' role in service delivery is the topic deals with all the ways in which companies ensure that services are performed according customer-defined designs and standards. Employees as well as customers are playing key roles in service delivery and strategies...

# EMPLOYEES' ROLES IN SERVICE DELIVERY


- Service culture
- The critical role of service employees
- Boundary spanning roles
- Strategies for developing service quality through people



The background of the slide features a light blue gradient with several semi-transparent silhouettes of people in various poses, suggesting a professional or collaborative environment. The silhouettes are positioned behind the text, with the largest one on the left side.

## Service culture

- The behavior of employees in an organization will be influenced by culture of that organization. This shapes the individual and group behavior.
- Zeithaml and Bitner (2003) define service culture as: “Culture where an appreciation for good service exists, and where giving good service to internal as well as ultimate, external customers is considered a natural way of life and one of the most important norms by everyone”.

The background of the slide features several faint, light blue silhouettes of people in various poses, suggesting a group or team. The largest silhouette is on the left side, with others scattered behind it.

Building of service culture requires sustained attention to:

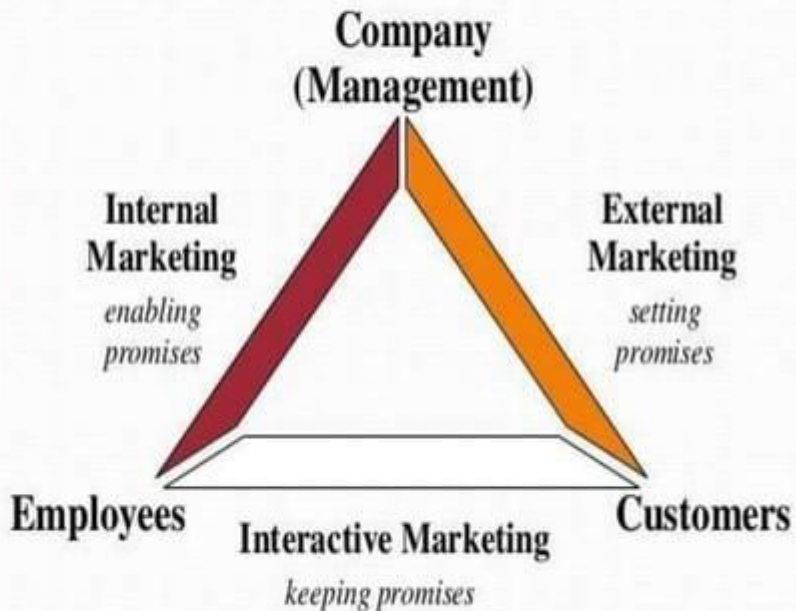
- **Strong Service leadership:**-a committed leadership team that can make a philosophy that is aligned with service
- **Performance optimization:**-employee commitment to providing outstanding service and quality
- **Knowledge management:**-an established process to document and disseminate organizational knowledge and efficiencies
- **Strategic alignment:**-the strategic alignment of the organization's plan, policies, and procedures with the goal of being service-focused
- **Engagement platform:**-an ongoing commitment to improving performance and using proven tactics

## The critical role of service employees

- They are the service.
- They are the organization in the customer's eyes.
- They are the brand.
- They are marketers.



# Service marketing Triangle



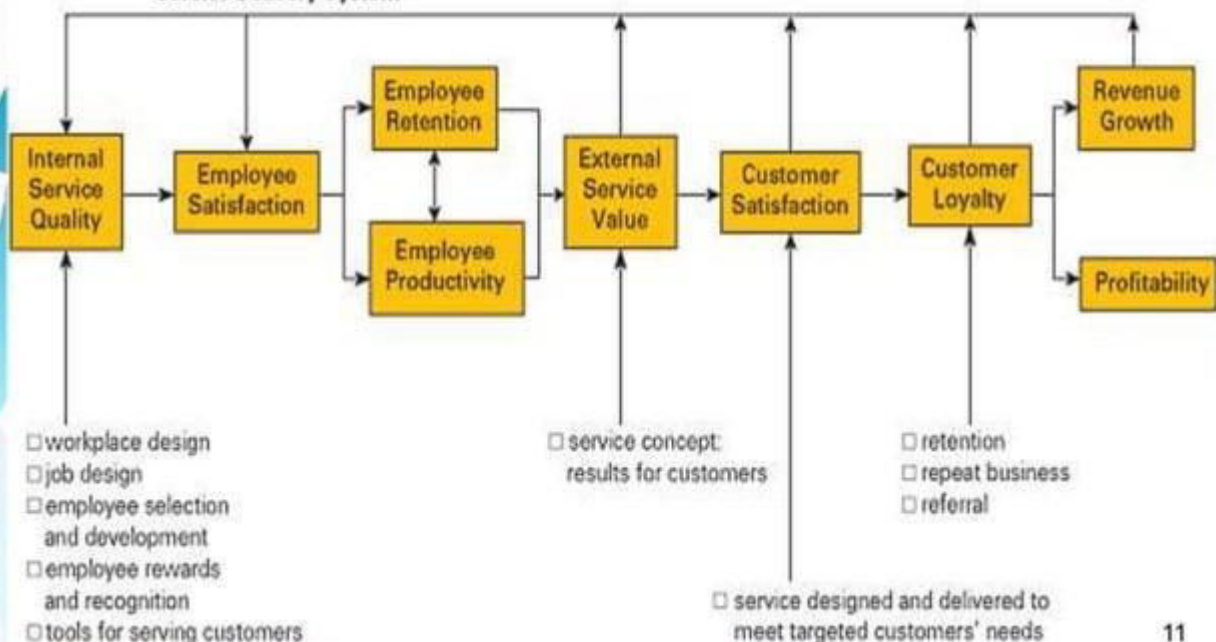
## Employee satisfaction, Customer satisfaction and Profit

Satisfied employees make for satisfied customers. In turn, satisfied customers can reinforce employees' sense of satisfaction in job.



## The Links in the Service-Profit Chain

### Operating Strategy and Service Delivery System



# Effect of employees' behavior on service quality

- Customers' perceptions of service quality are affected by the customer-oriented behavior of the employees.
- The five dimension of service quality can be influenced by service employees.

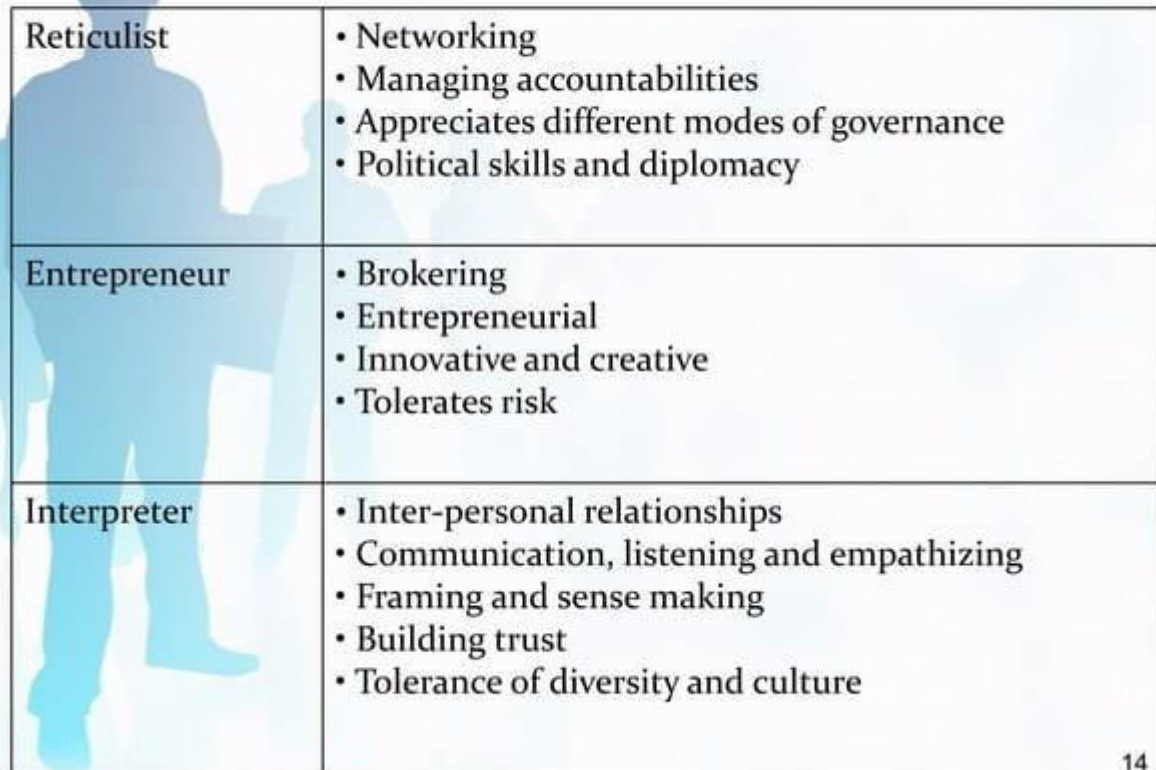
- ❖ **Reliability:-** Ability to perform the promised service dependably and accurately
- ❖ **Responsiveness:-** Willingness to help the customer and prompt service
- ❖ **Assurance:-** Knowledge and courtesy of employees and their ability to convey trust and confidence
- ❖ **Empathy:-** caring & individualized attention the firm provides its customer
- ❖ **Tangibility:-** physical facilities, equipment and appearance of personnel



## Boundary Spanning Roles

- The frontline service employees are referred to as *Boundary spanners* because they operate at organizations boundary.
- The boundary spanners provide a link between external customers and environment with internal operations of the organization.
- Boundary spanning positions are often high-stress jobs. These position require extra ordinary levels of emotional labor & ability to handle interpersonal and inter-organizational conflicts

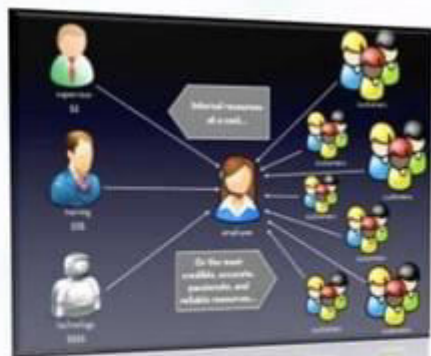
## Roles and Competencies for Boundary Spanners

The background of the slide features a light blue gradient with several semi-transparent silhouettes of people in business attire. One large silhouette of a person stands on the left side, while several smaller silhouettes of people are scattered in the background, suggesting a group or meeting environment.

Reticulist	<ul style="list-style-type: none"><li>• Networking</li><li>• Managing accountabilities</li><li>• Appreciates different modes of governance</li><li>• Political skills and diplomacy</li></ul>
Entrepreneur	<ul style="list-style-type: none"><li>• Brokering</li><li>• Entrepreneurial</li><li>• Innovative and creative</li><li>• Tolerates risk</li></ul>
Interpreter	<ul style="list-style-type: none"><li>• Inter-personal relationships</li><li>• Communication, listening and empathizing</li><li>• Framing and sense making</li><li>• Building trust</li><li>• Tolerance of diversity and culture</li></ul>

## Key functions of boundary spanners

- Improving knowledge management
- Increasing external visibility
- Provide internal co-ordination
- Interpersonal relationship
- Communication
- Conflict resolution
- Building trust
- Speed decision making
- Uncover new possibilities



## Emotional labor:-

- ❖ The term emotional labor was coined by *Arlie Hochschild* to refer to the labor that goes beyond the physical or mental skills needed to deliver quality service.
- ❖ **For example:**
  - delivering smile
  - making eye contact
  - engaging in friendly conversation, etc.



## Strategies that help the organization and employees deal with realities of emotional labor

- 🌀 Careful selection of people who can handle emotional stress.
- 🌀 Training them for listening and problem solving skills
- 🌀 Teaching them coping abilities and strategies, via
  - @ *Team work*
  - @ *Job rotation, etc.*

## Sources of conflict

- Person versus Role conflict
- Organization versus Client conflict
- Client versus client conflict



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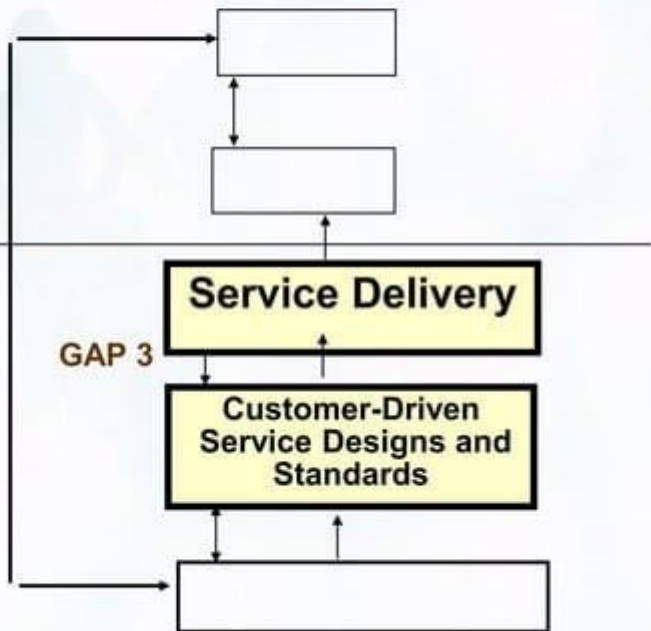
## Quality/ Productivity trade-offs

Boundary spanning employees are asked to be both efficient and effective. They are expected to deliver both satisfying services to customers and at the same time to be cost-effective and productive in what they do.

# Provider GAP 3 (delivery gap)

CUSTOMER

COMPANY



# Key Factors Leading to Provider Gap 3



## Customer-Driven Service Designs and Standards

- ***Deficiencies in Human Resource Policies***
  - Ineffective recruitment
  - Role ambiguity and role conflict
  - Poor employee-technology job fit
  - Inappropriate evaluation and compensation systems
  - Lack of empowerment, perceived control and teamwork
- ***Failure to Match Supply and Demand***
  - Failure to smooth peaks and valleys of demand
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## Service Delivery

# Strategies for delivering service quality through people



# CUSTOMERS' ROLES IN SERVICE DELIVERY

- Importance of customers in service co-creation & delivery
- Customer roles
- Strategies for enhancing customer participation



## The Importance of customers in service co-creation and delivery

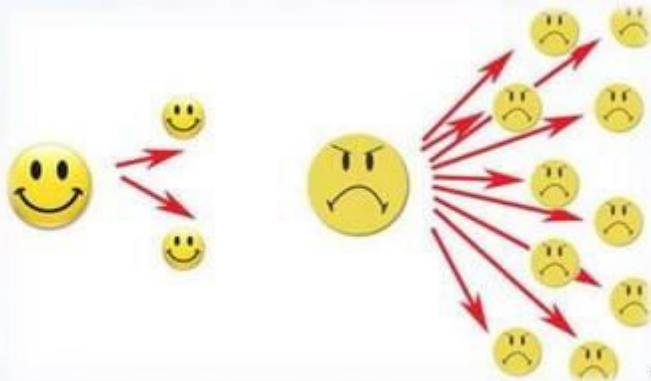
- Customer participation in some levels is inevitable in all service situations. Services are actions or performances, typically produced and consumed simultaneously.
- Because the customers participate in the delivery process, he or she can contribute to narrowing or widening gap 3 through behaviors that are appropriate or in appropriate, effective or ineffective, productive or unproductive.

## Levels of customer satisfaction across different services:-

Low: Consumer Presence Required during Service delivery	Moderate : Consumer Inputs Required during Service Creation	High : Customer Concretizes the Service Product
Products are standardized .	Client inputs customize a standard service .	Active client participation guides the customized service.
Service is provided regardless of any individual purchase.	Provision for service requires customer purchase.	Service cannot be created apart from the customer's purchase and active participation
Payment may be the only required customer input.	Customer inputs (information, materials) are necessary for an adequate outcome, but the service firm provides the service	Customer inputs are mandatory and concrete the outcome.

## Fellow customers

*"Fellow customers"* are present in service environment and can affect the nature of the service outcome or process. Fellow customers can enhance or detract from customer satisfaction and quality.



## Customers' Roles

There are three major roles played by the customers in service co-creation and delivery.

- ▶ **Customers as productive resource**
- ▶ **Customers as contributors to service quality & satisfaction**
- ▶ **Customers as competitors**





## Strategies for enhancing customer participation

### **Define Customer's Jobs**


- Clarify level of participation
- Identify specific roles
- Understand implications for productivity and quality

### **Recruit, Educate, and Reward Customers**

- Identify and recruit appropriate segment(s)
- Educate customers for their roles
- Provide reasons to participate
- Reward customer performance

### **Manage the Customer Mix**

- Assess compatibility of segments
- Isolate incompatible segments
- Enhance segment compatibility



Effective  
Customer  
Participation

## 1. Define customer's job

- ▶ This include developing strategies for customer involvement in service co-creation & delivery. The organization first determine what type of participation is desired from customer (low, moderate or high).
- ▶ Once the desired level of participation is clear, the organization can define more specifically what customer's role and task entail or result.
- ▶ The range of possible roles and tasks are:-
  - ⊙ *Helping oneself*
  - ⊙ *Helping others*
  - ⊙ *Promoting the company*

## 2. Recruit, Educate & Reward customers

- ▶ In a sense, customer becomes a partial employee of the organization.
- ▶ The customer participation in service production and delivery will be facilitated when,
  - ⊙ *Customers understand their roles and how they expected to perform*
  - ⊙ *Customers are able to perform as expected*
  - ⊙ *Customers receives valued rewards for performing as expected*

### 3. Manage the customer mix

- ▶ The process of managing multiple and sometimes conflicting segments is known as compatibility management

*For example,*

A restaurant servicing incompatible segments- college students celebrating birthday eve & family customers

## Conclusion

The role of employees & customers is critical in a service organization. Now the service industries are passing through a customer-oriented era, customer satisfaction is very important to a service company's survival and development. The company has to applied new management knowledge about service marketing into their actual operation. They must care about employee satisfaction, and keep employee training regularly. That is why they achieve success in delivering quality service.



**Essentially, it's building  
your own personal  
information network from  
many different sources. ...**

In other words, you must  
get along with a wide swath  
of people

# SERVICE QUALITY MODELS

---

# Dimensions of Service Quality

- **Reliability:** Perform promised service dependably and accurately

Example: receive mail at same time each day.

- **Responsiveness:** Willingness to help customers promptly

Example: avoid keeping customers waiting for no apparent reason

- **Assurance:** Ability to convey trust and confidence

Example: being polite and showing respect for customer

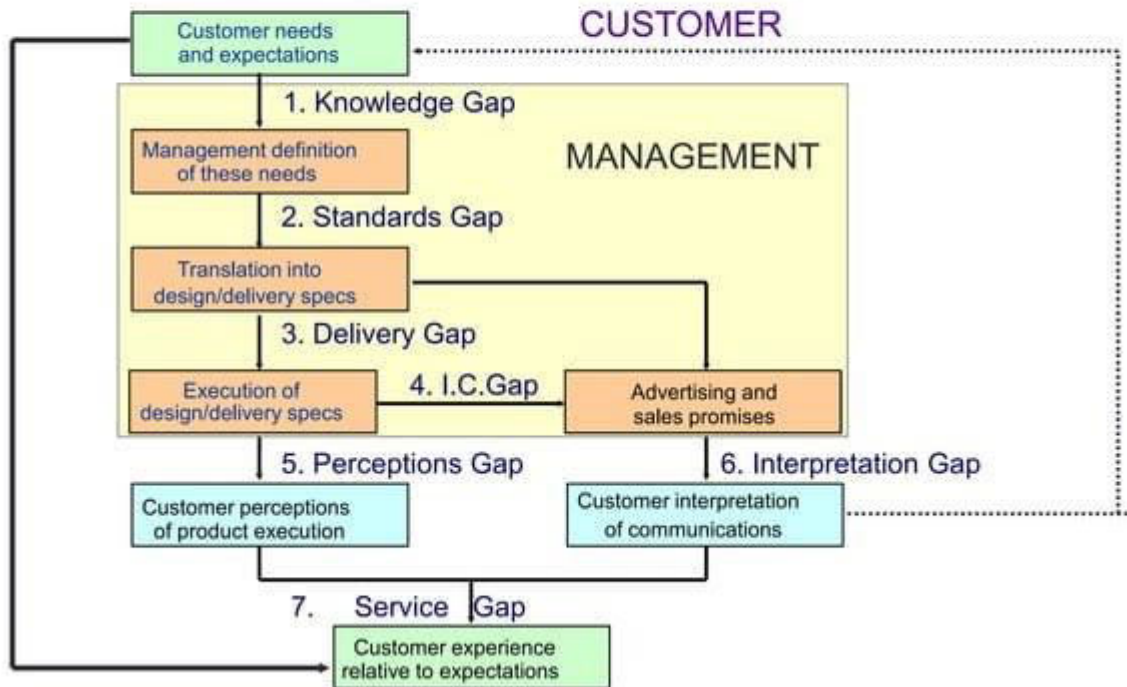
- **Empathy:** Ability to be approachable

Example: being a good listener

- **Tangibles:** Physical facilities and facilitating goods

Example: cleanliness

# Seven Service Quality Gaps



## Prescriptions for Closing Service Quality Gaps

- **Knowledge:** Learn what customers expect--conduct research, dialogue, feedback
- **Standards:** Specify SQ standards that reflect expectations
- **Delivery:** Ensure service performance matches specs--consider roles of employees, equipment, customers
- **Internal communications:** Ensure performance levels match marketing promises
- **Perceptions:** Educate customers to see reality of service delivery
- **Interpretation:** Pretest communications to make sure message is clear and unambiguous

# Hard and Soft Measures of Service Quality

- **Hard measures**- refer to standards and measures that can be counted, timed or measured through audits
  - typically operational processes or outcomes
  - e.g. how many trains arrived late?
- **Soft measures**- refer to standards and measures that cannot easily be observed and must be collected by talking to customers, employees or others
  - e.g. Surveys, and customer advisory panels
- **Control charts**- are useful for displaying performance over time against specific quality standards

# Return on Quality (ROQ)

- ROQ approach is based on four assumptions:
  - Quality is an investment
  - Quality efforts must be financially accountable
  - It's possible to spend too much on quality
  - Not all quality expenditures are equally valid
- **Implication:** Quality improvement efforts may benefit from being related to productivity improvement programs

## Productivity in a Service Context

- Productivity measures amount of output produced relative to the amount of inputs
- Improvement in productivity means an improvement in the ratio of outputs to inputs
- Intangible nature of many service elements makes it hard to measure the productivity of service firms, especially for information based services

# Efficiency, Effectiveness, and Productivity

- **Efficiency:** comparison to a standard--usually time-based (e.g., how long employee takes to perform specific task)
  - Problem: focus on inputs rather than outcomes
  - May ignore variations in quality or value of service
- **Effectiveness:** degree to which firm is meeting its goals
  - Cannot divorce productivity from quality/customer satisfaction
- **Productivity:** financial valuation of outputs to inputs
  - Consistent delivery of outcomes desired by customers should command higher prices

# Measuring Service Productivity

- Traditional measures of service output tend to ignore variations in *quality or value of service*
  - That is, they focus on outputs rather than *outcomes*, and stress efficiency but not *effectiveness*.
- Firms that are more effective in consistently delivering outcomes desired by customers can command higher prices. Furthermore, loyal customers are more profitable
- Measures with customers as denominator include:
  - profitability by customer
  - capital employed per customer
  - shareholder equity per customer

# **SERVICES MARKETING**

Gaps Model of  
Service Quality

The Gaps Model was proposed by  
A Parasuraman, Valarie Zeithaml and  
LL Berry in 1985 in the  
Journal Of Marketing

**Customer**



**Service provider**

## Gap 5

The difference between customer expectations from the service and customer perceptions of the delivered service.

Customer perceptions are subjective assessments of service experiences. Customer expectations are the standards against which service experiences are compared.

## Gap 5

- ◆ Customer expectations – from marketer controlled factors as well as factors outside the control of the marketer or service provider such as personal needs, word of mouth and past experiences
- ◆ The aim is to reduce Gap 5 by suitable strategic and tactical actions in marketing, sales, operations and communications
- ◆ Unique characteristics of services – intangibility, heterogeneity, inseparability & perishability contribute to Gap 5

# Provider Gap 1

The difference between customer expectations  
of service standards & quality  
and  
the service provider's understanding of  
these expectations

# Provider Gap 1 – Reasons

- ◆ Inadequate marketing research, research not focussed on service quality, research findings not used properly
- ◆ Lack of upward communication from customers & frontline employees, too many layers
- ◆ Insufficient relationship focus, lack of market segmentation, focus on transactions & customer acquisition rather than on building relationships
- ◆ Inadequate service recovery

## Provider Gap 2

The difference between service provider's  
understanding of customer expectations  
and  
development of customer-driven  
service design & standards

## Provider Gap 2 – Reasons

- ◆ Poor / vague / undefined service design, unsystematic new service development process, failure to match service design to service positioning
- Lack of customer defined standards, lack of focus on customer requirements, absence of formal process for setting service quality goals & standards
- Lack of attention to physical evidence – the *servicescape* – the packaging of the service

## Provider Gap 3

The discrepancy between development of  
customer-driven service standards  
and  
actual service delivery or performance

## Provider Gap 3 – Reasons

- ◆ Deficiencies in HR policies – wrong recruitment, role ambiguity / conflict, poor employee / technology fit, evaluation / compensation schemes, empowerment etc
- ◆ Supply demand gaps, over reliance on pricing strategies to close gaps
- ◆ Customers not fulfilling roles (ignorance?) or otherwise
- ◆ From intermediaries – conflicts re objectives, performance, rewards, empowerment, control etc

## Provider Gap 4

The difference between service provider's  
external (marketing) communications  
and  
service delivery

## Provider Gap 4 – Reasons

- ◆ Absence of integrated marketing communications, lack of interactive marketing in communications plan, inadequate internal marketing programme
- ◆ Over promising – physical cues, personal contacts, advertising etc
- ◆ Gaps in horizontal communications between sales, marketing and operations
- ◆ Ineffective management of customer expectations

## Current thinking: More Gaps

An extension of the Gaps Model has been put forward  
by Dr Arash Shahin.

Two more gaps have been proposed.

These centre around

“Employees’ Perceptions of Customers’ Expectations”

## Gap 6

The discrepancy between customers' expectations  
and  
employees' perceptions of customers' expectations

## Gap 7

The discrepancy between  
employees' perceptions of customers' expectations  
and  
management (or company) perceptions of  
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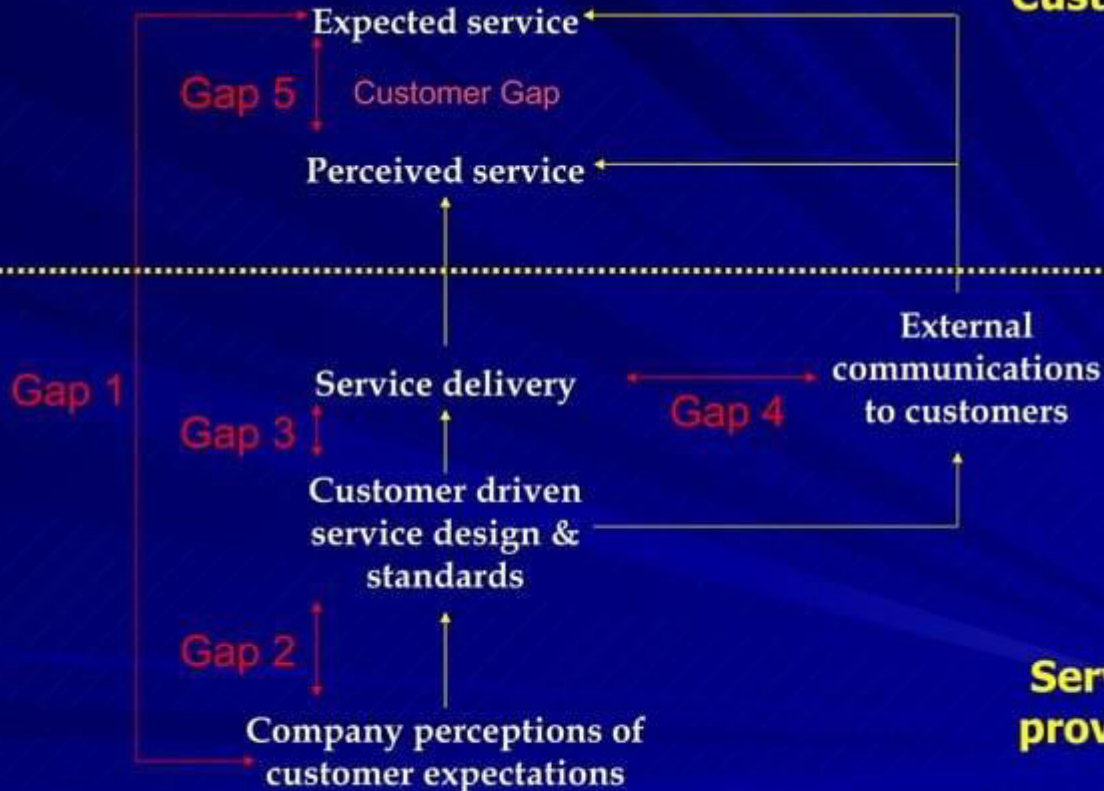
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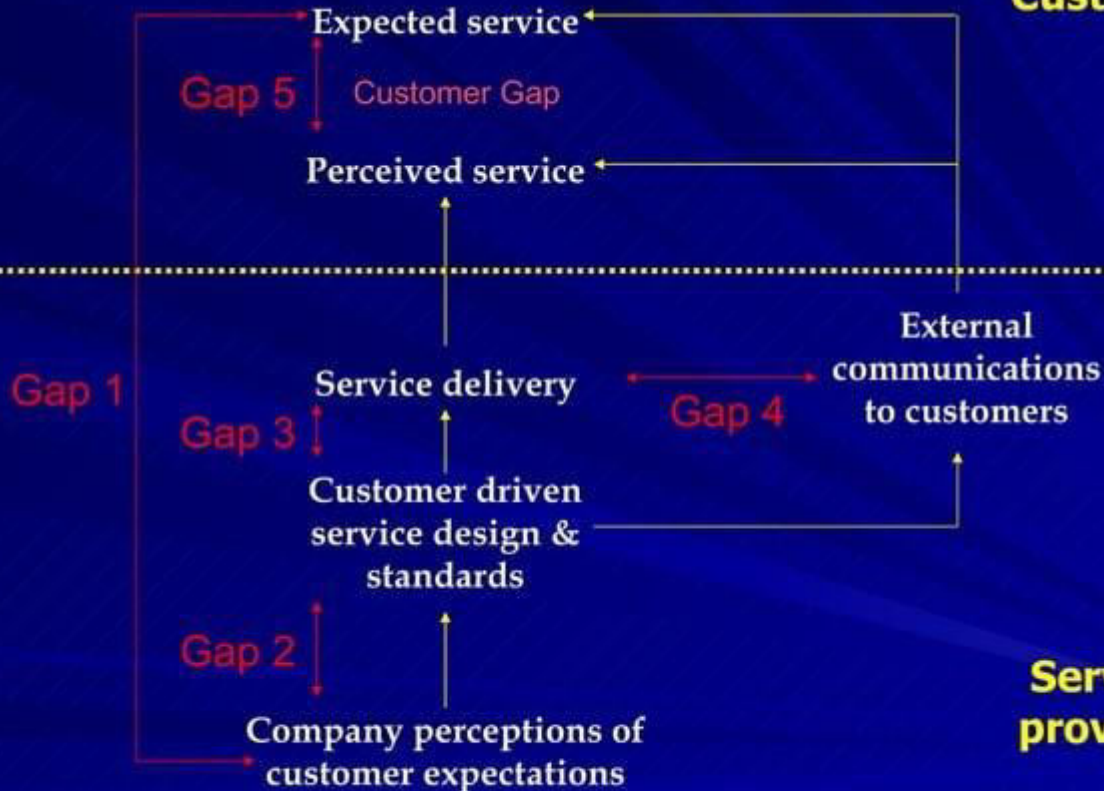
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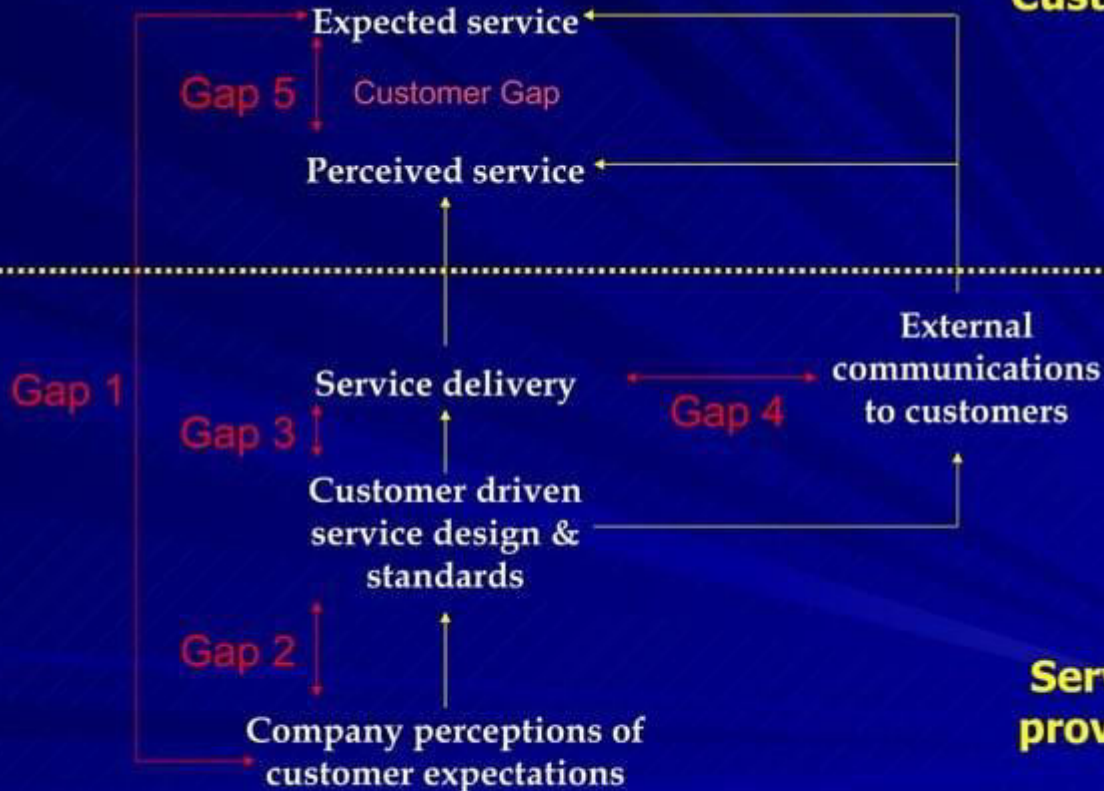
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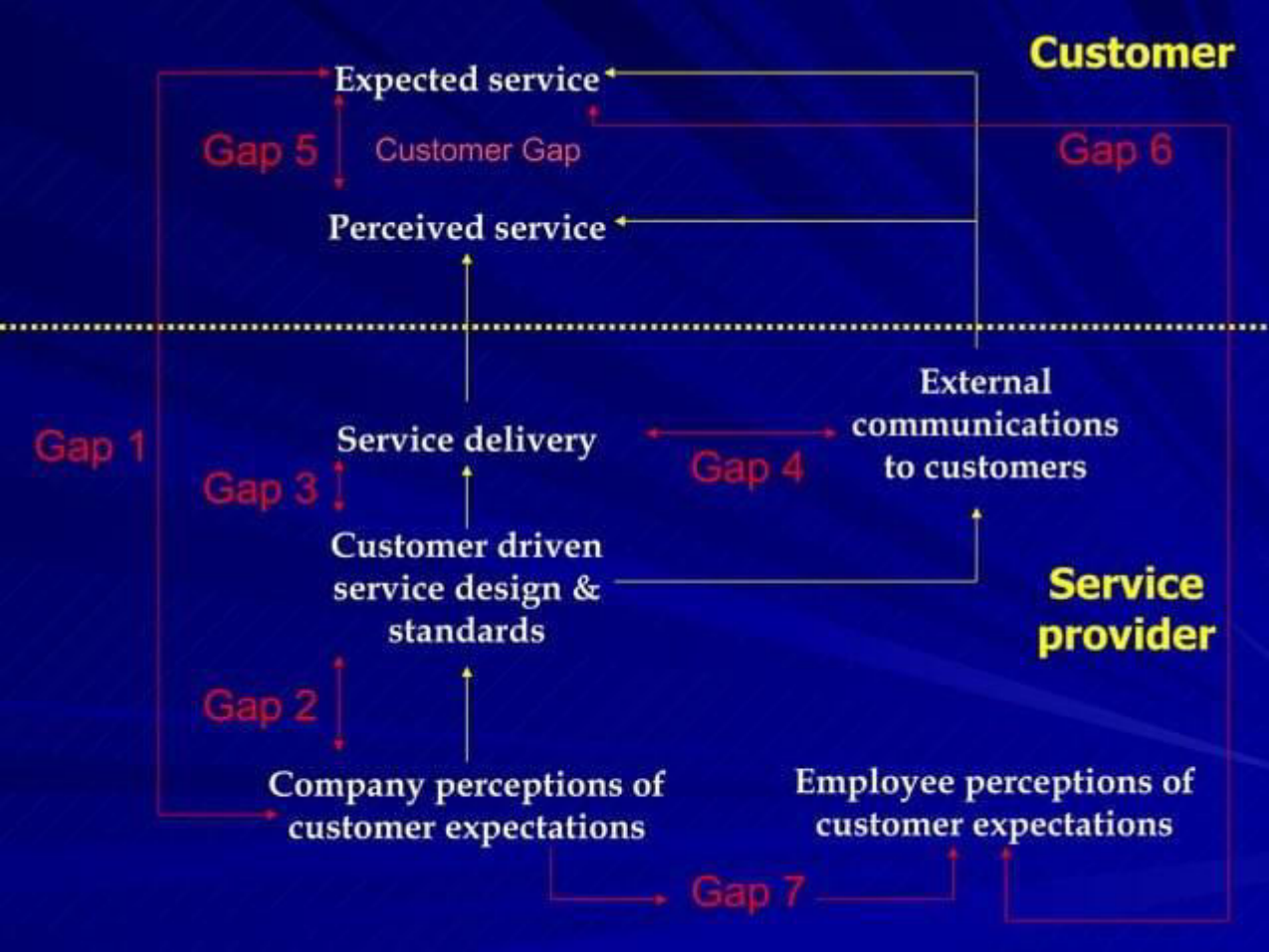
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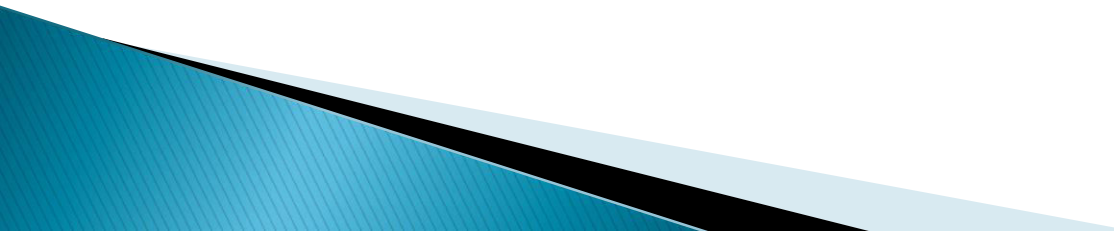
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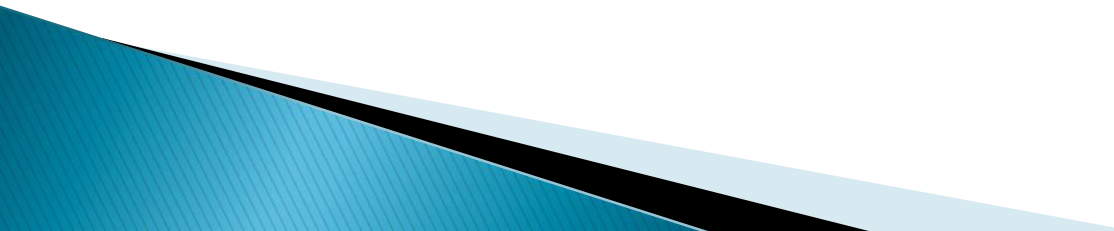
# INTRODUCTION

- ▶ Customer Relationship Management (CRM) is growing in importance due to the challenging business environment faced by organizations throughout the world today.
  - ▶ If customer relationships are the heart of business success, then CRM is the valve that pumps a company's life blood.
- 

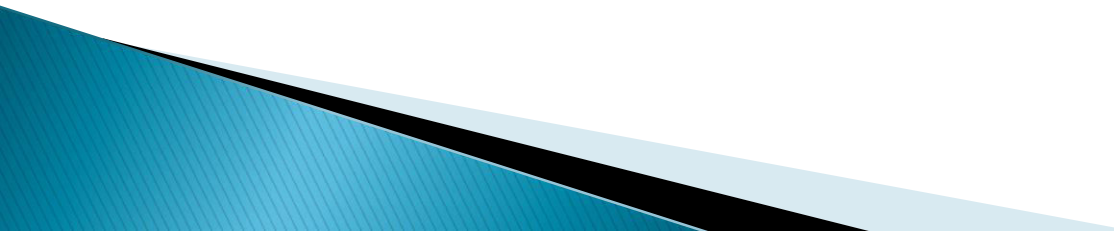
# What Is CRM?

- ▶ CRM, or Customer Relationship Management, is a company-wide business strategy designed **to reduce costs and increase profitability** by solidifying customer satisfaction, loyalty, and advocacy.


# Who provides CRM?

- ▶ Traditional giants such as **IBM, Oracle and PeopleSoft**
  - ▶ **Siebel Systems**, which now has a 21% share of the CRM market
  - ▶ E.piphany
  - ▶ e-mail specialist Kana Communications, NetGenesis
  - ▶ instant chat provider LivePerson.com, Broadbase, Quintus and Firepond
  - ▶ plus many others.
- 

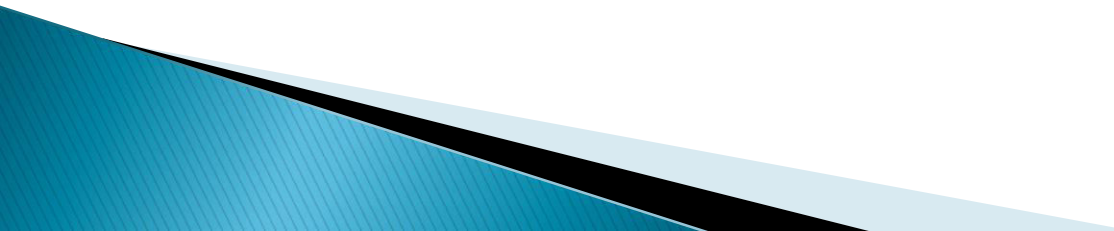
# Goals and Objectives

1. Customer Satisfaction
  2. Run an Efficient Business
  3. Produce Better Marketing Campaigns
  4. Gaining New Customers
  5. Boost Sales
- 

# Benefits of CRM

- ▶ Increased customer satisfaction
  - ▶ Identify new selling opportunities
  - ▶ Increased market share and profit margin
  - ▶ Increased revenues
  - ▶ More effective reach and marketing
  - ▶ Improved customer service and support
  - ▶ Improved response time to customer requests for information
  - ▶ Enhanced customer loyalty
  - ▶ Improved ability to meet customer requirements
  - ▶ Improved quality communication and networking
- 

# How CRM Works!

- ▶ To make sure that all of your customers receive the most personal attention possible, we at Straight Marketing make the process and implementation of CRM easy and professional.
  - ▶ Suppose you were bombarded with a customer's telephone calls every day, wanting to know the status and progress of the services you are providing.
- 

# Purpose

- ▶ providing services and products that are exactly what your customers want
- ▶ offering better customer service
- ▶ cross selling products more effectively
- ▶ helping sales staff close deals faster
- ▶ retaining existing customers and discovering new ones
- ▶ make call centers more efficient
- ▶ simplify marketing and sales processes.

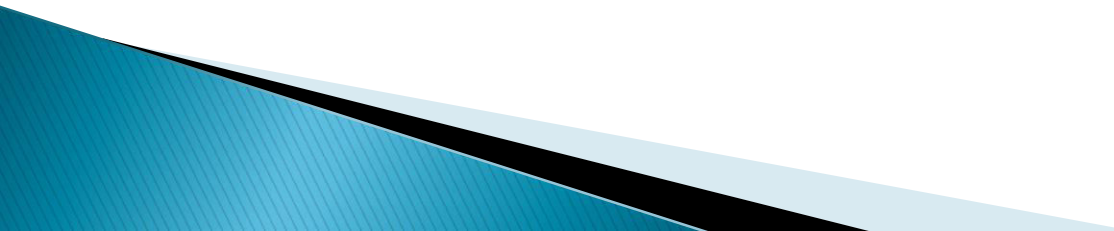


# CRM and its Components

- ▶ People Management
- ▶ Lead Management
- ▶ Sales Force Automation
- ▶ Customer Service
- ▶ Marketing
- ▶ Workflow Automation
- ▶ Business Reporting
- ▶ Analytics



# Advantages of CRM

- ▶ While company is quickly growing, customers are more satisfied as well
  - ▶ Service provided in a better way, and a quicker way
  - ▶ Sales force automated
  - ▶ Integrated customer information
  - ▶ Certain processes eliminated
  - ▶ Operation cost cut, and time efficient
  - ▶ Brand names more quickly established
  - ▶ Lets you pick and choose the functionality that you want
- 

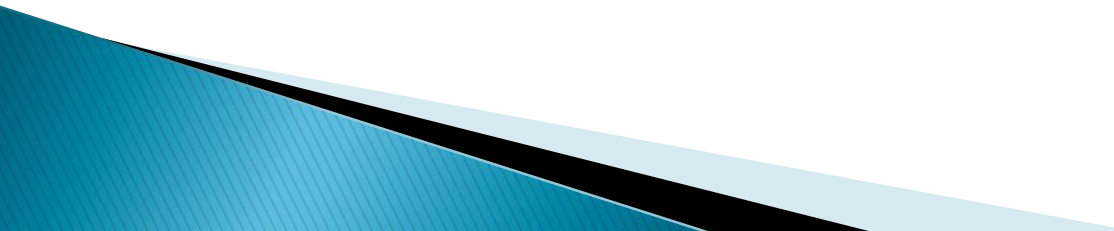
# Disadvantages of CRM

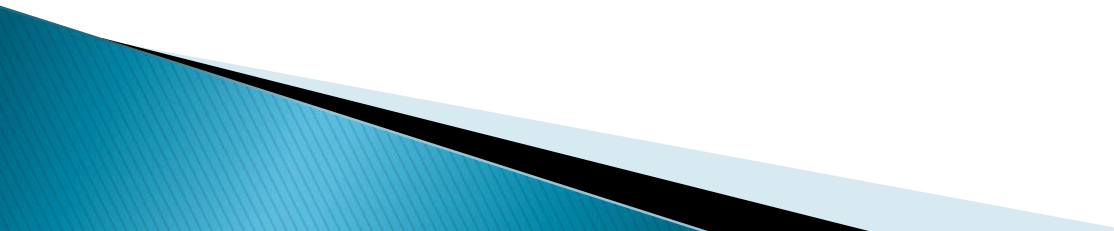
- Organizational wise change of priority to customers.
  - Significant investment of time and money
  - Threatens management's control/power struggle
  - Heightens people's resistance to change
  - Inappropriate integration leads to disaster

# why a CRM System is always important for an organization

- ▶ A CRM system consists of a historical view and analysis of all the acquired or to be acquired customers. This helps in reduced searching and correlating customers and to foresee customer needs effectively and increase business.
- ▶ CRM contains each and every bit of details of a customer, hence it is very easy for track a customer accordingly and can be used to determine which customer can be profitable and which not.
- ▶ .

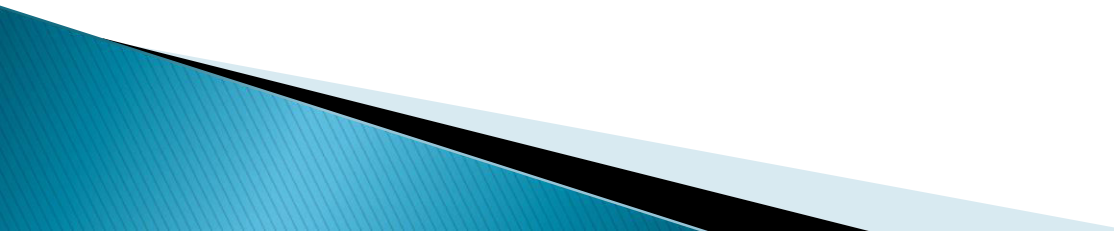
- ▶ In CRM system, customers are grouped according to different aspects according to the type of business they do or according to physical location and are allocated to different customer managers often called as account managers. This helps in focusing and concentrating on each and every customer separately

- ▶ A CRM system is not only used to deal with the existing customers but is also useful in acquiring new customers. The process first starts with identifying a customer and maintaining all the corresponding details into the CRM system which is also called an 'Opportunity of Business'. The Sales and Field representatives then try getting business out of these customers by sophisticatedly following up with them and converting them into a winning deal. All this is very easily and efficiently done by an integrated CRM system.
  - ▶ The strongest aspect of Customer Relationship Management is that it is very cost-effective. The advantage of decently implemented CRM system is that there is very less need of paper and manual work which requires lesser staff to manage and lesser resources to deal with. The technologies used in implementing a CRM system are also very cheap and smooth as compared to the traditional way of business.
- 

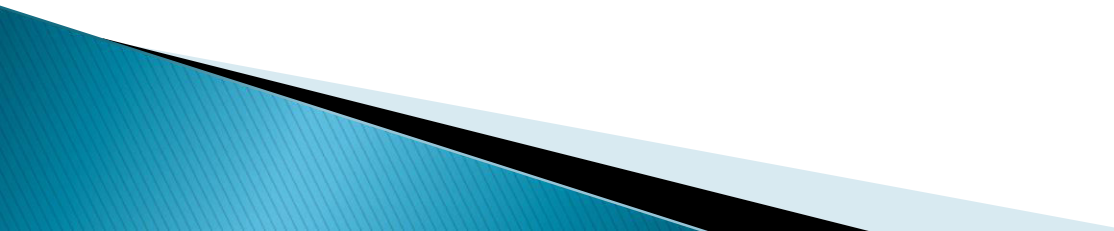
- ▶ All the details in CRM system is kept centralized which is available anytime on fingertips. This reduces the process time and increases productivity.
  - ▶ Efficiently dealing with all the customers and providing them what they actually need increases the customer satisfaction. This increases the chance of getting more business which ultimately enhances turnover and profit.
- 

- ▶ If the customer is satisfied they will always be loyal to you and will remain in business forever resulting in increasing customer base and ultimately enhancing net growth of business

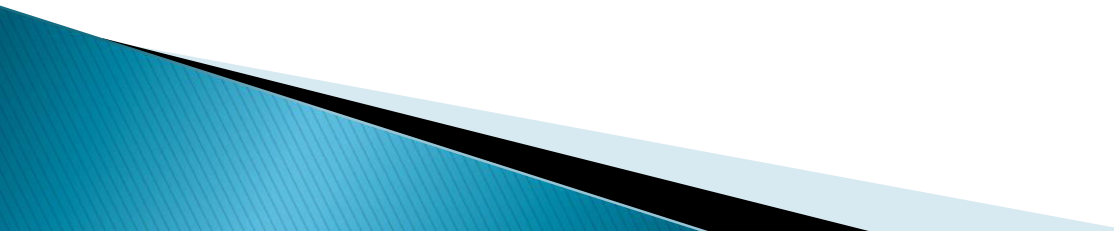
# Customer relationship optimization

- ▶ Customer relationship optimization is about setting the right strategy and technology for your company to create the best possible interactions with existing and potential customers. Getting it right is central to running a functioning business
- 

# 5 brilliant ways to optimize customer relationships

- ▶ Seeking and monitoring feedback
  - ▶ Close the feedback loop quickly
  - ▶ Enable live chat on your website
  - ▶ Leverage customer intelligence
  - ▶ Build trust through transparency
- 

# Customer loyalty

- ▶ **Customer loyalty describes an ongoing emotional relationship between you and your customer, manifesting itself by how willing a customer is to engage with and repeatedly purchase from you versus your competitors.**
- 

- ▶ **Customer loyalty increases profits, improves sales success and allows for sustainable growth.**

# Market segmentation



- Market segmentation can be defined as the process of **dividing a market into different homogeneous groups of consumers.**



# Contd....

- Market consists of buyers and buyers vary from each other in different ways. Variation depends upon different factors like wants, resources, buying attitude, locations, and buying practices.
- By **segmentation**, large heterogeneous markets are divided into smaller segments that can be managed more efficiently and effectively with products and services that match to their unique needs. So, **market segmentation is beneficial for the companies serving larger markets**

# Defining Marketing Segmentation

- . 'Market Segmentation 'Market Segmentation is the sub-dividing of customers into homogenous sub-set of customers where any sub-set may conceivably selected as market target to be reached with distinct Marketing Mix – Philip Kotler

# Benefits of segmentation

## Benefits:-

- The Organisation gets to know its customers better.
- Provides guidelines and information for resource allocation.
- It helps to focus the strategy of the organisation.

# Why Segmentation?

- To develop marketing activities Increase marketing effectiveness Generate greater customer satisfaction Create savings
- To estimate the level of sales in the market
- To overcome competition effectively
- To develop effective marketing programmes
- To contribute towards achieving company goals

# Target marketing



- **Target marketing** involves breaking a **market** into segments and then concentrating your **marketing** efforts on one or a few key segments consisting of the customers whose needs and desires most closely match your product or service offerings.

# Positioning

- The marketer need to focus on positioning of a new brand. They need to ensure quality performance of their product and service to customers...



# Role of social media in customer services

# Changing Paradigms

The 3Es of Customer Service

Benefits and Costs

Invaluable Tools

Case Studies

Key Insights



Any consumer can become an **Influencer** by having a bad experience and having their tweet go viral



Contrary to conventional wisdom, customers are **more inclined to talk about a positive experience** than complain about a negative one

*- Global Customer Service Barometer survey, American Express*



58% of consumers **wants the company to respond** to comments if they had tweeted about a bad experience

*- Global Customer Service Barometer survey, American Express*



Word of Mouth. 22 % is sparked by advertising  
78% is sparked by something else



Remarkable and entertaining stuff

Great customer service or experience



Communities are formed everyday that interacts with each other on an ongoing basis, **talking about your brand**



Not all customers pick up the phone!



More than 50% of **Fortune 100** companies  
are using **Twitter** for customer service

*- Burson-Marsteller*



By 2013 at least 35% of customer service centres will integrate some form of community/social capabilities as a part of the contact centre solution.

- Gartner



40% of Indian consumers\* are using social networking websites to air their problem

- *Economic Times*, research firm Ovum

\* Internet users

Paradigms

# The 3Es of Customer Service

Benefits and Costs

Invaluable Tools

Case Studies

Key Insights

# The 3Es of Customer Service

Ear to the ground

Engage

Energize

# The 3Es of Customer Service

Ear to the ground

Engage

Energize



Seek first to **understand**, than to be understood

- Stephen R. Covey

# Ear to the ground

- What do you listen for?
  - Complaints, questions, concerns, ideas, suggestions. Gauge the sentiment.
- Whom do you listen to?
  - Prospects, customers, fans, competition, influencers.
- Where do you listen?
  - Blogs, Facebook, Twitter, Communities/forums, Youtube, LinkedIn
- Compile keywords about your brand from the social universe.



# The 3Es of Customer Service

Ear to the ground

Engage

Energize

# Engage

- Engage proactively.
- Get your best customer service agent(s) for the job.
- Trust and empower your agent(s).
- Create more touch points with your customers.
- Respond in the same medium.

# The 3Es of Customer Service

Ear to the ground

Engage

Energize



Buzz does not create evangelists.  
Evangelists create Buzz

# Energize – create evangelists

- Transition loyal customers into evangelists.
- Convert detractors into evangelists.
- Identify influencers, experts and harness their power.
- Empower the evangelists.

Paradigms

The 3Es of Customer Service

## Benefits and Costs

Invaluable Tools

Case Studies

New Insights

# Benefits

- Reduce call and email volume.
- Increase in FCR (first contact resolution).
- Increase agent productivity.
- Increase customer lifetime value.
- Decrease the cost of knowledge creation.

# Costs\*

- Consulting
- People
  - Training
  - Staff
- Marketing of the community
- Technology
  - Platform fee (SaaS model)
  - Community website design
  - Integration to contact center
  - Analytics

Paradigms

The 3Es of Customer Service

Benefits and Costs

## Invaluable Tools

Case Studies

Key Insights

# Invaluable Tools

- Basic
  - Google Alerts, Twitter Search
- Dashboards
  - Tweetdeck, Seismic, Hootsuite, Scoutlabs
  - Social Mention
  - **Radian6**, **BuzzMetrics**
- Online Helpdesk
  - **Kayako**, Web Help Desk, **Zendesk**, **Liveperson**
  - **Salesforce**, **RightNow**
- Community/Forum Tools
  - **Jive**, SocialEngine, Openwack, Dolphin, **IP.Board**, **vBulletin**, YABB

# Google Alerts

Google alerts  
beta

Search terms:  [Preview results](#)

Type:

How often:

Volume:

Deliver to:

## Google Alert for today

From: Google Alerts <googlealerts-noreply@google.com>  
To: arun.n.nair@gmail.com

[News](#) [Blogs](#) [Web](#)

**News** 10 new results for Social Media

[Survey: Social Media is a Must for Business](#)

TheStreet.com



[Back to Search Results](#)

[Archive](#)

[Report spam](#)

[Delete](#)

[Move to inbox](#)

[Labels](#)

[More actions](#)

## Google Alert - social media

Google Alerts to me

[show details](#) 11:59 (6 hours ago)

[Reply](#)

News - 9 new results for [social media]

Avoiding a Weiner scandal: Social media tips for federal workers

Washington Post (blog)

By Tom Fox Twitter, Facebook and other social media tools have been in the

headlines for all the wrong reasons this past week given the news about

Rep. Anthony Weiner and his online liaisons. While this news can be enough

to scare federal employees ...

[http://www.washingtonpost.com/blogs/ask-the-fedcoach/post/avoiding-a-weiner-scandal-social-media-tips-for-federal-workers/2011/03/04/AGeHtp0H\\_blog.html](http://www.washingtonpost.com/blogs/ask-the-fedcoach/post/avoiding-a-weiner-scandal-social-media-tips-for-federal-workers/2011/03/04/AGeHtp0H_blog.html)

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UFC's use of social media expands fan base

USA Today

At these main events, he's simply more interested in a ringside view into

the world of social media. With the fights in full swing, White closely

monitors the Internet traffic on his BlackBerry, keeping tabs on what fans

are discussing through Twitter

[http://www.usatoday.com/sports/mma/2011-06-10-97110702\\_a.htm](http://www.usatoday.com/sports/mma/2011-06-10-97110702_a.htm)

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# Twitter Search

twitter

Q= Nokia

x

Search

Advanced Search

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**SIApha**: Not surprised. Love my Galaxy phone. Samsung to likely overtake **Nokia** this Q as the worlds largest smartphone co <http://it.co.in/VSVVWV> SNOK

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# Social Mention

socialmention

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Mahindra

Search

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Columns

14%  
strength

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25%  
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reach

4 minutes avg. per mention

last mention 2 minutes ago

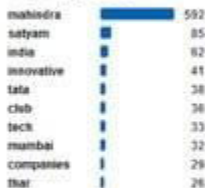
251 unique authors

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## Sentiment



## Top Keywords



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UNIFIED SOCIAL ANALYTICS DASHBOARD AND REPORTING PLATFORM



Track all your social accounts.

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From: [User] [Location] [Time]

140 [Send]

mentions

- Global logistics, a day in the life the UPS fleet. Excellent infographic <http://bit.ly/jet1a>
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- Mahindra Satyam Unwells Mobile Coupon Solution: IT services provider Mahindra Satyam has launched a mobile plat... <http://bit.ly/jrout4>
- Mahindra Aura launched Mahindra Aura Phase 3 Located at Gurgaon call at 9717401118 <http://t.co/ta1j4r>

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- The Fortleth Chennai PhotoWalk and the Second Chennai Reporter's Beat Now that the hottest months are behind us, the clouds have come out and the daily breeze (good name for a newspaper, there) is cooler and fresher. I deem it safe for a walk. So, since again, the str...
- Chandrachoodan Gopalakrishnan calls you to the 40th Chennai PhotoWalk and the 2nd Reporter's Beat. Sunday 19th June 2011. <http://t.co/8bjuay>
- The Fortleth Chennai PhotoWalk and the Second Chennai Reporter's Beat Now that the hottest months are behind us, the clouds have come out and the daily breeze (good name for a newspaper, there) is cooler and fresher.

Search: Social Media

- Whitepaper: Top 5 Reasons Why Brands Need to Focus on Earned Media <http://bit.ly/paidvsearned> #paidvsearned
- Use Social Media for Recruiting <http://t.co/vr1oyQ28>
- Mainstream takes notice of UFC's use of social media <http://bit.ly/buCaer>

### PayPal payments

Posted by Ryan Lederman on 10 October 2010 12:29 AM



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Donec vitae massa augue. Donec at justo diam, in feugiat massa. Sed mollis erat id lacus vestibulum cursus faucibus sed mauns.

Suspendisse potenti. Nunc facilisis sapien a libero luctus vitae luctus lacus placerat. Nullam omare blandit magna, vitae suscipit orci fermentum sed. Quisque pellentesque laoreet velit, ac luctus lectus viverra at.

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# Radian6



## Home and Home Office

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288 Views &amp; Replies · Latest reply: May 17, 2011 3:57 PM by Peacekeeper

## Communities

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- VivaScan
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- Data Backu
- Drive Back
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- PC Optimizat
- QuickClean
- Parental Cont
- McAfee Fe
- Parental Co
- Other McAfee
- Products
- Anti-Theft
- "My Account"
- Service and S



**pizzepep**  
2 posts since  
May 16, 2011

May 16, 2011 10:01 PM

## McAfee: Scan Summary

This question has been **Answered**.

I hope I posted in correct place

Hi, I have few question to ask. I had format my computer because I want to clean up everything. I'm using McAfee Total Protection and I scanned my computer after format and found some blocking cookies, they are deleted. But I wonder that why even five formatted my computer, under Scan Summary after scanning, the Cookies, Processes, Registry Items, and Boot records are still many. I'm a student without computer experience so I want to ask that:

1. Does format clean up everything, and I meant that everything into brand new?
2. What are those Cookies, Processes, Registry Items, and Boot records mean and what'd they do? Is that good or bad to let them be there?
3. From question 2, if they're bad data or whatever, what should I do to them, how do I get them out?

For question 1 if it isn't related to this forum, I'm sorry :D

**Correct Answer** by Peacekeeper on May 17, 2011 4:18 AM

I assume you want on the net after format to download drivers update windows those cookies will turn up and be detected and deleted if need be.

Format starts clean.

Can you post the Scan summary please I feel all five format good starting point.

- See the answer in context.

- **Highest Answer** by Dr\_Bit

Tag: mcafee

Like (0)



**Peacekeeper**  
14,954 posts since  
Nov 23, 2002

1. May 17, 2011 4:18 AM (in response to pizzepep)

**Correct Answer** for McAfee: Scan Summary

I assume you want on the net after format to download drivers update windows those cookies will turn up and be detected and deleted if need be.

Format starts clean.

Can you post the Scan summary please I feel all five format good starting point.

## Actions

View print preview

## More Like This

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- Question about RestoreAlerts
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- Correct Answers - 5 points
- Highest Answers - 7 points

Paradigms

The 3Es of Customer Service

Benefits and Costs

Invaluable Tools

## Case Studies

Key Insights

# Zappos

- Has raised the bar for social media customer service.
- Authentic connections with customers rather than selling or promoting products.
- Dedicated page for Twitter on its site.
- CEO Tony Hsieh, leading by example.
- Transparency.

# United Airlines (service gone horribly wrong)

**You Tube** united breaks guitars Search Brov

## United Breaks Guitars

sonsofmaxwell 17 videos



1:22 / 4:37

10,511,487

Uploaded by sonsofmaxwell on Jul 6, 2009

Paradigms

The 3Es of Customer Service

Benefits and Costs

Invaluable Tools

Case Studies

**Key Insights**



**One size doesn't fit all.** Pick the medium that makes sense for your business and prioritize your investments.



Apply the Pareto principle when it comes to your interactions.



If a brand lacks confidence, then it will not want to listen to negative conversations.



No social is better than bad social!



Be human.

Authentic voices, empower staff.

# INTERACTIVE SESSION, Q&A

# Questions, ideas, suggestions...



Arun Nair | [Indianeye.org](http://Indianeye.org)

[arun.nair@indianeye.org](mailto:arun.nair@indianeye.org)  
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# MODULE-3

# Service Process

# Meaning

Process in services refers to the actual procedures, mechanisms, and flow of activities by which the service is delivered- the service delivery and operating systems.

In fast food outlets the process comprises buying the coupons at one counter and picking up the food against that at another counter.

# Understanding Service Process

**1. Variety in Process:** Process variety has implications on cost, complexity and flexibility of operations.

- **Runner-** Standardized set of activities and allows high efficiency in operations. Example- Checking the bank account, railway enquiry
- **Repeaters-** More or less like runners except that they tend to be little more complex and occur less frequently. Example- Fast food restaurant.
- **Strangers-** a non-standardized process.

**2. Value Addition in Process**

**3. Task Allocation**

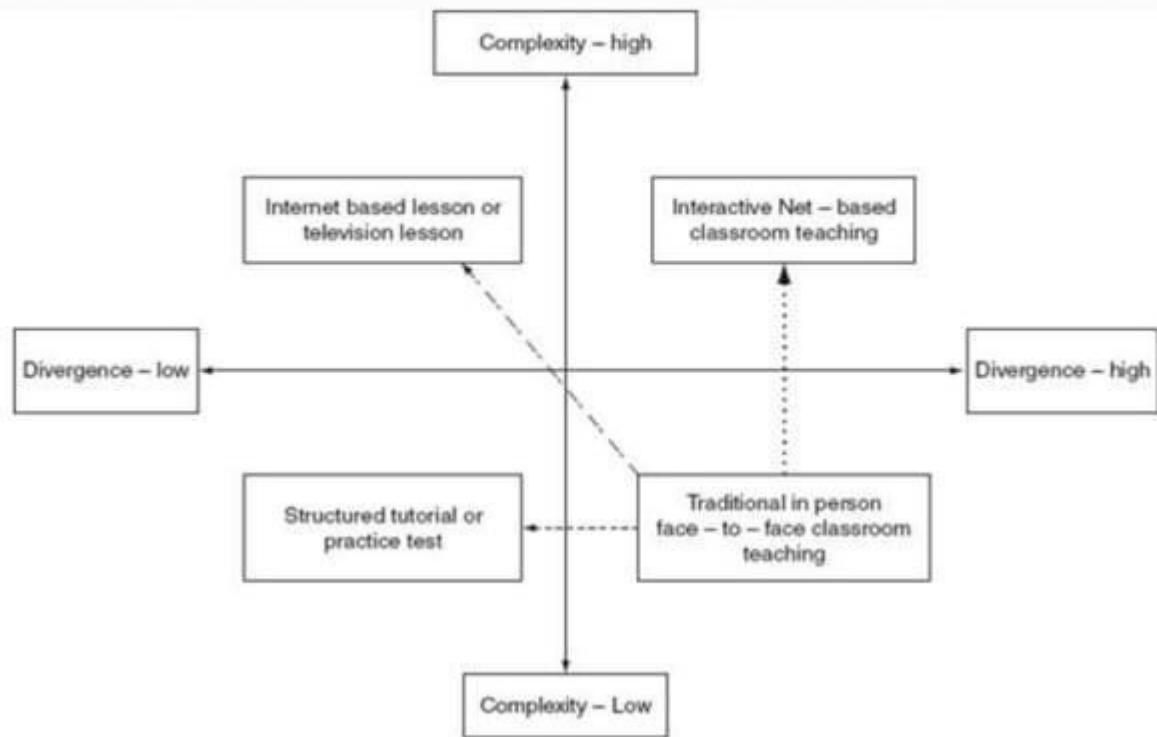
# Strategic Position and Service

## Process

**Steps and Sequences (Complexity) and Steps variability (Divergence):**

1. **Low complexity and low divergence:** simple short structured processes like one product-Mcdonalds standardized service.
2. **High complexity high divergence:** long multi-step process with high employee discretion and judgment- chefs in premium hotel
3. **Low complexity high divergence:** short process but high discretion but high discretion and customization – tutor services.
4. **High complexity low divergence:** long complicated service process but limited standardized offering – standard hotel services

# Education Services and Process





**Figure 5.7** Difference in Service Operations Approach in Restaurant Business

# Service Process Matrix

Based on degree of labour intensity and the degree of customisation there are 4 types of services:

- ❑ **Service Factory:** Capital intensive and standardized services- Airlines, Hotels, Resorts.
- ❑ **Service Shop:** Capital intensive and customised services- Hospitals, Repair shops.
- ❑ **Mass Services:** high labour intensive, and low degree of interaction and customisation – Retailing, Wholesaling and Schools
- ❑ **Professional Services-** labour intensive and highly customised services- physicians, lawyers, accountants.

## CHAPTER 13. CUSTOMER DEFINED SERVICE STANDARDS

### Summary:

An organization has to define and design service delivery standards based on the expectations of the customer. To define the service standards the organization needs to understand what the customer expects. Once the organizations identifies and understands the requirements and expectations of the customers it defines the service standards. The service standards are identified through various sources, customer research, feedback from the customers etc. Some of the service standards could be how soon the customer is serviced on the order placed, the quality of service given to the customer etc. An organization has to ensure that the service standards defined are based on the customer and not based on what the company is comfortable with.

Customer loyalty and satisfaction depends on the service standards which enable the service quality and delivery. Hence it is important that the standards are in line with what the customer wants. Over the period, with the service industry maturing and competition increasing, customers have become more aware what is being offered in the market which has also facilitated them to think they should also demand more from their service providers. This meant the service providers had to set certain standards on service delivery. Hence service standards are defined by the customers –designed by the service providers.

There are two kinds of service standards – “Hard customer service standards” which can be measured &” Soft customer service standards’ which cannot be measured. In the service industry there would be both hard and soft standards which have been identified and which has to be measured by the organization. An organization should closely monitor, evaluate and take steps to ensure the standards are being met. Some good examples of service sectors

where both hard and soft service standards are defined and measured are banks, hotels, airlines, healthcare, telecom etc.

The most challenging and important task is to define the service standards. Developing customer service standards entail several steps. One of the first steps is to identify the various service encounters or interactions and the source (call centre, company showroom etc.). They are the key drivers which define the service standards of an organization. This is where an organization can know and understand the expectation of service delivery standards of the customer. Hence the organizations then has to identify a service encounter sequence or the various steps or encounters the customer experiences when receiving the service. The second step is identifying customer expectations to specific behaviour and actions. The third step is to decide what service standards the organization would like to implement to measure the service delivery –soft standards, hard standards or both. The organization must design standards to ensure that all service delivery are in the scope (customer expectations from services being offered) at times to evaluate and set the standards, both soft as well as hard aspects have to be incorporated in the standards. The fourth step is to have clear measurements for standards defined. Hard measures are very easy to measure whereas soft measures at times gives a general insight into the performance of the service delivery. Hence organization need to ensure the soft measures have a scale (1-5 where one denotes v poor and 5 denotes excellent) which would facilitate the customers to rate the soft service standards and also easy for the organization to analyze the soft standard performance.

The fifth step is ensuring there are targets assigned to each service standards. Targets help an organization to measure and analyze standards performance vis-a-vis the targets. It then facilitates the organization to take appropriate steps to enhance the performance besides working out to identify what went wrong. The sixth step is the measure the standards with data “only”. Every standard when being measured for its performance should have data to

justify its performance. The seventh step is giving feedback to employees on their performance in relation to the service standards. A structured feedback on the service delivery performance would help the employees know where they are doing well or where they need to improve. And the eighth step is organization should keep reviewing and updating their performance targets for each service standards. The performance standards are dependent and influenced by the customers whose expectations keep changing and the organization ability to meet those benchmark targets.

This chapter has focussed on importance of setting standards and the need for evaluating the standards. Due to the gap in standardization of the service actions and the behaviours displayed by the customer interfacing team, the GAP 2 develops. The chapter also discussed in details the “hard” and the “soft” standards and how they are relevant to an organizations. Both hard and soft standards can be measured in different manners which were discussed. The challenge for an organization is to design and develop customer service standards. Using the organization objective, the organization should design the most appropriate standards and ensure that all services they are offering and that all their customers are covered in a manner. The chapter then gave an insight into the various steps which should be adopted to develop the service standard.

4-Module

# INTRODUCTION TO RETAILING



4.69

4.35

\$2.99

\$2.99



Brussel SPROUTS

4 69 LB

TURNIPS

99 LB LB



\$1.99

\$1.99

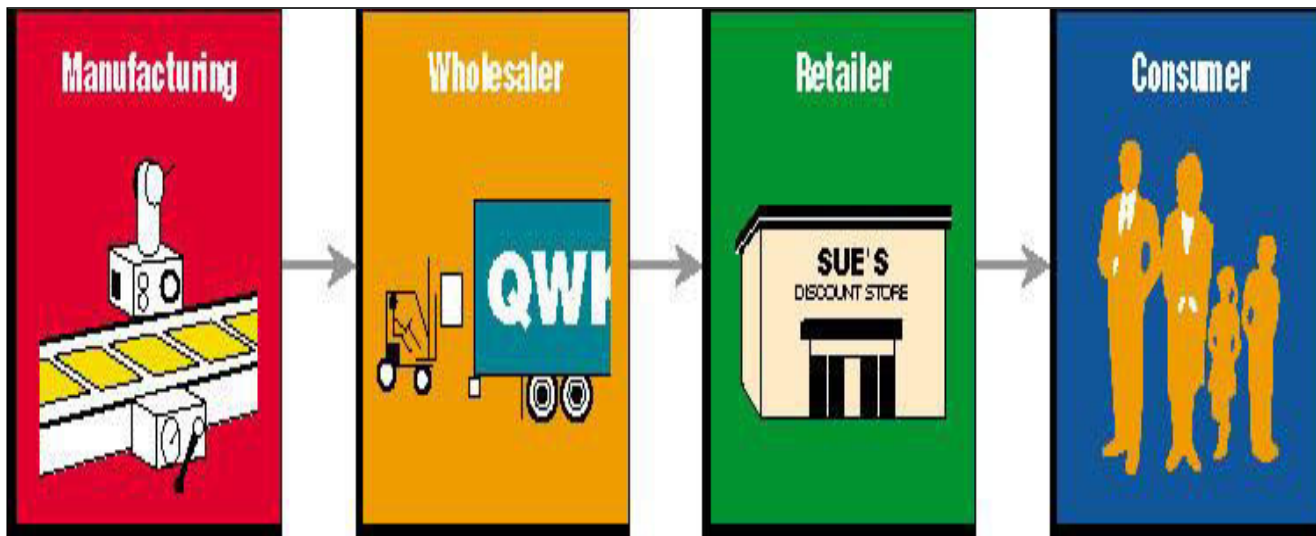


# RETAIL TRADE

- Retail trade involves buying of different varieties or line of goods in small quantities and sell it to the ultimate consumer for consumption
- **Wholesale trade:** wholesale trade involves buying of large quantities of a particular line of goods in bulk, either directly from the producer or manufacturer and sells it directly to the consumer or middlemen

PPT 1-4

# Distribution Channel



# RETAILING

- ◉ **The retailing** is a process which help the customers to procure the desired goods or services from the retail stores for their end use instead of going directly to manufacturer or producers of goods or services
- ◉ Retailing industry in the modern era is a major contributor in the economic growth of a country and is changing rapidly and considered as one of the major dynamic industry in the world today

# RETAILING

- ⦿ According to **kotler**, “Retailing includes all the activities involved in selling goods or service to the final consumers for personal, non business use” It is responsibility for matching individual demands of consumer with supplier of all the manufacturers

# FUNCTIONS OF RETAILING

- ◉ Retailing acts as the link Selling
- ◉ Retailing assist in communicating the information
- ◉ Retailing provides assortments
- ◉ Logistics management
- ◉ Retailing helps in the assessment and determination of consumer demands



- ◉ Easy and convenient accessibility
- ◉ Retailing fills the gap by determinishing the need and demand of consumers
- ◉ Store operations
- ◉ Risk bearing
- ◉ Retailing helps the manufactures in providing a platform for sales
- ◉ Grading and packing
- ◉ Value added services

# TYPES OF RETAILING

- ◉ **Convenience Stores:** stores which sell convenient goods in a limited variety
- ◉ Eg: frequently purchased goods with minimum effort & easily accessible to customers is called convenience stores.
- ◉ Goods like soaps, milk, egg, bread, grocery items and vegetables etc

## Departmental stores:

These are large stores which classifies products under **specified department** and sells it under **one roof**. It has a wide range of products compared to convenience stores,

These stores are located of the main streets of the residential areas.

Eg: fruits, vegetables, kitchen appliances,

- ◉ **Supermarkets:** A supermarket is a self service store which deals with a wide range of food and non food items, It offers fixed prices, clean products and faster cheek-out
- ◉ Eg: food world offers food items like vegetables, fruits, frozen,

- ◉ **Discount stores:** Discount store offers an **extensive range** of products with heavy discount in price than any format of retailer
- ◉ Eg: Future group's brand factory, favourite shop, the loot etc.
- ◉ **Specialty stores:** these are the stores which specializes in a particular range of products and provides the **depth and width** of a specific products category is referred to as a speciality store.

- ◉ **Hypermarkets:** A hypermarket is a very large retail unit offering merchandise **at low price**. Hypermarkets are characterized by large store size, low operating cost and margins, low prices and comprehensive range of merchandise
- ◉ Eg: hypercity, auchan's hypermarket, star bazar, pantaloons big bazar & vishal meghamart

- ⦿ **Factory outlet stores:** factory outlet stores usually sell **defect items**, clearance stock, non seasonal goods etc. these are off- price stores, offering heavy discounts selling in a shed, operating at the out skirts of city.
- ⦿ They even attract customers by having their own food court, , recreational facilities and parking are ex-megamart, namaste garments

- ◉ **Category killers:** They are specialized in providing merchandise of similar category .they supply wide assortment in a single category for a lower prices which can kill that category of other retailers.
- ◉ Eg: example, girias, unilet, pai electronics stores etc,

- ◉ **Destination stores:** Destination stores are retail units offering **uniqueness** in terms of assorted goods, presentation, ambiance, aesthetics, pricing and customer service

- ◉ **Conventional super market:** Conventional super market is a departmental store with assorted products which ranges from grocery to household product which grocery to household products like soaps, beverages, food, textiles, medicines etc

- **Food Based superstores:** In India, working couples are increasing day- by day hence cooking at home is juust a matter of choice rather than taste and preferences. Customer expect ready to eat and quick shopping of groceries, meat, fish etc

- ◉ **Combination Stores:** Combination stores as the name itself suggests is a combination of a **super market** and **general merchdize sale** located in the same area or place or one stop shop, These stores enjoy economies of scale, it offers discounts and low price customer

- ⦿ **Membership Club:** Membership clubs usually have their own retail outlet in their premises which sell goods **in limited or fixed quantities at low prices for its members**. They offer products like clothing, grocery, electronic items

# FORM OF RETAIL BUSINESS OWNERSHIP/PROPERIETORSHIP

# INDEPENDENT, SINGLE STORE OUTLETS

- ◉ An independent retailer carries on business independently, solely, he invest his own capital , assumes risk independently, analyse the taste and preferences of his customers and response to their expectations and consumer preferences.

# FEATURES OF INDEPENDENT RETAILER

1. Operated by single person
2. Passed on generation to generation in case of a family business
3. Ease of entry and exit
4. Good customer relation management as they operate in a limited area, and are familiar with their customer
5. Limited bargaining power

# ADVANTAGES

- 1) Ease in formation
- 2) Quick decision making
- 3) Flexibility
- 4) Comparative cost advantage

# DISADVANTAGES

- ◉ Labour intensive
- ◉ Competition
- ◉ Lack of economies in scale of operation
- ◉ No employee participation

# CHAIN STORE/RETAIL CHAIN

- ◉ A chain retailer operates multiple outlets under common ownership, it usually resorts to centralized decision making and purchasing. The chain store may sell the same line of products supplied from the central warehouse. The benefit a chain store has is in term of cost, advertising and sales promotion.

# ADVANTAGES

1. Technological advantage
2. Clear-cut objective and strategies
3. Cost effective
4. flexibility

# DISADVANTAGE

- ⦿ Huge capital investment
- ⦿ Centralized management and control
- ⦿ Expert advice and trained workers
- ⦿ standardization

# RETAIL FRANCHISING

- It is a contractual agreement between franchisor (manufacturer/wholesaler) and a retail franchisee, which permits the franchisee to conduct business under an established name for a duration of time in a particular area in return of initial fee and a monthly/periodic commission based on gross sales, for the right given to sell goods and services in a particular area/location, eg: McDonalds, Titan, Apteck, KB'S fair price shop etc

# TYPES OF FRANCHISING

- ① **1)Product/trademark franchising:**  
product/trademark franchising involves, selling a product or services using the maiden/brand name of the original manufactures, and selling or distributing the goods specially designed and made by the franchiser.

- **2) Business format franchising:** Business format franchising is a superior form of franchising in comparison with product franchising which involves the participation of the franchiser in providing advice with regards to location, setting up, management control and problems faced by the franchisee beside supplying the goods/services

# CO-OPERATIVE/CONSUMER CO-OPERATIVE

- ◉ Consumer co-operative is a retail owned by its own members who contribute towards capital, manage operations, select its own office bearers, share profits or savings arising there from, on a co-operative principle basis

# LEASED DEPARTMENT

- A leased department is generally a retail store, departmental store, discount store or speciality store which is rented to an outside person on a monthly rent. It is an agreement between lessor/landlord and lessee/tenant for use of the right/property for a period of time.

# RETAIL THEORIES

- ◉ **WHEEL OF RETAIL OR CYCLIC THEORY**
- ◉ **ENVIRONMENTAL THEORY OR THEORY OF NATURAL SELECTION**
- ◉ **CONFLICTUAL THEORY (test book)**

# WHEEL OF RETAILING

# WHEEL OF RETAILING

The wheel of retailing concept describes how retailer institutions transform during their evolutionary life cycles.

- This theory suggest that new forms retailer trades up by improving **displays** and **location**, providing, **credit**, **delivery** and by raising **advertising** expenditure. Thus, retailers mature as high cost, high price, conservative operators

Making themselves vulnerable to new, lower priced entrants

# RETAIL BUSINESS IN INDIA

- **HAATS**: haats are periodic markets that form the major part of the **rural market system** in india. This is location which witness a public gathering of buyers and seller at **fixed times and fixed location**
- **MELAS**: Melas are fairs which range from commodity to religious fairs. It is estimated that more than 2500 melas are held annually in the country.
- **MANDIS**: Mandis are markets set up by the state government for the sale of agricultural produce directly from the farmers.

# RETAIL LIFE CYCLE

- ◉ Introduction stage (5 years)
- ◉ Growth Stage (5-6 years)
- ◉ Maturity Stage
- ◉ Decline Stage

Activity	Introduction	Growth	Maturity	Decline
sales	Low & growing	Rapid growth	High sales	dropping
profitability	Negative to break even	High yield	moderate	Low to break even
positing	Innovative (new)product	Special need	Board market	niche
competition	none	limited	more	consolidation

# FACTORS INFLUENCING RETAIL BUSINESS IN INDIA

- ◉ Changing income profile
- ◉ Diminishing difference between Rural and Urban India
- ◉ Changes in Consumption patterns
- ◉ The emergence of a young earning india

# PRESENT INDIAN RETAIL SCENARIO

- Retailing is **one of the faster** growing industry in india, being the world' **second largest** population nation and consumer market. It also provide major **employment opportunity** generate capital formation.
- Retail industry, being the **firth largest** in the world, is one of the sunrise sectors with huge growth potential and account for 14-15%of GDP

- ◉ Indian Retail industry is one of the faster growing industry, since **few year**
- ◉ Retail industry in india, it considered to be the largest industry, provide an employment of around **8%** and contributing to over **15%** of our country's GDP(Grass domestic product)
- ◉ As per Global retail development index 2014, india ranks 20<sup>th</sup> among the top 30 emerging trends market for retail.

- The recent announcement by the Indian government with regard to foreign direct investment (FDI) in retail, especially allowing **100%**
- Indian retail industry is one of the faster growing industries with revenue increasing at a rate of **5%** yearly
- Indian overall retail sector is expected to rise to US\$ 833 billion by 2013 and US\$ 13 trillion by 2018 (estimate)

- Retail industry in india is expected to increased by **7-8%** with a growth in consumerism in urban areas,
- Retail industry in India is categorised as organized and unorganised retailing sectors
- Indian retail trade increased from Rs 2200 billion in 2000 to 3300 billion by the year 2005

# INTERNATIONAL PERSPECTIVE BUSINESS

- ◉ International trade and commerce has existed for centuries and played a very important part in the world history.
- ◉ The **economic boom** in several countries, coupled with **globalization** have given way to organisations looking at setting up retailing across borders.
- ◉ The advent of internet and multimedia has further changed the dimensions as far as international retailing is concerned.

# WHO ARE THE INTERNATIONAL RETAILER

- ◉ WalMart, Gucci, Ralph lauren, Mango, Gap etc.
- ◉ We can classify the international retailer under two categories.
- ◉ 1) Global grocery retailer
- ◉ 2) International Fashion Brand

- ◉ Internationally and we can see some international retail players in india
- ◉ Eg: Fashion retailer, such as the Gap, Gucci, Escada, Ralph lauren, H&M, Benetto, Mango and Zara have recognised the international appeal of their brand image, product ranges,

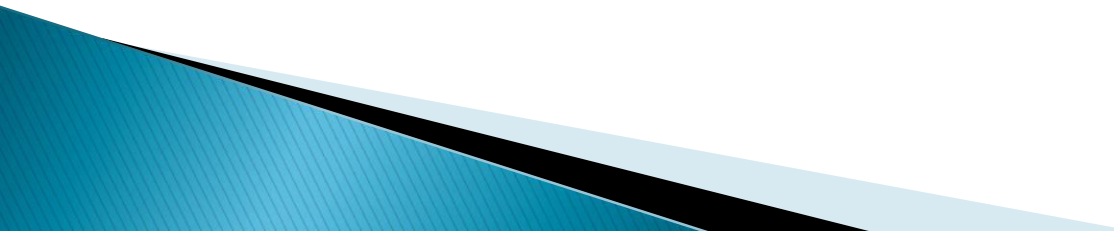
# Retail operations

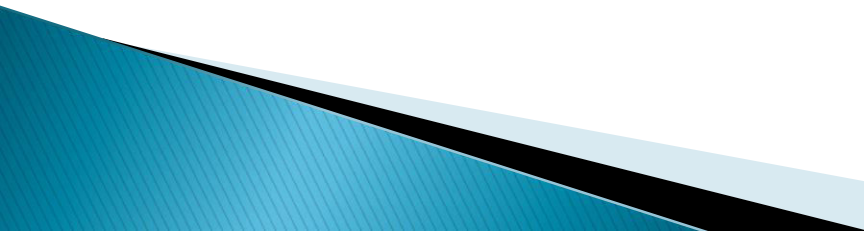
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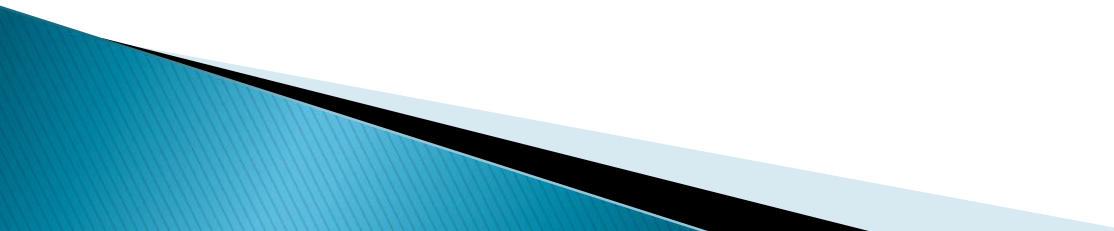
# Retail operations

- ▶ Retail operations involves managing the day-to-day functions of retail establishment and are responsible for maximizing store profit

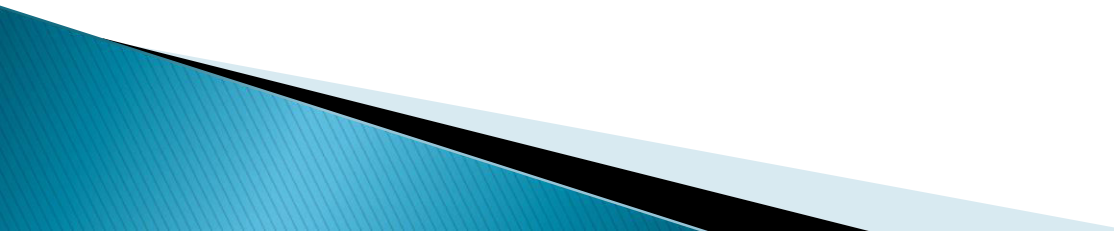
# Essential of an ideal retail locations

- ▶ Convenience: the store should be convenient for the shoppers to travel. It should have good public transport system, easily accessible from the residence, etc
  - ▶ Competition: the presence of competition may motivate retailer to be on par with the middle of the city. It should have both vehicular and pedestrian traffic.
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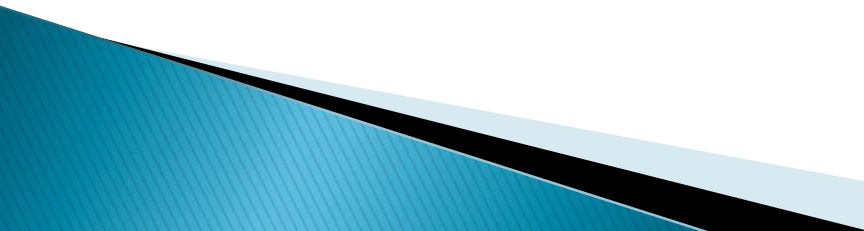
- ▶ High traffic: the location of the stores should be in a place which is crowded and in the middle of the city. It should have both vehicular and pedestrian traffic
  - ▶ Cost of operating stores: The rental factor is also an important criterion for deciding the location of the stores
  - ▶ Economic conditions: The growth of population and employment rate determining the demand for merchandise sold its stores
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- ▶ Parking space: there has to be sufficient parking place which will add to the convenience of the shopping.
  - ▶ Ease of expansion: the location should be such that, it can facilitate expansion in future
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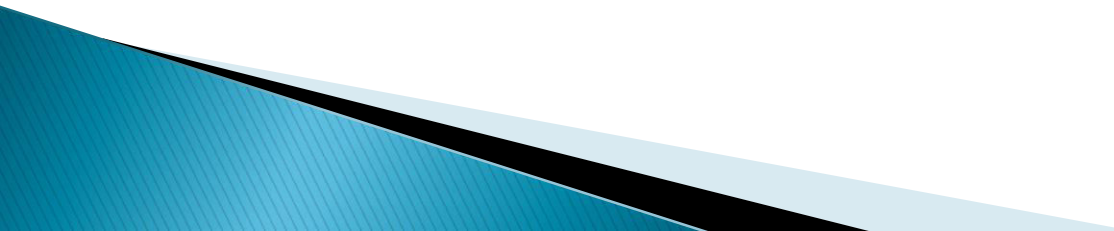
# Factor influencing location of store

- ▶ Population and customer profile
  - ▶ Accessibility, visibility and traffic
  - ▶ Singnage, zoning and planning
  - ▶ Competition and neighbours
  - ▶ Location cost
  - ▶ Personal factors
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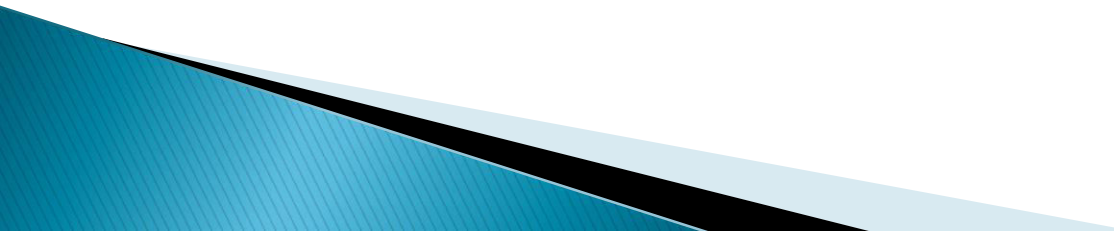
# Market area analysis & trade area analysis

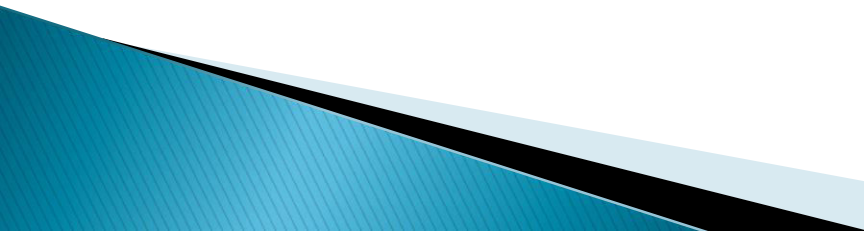
- ▶ Market area analysis is a techniques of the exact location of the stores to be set up
  - ▶ **It comprises of three levels of analysis**
    - a) Regional analysis or selection of region
    - b) Trade area analysis or selection of locality
    - c) Site analysis or site evaluation
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# Regional analysis or selection of region

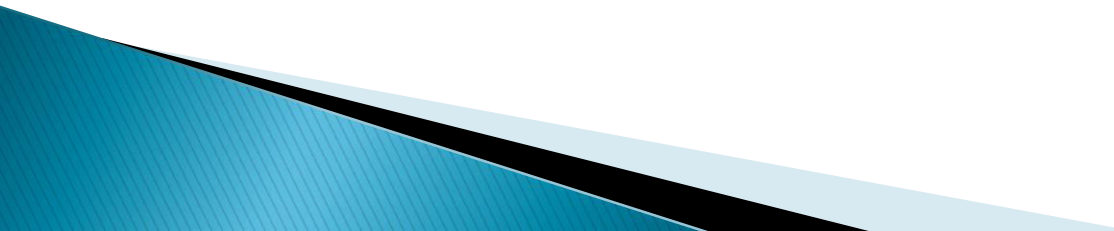
- ▶ Once a country is selected, the next step is decide on the region where the store should be established.
  - ▶ A country may be divided either into regions of four zones (east, west, north & south)
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# Trade are analysis or selection of the locality/community

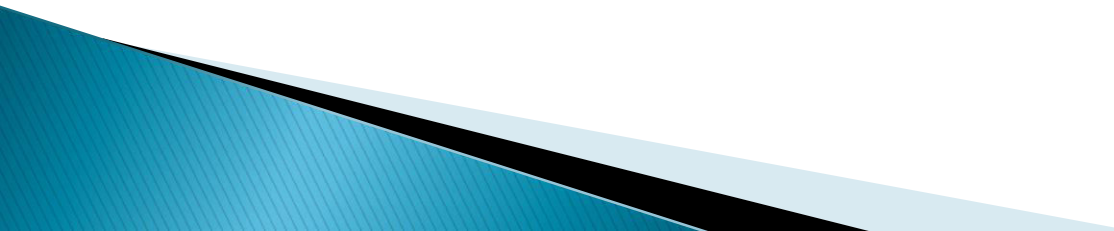
- ▶ After selecting the region, the second step in deciding on the store location is to select a particular locality or community within the selected region.
  - ▶ Urban area
  - ▶ Rural area
  - ▶ Suburban area
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- ▶ Selection of a locality in a particular region is determined by the following facts
    - ▶ labour and wages
    - ▶ Community facilities
    - ▶ Community attitudes
    - ▶ Banking facilities
    - ▶ Existence of supporting stores
    - ▶ Local taxes and restrictions
    - ▶ Water supply, historical issues
    - ▶ Personal & emotional factors
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# Site evaluation

- ▶ Site analysis and evaluation is an important step in the selection of a retail location. As a retailer, you have three basic choices for a sale
    - 1) Shopping centre/mall
    - 2) Downtown care
    - 3) Fee-standing location
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# Retail layout

- ▶ retailers are now focusing on making the store more customer friendly with the store and thereby increasing the involvement of the customer towards purchase
  - ▶ Store interior includes colour, in-store display, ambience, lighting etc
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# Visual merchandise

- ▶ Visual merchandising is the art of **presentation**, which puts the merchandizer in focus. It educates the customer, creates desire and finally augments the selling process.



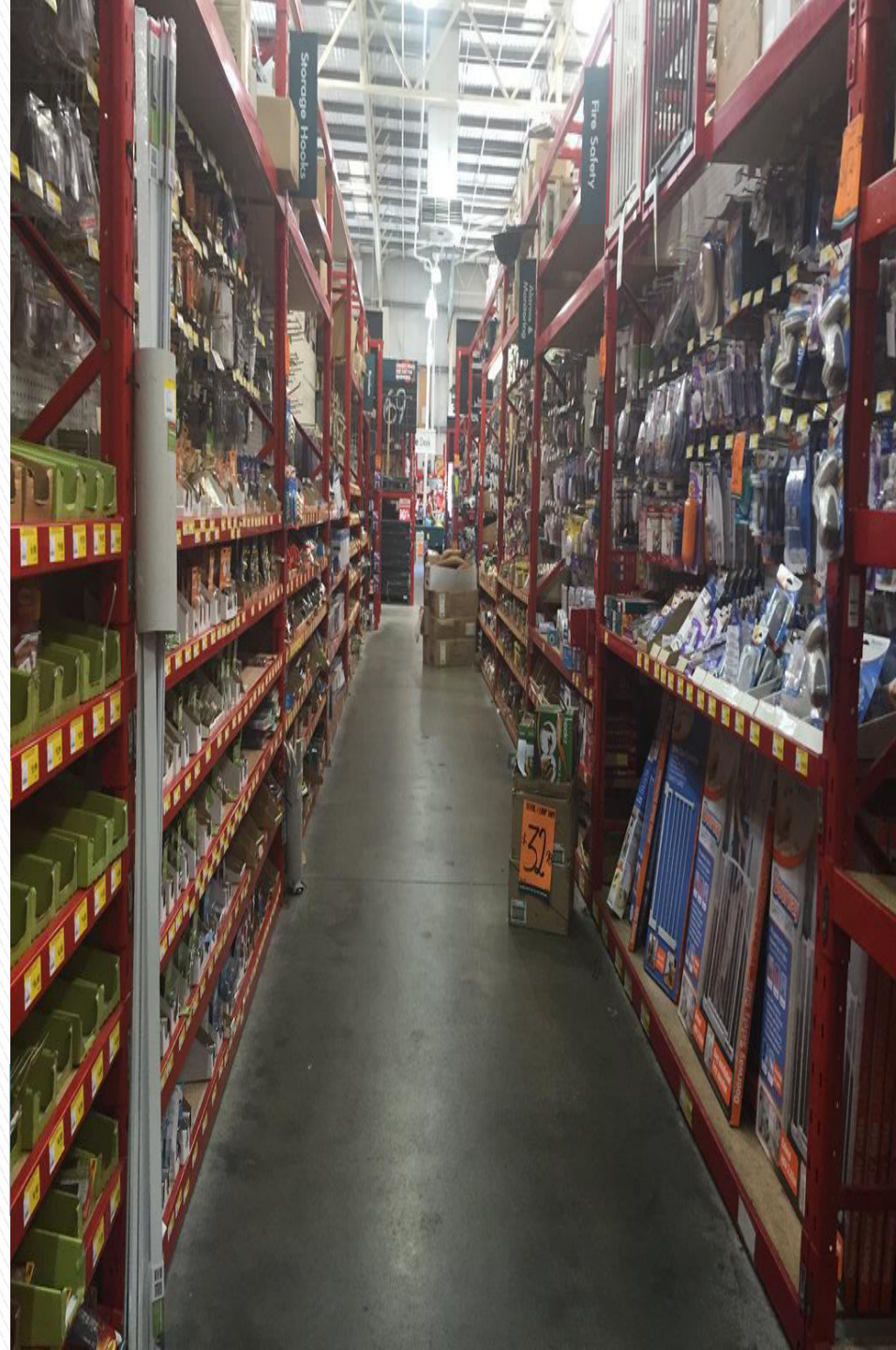
# Store designing

- ▶ Retail design is a creative and commercial discipline that combines several different areas of expertise together in the design and construction of retail space.



# Space planning

- ▶ Retail spaces, specially when they form part of a retail chain, must also be designed to draw people into the space to shop

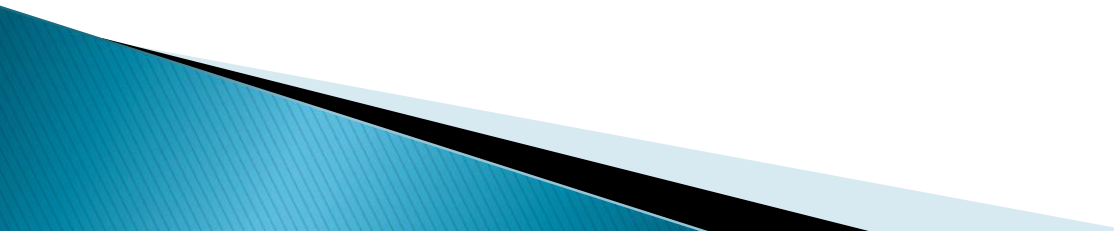


# Inventory management

- ▶ Inventory refers to physical resource(raw material,components,purchased part work in progress, finished goods
- ▶ Inventory management will require taking into consideration
  - the available of inventory
  - the amount of order
  - inventory turnover
  - the quality to order for each SKU(stock keeping unit)

# Merchandise management

- ▶ Merchandising is termed as the planning, buying and selling of merchandise. It is an integral part of retailing and is also one of the most challenging functions

- ▶ The process of merchandise mgt includes
  - ▶ The developing of strategies to ensure that the right product
  - ▶ Is bought of the right price
  - ▶ Is available at the right price
  - ▶ Is available at the right place
  - ▶ At the right time
  - ▶ In the right amount
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# Category management

- ▶ Category mgt is a process by which a retail business is managed with the objective of maximizing the sales and profits of a category

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## **UNIT 3      MARKET SEGMENTATION TARGETING AND POSITIONING**

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### **Objectives**

The objectives of this unit are to help you to understand:

- ... the concept of market and market segmentation
- ... meaning of segmentation
- ... benefits and doubts about market segmentation
- ... bases for market segmentation
- ... how industrial or organisational markets are segmented
- ... the importance of market targeting
- ... how to evaluate and select market segment.
- ... concept of market positioning and its importance
- ... developing positioning strategy and deciding on positioning theme
- ... need for repositioning

### **Structure**

- 3.1 Introduction
- 3.2 The Concept of a Market
- 3.3 The Concept of a Segment
- 3.4 Meaning of Market Segmentation
- 3.5 Benefits and Doubts About Segmentation
- 3.6 Bases for Segmentation
- 3.7 Segmentation in Industrial (Organisational) Markets
- 3.8 Market Targeting
- 3.9 Evaluation and Selection of Market Segments
- 3.10 Market Positioning
- 3.11 Why Positioning is Important?
- 3.12 Developing the positioning strategy

- 3.13 Deciding the Positioning Theme
- 3.14 Market Repositioning
- 3.15 Summary
- 3.16 Keywords
- 3.17 Self-Assessment Questions
- 3.18 Suggested Readings

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### 3.1 INTRODUCTION

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The success of a product or a brand in a competitive market environment can be conveniently attributed to the fact that the marketer had possibly segmented, targeted and positioned the firm's offering in the right perspective.

All customers in a broadly defined market don't have the same needs. But successful marketers decide about the products to offer and the markets to be served.

*One size doesn't fit everyone very well. "One cannot be everything to everyone, but can be everything to a selected few" and that no two individuals can be the same.*

These above statements are the foundations for segmentation and segmentation is core to marketing function of all businesses. Firm's have achieved leadership positions through effective segmentation and targeting. "Once you discover the most useful ways of segmenting a market, you have shaped the foundation of sound marketing strategy". To create differentiation, marketers use segmentation, targeting, and positioning (STP) strategy. Consumers buy benefits, and products that **BEST** address to their **SPECIFIC** need. Segmenting the market, Targeting the user, and Positioning the product or service offering are three pillars of modern marketing strategy.

Therefore all marketing related activities have to be necessarily carried out in such a way that they lead to generation of surplus funds. Even in case of non-profit and non-manufacturing set-ups, it becomes important to achieve marketing goals in the most economical way. One of the ways to obtain economies in marketing is to concentrate and focus the marketing effort in respect of a well defined homogeneous cluster of potential customers. This approach known as STP approach helps in optimizing the marketing mix for a segment

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### 3.2 THE CONCEPT OF A MARKET

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Unless you know the exact market(s) to which your organization wants to cater, your focusing will be wrong and your planning will be faulty and you will fail to develop an appropriate marketing strategy or effort to meet the needs of your target market. To

identify the target market let us first define the term “market”. The term market has more than one meaning:

- ... It can be used in respect of the network of institutions like wholesalers, distributors, stockists, and retailer and others dealing in a product;
- ... It can also be used to refer to the nature of demand for the product, as when we speak of the market for electric cars or for pre cooked food products etc.
- ... The two meanings are related but are physically distinct. Related because without the wholesalers and other institutions, it will be difficult to serve customers (demand).

In this unit we are concerned with a “market for” a product. The market for a product relates to the function(s) served by the product. And the other products that are in competition with it. But we can define functions broadly or narrowly and on this would depend how widely or narrowly we wish to define competition for our particular purposes. Suppose ours is a passenger car or bus transport company and we say that we are in the business of transportation i.e., moving people from one place to another, then we are in competition with the rail, airline and ship the other important modes of transportation. As against this, if we say that we are in the business of “transportation by road” we are defining our function more specifically and in that case we are in competition with other passenger bus transport companies:

Another question which arises is: Does the definition of a market in terms of function(s) served links the definition of a market to the definition of the. Firm's business? The answer is “Yes”. A “business” is defined in terms of technology, customer group and Function(s) served. The overall linkage may be depicted as in the figure below:

A market can also be defined in terms of generic need. By generic need we mean the basic need like the need for catering to hunger and thirst or the need for transportation.

Then the question arises: Is the definition of a market in terms of function served and the definition of a market in terms of generic need essentially the same? The answer according to Levitt is “yes”. The following are some examples:

<b>Product</b>	<b>Generic Need</b>
Film Industry	Entertainment
Television	Entertainment

### **Activity 1**

Write out the generic need in the case of the following products.

Product	Generic Need
a) Cosmetics	.....
b) Elevators	.....
c) Smart Phones	.....
d) Edible Oil	.....

**Answer:** (a) Hope for looking good, (b) “Need” for vertical transportation within buildings that is convenient, fast and safe, (c) “Need” for a portable and personal device to stay in touch at all times (d) energy.

Levitt, in a classic article, claims that the film industry failed to recognise that it catered to the generic need for entertainment and as a consequence failed to take cognizance of the likelihood of competition from television. It thought it was in the movie business when it was actually in the entertainment business.

Therefore, defining a market in terms of generic need not only defines competition but also helps a firm to avoid entering a market segment without first considering the wider range of possibilities available to it.

However, there are some problems that are encountered in using generic need to define a market.

First, the word “need” is ambiguous as there is no accepted list of human needs.

Second, the assumption probably made by Levitt is that there is only one market for a firm’s product or that the many needs that might be served by a product will always reflect some high level need. This may not always be true.

For example, consider the generic need served by the postage stamp. There is the market which is related to the transportation and delivery of mail and there is also the market related to the philatelist’s motives. Both these markets cannot be embraced under one generic need.

Take another example of film industry as used by Levitt. Would it always be best in your opinion to regard the film industry as catering to the generic need for entertainment? The answer is “no” for there are many rival claimants. It all depends on our purposes. One claimant might be the generic need to occupy leisure hours. In that case, probably, entertainment will be its sub-category.

Third, defining a market in terms of generic need is not a sufficient condition for identifying competition. This is so because products can serve the same generic need without being in competition, e.g., sundials and watches. They both cater to the same need i.e., to measure -time, without competing with each other. Another example is of

coffee and soft drinks as they both could be thought of as serving the same generic need for beverages. However, it is a matter of empirical investigation to find out whether these products do in fact serve this need.

The definition of the market in terms of function(s) served does not, however, eliminate the necessity of defining our purposes, using judgment and undertaking empirical investigation to determine how broadly to define the function(s) of interest. In fact, the products that serve different use-functions serve different markets, and different use-functions attract different competitors.

**Activity 2**

How will you define the market in the case of the following products?

- a) Cold Cream .....
- b) Electronic Typewriter.....
- c) Wheat Bread.....
- d) Ink Pen.....
- e) Dairy Products.....

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**3.3 THE CONCEPT OF A SEGMENT**

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The previous discussion must have helped you to understand the relationship between market, product and function. On the basis of market definition given earlier we can reiterate that buyers in the same market seek products for broadly the same function. But different buyers have different evaluative criteria about what constitutes the right choice for performing the function. As a consequence different offerings will attract different buyers.

To illustrate, all brands of smart television sets will appeal to some degree to those in the market for a smart TV but some brands will appeal to some groups more than others. But, if there were only one brand of smart TV set, there will be no choice for the buyers. But as the market develops, manufacturers seek to cater more closely to some groups than to others and buyer choice widens as a result.

At the most detailed level every buyer is a market in himself for every buyer's "want" is probably distinct in some way. But on the basis of similarities and differences, such unique wants can be grouped into sub-classes. What it means is that wants within a sub-class are more related to each other than wants between sub-classes.

Based on the above discussion you can now attempt to explain market segments and the process of market segmentation.

Market segments refer to the sub-classes of the market reflecting sub-classes of wants and the process of conceptually distinguishing segments is known as the process of market segmentation.

## **Relationship of a segment to a market**

To put it differently a market segment consists of buyers who seek (occasionally or often) the same aspects of a product. And the concept of a market as a set and a segment as a subset is the basis on which the process of segmentation is carried out.

But the relationship of a segment to a market is also one of means to goals. The implications of this relationship are:

- ... Since means for accomplishing goals can be varied, different segments of a market may demand radically different substitutes (for example, electric razor for a safety razor)
- ... Since the function distinguishing a market is a means to some higher-level function that can be served by a variety of markets, there can be mobility of buyers among the several markets which may result in instability in any individual market (for example from “movie” of the film industry to “entertainment” where TV competes with the film industry)
- ... Since choice is exercised by people within the context of what is available, the buyers are not necessarily satisfied with what they buy meaning thereby that a possibility always remains of designing an attributes mix better suited to the segment.

We can say that buyers within a segment are more homogeneous in their market wants when compared to those who are in the market at large, but differences will always remain in wants among those within a segment notwithstanding this similarity. What it means is this that a marketer can always achieve additional homogeneity by subdividing the original set of segments further until, theoretically speaking, we have segments to which only one buyer belongs.

The question that arises is how far the process is carried towards this end. The answer will depend on:

- ... the commercial viability of small segments, and
- ... the competitive practices of rivals.

Now what a marketer should do? He may ignore the differences and treat the segment as a homogeneous segment, or he may take account of some of the differences in product range, promotion and distribution and segment the market on that basis

So segments will be distinguishable on the basis of such differences, In other words one will be able to distinguish one segment from another on the basis of what segment members have in common in respect of what they seek from a product. However, since consumer needs and wants keep on changing with the passage of time, segment wants would also change in time necessitating the manufacturer to adapt his offering without necessarily affecting the definition of the core want.

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### 3.4 MEANING OF MARKET SEGMENTATION

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You would agree that any consumer market is composed of a large number of customers. Do you think that all the customers in a given market are homogeneous in terms of their needs and wants? Certainly not! Let us take a quick look. We as customers of bathing soap are not alike in terms of what exactly we ‘need’ from bathing soap. Though we all use bathing soap, we belong to a different customer groups.

Therefore the firm’s offering bathing soap try to satisfy distinct customer groups by marketing different types of bathing soaps, for example, beauty soaps, health and hygiene soaps, herbal soaps, low-priced or popular soaps, and so on. If you observe brands like Lux, Dove, Santoor, and Vivel are attempting to cater the beauty conscious or niche customer segment while Margo and Medimix serve the herbal and medicinal segment and Lifebouy and Cinthol to serve the price-sensitive mass consumption segment.

The consumers of a product vary in their needs, socio-economic characteristics, buying motives, buying patterns and buying behaviour etc.

*In market segmentation, the marketers divide the heterogeneous customers into certain groups or segments each of which tends to be homogeneous in a significant respect.*

Thus companies through market segmentation divide large, heterogeneous markets into smaller segments that can be pursued more efficiently and effectively with products and services that match their unique needs. We have to be clear that in the process of market segmentation, it is the consumers/individuals who are segmented and not the product or the price.

#### Activity 3

Write out the different segments for the following products.

Product	Segment
a) Laptop .....	
b) Wrist Watch .....	
c) Electric Car .....	

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### 3.5 BENEFITS AND DOUBTS ABOUT SEGMENTATION

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You may get a doubt that if the marketers develop different marketing policies aiming at different segments of customers, such an exercise would imply enormous marketing expenditure in the form of costs on R&D, product development and promotion. So a question naturally arises whether segmentation is a must in marketing?

Theoretically, it is possible for a firm to go for market aggregation or mass marketing which is just opposite to the concept of market segmentation. Normally the sellers in certain types of commodities such as sugar and kerosene often follow an undifferentiated marketing strategy to appeal to the largest number of buyers with mass production, mass distribution, and mass advertising. Such a strategy keeps the overall marketing costs low and makes them easier to manage.

In practice, however, companies do not prefer undifferentiated marketing strategies. The concept of a “*one-size-fits-all*” is no longer relevant. Understanding how customers’ needs and wants differ is essential in designing effective marketing policies.

We will now try to describe both the benefits and the doubts that arise from the strategy of market segmentation.

First, we will highlight the benefits from segmentation and these are:

- ... segmentation helps a company to exploit its market better by selecting market niches (suitable segments) that are compatible with its resources
- ... segmentation helps in focusing strategies more sharply on target groups
- ... segmentation is more likely to result in instilling customer ‘loyalty’ since the firm's offering is better matched to those in the segment.
- ... segmentation provides the innovative marketers to spot out the unique business opportunities by identifying those market segments where the established firms are underperforming.
- ... customer satisfaction can be accomplished by providing a value offering that matches the value proposition considered important by a target segment.

### **Doubts about effectiveness of segmentation**

The discussion that follows concentrates on the doubts which have been expressed on the effectiveness of segmentation.

### **Are segments mutually exclusive groups?**

Remember, segments are not mutually exclusive customer groups. What we are exactly grouping is ‘anticipated orders’ from buyers, not buyers themselves. What we are really trying to emphasise is that the same consumer may appear under different descriptions for different segments. To illustrate: Sensodyne and Colgate toothpastes differ and seem aimed at different segments, but the same people may buy both of these. The fact that the same people buy both of these products does not in itself imply the absence of meaningful segments. Products in different segments of the market may be bought by the same buyer for different family members, or for different reasons, or just for variety, etc.

### **Is segmentation merely on the basis of different product forms?**

It is not right to say that segmentation is merely done on the basis of different product forms. Although this is what usually happens. But segmentation can be on other bases as well like distribution, price, promoted image, etc.

### **When insignificant differences exist between brands**

What happens in a situation where markets are not heavily segmented or where the differences between products are marginal?

In a situation like this, one can't help saying that not much purpose is served by segmentation. In other words in a situation where insignificant differences exist between brands segmentation is not a feasible strategy.

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## **3.6 BASES FOR SEGMENTATION**

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As you know, market segmentation means dividing the market into several homogeneous sub markets or segments. Now the question is: what is the basis of segmenting the market? In fact there is no single way to segment a market. A marketer has to try different segmentation variables to view the market structure. Let us discuss it.

### **Benefit segmentation**

In benefit segmentation you segment the market on the basis of what people say or the benefits they seek from the product. One of the most successful benefit segmentations was reported by Russell Haley who coined the phrase benefit segmentation. According to him the oral hygiene (toothpaste) market can be divided into four distinct benefit segments depending on which of the following is sought:

- ... flavour and product appearance
- ... brightness of teeth
- ... decay prevention
- ... low price.

Once we have categorised those in the market on the basis of the benefits they seek, they can be identified by what they are (demographic characteristics) and what they do (behaviouristic and psychographic characteristics). For example, in the Russell Haley study the brightness of teeth seekers were young people in their teens with a personality disposed towards high sociability and an active life style. Similarly, decay prevention seekers had large families, were heavy toothpaste users, and were conservative. Each segment also favoured certain brands. Thus, benefit segmentation requires:

- ... determining the major benefits that people look for in the product class., like intrinsic preference, for example, taste, level of performance, snob appeal, price, reputation etc.
- ... the kinds of people who look for each benefit, and
- ... the major brands that deliver each benefit.

#### Activity 4

Please suggest brands of toothpaste that you would segment on the basis of derived benefits.

Benefit	Brand Name of toothpaste
Sensitive teeth	-----
Brightness of teeth	-----
Ayurvedic	-----
Herbal	-----
Fresh breath	-----
Low price	-----

**Geographic Segmentation:** As the name suggests the market is divided on the basis of location. A company may divide the market into different geographical areas such as nations, regions, states, cities, rural, urban and semi-urban areas. It also involves segmentation based on climatic conditions. The basic reason of using geographic base for segmentation is that people who live in the same area share some similar needs and wants compared people living in other areas.

Take for example coffee consumption in India, as it is well known coffee is consumed more in South India than any other region. However, in most of the places in the Northern part tea (*chai*) is a popular drink. In most parts of Northeast India, people prefer to enjoy tea without milk and sugar (often known as *Laal chai* - red tea and green tea). In scenarios of this type firms do adopt geographic segmentation and offer various blends of tea to appeal to different tastes and preferences of people in different regions. Tata tea is one of the classic examples for pursuing geographic segmentation.

Let's look at from another dimension in terms of purchasing pattern among urban and rural consumers. Let us try to understand it from the experience of some of the companies soon after the outbreak of pandemic in the recent past.

The corona virus-induced lockdown sharpened the urban-rural divide in the demand pattern of FMCGs, with consumers in big cities opting more for large size product

packs. But in smaller towns and villages, low-priced value packs started ruling the roost. For example, companies like Nestle, Dabur, Godrej Consumer Products, Parle Products, and Wipro Consumer Care experienced higher consumption of lower-priced affordable packs (also known as popular price products) in non-metro markets after improvement of supply chains. On the other hand, in urban places, the companies witnessed a trend of customers buying larger pack items and an increase in volumes of purchases per visit to stores, although the purchase frequency came down as buyers opt lesser visits to crowded places such as malls and retail stores. Interestingly, when the guest workers went back to their native places, they were the people who seek to buy those brands even in semi-urban areas which they had consumed in cities.

### Demographic Segmentations

Instead of focusing on the differences in benefits sought, marketers divide potential customers in the market on the basis of demographic variables such as age, gender, family size, income, occupation, education, location, religion, race and nationality. Demographic variables are the most popular bases for distinguishing customer groups. You should use such variables to infer the likely variations in what is sought.

#### Activity 5

Please suggest products that you would segment on the basis of demographic variables.

Demographic variable	Product category segmented on demographic basis
a) age	-----
b) gender	-----
c) family size	-----
d) income	-----
e) occupation	-----
f) education	-----
g) geographic location	-----
h) religion	-----

Some special types of demographic groupings, viz., social class and family life cycle are discussed below:

#### Social class

Demographic variables can be combined to form social classes. Social class is defined in terms of a number of demographic variables varying from a single indicator like occupation to the use of a combination of factors like occupation, source of income, type of home or residential area. Social class has a strong influence on the person's

preferences in regard to clothing, home furnishings, leisure activities,' reading habits, and so on.

### **Family life cycle**

Another basis for segmentation that draws on demographic factors is family life cycle, where each stage in the cycle is a combination of age, marital status and age of children. A household with a young family tends to have different wants from an older married couple whose family is grown up. One family life cycle is:

- ... young single person, not living at home
- ... young married, no children
- ... young married, youngest child under six
- ... young married, youngest child six or over
- ... old married, with dependent children
- ... older married, no children living at home
- ... older, single

### **Psychographic Segmentation**

Psychographics is the study of consumers primarily based on their activities, interests, and opinions (AIOs). It goes beyond classifying people based on general demographic data, such as age, gender, or race. Psychographics seeks to understand the cognitive factors that drive consumer behaviors. This includes emotional responses and motivations; moral, ethical, and political values; and inherent attitudes, biases, and prejudices.

Therefore, one can also segment the market on the basis of life style or mode of living. This helps you to understand what those who are in the market do. Some of the products where life style approach has been used for segmenting the market are cars, women's clothing, cigarettes, cosmetics, alcoholic beverages and furniture. The companies involved in offering financial services, four-wheelers, and tourism and hospitality develop appropriate marketing policies keeping in view the family size and stage of the life cycle.

### **Activity 6**

Identify the current life cycle stage of any one member in your family. List out the brands of products and services which you need to buy specifically to cater to the identified family member.

Stage of the life cycle of a family member:

Brands of great demand by my family:

- a.
- b.
- c.
- d.
- e.
- f.
- g.
- h.
- i.

-----

**How to use psychographic basis?**

For using psychographic segmentation you will have to collect data for developing a profile of the consumer. One life style approach that has been developed uses psychographic data concerned with the activities, interests and opinions (called AIO inventories) in addition to the demographic variables of those in the market.

Consider the following example:

Activities	Interests	Opinions	Demographics
Work	Home	Social issues	Age
Hobbies	Job	Politics	Education
Entertainment	Community	Education	Income
Clubs	Food	Culture	Occupation
Sports	Media		Family size
Shopping			Dwelling
			Geography
			Stage in life cycle

In using the above approach the researcher must have consumers respond to a number of AIO statements and then use statistical techniques to group the AIO statements into similar categories. The grouping permits the marketing analyst to produce a more relevant profile of those who are in the market, say of users and non users.

For example one such marketing study portrayed the user of eye makeup to be younger, better educated, and more likely to be employed outside the home. Further, they were more fashion conscious, cosmopolitan, and progressive than non-users Thus, the marketing strategist has established that the use of eye makeup is a part of a consistent behavioural pattern that provides valuable information input for media selection and advertising content decisions. Furthermore, the market strategist can use such information to identify likely users of related products, that is, other products that are consistent with that life style.

## **Personality variables**

Besides AIO inventories and demographic variables we also use other variables in segmenting a market on a psychographic basis. These are variables that help in producing a more relevant profile of the consumer. The most commonly used variables of this type are personality variables.

**Self-image** is one aspect of personality that may relate to buyer behaviour. Some marketers use this approach to endow their product with brand-image that corresponds to self-image of the consumer. In fact, the assumption that buyers seek a match between self-image and brand-image is implicit when advertising appeals to certain types of personality.

Some other important personality variables that may be used in psychographic segmentation are: impulsiveness, sociability, achievement orientation, masculinity, self-confidence, conservativeness, prestige consciousness, alertness to change, thriftiness, and sentimentalism.

**VALS ("Values and Lifestyles")** approach is a research methodology used for psychographic market segmentation. CyberMedia Research, in association with SRIC-BI, took the initiative to develop the world-renowned marketing tool, VALS, for India. This market segmentation framework is designed to guide companies in tailoring their products and services in order to appeal to the people most likely to purchase them.

VALS signifies the values and lifestyles of people. VALS segmentation framework provides many cues to the marketers to segment the buyers based on two dimensions of consumer motivation and consumer resources. Consumers are inspired by one of three primary motivations. They are ideals, achievement, and self-expression. Those primarily motivated by ideals are guided by knowledge and principles. Those motivated by achievement look for products that demonstrate success to their peers. Consumers whose motivation is self-expression desire social or physical activity, variety, and risk. Personality traits such as self-confidence, energy, innovativeness, and leadership in conjunction with key demographics determine an individual's resources. Different levels of resources enhance or constrain a person's expression of their primary motivation. The four groups with higher resources are innovators, thinkers, achievers, and experiencers. While the four groups with lower resources are believers, strivers, makers, and survivors.

**Other bases:** There are some other important bases also that you need to know besides the ones which we have already discussed.

**Usage rate** is one of them and is sometimes used as a dependent variable with demographic or personality variables used as its predictors or independent variables. The aim is to identify the 'heavy users' so as to focus directly on their wants and to appeal to them directly. Soft drinks are important product where this approach is used. To explain, it is the younger group which falls in the category of heavy users so far as

the soft drinks market is concerned. The main attempt of the companies selling this product is to focus on this group and to appeal to them directly.

Another basis is **brand-loyalty**, with companies making direct appeal to the loyal user. Buyers can be divided into four groups according to brand loyalty status: (1) hard-core loyals (who always buy one brand), (2) soft-core loyals or split loyals (who are loyal to two or three brands), (3) shifting loyals (who shift from one brand to another), and (4) switchers (who show no loyalty to any brand). Each market consists of different numbers of these four types of buyers. Marketers in order to retain their loyal customers offer special benefits to them in the form of loyalty rewards. For example, many Airlines have introduced "frequent flyer" scheme to retain their regular passengers by offering heavy discounts or free tickets to family members after a certain number of flying trips.

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### Activity 7

Mention brand name(s), and product category which matches your behaviour as a customer based on your degree of brand loyalty.

Degree of brand loyalty	Product category	Brand names
a. Hard-core loyalty	a. -----	a. -----
b. Split loyalty	b. -----	b. -----
c. Shifting loyalty	c. -----	c. -----
d. Switching loyalty	d. -----	d. -----

### Segmenting by Generation:

Marketers try to segment the people by generation. Every generation is profoundly influenced by the times in which it grows up. Many studies indicate the role of youth as initiators and influencers of buying decisions. In recent times, even the 4-14 age group children are found to play a major role in buying decisions of families due to use of smart phones e-mail and text messaging.

Precisely, for this reason marketers now depend on social networking sites such as Facebook, Twitter, and YouTube to understand the ever-changing customer profiles through business analytics. This also helps in making important decisions in segmenting, targeting, and positioning. For example, many hotels and travel organisations are increasingly micro-targeting specific customers with customised services and communication by using social media.

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### 3.7 SEGMENTING INDUSTRIAL (ORGANISATIONAL) MARKETS

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Segmenting Industrial markets is as similar to segmenting consumer markets with similar and comparable variables. Segmenting markets on the basis of end-use application is essentially benefit segmentation; a demographic basis is geographical location; while a behavioural basis is the way the company buys. As knowledge of industrial customers advances, segmentation can take account of the buying criteria, technical, economic and commercial etc as applied to the selection of suppliers. Certainly, when the customers are large buyers with very diverse demands, each of them may be viewed as distinct segments to be approached individually by tailored strategies. In particular, there are three commonly used bases: 1) type of customer 2) size of customer; and 3) type of buying situation.

- a) **Type of Customer Segmentation:** A common way to segment industrial markets is by end users application. For example, a pump manufacturing company can segment its potential market by type of customer such as automobiles, electrical appliances, government departments etc.
- b) **Customer Size Segmentation:** Many companies set up separate systems for dealing with major and minor customers based on quantum and value of business transactions. For example, a company which manufactures office furniture may divide its customers into two groups as major accounts and minor accounts. Accounts of large and reputed companies come under major accounts. Such accounts are handled by national account managers working with district field managers. Smaller accounts are categorized as dealer accounts. These accounts are handled by the field personnel working with authorised dealers who sell company's products.
- c) **Type of Buying Situations Segmentation:** In organizational markets there are three types of buying situations: new buy, modified re-buy, and straight re-buy. These buying situations are different from each other in a significant way. An industrial seller can segment his market on this basis of buying situations and adopt marketing strategies accordingly.

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### 3.8 MARKET TARGETING

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In previous sections we have discussed the various bases on which consumers can be clustered into homogenous market segments. However, all segments need not necessarily qualify as target markets.

*A target market is defined as a set of buyers sharing common needs or characteristics that the company decides to serve.*

It is very important to select the target market to develop a suitable marketing strategy. Every marketing strategy involves marketing expenditure and the return on a market program can only be identified if we are able to know the target market for which the marketing program is targeted. Hence, an understanding of the target market and measurement of their attractiveness is a key decision in marketing.

The next challenge for the marketer is to select one or more segments to target with a right blend of marketing mix elements.

Both **general factors** which one uses to evaluate any economic opportunity and the **factors specific to the situation** should be considered in evaluating segment options against these criteria.

**General factors:** The following are some important general factors that one should consider judiciously.

**Company thrust:** While segmenting the market the firm needs to identify the requirements for success in the identified target market. Next, it must determine what particular business system consisting of marketing, production, finance, personnel, etc. will be needed to meet the requirements for success in that segment. As far as possible the firm's thrust should be such that it gives the company a key advantage in that segment.

**Size and growth potential:** In addition to the present size of the target market the firm should also ascertain the future growth potential of the said target market. The current market demand by itself may prove misleading. The measurement might also create its own problems.

**Investment needed:** Financial outlay required for tapping a particular target market is another factor to consider and care should be taken to ensure that both entry costs and costs associated with building market share have been included.

**Profitability:** The question of profitability is associated with investment decision. To calculate it we have to estimate both future sales and costs involved in the concerned segment. Besides, it is necessary to also consider the value-added to the product that is to be marketed in that target segment, for a low value-added product makes profitability more hazardous.

**Risk:** Risk is unavoidable in business. The usual risks associated with the extent to which a particular target market would respond. But these are not the only ones. Other risks like the new product taking away part of the market share from the existing product(s) of the company in that target market need also be considered and monitored.

**Competition:** The selection of target market also implies indirectly selecting the competitors with whom the company will compete. Another important point to note in this context is that segment may be large but may already be served by several well established competitors. The question naturally would be whether one would like to

enter such a segment should be weighed in terms of cost–benefit analysis and then take a decision.

**Specific segmentation factors** The specific segmentation factors that you need to consider are as follows:

**Segment durability:** Remember, segments based on fads and fashions are of a short duration that is their life cycles are ephemeral and your plans to tap such segments must take this into account. Besides, you can't think of making substantial investments in such ventures from the long-term point of view.

**Mobility:** Mobility means the movement in and out of a segment of members of a target group. If the mobility rate of target group members is high in respect of a certain product, say, hair oils, the company in order to keep its sales stable would have to attract new users to its product.

**Visibility:** Visibility refers to the extent to which the want of a target market or segment is distinctive. If what is sought by the members of that segment is perceived as very different from what is sought in other segments then the segment 'loyalty' will be greater but those in other segments may regard that offering as very different and something which is not meant for them. Highly visible segments however, are likely to be more stable than other segments of a market.

**Accessibility:** Those in the segment or the target market should be directly reachable through established communications and distribution channels. If that particular segment cannot be reached then the entire exercise of market segmentation will be futile.

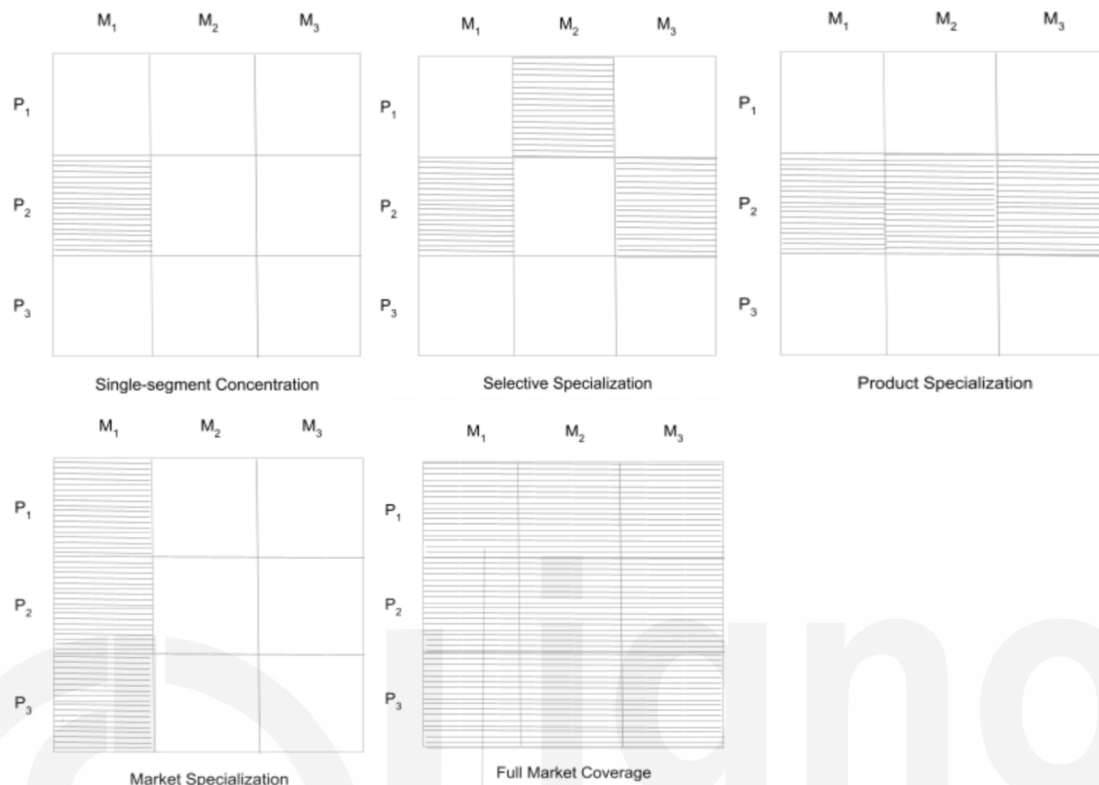
For evaluating segment options on the basis of these factors, please remember that you will have to weigh these factors in the context of your specific situation.

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### **3.9 EVALUATION AND SELECTION OF MARKET SEGMENTS**

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Based on the criteria discussed above, the marketers make the assessment of the overall attractiveness of different market segments. The segment's overall attractiveness should be evaluated from the viewpoint of a company's objectives and resources. The segments should also match the company's competencies and its vision. Further, the segments will be evaluated based on their key parameters such as size, growth, profitability, and scale of economies. After analysing different segments, the company will select one or many segments to serve. For example, a group of hotels can choose families as its target market or business executives as its target market or female travellers as its target market or International travellers as its target market. To elaborate further, the company can choose from the following approaches while selecting one or more segments as shown in **Figure 2**.



**Fig. 2.** Approaches to the Selection of Target Markets

**Source:** Adapted from Derek F. Abell, *Defining the Business: the Strategic Point of Strategic Planning*, Englewood Cliffs, N.J. Prentice Hall, 1980, pp. 192-96.

### Single-segment concentration

As shown in **Figure 2**, the firm markets to only one particular segment. Through this approach, the firm wants to gain a thorough understanding of the needs of the segment to achieve a powerful market presence. For example when Nirma washing powder was launched it was targeted at the low-income segment. Woodland Worldwide, the company that owns and markets the Canadian brand, started offering ten footwear styles in India for 13-year-olds. The company instead of offering normal sports shoes tried to address the specific requirements of adolescents for skateboarding, surfing, rappelling, mountain biking and rafting.

### Selective specialisation

In this case the firm selects a subset of all the possible segments which are attractive and suitable. This strategy has the merit of diversifying the firm's risk. The disadvantage of this approach is that it may not result in any positive synergy. However, a firm can try to achieve some positive synergy in the case of the other two approaches of product specialisation and market specialisation.

### Product specialisation

In product specialisation, the company sells a particular product to different customer groups. A laptop manufacturer for example, sells to individual customers, government, educational institutions, and software companies. The main disadvantage in this approach is that the overdependence on a single type of product may lead to its replacement by totally new technology. We all know how typewriters and fixed phones were affected by new technologies.

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### Activity 8

Identify different customer groups (segments) of any company of your choice whose brands are targeted at them.

Company's name:

Customer groups (segments)

- a. -----
- b. -----
- c. -----
- d. -----
- e. -----

Brands

- a.-----
- b.-----
- c.-----
- d.-----
- e.-----

### Market specialisation

In this approach the firm attempts to focus on satisfying the varied needs of a specific segment, for instance, a pharmaceutical company can sell an assortment of products meant for surgeons in hospitals. Overdependence on a particular customer group implies business risk in this approach.

### Full market coverage

Many large firms attempt to serve all customer groups by offering different products. For example, Hindustan Unilever Ltd (HUL) offers many brands of bathing soaps to cater for the needs of different customer groups. The same is the case with Maruti Suzuki with its range of models in the car market. Large companies try to cover an entire market in two ways: through undifferentiated or differentiated marketing.

In **undifferentiated marketing** (also known as mass marketing) the marketer ignores the differences among the segments and targets the entire market with a single offer. In other words, the firm develops a marketing programme for a single product and attempts to sell to the largest numbers of customers through mass production, mass distribution, and mass promotion. During the initial phase Hindustan Lever Ltd (now

HUL) had offered Surf for the whole market. Hindustan Motors and Premier Padmini also had followed undifferentiated marketing for many years by offering Ambassador and Fiat, cars respectively. The argument in favour of mass marketing is that it leads to low costs in view of the scale of economies.

However, in **differentiated marketing** the company sells different products to all the different segments of the market. As discussed, HUL has been following this approach in the case of the bathing soap market by offering different brands to cater for the needs of different customer groups. Though this approach increases the costs several companies prefer it because it would lead to a generation of large total sales which in turn leads to the attainment of market leadership in terms of market share.

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### **3.10 MARKET POSITIONING**

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Once the market has been segmented and attractive segments have been identified, the next task is to work within a targeted segment to position the product offering in the minds of the consumers for adoption and derive customer satisfaction. We shall discuss the importance of developing a product and brand positioning.

**Product Positioning:** Product positioning is the creation of a clear image in the minds of consumers within the targeted segment about the nature of the product and the benefits to be gained from purchasing the product. Positioning is the complement of segmentation. That is, segmentation identifies those segments of the population that will act similarly and develops products to meet each segment's needs whereas, positioning in conveys information about the products back to the segments for which they are appropriate.

It is the position in the perceptual space of the consumer's mind that the product takes in relation to competitor's products, which is often verbalized by customers on certain attributes. Product positioning depends on market structure, competitive position of the firm and the concepts of substitution and competition among products.

According to Al Ries and Jack Trout, positioning is "the act of designing a company's offering and image to occupy a distinctive place in the minds of the target market... Positioning is what you do to the mind of the prospect. You position the product in the prospect's mind." Therefore product positioning should be assessed by measuring consumer's or organisational buyer's perceptions and preference for the product in relation to its competitors.

Brand positioning involves implanting the brand's unique benefits and differences in customer's mind.

#### **Requirements and Importance of Positioning**

There is a high decibel of marketing communication aimed at consumers of today. They are exposed to various level and type of communication through multiple media

like newspaper, television, radio, internet and unconventional media like fairs, festivals, exhibitions, events and outdoor media. But the ability of the consumer to evaluate the information and remember all of them is limited by two factors. The consumer at a particular point of time pursues one consumption goal which makes other information redundant for him. Secondly, the ability of the consumer to process all the information is limited due to high level of distortion and poor retention rate in consumer's memory box.

As a result consumers are overloaded with information in market place but consumer's intention and ability to process this information is limited. Thus to simplify the buying process and reduce the mental tension consumer's group information about competing products, and evaluate them on perceptual attributes depending on perceived quality to create distinct position in their mind.

### Activity 9

Identify and mention the brand names with benefits for following product category

Product Category	Brand Name
Detergent	-----
Fast Food	-----
Smartphone	-----

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### 3.11 WHY POSITIONING IS IMPORTANT?

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The following points emphasise the importance of positioning:

- ... A company's product cannot be 'everything to everyone.' Product differentiation would lead to the possibility of positioning.
- ... Positioning serves as the bridge connecting the company's offer with the target market.
- ... Positioning shows the way in which the Four Ps of marketing mix is to be planned, and blended in the firm's offering.
- ... Effective positioning helps the marketer and the customer as well. It clarifies the essence of a brand and identifies the goals to be achieved by a customer.
- ... Brand communication (promotion) becomes more effective because the marketers take into account the consumer insights while deciding upon a positioning strategy.

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### 3.12 DEVELOPING THE POSITIONING STRATEGY

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Now let us discuss the tasks to be handled in brand positioning. Successful positioning depends on how efficiently a marketer is handling the following tasks in an integrated way:

#### **How to lodge the brand in the customer's mind?**

The firms in any fiercely competitive market struggle for securing a position in the perceptual space of the customer's mind, and also in retaining it. This involves the industry and competitive analysis. Without having an in-depth analysis of the structure of the industry, nature of competition, which is the dominant players, and their strengths and limitations, it would not be possible to locate possible positioning opportunities.

#### **Analysis of competitive positioning**

Marketers should study the positioning of competitive brands using product attributes that are important for their target segments. This would enable them to analyse whether the competitors' actual position is different from the buyers' ideal position. In this connection, the company's marketing research (as discussed in Unit-2 of this course) efforts play an important role in determining customers' ideal positioning.

Specifically, the analysis of the positioning of competitive offerings requires the following tasks:

- ... **Competitive frame of reference:** It involves identifying the brands which should be the focus of competitive analysis. Competition can be examined from the viewpoints of an industry and a market. An industry is a group of firms offering products that are close substitutes. Industries can be classified according to the number of sellers and buyers, degree of product differentiation, barriers of entry and exit, cost structure, and impact of globalisation. In the market approach, competitors are defined as firms that satisfy the same or similar customer needs. It should be remembered that the company should not suffer from 'marketing myopia' (as discussed in Unit-1 of this course) and avoid confining to competitors in the traditional category. For example, BSNL focused on fixed/landline phones and missed seeing the market for mobile phones.
- ... **Analysing competitors:** The Company should analyse the strengths and weaknesses of each of the competitors. It should also understand the objectives and strategies of its competitors. Other factors like history, size, present management and financial position will also play an important role in competitive analysis.

... **Points-of-difference and points-of-parity:** After determining the competitive frame of reference by clearly understanding the nature of competition therein, the marketers try to define the suitable Points-of-Difference (PODs) and Points-of-Parity (POPs) associations. Any benefit or attribute associated with a brand can serve as a POD as long as the customers are convinced about it. Brands having PODs are Zomato (digital presence, personalisation driven by technology), Uber (drive, innovation, delight), Maruti Swift (spacious cabin, adequate legroom), and Honda Activa (engine reliability, service convenience) are a few examples of PODs.

Take any successful brand you will certainly find a strong and unique association of customer groups (segments) with such brands.

On the other hand, POPs may not be unique to the brand however; such attributes or benefits may be shared with other brands. Here is a classic example of POPs. Dettol the antiseptic lotion of Reckitt Benckiser is a well-known brand. The main attributes of Dettol are the strong smell, the liquid turning cloudy when poured on water, and the stinging sensation when the liquid touches the wound. When Savlon was introduced in the market, it had to counter the perception of the customers. So Savlon was positioned and advertised as the product of superior efficacy and stressed the “no-sting” attribute of the brand as the key differentiator.

... **Multiple frames of reference:** When a company is facing competitive brands, then it may choose the most important set of competitors to serve as the competitive frame. It may not be easy to enter such a fiercely competitive market unless the company finds a segment through a unique positioning strategy based on a USP (Unique Selling Proposition) where the existing competitors are underperforming.

### **An example of P&G’s Ariel**

Procter & Gamble (P&G) entered the Indian detergent market with its brand Ariel in 1991 at a time when the detergent space was highly competitive with the strong presence of Nirma, Surf, Rin and Wheel. With its unique positioning strategy the new Ariel earned the image of a brand that can remove the most dirtiest and stubborn stains with every wash. Ariel brands emerged as the most preferred detergent which was launched with a combination of enzymes and bleach without damaging clothes. With the increase in the usage of washing machines, P&G started offering many innovative brands like bleach-free chemicals, fragrance detergents, and increasing brightness etc. Some of the top Ariel variants launched include Ariel Matic front load, Ariel Matic top load, and Ariel 24 hour’s fresh. In 2020, *Ariel 3in1* PODs were launched in India which is pre-dosed washing capsules filled with concentrate liquid detergent. Ariel’s positioning strategy is broadly based on the premise that clothes are like mementos for the users so it is vital to preserving them.

Alternatively, in case there are many competitors in different categories or sub-categories, the company can develop the positioning platform under each category. However, all brand differences are not worthwhile for positioning and they do not necessarily carry same meaning to the consumers. The distinction should satisfy the following criteria:

- ***Distinctive***: Company can offer better than the competitors.
- ***Superior***: The difference is superior to other ways that the customers might obtain the same benefit.
- ***Profitable***: The marketer can introduce the difference with a profit,
- ***Pre-emptive***: Competitors cannot imitate the difference easily.
- ***Affordable***: Buyers can afford to pay for the difference.
- ***Communicable***: The difference should be communicable and visible to the buyer.
- ***Important***: The difference delivers a highly values benefit to target buyers.

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### 3.13 DECIDING THE POSITIONING THEME

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Some of the themes on which a brand's positioning can be based are: Positioning against the competitor, positioning on the customer's desire, positioning on product's performance (or quality) and positioning on price.

**Positioning against competitors product:** Both implicit and explicit positioning strategies are used against rival products. For example attribute comparison shown by cars which highlight their own features without naming their competitor's name is an example of implicit positioning. In the explicit positioning, the product is positioned by comparing its superior features with other products.

**Positioning on products benefits:**

In this positioning strategy, the marketer highlights the benefits of the product to the consumer. For example, herbal skin care products focus on natural ingredients used with no side effects and skin friendly etc.

**Positioning on price:** Positioning strategy on the basis of pricing a brand intends to be one of the cheapest in the market. For example, Supermarket chains often have their private label (in house) brands with lower price in comparison to other branded products. However, positioning a product based on its 'luxury' is different from positioning based on price. Luxury brands highlight prestige or quality associated with products than price.

### Activity 10

Identify two successful brands under each of the following categories of brand positioning:

Categories of brand positioning	Successful brands
Against the competitor	-----
On product's performance	-----
Based on price	-----

### Ensuring competitive advantage

The company should build the required differentiators that will support the positioning. Only a well-equipped company has the capacity to provide differentiators. Successful differentiation and positioning centres on the competitive advantage that has been created by a firm over a period of time. Competitive advantage is a company's ability to perform in one or more ways that competitors cannot or will not match. Practically, only a few companies enjoy sustainable competitive advantages.

Let's look at some of the key dimensions through which the companies try to differentiate their offerings. Better-trained employees of a company have the capacity to offer superior customer service. This is especially true in the case of services businesses, such as hospitals, restaurants, and banks. Such differentiation is called employee differentiation. Today, many companies are using distribution channels to differentiate their products or services distinct from those of their competitors. Eureka Forbes is a popular example in this regard. The company achieved differentiated positioning and competitive advantage through its direct-to-home channel in respect of its vacuum cleaners and water purifiers. Through digital technology nowadays many marketers created new segments by making buying easier enjoyable and rewarding. Instances of Zomato, Uber, and Practo apps for food delivery, transportation and medical doctors respectively highly visible and successful too.

### Communicating to target customers

Promotion (or marketing communication) plays an important role in the effective positioning of a brand. But positioning should not be considered synonymous with promotion. Promotion shoulders the responsibility of taking the positioning to the target market in a convincing and creative way. Sometimes, the customers may perceive the product in a way different from what is intended by the marketer. Even a successfully positioned product must have been repositioned at a later stage of the product life cycle due to the new challenges to be faced by it. However, it is not easy to reposition a wrongly positioned product. Brands require continuous monitoring throughout their life cycle. Positioning is not a task to be left to the advertising agency it is in fact a core activity of strategic marketing. That is how market segmentation, targeting, and positioning get interlinked as discussed earlier.

### **Determining the effectiveness of positioning**

Practically it is not easy to know whether your company has a good positioning strategy. However, marketers are interested to know whether the strategy yielded the desired results in terms of sales, market share, profit contribution, customer satisfaction, and other outcomes relating to competitive advantage. As discussed, companies normally do not like to change their positioning strategies frequently. At the same time, they should be ready to make adjustments at different stages of the product life cycle depending on the challenges posed, and opportunities offered by the environment. Therefore, a brand's positioning strategy should be evaluated on a regular basis in the light of changing nature of competitors, their strategies, and shifting customer preferences.

The companies should avoid committing the following **Positioning Errors**:

- ... **Under positioning:** If customers have only vague ideas about the company and its products and do not perceive anything distinctive about them.
- ... **Over positioning:** when customers have too narrow an understanding of the company, product, or brand. For example, buyers think that Apple technologies only come out with expensive products, whereas Apple has a range of products at different prices.
- ... **Confused positioning:** is characterised by frequent changes and contradictory messages confuse customers regarding the positioning of the brand.
- ... **Doubtful positioning** - when the claims made for the product or brand are not regarded as credible by the customer.

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### **3.14 MARKET REPOSITIONING**

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Any discussion on the positioning is not complete without a mention of Repositioning.

The marketers can go for repositioning due to two reasons viz. the failure of the current positioning strategy due to the positioning mistakes like under positioning, over positioning and confused or doubtful positioning paves way for another positioning opportunity due to evolution of the customers on value life cycle or emergence of new technology to redefine the structure of competition.

For example India Post, the public sector giant has been enjoying enormous market dominance in the Indian logistical market. This organisation wanted to break the stereotypical image of being a usual government organisation. They improved their public image through the positioning strategy which involves a new tagline of "Giving Wings to Your Dreams" to convey a strong message to the Indian public.

Repositioning will follow the same process like that of positioning as discussed with suitable modifications on the selection of competitive advantage in the new context.

### 3.15 SUMMARY

We started this unit by defining the market segmentation. A market segment was explained to mean a homogeneous group consisting of buyers who seek the same offering. Market as a set and a segment as a subset is the basis on which the process of segmentation is carried out. The output of a segmentation analysis is therefore:

- ... a profile of our customer target group, focusing on those details that will best help us develop product, promotional, pricing and distribution strategies;
- ... the set of benefits sought so we can build our offering to match the configuration of benefits sought and then select benefits in our offering that will constitute a critical advantage to act as the buying inducement,

Subsequently we discussed bases for segmentation principally on the basis of benefit, demographic including social and family life cycle, and psychographic i.e., life style including personality variables. The other bases, viz. usage rate with focus on heavy users, brand loyalty and generation were also explained. Bases for industrial or organizational segmentation were also discussed.

It was further emphasised that the firms should consider certain criteria to determine how far the segments are effective. Factors both general and specific for evaluating segment options were explained. Such an evaluation should be made from the viewpoint of a company's objectives, resources, and competencies. The market segments should also be evaluated based on their key parameters. The company can choose from the following approaches: single-segment concentration, selective specialisation, product specialisation, market specialisation, and full market coverage. Through undifferentiated or differentiated marketing companies try to cover an entire market.

Finally, the concept of positioning was discussed. Positioning serves as the bridge connecting the company's offer and image to occupy a distinctive place in the minds of the target market.

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### 3.16 KEYWORDS

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**AIO:** It signifies the lifestyles of people with the activities, interests and opinions

**Benefit segmentation:** It means dividing the market based on buyers' expected benefits from a product.

**Competitive frame of reference:** It means identifying the brands which should be the focus of competitive analysis.

**Demographic segmentation:** It involves using variables such as age, family life cycle, gender, income, socio-economic classification, generation, and so on.

**Differentiated marketing:** Here, the company sells different products to all the different segments of the market.

**Full market coverage:** It means a firm attempting to serve all segments by offering different products.

**Geographic segmentation:** It means dividing the market into different geographical units such as nations, regions, States, cities, rural, urban and semi-urban areas.

**Hard-core loyals:** The customers who buy only one brand always.

**Market aggregation:** In market aggregation, the marketer goes against the idea of dividing (segmenting) the customers into certain distinct groups, and instead decides to sell the same product to the whole market.

**Market positioning:** It involves establishing and communicating the distinctive benefit of the company's offering in the mind of the target customers.

**Market segmentation:** It is the process of dividing the heterogeneous customers into certain groups or segments each of which tends to be homogeneous with insignificant respect.

**Market specialisation:** In this approach, the firm attempts to focus on satisfying the varied needs of a specific segment.

**Market targeting:** It means evaluation and selection of one or more customer groups or segments to enter whose value requirements provide a good match with the organisation's capabilities.

**Multiple frames of reference:** It involves choosing the most important set of competitors to serve as the competitive frame.

**Product specialisation:** It is a situation where the company sells a particular product to different customer groups.

**Psychographics:** It is the science of using psychology and demographics to better understand consumers.

**Psychographic segmentation:** Here, buyers are divided into different segments based on personality traits, lifestyle, and values.

**Segmentation analysis:** It involves attaining a closer match between customers' value preferences and the marketing firm's capabilities in comparison with those of the competitive firms.

**Selective specialisation:** It is a situation where the firm selects a subset of all the possible segments which are attractive and suitable.

**Single-segment concentration:** It is a situation where the firm markets to only one particular segment.

**Shifting loyals:** The customers who shift loyalty from one brand to another.

**Split loyals:** The customers who are loyal to two or three brands.

**Switchers:** The customers who are not loyal to any brand.

**Undifferentiated marketing:** It means when the marketer ignores the differences among the segments and targets the entire market with a single offer.

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### 3.17 SELF-ASSESSMENT QUESTIONS

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1. “Market segmentation is important for target markets and target markets are important for product positioning.” Select two products one each from FMCG and consumer durables of your choice and discuss the above statement.
2. Discuss the suitable bases for segmenting the market for the following products. Justify your answer with examples.
  - a. Cellular services
  - b. New-gen version of a car
  - c. Robot to clean up the house
  - d. Branded fruits
3. What kind of market targeting strategies should be followed for the following products and why? Justify.
  - a. Business newspapers
  - b. Mid-price hospitals
  - c. Grooming products for men
4. How are the brands relating to the following product categories positioned in the Indian market?
  - a. Premium Ink Pens
  - b. Low priced Laptops
  - c. 350 cc Motorcycle
  - d. Face masks conforming to WHO standards.

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### 3.18 SUGGESTED READINGS

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David W. Cravens and Nigel F. Piercy, *Strategic Marketing*, Eighth edition (2010), Tata McGraw Hill, New Delhi, India.

Philip Kotler, Kevin Lane Keller, Abraham Koshy and Mithileshwar Jha, *Marketing Management: A South Asian Perspective*, 14<sup>th</sup> edition (2013), Pearson, Delhi, India.

Ramaswamy V S and Namakumari S, *Marketing Management: Global Perspective Indian Context*, Fourth edition (2010), Macmillan, Delhi, India.

Tapan K Panda, *Marketing Management: Text and Cases, Indian Context*, Second edition (2012), Excel Books, New Delhi, India.