

SERVICES MARKETING

UNIT - 1 MATERIAL

Dr. THERA RAJESH

M.Com, MBA (MM), MBA (HRM), Ph.D.

Professor

Department of Management Studies

MBA Programme

Sir C R Reddy College PG Courses

Eluru – 534007

W.G.Dt. A.P

Cell.No: 9949726373

Email: therarajesh@gamil.com

MM- 305: SERVICES MARKETING

Unit - I: Topics

Introduction to Services Marketing: Importance and Characteristics of Services: Growth of Services Sector; Services in the Indian Economy: Services Strategy.

Introduction

A Service is an act or performance offered by one party to another. The service sector is becoming the primary source of wealth trade and growth throughout the developed world. The service sector plays a vital role in an economy and in shaping its future. The economies of the world are now dominated by services, which account for nearly two thirds of GDP and employment.

Services are not limited to service industries, services can be very profitable, and services are challenging to manage and market. Services represent a huge and growing percentage of the world economy.

In the simplest term, services are deeds, processes, and performances. The performance is essentially intangible. Services are an economic activity that create value and provides benefits for customers' specific time and places.

Definitions:

According to Kotler and Armstrong (1991)

A Service is an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.

According to the Service Industries Journal Defines:

Service as any primary or complimentary activity that does not directly produce a physical product, that is, the non goods part of transaction between buyer (Customer) and Seller (Provider).

According to Stanton:

Services are those separately identifiable, essentially intangible activities, which provide want-satisfaction when marketed to consumers and/or industrial uses and which are not necessarily tied to the sale a product or another service.

Importance of Services Marketing

In this, the Five Key facts are involved in the services Marketing.

- An overall perspective that guides decisions in all areas of Management.
- Customer Focus.
- A Holistic approach to cross-functions collaboration.
- A emphasis on quality and
- Internal development personnel.

The 8 Components (8Ps) of Integrated Service Management

Service Management draws insights from business practice and from marketing, Operations, HR, Service Quality Management, Organizational Theory and Economics.

Fig: The eight components of integrated (8Ps) Service Management:



Product Elements

Managers must select the features of both the core product and the bundle of supplementary service elements surrounding it, with reference to the benefits desired by customers and how well competing products perform.

Price

This component addresses management of the outlays incurred by customers in obtaining benefits from the service product. Responsibilities are not limited to the traditional pricing tasks of establishing the selling price to customers, which typically include setting trade margins and establishing credit terms. Service managers also recognize and, where practical, seek to minimize other costs and burdens that customers may bear in purchasing and using a service, including additional financial expenditures, time, mental and physical effort, and negative sensory experiences.

Place

Delivering product elements to customers involves decisions on both the place and time of delivery and may involve physical or electronic distribution channels (or both), depending on the nature of the service being provided. Messaging services and the Internet allow information-based services to be delivered in cyberspace for retrieval by telephone or computer wherever and whenever it suits the customer.

Firms may deliver service directly to their customers or through intermediary organizations like retail outlets owned by other companies, which receive a fee or percentage of the selling price to perform certain tasks associated with sales, service, and customer-contact. Customer expectations of speed and convenience are becoming important determinants in service delivery strategy.

Promotion

No marketing program can succeed without an effective communication program. This component plays three vital roles: providing needed information and advice, persuading target customers of the merits of a specific product, and encouraging them to take action at specific times.

In service marketing, much communication is educational in nature, especially for new customers. Companies may need to teach these customers about the benefits of the service, where and when to obtain it, and how to participate effectively in service processes. Communications can be delivered by individuals, such as salespeople and trainers, or through such media as TV, radio, newspapers, magazines, billboards, brochures, and Web sites.

Productivity

These elements, often treated separately, should be seen as two sides of the same coin. No service firm can afford to address either element in isolation. Improved productivity is essential to keep costs under control but managers must beware of making inappropriate cuts in service levels that are resented by customers (and perhaps by employees, too).

Service quality, as defined by customers, is essential for product differentiation and for building customer loyalty. However, investing in quality improvement without understanding the trade-off between incremental costs and incremental revenues may place the profitability of the firm at risk.

People

Many services depend on direct, personal interaction between customers and a firm's employees (like getting a haircut or eating at a restaurant). The nature of these interactions strongly influences the customer's perceptions of service quality.

Customers often judge the quality of the service they receive largely on their assessment of the people providing the service. Successful service firms devote significant effort to recruiting, training, and motivating their personnel, especially—but not exclusively—those who are in direct contact with customers.

Process

Creating and delivering product elements to customers requires the design and implementation of effective processes. A process describes the method and sequence in which service operating systems work.

Badly designed processes are likely to annoy customers because of slow, bureaucratic, and ineffective service delivery. Similarly, poor processes make it difficult for front-line staff to do their jobs well, result in low productivity, and increase the likelihood of service failures.

Physical Evidence

The appearance of buildings, landscaping, vehicles, interior furnishing, equipment, staff members, signs, printed materials, and other visible cues all provide tangible evidence of a firm's service style and quality. Service firms need to manage physical evidence carefully because it can have a profound impact on customers' impressions. In services with few tangible elements, such as insurance, advertising is often employed to create meaningful symbols. For instance, an umbrella may symbolize protection, and a fortress, security.

Services Mix Elements (7Ps)

Services marketing mix is predominantly governed by the 7 Ps of marketing namely Product, Price, Place, Promotion, People, Process and Physical evidence. The 7 P frameworks is one of the most popular frameworks for deciding a marketing strategy, right from strategy formulation to actual implementation.



The service marketing mix is also known as an extended marketing mix and is an integral part of a service blueprint design. The service marketing mix consists of 7 P's as compared to the 4 P's of a product marketing mix. Simply said, the service marketing mix assumes the service as a product itself. However it adds 3 more P's which are required for optimum service delivery.

The product marketing mix consists of the 4 P's which are Product, Pricing, Promotions and Placement. These are discussed in my article on product marketing mix – the 4P's.

The extended service marketing mix places 3 further P's which include People, Process and Physical evidence. All of these factors are necessary for optimum service delivery. Let us discuss the same in further detail.

Product

The product in service marketing mix is intangible in nature. Like physical products such as soap or a detergent, service products cannot be measured. Tourism industry or the education industry can be an excellent example. At the same time service products are heterogeneous, perishable and cannot be owned.

The service product thus has to be designed with care. Generally service blue printing is done to define the service product. For example – a restaurant blue print will be prepared before establishing a restaurant business. This service blue print defines exactly how the product (in this case the restaurant) is going to be.

Place

Place in case of services determine where is the service product going to be located. The best place to open up a petrol pump is on the highway or in the city. A place where there is minimum traffic is a wrong location to start a petrol pump. Similarly a software company will be better placed in a business hub with a lot of companies nearby rather than being placed in a town or rural area. Read more about the role of business locations or Place element.

Promotion

Promotions have become a critical factor in the service marketing mix. Services are easy to be duplicated and hence it is generally the brand which sets a service apart from its counterpart. You will find a lot of banks and telecom companies promoting them rigorously. Why is that? It is because competition in this service sector is generally high and promotions are necessary to survive. Thus banks, IT companies, and dotcoms place themselves above the rest by advertising or promotions.

Pricing

Pricing in case of services is rather more difficult than in case of products. If you were a restaurant owner, you can price people only for the food you are serving. But then who will pay for the nice ambiance you have built up for your customers? Who will pay for the band you have for music? Thus these elements have to be taken into consideration while costing. Generally service pricing involves taking into consideration labor, material cost and overhead costs. By

adding a profit mark up you get your final service pricing. You can also read about pricing strategies. Here on we start towards the extended service marketing mix.

People

People are one of the elements of service marketing mix. People define a service. If you have an IT company, your software engineers define you. If you have a restaurant, your chef and service staff defines you. If you are into banking, an employee in your branch and their behavior towards customers defines you. In case of service marketing, people can make or break an organization.

Thus many companies nowadays are involved into specially getting their staff trained in interpersonal skills and customer service with a focus towards customer satisfaction. In fact many companies have to undergo accreditation to show that their staffs are better than the rest. Definitely a USP in case of services.

Process

Service process is the way in which a service is delivered to the end customer. Lets take the example of two very good companies – Mcdonalds and Fedex. Both the companies thrive on their quick service and the reason they can do that is their confidence on their processes.

On top of it, the demand of these services is such that they have to deliver optimally without a loss in quality. Thus the process of a service company in delivering its product is of utmost importance. It is also a critical component in the service blueprint, wherein before establishing the service, the company defines exactly what should be the process of the service product reaching the end customer.

Physical Evidence

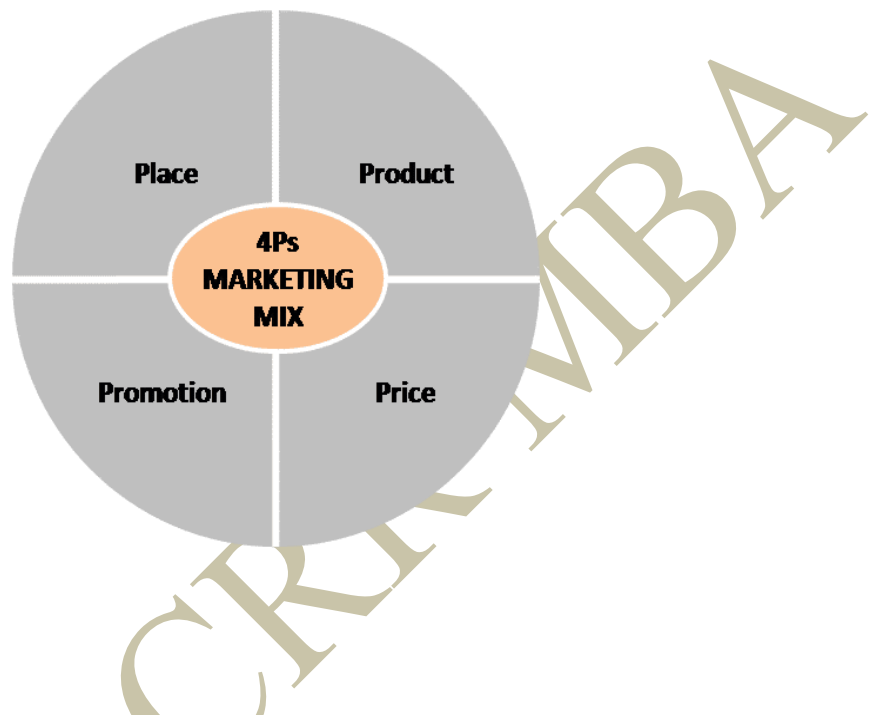
The last element in the service marketing mix is a very important element. As said before, services are intangible in nature. However, to create a better customer experience tangible elements are also delivered with the service. Take an example of a restaurant which has only chairs and tables and good food, or a restaurant which has ambient lighting, nice music along with good seating arrangement and this also serves good food. Which one will you prefer? The one with the nice ambience. That's physical evidence.

Several times, physical evidence is used as a differentiator in service marketing. Imagine a private hospital and a government hospital. A private hospital will have plush offices and well dressed staff. Same cannot be said for a government hospital. Thus physical evidence acts as a differentiator.

So next time someone asks **what do you mean by service marketing mix** or **What are the 7 P's**, then you know the answer. This is the service marketing mix (7p) which is also known as the extended marketing mix.

Marketing Mix Elements 4P's

The term 'marketing mix' is a foundation model for businesses, historically centered on product, price, place, and promotion. The marketing mix has been defined as the "set of marketing tools that the firm uses to pursue its marketing objectives in the target market".



Marketing mix- 4P's (1)



Marketing is simplistically defined as ‘putting the right product in the right place, at the right price, at the right time.’ Though this sounds like an easy enough proposition, a lot of hard work and research needs to go into setting this simple definition up. And if even one element is off the mark, a promising product or service can fail completely and end up costing the company substantially.

The use of a marketing mix is an excellent way to help ensure that ‘putting the right product in the right place,’ will happen. The **marketing mix** is a **crucial tool to help understand what the product or service can offer and how to plan for a successful product offering**. The marketing mix is most commonly executed through the 4 P’s of marketing: **Price, Product, Promotion, and Place**.

These have been extensively added to and expanded through additional P’s and even a 4C concept. But the 4Ps serve as a great place to start planning for the product or even to evaluate an existing product offering.

Product

The product is either a tangible good or an intangible service that is seen to meet a specific customer need or demand. All products follow a logical product life cycle and it is vital for marketers to understand and plan for the various stages and their unique challenges. It is key to understand those problems that the product is attempting to solve. The benefits offered by the product and all its features need to be understood and the unique selling proposition of the product need to be studied. In addition, the potential buyers of the product need to be identified and understood.

Price

Price covers the actual amount the end user is expected to pay for a product. How a product is priced will directly affect how it sells. This is linked to what the perceived value of the product is to the customer rather than an objective costing of the product on offer. If a product is priced higher or lower than its perceived value, then it will not sell. This is why it is imperative to understand how a customer sees what you are selling. If there is a positive customer value, then a product may be successfully priced higher than its objective monetary value. Conversely, if a product has little value in the eyes of the consumer, then it may need to be underpriced to sell. Price may also be affected by distribution plans, value chain costs and mark-ups and how competitors price a rival product.

Place

Place or placement has to do with how the product will be provided to the customer. Distribution is a key element of placement. The placement strategy will help assess what channel is the most suited to a product. How a product is accessed by the end user also needs to complement the rest of the product strategy.

Promotion

The marketing communication strategies and techniques all fall under the promotion heading. These may include advertising, sales promotions, special offers and public relations. Whatever the channel used, it is necessary for it to be suitable for the product, the price and the end user it is being marketed to. It is important to differentiate between marketing and promotion. Promotion is just the communication aspect of the entire marketing function.

Differences between Physical Goods and Services

<i>Physical Goods</i>	<i>Services</i>
1. Good or Tangible (That can be Perceived by touch; real proof for eg. Business Company and its building etc.)	1. Services are Intangible (That cannot be touched and that cannot be grasped by the mind for eg. A good reputation)
2. Goods are Physical (Tangible)	2. Services are non-physical (Intangible)
3. Goods are Produced	3. Services are performed
4. Goods are characterized by Homogeneous (Formed of Parts)	4. Services are characterized by Heterogeneous (It's made up of different kinds, it is depends on customer satisfaction on employee action)
5. Production and distribution are separated from consumption (For eg. Gas)	5. Services are in Production, Distribution, and Consumption are simultaneous process (For eg. Hospitality)
6. Goods are things	6. Services are an activity or Process.
7. Core Value Produced in a factory	7. Core Value Produced in Buyer- Seller interaction
8. Customers don't participate in the production process.	8. Customers are participating in the production.
9. Goods can be kept in stock.	9. Services cannot be kept in stock.
10. Transfer of ownership.	10. No transfer of ownership.
11. Repairs are possible.	11. Repairs are Impossible.
12. Replacement is common	12. Replacements are rare.
13. Image depends on Brand.	13. Image depends on Corporate Sector,
14. Goods focus on Customer Need.	14. Services focus on Customer expectations.
15. Goods are External Marketing Strategy orientation.	15. Services are both Internal, and External Marketing Strategy orientation.
16. Quality depends on the Standardization.	16. Quality depends on Persons Feelings.

17.Customer involvement is Low or Not need/absent	17.Customer involment is High or Need.
18.Production Planning is Possible.	18.Production Planning is impossible.
19.Forecasting is Long-run.	19.Forecasting is short-run.
20.Satisfaction is based on more physical.	20.Satisfaction is based on more emotional.
21.Pricing depends on the Material based.	21.Pricing depends on Labor based
22.Basis of competition is Technology based.	22.Basis of competition is personalization based.

Characteristics of Services

Kotler as identified a major characteristics. That makes them so different from products.

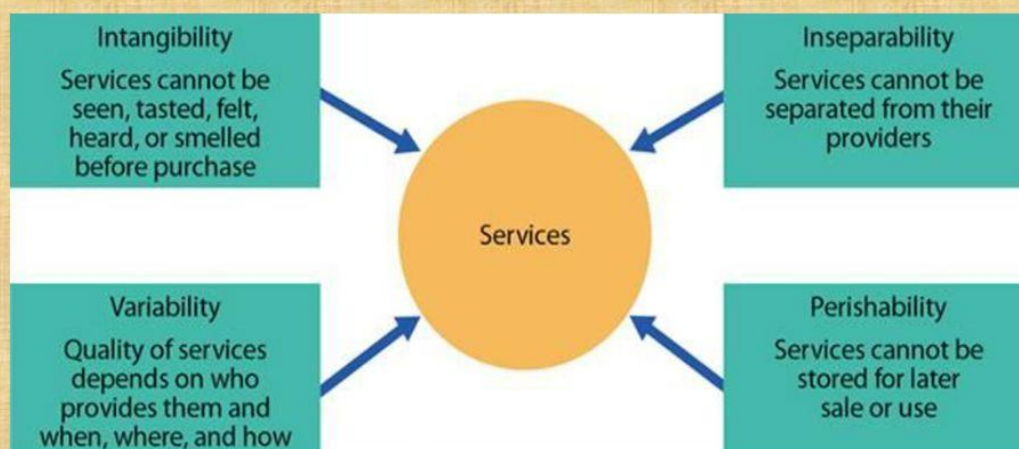
Characteristics of Services

In the following, we will go into the most relevant characteristics of services. Characteristics of services apply universally to any service. The most important characteristics of services are:

1. Intangibility
2. Inseparability
3. Heterogeneity/Variability
4. Perishability

Characteristics of Service Marketing

- Service marketers must be concerned with four characteristics of services:
 - *intangibility, inseparability, variability, and perishability*



Four service characteristics.

Analysis of Services Characteristics

<i>Characteristic</i>	<i>Major effect/issues</i>	<i>Marketing implications</i>
<i>Intangibility</i>	Difficult for consumers to evaluate service offerings, e.g. quality. Positioning is difficult to achieve or signal.	'Tangibilize' the service offering by managing the 'physical evidence' that accompanies the service, e.g. staff appearance, buildings/facilities, promotional material.
<i>Inseparability</i>	Direct contact with service provider. Both provider and client affect quality of relationship. Market may be limited by time constraints on provider.	Selection and training of service provider's personnel is essential. Franchise/train other service providers. Develop systems and procedures for increasing customer throughput.
<i>Variability</i>	Difficult to ensure that service quality levels are maintained. Customer may have 'bad' experiences.	Ensure strict quality control. Staff training essential. Develop customer care programmes and systems.
<i>Perishability</i>	Periods of excess demand: periods of excess supply.	Manage demand and supply, e.g. differential pricing; develop complementary services; effective pre-booking systems; use part-time personnel.

Fig: Major Characteristics of Service Marketing

CHARACTERISTICS OF SERVICE MARKETING

1. INTANGIBILITY
2. PERISHABILITY
3. INSEPARABILITY
4. HETEROGENEITY
5. OWNERSHIP
6. SIMULTANEITY
7. QUALITY MEASUREMENT
8. NATURE OF DEMAND

Main Characteristics of Services	
Characteristics	Distinguishing Features
Intangibility	Cannot be tested, seen, heard, touched or smelled before purchase. Judgement therefore based on opinion, attitude, feeling, perception and experience , e.g. education provision
Inseparability	Production and consumption are inseparable, creation / performance / consumption are often identical and distribution roles integrated. The product cannot usually exist without the customer, e.g. restaurant services
Heterogeneity	Standardization of output is generally difficult, units differ in price, quality and conformity, and judgement is difficult in advance of purchase, e.g. tourism products.
Perishability	Services are perishable and cannot be stored, while short capacity is lost forever with fluctuations in demand, e.g. in transport and travel.
Ownership	Customers only have access to, or use of, a service, rather than ownership. There are thus no ownership transfers, patents or inventories and payment is for hire or temporary use, e.g. leisure facilities

Definition and characteristics of Services

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

The defining characteristics of a service are:

1. **Intangibility:** Services are intangible and do not have a physical existence. Hence services cannot be touched, held, tasted or smelt. This is most defining feature of a service and that which primarily differentiates it from a product. Also, it poses a unique challenge to those engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.

Intangible Features:

- A Service Cannot be touched
 - Standardisation is not possible
 - There is now ownership transfer
 - A service Cannot be patented
 - Production and consumption are inseparable
 - There are no inventories of the service
 - Middleman roles are different.
2. **Inseparability/Simultaneity of production and consumption:** This refers to the fact that services are generated and consumed within the same time frame. Eg: a haircut is delivered to and consumed by a customer simultaneously unlike, say, a takeaway burger which the customer may consume even after a few hours of purchase. Moreover, it is very difficult to separate a service from the service provider. Eg: the barber is necessarily a part of the service of a haircut that he is delivering to his customer.
 3. **Heterogeneity/Variability:** Given the very nature of services, each service offering is unique and cannot be exactly repeated even by the same service provider. While products can be mass produced and be homogenous the same is not true of services. eg: All burgers of a particular flavour at McDonalds are almost identical. However, the same is not true of the service rendered by the same counter staff consecutively to two customers.
 4. **Perishability:** Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer. eg: A customer dissatisfied with the services of a barber cannot return the service of the haircut that was rendered to him. At the most he may decide not to visit that particular barber in the future.

Growth of Services Sector

Reasons for Growth in Service Sector

Main reasons behind the growth of services include rapid urbanization, the expansion of the public sector and increased demand for intermediate and final consumer services. Access to efficient services has become crucial for the productivity and competitiveness of the entire economy.

The trends indicate the future belongs to the service. What are the factors, which have contributed to the growth? We may classify the environment factors into

- Demographic Changes
- Economic Changes
- Political and Legal Changes
- Social Changes
- Technological Changes

Demographic Changes

This study is depending on the statistics of births, deaths, diseases etc; to show the condition of a community. The study of population reveals a

- General increase in the world population
- High birth rate has given scope for child care centers.
- Educational Institutions etc.,

As a baby boom generation began entering its years of prime capacity in the late eighties it became a prime target for a variety of services.

- Fast Food
- Entertainment etc.,

The considerable increase in life expectancy indicated expanding market in the age group over 65 years. This has created a new market for health care, leisure and tourism. There has been a movement of population from rural to urban areas for over a country, and also shift from city to the suburbs. This again causes the need for;

- Infrastructure
- Support Services.

Economic Changes

The growth of corporate sector and market is usually an indicator of growth of an economy with an overall economic liberalization. Resource mobilization through capital market. The growth of large firms has brought about greater dependence on special service providers like market research and advertising agencies.

The economic reforms have use hired consumerism. Moreover, there have been changes in the “Consumer Purchasing Power” and spending patterns with middle class explosion which is now emerging as the consumption community.

Political and Legal Changes

De-regularization has opened many services industries like Airline Service, Banking Service etc., to more intense competition generating greater innovation and expansion. At the same time many countries continue to strengthen consumer protection laws to improve public security and to protect the environment.

The increase in Govt. interactions in the trade sector has increased trade relationships between nations leading to development of tourism and hotel industry.

Social Changes

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

Technological Changes

Recent developments in computer science and information Technology have brought about convergence of various technologies like.

- Tele Communications
- Entertainment
- Data Transmission

The influence of internet has resulted in increasing mobility of educated labour force among countries, and in many service industries like;

- Travel
- Banking
- Education
- Financial Services
- Insurance etc;

Services in the Indian Economy

India has the fastest growing (9.2 percent in 2015-16) service sector in the world with the lowest share of services employment (28 percent in 2014), contributing about 66 percent to the Indian GDP. ... This further increases the importance of services in the economy and job creation.

The service sector consists of the soft parts of the economy such as insurance, government, tourism, banking, retail, education, and social services. Currently service sector is contributing near about 60 % of Indian GDP. Service sector is also known as tertiary sector.

Services sector growth is governed by both domestic and global factors. The Indian facilities management market is expected to grow at 17 per cent CAGR between 2015 and 2020 and surpass the US\$19 billion mark supported by booming real estate, retail, and hospitality sectors.

The services sector is a key driver of India's economic growth. The sector contributed 55.39 per cent to India's Gross Value Added at current price in FY20*. Services sector's GVA grew at a CAGR of 1.45 per cent to US\$ 1,064.8 billion in FY20 from US\$ 1,005 billion in FY16.

Introduction to the Service Sector in India

The growth of the Services Sector in India is a unique example of leap-frogging traditional models of economic growth. Within a short span of 50 years since independence, the contribution of the service sector in India to the country's GDP is a lion's share of over 60%. However, it still employs only 25% of the labour force. Consequently, agriculture (which is stagnant) and manufacturing (which has not yet risen to its full potential) continue to sustain the majority of our employed population. This presents a unique challenge to future economic growth in India and requires out of the box solutions that will help rapidly harness the potential of the service industry in India. Invest India takes a look at the contribution of the services sector in the Indian economy, its successes and also explores potential enablers for future equitable economic growth.

Market Size of Service Industry

A quick comparison with the American and Chinese economy reveals the unique nature of India's GDP growth from the contribution of the Service sector and its linkages to employment and income distribution (Figures in bracket indicate employment). Over time, a robust manufacturing

and productive agriculture sector leads to the Service industry in India becoming the mainstay of GDP and employment. In our context, the Service sector has become extremely important to grow not only our GDP, as well as make it the key vehicle for employment generation. However, the question is - how to increase value adds to GDP from Service companies in India, while reducing employment dependency from agriculture, as well as boosting the manufacturing industry.

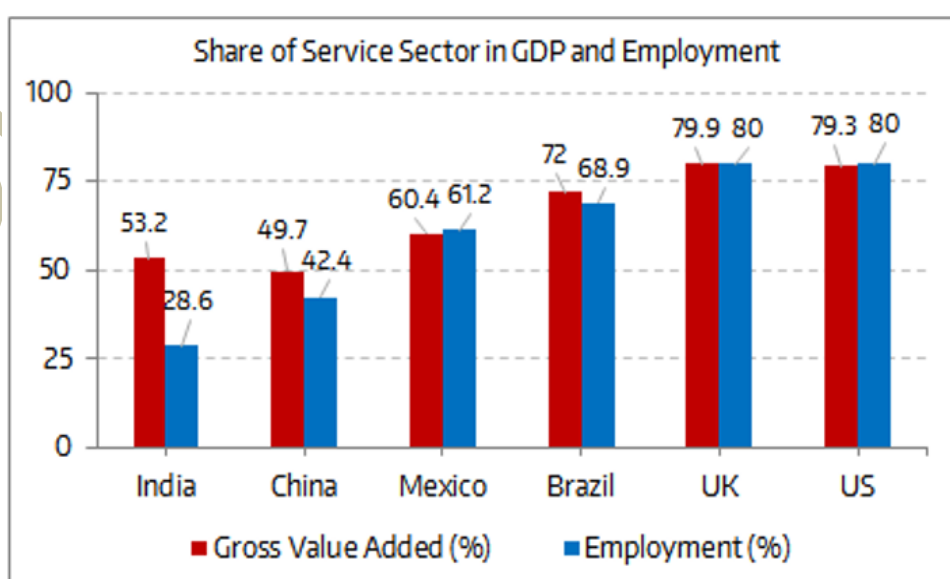
Sector Wise Contributions

Sector Particulars	India	USA	China
Agriculture and Allied	15.40 (53.00)	8.00 (2.00)	7.00 (26.00)
Manufacturing and Industry	23.00 (22.00)	12.00 (19.00)	40.00 (28.00)
Services*	61.50 (25.00)	80.00 (79.00)	52.00 (46.00)

(*IT contributes the majority)

The current growth of service sector in India is based mainly on labour market arbitrage. Moving forward, India can no longer rely on 'low cost' for 'low value added' services. Therefore, we need solutions that address these:

- ❖ Boosting the manufacturing sector with both direct and indirect spin - off benefits for the growth of the service sector in India (e.g. Make in India)
- ❖ Moving up the value chain, especially in the IT/ ITeS sector.
- ❖ Broad - basing the Indian Services offering platform into sectors beyond the traditional IT/ ITeS by identifying the global demand for such services, and meeting these demands based on our natural competencies and comparative advantages.



www.equitymaster.com

Source: Economic Survey 2016-17

Introduction

The services sector is not only the dominant sector in India's GDP, but has also attracted significant foreign investment, has contributed significantly to export and has provided large-scale employment. India's services sector covers a wide variety of activities such as trade, hotel and restaurants, transport, storage and communication, financing, insurance, real estate, business services, community, social and personal services, and services associated with construction. As of 2018, 31.45 per cent of India's employed population is working in the services sector.

Market Size

The services sector is a key driver of India's economic growth. The sector contributed 55.39 per cent to India's Gross Value Added at current price in FY20*. Services sector's GVA grew at a CAGR of 1.45 per cent to US\$ 1,064.8 billion in FY20 from US\$ 1,005 billion in FY16. Net export estimate in FY20 from services stood at US\$ 214.14 billion, while import was at US\$ 131.41 billion in FY20. Nikkei India Services Purchasing Managers' Index (PMI) stood at 14.6 in May 2020, indicating a contraction as COVID-19 led shutdown impaired businesses.

Investments

- Some of the developments and major investments by companies in the services sector in the recent past are as follows:
- Services sector is the largest recipient of FDI in India with inflow of US\$ 82 billion between April 2000 and March 2020.
- In June 2020, Jio Platforms Ltd. sold 22.38 per cent stake worth Rs 1.04 trillion (US\$ 14.75 billion) to ten global investors in a span of eight weeks under separate deals, involving Facebook, Silver Lake, Vista, General Atlantic, Mubadala, Abu Dhabi Investment Authority (ADIA), TPG Capital and L. Catterton. This is the largest continuous fundraise by any company in the world.
- In February 2020, Novartis launched Biome India, a digital innovation hub, in Hyderabad, its first such centre in Asia and the fourth globally.
- Indian healthcare companies are entering into mergers and acquisition (M&A) with domestic and foreign companies to drive growth and gain new markets.

Government Initiatives

- The Government of India recognises the importance of promoting growth in services sector and provides several incentives across a wide variety of sectors like health care, tourism, education, engineering, communications, transportation, information technology, banking, finance and management among others.
- The Government of India has adopted few initiatives in the recent past, some of these are as follows:
- The Cabinet Committee on Economic Affairs has given its approval for continuation of the process of recapitalization of Regional Rural Banks (RRBs) by providing minimum regulatory capital to RRBs for another year beyond 2019-20.
- Government of India has launched the National Broadband Mission with an aim to provide Broadband access to all villages by 2022.

- Under the Mid-Term Review of Foreign Trade Policy (2015-20), the Central Government increased incentives provided under Services Exports from India Scheme (SEIS) by two per cent.
- Government of India has been working to remove many trade barriers to services, for which it tabled a draft legal text on Trade Facilitation in Services to the WTO in 2017.

Achievements

Following are the achievements of the Government in the past four years:

- India's rank jumped to 22 in 2019 from 137 in 2014 on World Bank's Ease of doing business - Getting Electricity ranking.
- Ministry of Tourism sanctioned 18 projects covering all the Northeast States for Rs 1,456 crore (US\$ 211.35 million) for development and promotion of tourism in the region under Swadesh Drashan and PRASHAD schemes.
- A total of 11 projects worth Rs 824.80 crore (US\$ 127.98 million) were sanctioned under the Swadesh Darshan scheme. During 2019-20, an additional fund Rs 1,854.67 crore (US\$ 269.22 million) was sanctioned for new projects under this scheme.
- Statue of Sardar Vallabhbhai Patel, also known as 'Statue of Unity', was inaugurated in October 2018 and the total revenue generated till November 2019 stood at Rs 82.51 crore (US\$ 11.81 million).
- IT-BPM industry's revenue was estimated at around US\$ 191 billion in FY20 with a growth rate of 7.7 per cent.

Road Ahead

- Services sector growth is governed by domestic and global factors. The Indian facilities management market is expected to grow at 17 per cent CAGR between 2015 and 2020 and surpass the US\$ 19 billion mark supported by booming real estate, retail, and hospitality sectors.
- By 2023, healthcare industry is expected to reach US\$ 132 billion. India's digital economy is estimated to reach US\$ 1 trillion by 2025. By end of 2023, India's IT and business services sector is expected to reach US\$ 14.3 billion with 8 per cent growth.
- The implementation of the Goods and Services Tax (GST) has created a common national market and reduced the overall tax burden on goods. It is expected to reduce costs in the long run on account of availability of GST input credit, which will result in the reduction in prices of services.

Table: Sector-wise contribution of GDP of India (2018-2019)

	Sector	GVA in 2018-19 (Rupees in Crore)			
		Constant prices	share (%)	Current prices	share (%)
1	Agriculture Sector	1,842,873	14.39 %	2,692,433	15.87 %
1.1	Agriculture,forestry & fishing	1,842,873	14.39 %	2,692,433	15.87 %

	Sector	GVA in 2018-19 (Rupees in Crore)			
		Constant prices	share (%)	Current prices	share (%)
2	Industry Sector	4,029,782	31.46 %	5,042,587	29.73 %
2.1	Mining & quarrying	385,135	3.01 %	457,301	2.70 %
2.2	Manufacturing	2,346,216	18.32 %	2,853,986	16.83 %
2.3	Electricity, gas, water supply & other utility services	287,109	2.24 %	452,683	2.67 %
2.4	Construction	1,011,322	7.90 %	1,278,617	7.54 %
3	Services Sector	6,936,122	54.15 %	9,226,346	54.40 %
3.1	Trade, hotels, transport, communication and services related to broadcasting	2,467,622	19.27 %	3,157,709	18.62 %
3.2	Financial, real estate & prof servs	2,775,970	21.67 %	3,555,780	20.96 %
3.3	Public Administration, defence and other services	1,692,530	13.21 %	2,512,857	14.82 %
	GVA at basic prices	12,808,778	100.00 %	16,961,365	100.00 %

Source: Ministry of Statistics and Programme Implementation (2018-2019)

Table: Sector-wise contribution of GDP of India (2018-2019)

	Sector	GVA in 2018-19 (Rupees in Crore)			
		Constant prices	share (%)	Current prices	share (%)
1.1	Agriculture, forestry & fishing	1,842,873	14.39 %	2,692,433	15.87 %
2.3	Construction	1,011,322	7.90 %	1,278,617	7.54 %
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2.1	Manufacturing	2,346,216	18.32 %	2,853,986	16.83 %
1.2	Mining & quarrying	385,135	3.01 %	457,301	2.70 %
1	Primary Sector	2,228,008	17.39 %	3,149,734	18.57 %
3.3	Public Administration, defence and other services	1,692,530	13.21 %	2,512,857	14.82 %
2	Secondary Sector	3,644,647	28.45 %	4,585,286	27.03 %
3	Tertiary Sector	6,936,122	54.15 %	9,226,346	54.40 %
3.1	Trade, hotels, transport, communication and services related to broadcasting	2,467,622	19.27 %	3,157,709	18.62 %

	Sector	GVA in 2018-19 (Rupees in Crore)			
		Constant prices	share (%)	Current prices	share (%)
	GVA at basic prices	12,808,778	100.00 %	16,961,365	100.00 %

Source: Ministry of Statistics and Programme Implementation (2018-2019)

Services sector is the largest sector of India. Gross Value Added (GVA) at current prices for Services sector is estimated at 92.26 lakh crore INR in 2018-19. Services sector accounts for 54.40% of total India's GVA of 169.61 lakh crore Indian rupees. With GVA of Rs. 50.43 lakh crore, Industry sector contributes 29.73%. While, Agriculture and allied sector shares 15.87%.

Composition of Service Sector in India

In India, the national income classification given by Central Statistical Organization is followed. In the National Income Accounting in India, service sector includes the following:

Trade, hotels and restaurants:

- a. Trade
- b. Hotels and restaurants

Transport, storage and communication

- a. Railways
- b. Transport by other means
- c. Storage
- d. Communication

Financing, Insurance, Real Estate and Business Services

- a. Banking and Insurance
- b. Real Estate, Ownership of Dwellings and Business Services

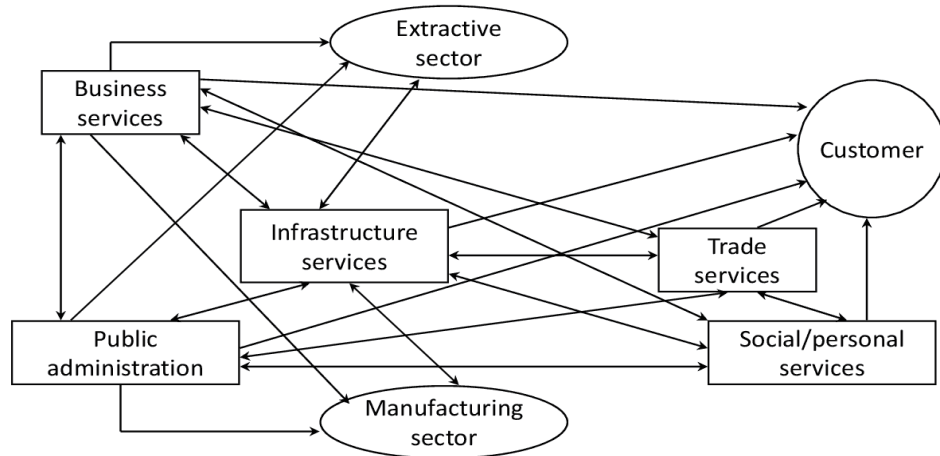
Community, Social and Personal services

- a. Public Administration and Defence (PA & D)
- b. Other services

The Role of Services in an Economy

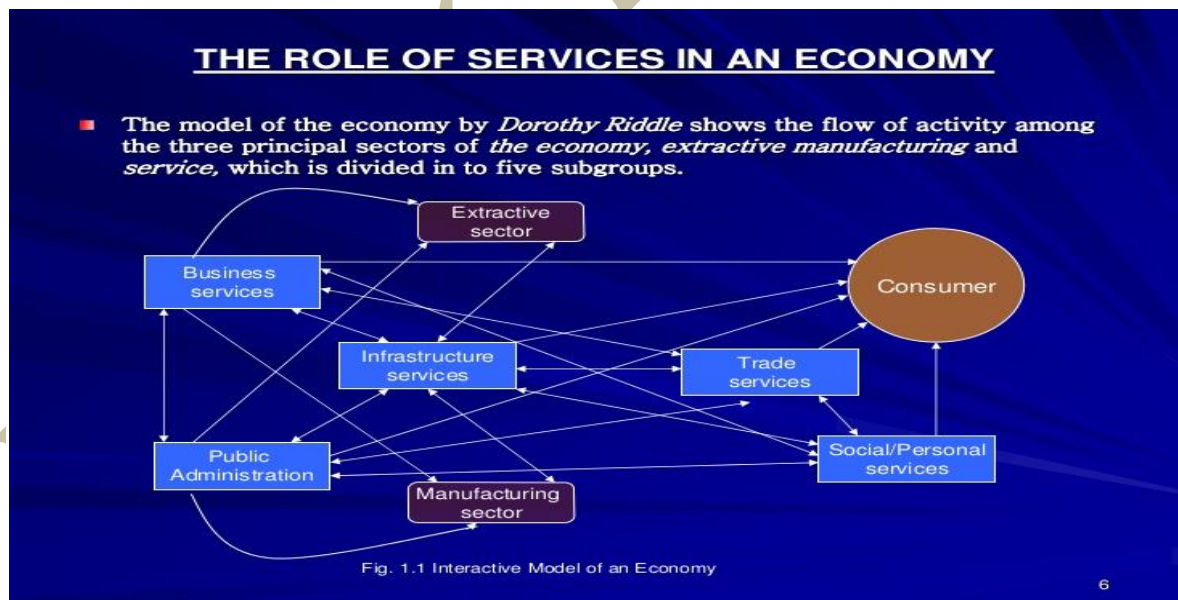
A service lies at the very centre of economic activity in any society.

Interactive Model of an Economy



Docsity.com

Source: Dorothy Riddle, *Service-led Growth*



This model of the economy shows the flow of activity among the three principal sectors of the economy.

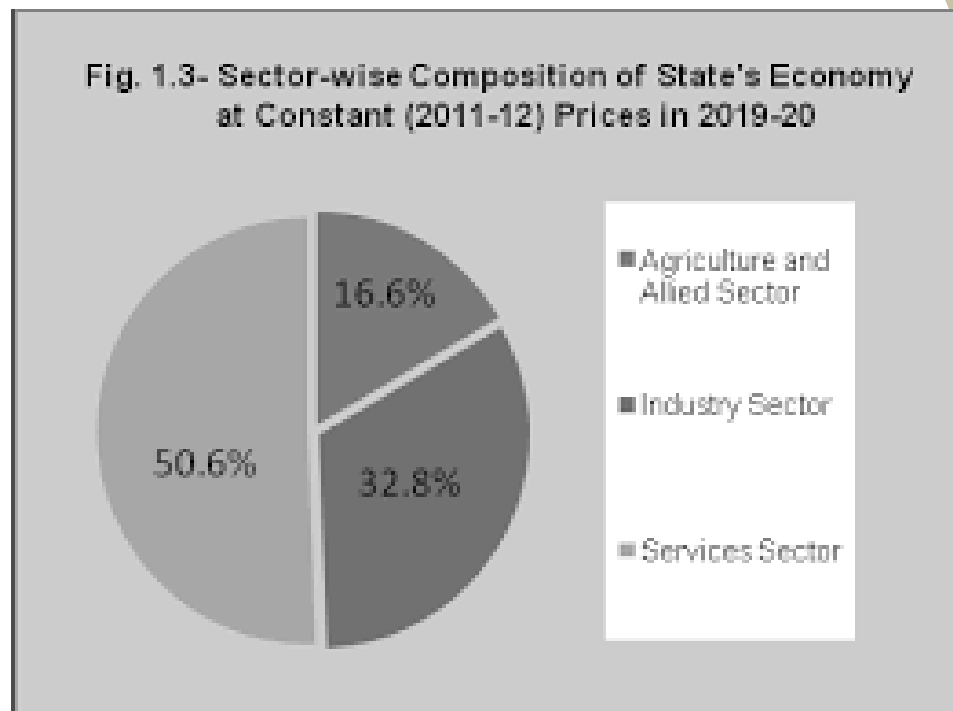
1. Extractive Sector (Mining and Farming)
2. Manufacturing
3. Services (Which is divided in to five sub-groups)

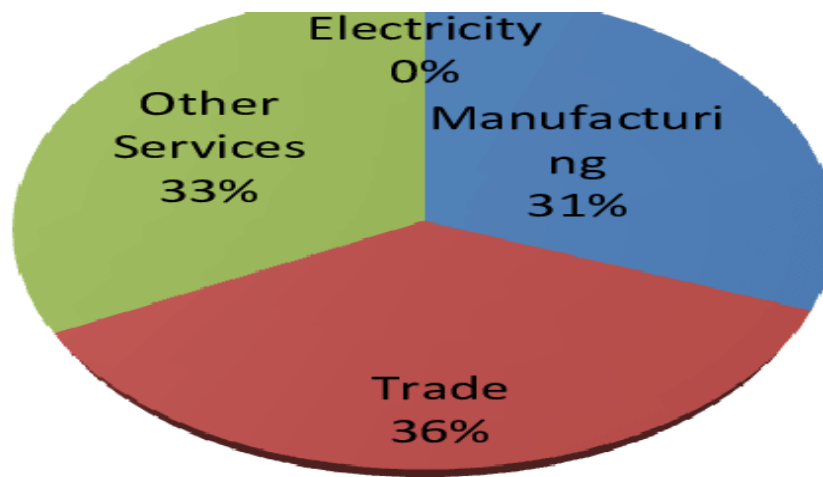
All activities eventually lead to the consumer.

1. **Business Services:** Consulting, Finance, Banking.

2. **Trade Services:** Retailing, Maintenance, Repairs etc.,
3. **Infrastructure Service:** Communication, Transportation etc.,
4. **Social/Personal Services:** Restaurants, Health Care etc.,
5. **Public Administration:** Education, Government etc.,

Infrastructure services, such as transportation and communication are the essential links between all sectors of the economy, including the final consumer.





Source: Ministry of MSME annual report, 2017-2018

Fig.3: Percentage Urban and Rural Distribution of MSMEs



Future Prospects of the Service Sector in India

The service sector in India has the highest employment elasticity among all sectors. Thus, it has the potential for huge growth as well as the capability to deliver highly productive jobs - leading to revenue generation. To address the challenge of job creation, the Skill India program aims to achieve its target of skilling/ up - skilling 400 million people by 2022. It aims to do this mainly by fostering private sector initiatives in skill development programs, and by providing them with the necessary funding.

Similarly, the Make in India program - while attempting to bolster the manufacturing sector - will cause a multiplier effect in adding to the portfolio of the Service Sector. In this context, the Start-up India initiative is a key enabler for both the manufacturing as well as service industry in India - by offering to support innovative start-ups.

Services Strategy

Larger organizations consist of a number of businesses which are called strategic business units which are effectively self contained, serving a particular market with a limited range of services.

The Marketing Planning Process is depending on four important phase's such as:

Phase – 1: Strategic Context

Phase – 2: Situation Review

Phase – 3: Marketing Strategy Formulation

Phase – 4: Resource Allocation and Monitoring

Fig: The Marketing Planning Process for Services Marketing

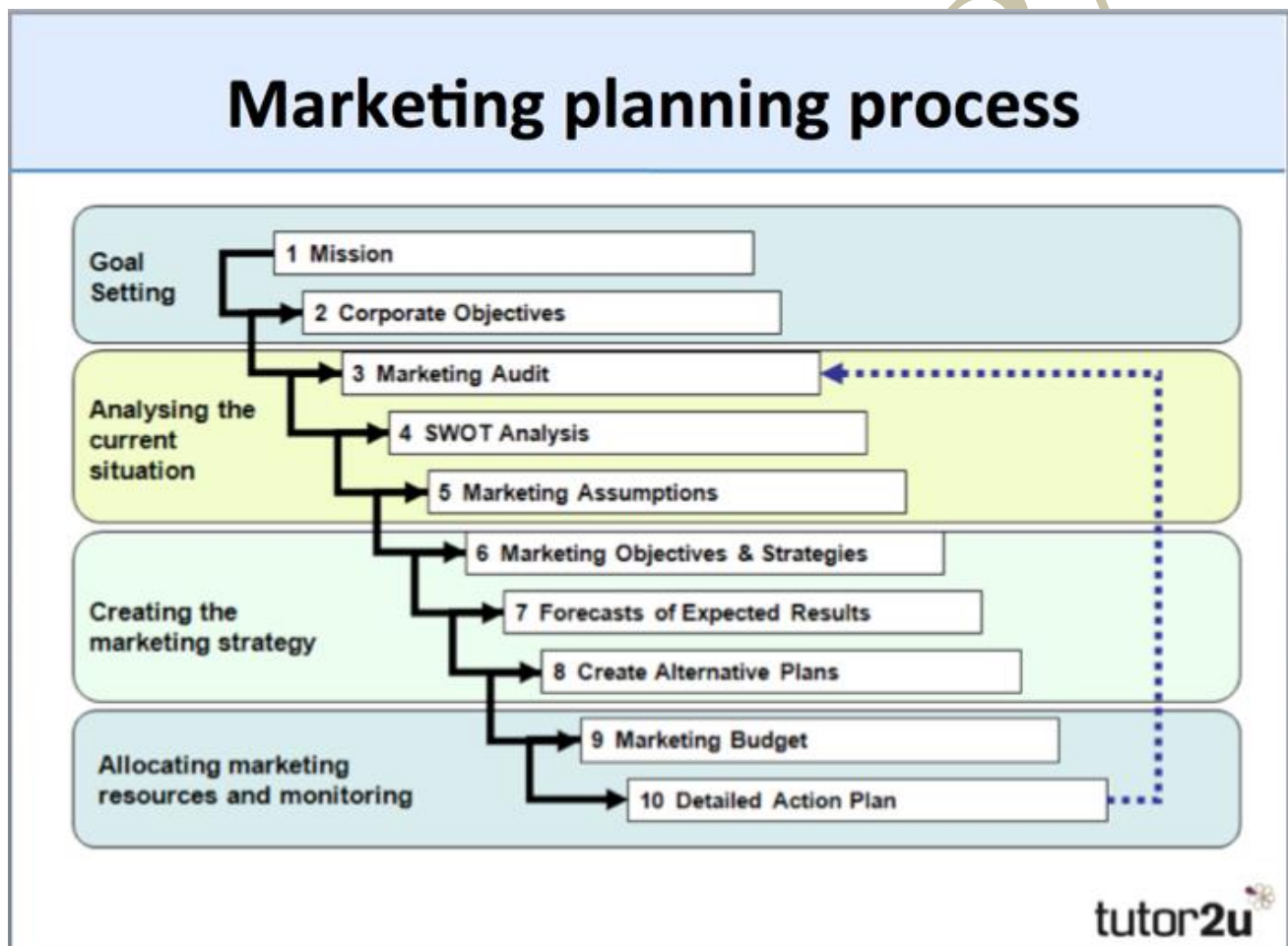
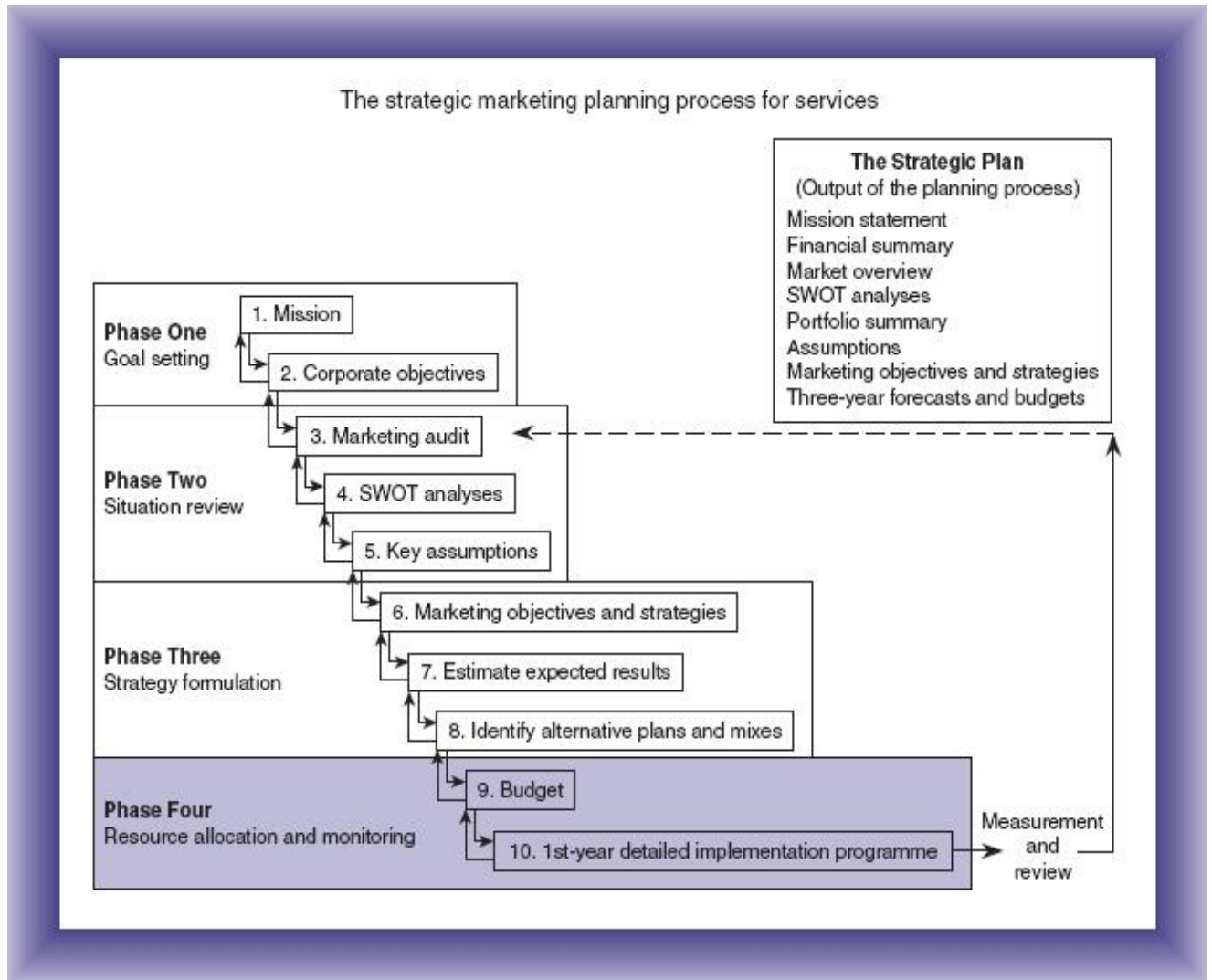


Fig: The Marketing Planning Process for Services Marketing



Strategic Context:

The 1st phase of marketing planning has two steps:

- Defining the Mission
- Identifying Corporate Objectives.

These are derived directly from the strategic planning process.

It is necessary to identify the strategic context of the marketing plan to ensure that specific marketing objectives and strategies are directed towards the overall corporate goals of the company, rather than possibly suboptimal goals of the marketing department.

Main planning stages

Component	Description
Mission statement	A meaningful statement of the purpose and direction of the business
Corporate objectives	The overall business objectives that shape the marketing plan
Marketing audit	Assesses the situation of marketing in the business – the products, resources, distribution methods, market shares, competitors etc
Market analysis	The markets the business is in (and targeting) – size , structure, growth
SWOT analysis	An assessment of the firm's current position, showing the strengths & weaknesses (internal factors) and opportunities and threats (external factors)
Marketing objectives and strategies	What the marketing function wants to achieve (consistent with corporate objectives) and how it intends to do it (e.g. Ansoff, Porter)
Marketing budget	Usually a detailed budget for the next year and an outline budget for the next 2-3 years
Action plan	The detailed implementation plan

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Strategic Planning for Services Marketing

Introduction

All companies and institutions plan their activities, implement and evaluate them. Planning is the first step in the management process. It is a rational approach to accomplish an objective. It provides an integrated and coordinated effort.

Intangible dominant products/services require some special consideration in terms of planning and strategy formulation. Strategy is a major comprehensive plan of action. In service enterprises, managers need to think creatively and the key to creative thinking lies in strategic planning. Much of the service planning process is similar to product planning process which includes selection and implementing a marketing plan, but with slight modification to adapt to the unique features of services.

Strategic planning in which the central organization develops a detailed overall master plan with specified targets for the subsidiaries. Planning is an important function of management in which plan for the future activities and operation of an organization.

Definition

According to Philip Kotlar

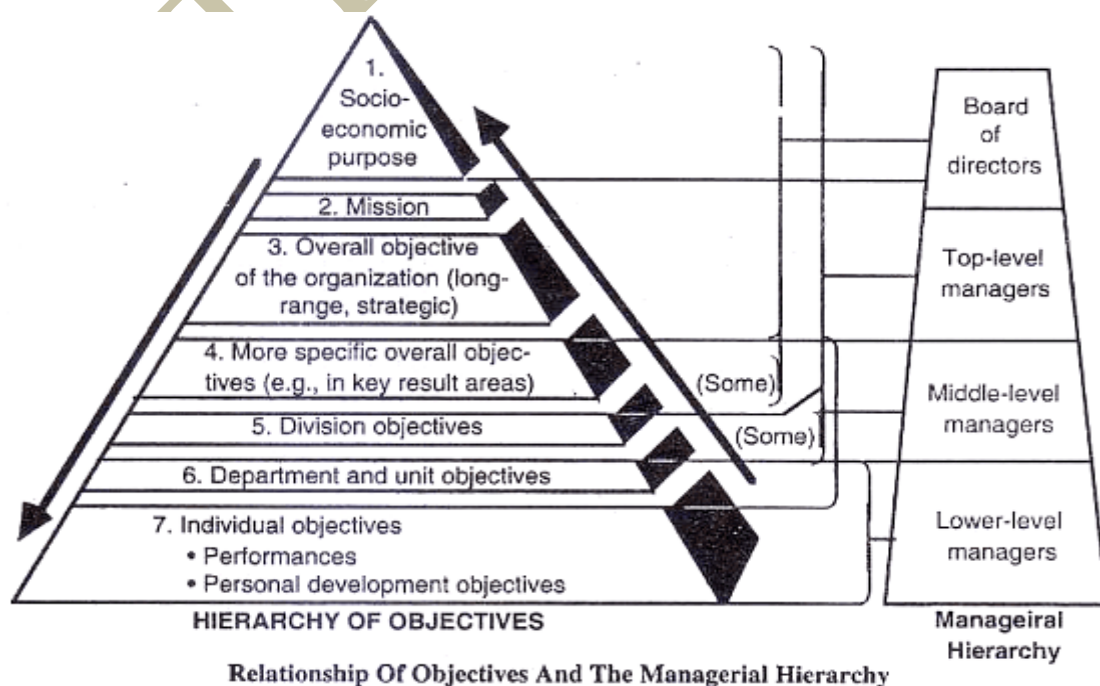
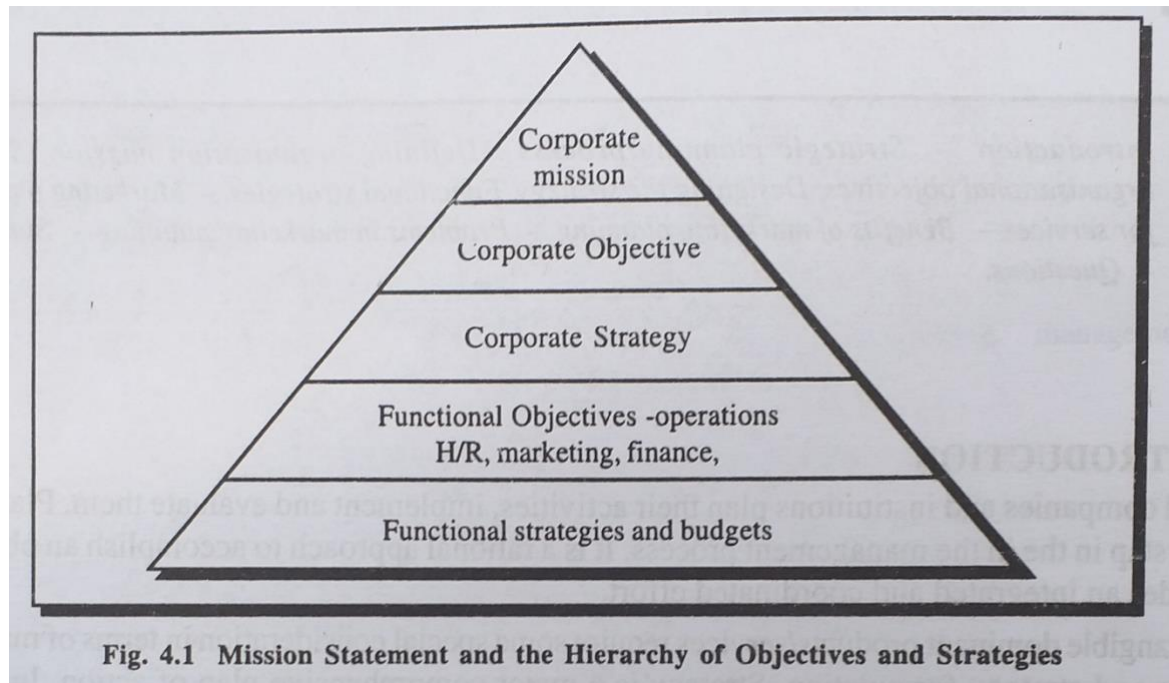
Strategic planning is the managerial Process of developing and maintaining a viable fit between the organizational objectives and resources and its changing market opportunities.

The aim of strategic planning is to shape the company's business and products so that they combine to produce satisfactory products and growth.

According to him strategic planning must be carried out right from the corporate level-which is to guide the whole enterprise into a profitable future to the product/service level which means developing a marketing plan for achieving its objectives in the market.

The basic idea of corporate strategic planning is to provide a framework within which a whole range of more detailed strategic plan for various functions can be developed.

Strategic Planning Process



Strategic Planning Process

Strategic Planning involves:

- Defining the *company's mission* or purpose also termed as service vision
- Set the Organization objectives based on *the mission*
- Specifically *develop a strategy* that will fit the organizational goal, *resources and marketing opportunities*.
- At the highest level is *the corporate strategy*, which is the long-term plan for the success of the enterprise.

Mission

The purpose of the mission statement is to give the various stakeholders of the service business a clear sense of purpose and direction. The mission statement is an important device for coordinating activities in a service organization.

It provides a framework to enable staff operating in divers' parts of the organization to work together in a coordinated manner towards the achievement of the overall objectives and philosophy of the enterprise.

The development of an effective mission statement is especially important in services because of the need for focus and differentiation in service sector businesses. Service operations, organizations need to develop a clear statement of purpose or mission to ensure that the appropriate attention is directed at the key elements of their strategy.

Mission statements of a written form are the subject of attention. Mission statements or missions are including:

- ❖ Business definitions
- ❖ Statements of business Philosophy
- ❖ Belief Statements
- ❖ Vision Statements
- ❖ Statement of purpose and so on.

Service Mission Statements

Prof. David has identified nine components of mission statements.

1. Customers – who are they?
2. Products or services – what are the firm's major products or services?
3. Location – where does the firm compete?
4. Technology – what is the firm's basic Technology?
5. Concern for survival – what are the firm's economic objectives?
6. Philosophy – what are the basic beliefs values, aspirations and philosophical priorities of the firm?
7. Self-concept – what are the firm's major strengths and competitive advantages?
8. Concern for public image – what are the firms public responsibilities and what image is desired?
9. Concern for employees – what is the firm's attitude towards its employees?

The mission and vision of Amazon.com

The mission and vision of Amazon.com is: Our vision is to be earth's most **customer**-centric company; to build a place where people can come to find and discover anything they might want to buy online. Amazon's mission statement focuses on effective and high-quality service.

Amazon Vision Statement

Our vision is to be earth's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online.

Amazon's mission statement

Focuses on effective and high-quality service.

Corporate Objectives

Once a mission statement has been developed corporate objectives need to be addressed. The purpose of the corporate objectives is for the stakeholders to measure the success of the mission.

Peter Drucker has identified a number of key areas in which objectives need to be set.

1. Market Standing

Sales and market shares by product and market segment; Customer service levels; and availability of services.

2. Innovation

New products and services required to achieve market objectives.

3. Productivity

Productivity of employees and capital.

4. Physical and Financial Resources

Buildings, equipment, processes and technology, capital; and raw materials and components.

5. Profitability

To replace assets, for innovation an expansion; and to reward risk taking and attract new capital.

6. Manager Performance and Development

7. Worker Performance and Attitude.

8. Public Responsibility.

Service companies need to consider in which specific areas objectives should be set for their organization. For example: in banking, objectives might be set in the following areas:

Profits, Growth, Funds attracted, Market Share, Shareholder Value, Services Mix, Productivity, Image, Operations, Diversification, Management development, Staff Levels, Technology, Relationship Markets etc.,

The emphasis at this level is on corporate strategic objectives, not more tactical ones that relate to marketing or operations. Corporate objectives should be attainable but require the organization to stretch itself. Service Companies approach the setting of objectives in different ways.

For Example: Corporate Objectives of Apple Inc:

Apple Inc. is one of the most famous and well known multinational organizations which are head quartered in America. This organization designs and develops various electronic applications and extensively used software. The organization is famous for its iPods, laptops, computers, iPhones and various other applications. Therefore, it is one of the leading organizations of America.

The corporate objectives of Apple Inc. are based on its mission statement which is based on:

1. Creating Advanced and Innovative Services,
2. High Quality Products and Ensuring Integrity of Business Procedures.
3. The Corporate Objectives of Apple are based on Ensuring Compliance of the Products and Services,
4. Maximizing Shareholder Wealth,
5. Profit Maximization,
6. Sales Maximization

Designing the Strategy

This involves two major decisions:

1. Analyze the Current Business Portfolio and decide which business should receive more emphasis and resources.
2. Develop growth strategies by adding new products or business to the current portfolio.

Many service organizations have different and diversified businesses.

For example: In the financial sector, banks have wider range of business activities like.

- Deposits, Savings, Loans, ATM Service
- Investments, Corporate Development
- Rural Banking, Retail Banking, Over drafts etc.,

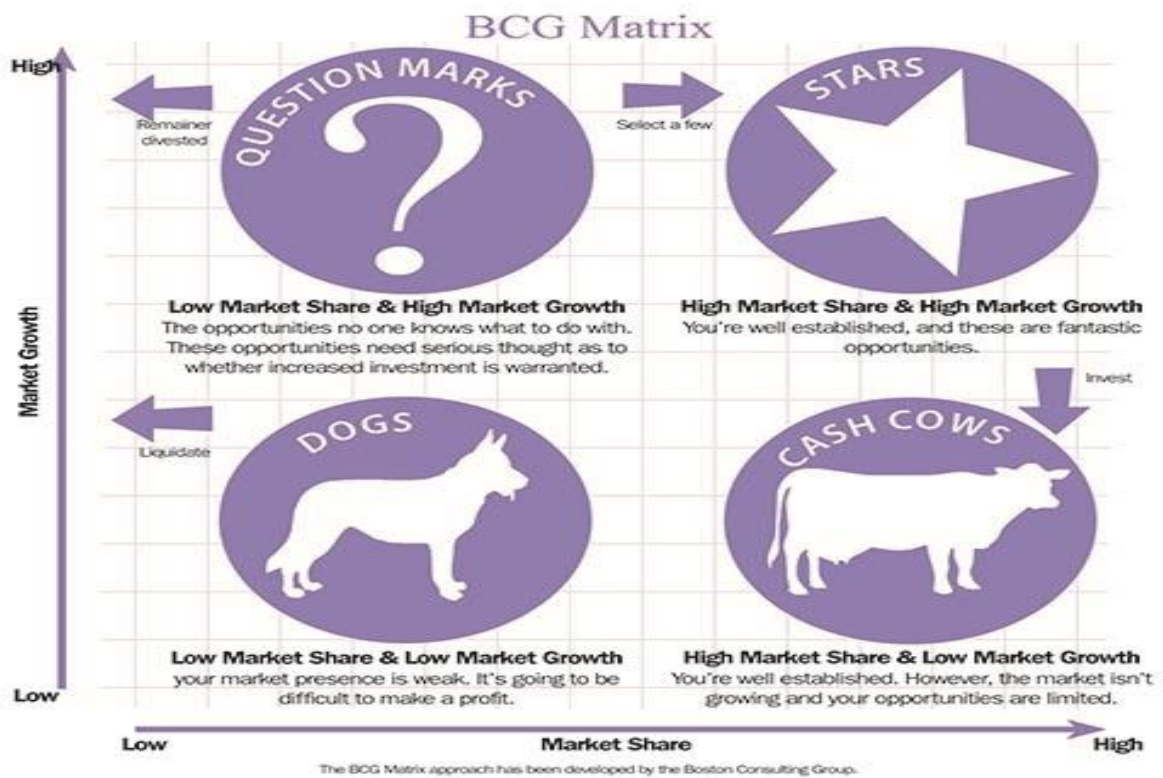
As most markets change to some extent over a period of time, the services many not match the customer's needs, organization seek to manage their growth in a manner that maintains a portfolio of activities.

Risk spreading is an important element of portfolio management. One commonly used framework for analyzing business portfolio is the Boston Consulting Group (BCG):

- **Market Share**
- **Growth Matrix**

The frame work was originally developed as measure of bringing about a more rational basis for allocating funds, focusing on business generation and funds allocation in response to the challenges of a dynamic competitive environment

Fig: Boston Consulting Group (BCG) Matrix





Analysis

In the Boston Matrix “*relative market share is shown moving from high to low on the Horizontal Axis*”. While “*market growth rate moves from high to low on the Vertical one*”.

The matrix denotes four categories of products: Many service firms have made attempts to apply this approach to their organization.

Star: Star is services with high market share and high market growth.

They are probably new products in the market that is fast growing they use as much cash as they generate.

The Question Mark or Problem Child: This denotes a product that has a low market share but high market growth. This could be a product that has not yet reached a dominant position in the market.

The Cash Cow: It has a large market share but low market growth. Here there is a reasonable stability with a lot of cash being generated but little being use.

The Dog: It has a low market share with a low market growth. It has no real future and is drain on cash.

GROWTH STRATEGIES

Another approach towards “Growth Strategies”

- *Product / Service*
- *Market Expansion Grid*

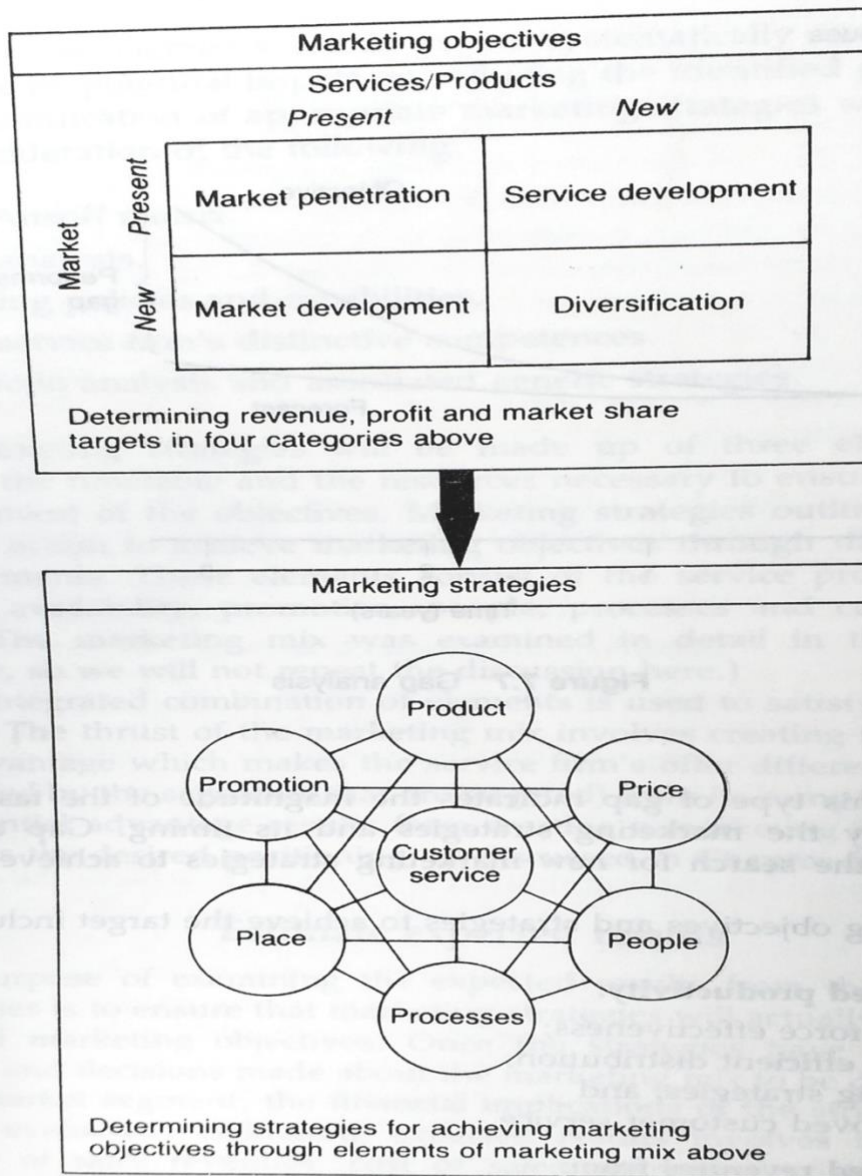


Figure 7.6 Marketing objectives and marketing strategies

These are proposed by Ansoff

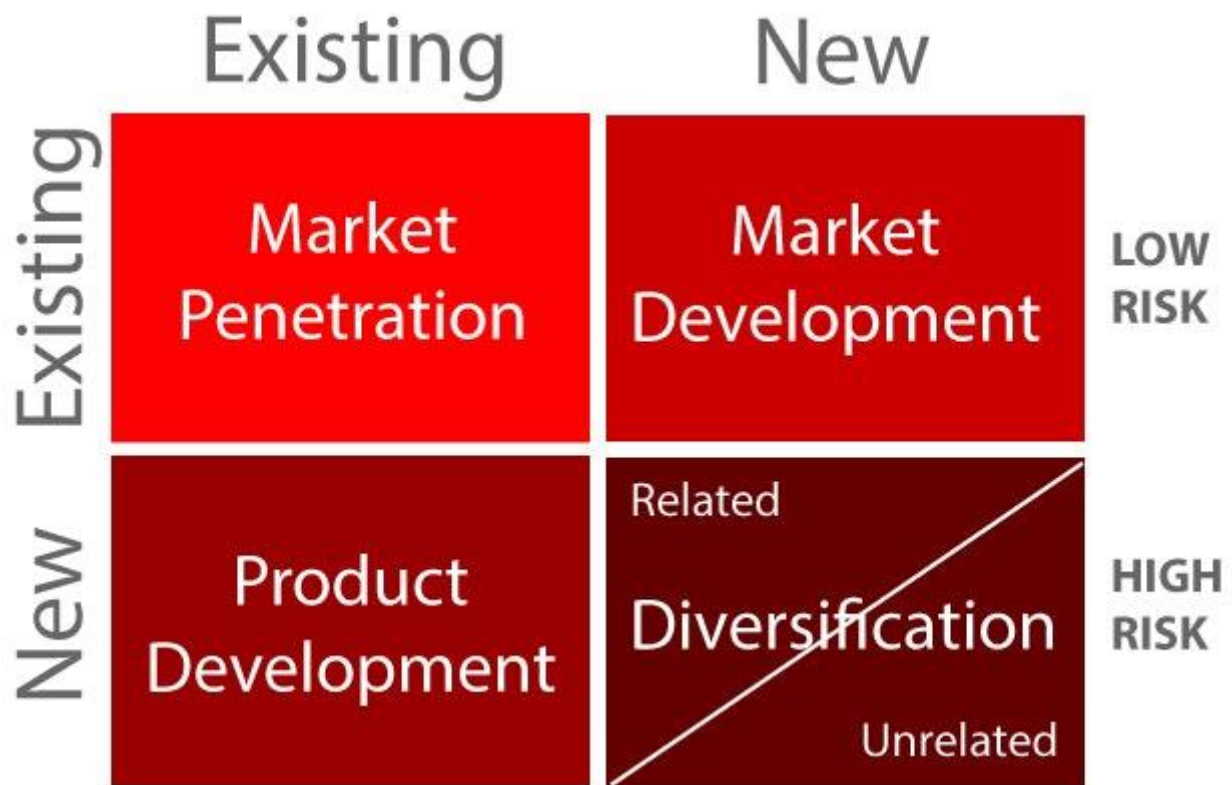
In this, there are four possible growth strategies that are identified in the matrix.

1. Market Penetration
2. Product Development
3. Market Development
4. Product Diversification

These four growth options are associated with different sets of problems and opportunities for the organization. These are relate to the level of resources required to implement a particular strategy and the level of risk associated with it.

The Four options of growth strategy are:

Fig: Product (or) Service / Market Grid



- ❖ Product or Service is shown moving from “*Existing to new on the Horizontal axis*”.
- ❖ While Market Expansion moves from *Existing to new on the Vertical axis*”.

Market Penetration

This strategy focuses on the existing products in the existing target market. This can be done by reducing (reduction on a smaller price) the price or through aggressive marketing policies.

Market Development

In this strategy, the service firm seeks to find new group of customers for their existing product range. This can be done by expanding its sales in new geographical regions or customer segments.

Product Development

An alternative strategy is to sell the new products for the existing markets. This is done by modifying the current service to suit the needs of the existing customer segments.

Product Diversification

In this, the organization expands by developing new products for new markets. Though diversification is a risky venture, it helps the organization to reduce dependency on a narrow product / market area.

Fig: Marketing Strategies with Customer Service



Determining strategies for achieving marketing objectives through elements of marketing mix.

Functional Strategies

The corporate strategies sets the fram work for the functional strategy such as

- ❖ **Operations Strategy**
- ❖ **Marketing Strategy**
- ❖ **Financing Strategy**
- ❖ **Personnel / HRM Strategy**

Each department play an important role in service strategy process or product strategy planning process. The activities of all departments must be coordinated to accomplish the corporate objectives. The functional strategies are long term plans that lay down, how these industrial areas are to contribute to and support the organizations achievements of long term goals.

Fig: Integrated view of Functional(Corporate) Strategy

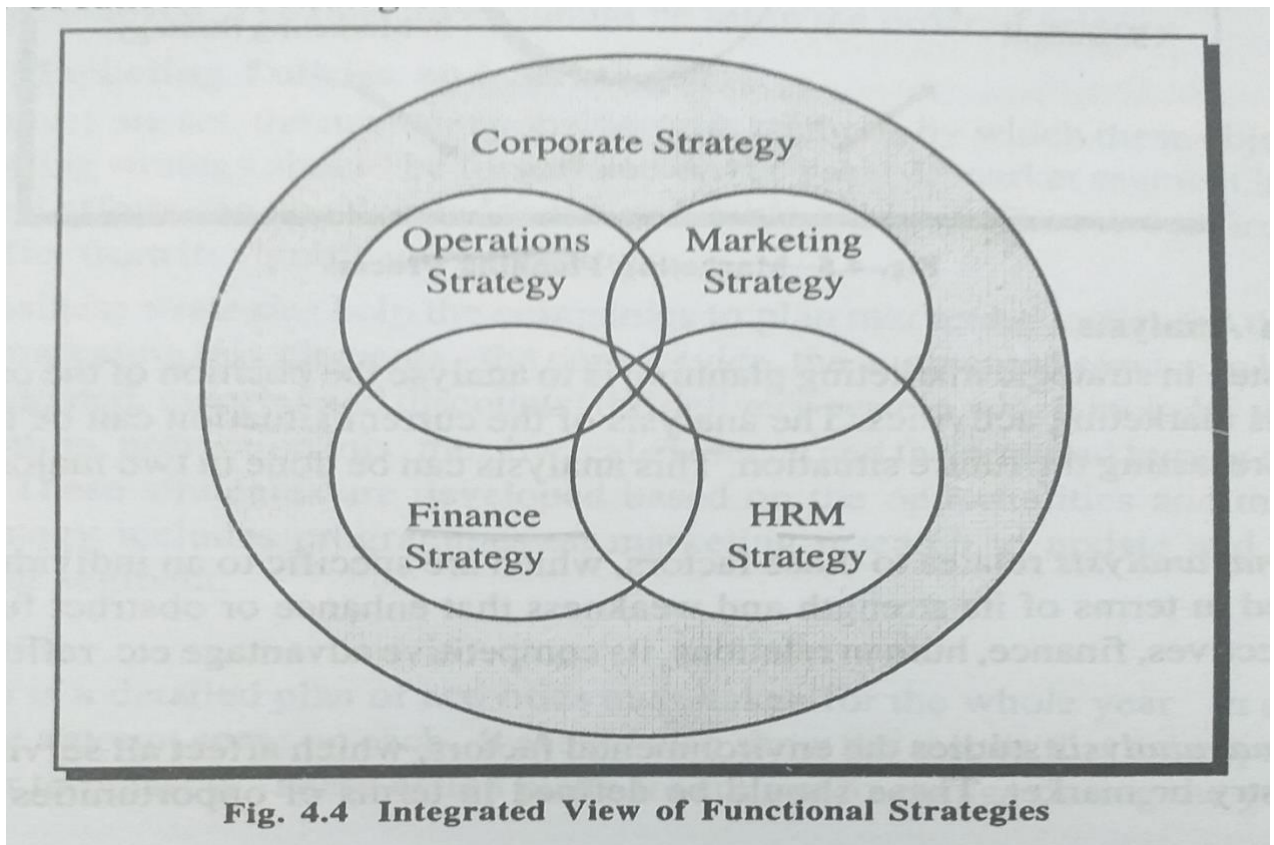


Fig. 4.4 Integrated View of Functional Strategies