

## Services Marketing

**Block**

**4**

### **SERVICES AND THE MARKETING MIX – II**

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**Unit 15**

**Place in Services** **1-23**

---

**Unit 16**

**People in Services** **24-46**

---

**Unit 17**

**Process in Services** **47-67**

---

**Unit 18**

**Physical Evidence** **68-83**

---

**Unit 19**

**The Service Setting** **84-100**

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## **BLOCK 4: SERVICES AND THE MARKETING MIX – II**

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The service marketing mix which is a refinement and extension of the traditional marketing mix is a combination of different elements (seven Ps) that service firms use to convey their brand message to customers. The fourth block of the course on Services Marketing deals with Part – II of the services marketing mix. The block contains five units which discuss ‘place’, ‘people’ and ‘process’, ‘physical evidence’ and ‘service settings’ in service companies.

The location of the service company provides the necessary visibility and enables easy access of the product to the customers. The fifteenth unit, *Place in Services*, explains the significance of location in services marketing. It discusses channel decisions and the role played by direct distribution in services marketing. The unit ends with a discussion about the key intermediaries in service delivery and the strategies for effective service delivery through intermediaries.

A service organization can gain the loyalty of its customers only if the people who serve customers enable delivery of quality service. The sixteenth unit, *People in Services*, explains the various classifications of service personnel. The unit discusses the problems faced by service personnel. The unit describes the different types of conflicts that may arise in service organizations. The unit ends with a discussion on people strategies.

A service organization needs to have a process that enables quick, convenient and efficient delivery of services. The seventeenth, *Process in Services*, provides an idea about the characteristics of service process design and implementation. The unit discusses the various types of processes and how to plan a service process. The unit also explains service blueprinting and the factors influencing process efficiency. It then discusses service positioning through structural change. The unit talks about how to balance marketing and operations.

The ambience, the furniture, décor and other tangible elements like catalogues, booklets, etc. constitute physical evidence. The place where the service is delivered gains importance because it helps differentiate the service and enhance the service experience of customers. The eighteenth unit, *Physical Evidence*, discusses the elements of physical evidence. The unit describes the various types of physical evidence. The unit ends with a discussion on the significance of physical evidence.

The totality of the physical environment and ambience in which the service is delivered to the customer is known as service settings. The totality of the ambience and physical environment creates the right mood and environment to provide a satisfying service experience to customers. The nineteenth unit, *The Service Settings*, discusses the concept of service setting. The unit also discusses the concept of Servicescape and its function. The unit ends with a discussion on dimension of Servicescape.

## Unit 15

### Place in Services

#### Structure

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- 15.1 Introduction
- 15.2 Objectives
- 15.3 Significance of Location
- 15.4 Channel Decisions
- 15.5 Direct Distribution
- 15.6 Key Intermediaries in Service Delivery
- 15.7 Strategies for Effective Service Delivery through Intermediaries
- 15.8 Summary
- 15.9 Glossary
- 15.10 Self-Assessment Test
- 15.11 Suggested Readings/Reference Materials
- 15.12 Answers to Check Your Progress Questions

*“You don’t sell to distributors. You sell through them and with them.”*

- Philip Kotler

#### 15.1 Introduction

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In the last unit of Block 3, we discussed how to promote and communicate services. In this unit, we shall discuss the importance of ‘place’ in services.

The distribution strategy of a company plays a key role in determining its success. Place, the ‘fourth P’ of the marketing mix, deals with the development of distribution strategies. As emphasized by Philip Kotler, a distribution strategy is to make the products and services available and accessible to customers whenever they want to make a purchase. As part of ‘place’, a company needs to make decisions relating to the channels of distribution like its geographical coverage, location of the service outlets, inventory, and transportation.

Like all the other elements of the marketing mix, the distribution strategies for services are also different from those for packaged goods due to the special characteristics of services. Packaged goods industries use a number of intermediaries for distribution compared to services. Since services are produced and consumed at the same point and cannot be inventoried, there is no scope for any intermediaries. However, some services like financial institutions use distribution as a means of differentiation and achieve a competitive advantage over others.



## **Block 4: Services and the Marketing Mix – II**

This unit will discuss the significance of location in services and the various channels available for distribution of services. It will also talk about the concept of direct distribution and the methods to distribute through key intermediaries. Finally, it will take a look at the strategies for effective service delivery through intermediaries.

### **15.2 Objectives**

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After studying this unit, you should be able to:

- Recognize the significance of location
- Explain channel decisions
- Discuss the concept of direct distribution of services
- Identify the strategies for effective service delivery through intermediaries

### **15.3 Significance of Location**

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The location of a service firm is an important aspect of service distribution, as it involves decisions regarding the place of operations for service packaging and the place of service delivery to the customers. The importance of the place may vary depending on the extent of interaction between the customer and company. For example, for services like restaurants and airlines, the location of the service firm is very important. On the other hand, for services like online booking, home delivery, etc., location is not as important. The interaction between a service company and its existing or potential customers can take place in three possible ways:

- 1. Customer visits the service provider:** The location of the service firm assumes a lot of importance when the customer visits the service provider. The location of the service provider can convey the tangibility of the service, and thus reduce the risk perceived by the customer in consuming the service. The location of restaurants, health clubs, beauty clinics, banks, etc. conveys the quality, availability, accessibility and reliability of the services to the customer.
- 2. Service provider visits the customer:** The location of the service provider is not important when the service provider visits the customer. However, the speed of service and its quality are given high importance in this case. Therefore, the service provider needs to stress on the location to facilitate operations that deliver fast and high quality service to customers. For example, banks have introduced the concept of giving loans and opening new accounts at the doorstep of the customer. In these cases, the quality of information provided by the service personnel and the speed at which the transactions take place, gain greater importance. Similarly, Domino's Pizza's home delivery system allows it to invest very little in the location of the outlet. They have simply done up outlets in inexpensive areas.

3. **Distant interaction:** Location is least important when the service provider and customers interact from a distance. Examples of these services include Internet banking, mobile banking, online reservations, etc. The location of utility service providers like electricity, telecom, etc., is also given less importance.

**Example: Distant Interaction through Internet & Mobile Banking @ SBI**

**Internet Banking:** www.onlinesbi.com is the internet banking portal of SBI Bank, which enables its retail banking customers to operate their accounts from anywhere anytime, removing the restrictions imposed by geography and time. It's a platform that enables the customers to carry out their banking activities from their desktop, aided by the power and convenience of the internet. Also SBI is the only bank to have its own payment aggregation solution – 'SBIePay'.

**Mobile Banking:** 'Yono' & 'Yono Lite' are mobile banking apps of SBI, 'BHIM SBI Pay' is UPI App of SBI & 'SBI Quick' is a missed call banking where customers just need to sms or give a missed call to dedicated numbers to get details like balance, mini statement etc.

*Source: <https://sbi.co.in/web/personal-banking/digital/internet-banking>, 2022, accessed on June 29, 2022.*

## 15.4 Channel Decisions

In situations where direct marketing of services is not feasible, service providers use intermediaries to market and sell their services. These intermediaries used are known as distribution or marketing channels. Thus, there are three participants in the service delivery process, namely, the service provider, customer, and the intermediaries.

Today, many service providers are looking for alternative channels of distribution without relying on direct sales alone. They were concentrating on the traditional distribution channels earlier, but are now looking at innovative methods of taking their service to the customers. Some service providers continue to sell their services directly to the customer, as in management consulting, and hotel businesses or through agents or brokers as in insurance, travel, real estate, etc. Services are distributed through sellers' and buyers' agents or brokers as in stock-broking and portfolio management, or through franchises as in education and fast food. The population size and cultural diversity in India has created a favourable environment for the growth of the franchise industry. The industry witnessed an average annual growth of 35% in the years 2017-19<sup>1</sup>. Various US restaurant brands like Krispy Kreme, Wendy's, Papa John's, McDonald's, Burger King,

<sup>1</sup> <https://www.indiaretailing.com/2019/04/01/food/food-service/franchising-as-a-model-for-business-expansion-in-foodservice/>

#### **Block 4: Services and the Marketing Mix – II**

Baskin Robbins, Subway, Taco Bell, Pizza Hut and many others have expanded through the franchise route worldwide and in India.

Intermediaries also play a role in co-producing the service. However, they have to maintain the service standards developed by the principal owner. For example, McDonald's franchisees follow the service standards set by the franchiser, i.e., McDonald's. Intermediaries also form a bridge between the company and the customers. A customer's perception of a company depends on the relationship that the intermediaries maintain with him. For example, if a customer is not happy with the service provided at the franchisee of a training institute, he would not only avoid that institute in future, but will also advise friends and colleagues against opting for its services.

Intermediaries benefit the customers by saving their time and offering them the convenience of utilizing the services.

Service providers should consider the following factors when making channel decisions:

- The channels chosen by the service provider should ensure easy accessibility and convenience for the customers to interact. For example, many banks offer the ATM facility to customers to make it easy for them to avail of some of the basic facilities of the bank.
- These distribution channels should add some value to the customer. For example, in the above example, it is convenient for the customers to make any transactions through an ATM rather than spending time in visiting the bank branch and waiting in the queue there.
- Internet banking and mobile banking have made banking convenient and provide easy access. All banking activities starting from making payments, paying credit card bills and utility bills, opening savings bank account, applying for loans, transferring of funds, etc. can be done online using a smart phone or laptop.
- The channels chosen should not eat away into margins of the service provider i.e., they should suit the service provider's budget. For example, a service provider should not think of opening franchises or hiring agents when it is not financially feasible for the company.
- The channels chosen should cover all the target markets. For example, some of the banks and financial institutions are looking at micro financing to target a large customer base in the rural parts of the country.
- The channels chosen should be reliable. For example, when a financial services company hires the services of an agent, it should ensure that the individual is reliable and does not dupe the customers in the name of the company.

**Example: Channel Decision @ RIL**

Reliance Industries (RIL) has plans to unveil its omnichannel beauty platform to take on cosmetics-to-fashion platform Nykaa, Walmart-owned Myntra among others. Further, RIL's two recent buyouts — retail tech startup Fynd and e-pharmacy marketplace Netmeds — will help in launching the beauty platform. Looking at its competitor, Reliance Retail has got in agreements with about half a dozen leading cosmetics and beauty brands to sell on the marketplace. The changing needs and service expectations of customers today have been impacting channel decisions of retailers.

*Source: <https://www.timesnownews.com/business-economy/industry/article/ril-ajio-set-to-launch-omnichannel-beauty-platform-to-take-on-nykaa-myntra/852753>, January 25, 2022, accessed on 14/5/22*

**15.5 Direct Distribution**

As discussed earlier, direct distribution of services takes place when a service provider directly delivers the services to the customer without any intermediaries in the process. Examples of these services include: medical services, beauty care and health care, consultancy, education, entertainment, etc. Due to the perishable, intangible, and variable characteristics of services, most of them are directly distributed to the customer. There are various advantages and disadvantages attached to the direct distribution of services.

Some of the advantages are:

- **Control:** A service company enjoys greater control on its operations and services through direct distribution. It can also maintain high quality and greater consistency in its service offerings when compared to a franchise. The service provider can monitor the operations directly and check their compliance with the service standards. Further, the company can have direct control over the recruitment of staff, their motivation and their performance.
- **Healthy customer relationships:** Direct distribution helps in maintaining healthy and strong relationships with customers. It improves clarity in communication between the service personnel and the customers, bridging gaps and removing any scope for misunderstanding. The company can ensure a strong relationship with the customers, thereby enjoying the different benefits of loyal customers, like repeat business and positive word-of-mouth publicity.
- **Flexibility and confidentiality:** In distribution channels like franchising, the franchisee must strictly follow the rules laid by the franchiser to maintain the set service standards. This might result in a few dissatisfied customers moving away or shifting to competitors. In direct distribution, the service provider is free to make changes to the service or the service location according to his/her convenience or the customers' desires. This flexibility in

#### Block 4: Services and the Marketing Mix – II

service delivery helps the service providers to customize the service. In addition, direct distribution helps the service providers maintain the confidentiality of their core competencies without the need to share them with other distributors.

Direct distribution is disadvantageous in the following ways:

- **Financial risk:** Service companies face financial challenges when they desire to expand their business without the support of franchisees or agents. They are required to make huge capital investments and may be forced to compromise on some aspects like promotion or research and development for new services.
- **Lack of knowledge:** Companies that aim to expand beyond their existing geographical boundaries lack the knowledge of local customers, their preferences, attitudes, local culture, their purchasing power etc. Companies that get into partnerships with local companies or franchise their operations have an upper hand over companies that enter foreign markets all by themselves.

#### **Example: Direct Distribution @ Lucid Medical Diagnostics**

Lucid Medical Diagnostics, established in 2006, is into medical diagnostics, laboratory services, teleradiology, radiology and imaging. As of May 2022, the company has 50 doctors, 450 employees and 32 centers. When some of the diagnostic centers like Thyrocare, Apollo Diagnostics give franchises, Lucid has been operating all its centers on its own. Direct distribution of services helps companies to maintain high quality and consistency in its services.

*Source: <https://www.luciddiagnostics.in/about-us/> accessed on May 11, 2022.*

### **15.6 Key Intermediaries in Service Delivery**

Some service organizations choose alternative channels of distribution for various reasons like lowered risk and wider reach. They distribute services through intermediaries like franchisees, agents and brokers, and electronic channels. Service companies package the services and distribute them to the customers with the help of these intermediaries. A service organization provides licences to franchisees to sell its services according to the standards or rules set by the organization. For example, Cafe' Coffee Day has many franchisees located in the Indian metros, and NIIT, which provides computer education, has franchisees across the world. These franchisees have to maintain the customer service and quality standards set by the parent company. Service companies, especially those in the finance business, hire representatives in the form of agents and brokers to sell their services. A particular agent might, however, be free to sell the services of many suppliers. For example, an insurance agent might sell the insurance services of Life Insurance Corporation of India Ltd. (LIC) or ICICI Prudential.

Some companies opt for electronic channels of distribution like the telephone, television, and the Internet. Let us discuss these three intermediaries in detail:

### 15.6.1 Franchising

Franchising is being used widely by service organizations to distribute their services, as more and more businesses are looking at expanding across borders. A franchiser licenses his brand name, services, business processes, etc., and in return, charges a fee and royalties from the franchisee. Standardized services can be distributed through this channel, but it is not easy to distribute customized services. Duplication of standardized services can take place through promotional activities, guarantees offered, type of branding chosen, and through the delivery processes. This might not be easy while dealing with customized services like medical or legal facilities. Let us now discuss franchising in detail from the points of view of the franchiser and the franchisee.

#### Example: Benefits of Franchising @ Tumble Dry

Tumble Dry is a laundry and dry clean e-commerce organization founded with an intent to revolutionize the unorganized laundry service. The company aims to spread its services across the country, and it has plans to open 700 franchisee stores in top 50 cities in phase 1 by 2022. Having already established a market-leading presence in metros & tier 1 cities, Tumble dry – India’s largest laundry chain - is all set to change the way small towns do their laundry. As of April 2022, they have 250+ stores spread across 75+ cities. 28% of these stores are running successfully in Tier 2 & Tier 3 cities like Meerut, Mysore, Gorakhpur, and Haldwani. As seen in this case business expansion is one of the major benefits of franchising.

Source: <https://www.zeebiz.com/india/news-indias-largest-laundry-chain-sets-a-strong-footprint-in-tier-2-3-towns-183739> April 29, 2022, accessed on 11/5/2022.

#### Franchiser’s view

A franchiser is a service company that develops a unique standardized service and seeks to distribute its service to customers through the franchise model, thus expanding its business across different locations in a country or different countries. Some examples of franchisers in India are Barista, Green Trends, Aroma Thai Spa, Dunkin’s and Planet Fitness. A franchiser is benefited in the following ways by adopting this model of distribution:

- **Business expansion:** Business expansion is one of the major benefits of franchising, from the franchiser’s point of view. It helps the franchiser establish an extensive distribution network.
- **Improved revenues:** Business expansion also brings in more revenues, economies of scale, greater market share, and domestic or international brand recognition.

#### **Block 4: Services and the Marketing Mix – II**

- **Reduced risk:** Franchising also helps a franchiser share the risks involved in business expansion, namely, financial, political, or cultural risks, with minimum investment. The franchisee invests on behalf of the franchiser, who just lends him/her his brand name and the standardized service.
- **Consistency in service offering:** Franchising helps a franchiser maintain consistency in all business processes like training the service personnel, deciding the pricing structure, designing the store outlet and the delivery processes of services.
- **Local presence through global franchising:** The local knowledge gained from franchisees helps a franchiser to modify services according to the tastes of the local target market. This is what McDonald's did to make their products more suitable to the Indian palate.
- **Increased working capital and minimized financial risk:** As a franchisee is required to invest the capital required for the business and bear the costs of infrastructure and equipment and cost of maintaining the service personnel, a franchiser's burden of investing on additional outlets is reduced. For example, Satyam i-way has its Internet centers across the country and the franchisees invest money for the infrastructure of the Internet center.

Though a franchiser gets certain benefits from franchising, he/she also has to face a few challenges and these are discussed below:

- **Trouble in motivating franchisees:** A franchiser often faces difficulty in motivating his/her franchisees to maintain the standards he has set by him in pricing, promoting, hiring, and delivering services.
- **Conflict between franchisees and franchisers:** There is scope for conflict between the franchisers and the franchisees as both aim to maximize their returns.
- **Quality maintenance:** Some franchisees might not follow the standard procedure, which leads to a decline in the quality of the service, affecting customer loyalty and patronage. When this happens, it is not the franchisee, but the franchiser who loses, as he owns the brand.
- **Relationship with the customers:** In some cases, customers develop a strong relationship with the franchisees. They are loyal towards them rather than to the franchiser. So, when the franchisee shifts to another franchiser or starts his own business, all his loyal customers continue to do business with him, and the earlier franchiser loses his customer base.

#### **Franchisee's view**

A franchisee who gets the license to distribute the services of the franchiser also has some advantages and disadvantages. Of course, the basic advantage is that

he/she gets a chance to build a business using an established brand name. This assures him of good returns, and the risk involved in starting and running a new business is minimized. The basic disadvantage is that he/she has to strictly follow the prescribed business mode. The advantages and disadvantages are discussed in detail below.

**Advantages to a franchisee:**

- **Established business processes:** The franchisee is largely benefited by obtaining proven and successful business processes, a brand name, service products, delivery processes, etc., from the franchiser. The franchisee is not under pressure to build the brand or promote the service offering.
- **Reduced risks:** A franchisee's risk in starting a business, investing in it, and designing and developing a successful service product is minimized with the help of franchising.

**Disadvantages:**

- **Reduced profits and revenues:** Often, franchisees find it difficult to retain their market share when the markets get overcrowded. As a result, the revenues and profits are negatively affected.
- **Strict adherence:** When a franchisee works for the franchising company, the franchisee should strictly adhere to the rules of the company and maintain the standards of quality, process, pricing, etc., determined by the company. The franchisee has very little say in business decisions.
- **Encroachment:** Encroachment is the biggest disadvantage for a franchisee. When new franchise outlets are opened in the same city or locality, the demand for the existing franchisee is reduced. The franchiser, however, does not compensate the existing franchisee for this loss of business. For example, if Barista franchises its operations to two franchisees in the same locality, then the customers will be distributed between the two, thus reducing the sales revenues of each outlet.
- **Termination of the contracts:** A franchiser can terminate the contract if the franchisee fails to generate profits. A franchisee, therefore, is under continuous pressure to maintain margins as he/she otherwise faces difficulty in paying the fee and royalties due to increased competition. Further, franchisees are of the view that the contracts are rigid and are beneficial to the franchisers.
- **High Expectations:** Sometimes, franchisees face problems because of the unrealistic promises made by the franchiser at the time of entering into the contract.



## Block 4: Services and the Marketing Mix – II

### Activity 15.1

Syscom, a computer education provider, operating successfully in Hyderabad is planning to expand nationally. However, the company is uncertain as to whether it should adopt the direct distribution route or the franchising route. Which option will be appropriate for Syscom?

**Answer:**


### 15.6.2 Agents and Brokers

Agents and brokers are forms of intermediaries who work on behalf of the principal or owner of the services. Further, an agent is a bridge between the customers and the service company and is enabled to make agreements between the customers and the service company. For example, agents of LIC (Life Insurance Corporation of India Ltd.), explain the various products offered by the company and make insurance policies between the customers and the company. These agents and brokers are given the legal authority to market the company's services on behalf of the principal. They are paid by the principal in the form of commissions, for their services. Although many functions performed by the agents and brokers are similar, some minute differences exist between them.

Agents are people or organizations that work for the principal on a continuous basis. Selling agents, facilitating agents, and purchasing agents are the three types of agents. Selling agents have the contractual authority to sell a principal's services, as the principal is either not qualified or lacks the resources to do so. Agents of sportspersons and film stars are examples of selling agents who have greater powers to act on behalf of the principal. Facilitating agents are people who share their expertise in the marketing process. While they do not buy or sell products or transfer title, they perform functions like transportation, warehousing, distribution and channel functions that facilitate marketing of services. Purchasing agents on the other hand are equipped with knowledge in certain fields and provide valuable information to the clients regarding the best options available in the market.

#### Example: LIC Agents

As of December 2021, Life Insurance Corp. of India accounted for 55% agents in the country with 1.33 million, and ICICI Prudential had the second largest network, with 1.96 lakh agents.

*Contd....*

LIC's latest regulatory filing offers a peek into the heart of its agent network, the impact of attrition in this network, and the challenges in finding and retaining enough agents to distribute its policies. Attrition of LIC agents impacted the company's business negatively. "As LIC's agent numbers fell, the average productivity of LIC individual agents in India fell from 18.11 policies sold per year in fiscal 2020 to 15.49 policies sold per year during fiscal 2021 due to the impact of COVID-19," said the insurance firm. LIC says agents can hand-hold customers, explain the advantages of specific policies and differences among various products, provide advice on the suitability of the product on the basis of customer needs, remind them about premium payments, and help with cheque collections. Agents and brokers help service firms in attaining wider reach.

Source: <https://www.livemint.com/companies/news/agents-are-critical-we-must-incentivize-them-to-stay-lic-11651170532236.html>, 29th April 2022, accessed on May 17, 2022

Brokers are responsible for negotiations and smooth contract agreements between buyers and sellers. The party that seeks the assistance of brokers pays them and they are not put to any financial risk. Brokers do not represent the same buyers and sellers on a continuous basis. Examples of brokers include real estate brokers and security brokers.

#### **Advantages of hiring agents or brokers**

Service companies have both advantages and disadvantages in hiring brokers or agents to distribute their services. The basic advantage is that the agents or brokers are not employed by the company and the company is, therefore, not bound to pay them on a regular basis. Their pay is, in fact, proportional to the business they generate. The disadvantage is that the agent or broker can distribute the services of competitors as well. Let us first discuss the benefits to service companies in detail.

Benefits to service companies are:

- **Reduced costs:** A service company's selling and distribution costs are reduced by hiring the services of agents and brokers, who aid in smooth transactions between customers and service producers.
- **Special skills and knowledge:** The travel industry is the best example of agents and brokers. Tour packagers and travel agents are examples of intermediaries in the travel industry. All these intermediaries possess special skills and help the travel industry in different ways with their knowledge.
- **Large representation:** Service companies can hire as many service agents and brokers as required, as they need to be paid only the commission, which is based on their performance. This helps the service company enjoy a wider reach at no cost. The low service charge of agents and brokers helps a service company to hire many intermediaries on a geographical basis at low cost and to have wide representation.

#### **Block 4: Services and the Marketing Mix – II**

- **Knowledge of local markets:** Agents and brokers have good knowledge of the local market and help the service company by providing insights into the specific needs of their target market. Further, they also match the services of the company with the customers' needs. A company with a global presence is benefited by this kind of arrangement as they can customize their services to suit local needs.
- **Choice of the customers:** Some insurance or traveling agents and brokers provide information on the offerings of many service providers. Customers prefer to buy their services through agents as they save a lot of time and energy in having to compare the prices and offers of various service providers. For example, customers who want to buy or sell property, handle their dealings with the help of agents.

The challenges faced by service companies in using agents and brokers are:

- **Reduced control on pricing and other marketing areas:** Agents and brokers, in contrast to franchisees, possess the power of negotiating the price of a service with the customers. Sometimes, the price agreed upon by the agents, as against the price of the original service provider, may degrade the perceived quality of the service in the customer's mind. Further, as different customers are charged different prices, there is a chance of their getting annoyed when they realize that they have paid a higher price than other customers. This can affect the business prospects of the service provider.
- **Promotion of various service providers - offers:** Often, agents sell the services of different service providers. These services could be similar in nature. For example, an agent selling the life insurance policy of Birla Sun Life can also sell the policy of ICICI Prudential. Similarly, a property broker has many assets available, when a customer desires to buy a property. This is a major disadvantage from the principal's view, as the agents provide customers with services from other suppliers if they match the customers' requirements better.

#### **15.6.3 Electronic Channels**

Service companies that adopt electronic channels for distribution do not require direct interaction with customers. Telephone and television have been the original channels of distribution through the electronic media. New additions to this distribution channel include the Internet, which has come to play a very powerful role. Technological advances have helped improve the service delivery processes to offer greater convenience to the service providers as well as the customers. Online booking of movie and travel tickets, distance learning, remote health services, video-conferencing, and web games are examples of services that are a direct result of technological improvements. Further, electronic channels of distribution help service providers solve the problems caused due to the

inseparability of services. Let us now discuss the benefits of the electronic channels of distribution:

- **Lower costs:** Electronic channels of distribution cost less to the service provider than personal selling. Further, they also provide instant answers to customer queries online. For example, if a customer decides to book flight tickets online, he/she will reduce the stress on the service provider and get the relevant information and tickets online.
- **Increased customer convenience:** Electronic channels of distribution have increased the convenience of customers. For example, online reservation of movie tickets saves the time of customers and the efforts involved in getting the tickets.
- **Increased bargaining power of the customer:** The customer can refer to the prices and services offered by different service providers online, compare them and make the purchase decision. This has increased the bargaining power of the customer.
- **Extensive distribution:** Electronic channels of distribution allow a company to contact many customers as well as intermediaries. Further, franchisers find that electronic communication with franchisees motivates the franchisees better, in addition to being cost effective.
- **Ability to customize services and gain quick feedback:** Electronic channels of distribution enable service companies to offer customized services to the customers. Further, the service providers can get feedback from customers faster than from other channels. They are also a cost-efficient way of getting feedback.

Disadvantages involved in electronic channel of distribution are:

- **Uncontrolled price competition:** Electronic channels of distribution have enabled the customer to purchase services for the price he/she wants to pay. This has increased price competition among the service providers and the bargaining power of the customer.
- **Customer variability:** Though electronic modes of distribution solve the problems of inconsistency of service personnel, the problem of customer variability persists. Customers involved in co-producing the service become frustrated because of their limited knowledge about using the channel. For example, a customer who is not technically equipped to use video-conferencing can blame the service provider if he/she is not able to use the facility.
- **Security challenges:** Customers are sometimes hesitant to disclose their credit card numbers to buy the services online as they could face security problem.

#### Block 4: Services and the Marketing Mix – II

- **Quality of internet connection:** Internet speed and quality depend on a host of factors like number of persons sharing the network, network technology, coverage etc. Internet coverage and quality issues continue to pose challenges to e-commerce companies, particularly in rural areas.

Apart from these regular channels, there are also some conventional distribution channels in marketing services, like piggy-backing. In this method of distribution, one marketer makes use of another marketer's channels to market his/her own services.

#### **Example: Benefits of Electronic Channels**

Urban Company men's grooming has launched a new campaign 'Haircut Matlab UC Hai Na Yaar'. Featuring actor Karan Wahi, the campaign highlights the consumer insight that men hate waiting in queues for something as simple as a haircut. Urban Company aims to solve just that for its consumers. Urban Company has always wanted to make its consumer's life easier, Smit Shukla, VP, marketing and growth, Urban Company, stated. "In a time-crunched world, why should one have to wait to get a haircut? Urban Company solves that for consumers by bringing haircuts to their doorsteps. The jingle and the video highlight this proposition that we are bringing to life for our consumers," he added. Reservation of services through electronic channels have increased customer convenience enormously.

Source: <https://www.financialexpress.com/brandwagon/urban-company-rolls-out-haircutmatlabuchainayaar-campaign/2517928/>, May 9, 2022, accessed on May 17, 2022

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#### **Check Your Progress - 1**

1. Which of the following is not a consideration for making channel decisions?
  - a. Channels should ensure easy accessibility and convenience
  - b. Channels should cover all target markets
  - c. Channels should ensure expansion at any cost to the service provider
  - d. Cost incurred to distribute product/service through a channel
  - e. Aspects relating to supply chain and outbound logistics
2. Channels should ensure value addition to the customers. Channel cost of distribution should be low. Which of the following is not a marketing channel?
  - a. Catalogue marketing
  - b. Marketing through franchisees
  - c. Marketing door-to-door through salesmen
  - d. Promotion of products through social media
  - e. Company owned exclusive retail outlets

3. Which of the following is not one of the benefits that a firm obtains by undertaking direct distribution of services?
  - a. Control over operations
  - b. Healthy customer relationships
  - c. Flexibility and confidentiality
  - d. Reduced risk
  - e. Control over channel members
4. Which of the following is not a benefit that a franchiser will obtain in the franchising model?
  - a. Established business process
  - b. Reduced business risks
  - c. Relationship with the customers
  - d. Business expansion
  - e. Franchisers often train staff to ensure service quality
5. Which of the following is not an advantage of electronic channels in the service industry?
  - a. Low cost
  - b. Extensive distribution
  - c. Increased customer convenience
  - d. Provides comparison shopping to customers
  - e. Customer variability

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### **15.7 Strategies for Effective Service Delivery through Intermediaries**

An effective service delivery requires an effective management of the channels used for distribution. Often, service companies face the question of how their intermediaries should be treated. It is important for them to decide whether the intermediaries be treated as partners, customers, or additions to their company. Let us discuss the control, empowerment and partnering strategies adopted by service companies to manage the intermediaries effectively.

#### **15.7.1 Control Strategies**

Service companies that offer unique services, and enjoy high demand and customer loyalty can use control strategies. The service principal using these strategies believes that intermediaries perform best when they are given standard instructions on the service quality and revenue generation, and are rewarded for their performance. These strategies require the active participation of the service principal. The two important aspects of a control strategy are measurement and review.

## **Block 4: Services and the Marketing Mix – II**

### **Measurement**

The service principal should find ways to measure the performance of the intermediaries on a regular basis. Conducting customer surveys provides feedback on the level of service provided by the franchisees. Franchisers may choose to reward the intermediaries based on their performance.

### **Review**

Franchisers can exert control over franchisees through non-renewals, restricted supplier resources, quotas and terminations. Franchisers can also offer price breaks to franchisees for achieving a certain volume of sales quota.

### **15.7.2 Empowerment Strategies**

A service principal adopting empowerment strategies believes that the participative style of intermediary management delivers the best results. These strategies are chosen by service principals who have recently started business. The different activities involved in adopting and implementing the empowerment strategy are discussed below.

#### **Enabling intermediaries to develop customer-oriented service processes**

This strategy can be implemented by providing one necessary support to the intermediaries to set and maintain the service standards, as they lack the funds to conduct customer research or impart training to their employees.

#### **Providing required support systems**

The service principal should help the intermediaries by offering them the support systems required for efficient performance. These may be standard processes, quality standards, etc., that help in implementing, improving, and measuring services.

#### **Motivating intermediaries to deliver consistent quality service**

In this strategy, the service principal aims to provide training or implement other development programs for service personnel of intermediaries to enhance their skills and knowledge on delivering quality service consistently. This includes rewarding the desired performance.

#### **Adopting cooperative management structure**

This strategy aims at adopting a cooperative management structure by reducing the number of management levels at the service outlets and empowering franchisees to develop their own methods of hiring and training employees. This motivates the franchisees and improves their morale. This, in turn, results in increased revenues and profits as happy employees make customers happy.

### **15.7.3 Partnering Strategies**

Partnering strategies are considered the most effective as they improve the relationship between the service principal and the intermediaries. Further, both

the service principal and the intermediaries collectively learn new ways to improve the service delivery, and understand the changing tastes of target customers to change the service offering accordingly.

### **Alignment of goals**

This strategy aims at aligning the goals of the service principal and those of the intermediaries. Intermediaries can set their individual targets to deliver quality service to the customers, and achieve their target revenues and profits. The principal does not interfere in the process and steps in only when the intermediary desires.

### **Participation and cooperation**

In this strategy, a service principal consults his/her intermediaries before introducing any new policies or policy changes. The views and opinions of intermediaries are considered important in decision-making. This strategy makes the intermediaries feel that they are also part of the business. They are motivated and offer innovative ideas for improving the system of service delivery.

#### **Example: Partnering Strategies – Kia and TKM**

The Dealer Support Satisfaction Study conducted by the Federation of Automobile Dealers Association (FADA) in conjunction with advisory firm PremonAsia revealed that Kia and Toyota, have emerged as frontrunners in the passenger vehicle segments, meeting their dealer partner expectations in post-COVID-19 support.

Kia was able to record a stronger level of satisfaction as the senior management of Kia maintained regular and close communication with dealers and offered adequate information on communication with customers waiting for their vehicles. Dealers were also content with the fact that Kia offered online engagement to motivate and enhance knowledge of sales and service staff at the dealerships.

On the other hand, Toyota Kirloskar Motor (TKM) too excelled on the fronts of expediting settlement of all claims including warranty, marketing, sales incentives, and payments. The carmaker also assisted its dealer partners financially on their vehicle inventory – both at the dealerships and those in transit. Toyota also was sensitive and supportive of dealer-specific business issues and deployed personalised solutions. Empowerment and partnering strategies adopted by Kia and TKM to manage their intermediaries yielded them a satisfied and loyal dealer base.

*Source: <https://www.autocarindia.com/car-news/kia-hero-offer-best-dealer-support-as-per-fada-study-418708>, September 25, 2020, accessed on May 17, 2022*



**Check Your Progress - 2**

6. What type of agent is employed by sportspersons, film stars, and other celebrities to market their services?
    - a. Selling agents
    - b. Facilitating agents
    - c. Purchasing agents
    - d. Sub-agent
    - e. Contract agent
  7. Brokers play a major role in bringing together the service provider and the buyer. Which of the following statement is not true with regard to a broker?
    - a. The broker is not put to any financial risk in the transaction
    - b. Brokers are only paid by the party that seeks assistance from them
    - c. Brokers represent the same seller and buyer on a continuous basis
    - d. Brokers are responsible for negotiations and smooth contract agreements between buyers and sellers
    - e. Broker gets commission when the deal is executed
  8. Non-renewals, restricted supplier resources, quotas, and terminations are components of which of the following strategies for effective service delivery through intermediaries?
    - a. Control strategies
    - b. Value-added strategies
    - c. Empowerment strategies
    - d. Partnering strategies
    - e. Competitive strategies
  9. Empowerment strategies include all the following, except
    - a. Enabling intermediaries to develop customer-oriented service processes
    - b. Motivating intermediaries to deliver consistent quality service
    - c. Providing required support systems
    - d. Terms and conditions restricting promotion of competitor's product
    - e. Adopting a co-operative management structure
-

**Activity 15.2**

Dalvinder Multani, an Indian immigrant in US purchased an aging Pizzeria store, ‘Zante’ in San Francisco. He started selling saag paneer, samosas along with pepperoni pizza. He then used his imagination to combine north Indian food with pizza and introduced an Indian version of pizza. He then expanded his India pizza offering to include toppings like daalmakhani, chicken tikka masala, etc. ‘Zante’s Pizza became an instant hit in the Bay area. Before Domino’s and Pizza Hut start serving Indian pizza, it is time for Dalvinder to expand his Zante’s Pizza to cater to the growing obsession with Indian pizzas. Suggest a suitable strategy through which Dalvinder Multani can scale up his operations and expand to cater to the growing demand for Indian pizzas.

**Answer:**


**15.8 Summary**

- The fourth element of the marketing mix, namely, ‘place’, involves various efforts made by the service organizations to make the services accessible and available to the customers.
- Service location plays an important role in service delivery. Further, it conveys an impression about the service quality provided by the service provider and stamps an image of the service company in the customer’s mind.
- In case of direct distribution, where service personnel are also involved in the service delivery, the behavior of service personnel toward customers also creates an image of the service provider in the customer’s mind.
- Service organizations aim to deliver services through direct distribution, where a service provider visits the customer, or a customer visits a service provider.
- When service providers cannot deliver services through direct distribution, they opt for various forms of intermediaries. Franchisees, agents, brokers, and electronic channels are the main types of distribution channels of a service provider.
- Franchising benefits the franchiser by providing him with opportunities to expand the business at minimum cost, maintain consistent quality, gain local knowledge, and share financial risks.

#### **Block 4: Services and the Marketing Mix – II**

- Franchisers face some challenges in the form of having to strive to motivate their franchisees to deliver consistent quality, failing to maintain direct customer relationships, and having to manage conflicts with the franchisees.
- A franchisee is benefited by gaining established business processes and a brand name, and by the minimizing of risks involved in starting an independent business.
- Franchisees also face challenges in the form of reduced profits and revenues, having to strictly adhere to the franchiser's rules and standards, encroachment by other franchisees, termination of contracts, and unrealistic expectations on the part of the franchiser.
- Agents deal with the service principal on a continuous basis unlike brokers. Selling agents, purchasing agents, and facilitating agents are the three types of agents.
- A service principal benefits by choosing these intermediaries in the way of reduced costs, getting access to special skills and knowledge of agents and brokers, having a large representation, getting an enhanced knowledge of local markets, and being able to serve according to the choice of customers.
- The challenges faced by service companies in using agents and brokers include reduced control on pricing and in other marketing areas; and marketing of various service providers' offers by these agents and brokers.
- Electronic channels of distribution have gained popularity in the recent years, with the advent of the Internet and the World Wide Web.
- Lower costs, increased customer convenience, extensive distribution, and the ability to customize services that offer quick feedback, are the benefits of the electronic channels.
- The disadvantages involved in the electronic channel of distribution include uncontrolled price competition, customer variability, and security challenges.
- Service principals can effectively manage their intermediaries by adopting any of the control, empowerment, or partnering strategies.
- Control strategies include exerting control over intermediaries through measurement and review.
- Empowerment strategies include empowering intermediaries to develop customer-oriented service processes, providing them with the required support systems, training them to deliver quality service, and changing to a cooperative management structure.
- Partnering strategies include alliance of goals and participation and cooperation.

## 15.9 Glossary

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**Agents:** These are people or organizations that work for the principal on a continuous basis. Selling agents, facilitating agents, and purchasing agents are the three types of agents.

**Brokers:** These are responsible for negotiations and smooth contract agreements between buyers and sellers. The party that seeks the assistance of brokers pays them and they are not put to any financial risk.

**Facilitating agents:** These are people who share their expertise in the marketing process.

**Franchiser:** This is a service company that develops a unique standardized service and seeks to distribute its service to customers through the franchise model, thus expanding its business across different locations in a country or different countries. A franchiser licenses his/her brand name, services, business processes, etc., and in return, charges a fee and royalties from the franchisee.

**Purchasing agents:** These are equipped with knowledge in certain fields and provide valuable information to the clients regarding the best options available in the market.

**Selling agents:** These have the contractual authority to sell a principal's services as the principal is neither qualified nor has the resources to do so.

## 15.10 Self-Assessment Test

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1. The location of a service firm is an important aspect of service distribution. Explain the significance of location in services.
2. In situations where direct marketing of services is not feasible, service providers use intermediaries to market and sell their services. Identify the factors that need to be considered by the service providers when making channel decisions.
3. Due to the perishable, intangible, and variable characteristics of services, most of them are distributed directly to the customer. Discuss the advantages and disadvantages of direct distribution of services.
4. Some service organizations choose alternative channels of distribution for various reasons like lowered risk and wider reach. What are the key intermediaries in service delivery?
5. An effective service delivery requires effective management of the channels used for distribution. Discuss the various strategies that can be used by a service organization to ensure effective service delivery through its distribution channels.

## Block 4: Services and the Marketing Mix – II

### 15.11 Suggested Readings/Reference Materials

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1. Jochen Wirtz, Christopher H. Lovelock (2021). 'Services Marketing: People, Technology, Strategy' (Ninth Edition), World Scientific Publishing Co Inc. (USA).
2. Valarie A. Zeithaml and Mary Jo Bitner (2018). Services Marketing: Integrating Customer focus across the Firm. Seventh edition. New Delhi: McGraw-Hill Education.
3. Dr Ravikumar K (2020). 'Marketing and Services Management', Notion Press.
4. Dr. Subramaniam Seshan Iyer (2021). 'Marketing of Healthcare Services: A reference book', Notion Press.
5. Dr Manita Matharu, Dr Manish Joshi and Dr P Jagadeesan (January 2022). 'Service Marketing', Red'shine Publication Pvt. Ltd.

### 15.12 Answers to Check Your Progress Questions

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**1. (c) Channels should ensure expansion at any cost to the service provider**

Service providers should consider the following factors when making channel decisions: the channels chosen by the service provider should ensure easy accessibility and convenience for the customers to interact; the channels should ensure value addition to the customers; the channels chosen should not eat into margins of the service provider i.e., they should suit the service provider's budget; the channels chosen should cover all the target markets; and the channels chosen should be reliable.

**2. (b) Marketing through franchisees**

All other options except option 'b' are direct marketing channel outlets. Franchise is an arrangement between the company and the channel partner. The channel partner or the franchisee is an independent entrepreneur, who obtains the right to market goods/services under a trademark in return for a certain consideration.

**3. (d) Reduced risk**

All the options are advantages of direct distribution of services except option (d). Direct distribution involves financial risk as service companies face financial challenges when they desire to expand their business without the support of franchisees or agents. They are required to make huge capital investments and may be forced to compromise on some aspects like promotion or research and development for new services due to budgetary constraints.

**4. (c) Relationship with the customers**

The benefits that a franchiser enjoys by adopting the franchising model of distribution include: business expansion, improved revenues, reduced

risk, consistency in service offering, local presence through global franchising, and increased working capital and minimized financial risk. The franchiser faces certain challenges such as conflict between franchisees and franchisers, trouble in motivating franchisees, quality maintenance, and relationship with customers.

**5. (e) Customer variability**

Options (a), (b), and (c) and (d) are advantages involved in electronic channel of distribution. Though electronic modes of distribution solve the problems of inconsistency of service personnel, the problem of customer variability persists. Customers involved in co-producing the service become frustrated because of their limited knowledge about using the channel.

**6. (a) Selling agents**

Agents are people or organizations that work for the principal on a continuous basis. Selling agents, facilitating agents, and purchasing agents are the three types of agents. Selling agents have the contractual authority to sell a principal's services, as the principal is neither qualified nor has the resources to do so. Agents of sportspersons and film stars are examples of selling agents who do not have any limited boundaries.

**7. (c) Brokers represent the same seller and buyer on a continuous basis**

Brokers are responsible for negotiations and smooth contract agreements between buyers and sellers. The party that seeks the assistance of brokers pays them. They are not put to any financial risk. Brokers do not represent the same buyers and sellers on a continuous basis.

**8. (a) Control strategies**

Service companies that offer unique services and enjoy high demand and customer loyalty can use control strategies. Franchisers can exert control over franchisees through non-renewals, restricted supplier resources, quotas and terminations. Franchisers can also offer price breaks to franchisees for achieving a certain volume of sales quota.

**9. (d) Terms and conditions which restrict promotion of competitor products**

The different activities involved in adopting and implementing the empowerment strategy are - enabling intermediaries to develop customer-oriented service processes; providing required support systems; motivating intermediaries to deliver consistent quality service; and adopting cooperative management structure. Option 'd' is a control strategy. It is not an empowerment strategy.

## Unit 16

# People in Services

### Structure

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- 16.1 Introduction
- 16.2 Objectives
- 16.3 Classification of Service Personnel
- 16.4 Problems Faced by Service Personnel
- 16.5 Types of Conflict in Service Organizations
- 16.6 Role of Employees & People Strategies
- 16.7 People Management in Multi-Cultural Context
- 16.8 Organizational Culture and Climate
- 16.9 Summary
- 16.10 Glossary
- 16.11 Self-Assessment Test
- 16.12 Suggested Readings/Reference Materials
- 16.13 Answers to Check Your Progress Questions

*“Clients do not come first. Employees come first. If you take care of your employees, they will take care of the clients.”*

– Richard Branson, CEO and founder of Virgin Group

### 16.1 Introduction

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As rightly quoted by Richard Branson, the CEO and founder of Virgin Group, who was knighted at Buckingham Palace for "services to entrepreneurship", if organizations take care of their employees, they will take care of customers.

In the previous unit, we discussed how the location of a service plays a vital role in the distribution of services. In this unit, we shall discuss the importance of people in services.

Like manufacturing organizations, service organizations are also trying to use technology to get their tasks done more effectively and efficiently. Tellers in banks are being replaced by ATMs. The first ATM in India was set up in 1987 by HSBC (Hongkong and Shanghai Banking Corporation). In 2008, ICICI Bank was the first bank to launch mobile banking in India. ICICI's iMobile App allows users to transfer funds, pay utility bills, open fixed deposits and even manage life insurance policies. Using the mobile app, customers can also check loan eligibility, upgrade debit cards and avail instant personal loans against their credit cards.

However, service organizations have realized that they cannot completely replace people with machines. They do need people because machines can act and respond only in the way they are programmed and therefore cannot deal with exceptional situations. On the other hand, people can be trained to deal with difficult customers and exceptional situations. However, it is not very easy to attract and retain good people. People have their own set of expectations from the organization and from their jobs. They are also bogged down by their personal and social responsibilities apart from their responsibilities as employees toward their organization. At work too, employees might face varied problems as they strive to achieve their personal and organizational goals.

This unit will discuss the various classifications of service personnel. It will also delve into the problems faced by service personnel and the types of conflicts that arise in service organizations. Finally, it will turn to some of the people strategies adopted by service organizations and also discuss how organizational culture shapes and defines the behavior of service personnel.

## 16.2 Objectives

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After studying this unit, you should be able to:

- State the various classifications of service personnel
- Identify the problems faced by service personnel
- Explain the different types of conflict in service organizations
- Discuss the people strategies followed by service organizations
- Elaborate on how culture shapes and defines the behavior of service personnel

## 16.3 Classification of Service Personnel

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Though all service organizations are characterized by an interaction between their service personnel and customers, the level of interaction varies from one organization to another and from one executive to another within the same organization. This level of interaction can be one of the bases for the classification of service organizations as well as service personnel. The classification of organizations based on this criterion is as follows:

**Low contact service:** In this kind of service, the interaction between the service organization and a customer lasts for a short period. Fast food outlets, beauty clinics, mechanic shops, etc. involve low contact service. Post offices can also be covered under this category if the interaction is for a one-time service like buying stamps or sending a parcel. In this case, the service personnel should have excellent technical skills and good communication and interpersonal skills to impress the customers and generate repeat business.



#### **Block 4: Services and the Marketing Mix – II**

**High contact service:** In this kind of service, the interaction between the service organization and the customer lasts for a long time. Educational institutions, airlines and banks involve high contact service. Post offices and hotels can also be covered under this category if the interaction is not a one-time affair or if it is for a long period. In these service organizations, the service personnel need to have excellent communication and inter-personal skills apart from good technical skills to serve customers effectively.

Service personnel can also be classified as follows, depending on the type of service provided and the kind of skills required:

**Consumer service employees:** They offer services that require less of technical skills and more of task related skills. However, they need to have good inter-personal skills because they need to communicate with customers, identify their needs, assist them in decision-making and solve their problems if needed. Service personnel in retail stores, airlines and hotels are consumer service employees.

**Professional service employees:** They offer services that require higher-level skills and expertise. Professional service personnel need to have in-depth subject knowledge and strong technical skills coupled with good communication and inter-personal skills. Lawyers, doctors, engineers and consultants come under this category.

Depending on the frequency and length of customer interaction, service personnel can be classified as follows:

**Contact personnel:** The primary function of this category of personnel is to interact with customers and offer them quality service. They participate actively in marketing the service to customers. They need to be regularly trained and motivated to serve customers. They should respond quickly to customer needs and try to solve their problems. An example of contact personnel are the customer care executives of a service organization.

**Moderate contact personnel:** These personnel interact with customers only occasionally. Their primary function is to design and create a tangible or intangible product/service to suit customers' requirements. Therefore, they interact with customers only in special cases. For example, a chef in a restaurant does not usually interact with customers. However, when presenting a new dish for special guests, the chef may personally interact with the guests to explain the preparation, the ingredients and the nutritional value of the dish.

**Back-office staff:** The primary function of the back-office personnel is to perform all those activities that enable the front-line service personnel to deliver quality service to customers. However, they might interact with customers under some special circumstances. For example, a technician who repairs the air-conditioning systems at a company showroom does not usually interact with the customers. However, if a customer finds it difficult to explain the problem in technical terms to the front-office personnel, the technician may be called to talk to him/her customer and understand the problem better.

**Support staff:** These personnel perform support functions and do not come into contact with customers at all. For example, customers do not interact with an accountant or an HR executive in a hotel.

**Management:** The management of an organization rarely interacts with customers directly. Interaction happens only in exclusive situations when the management wants to get customer feedback or when the customer is a high net worth important person like a corporate customer. For example, the chairman of an airline might interact with customers on flight to gather feedback about its services. Otherwise, he/she might meet a corporate customer who contributes a good percentage of revenues to the airline and whose relationship is critical for its business.

### **16.4 Problems Faced by Service Personnel**

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Employees working in service organizations face some unique problems at work. In manufacturing organizations, employees work continuously in a predetermined and systematic way at a uniform pace, which results in a steady output every day. If the product of a manufacturing process turns out to be defective, the defective parts or items can be rectified or replaced. However, the situation is quite different in service organizations. The pace at which the service personnel need to work depends on the customer traffic on that particular day. Similarly, the unique demands of customers determine the type of service to be delivered by the personnel. In some special cases, some error might creep into the service offering or the delivery process. The service personnel need to deal with the situation tactfully, appeasing the customers and rectifying the mistake immediately. All these factors make the job of the service personnel unique and challenging. Some of the common problems faced by service personnel are discussed here:

**Stress and burnout:** Service personnel have to constantly interact with customers. This pressure exposes them to stress and burnout. For example, the receptionist in a hotel has to continuously receive calls, answer customer queries, provide information on various aspects like the local visiting spots, note the messages of callers for the guests and communicate them, etc. Similarly, in a call center, a customer service representative needs to attend to customer calls continuously throughout the shift, and this can be quite boring and stressful at times. Demanding and irate customers only add to the problems of these representatives. Front-line service personnel constantly interact with people who behave in different ways. Some can be very polite and patient, but some can get irritated easily and start shouting at the service personnel. Yet, the personnel have to maintain their patience and deal with them in a courteous manner. They are forced to disguise their true emotions while they are at work. Service personnel, therefore, get emotionally drained and experience stress and burnout.

**No well-defined job roles and responsibilities:** The job of service personnel is not and should not be defined strictly. Their roles and responsibilities are roughly

#### **Block 4: Services and the Marketing Mix – II**

outlined and not specified precisely because they cannot stop serving the customer saying that it is beyond their purview. For example, if a passenger in a flight falls sick during the course of the journey, it is the responsibility of the cabin crew to take care of him/her. An airhostess cannot say that her responsibility ends with serving them food and beverages and that taking care of the sick is not defined in her job responsibilities. Such situations put an additional burden on service personnel.

**No defined working hours, breaks for relaxation:** Service personnel who go to the field, like sales representatives and technicians may sometimes need to spend more than ten hours at work, depending on the client's needs. They might not be able to take breaks for rest or relaxation when they want to. For example, a client who fixes an appointment at 11.30 A.M may meet the sales representative only at 12.30 P.M. The discussion may go on for a couple of hours and the sales representative may be forced to miss his lunch. In fact, he may also fail to meet the next client at the appointed time because of the delay caused by the first client. The other client may express his displeasure at being kept waiting. However, the sales representative has to behave professionally and apologize for the delay even though the mistake is not actually his. He may be completely deprived of time for relaxation on such busy days.

It is for unique reasons like this that the job of service personnel is termed difficult. The job can be quite interesting actually, as it involves new customers, new demands and new challenges. However, when the pressure mounts from customers and the service personnel start experiencing stress, the job becomes taxing.

#### **Example: Problem Faced by Employees @ Taco Bell**

After 20 years of working at Taco Bell, a worker told Business Insider that he's leaving because customers have gotten too difficult in the recent past. The employee says that things have gotten especially bad since the COVID-19 pandemic began in early 2020.

Customers have become more critical and angry towards workers in the service industry, and suddenly "people think it's perfectly okay to be intolerant, demand things, and just be unreasonable," he said. Many customers are "starting to treat fast food as their personal catering service," the worker said, with extreme modifications to every item and no empathy or understanding for overwhelmed workers. This shift in customers is the result of rapid advances in technology used by fast-food chains, like online ordering, and people becoming accustomed to being at home and having everything delivered. Jobs of service personnel are becoming more challenging due to various factors, and they need to deal with situations very tactfully.

*Source: <https://www.businessinsider.in/retail/news/a-veteran-taco-bell-worker-of-20-years-says-he-quit-because-customers-have-gotten-so-unreasonable-and-hard-to-deal-with/articleshow/88093555.cms>, December 4, 2021, accessed on 14/5/22*

**Activity 16.1**

AskMe, a new BPO arm of Infosol Pvt. Ltd., a software services company that offers technical support, medical transcription services, and loan processing services to international clients, intends to develop a comprehensive HR policy to guide its human resource operations. This is being planned keeping in mind the fact that human resources are the key to a company’s success and that attrition rates in the BPO industry are very high. What are the various problems that service personnel face that must be kept in mind while developing a HR policy for AskMe?

**Answer:**


**16.5 Types of Conflict in Service Organizations**

In a service organization, as service personnel interact with customers and sometimes need to deal with exceptional situations, conflicts are inevitable. These conflicts can be classified into individual-role conflict, customer-employee conflict, inter employee conflict, client-organization conflict, and inter client conflict. They are discussed in detail here:

**16.5.1 Individual-Role Conflict**

When the job requirements contradict the job incumbent's personality, role conflict arises. For example, say Mr. X is a shy person and does not like to interact with strangers. If he takes up a sales executive’s job, he needs to talk to strangers, convince them about the service and persuade them to buy it. In such a situation, Mr. X would face a role conflict. The conflict might not be between the individual’s personality and the job alone, but also between the values, beliefs and attitude of the individual and the job requirements.

**16.5.2 Customer-Employee Conflict**

In some rare cases, the service personnel may get into a conflict with customers. The reasons for such conflicts can be varied. Organizations set certain standards, rules and procedures for service delivery. If a customer demands that the service employees behave in a way that contradicts these rules and procedures, it may lead to a conflict. For example, if a customer smokes in a no smoking zone in a retail store and the floor manager asks him to stop, it might give rise to a conflict. The conflicts can also occur at a personal level due to individual differences. Either the customer or the service representative could be in a bad mood and this could spark off an argument for no reason.

## Block 4: Services and the Marketing Mix – II

### Example: Customer Employee Conflict @ Air India

Air India has come under fire after a video of a woman - who seems to have a panic attack and collapse to the ground after being denied a seat because, the airline said, she was late - was shared on social media. Air India said passenger safety and comfort were its priorities but, as a 'responsible airline, we have to adhere to strictures laid down by the regulatory authorities'. The airline insisted they could not have delayed the flight any further as all other passengers had boarded.

Source: <https://www.hindustantimes.com/india-news/denied-boarding-by-air-india-woman-has-panic-attack-airlines-responds-video-101652272846326.html>. May 11, 2022, accessed on May 30, 2022

### 16.5.3 Inter-Employee Conflict

To deliver quality service to customers, service personnel need to work in a team and cooperate with each other. If service personnel fail to do so, it can lead to inter-personal conflict and affect the service quality too. For example, say there is friction between two members of the cabin crew on a flight because each feels that the other is lazy and does not respond to customer calls. Each might feel that his/her work burden is increasing because of that. This might lead to a conflict and if both stop responding to customers, the service quality would be affected. Similarly, a conflict on who has been working more night shifts or who is paid more for similar work or who is the manager's favorite may also lead to undesirable circumstances.

### 16.5.4 Client-Organization Conflict

Sometimes, a client may enter into a conflict with the organization because of the organization's policies and procedures. For example, say a retail outlet specifies that a product purchased from it can be exchanged only if it is brought within a week. A customer may go to the shop after ten days and explain that the shop had been closed for four days during a festival and that technically, he had come within a week of purchase. If the retailer does not agree with the customer and refuses to allow the exchange, it may lead to a conflict. Some conflicts may arise when the client refuses to make the payment to the organization according to the agreement or makes no payment at all. Therefore, organizations should take care to formulate policies and procedures that are clear and comprehensive. They should think of all the possible exceptions that may arise and develop policies that accommodate them.

Organizations can also get into a conflict with clients over delayed or poor quality service delivery. For example, say an IT consultant promises to complete the implementation of an ERP package in a manufacturing firm in three months.

However, the project gets delayed. The client accuses the consultant of delaying the implementation and the consultant in turn blames the organization for not cooperating with him and for making unrealistic demands.

**Activity 16.2**

Ace Advertising is an advertising agency that offers advertising and media services primarily, to FMCG companies. In the recent past, its clients and employees filed legal cases against it on charges like harassment of employees and cheating of clients. The company settled these cases out-of-court and convened a meeting to discuss the reasons behind such cases. The top management felt that the lack of a proper conflict management system was responsible for such legal action. What are the various conflicts that can occur in a service organization like Ace Advertising? How should one tackle such conflicts?

**Answer:**

**16.5.5 Inter-Client Conflict**

Conflicts can also take place between the clients of an organization. For example, customers waiting in a queue at a reservation counter can get into a conflict if one tries to overtake others in the queue. Similarly, in a parking lot, if a customer hits the car of another customer, they can get into a conflict.

Such conflicts can also result in customer dissatisfaction, which will, in turn, lead to customer turnover. For example, if the customer at a discotheque gets into a fight with another customer, he might not want to go back to the same discotheque. Organizations should, therefore, make arrangements to ensure that clients do not get into conflicts.

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**Check Your Progress – 1**

1. Based on the level of interaction, service organizations and service personnel can be classified into:
  - a. Low contact service and high contact service
  - b. Consumer service employees and professional service
  - c. High contact personnel, moderate contact personnel
  - d. Back-office staff, support staff and management staff
  - e. Administrative staff and sales staff

#### **Block 4: Services and the Marketing Mix – II**

2. Which of the following employees offer services that require less of technical skills and more of task-related skills?
    - a. Support staff
    - b. Consumer service
    - c. Professional service
    - d. High contact service
    - e. Low contact service
  3. Identify the statements that hold true regarding professional service employees.
    - a. They offer services that require less of technical skills and more of task-related skills
    - b. They offer services that require higher-level skills and expertise
    - c. They need to have in-depth subject knowledge alone
    - d. Good communication skills are not a must for professional service
    - e. Professional service employees need to have a holistic view and need not focus much on details
  4. Consider a retail outlet that specifies that a product purchased from it can be exchanged if brought back within 10 days from the date of sale. A customer may ask for an exchange after 12 days claiming that the shop was closed for the previous three days. The retailer in this case may refuse to allow the exchange. This leads to a conflict between the customer and the owner. Which of the following conflicts do these instances fit into respectively?
    - a. Customer-employee conflict
    - b. Inter-client conflict
    - c. Client-stake-holder conflict
    - d. Inter-employee conflict
    - e. Channel conflict
  5. Which of the following might lead to an organization-client conflict?
    - a. The sales manager of a consumer electronics company disputing the claim of a stockist
    - b. Sales executives protesting the marketing manager's sales quota fixation
    - c. Sales executive concealing information about defective product quality from the customer
    - d. A sales executive's discontent over the job profile
    - e. Sales executive claiming more travel allowance than the actual
-

**Activity 16.3**

Genesis, a software development company, plans to leverage on its client base by diversifying into the BPO business. Ram Kumar, Human Resource Manager, however, has a word of caution to offer. He says the differences in the educational backgrounds, salaries, and incentive schemes between the software employees and those of the BPO could lead to conflicts within and outside the organization. Describe the probable conflict situations that might arise if Genesis diversifies into the BPO business?

**Answer:**


**16.6 Role of Employees and People Strategies**

The basic human resource functions in any organization are recruiting, motivating, training and retaining people. In service organizations, these functions gain greater prominence because of the nature of work of employees, the stress they experience due to their obligation to deliver service that meets customer demands, and the constant pressure from the management to deliver error-free service. The people strategies in a service organization are discussed below.

**16.6.1 Attracting the Best Talent**

The core competence of a service organization lies predominantly in the skills of its service personnel. Even if a company has the best technology, infrastructure, operational processes and innovative products, it will not succeed if it has mediocre service personnel. Therefore, service organizations need to attract and retain the best talent.

The first step in attracting the best talent is to advertise in various media. The HR management should choose newspapers, magazines and websites or other modes carefully. For example, if the job demands specialized skills, it should be posted in appropriate magazines and websites, which are of interest to those professionals. Job seekers look out for jobs in various online platforms like ‘naukri.com’, ‘timesjobs.com’ ‘LinkedIn’, ‘MonsterIndia’, etc. An employer seeking the services of freelancers can advertise in ‘freelancer.in’, SolidGigs, Upwork, Indeed, College Recruiter, etc. Similarly, a firm will get more applications for an interior designer's position, by posting the job on a website pertaining to interior designing. In addition, an organization should avoid blind



#### **Block 4: Services and the Marketing Mix – II**

advertisements because the prospective candidates would want to know the organization. Organizations that give blind ads may be regarded as small and underperforming organizations by some aspirants. Other sources of recruitment could be employment agencies, head-hunters and educational institutions. Employee referrals are also an important source of prospective employees.

Organizations conduct different tests and interviews to select the right candidates from the group of applicants. Most service personnel's jobs need good communication and interpersonal skills if they need to interact with customers. Therefore, the applicants are tested for these skills too apart from their technical skills. The HR departments of different organizations include a whole lot of exercises in the selection procedure, like a written test, a group discussion or an extempore presentation and an interview, or a series of interviews.

#### **16.6.2 Motivating**

Service organizations can motivate employees by rewarding them suitably, empowering them, enriching jobs to enhance employee satisfaction and improving their quality of work life.

Service organizations should recognize the contributions and accomplishments of service personnel who strive to offer quality service to customers. The rewards can be in the form of monetary or non-monetary benefits. HSBC, for example, rewards employees who make extra efforts not just to satisfy customers, but please them. The employees receive a certificate of excellence and also a cash prize. Each year, the list of employees who went that extra mile to make their customers happy, is displayed at various locations in the work place.

Service organizations need to empower employees so that they can serve the customers better. Many organizations allow their customer service representatives to take decisions related to compensating the customer for service failure, speeding up the service process in special situations, etc. For example, FedEx allowed its service personnel to get customs clearance for a special package on a priority basis to ensure that a father's wedding gift to his daughter was delivered on time. Empowerment makes employees feel valued and respected by their organization and motivates them to perform effectively. Most IT service organizations offer Employee Stock Options (ESOPs) to their employees. They consider ESOPs a form of empowerment because the owner has a stake in the company and, therefore, has a say in running the business.

Compensation also plays a very important role in motivating service personnel. A part of the salary can be linked to the performance of employees. This is the concept of variable pay. It encourages employees to strive to increase the variable proportion of their salary by improving their performance. In addition, this will help to clearly distinguish between performing and non performing employees, and act as a motivational force for talented employees.

Organizations can also use performance incentives to enhance employee performance. In this system, a high performing employee is given monetary or non-monetary incentives like public recognition / felicitation, certificate of excellence signed by the top management, holiday packages, free membership cards, increments in salary, etc.

**Example: Motivating Employees @ ICICI Bank**

ICICI Bank has scrapped the bell curve assessment for employees which rewards individual outperformers, as part of a human resource (HR) policy overhaul. This means employee targets based on individual performances have been done away with for the first time in its history. Salary hikes and bonuses will now be linked directly to the bank's performance, meaning increases for most staff will be identical and will be directly related to its profitability. The new HR policy means that hikes and bonuses will be standardized, from the CEO downwards to the last employee. Bank staff would be paid performance bonuses based on group and team achievements and not on individual targets.

One of the ICICI employees said, "It is a philosophy of we win together or lose together. Now there are no targets. Everyone tries to give their best shot and the bank benefits. This new reward system proved beneficial to the organization, and ICICI did see an increase in productivity after implementing this reward system. Service organizations should keep on looking for innovative ways to motivate their employees and increase productivity."

Source: <https://economictimes.indiatimes.com/news/company/corporate-trends/icici-bank-scraps-bell-curve-assessment-hikes-standardised-no-more-targets-based-on-individual-performance/articleshow/88247758.cms>, December 13, 2021, accessed on May 30, 2022

**16.6.3 Managing Knowledge Workers**

Management guru Peter Drucker created the term, 'knowledge workers' in the late 1950s, the time period during which the scope of Human Resource Management got widened to include management of people with expertise. Knowledge workers are employees whose forte lies in their knowledge and expertise. Software engineers, architects, scientists, academics, engineers, lawyers, doctors and financial analysts can be cited as typical examples of knowledge workers. These workers have a deep background in education and the high salary that is paid to them is attributed to their ability to think, analyze, spot gaps and problems, forecast and come out with innovative solutions to problems. Such workers are called gold collars because of the high salaries they are paid. The following are the challenges faced in managing knowledge workers.

1. The work of the knowledge worker is invisible, intangible and difficult to measure and therefore difficult to evaluate as well. Let us consider the contributions of an economist in a huge MNC. The value of the macro and micro economic predictions he makes are difficult to measure. Hence it is difficult to measure the productivity of such employees.

#### **Block 4: Services and the Marketing Mix – II**

2. Research suggests that knowledge workers are subject to burnout.
3. Knowledge workers value their independence and prefer autonomy. They do not like to be micromanaged.
4. Knowledge workers have expertise in specific areas and care must be taken to match the work assigned with their area of specialization and skill set.
5. Organizations must ensure that knowledge workers have access to appropriate and relevant technology.
6. Primarily knowledge workers and their jobs involve creation and application of knowledge. They are the source of new and innovative ideas and hence to get the best out of them, a conducive environment that facilitates free exchange and flow of innovative ideas needs to be provided.
7. There is also a need to link their contribution directly to the objectives and goals of the organizations to ensure that their contribution is relevant. Thus, creating the link to the project success or goals is important.
8. As mentioned, the work done by knowledge workers is intangible and invisible and difficult to measure. However, HR managers need to come up with performance metrics to measure their contribution. What constitutes valuable contribution needs to be defined and these indicators need to be linked to organizational goals.
9. Very often it is important to treat knowledge workers as individuals. The policy of treating all knowledge workers alike may fail because, what motivates them could be different. To get the best out of these individuals, they need to be given space for themselves to operate in their own style.
10. To recruit and select appropriate persons with the required skills, qualifications, abilities and experience, is a challenge indeed. Care must be taken to ensure that right persons who fit the requirements of the company are chosen.

Peter Drucker predicted that the most valuable assets of a 21<sup>st</sup> century institution would be its knowledge workers. They are viewed as the core of an organization. In organizations like Google, Amazon, Microsoft, Apple, etc., the new ideas, new products or services and strategies suggested by knowledge workers are valued the most because they keep these companies ahead of competition.

#### **16.6.4 Training**

Customers interact with the front-office service personnel before anyone else in the organization. Therefore, these service personnel are the representative faces of the organization. If they fail to deliver the desirable standard of service and do not satisfy the customer at this stage, the customer might decide to switch over to

competitors in anticipation of better service. Therefore, organizations should take special care in training their service personnel to deliver the service and ensure customer satisfaction. Training enables organizations to impart the desired skills and abilities to new employees and prepare them for the job. Organizations also conduct training and development programs for existing employees to update their technical skills and improve their interpersonal skills. These programs can help employees take up greater responsibilities and reach their career objectives. Employees, therefore, believe that the organization takes care of them and their career needs.

In most service organizations, service cannot be delivered effectively to the final customer without the teamwork of employees. Teamwork needs a high level of cooperation, coordination and synchronization among all the members of the team, including the leader. To be an effective team member, one needs to improve one's communication and interpersonal skills. Therefore, organizations should adequately train their employees to improve their skills and offer excellent customer service.

#### **16.6.5 Retaining**

Management in a service organization should remember that its service personnel will treat the customers much the same way as the management treats them. Therefore, if the management desires to enjoy a loyal customer base, it should first ensure that it has a dedicated employee base. It should treat its employees with concern and empathy. When the management satisfies the needs of employees and addresses their concerns, they, in turn, will strive to satisfy their customers.

When employees are treated well and valued by the organization, they will not be keen on leaving it. The turnover rates among satisfied and happy employees are much lower than among dissatisfied employees. The management should communicate the vision and objectives of the organization clearly to employees and value them as stakeholders. When employees identify themselves with the company and find that they also can contribute to its growth, they will be committed and loyal to the organization.

One of the best ways of retaining valuable human assets in the organization is by recognizing and rewarding performance. Employee performance should be measured periodically and the feedback given to those to enable them know their own strengths and weaknesses. They may also be guided to take the necessary steps to build on their strengths and overcome their weaknesses. Employees who have a successful career with an organization become role models for other employees of the organization and encourage them to stay with the organization to achieve similar success.

## Block 4: Services and the Marketing Mix – II

### Example: Managing Employees @ IHCL

The Indian Hotels Company Ltd. (IHCL), the parent company of Taj Hotels, Resorts and Palaces, put in place initiatives and practices that positively impact employees of the company who work hard towards its success. IHCL introduced Stay Well, the well-being program that focused on interventions that have a positive bearing on physical, mental and emotional well-being, in turn creating an environment that is healthy and happy. The objective of introducing a holistic program was to sustainably influence employee health. They partnered with Healthify Me and worked on a scalable app-based technology to weigh into physical health. IHCL also extended the EAP (Employee Assistance Program) in collaboration with an ISO certified firm to provide for the emotional and psychological well-being of the employees. Treating employees with concern and empathy will result in a loyal employee base, and they, in turn, will strive to deliver superior service quality to customers.

Source: <https://www.hospitalitynet.org/opinion/4105069.html>, 22nd June 2021, accessed on 17/5/22

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### Check Your Progress – 2

6. A hospital has asked a doctor to provide individualized and effective treatment to patients, and at the same time, attend to at least 40 patients per day. What kind of conflicts do such targets create?
  - a. Person/role conflict
  - b. Organization/client conflict
  - c. Inter-client conflict
  - d. Quality versus productivity conflict
  - e. Doctor-patient conflict
7. Sunil is a very ethical person and therefore does not compromise with the ethical means of doing a job. He gets into a job where ‘sagging’ (an unethical way of selling by which a marketer tries to falsely pretend as a market researcher conducting a survey, but in reality, he tries to sell his product) is a regular feature. Sunil is not comfortable about following this unethical means of generating business. Which of the following types of conflict applies to Sunil?
  - a. Individual-role conflict
  - b. Inter-client conflict
  - c. Client-organization conflict
  - d. Inter-employee conflict
  - e. Quality vs. productivity conflict

8. Which of the following is not a basic human resource function in a service organization?
    - a. Training
    - b. Recruiting
    - c. Firing
    - d. Motivating
    - e. Retaining talent
  
  9. Many organizations allow their customer service representatives to take decisions related to compensating the customer for service failure, speeding up the service process in special situations, etc. This is done to achieve which of the following objectives?
    - a. Recruit employees
    - b. Empower employees
    - c. Train employees
    - d. Retain employees
    - e. Promote employees
- 

**Activity 16.4**

Infoway is a medium-sized IT-services company operating in the banking and financial software services market. With the entry of MNCs and big Indian players into this segment, the attrition rates of small and medium-sized companies like Infoway have increased due to poaching by new entrants. What are the ways in which Infoway can reduce its attrition rates and retain the best talent?

**Answer:**


**16.7 People Management in Multi-Cultural Context**

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HR assumes greater relevance in the case of Multi-National Companies (MNCs), where people belonging to different nations need to work as a team. Service businesses operating at global level have to efficiently manage the following HR tasks.

- Identify critical success factors for international managers to achieve strategic global objectives of the company.

#### **Block 4: Services and the Marketing Mix – II**

- Track and maintain commitments to employees in international career paths.
- Practice strategic HR planning to meet both Regional and Global manpower requirements.
- Appreciate different cultures to understand what motivates people from different societies.
- Anticipate and pre-empt conflicts and frustrating management dilemmas that crop up as a result of operating in multicultural teams.
- Understand the local laws of various countries relating to minimum wages, insurance requirement etc.

Thus, an organization with a multi-cultural employee profile may face greater HR challenges. Problems could crop up because of the cultural, legal and economic differences among countries and employees belonging to these various countries. Multicultural teams often can be frustrating because cultural differences create hurdles in communication. While these differences could be subtle and difficult to recognize it can explode and lead to major problems if left unattended. Companies having multicultural teams are effectively managing the challenges by taking the following pre-emptive measures.

- Appreciate the underlying cultural causes of conflict and devise systems to intervene and get the team back on track.
- Cultural awareness on how a fellow employees' culture influences his behavior.
- Empower employees to handle differences on their own by helping them develop cultural sensitivity through training.
- Nurture the company's own culture to create harmony in the organization.
- Incorporate a philosophy of local responsiveness and global integration in the HR policies of the organization.

#### **16.8 Organizational Culture and Climate**

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Organizational culture constitutes the shared values, beliefs, practices and norms that influence how people behave in an organization. It binds the people in an organization together by providing norms and standards for behavior. The fundamental principles and beliefs of the top management get imbued in an organization through mission and vision statements, objectives, policies and systems. Organizational values are relatively stable and they shape the behaviors and attitudes of employees of an organization. As values and beliefs get deep-rooted, acceptable and desirable behavior is inferred and they become norms. Organizational culture is a very important factor that determines employee performance. It also creates an atmosphere to promote innovation and helps build core competencies. The culture of an organization can be perceived at three levels: Visible (Behavioral level), Invisible (Values and beliefs) and Assumptions.

**Level I (Visible):** Typical organizational behaviors that are observable include dress codes, office layout, symbols, slogans, ceremonies (celebration of birthdays, giving awards).

**Level II (Invisible):** Values give direction to and determine behavior, but values are not visible as behaviors are. Beliefs, attitudes and acceptable or unacceptable behavior (also called norms) can be inferred or perceived and employees learn them very fast. The values espoused by the management form the basis of the culture in an organization and the values can be inferred through the following: Corporate mission statements, recruitment and performance appraisal methods, risk taking, discipline, autonomy, empowerment of staff.

**Level III (Assumptions):** Values underlie assumptions and to understand an organization's culture, one should get to the root of the assumptions. The beliefs, thoughts and feelings that are taken for granted regarding which awareness exists, constitutes the assumptions.

Service organizations need to understand that implementation of a new strategy necessitates a change in the culture. Understanding the present culture and identifying desired changes in behavior is the first step in this process. Culture of the organization can be a stumbling block to implementation of a new strategy. Hence, implementation of a new strategy calls for changes in culture as well.

### **Service Culture of the Organization**

Service organizations travel the extra mile to nurture an excellent service culture in their employees. An organization that appreciates good service is able to command the loyalty of its customers. Since employees are taken care of by the employers they too imbibe the culture of providing excellent service to customers as a natural way of life.

The success of a company lies in its ability to create and retain customers. Service excellence through investment in creation of a service culture will help convert the customers into brand ambassadors.

#### **Example: Service Culture @ Netflix**

The streaming service's chief executive officer Ted Sarandos told his employees complaining about programming they found offensive that if they don't like what the company does, they should leave. He said that employees are free to express themselves loudly on social, political, religious or other matters – but the company's workplace shouldn't be one of them. The Netflix controversy arose around complaints from employees that jokes made by the comic Dave Chappelle about transgender people in one of the service's specials were offensive.

*Contd....*



#### Block 4: Services and the Marketing Mix – II

In a lengthy all-employee memo titled “Artistic Expression,” Mr. Sarandos countered protests by employees seeking to censor the programming, saying Netflix lets “viewers decide what’s appropriate for them, versus having Netflix censor specific artists or voices.” “Depending on your role, you may need to work on titles you perceive to be harmful,” the memo says. “If you’d find it hard to support our content breadth, Netflix may not be the best place for you.” Philosophy of the top management impacts service culture of an organization.

Source: <https://www.theglobeandmail.com/business/commentary/article-netflix-culture-memo-ceo-disney-employees>, May 20, 2022, accessed on May 30, 2022

#### Organizational Climate

Organizational climate mirrors the state of health of a company and the mood of the employees of the company. The undercurrent perceived may suggest how employees feel about their jobs, their bosses, colleagues and about the rules, regulations and policies of the organization. Organizational climate can thus be defined as characteristics or work environmental factors that could be perceived and these factors directly or indirectly influence performance.

The following measurable characteristics or factors in an organization collectively mirror the climate. They can be changed more easily as compared to organizational culture.

**Inter-personal Relationship (Warmth or cohesiveness):** Existence of this factor can be positive for an organization because it augments team work. Organizations should nurture informal social groups to enhance the cohesiveness amongst its employees.

**Organizational Structure:** Organizational structure represents the hierarchical flow of authority and communication and the division of tasks in an organization. The structure can be changed to create a formal or informal work atmosphere. Similarly, feelings of restraint or lack of freedom experienced in a company are also on account of the rigidity of the structure. Most service organizations are knowledge organizations where employees can be trusted to carry out their work. Hence, the organization structure should be designed accordingly.

**Identity:** The sense of belongingness and identity towards the organization needs to be created.

**Support:** The help and support employees receive from superiors. Employees may experience this support while learning, acclimatizing to new environment, tasks or jobs. Many other organizations support their employees for taking risks and challenges and also give greater autonomy in decision making. Encouraging upward communication also creates a climate of trust and support.

**Equity:** It is important that employees should perceive the organizational policies are fair and that rewards are based on contribution of employees.

Organizational climate can be changed by providing greater autonomy to workers, reducing control and increasing managerial support, increasing task

orientation and providing access to resources. Modern service organizations like Google travel the extra mile to create a conducive atmosphere for innovation and also to get the best out of their knowledge workers.

### 16.9 Summary

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- Service personnel can be classified in different ways depending on the level and nature of interaction that they have with customers – low-contact and high contact service personnel; consumer-service and professional service employees; and contact personnel, moderate contact personnel, back-office staff, support staff, and management.
- Some of the problems faced by service personnel in the course of their job are stress and burnout, lack of clarity about their roles and responsibilities, and lack of fixed breaks and intervals for relaxation.
- Service organizations and their employees may sometimes enter a conflict with customers during the course of interacting with them.
- The conflicts can be classified as follows — individual-role conflict, customer-employee conflict, inter-employee conflict, client-organization conflict, and inter-client conflict.
- Some of the people strategies to be adopted by service organizations include attracting the best talent; training them in technical and people skills; motivating them through proper compensation, incentives, and empowerment; retaining them by improving the quality of work life; and implementing an appropriate reward system.

### 16.10 Glossary

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**Back-Office Staff:** The primary function of the back-office personnel is to perform all those activities that enable the front-line service personnel to deliver quality service to customers.

**Consumer Service Employees:** They offer services that require less of technical skills and more of task-related skills.

**Contact Personnel:** The primary function of this category of personnel is to interact with customers and offer them quality service.

**High Contact Service:** In this kind of service, the interaction between the service organization and the customer lasts for a long time.

**Low Contact Service:** In this kind of service, the interaction between the service organization and a customer lasts for a short period.

**Moderate Contact Personnel:** They design and create a tangible or intangible product/service to suit customers' requirements and interact with customers only occasionally.

**Professional Service Employees:** They offer services that require higher-level skills and expertise.

## **Block 4: Services and the Marketing Mix – II**

### **16.11 Self-Assessment Test**

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1. Service personnel can be classified in many ways. Discuss the various classifications of service personnel.
2. Employees working in service organizations face some unique problems at work. What are the problems faced by the service personnel in organizations?
3. In a service organization, as service personnel interact with a lot of people and sometimes need to deal with exceptional circumstances, conflicts are inevitable. Describe these conflicts in detail.
4. In service organizations, the basic human resource functions like recruiting, motivating, training, and retaining people gain greater prominence. What are the people strategies followed by service organizations?

### **16.12 Suggested Readings/Reference Materials**

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1. Jochen Wirtz, Christopher H. Lovelock (2021). 'Services Marketing: People, Technology, Strategy' (Ninth Edition), World Scientific Publishing Co Inc. (USA).
2. Valarie A. Zeithaml and Mary Jo Bitner (2018). Services Marketing: Integrating Customer focus across the Firm. Seventh edition. New Delhi: McGraw-Hill Education.
3. Dr Ravikumar K (2020). 'Marketing and Services Management', Notion Press.
4. Dr. Subramaniam Seshan Iyer (2021). 'Marketing of Healthcare Services: A reference book', Notion Press.
5. Dr Manita Matharu, Dr Manish Joshi and Dr P Jagadeesan (January 2022). 'Service Marketing', Red'shine Publication Pvt. Ltd.

### **16.13 Answers to Check Your Progress Questions**

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#### **1. (a) Low contact service and high contact service**

Based on the level of interaction, service organizations and service personnel can be classified into low contact service and high contact service. Depending on the type of service provided and the kind of skills required, service personnel can be divided into consumer service employees and professional service employees. Depending on the frequency and length of the customer interaction, service personnel can be classified as contact personnel, moderate contact personnel, back office staff, support staff, and management.

#### **2. (b) Consumer service**

Consumer service employees offer services that require less of technical skills and more of task-related skills. However, they need to have good

inter-personal skills because they need to communicate with customers, identify their needs, assist them in decision-making and solve their problems if needed.

**3. (c) They offer services that require higher-level skills and expertise**

Professional service personnel offer services that require higher-level skills and expertise. These employees need to have in-depth subject knowledge and strong technical skills coupled with good communication and inter-personal skills. Hence, other options are incorrect.

**4. (a) Customer- Employee Conflict**

In the given situation, first, there was a conflict between the customer and the organization. The client feels his claim is justified because the shop was closed on the day which was the deadline for the return of the product.

**5. (c) A sales executive concealing information about defective product quality from the customer**

Sometimes, a client may enter a conflict with the organization because of the organization's policies and procedures. In the given situation, the sales executive, the representative of the organization, concealed information about defective product quality from the customer. Thus, it is an instance of organization-client conflict.

**6. (d) Quality versus productivity conflict**

To deliver quality service to customers, service personnel need to work in a team and cooperate with each other. If service personnel fail to do so, it can lead to inter-personal conflict and affect the service quality too. In the given situation, the hospital asked the doctor to provide individualized and effective treatment to patients, and at the same time, be productive. This might not be possible.

**7. (a) Individual-role conflict**

When the job requirements contradict the job incumbent's personality, role conflict arises. In the given example, Sunil being an ethical person finds it difficult to generate business for his company using unethical means. Thus, there is an individual-role conflict.

**8. (c) Firing**

The basic human resource functions in any organization are recruiting, motivating, training, and retaining people. In service organizations, these functions gain greater prominence because of the nature of work of employees, the stress they experience. Firing is not a basic function. It is one of the HR tasks performed when required.

#### **Block 4: Services and the Marketing Mix – II**

##### **9. (b) Empower Employees**

Service organizations need to empower employees so that they can serve the customers better. Many organizations allow their customer service representatives to take decisions related to compensating the customer for service failure, and speeding up the service process in special situations, etc.

## Unit 17

# Process in Services

### Structure

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- 17.1 Introduction
- 17.2 Objectives
- 17.3 Characteristics of Service Process Design and Implementation
- 17.4 Types of Processes
- 17.5 Planning a Service Process
- 17.6 Service Blueprinting
- 17.7 Factors Influencing Process Efficiency
- 17.8 Service Positioning through Structural Change
- 17.9 Summary
- 17.10 Glossary
- 17.11 Self-Assessment Test
- 17.12 Suggested Readings/Reference Materials
- 17.13 Answers to Check Your Progress Questions

*“A company can seize extra-ordinary opportunities only if it is very good at the ordinary operations”.*

- Marcel Telles

### 17.1 Introduction

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In the previous unit, we discussed the role played by people in services. In this unit, we will discuss ‘process’ in services.

Process is an element of the extended marketing mix of services marketing. A process outlines the procedures and methods to be followed to produce and deliver a service. It also determines the extent of customer involvement and participation required in service creation and delivery. Processes adopted by service organizations determine the quality of service operations and customer experience. Therefore, process explains a series of activities, their sequence, and the role to be played by the service provider, the intermediaries, and the customer. It plays an important role in determining the quality of service design, production, and delivery.

It is not possible to differentiate production from delivery in services as they are inseparable in nature. Therefore, process includes all the activities related to production as well as delivery of the service. Further, processes need the complete dedication and commitment of the service personnel in order to be completed successfully.

## **Block 4: Services and the Marketing Mix – II**

Companies, not only in the manufacturing sector, but in the service sector as well, gain a competitive advantage over other players with improved processes. A well-designed and well-executed process increases operational efficiency, offers convenience to customers, reduces the cost of offering services, and improves the efficiency of service delivery. Effectively, it helps in achieving the goal of customer satisfaction.

This unit will discuss the characteristics of service process design and implementation and the types of processes and the steps involved in planning a service process. It will go on to cover service blueprinting, factors influencing process efficiency, and service positioning through structural change.

### **17.2 Objectives**

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After studying this unit, you should be able to:

- State the characteristics of service process design and implementation
- Find out the different types of processes
- Discuss the important decisions to be taken by a service provider in planning a service process
- Define service blueprinting
- Recognize the factors influencing process efficiency
- Explain service positioning through structural change

### **17.3 Characteristics of Service Process Design and Implementation**

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Service businesses have unique characteristics. Hence, these companies should consider the following aspects while designing service processes and implementing them.

- **Divergence:** Often, service providers adapt their services to match customer needs, as a single service might not cater to all. The degree, to which a service provider can vary services, deviating from the standard service, is known as divergence. Divergence provides an opportunity for the service providers to customize services for their customers and serve them better. For example, many tourism companies customize their holiday packages according to customer needs.
- **Complexity:** The process of creating and delivering a service involves many activities. While some activities might be quite simple, others can be quite complex. The complexity of a process should take into consideration the contribution of the different activities to service quality. The activities that contribute to service quality in an interaction between a banker and a customer may include the friendliness shown by the banker, his/her knowledge about the products, the speed at which the service is offered to the

customer, etc. At the same time, the number of activities in the production and delivery of a service increase with the increase in divergence i.e., complexity increases with divergence.

- **Service location:** The nature of the service being offered largely determines the service location. Services can be delivered at the service provider's location, at the customer's location, at a neutral location or virtually, depending on their nature. For example, customers can either visit a hotel to have dinner or they can order home delivery. In the former case, the service location is the hotel, and in the latter, the customer's home is the service location. A tourist operator offers his services at the tourist spot, which is a neutral location. A banker offers his services virtually when he provides internet-banking facilities to customers. Therefore, service location depends on the alternatives available to the service provider and the customer.
- **Customer participation and interaction:** Service processes should be designed depending on the extent of interaction with the customer and his participation in service production and delivery. The level of customer interaction and participation differs from service to service. For example, the level of interaction between a banker and a customer is negligible in mobile banking transactions while the level of customer participation is high in deciding and ordering a menu for a wedding. It can also differ from channel to channel for the same service. The perceived quality of a service is enhanced if a customer has prior knowledge of the service process. For example, a customer who has an idea about the check-in process at an airport will be more comfortable and can appreciate the improvements made by the airline in the process, when compared to a customer who has no knowledge of the check-in process.

**Example: Service Location iBox' @ ICICI Bank**

ICICI Bank launched a unique self-service delivery facility called 'iBox' in 2020. Using this facility, customers can avail various banking services including collecting their debit card, credit card, cheque from a nearby branch.

The 'iBox' terminals are placed outside the premises of the branches, which can be accessed even after office hours. The customer gets an SMS about the status of the package through a completely automated process. These products can be collected by the customers at the time of their choice, on all days including holidays. With technological advancements in place banks have been relying on customer participation and self-service in serving their customers better.

Source: <https://www.gktoday.in/topic/icici-bank-launches-self-service-delivery-facility/>, February 3, 2020, accessed on May 21, 2022.



#### Block 4: Services and the Marketing Mix – II

- **The service itself:** Services can be either process-based or technology-based. *Process-based services* involve many activities that a customer must go through before obtaining the service. For example, a student aspiring to join an IIM (Indian Institute of Management) course or any other business institution must fill up an application form, take the entrance test and appear for an interview, group discussion, etc. before gaining admission. Process-based services involve many people, with high levels of interaction between them. The service provider has an opportunity to improve the quality of service at every step and in each interaction. On the other hand, *equipment or technology-based services* require very little inter-personal communication between a service provider and his customer. For example, internet banking, offered by many banks like ICICI, HDFC, GTB, etc. has almost eliminated the need for personal interaction between a service provider and his customer. Though technology-based services are efficient and convenient for customers, service providers lose an opportunity to enhance the quality of service through personal interaction. Further, any problem in the technological systems of the service provider affects the quality of service production and delivery too.

#### Activity 17.1

Comtec Educational Services Ltd., is a leading institution that has been providing personality development and communication skills training for the past two decades. With increased competition in the soft skills training market, Comtec plans to shift its service positioning by altering the structure of its service process. Discuss the different options available to Comtec if it has to achieve this objective.

**Answer:**

#### 17.4 Types of Processes

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Process has been defined differently by various disciplines like computer programming, decision theory, operations management, etc., in addition to marketing. Though the terminology used differs, the basic idea or the core concept remains the same. According to all these disciplines, including marketing, a process should involve logical steps that can be broken down to increase efficiency. It should have an element of flexibility, which would help in achieving different results to produce the desired outputs.

A service provider is required to have an understanding of the different processes available, and their applicability in the business. Many business decisions like layout, equipment selection, hiring service personnel etc. depend on the type of process chosen. Let us now discuss the two types of processes available for a service provider.

#### **17.4.1 Line or Flow Operations**

In this type of process, the activities required to produce and deliver a service are arranged in a logical flow or assembly line (as it is called in manufacturing units). High coordination among personnel and speed of operation are necessary for the process to run smoothly. In this process, the output of a particular stage becomes an input for the next stage in the process. However, the disadvantage of this type of process is the inflexibility involved. The process cannot be modified to suit fluctuations in demand or to offer customized services. This process should be adopted by services which require continuous operations to produce a standardized service without any deviations. For example, a French Fries chain prepares fresh French fries in five minutes; the chain follows line operations, as the chopped potatoes are fried in a machine and then processed in another machine to be salted. This process is applicable to fast food restaurants and can be adapted to suit specific needs. In this process, either a customer moves along with the operations from one counter to another as in a bank, or remains at one place and services are delivered one after the other, as in a restaurant.

#### **17.4.2 Job Shop Process**

In contrast to line operations, a job shop process determines the activities and their sequential arrangement based on the type of job at hand. This process is quite flexible and can be used to offer various types of services that need a similar set-up. For example, in a coffee shop, the same set-up can be used to serve a Cappuccino, a Café Latte, or an Espresso. Therefore, it provides an opportunity for service providers to customize their services according to customer needs. As customization of services involves a larger number of separate activities, this process demands more service personnel. Further, all the service personnel have to be trained to perform the various activities involved. This is an advantage as they can replace other absent workers. On the other hand, it has the disadvantage that none of the personnel will be specialized in a particular operation. Examples of service industries that follow the job shop process include work force recruiting firms, management consultancies, etc. These firms have to customize their services according to the requirements of their clients.

### **17.5 Planning a Service Process**

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A service provider has to take many decisions regarding the use of technology, people, materials, and equipment in serving his clientele. Most of these decisions are taken while planning the service process, which is in turn determined by the type of service offered and customer requirements. Let us now discuss the

#### **Block 4: Services and the Marketing Mix – II**

important decisions to be taken by a service provider in planning a service process.

- **Technology:** A service provider needs to look into different aspects of the available technology and the extent to which it needs to be upgraded for delivering the desired services at the expected quality. For example, banks that are planning to introduce Internet banking should analyze the available technologies, and upgrade their systems to offer services through the Internet.
- **Conversion process:** A service provider is required to choose a method of converting inputs into the desired output from the pool of alternatives available. For example, a bank can communicate with its customers through direct mail, facsimile, telephone, courier, Internet, mobile phone, etc. The choice should be based on the organization's ability to bear the costs involved, customer preferences, the service quality level offered by each alternative, user-friendliness of each alternative and the speed at which it delivers the services.
- **Equipment:** A service provider should opt for equipment that is compatible with the other systems in the process. He should also analyze the extent to which it is useful in the process, compare its operating costs with the resultant benefits, assess the knowledge required by the operators to work with the equipment and finally, estimate its maintenance costs. This will help in choosing the right equipment for the process.
- **Flow of process:** Process flow determines the flow of work from one stage to another to produce the final output. It involves the logical arrangement of service personnel and equipment to perform the operations according to the process. For example, McDonalds has a well-laid process flow with service personnel operating the equipment to deliver the standard services on time. Generally, companies use flow charts to develop the process flow.
- **Service personnel:** Service personnel play an important role in production and delivery of services. In fact, they provide a competitive advantage to the service provider. A service provider should, therefore, be careful to hire the right people in terms of qualification and skills. He should then give them the right jobs to do, train and develop them continuously, and motivate them to deliver the best quality service.
- **Service location:** As services are intangible in nature, customers attach importance to the service location. They perceive it as an evidence of the quality of service offered. Therefore, service providers should choose a location that is easily accessible to customers, has a good infrastructure and the right atmosphere. For example, movie theatres like PVR which are located in big malls have a locational advantage. Customers visit shopping malls for recreation and shopping. Hence, it is in an ideal location for state-of-the-art movie theatres.

- **Layout design:** Layout involves decisions regarding both production process and front office layout. An ideal design uses the space available to the maximum extent, minimizing the movement of goods/people, and increasing customers' convenience. Finally, it should be pleasant and encouraging for the service employees as well as the customers. For example, the layout at an airport should place the luggage weighing equipment, ticketing counters, check-in counters, security check equipment, passenger and visitor lounges, and coffee shop in such a way that it increases the productivity of airport personnel by reducing the time and efforts involved, and also offers convenience to customers.
- **Organizational structure:** Decisions under organizational structure determine the extent to which processes need to be standardized. They also determine whether an informal or formal organizational structure is to be adopted, whether decision-making is to be centralized or decentralized and how the organization is to be structured.

**Example: Services Process Planning @ Manipal Hospitals**

In March 2022, Manipal Hospitals announced that it will use Google's Fitbit wearables and a remote monitoring platform to check patients recovering after high-risk surgery. Manipal Hospitals said it signed a strategic partnership with the fitness products company, ConnectedLife. "Through this partnership, we are expecting post-surgery care to become seamless, as wearable technology will help us monitor certain critical parameters of patients who have undergone total knee replacement surgery, angioplasty, cardiac bypass surgery, and other high-risk surgeries," said Sudarshan Ballal, chairman of Manipal Hospitals. The devices will read and record patient data such as heart rate, oxygen saturation level, sleep quality, steps, and pain score before and after the surgery. The captured data will be shared on the ConnectedLife platform for the doctors to assess. Service providers like healthcare providers too need to take decisions regarding use of technology while planning their service process, to attain sustainable competitive advantage in the industry.

Source: <https://www.livemint.com/technology/manipal-hospitals-to-use-fitbit-wearables-11647545267293.html>, March 18, 2022, accessed on 21/05/22

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**Check Your Progress – 1**

1. General Insurance companies offer customers insurance policies that are customized to meet their specific needs. What characteristic of service process design and implementation are we talking about?
  - a. Complexity
  - b. Technology

#### Block 4: Services and the Marketing Mix – II

- c. Conversion process
  - d. Integration process
  - e. Divergence
2. Identify the statements that do not hold true about process-based services and technology-based services.
- a. Process-based services involve very few people with high levels of interaction between them
  - b. Process-based services involve many activities that a customer must go through before obtaining the service
  - c. Technology-based services require very little inter-personal communication between a service provider and his customer
  - d. Though technology-based services are efficient and convenient for customers, service providers lose an opportunity to enhance the quality of service through personal interaction
  - e. Process-based services are a step-by-step design of service processes to effectively deliver the service to the customer
3. Which key characteristic of service process design and implementation enables a service provider to vary services that deviate from the standard service?
- a. Service
  - b. Divergence
  - c. Complexity
  - d. Customer participation and interaction
  - e. Conversion process
4. Which of the following statements is not true regarding line or flow operations?
- a. In this type of process, the activities required to produce and deliver a service are arranged in a logical flow or assembly line
  - b. In this process, the output of a particular stage becomes an input for the next stage in the process
  - c. The process is flexible and can be modified to suit fluctuations in demand or to offer customized services
  - d. High coordination among personnel and speed of operation are necessary for the process to run smoothly
  - e. The process is inflexible and there is no need to arrange the activities.

5. Which of the following statements are false regarding job shop process?
- a. It determines the activities and their sequential arrangement based on the type of job at hand
  - b. This process is quite flexible and can be used to offer various types of services that need a similar set-up
  - c. It provides an opportunity for service providers to customize their services according to customer needs
  - d. Customization of services involves only a few separate activities and so this process demands fewer service personnel
  - e. Often it enables completion of tasks at a faster pace

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**Activity 17.2**

Keystone Engineering Company, a US-based aerospace manufacturing and design company, supplies launch vehicles and spacecraft components to the world's aerospace market. The manufacturing software that Keystone currently uses carries out scheduled production without considering the capacity limitation of the machines and this leads to irregular customer delivery schedules and high production costs.

Keystone plans to install software that can develop an accurate scheduling system to help their managers deliver products to customers on pre-determined delivery dates and reduces cost overruns. Identify the type of service process involved here. What aspects should Keystone keep in mind while purchasing the software for planning its manufacturing process?

**Answer:**


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**17.6 Service Blueprinting**

A service blueprint depicts the entire service process on a map and shows the various stages of customer interaction with the service provider, and provides minute details of the service delivery processes, the tangible evidence of the service, and the people involved in carrying it out. Blueprinting helps in breaking up the service delivery process into a series of logical steps. Blueprinting can be used in either designing or redesigning service products. Let us now discuss the various elements of blueprinting.

## Block 4: Services and the Marketing Mix – II

### 17.6.1 Elements of Blueprinting

These elements are discussed by Zeithaml and Bitner in 'Services Marketing'. The complexity of the service determines the type of symbols used and the number of lines in the blueprint. However, the rules in sketching the blueprint are not rigid. The following are the various elements of a blueprint:

- **Customer role:** This element involves all the steps a customer goes through in selecting a service, purchasing it, consuming that service, and finally rating it. For example, a customer visits a restaurant depending on the type of food he wants to eat and his financial position, he interacts with the service personnel in the restaurant and orders the food, he consumes the food, pays the bill, offers a tip. Finally, he evaluates the whole experience.
- **On-stage and backstage employee actions:** Onstage employee action can be any activity performed by the service employee that can be seen by the service personnel. On-stage employee action may include the way a waiter takes the order, the way he serves, etc., which can be seen by the customer. On the other hand, backstage employee actions include those activities performed by the service personnel, which are necessary to support the onstage service personnel. Backstage employees are involved in preparing the food for the customers, arranging them, billing the service, etc.
- **Support processes:** A service blueprint maps all the support services, activities, or processes that help the service personnel in producing and delivering the services. For example, a hotel may provide training for its service personnel (both onstage and backstage) on the aspects of service creation and delivery. This training is a support process.

Some standards have to be followed in preparing a service blueprint so that there is consistency in developing and reading it. If no standards are followed, it might be difficult for an organization to understand a blueprint prepared a few months/years earlier. The various elements discussed in the above section are separated in a service blueprint by three horizontal lines. This notation helps in understanding a blueprint.

- **Line of interaction:** The first horizontal line shows the points of interaction between the service personnel and the customer. If a vertical line passes through a horizontal line, it shows that a direct contact between a customer and service provider has taken place.
- **Line of visibility:** The second horizontal line, line of visibility, divides the service processes that are visible to the customer from those that take place backstage. This line divides the onstage and backstage employee actions.
- **Line of internal interaction:** The third horizontal line is the line of internal interaction, which divides the internal processes that assist the service personnel in producing and delivering the service. When a vertical line passes through a horizontal line, it represents an internal service encounter.

### 17.6.2 Reading a Service Blueprint

A service blueprint can be read in different ways depending on the basic purpose for which it is read and interpreted. If the objective is to maximize customer experiences in the customer purchase journey, then the blueprint can be read from left to right. The basic purpose here is to track the sequence of events in the customer action area. The service provider can assess the service process laid out in the blue print by asking certain basic questions like: What does the customer do first and how does he initiate the service enquiry and what choices does the customer make and so on.

When the purpose is to optimize the service processes and to understand the role played by service personnel, then the blueprint can be read horizontally. The service provider needs to focus on all the activities above and below the line of visibility. Here, one can go into minute details like how the action of the customer service personnel affects the other departments. One can gain insights on the interactions between back stage, on stage and support processes. Such an analysis reduces siloes and enables robust interactions.

The service provider can also make a comparative study of his own service company's service blueprint with that of competitors. Such an analysis helps in improving service quality perceptions.

If the purpose of the study is to understand gaps and failures, the service provider needs to understand who is doing what tasks and then diagnose the cause of the inefficiency.

Service providers can read and analyze the service blueprint and in the process improve the service processes to enhance customer satisfaction. Better communication between customers and employees and among employees can be enabled through such an exercise. The service company can thus better respond to customer needs by simplifying the processes reducing redundancies and strengthening vital links.

### 17.6.3 Developing a Service Blueprint

Developing a service blueprint is not an easy task and needs utmost attention. As the blueprint helps in analyzing the service process, in identifying areas of improvement and improving the service delivery, it has to be developed taking into consideration all the minute details and implicit conditions. The following steps are involved in building a service blueprint:

#### **Identifying processes**

This step involves identifying the various processes involved in producing and delivering a service. Identifying and analyzing minute details will help in gaining knowledge of all the components needed, which in turn helps to analyze the process in case of any deviations, and to control and improve the process.



#### **Block 4: Services and the Marketing Mix – II**

For example, if an error has been noticed in the software application that a consultant has to deliver to the client, the consultant can trace the problem to its source easily and fix it immediately if he has a service blueprint.

##### **Identification of the customer segment**

Identifying the various customer segments helps to recognize the needs of each segment. Therefore, it will be possible to draw up a blueprint according to the needs of these segments. For example, a retired person visiting a bank will have needs different from those of employed customers. The bank can identify these needs and redesign its service process to improve it.

##### **Mapping the customer's view**

The activities performed by a service customer in selecting, purchasing, consuming, and evaluating the service should be identified and included in the blueprint. By doing so, a service provider will be able to understand which activities add value to the customer and he can concentrate on improving those activities to enhance customer satisfaction. By this means, service personnel also understand what the customer actually needs and prefers in the service delivery process.

##### **Mapping the on-stage and back-stage employee actions**

The line of visibility and line of interaction in a blueprint will help a service provider define the roles of on-stage and back-stage employees. Mapping onstage and backstage employee actions will help the service provider identify the processes to be performed by the onstage and backstage employees and the coordination required between them to improve the service. This also helps in identifying the training needs of the employees.

##### **Identification of support activities**

The line of internal interaction determines the role of support activities in delivering the service. This eventually determines how the support activities have an effect on the customers. Therefore, it is very important to identify the role of support activities. For example, the role of an interior decorator who replaces the flowers in vases every alternate day in a hotel is important in delivering quality service.

##### **Adding physical evidence wherever possible in the service process**

This helps in identifying what a customer considers as physical evidence in each step of the process. For example, a doctor might not realize that the patients visiting a clinic consider a well-lit name board with the doctor's name and qualification as physical evidence. Once he gets to know this by using the service blueprint, the doctor can arrange for such a board and attract more patients.

**Example: Service Blue Print @ IKEA**

IKEA has created a blueprint of course of actions undertaken, for the “Online Personal Shopper” service it offered to its customers. On its website, it explained what a customer can expect through this solution. The flow of activities is as follows:

1. A 90-minute virtual call with a specialist IKEA co-worker.
2. Measurements of space, where IKEA furniture has to be placed, are collected from the customer.
3. Customer is guided for browsing through product ranges, idea on style and colors.
4. Customers’ needs, priorities and requirements are discussed.
5. IKEA expert and customer will go through the design layout together and discuss different options.
6. Once the customer finalizes, IKEA helps the customer to place orders.
7. Personal support is provided throughout customer’s shopping experience at IKEA.

A clear service blueprint enables service firms to add value at various steps of the customer journey.

*Source: [https://www.ikea.com/in/en/planners/design-your-dream-home-pub66945dd9?itm\\_campaign=planningjourney&itm\\_element=footer&itm\\_content=plannerpage](https://www.ikea.com/in/en/planners/design-your-dream-home-pub66945dd9?itm_campaign=planningjourney&itm_element=footer&itm_content=plannerpage), 2022, accessed on 21/5/22*

**Activity 17.3**

SGS Bank is a 50-year-old private sector bank with 0.5 million loyal customers. However, in the recent past it has witnessed an exodus of its customers to new generation private banks that offer technology driven services. To arrest the depletion of the customer base, SGS has decided to upgrade its technology and redesign its service offerings. The company wants to develop a service blueprint, which will guide it in redesigning its services. What steps should a bank take to develop a service blueprint?

**Answer:**


**17.7 Factors Influencing Process Efficiency**

An efficient process leads to quality service delivery and customer satisfaction. However, how does the service provider design an efficient process and execute it? There are various factors or elements that affect the effectiveness and efficiency of a process.

## **Block 4: Services and the Marketing Mix – II**

These factors are discussed below.

### **17.7.1 Planning**

Planning is the first stage in developing a service process and determines its effectiveness. Planning a service process should include various aspects like customer preferences, technological requirements, location and appearance of the service location, quality of service personnel, financial inputs, etc. Each of these should be analyzed and compared with the capability of the service provider before planning the process. For example, if a hotelier plans to include a complimentary massage in the process of serving his/her customers, he/she first needs to know how many customers would be actually interested in it. Then, he/she can plan the other factors involved.

### **17.7.2 Service Personnel**

Service personnel play a very important role in producing and delivering quality services. They add value to the service process with their knowledge, efficiency and cordial behavior. Further, service personnel are the people who can enhance the image of the organization in the minds of the customers. Therefore, service companies should give freedom and training to their employees to innovate and practise ways to satisfy their customers.

### **17.7.3 Technology**

Technology has completely transformed the way services are delivered to customers. Technological developments are especially evident in service industries like banking, hospitality, healthcare, financial services, travel, etc. These improvements add to the customers' convenience while using the service, and enhance the overall efficiency of the service processes. Internet banking, online reservation facilities, online status enquiries, ATM machines, video conferencing, etc. are a few examples of technological innovations in service industries. Further, technology has also helped in achieving unimaginable standards and results in the field of medical services. A service provider should continuously try to upgrade technology to match the latest standards and provide better services to his customers.

#### **Example: Technology and Decor**

The Yellow House Robot Restaurant is the first robot-assisted restaurant in Delhi NCR which was started on April 16, 2022. It is a multi-cuisine vegetarian restaurant in Noida and a part of the chain of The Yellow House which already has three restaurants in Jaipur. The ambience is a mix of modern and traditional. One section is painted with Rajasthani motifs, while the other has a modern bar setting. Technology adopted and the decor maintained in restaurants will persuade customers to try the service.

*Source: <https://www.cityspidey.com/news/17704/yellow-house-robot-noida-s-first-robotic-restaurant>, May 18, 2022, accessed on May 30, 2022*

#### **17.7.4 Location and Decor**

The location of a service outlet plays an important role in creating an image of the organization in the customers' minds and in providing tangible evidence to them. In recent years, the interior decor of a service outlet has also gained great importance. These changes can be seen in the posh and sleek interiors of many national, private, and international banks, hotels, hospitals, etc. Due to distinct characteristics of services (like tangibility, perishability, and variability), service providers have limited opportunities to attract and retain customers and set their services apart from competitors' services. However, marketers have found that a customer's opinion of a service can be changed by altering the messages received by his sensory stimuli (sight, sound, touch, and smell). Therefore, service providers should change the interiors of the service organization to attract and please customers.

#### **17.7.5 Customer's Role**

Customers derive greater satisfaction from a service when they play a bigger role in creating and producing the service. A customer's knowledge about the service also determines his expectations of the service. For example, a customer who is a frequent flier would estimate the service of an airline better than a customer who has boarded a flight for the first time. If the actual service delivered does not meet his expectations, then the customer is dissatisfied. Therefore, service providers should clearly lay down the processes based on the level of customer participation in the service creation and delivery. For example, a customer's involvement in choosing an insurance policy, determining the premium and the frequency of payment (half-yearly or annual) etc. depend on the level of his knowledge about the service. A customer who has no knowledge of insurance business and is only interested in an insurance or investment option might leave all the decisions to the service provider.

### **17.8 Service Positioning through Structural Change**

Processes are characterized by their complexity and divergence. Complexity involves the number of activities in a service process whereas divergence determines the extent to which the delivery process deviates from the standards. A service provider can change his service positioning by altering the existing structure of the service process. There are four ways to alter the structure - to either increase or decrease the complexity, and to increase or decrease divergence. Let us now discuss these four strategies.

#### **17.8.1 Reduced Complexity**

This strategy aims at specialization in certain service processes rather than concentrating on a wide range of services. Reduced complexity is to decrease or

## **Block 4: Services and the Marketing Mix – II**

cut down the number of functions or activities involved in a service process. This action enables a service provider to focus on a few service offerings, which in turn allows him to reduce costs, distribute and control the service easily. The service provider can also be positioned as a 'specialist'. However, a disadvantage of reduced complexity is the limited alternatives it offers and the high price of service due to specialization. Customers may switch on to competitors, as it is convenient for them to choose from a wide range of services.

### **17.8.2 Increased Complexity**

This strategy aims to penetrate the market either by offering new services or by adding more value to the existing services. This increases the complexity of the service process. For example, when a bank or a mutual fund company starts offering portfolio management services, it can be termed as increased complexity. The efficiency in offering services is increased as the revenues generated per customer are increased. However, customers will be confused if the services become too complex.

### **17.8.3 Reduced Divergence**

This strategy aims to reduce costs and increase productivity. Reduced divergence also makes distribution of services easier for the service provider. The advantages of this strategy include, providing quality service consistently and improving accessibility to the services. On the other hand, the disadvantages include: inflexibility in operations, leading to reduced customization. As a result, customers might prefer competitors offering customized services, even if they have to pay a higher price.

### **17.8.4 Increased Divergence**

This strategy increases flexibility in operations and customization of services. It enables a service provider to charge premium prices from customers and earn bigger margins. The service provider can tap a niche market by increasing divergence, and create a loyal customer base. However, on the negative front, service providers may face difficulties in controlling, managing and distributing services and the customers may not be willing to pay extra price for customization.

A service provider's job does not end with choosing a desired position in the market by altering the divergence and complexity of the service processes. He should continuously monitor and balance the marketing and operations functions to maintain the position. Operations and marketing are equally important in any industry. Though marketing is viewed as a more glamorous area, operations management assumes greater importance in service industry as the processes involve high customer contact and interaction.

**Example: Divergence Strategy @ Emirates Airlines**

Emirates Airline unveils its full Premium Economy offering onboard and on ground, and will open this cabin for sale from June 1, 2022. The new cabin class, which offers luxurious seats, more legroom, and a service to rival many airlines' business offering, will be available to Emirates customers traveling on popular A380 routes to London, Paris, Sydney from August 1, 2022, and Christchurch from December, 2022. Emirates is the only airline in the region to offer a Premium Economy cabin. Tim Clark, president of Emirates Airline, said: "As with everything we do, Emirates Premium Economy will be exceptional in its class, with minute attention given to every aspect of the customer experience." Emirates adopted an increased divergence strategy and is enabled to charge premium prices from its customers.

Source: <https://www.traveldailymedia.com/emirates-launches-premium-economy-experience/>, May 17, 2022, accessed on May 30, 2022

**Check Your Progress – 2**

6. Which of the following options regarding a service blueprint is not true?
  - a. Depicts the entire service process on a map.
  - b. Can be used only in designing of service products, and not in their redesigning.
  - c. Shows various stages of customer interaction with the service provider.
  - d. Provides minute details of the service delivery processes.
  - e. It is a planning tool that provides guidance on the smooth execution of various tasks to deliver services efficiently to customers.
  
7. What does a vertical line passing through a horizontal line represent in a service blueprint?
  - a. Line of interaction
  - b. Internal service encounter
  - c. Line of visibility
  - d. Line of internal interaction
  - e. Line of external interaction
  
8. Which of the following is not an element of blueprinting in a service process?
  - a. Onstage employee actions
  - b. Line of visibility
  - c. Customer role
  - d. Support processes
  - e. Backstage employee actions

#### **Block 4: Services and the Marketing Mix – II**

9. Which of the following is not a factor that influences process efficiency?
  - a. Technology
  - b. External environment
  - c. Planning
  - d. Location and décor
  - e. Customer's role
10. Which of the following strategies aims at specialization in certain service processes rather than concentrating on a wide range of services?
  - a. Reduced complexity
  - b. Increased complexity
  - c. Reduced divergence
  - d. Increased divergence
  - e. Increase in number of procedures

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### **17.9 Summary**

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- Process is an important element of the marketing mix that determines how a service should be created and delivered to the customer.
- The characteristics of a service process include: complexity, divergence, service location, customer participation, and the service itself – whether it is technology-based or process-based.
- The types of process include line or flow operations and the job shop process.
- The planning of a service process includes different elements like the conversion process, the equipment required, flow of process, quality of service personnel, service location, layout design, and the organizational structure.
- The service blueprint maps all the processes and elements involved in service creation and delivery including the service personnel and customers.
- The elements of service blueprint include: customer actions, onstage and backstage employee actions, and support processes to their minutest detail. Further, the interaction among these elements is explained through the line of interaction, line of visibility, and line of internal interaction. These will help a service provider to clearly read a blueprint and identify the activities that add value to the customer so that he/she can concentrate on such activities.
- Developing a service blueprint involves identification of the service, identification of the customer segments, mapping the service processes according to the customer's point of view, mapping the onstage and backstage employee actions, identification of internal support processes, and finally the physical evidence involved in service delivery.

- The factors that affect the efficiency of a process include planning, service personnel, technology, location, décor, and the customer's role.
- Further, a service positioning can be changed by structural changes by reducing or increasing divergence, or by reducing or increasing complexity of services.
- Finally, a service provider is required to know how to balance marketing and operation functions in a service organization for greater success, as both functions are equally important.

### 17.10 Glossary

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**Job Shop Process:** It determines the activities and their sequential arrangement based on the type of job at hand. This process is quite flexible and can be used to offer various types of services that need a similar set-up.

**Line or Flow Operations:** In this type of process, the activities required to produce and deliver a service are arranged in a logical flow or assembly line. The output of a particular stage becomes an input for the next stage in the process.

**Process:** It involves transforming a certain input into the desired output.

**Service Blueprinting:** It is the process of representing the entire service process in the form of a picture/diagram to ensure that all the steps in a service process are covered.

### 17.11 Self-Assessment Test

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1. In services marketing, a process outlines the procedures and methods to be followed to produce and deliver a service. Discuss the characteristics of service process design and its implementation.
2. A service provider needs to understand the different processes available and their applicability in the business. Explain the various types of processes. What are the decisions that need to be taken by a service provider in planning a service process?
3. The service blueprint maps all the processes and elements involved in service creation and delivery including the service personnel and customers. Describe service blueprinting. What are the steps involved in building a service blueprint?
4. There are various factors or elements that affect the effectiveness and efficiency of a process. Explain the factors influencing process efficiency.
5. "A service provider can change his service positioning by altering the existing structure of the service process." Validate this statement.



## Block 4: Services and the Marketing Mix – II

### 17.12 Suggested Readings/Reference Materials

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1. Jochen Wirtz, Christopher H. Lovelock (2021). 'Services Marketing: People, Technology, Strategy' (Ninth Edition), World Scientific Publishing Co Inc. (USA).
2. Valarie A. Zeithaml and Mary Jo Bitner (2018). Services Marketing: Integrating Customer focus across the Firm. Seventh edition. New Delhi: McGraw-Hill Education.
3. Dr Ravikumar K (2020). 'Marketing and Services Management', Notion Press.
4. Dr. Subramaniam Seshan Iyer (2021). 'Marketing of Healthcare Services: A reference book', Notion Press.
5. Dr Manita Matharu, Dr Manish Joshi and Dr P Jagadeesan (January 2022). 'Service Marketing', Red'shine Publication Pvt. Ltd.

### 17.13 Answers to Check Your Progress Questions

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1. (e) **Divergence**

General Insurance offers customized schemes to its customers. Often the standard service may not cater to the divergent customer needs and it becomes necessary for the service provider to customize the service to cater to customer needs. This initiative of varying the services to better satisfy divergent customer needs is known as divergence.

2. (a) **Process-based services involve very few people, with high levels of interaction between them**

All options are true regarding process-based services and technology-based services, except option (a). Process-based services involve many people, with high levels of interaction between them. The service provider has an opportunity to improve the quality of service at every step and in each interaction.

3. (b) **Divergence**

The degree to which a service provider can vary services deviating from the standard service is known as divergence. Divergence provides an opportunity for the service provider to customize services for his customers and serve them better.

4. (c) **The process is flexible and can be modified to suit fluctuations in demand or to offer customized services**

All the options are true regarding process, except option (c). The disadvantage of line or flow operations is that the process involved is inflexible. The process cannot be modified to suit fluctuations in demand or to offer customized services.

**5. (d) Customization of services involves only a few separate activities. So, this process demands fewer service personnel**

All the options are true regarding process, except option (d). In the job shop process, customization of services involves a larger number of separate activities. So, this process demands more service personnel.

**6. (b) Can be used only in designing of service products, and not in their redesigning**

A service blueprint depicts the entire service process on a map, shows the various stages of customer interaction with the service provider, and provides minute details of the service delivery processes and is a service operation planning tool. Only option 'b' which states that service blueprint cannot to be used for redesigning processes is not true. Blueprinting can be used in either designing or redesigning service products.

**7. (a) Line of interaction**

If a vertical line passes through a horizontal line, it shows that a direct contact between a customer and service provider has taken place. It is called the line of interaction.

**8. (b) Line of visibility**

The elements of blueprinting in a service process are customer role, onstage and backstage employee actions, and support process. These elements are separated in a service blueprint by three horizontal lines. Line of visibility is one of the three lines used for reading a service blueprint.

**9. (b) External environment**

An efficient process leads to quality service delivery and customer satisfaction. There are various factors or elements that affect the effectiveness and efficiency of a process. These are planning, service personnel, technology, location and décor, and customer's role.

**10. (a) Reduced complexity**

The reduced complexity strategy aims at specialization in certain service processes rather than concentrating on a wide range of services. It is to decrease or cut down the number of functions or activities involved in a service process.

# Unit 18

## Physical Evidence

### Structure

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- 18.1 Introduction
- 18.2 Objectives
- 18.3 Elements of Physical Evidence
- 18.4 Types of Physical Evidence
- 18.5 Significance of Physical Evidence
- 18.6 Summary
- 18.7 Glossary
- 18.8 Self-Assessment Test
- 18.9 Suggested Readings/Reference Materials
- 18.10 Answers to Check Your Progress Questions

*“Courteous treatment will make a customer a walking ad.”*

- James C Penny, the founder of JC Penny

### 18.1 Introduction

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As mentioned in the quote, quality of service personnel will build an image of the company which is important in the service sector.

In the previous unit, we discussed process in services. In this unit, we shall discuss physical evidence in services.

Services are intangible by nature. However, we rarely come across a service organization that does not offer any tangibles to its customers. We cannot imagine a bank without a single chair to sit down on, a coffee shop with dowdy interiors, or a star hotel without well-dressed service personnel. It is natural for people to judge the quality of service at a service provider based on the look of the office. These illustrations clearly establish the importance of tangibles or physical evidence in the services sector.

This unit will discuss the elements of physical evidence. It will then move on to cover the types of physical evidence. Finally, it will discuss the significance of physical evidence to service providers.

## 18.2 Objectives

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After studying this unit, you should be able to:

- Explain the elements of physical evidence.
- Discuss the various types of physical evidence.
- Recognize the significance of physical evidence.

## 18.3 Elements of Physical Evidence

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Services are low in search qualities, that is, they cannot be tested like products for their features or characteristics before using them. They are high in experience qualities, i.e., the quality of a service can be judged after it is utilized. For example, it is only after a beautician cuts and shapes a customer's hair that she knows whether the hair has been styled to her satisfaction. Some services are also high in credence qualities, i.e., the quality cannot be judged even after experiencing the service. For example, an organization might approach a consultant for implementing an ERP (Enterprise Resource Planning) system. However, even after implementation it will be difficult for the organization to judge if the system is the most suitable for its needs.

Owing to the above difficulties in judging service quality in the service sector, customers look for cues about the service provider's capabilities as soon as they enter the premises of the service centre. In addition, they take hints from things that are visible to the eye -- physical evidence. Some of the major elements of physical evidence are:

- Physical environment
- Modes and content of communication
- Price of the service
- Appearance and conduct of service personnel
- Tangible elements accompanying service
- Brand

Let us discuss these elements.

### 18.3.1 Physical Environment

The physical environment plays a very important role in customer satisfaction because it is perhaps the first tangible element that the customer comes into contact with, when he or she approaches a service provider. Research studies have shown that the overall service experience of a customer is determined not only by functional attributes but also by physical surroundings in the service location. Physical surroundings influence a customer's decision to revisit the service outlet,

#### **Block 4: Services and the Marketing Mix – II**

to a considerable extent. First, let us define physical environment. Usually, the following aspects will be included:

- Layout
- Atmosphere
- Aesthetics

##### **Layout**

Layout refers to the design of the service outlet. A services outlet should be spacious and provide comfortable seats in case customers need to wait a while to be attended on. Reception areas in most service locations have sofa sets and chairs to accommodate waiting customers. Seating arrangement should be convenient, so that a person can come out of his seat or go to it without disturbing others. Service providers should ensure that their outlet is not overcrowded, because this is one thing that customers dislike. Before building an outlet, the service provider should estimate the traffic and accordingly lease or construct the space. If a service outlet offers multiple services, there should be signboards pointing the way to different service counters. For example, a financial services company may have an investment advisor on the first floor, bonds section on the second floor and loans on the third. At the entrance, the company should put up a board indicating the services available on different floors. For staff, their designation should be clearly stated on a nameplate kept in front of his or her desk, or mark it out in the form of an identity card worn on the person. This will make it easy for a customer to contact the employee he or she is seeking.

In outlets that encourage self-service by customers, the service provider has to have a more spatial layout. The way machinery and furnishings are arranged, the level at which they are arranged (a person of average height should be able to use them comfortably) and the ease with which they can be used – all contribute to customer satisfaction. The functionality of the system is equally important. For example, an ATM machine should accept the customer's card and give the account details or the amount of cash, at the first attempt. If the machine fails frequently, despite the best layout, it would lead to customer dissatisfaction and irritation.

##### **Atmosphere**

Research studies have shown that purchasing decisions by customers are influenced by various elements of atmosphere at the service outlet like light, sound, smell and touch. Service outlets should provide a good lighting and ventilating system, play pleasant background music that appeals to target customers and ensure that the place smells fresh and nice. Apart from the seating arrangement, there should be facilities like safe drinking water and washrooms. The lighting should be bright, especially in service outlets such as retail stores, where customers would like to get a good look at the items before taking a purchase decision. In contrast, in a hotel, customers prefer the lighting to be a

little dim and not too harsh on the eyes. Visuals can also influence the customer's purchase decisions. In hotels or retail stores, light music played in the background relaxes the customers and encourages them to spend more time and therefore more money, at the store. However, music that is too loud might drive people out of the outlet. However, in discothèques, music is played at high pitch because they have a different set of customers and their purpose of visit is entertainment with music and dance.

Service outlets should also maintain the right kind of ambience where fragrance is concerned. Bakeries and restaurants can attract people by the natural aroma of their products. Supermarkets, textile showrooms or bookstores have to make an effort in this direction by spraying light perfumes, to maintain a fresh fragrance. They should not use strong perfumes because many people dislike strong smells and some people are allergic to them too. In service outlets like beauty parlors or health spas where customers have to wait for some time, cushioned seats, wall paintings and informative magazines should be kept in the waiting room. The right temperature should be maintained so that the customer does not feel uncomfortable.

### **Aesthetics**

A customers' decision to revisit a service outlet largely depends on its ambience. For example, some palaces in India, which have been converted into hotels, appeal to customers who delight in aesthetics. The quality of the flooring, the carpets, the material used in the furniture, the curtains, the designs on the ceiling, the paintings, the artifacts displayed, the glittering chandeliers, all these contribute to the experience. This is in addition to more basic aspects like employee uniform or smoothly finished walls. In hotels, the quality of the table linen and table ware also form part of aesthetics. Customers, who visit a service outlet for the first time, look out for these aesthetic aspects and form an opinion of the quality of service provided by the service personnel. To reiterate, service providers need to take care of aesthetics in their service outlets to impress first time customers as well as encourage customers to visit their outlet again.

**Example: Impact of Physical Surroundings in Service Locations on Customer Experience**

Platform 65 brings to customers the latest restaurant trend: A restaurant that serves food on toy trains with no waiters. At Platform 65, a customer simply places an order and gets his delicious food delivered to his table by a toy train. Not only that, but the entire restaurant ambience is designed as a train, from seats similar to the Tejas Express to fans similar to those seen in the trains. The ambience at Platform 65 will set customers in a nostalgic mood and ensure that the customer feels like he is actually traveling in a train. Physical surroundings in service locations impact customer experience to a greater degree.

Source: <https://platform65.in/>, 2022, accessed on May 22, 2022

## **Block 4: Services and the Marketing Mix – II**

### **18.3.2 Communication**

Let us move to the next aspect, communication. In big shopping malls and multiplexes, customers need to be guided to locate the items they want to purchase. Either an employee should be available at the entrance to provide the guidance, or signboards should be placed so that customers can help themselves. These boards should be located inside the service outlet as well as outside. At the entrance or outside the mall, customers should be directed to the parking space. Customers do not like to waste their time searching for a parking lot or asking people for help. If that is the case, they may just move on to another familiar store. Valet parking is a good value addition.

Once the customer steps into the service outlet, signboards indicating the way to different sections should be present where necessary. For example, if a textile showroom has different floors for different types of garments (silk, formal wear, casuals, men, women, kids, etc.), the appropriate signboard will help customers in locating where they want to go. Some service outlets also communicate the price they charge for each service clearly. This enables customers to choose the type of service they want to go for. For example, a beauty parlor may have a chart in its reception area, which displays the price charged for each service (waxing, facial, massage, etc.). Service providers also communicate with customers through various media using slogans, logos and commercials. They seek to make their services tangible through effective communication. For example, educational institutions advertise their spacious classrooms and campus, the highly qualified faculty, performance of past students, guaranteed placement, etc.

### **18.3.3 Price**

The price charged for service also gives a cue to customers about the quality of service offered by the provider. Premium prices are generally associated with superior quality service and low prices with average or low quality service. However, there is a limit to the high price a provider can charge customers. If it is so high that it cannot be justified through the quality of service, the customer will feel exploited. Customers would lose trust in the service provider and switch to a competitor, who may offer the same quality of service at a more reasonable price.

At the same time, if a service provider charges too low a price for his services, with the aim of cutting competition out, customers may perceive this to be an indication of low quality service. Quality conscious customers may turn away even if the service provider is actually offering the quality they desire. Therefore, service providers should be very careful in determining the cost of their services. They can conduct a market survey and gauge the average quality of service offered and the price charged for it in the market. Depending on these details and the demand and supply position in the market, they can design their service and price it to attract the target customers.

### **18.3.4 Service Personnel**

The appearance and behavior of service personnel makes a crucial contribution to the customers' perception of service quality. Service providers should have a proper dress code for employees. They should ensure that their employees are dressed in clean and attractive uniforms. Employees should not be unkempt. They should be clean-shaven, smart and smell good. For example, Star hotels like Taj and Oberoi also have a well-defined dress code for service personnel.

Customer oriented service, the helpful nature and obliging behavior of service personnel also adds tangibility to the service experience of the customers. For example, say a customer is in doubt as to what he should gift his young daughter on her birthday. If the sales representative helps him select a gift that his daughter likes very much, the customer's perception of the quality of the service offered by the store will go up. He will definitely remember the store the next time he wants to buy something. Some service personnel have excellent knowledge of the services offered by their organization. They also have good general awareness and can converse ably with customers. Customers who get into friendly conversations with such service personnel enjoy their company and will visit the service outlet frequently. For example, if an instructor in a gym has a good knowledge of music and the latest fashion trends, he can chat with his young customers and they will like it.

### **18.3.5 Tangible Products Accompanying Service**

Some service providers offer tangible products with the service as part of the service offering. For example, hotels provide free chocolates and bouquets in the rooms. This practice is being adopted by hospitals too nowadays to give the patient a feel good experience. Similarly, some educational institutes provide textbooks and books of readings to students. When quality service is accompanied with tangibles, it enhances the customer's overall service experience. Offering tangibles contributes to strengthening the bond between the customer and the service provider, enhances customer relationships and encourages customers to patronize their service providers repeatedly.

While we talked of optional tangibles above, sometimes tangibles are an essential part of service. For example, when a person buys a car insurance policy, he needs to be given the document specifying the policy number, the policyholder's name and details of the vehicle. If the person wants to claim insurance at any point of time, he needs to produce the document for the insurance company to honor his claim. Similarly, when a customer deposits his money in a fixed deposit scheme, the bank gives him a certificate specifying his name, amount deposited, date of maturity and maturity amount. The certificate will assure the customer that his money is safe in the bank and that he will get it in multiples on maturity. Nowadays, technology is replacing paper with electronic certificates, which eliminates the risk of losing documents.



## **Block 4: Services and the Marketing Mix – II**

### **18.3.6 Brand/Corporate Identity**

The brand adds tangibility to pure service. For instance, a person is more confident about handing over his car for repair to a company-owned service centre (like Maruti, Hyundai or Indica) than to a mechanic working by himself. The mechanic may be fully capable of servicing the car well but the brand value, which he lacks, makes the customer prefer a car company's services. Corporate organizations set specific standards, offer consistent quality of service and spend a considerable amount of money on building a brand and creating awareness among the people about it. Therefore, people can recall the brand and its associated benefits. As service is something that they cannot judge before using it, they look for an assurance of quality service. A brand offers them just that. Let us look at another example. When a corporate manager wants to conduct a meeting with his executives outside the organization, he looks for a good branded hotel that can provide the space and the amenities for the meeting. For example, the Taj, Mumbai is one of the best business hotels serving business travelers in India.

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### **Check Your Progress - 1**

1. Which of the following service marketing mix elements refers to the service delivery environment and also includes the tangible components that facilitate and enhance service delivery?
  - a. Process
  - b. Place
  - c. Price
  - d. Service/product
  - e. Physical Evidence
2. Which of the following is not a major element of physical evidence?
  - a. Location of service
  - b. Price of service
  - c. Physical environment
  - d. Conduct of service personnel
  - e. Tangible evidence like furniture etc.
3. The physical environment as an element of physical evidence is evident in all the following, except:
  - a. Layout
  - b. Atmosphere
  - c. Aesthetics
  - d. Use of color
  - e. Communications

4. A renowned hotel was booked for a marriage party. The hotel was in charge of everything starting from receiving the guests to their departure. It received all the guests by offering a bouquet to the elders and chocolates to the children. Which of the following aspects of physical evidence does this pertain to?
  - a. Brand
  - b. Physical environment
  - c. Aesthetics
  - d. Tangible products accompanying service
  - e. Layout
5. Theme parks like Disneyland use colorful signages, costumed employees, clean streets to contribute to the sense of excitement. Which of the following is not achieved by these symbolic cues?
  - a. Creates the right ambience and mood for service delivery
  - b. Communicates the quality of service experience to customers
  - c. Enables differentiation of service by creating brand identity
  - d. Justifies the price that customers pay for the service
  - e. Detracts customers from various elements of service delivery

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**Activity 18.1**

‘Coffee House’, a coffee bean exporter sensing the high market potential of coffee bars, is planning to launch a coffee bar chain in India called “Timepass”. It wants to position its coffee bar chain as an up-market leisure hangout for customers. As it lacks knowledge and experience in the coffee retailing industry, the company is undecided about the design aspects of the coffee bars. What decisions relating to the elements of physical evidence are to be taken by ‘Coffee House’?

**Answer:**


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**18.4 Types of Physical Evidence**

We now proceed to the next category – types of physical evidence. The physical evidence provided by service providers can be divided into two categories – essential evidence and peripheral evidence. Essential evidence, as the name

## **Block 4: Services and the Marketing Mix – II**

suggests, is an integral part of the service, without which the service cannot be delivered. Peripheral evidence, on the other hand, is offered as a gift to the customer. Let us discuss this in detail now.

### **18.4.1 Essential Evidence**

The physical elements that are an integral part of the service offer but are not passed on to the customer constitute essential evidence. In other words, without these elements, the service cannot be delivered. For example, when a person visits a health club, the instructor asks him or her to do different exercises on different equipment, according to requirements. However, the customer steps out of the gym without any tangible element in hand.

In some service organizations, elements of essential evidence are handed over to customers temporarily. For example, in a library, books are issued to members for a set period. Similarly, a car rental agency hands over the car to a customer for a few hours or days according to the agreement.

### **18.4.2 Peripheral Evidence**

The tangibles offered by service providers to customers, to confirm the delivery of service or as a simple gift, constitute peripheral evidence. For example, if a person eats at a restaurant, he receives a bill specifying the amount to be paid. The bill just confirms the service delivery and is not part of the service offering. A rose offered to a lady by the service personnel, after dinner in a restaurant, is also peripheral evidence. The tickets provided at a movie theatre or amusement parks, that enable the customer to gain entry into the complex, also constitute peripheral evidence.

#### **Example: Peripheral Evidence @ American Airlines**

American Airlines teamed up with leading lifestyle and skincare brands to develop an impressive set of stylish amenity kits. Its business class kits on long haul flights are created in collaboration with well-known leather accessory company. This is Ground. They come in four different designs, with four colors per design (16 combinations in total). The contents for all the kits are the same, and include skincare products from Allies of Skin, dental kit, eye mask, socks, earplugs, mouthwash, pen, tissue pack, mints, credit card pitch, and a discount code for some products. On transcontinental business class flights, American Airlines hands out kits designed by Los-Angeles based shoe company Athletic Propulsion Labs, which features skincare products from Zenology, an oversized eye mask, added FlyFit hydration pack and earplugs. The tangibles offered by a service provider act as peripheral evidence to quality service delivery.

*Source: <https://theluxurytravelexpert.com/2020/09/21/top-10-best-business-class-amenity-kits/>, September 21, 2020, accessed on May 30, 2022.*

## 18.5 Significance of Physical Evidence

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Physical evidence has great significance in marketing services, owing to their essential intangibility. By providing physical evidence to customers and adding tangibility to their services, service providers can derive many benefits.

Some benefits of offering physical evidence are discussed below:

- Increased productivity
- Creating good impressions
- Increased credibility
- Differentiation from competitors
- Service quality management
- Repositioning service

**Increased productivity:** By designing the service layout properly, that is, by placing the equipment / machinery in the right places and providing a comfortable seating arrangement, organizations can improve productivity. For example, a fast food outlet that does not expect (or want) customers to stay long will provide chairs that appeal to the eye, but are not very comfortable. Customers have their food and move out quickly, making way for new customers. On the contrary, big hotels, which want to encourage people to have an elaborate meal, provide cushioned chairs for comfort. Therefore, people stay longer, spend more and provide more business to the service provider.

The right kind of environment, temperature and ergonomic furniture also improve employee productivity. For example, an employee in an IT firm has to spend long hours in a chair in front of a computer. If the environment is not conducive in terms of the seating, ventilation or lighting, the uncomfortable and unhappy employee cannot concentrate on work and is likely to make errors. Comfort makes for better performance.

**Creating good impressions:** By using bright lighting, pleasant music and appealing furniture and décor, a service provider can impress first time customers. For example, when a person visits a doctor's clinic for the first time, he will notice the brightness of the room, its cleanliness, the comfortable chairs, and the promptness of the reception personnel, the quick service and sophistication of the equipment. If the first impression is positive, his perception of the quality of service offered by the provider will be good and he is more likely to visit the clinic again. Of course, the quality of treatment provided by the doctor is the most important aspect.

**Increased credibility:** Physical evidence also increases the credibility of service providers. For example, continuing the example of a doctor, if professional certificates, fellowships and certificates of appreciation are displayed in the

#### **Block 4: Services and the Marketing Mix – II**

waiting room, the credibility will go up. The customer will be assured that he is in safe hands. Similarly, a written guarantee given by the service provider will also increase credibility. For example, if a courier company specifies on the receipt issued to the customer on paying the service charge that it will give the money back if his package is not delivered within 24 hours, the customer will feel assured of the service provider's efficiency.

**Differentiation from competitors:** Physical evidence can also help a service provider differentiate his service from others. For example, if the service personnel at Retail Store A are friendlier, more helpful and knowledgeable than those at Retail Store B, customers will prefer to visit the former than the latter. Price can also be used as a standard for differentiation. For example, in the US, Southwest Airlines is able to attract huge customer traffic by offering quality service at low prices. Similarly, Indigo Airlines also offers a no-frills service at low prices and attracts customers from competitors on this route.

**Service quality management:** By taking care of minutiae like cleanliness of the table linen, cutlery, etc., in a hotel, the service provider can send a message to the customer that he/she cares for quality service. Say a customer drops some soup on the table and the service personnel immediately come to replace the linen, without waiting for the customer to ask, this suggests a high level of quality consciousness. Customers will realize that a service provider, who gives such importance to quality, will certainly deliver good quality core service. Their trust in the service provider will be strengthened further.

**Repositioning of service:** By making changes in the service outlet's physical environment or other tangibles, service providers can reposition themselves. This can be on a platform that is totally different from the earlier one. For example, a hotel, which offered economical packages for middle class customers, might want to reposition itself for business class customers. It can do so by restructuring the hotel, constructing a banquet hall for meetings, improving the interior décor of rooms and changing the hotel's external appearance. The hotel's location, amenities and services should then be communicated through the media to corporate customers. In addition, the hotel can hire marketing executives to present the new image impressively to the target customers.

#### **Example: Repositioning of a Railway Station**

Physical evidence plays a significant role in service delivery. The One Station One Product by Indian Railways adds tangibility to tourist or pilgrim places. Tirupati station to become South Central Railways' first station to implement 'One Station One Product'. In Union Budget 2022-23, the government announced the concept of "One Station One Product".

*Contd....*

This concept's main objective is to make each railway station a promotional hub as well as showcase destination for a local product. The move is expected to give a major boost to local industries by providing enhanced livelihood and welfare of tribals, local artisans, potters, weavers or handloom weavers, etc. The stations will act as a marketing channel in the form of an earmarked stall through which the local item distinct to the particular region will be sold, according to South Central Railways.

Source: <https://www.financialexpress.com/infrastructure/railways/indian-railways-move-to-boost-local-craft-tirupati-to-be-1st-scr-station-to-implement-one-station-one-product/2466416/>, March 21, 2022, accessed on May 30, 2022

**Activity 18.2**

Visit a corporate hospital in your city and observe the physical environment and service settings. Make a list of the tangible evidences and tangible cues and explain how it would benefit customers and shape their perceptions. Make a list of the primary and peripheral evidences and explain how customers benefit from each of them.


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**Check Your Progress - 2**

6. The cozy chairs, sofas, tables, bookshelves, paintings, wall hangings and the inviting look of Starbucks restaurant want people to spend longer time there and order for more coffee and food. Which of the following elements is enhanced by Starbucks to encourage people to visit again and spend longer time in their restaurants?
  - a. Brand identity
  - b. Brand image
  - c. Aesthetics
  - d. Communication
  - e. Brand perception
  
7. Which of the following is a suitable example of essential evidence?
  - a. Pens, notepads, files given in a seminar
  - b. Complimentary products like shampoo, toothpaste given in a hotel
  - c. Tickets to enter a museum
  - d. The different exercises performed by a person in a yoga class
  - e. Welcome drink served in a flight to customers

#### **Block 4: Services and the Marketing Mix – II**

8. Which of the following is not a benefit of physical evidence to service providers?
  - a. Increased productivity and credibility
  - b. Managing the customer service function
  - c. Differentiation from competitors
  - d. Service quality management
  - e. Increased credibility
9. The smell of bread, pastries in a bakery and the music played in a restaurant create a favourable environment for service delivery. Which of the following aspects of physical environment is highlighted here?
  - a. Appearance
  - b. Aesthetics
  - c. Price
  - d. Atmosphere
  - e. Tangible products
10. Madras Café has introduced the following to improve the restaurant's service to its customers. Which of the following is not an example of physical evidence of the service marketing mix?
  - a. Employee uniform
  - b. Employee Training
  - c. User Manual
  - d. The china ware in which food is served in a restaurant
  - e. Facility Design

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### **18.6 Summary**

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- Customers in the service sector attempt to take cues about the service provider's capabilities and the quality of service offered from the physical evidence available.
- The major elements of physical evidence include: the physical environment, the modes and content of communication, service personnel, the tangible elements accompanying the service, and the brand.
- The layout of the service center, atmosphere, and aesthetics constitute physical environment. A well-designed layout, maintenance of appropriate lighting, music and visuals, pleasant and attractive ambience of the outlet ensure that customers enjoy their service encounter.
- Placing signboards where needed and displaying the chart of service charges help customers serve themselves and improve their experience.
- Service providers should price their services right (neither too high nor too low) to attract customers.

- Some service providers offer tangibles like books or gifts to improve their relationship with customers. Service providers also need to invest on building the corporate brand, which conveys their image. Brand is another tangible considered by customers before purchasing a service.
- Physical evidence can be categorized into two types – peripheral and essential. Essential physical evidence is provided by those tangibles without which the service cannot be delivered. Peripheral evidence is provided by those tangibles given out by service providers as gifts.
- The important benefits offered by physical evidence are increased employee productivity, creation of a good impression among customers, increased credibility of the service provider, and differentiation from competitors, effective management of service quality, and repositioning of services.

### **18.7 Glossary**

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**Essential Evidence:** It constitutes the physical elements that are an integral part of the service offer but are not passed on to the customer.

**Peripheral Evidence:** It constitutes the tangibles offered by service providers to customers to confirm the delivery of service or as a simple gift.

**Physical Evidence:** It includes tangible accompaniments to the service like the uniforms worn by the staff of the service organization, the ambience in the lobby of a hotel, reports and brochures, business cards, and displayed certificates of service quality or appreciation.

### **18.8 Self-Assessment Test**

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1. Physical evidence allows customers in the service sector to take cues about the capabilities and the quality of service offered by the service provider. What are the elements of physical evidence?
2. The physical evidence provided by service providers can be divided into two categories – essential evidence and peripheral evidence. Explain these categories in detail.
3. By providing physical evidence to customers and adding tangibility to their services, service providers can derive many benefits. What are the benefits of offering physical evidence in services?

### **18.9 Suggested Readings/Reference Materials**

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1. Jochen Wirtz, Christopher H. Lovelock (2021). ‘Services Marketing: People, Technology, Strategy’ (Ninth Edition), World Scientific Publishing Co Inc. (USA).
2. Valarie A. Zeithaml and Mary Jo Bitner (2018). Services Marketing: Integrating Customer focus across the Firm. Seventh edition. New Delhi: McGraw-Hill Education.



#### **Block 4: Services and the Marketing Mix – II**

3. Dr Ravikumar K (2020). 'Marketing and Services Management', Notion Press.
4. Dr. Subramaniam Seshan Iyer (2021). 'Marketing of Healthcare Services: A reference book', Notion Press.
5. Dr Manita Matharu, Dr Manish Joshi and Dr P Jagadeesan (January 2022). 'Service Marketing', Red'shine Publication Pvt. Ltd.

#### **18.10 Answers to Check Your Progress Questions**

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**1. (e) Physical Evidence**

Physical Evidence refers to the service delivery environment and also includes the tangible components that facilitate and enhance service delivery

**2. (a) Location of service**

Some of the major elements of physical evidence are physical environment, modes and content of communication, price of the service, appearance and conduct of service personnel, tangible elements accompanying the service, and brand.

**3. (e) Communications**

The physical environment plays a very important role in customer satisfaction because it is perhaps the first tangible element that the customer encounters, when he/she approaches a service provider. It includes layout, atmosphere, and aesthetics.

**4. (d) Tangible products accompanying service**

In the given situation, the hotel offered certain tangible products accompanying service such as bouquets and chocolates. This was done to enhance the customer's overall service experience. Offering tangibles contributes to strengthening the bond between the customer and the service provider, enhances customer relationships, and encourages customers to patronize their service providers repeatedly.

**5. (e) Detract customers from the various elements of service delivery**

In theme parks like Disneyland, the service settings are designed with clean roads, colorful signages, brightly dressed employees to create the mood and the ambience for service delivery, to enhance service experience, to communicate quality and justify price. The objective here is to create the right mood so that guests get lost and involved in the fun. The objective is not to detract customers from various aspects of service delivery.

**6. (c) Aesthetics**

Customers look out for these aesthetic aspects and form an opinion of the quality of service provided by the service personnel. Service providers need to take care of aesthetics in their service outlets to impress and encourage customers to visit their outlet again. The sofa, bookshelves, paintings, furniture, etc. in Starbucks constitute the aesthetics of the restaurant.

**7. (d) The different exercises performed by a person in a yoga class**

The different exercises performed by a person in a yoga class is an essential evidence. All other examples like welcome drink served in a flight, tickets to gain entry into a museum, complimentary products given in a hotel, etc. are examples of peripheral evidence.

**8. (b) Managing the customer service function**

The benefits of physical evidence to service providers include: increased productivity, creation of good impressions, increased credibility and differentiation from competitors, service quality management, and repositioning of service. Option 'b', 'managing the customer service function' is not a direct benefit, because the customer service function needs to be performed by employees following various processes.

**9. (d) Atmosphere**

The lighting and ventilating system, music played, the smell of food etc., create the right atmosphere for service delivery. In a bakery, the smell of freshly baked bread creates an inviting and appealing atmosphere to the purchaser to buy bakery products.

**10. (b) Employee Training**

Employee Training would be a part of the 'People' element of the service marketing mix. Apart from Employee Training, the other options (Facility Design, Chinaware, Facility design, employee uniform) are typical examples of physical evidence.

## Unit 19

# The Service Setting

### Structure

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- 19.1 Introduction
- 19.2 Objectives
- 19.3 Service Setting Framework
- 19.4 Service Setting Types
- 19.5 Roles and Functions of Servicescape
- 19.6 Impact of Physical Surroundings on Customers and Employees
- 19.7 Service Setting and Consumer Behaviour
- 19.8 Environmental Dimensions of Services Settings
- 19.9 Summary
- 19.10 Glossary
- 19.11 Self-Assessment Test
- 19.12 Suggested Readings/Reference Materials
- 19.13 Answers to Check Your Progress questions

*“Light creates ambience and feel of a place, as well as the expression of a structure”.*

- Le Corbusier

### 19.1 Introduction

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“If you do build a great experience, customers tell each other about that. *Word of mouth is very powerful*” – Jeff Bezos, Founder, CEO and President of Amazon

In the previous unit, we studied how physical evidence provides customers the necessary tangible cues to evaluate services, which are intangible in nature. In this unit, we focus on service setting, which refers to the physical environment or the ambience in which the service is delivered. Most service organizations give importance to service setting. The importance of service setting gets underlined in those industries, where the customers are treated as guests like in hotels, airports, airlines, etc. In other words, in those industries where customers spend

substantial time in the service environment, the impact of service setting on customer experiences is significant. This unit, 'The Service Setting', is all about how service marketers can communicate strong positive messages and influence perceptions of service quality and service experiences through the physical setting, also called 'Servicescape'.

## **19.2 Objectives**

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After studying this unit, you should be able to:

- Define service setting and explain how it enhances the ambience where service is offered and fulfilled
- Elucidate the roles and functions of Servicescape
- Explain how Servicescape impacts and influences employee and consumer behavior
- Discuss the impact of dimensions of Servicescape on quality perceptions

## **19.3 Service Setting Framework**

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The tangible physical environment in which the service is delivered and experienced by the customer is known as 'Service setting'. Verderber and Reuman, (1987) in their research found that additions made to health care facilities and other changes in the physical environment could result in speedy recovery of the patients. In a hospital, changes made to the service setting can impact health indicators like blood pressure, anxiety, stress levels, and thus influence the overall recovery of patients. It goes without saying that a calm and soothing atmosphere can have a positive outcome on recovery. That is the reason why most rehabilitation centers are located in natural settings. Since time immemorial, people have always understood the importance of physical setting.

According to Biggers and Pryor (1982)<sup>2</sup>, the elements of physical evidence would definitely affect perceived performance and experience and this positive or negative perception could be independent of the actual outcome. In a typical health clinic, patients may pick up clues like level of hygiene, color of the walls, the quality of tile used on the floors, etc., as an indicator of the quality of services. These cues that the customers pick up may influence their rational, psychological and behavioral perceptions and responses. That is the reason why service marketers must focus on creating a suitable and favorable service ambience. By portraying a strong and consistent character and standardization of service environment, a strong brand identity can be communicated to various stakeholders.

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<sup>2</sup> Biggers, T., Pryor, B. (1982), Attitude Change: A Function of the Emotion-Eliciting Qualities of Environment, Personality and Social Psychology Bulletin. 8, 94-9

## Block 4: Services and the Marketing Mix – II

### 19.3.1 Atmospherics

According to Kotler (1974)<sup>3</sup>, people respond to a host of factors apart from the core tangible product while purchasing goods and services. As Kotler predicted in 1974, many marketers are presently using atmospherics as a tool to enhance customer satisfaction and drive repeat purchase. By atmospherics Kotler meant use of lighting, colors, sound, music, pictures, and artifacts to make the atmosphere appealing to the sense organs. The various dimensions of atmospherics are: visual dimension (color, brightness, size, shapes), aural dimension (sound, music), olfactory dimension – (perfume, freshness, aroma) and tactile dimension (temperature etc.).

Modern day restaurants use themes that captivate the mind of youngsters to give a unique dining experience for their guests. The service setting of Kaidi Kitchen (Kaidi means inmate of prison), a Chennai restaurant, launched in 2012, is based on the theme of a prison setting. The jail-themed vegetarian restaurant is a great hit amongst youngsters. HawaiiAdda, an airplane-themed restaurant, launched in 2015, has caught the imagination of the residents of Ludhiana. Buoyed by its success, the promoters have launched two other airplane themed restaurants in New Delhi.

#### Example: Atmospherics Setting

The Palace on Wheels luxury train takes travelers on a scintillating journey into the royal land of sand dunes and regal palaces. Voted as the 4th best luxury train in the world, the Palace on Wheels carries with it an intrinsic ambience that goes perfectly well with the majestic charm and beauty spread so lavishly across the Indian terrain. On the Palace on Wheels, the traveler's journey is full of exuberance and luxurious feeling. A perfect chance to relive the era when kings and queens ruled; when royalty spelt magic; when charm and mysticism was in the air. Each cabin has attached toilets, specially facilitated for the global luxury traveler with all modern amenities such as Wi-Fi, mini pantry, music channel, a safe, wall to wall carpeting etc. In total the ambience of the train thoroughly delights the traveler and gives a royal feeling throughout the journey.

Source: <https://thepalaceonwheels.com/aboutus.html>, accessed on 23/05/22

### 19.4 Service Setting Types

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Service setting differs based on the extent of support extended by staff to customers. Full service environment may require a more elaborate and complex

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<sup>3</sup> Philip Kotler, "Atmospherics as a marketing tool", Journal of Retailing, 49(4), January 1974

service setting to incorporate various activities. According to Bitner (1992)<sup>4</sup>, service organizations can opt for lean or elaborate service setting designs, depending on the nature of service offered. In the case of services like hospitals, schools, hotels, etc., a more elaborate and complex service setting may be required.

Driven by compulsions to reduce costs, more and more service organizations are focusing on self-service. Notwithstanding the heated competition in service markets, there are very few service organizations that provide world-class service. In the complex world of service markets, providing world class customer service through ‘Self-service counters’ is a unique challenge. Service setting for self-service environments need to be clean and simple so that the customer is able to operate on his/her own without any assistance. Thus, Servicescape plays an important role in determining the quality of service through self-service counters. In modern retail malls, the customer has the freedom to touch, feel and experience and choose the apparel of his choice. At the same time, in most malls, staff support is also available.

**Activity 19.1**

Choose two different fast food outlets: one which has a self-service environment and the other which has a full service environment. Study the service settings in both. List out five differences between the two, to explain how self-service environments have been designed to enable customers to access service without any assistance. Do you feel there is scope for improvement in the physical settings in the fast food outlets that you observed?

**Answer:**

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**19.5 Roles and Functions of Servicescape**

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Servicescape plays four major roles:

Servicescape:

- Helps package services
- Facilitates performance and delivery of service
- Aids socialization
- Helps differentiates service brand

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<sup>4</sup> Bitner, M. (1992), Servicescapes: The Impact of Physical Surroundings on Customers and Employees, Journal of Marketing. 56, 57-71.

## **Block 4: Services and the Marketing Mix – II**

### **Package**

Considering that most services have very little scope to showcase tangible products, Servicescape or physical settings serve as a means to package the service. Service setting here serves as evidence in the overall evaluation of the services offered. It communicates the outward appearance of the organization that influences the initial impressions that customers form about the organization. The packaging role also allows service organizations to communicate a certain impression or image through standardization of settings. Many organizations have employees uniform to create a consistent image of the service brand. Appreciating the strong link between the appearance of employees and service, airlines, hotels, retailers and even government service organizations update their uniforms in keeping with the latest trends.

### **Facilitating Performance**

Service setting also plays the role of a facilitator in aiding the performance of the persons in the environment. A well designed setting from a functional perspective will enhance the service experience of the customer. In a typical office, liaison officers, line managers have plush cabins to facilitate meaningful interaction with service staff and customers. In gymnasiums, the settings are designed to provide space and facilitate interaction between service staff and customers.

For instance, as soon as a customer enters Starbucks, he will be welcomed with the aroma of freshly brewed coffee, the buzz of a busy coffee shop and an amazing Broadway playlist being played in the background. He would also notice that there are various layouts for the furniture placements which are planned strategically. On one side of the lounge area, comfortable sofas are placed for people to have a quick business meeting or share innovative ideas about their new business proposal. While on the other side, tall tables or the large community tables are seen with people working on their laptops. People choose the respective seating arrangements as per their choice and requirement. This entire setup at Starbucks stores, along with the wooden textured interiors and dim yellow lighting creates a calm ambience making it a perfect space to work from and network at the same time. Well-designed servicescape facilitates performance.

A businessman commuting in a plane would appreciate the airline service, if the facilities are conducive to work and sleep. British Airways<sup>5</sup> has always pampered its Club World travelers by offering them a suite of services. While many airlines have withdrawn 'International First Class' in most of their flights, British Airways introduced a 'New Club World Cabin' in March 2019. The Club suite is the first of its kind as it is a suite with a door. The Super Diamond bespoke seats

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<sup>5</sup> <https://londonairtravel.com/2019/03/06/british-airways-first-class-dining-amenities/>

are positioned in the cabin to give each of the passengers direct aisle access. The Club World Cabins also provide for a privacy divider between two seats that can be pulled by guests manually when required<sup>6</sup>. First class guests would be provided new foam and microfiber mattress topper, day blanket and bolster cushion.

### **Aids Socialization**

The design of the service setting also facilitates socialization of both customers and employees. The design of the service setting can communicate hierarchy. Also certain areas are demarcated for employees alone and outsiders are not permitted.

Modern offices have games room, health clubs, etc., designed to provide space for office staff to socialize. Modern fast food outlets are designed to facilitate socialization. Café Coffee Day (CCD) that targets the Indian youth between 18 and 35 positioned itself as a cool and trendy hangout place for socialization.

### **Differentiator**

Servicescape also helps differentiate the service brand and facilitates meaningful communication to the target group to whom the service is intended.

The difference in the Servicescape of a five star hotel and a budget hotel provide various cues based on which customers comprehend differentiating factors. Retailers, banks, Hotels and restaurants often change physical settings to communicate repositioning of service brand.

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### **Check Your Progress - 1**

1. Which of the following is not a function performed by for a service organization?
  - a. Facilitates performance and delivery of service
  - b. Packages the service
  - c. Facilitates socialization
  - d. Helps differentiate brand
  - e. Directly communicates prompt and trustworthy service
2. Which of the following components influence a customer who notices dirty floor and unhygienic surroundings in a hospital?
  - a. Service providers
  - b. Physical settings or Servicescape

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<sup>6</sup> <https://thepointsguy.co.uk/news/ba-unveils-new-club-suite-product/>



#### **Block 4: Services and the Marketing Mix – II**

- c. Systems of the organization
  - d. Contact personnel
  - e. Hospital doctors and other service staff
3. Which of the following refers to a given consumer's or target market's perception of all the attributes associated with a retail outlet?
- a. Store atmosphere
  - b. Servicescape
  - c. Store image
  - d. Store ambiance
  - e. Store personality
4. Which of the following is NOT a factor affecting consumers' retail outlet selection?
- a. Outlet image
  - b. Retailer brands
  - c. Retail advertising
  - d. Outlet location and size
  - e. Number of levels of distribution
5. Which of the following refers to the physical surrounding or the physical facilities that enable efficient service delivery?
- a. Service scope
  - b. Servicescape
  - c. Service place
  - d. Service space
  - e. Location of the service organization

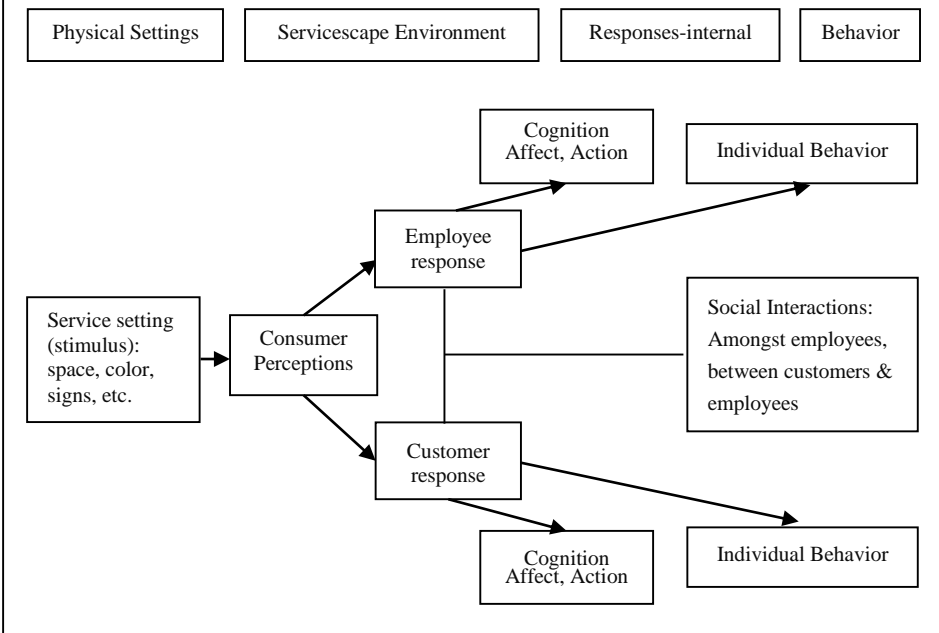
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### **19.6 Impact of Physical Surroundings on Customers and Employees**

Any mode of communication impacts the receiver at three levels: Cognitive, Affective and Conation (action) levels. Servicescape, which is used by service marketers to communicate differentiating features and benefits of the brand, also influences consumer behavior at these three levels.

The framework illustrated in Exhibit 19.1 explains how consumers and employees (the people of an organization) are influenced by Servicescape.

**Exhibit 19.1: Understanding impact of Servicescape on Employee and Consumer Behavior**



Source: Bitner, M., *Servicescapes: The Impact of Physical Surroundings on Customers and Employees*, *Journal of Marketing*, 56, 57-71, 1992.

Servicescape (stimulus) includes interior facilities like décor, signage, layout, furniture, temperature, overall ambience and the exterior facilities like landscape, car park, surrounding environment, etc. The physical environment (stimulus) in an organization influences the individual behavior of both the employees and the customers leading to favorable or unfavorable perceptions towards the brand. Particularly in the hospitality industry, guests first interact with the physical service environment even before interacting with the service agent. An individual’s cognitive perceptions here lead to emotional responses (happiness, togetherness, loneliness, etc.).

**Example: Impact of Service Setting on Customer Experience**

Klang Valley (Malay: Lembah Klang) is an urban conglomeration in Malaysia that is centered in the federal territories of Kuala Lumpur and Putrajaya, Hari Raya Aidilfitri, ‘the festival of the breaking of the fast’, a religious holiday celebrated by Muslims in Malaysia. There is a palpable feeling of excitement as Hari Raya Aidilfitri nears after two years of subdued celebrations due to the COVID-19 pandemic. Eager to attract shoppers, malls in the Klang Valley have put up decorations to replicate the ambience of their hometowns, usually with a traditional kampung setting.

*Contd....*

## Block 4: Services and the Marketing Mix – II

At Suria KLCC in Kuala Lumpur, there is a colourful replica of a kampung house sporting decorative lights in the centre court. Many visitors can be seen admiring and exploring the ensemble that harkens back to traditional Malay life. Service settings like this will impact consumer behavior to a great extent, and create a great customer experience.

Source: <https://www.thestar.com.my/metro/metro-news/2022/04/29/lively-roya-ambiance>, April 29, 2022, accessed on May 30, 2022

### 19.7 Service Setting and Consumer Behaviour

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The final behavior (individual response) as a result of favourable or unfavourable service setting is either attraction or repulsion. In the case of employees, favourable Servicescape leads to stronger commitment, affiliation and a longer tenure with the service organization. In the case of customers, favourable Servicescape leads to purchases, repeat purchases and favorable word of mouth recommendation and brand loyalty.

Service setting facilitates three types of interactions: customers with customers, employees with employees and employees with customers. These interactions if positive leads to strengthening of attraction and affiliation towards the organization.

Let us take the example of a casual shopper aimlessly strolling through a busy bazaar lane of Delhi. The signs, symbols and mannequins draped in beautiful dresses that constitute the Servicescape in the exterior of the shop attract the shopper. The shopper is perhaps in need of a new outfit for an occasion she wishes to attend next week and she is attracted to the shop. The movement towards the shop and the purchase of an outfit constitute the behavior directed at the Servicescape. Since the shopper is in a very relaxed mood, she may even converse and interact with other customers and the shopkeeper. Thus, the service setting elicits positive response of purchase, positive interactions by working on the customer at cognitive, affective and conation levels.

To conclude, students need to appreciate that service setting can elicit two kinds of responses: approach (like) and avoidance (dislike). A service organization needs to assess where exactly they stand on the scale of approach and avoidance and accordingly make modifications in the service setting.

### 19.8 Environmental Dimensions of Service Settings

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The physical settings in a service organization are enhanced by lighting, color, signage, style of upholstery and furnishings, layout, wall décor, temperature and a host of other factors. These factors have been classified under three broad categories: ambient conditions, spatial layout and functionality, signs, symbols and artifacts.

Consumers may notice and like or dislike individual features in the physical settings but their overall perceptions and judgments are generally holistic. Each dimension may interact with other dimensions and this in turn may affect the overall perceptions.

### **19.8.1 Ambient Conditions**

Ambient conditions can be broadly defined as an important dimension that influences perceptions and responses. It includes environmental features that relate to lighting, temperature, noise, music and scent. Sometimes the influence on ambient conditions may not be apparent and perceptible, but they may have a long-term impact (chemicals, gases in atmosphere) on the health of the individual.

Ambient conditions include characteristics that form a part of the background, but still they can be felt by employees and customers. The influence of very loud music, very high temperature, noise, etc. would influence the overall holistic perceptions, if they approach extremes or if they conflict with expectations. For instance, very loud music in a restaurant can irritate guests and affect the overall holistic perceptions. On the other hand, pleasant music can have a positive impact and make customers spend a longer time in the service environment. Research done on this subject suggests that music tempo can affect pace of shopping, length of stay and also purchase of products.)<sup>7</sup>.

The color and lighting in a service setting makes a huge difference to the ambient conditions. However, factors like the color of the walls, nature of the activity and the desired ambience and mood need to be considered before deciding on the level of lighting. Restaurant managers know that subdued lighting sets the right ambience for dinner time.

The desired level of lighting and vision would also depend on certain factors like the age of the employees and nature of activities (level of writing or reading activities).

Much like music, color too stirs up mood and emotions. Since time immemorial, different meanings are associated with colors in different cultures. Red is a hot color and people say, “I am red hot”, if they are very angry. They say “I am in the pink”, when they are in good health. A day in which everything goes wrong is described as black day.

The choice of color of the rooms in a service setting needs to be done carefully because color influences the mood and also determines how long a person spends in the room. Yellow, blue and green are soothing to the mind and they make the room appear bigger than its actual size and also creates a sense of warmth and relaxation.

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<sup>7</sup> Milliman, R. E. (1986). The influence of background music on the behavior of restaurant patrons. *Journal of Consumer Research*, 13 (2), 286–289

## Block 4: Services and the Marketing Mix – II

Colors according to Vaastu Shastra<sup>8</sup>, play a vital role in bringing balance to our mind and body. The hue (name of the color: red, blue etc.), value (the lightness or darkness of color) and chroma (the intensity or strength or purity of color) are the three elements while considering color combinations. Colors can do magic and according to Vaastu Shastra, they play a role in vitalizing the body with energy when used appropriately in workplace. Another consideration in choosing colors is to match the colors with the overall theme, thus harmonizing colors with the overall scheme of physical settings.

### 19.8.2 Spatial Layout

Spatial layout refers to the arrangement of furniture, machines and equipment in a service setting to enable performance of functions with ease. In service organization where direct service encounters take place, spatial layout is designed to create positive impressions leading to positive outcomes. Spatial layout must also facilitate accomplishment of the work or task and this is referred to as functionality. In self service environments, the importance of functionality is underlined. The spatial layout must be designed to help customers complete their task without seeking anybody's help or assistance. In this context, students must give a thought to the spatial layout of ATMs, self service restaurants and gasoline pump stations.

Symmetry, proportion, harmony, functionality and a host of other factors are considered while finalizing the appropriate layout for an organization.

The significance of facility and space layout is particularly important for service organizations belonging to retail, hospitality, education and leisure industry.

#### **Example: Spatial Layout @ IKEA**

IKEA showrooms use a “fixed path” layout — there's a designated road that customers must follow, and it guides them through the store in one direction. In most stores, customers only see about 33% of the merchandise on offer. But IKEA's fixed path approach means customers stay in the store longer, and they get exposed to most of the brand's products. By using a fixed path design, IKEA can methodically apply the Gruen Effect\* to their experience. Customers are overexposed to light, sound, color, texture, and even smell in the store. And when they've had enough, they've only made it halfway through the store. Once the Gruen Effect takes hold, customers throw things in the cart they never intended to buy but look attractive at the moment. Spatial layout is designed to create positive impressions leading to positive outcomes. Well-crafted spatial layouts create positive impressions leading to positive outcomes.

*Contd....*

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<sup>8</sup> <https://www.architecturaldigest.in/content/vastu-shastra-colour-therapy-home-increase-well-being/#s-cust0>

\*Gruen Effect: The Gruen Effect (also called the Gruen Transfer) describes the moment people enter a store and are engrossed in an intentionally overwhelming experience. This causes them to forget their original reason for going to the shop, so they tend to make more impulse purchases. Customers also lose track of time and become engrossed in this new experience.

Source: <https://www.choicehacking.com/2021/01/02/gruen-effect-ikea/>, accessed on 20/5/22

### 19.8.3 Signs, Symbols and Artifacts

Signs, symbols and artifacts are found both in the interior and exterior of a service organization. Signs like Name/logo of the company/store and display boards showing layout of building are found in the exterior. For instance, a golden arch is a symbol of McDonald's restaurant and this symbol that serves as a brand identity is found in the exterior of the store outlet.

Boards indicating direction (Entrance, Exit), rules of behavior (no smoking or keep children out of reach, etc.) appear both on the interior and exterior of the structure. Artifacts such as photographs and artwork may not communicate directly but convey very strong cues to customers about the values, orientation, culture and refined tastes of the service provider.

When customers are totally unfamiliar with a service organization, these clues serve as valuable inputs to help them form judgments about the organization. To sum up, it can be said that signs, symbols and artifacts provide valuable information to the consumers and guide them through the service delivery process.

#### Activity 19.2

Starbucks stores have different seating options for customers. Customers are provided comfortable sofas to be seated or lounge chairs. Customers also have the options of being seated outdoors. What is the purpose achieved through these different seating options? Make comparisons with a coffee shop (where the seating arrangements are pretty much standardized) to explain the purpose of seating options and other differing aspects of Servicescape.

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### Check Your Progress - 2

6. Which of the following cannot be categorized under ambient conditions?
  - a. Lighting
  - b. Colour

#### Block 4: Services and the Marketing Mix – II

- c. Signages, symbols & artifacts
  - d. Music
  - e. Scent
7. In which of the services, Servicescape is likely to have minimum impact on purchase decision?
- a. Five-star hotel
  - b. Air-conditioned library
  - c. Temple
  - d. Parking garage
  - e. Hospital
8. Which of the following is an example of 'Customer only' type of service setting, that facilitates a lean and simple service setting structure for customers to help themselves?
- a. Airline
  - b. Branch of a bank
  - c. ATM
  - d. Hospital
  - e. Five-star hotel
9. Why do leisure and entertainment services like movie theatres, amusement parks, health clubs, hotel resorts have elaborate service setting to impress the customer?
- a. Customers spend extended time in the service setting to maximize enhance user experience
  - b. In the case of these services, service quality is perceived based on promptness of service
  - c. The courteous behaviour of employees matters in the case of entertainment services
  - d. Customers spend shorter time periods but make repeat visits
  - e. Well structured layout facilitates better interaction with service personnel
10. In service organizations like health clubs, a spatial layout that facilitates 'customer-to-customer' interaction enables high customer satisfaction. Such a customer-to-customer interaction impacts customers at which of the following levels?
- a. Cognition
  - b. Affect or emotion
  - c. Conation or action
  - d. Primary level
  - e. Secondary level
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## 19.9 Summary

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- Servicescape or Service Setting plays a major role in influencing employee and consumer perceptions and experiences. The tangible cues provided by Servicescape in service organizations (where the tangible component in service offered is very low) is valuable and have the potential to determine their success or failure.
- There cannot be a set of rules to define how service setting should be designed, because it needs to be customized depending on the nature of service, customers and level of interaction and involvement expected of customers. Accordingly, Servicescape has a greater role to play in health, hospitality, education and entertainment sector.
- Self service outlets need to have a suitable service setting that facilitates consumers to access the service on their own without assistance.
- Servicescape influences employees and customers at cognitive, affective and behavioral levels. Environmental dimensions that include ambient conditions, service layout and signs, symbols, artifacts capture the complex nature of Servicescape.
- Atmospherics refers to the use of lighting, colors, sound, music, pictures, and artifacts to make the atmosphere appealing to the sense organs. The various dimensions of atmospherics are: visual dimension (color, brightness, size, shapes), aural dimension (sound, music), olfactory dimension (perfume, freshness, aroma) and tactile dimension (temperature etc).
- The physical settings have been classified under three broad categories: Ambient conditions, spatial layout and functionality, signs, symbols and artifacts.
- Managers in service organizations need to understand the powerful influence of service setting on both customers and employees and need to use this as a strategy to come out successfully in their businesses.

## 19.10 Glossary

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**Ambient Conditions:** Environmental characteristics of Servicescape such as lighting, temperature, music, scent and color.

**Elaborate Servicescape:** A complex service setting that incorporates many activities and requirements as in the case of hospitals, hotels, schools etc.

**Environmental Dimensions of Servicescape:** These include all the objective features that are a part of the Servicescape. These can be controlled and changed by the service provider to influence customer perceptions and behavior. They include ambient conditions, spatial layout and signs, symbols and artifacts.

**Internal Response to Servicescape:** Internal response to Servicescape can be at three levels: cognition, affective and behavior.



## **Block 4: Services and the Marketing Mix – II**

**Lean Services Cape:** Service setting that uses simple design. Suitable for self-service counters like gasoline pumps, ATMs etc.

**Olfactory:** Pertaining to the sense of smell.

**Physical Evidence:** The tangible cues or the evidence in the physical settings that consumers use to form judgments and take purchase decisions.

**Self-service Environment:** Here, the customer performs all or most of the activities relating to service delivery or purchase of the product. Eg. ATM, gasoline pumps.

**Servicescape:** The cues in a physical setting which shape the customer's perception and behavior.

**Spatial Layout:** Spatial layout refers to the way in which machinery, furniture and equipment are arranged in a service setting.

### **19.11 Self-Assessment Test**

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1. Think of a classroom environment (your school). What aspects of the classroom setting affect our senses, i.e., the ambient conditions?
2. In a fast food restaurant, what sign, symbols and artifacts are generally found? Take the example of Café Coffee Day and answer the question.
3. How does a service setting facilitates interaction in an organization? Take the example of a gymnasium and explain how the service setting facilitates interaction between support staff and customers.
4. Describe the difference between the Servicescape of a budget and five-star hotel.
5. What is the difference between elaborate and lean service setting? Illustrate giving examples.

### **19.12 Suggested Readings/Reference Materials**

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1. Jochen Wirtz, Christopher H. Lovelock (2021). 'Services Marketing: People, Technology, Strategy' (Ninth Edition), World Scientific Publishing Co Inc. (USA).
2. Valarie A. Zeithaml and Mary Jo Bitner (2018). Services Marketing: Integrating Customer focus across the Firm. Seventh edition. New Delhi: McGraw-Hill Education.
3. Dr Ravikumar K (2020). 'Marketing and Services Management', Notion Press.
4. Dr. Subramaniam Seshan Iyer (2021). 'Marketing of Healthcare Services: A reference book', Notion Press.
5. Dr Manita Matharu, Dr Manish Joshi and Dr P Jagadeesan (January 2022). 'Service Marketing', Red'shine Publication Pvt. Ltd.

### 19.13 Answers to Check Your Progress Questions

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**1. (e) Directly communicates prompt and trustworthy service**

Except option 'e', Servicescape performs all the four functions: facilitates performance and delivery of service, packages the services and facilitates socialization and differentiates brand. Servicescape can indirectly communicate quality of service, like the hygiene level in a hospital etc. However, aspects like prompt and trustworthy service can only be communicated by employees.

**2. (b) Physical settings or Servicescape**

A customer who notices unhygienic surroundings in a hospital is influenced by the physical evidence in the Servicescape.

**3. (d) Store ambience**

Store ambience refers to consumer's holistic perception of all attributes and characteristics of a retail store.

**4. (e) Number of levels of distribution**

Number of levels of channels of distribution do not affect store choice. This is because consumers may not have knowledge of the same.

**5. (b) Servicescape**

The physical facilities that facilitate creation and delivery of service is called Servicescape.

**6. (c) Signages, symbols & artifacts**

Signages, symbols and artifacts are a classification all by themselves. The other four options, lighting, color, music, scent, are a part of ambient conditions.

**7. (d) Parking Garage**

Parking Garage is a suitable example where service setting are more functional, and the ambience of the service setting has minimal influence on purchase decisions.

**8. (c) ATM**

ATM is a 'customer only' type of self-service setting. Therefore, the functionality dimension of the Servicescape is important. The Servicescape in ATM is simple, lean and has directions to help the customer complete the transaction.

#### **Block 4: Services and the Marketing Mix – II**

**9. (a) Customers spend extended time in the service setting to maximize user experience**

In the case of leisure and entertainment services, customers spend long period of time in the service premises. The longer they stay the greater the revenue for the service organization. Also, when customer experience is enhanced, they are satisfied and turn loyal customers.

**10. (b) Affect our emotion**

When customers interact casually in a conducive atmosphere, their social circle widens. Apart from the core fitness benefit, customers get to interact freely and are emotionally happy and favourably disposed towards the service.

# Services Marketing

## Course Structure

<b>Block 1: Introduction to Services Marketing</b>	
Unit 1	Service Economy Trends in National and Global Scenario
Unit 2	Understanding Services
Unit 3	The Nature of Services Marketing
Unit 4	Consumer Behavior
Unit 5	Customer Expectations and Perceptions
Unit 6	Listening to Customers
<b>Block 2: Strategic Issues in Services Marketing</b>	
Unit 7	Market Segmentation and Targeting
Unit 8	Positioning and Differentiation of Services
Unit 9	Managing Demand and Capacity
Unit 10	Role of Technology in Services
<b>Block 3: Services and the Marketing Mix – I</b>	
Unit 11	The Marketing Mix Elements
Unit 12	Product: Packaging the Service
Unit 13	Pricing Services
Unit 14	Promotion and Communication of Services
<b>Block 4: Services and the Marketing Mix – II</b>	
Unit 15	Place in Services
Unit 16	People in Services
Unit 17	Process in Services
Unit 18	Physical Evidence
Unit 19	The Service Setting
<b>Block 5: Maximizing Service Potential and Challenges for Senior Management</b>	
Unit 20	Internal Marketing
Unit 21	Service Failures and Service Recovery
Unit 22	Customer Relationship Management (CRM)
Unit 23	Developing and Managing the Customer Service Function
Unit 24	Globalization of Services