



# *Introduction to Services Marketing*

*Dr. Pallavi Chandwaskar*

# Learning objectives

- Introduction, To understand characteristics of services
- Analyze the ways Services are classified
- Service as a process: What is each service organization actually processing?
- To know the different categories in which these processes are categorized and their relevance to consumers

TLP Sharing and Discussion

# Content

- Concept of services
- Difference between product and service
- Service spectrum
- Service Attributes



## Reference Text

- Services Marketing: People, Technology, Strategy- Christopher Lovelock, Jochen Wirtz, Jayanta Chatterjee (2010)
- Service Marketing and Management- Christopher H. Lovelock, Lauren k. Wright
- Services Marketing- M.K. Rampal, S.L. Gupta
- Service Marketing and Management- Dr. B. Balaji
- Services Marketing- C. Bhattachatterjee
- Services Marketing- Dwayne D Gremler, Ajay Pandit

# Opening Case - Jia Jaiwanti: A service Consumer

## Summary of the Case: (Reading Time - 5 min.)

- A final year business student of Mumbai is Jia Jaiwanti. Having got up late in the morning due to late night study she hurried to her college skipping her usual cereal bowl. But there was a hope to have breakfast with burger at college.
- While going outside she picked up her umbrella as she heard the FM news on weather which was going to turn so bad soon. Then she moved to her college standing on the college bus as it was full.
- Reaching there she hurriedly headed to the food stand of college but there was no food for her except coffee. Being frustrated she headed to class but was unable to pay attention to lecture.
- The class was so boring and she felt sleepy. She thought if entire course material was transmitted over the recorded or web, so that student could learn at leisure or from abroad.
- After class session, she and her friends ate lunch at the recently modernized canteen, which was very gloomy and nasty. This new modernized food court was offered various types of food.
- After lunch, Jia stopped at an ATM, inserted her card and withdraw money. For her next class preparation, she ran across rain-soaked courtyard.
- After completion her class she headed to visit to hairdresser and she was satisfied with their services.
- When rain stopped, she was picking up clothes from the cleaners. But services from cleaners she disliked very much. After completion of activities she returned to home.
- She collected mail from mail box and resolve that. Eventually when she sought to arrange her meal, she didn't find each elements to cook.
- At the end she decided to make salad and call for a large pizza. It was the story of the business student Jia Jaiwanti.

# CASE STUDY QUESTIONS

Discussion Time: 15 min.

1. *Identify each of the services that Jia had used or was planning to use. Categorize them according to the nature of the respective underlying processes.*
2. *What needs is she attempting to satisfy in each instance? What proportion of these services involve*
  - a) *Self Service*
  - b) *Some degree of customer involvement with the production process.*
  - c) *Where do you find more potential for self-service & what would be the implications for a customer and a supplier?*
3. *What similarities and differences could you find between the dry cleaning store and the hair salon?*

# Service Sector In Indian Economy

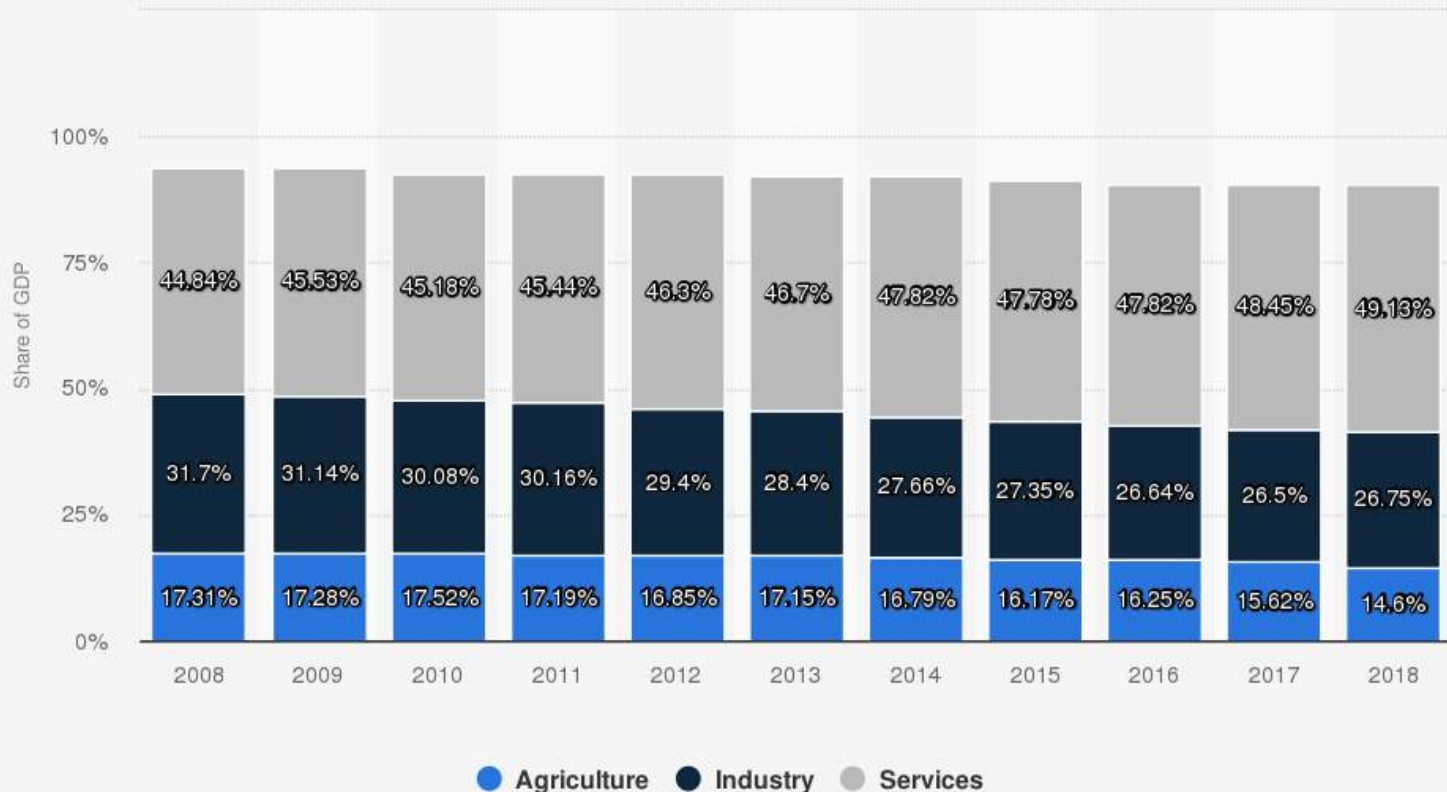


- India's large **service industry** accounts for **57.2%** of the country's GDP while the industrial and agricultural sectors contribute 28.6% and 14.6% respectively.
- Agriculture is the predominant occupation in Rural India, accounting for about 52% of employment. The **service sector makes up a further 34% of employment**, and industrial sector around 14%.
- Information technology and BPO are among the fastest growing sectors.

# Service Sector's contribution in India's GDP



India: Distribution of gross domestic product (GDP) across economic sectors from 2008 to 2018



Source  
World Bank  
© Statista 2020

Additional Information:  
India; World Bank

# Service Sector Composition

The various sectors that combine together to constitute service industry in India are:

- Transport (Air, Water, Rail, Road)
- Hospitality (Hotels and Restaurants)
- Communication (Post, Telecom, Internet, IT/ ITES)
- Banking & Insurance
- Other Transport & Storage
- Real Estate
- Business Services
- Public Administration; Defence
- Health Care, Fitness
- Community Services
- Media and Entertainment Services

# Student Activity#1



Think and enlist as many services as you can which you have availed in the last one month..

List you favorite service brands in those categories...**Type in chat-box**

How do you buy a service and consume it??

Are services *Intangible, perishable, customized, interactive, heterogeneous* ??

# Current Affairs in Service business

- [https://brandequity.economictimes.indiatimes.com/news/digital/from-a-to-z-snapchat-defines-new-trends-on-new-generation/70047070?utm\\_source=b2bnotification&utm\\_medium=notification](https://brandequity.economictimes.indiatimes.com/news/digital/from-a-to-z-snapchat-defines-new-trends-on-new-generation/70047070?utm_source=b2bnotification&utm_medium=notification)
- <https://brandequity.economictimes.indiatimes.com/news/digital/why-the-indian-market-needs-to-be-ready-for-5g-now/70048009>
- <https://brandequity.economictimes.indiatimes.com/news/business-of-brands/cardekho-selects-rezo-ai-to-focus-on-whatsapp-automation/70057563>



# Introduction to Services Marketing

- What are services?
- Why services marketing?
- Characteristics of Services Compared to Goods
- Services Marketing Mix
- **Service v/s Products**

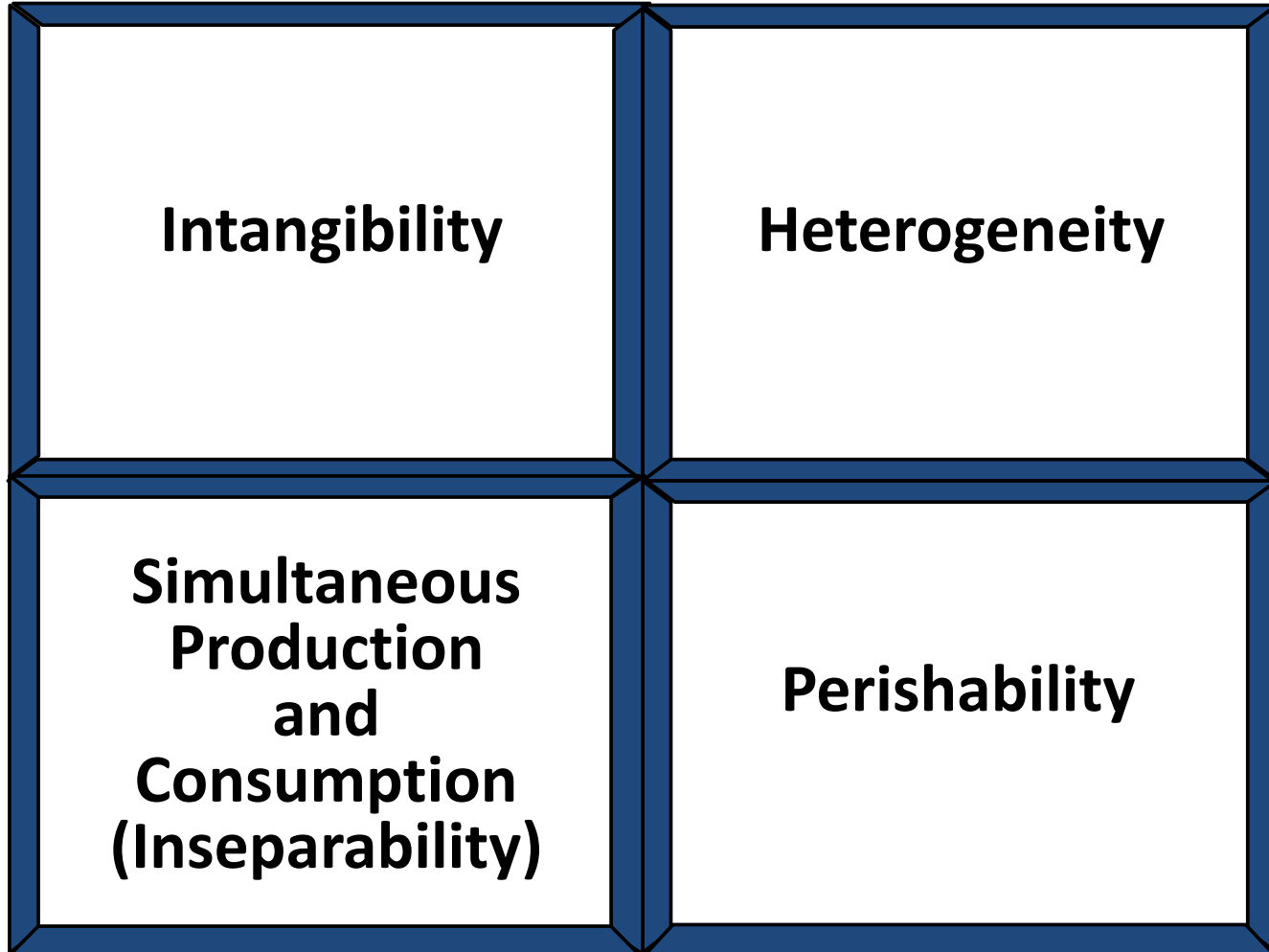


# Definition

- Services are 'deeds, performances, efforts'.
- Is a glass of coke a service?
- Is attending a class a service?
- Is a ride in a taxicab a service?
- Is dining in a restaurant a service?
- Is buying grocery on Big-Basket a service?

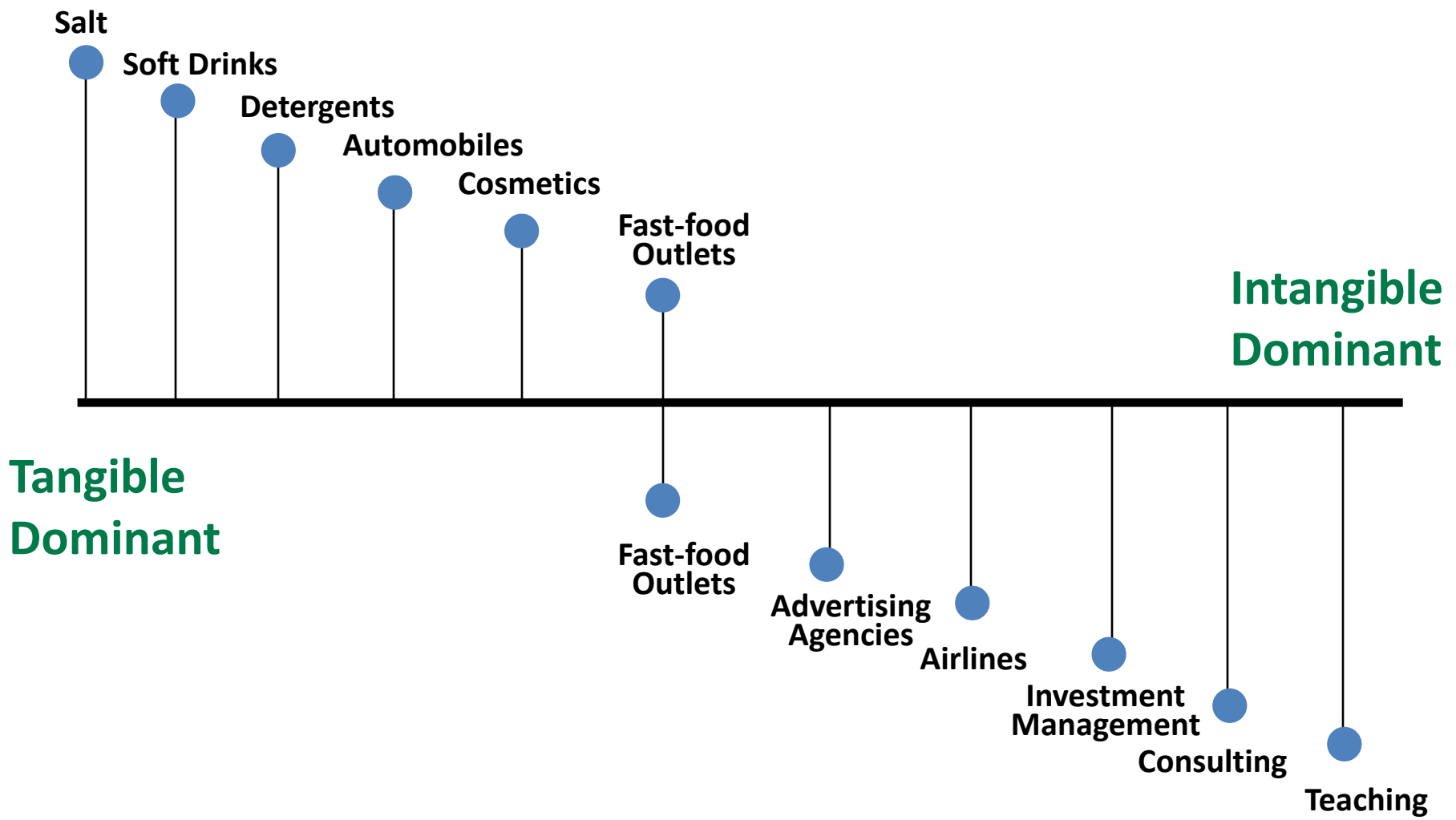


# Characteristics of Services as **Compared** to Goods



# Characteristics of Services Compared to Goods

## Tangibility Spectrum



# Service marketing mix

- Product
- Price
- Place
- Promotion
- **People**
  - All human actors who play a part in service delivery and thus influence the buyer's perceptions: namely, the firm's personnel, the customer, and other customers in the service environment.
- **Physical Evidence**
  - The environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service.
- **Process**
  - The actual procedures, mechanisms, and flow of activities by which the service is delivered—the service delivery and operating systems.

# Expanded Marketing Mix for Services

<b>Product</b>	<b>Place</b>	<b>Promotion</b>	<b>Price</b>
Physical good features	Channel type	Promotion blend	Flexibility
Quality level	Exposure	Salespeople	Price level
Accessories	Intermediaries	Selection	Terms
Packaging	Outlet locations	Training	Differentiation
Warranties	Transportation	Incentives	Discounts
Product lines	Storage	Advertising	Allowances
Branding	Managing channels	Media types	
		Types of ads	
		Sales promotion	
		Publicity	
		Internet/Web strategy	
<b>People</b>	<b>Physical Evidence</b>	<b>Process</b>	
Employees	Facility design	Flow of activities	
Recruiting	Equipment	Standardized	
Training	Signage	Customized	
Motivation	Employee dress	Number of steps	
Rewards	Other tangibles	Simple	
Teamwork	Reports	Complex	
Customers	Business cards	Customer involvement	
Education	Statements		
Training	Guarantees		

# Ways of Classifying Services

- **Degree of tangibility or intangibility of service process** (food service v/s net banking)
- **Direct recipient of service process** (hair-cut v/s dry-cleaning clothes)
- **Place & time of service delivery** (hotel v/s courier at home)
- **Customization versus standardization** (taxi or cab v/s bus service)
- **Nature of relationship with customers** [personal (bank) v/s unidentified (TV broadcast)]
- **Extent to which demand & supply is managed** (fluctuations like rush in supermarkets at weekend)
- **Extent to which facilities, equipments, people are part of service experience.** (class-room v/s ATM card)

# Service as a Process

- A process involves transforming inputs into output.
- Two broad categories are processed in services: **people & objects.**
- **People Processing:** Where people as a customer themselves are involved in process.
- **Objects Processing:** Where objects are involved in process.

# Categorizing Service Processes



**People Processing:** Involves tangible action to people's bodies. Eg. Passenger transportation

**Possession processing:** Tangible action to any object or possession belonging to customer. Eg. Repairing PC

**Mental Stimulus Processing:** Intangible actions directed at people's minds. Eg. entertainment

**Information Processing:** Intangible action directed at people's assets. Eg. Consulting, insurance

# Management Challenges for Different Processes



- Identifying Service benefits
- Designing Service factory
- Finding alternative channels for service delivery
- Balancing Supply and Demand
- Making most of the IT
- Seeing people as part of the product

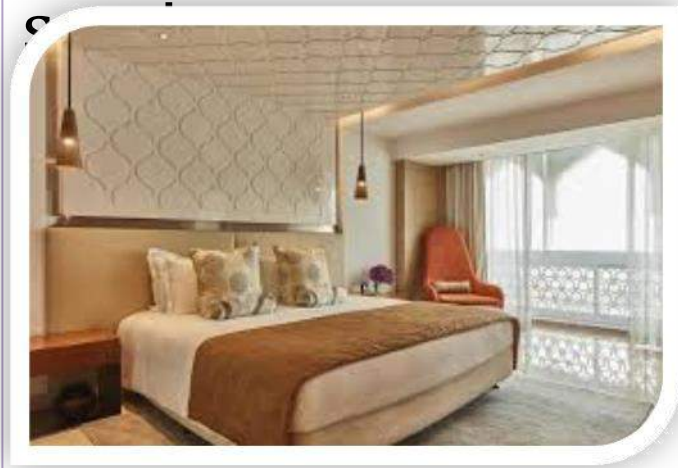
# Managerial Implications for Different Processes



Type of Processing	Implications for Manager
<b>People Processing</b>	<ul style="list-style-type: none"><li>• Seek active cooperation from customer</li><li>• Thinking about process &amp; output in terms of what happens to customer</li><li>• Process helps to identify some non-financial costs like physical effort incurred by customer</li></ul>
<b>Possession Processing</b>	On-site (home service)/ off-site (at service centre), output should be a satisfactory solution to customer's problem or some tangible enhancement of the item or possession
<b>Mental Stimulus Processing</b>	<ul style="list-style-type: none"><li>• Seeks customer's mental attention to make the service delivery more effective.</li><li>• Information can be stored on physical media and packaged and marketed as a tangible product</li></ul>
<b>Information Processing</b>	Services highly dependant on effective collection & processing of information, involves informational input from customer like law, market research, medical diagnosis etc..

# Activity # 1

Mention one of your service experience as a consumer under each of the four categories of service processing to differentiate among the types of processing involved and tangible/ intangible benefits involved in availing that



# Service Encounters

- **Transactional interaction** between customers and service employees, either in person or by phone.
- Service encounters may also take place between customers & physical facilities or equipments.
- Types of service on this basis:
- **High contact services** (contact with humans more)
- **Low contact services** (more contact with automated machines)



# Moment of Truth

- “A point in service delivery where customers interact with service employees or self-serve equipment and the **outcome may affect perceptions of service quality.**”



# Elements of Service Encounter

Service Personnel	Service facilities & Equipments	Non-personal communications	Other People
Sales Representative	Building exteriors, Parking, landscaping	Form letters	Fellow customers encountered during service delivery
Customer service staff	Building interiors and furnishing	Brochures/ catalogs instruction manuals	Word of mouth comments from friends, strangers
Accounting/ billing staff	Vehicles	Advertising	
Operations staff	Self-service equipments operated by customers	Signage	
Designated intermediaries	Other equipments	News stories/ editorials	

# Critical Incidents in Service Encounters

- It is a specific encounter between customer & service provider in which the outcome has proved especially satisfying or dissatisfying for one or both parties.
- **CIT (Critical incident Technique):** A methodology for collecting, categorizing & analyzing critical incidents that have occurred.



# Implications for Managers

- Negative Critical incidents satisfactorily resolved have great potential of enhancing loyalty.
- Findings from CIT (Critical Incident Technique) can be helpful in pinpointing opportunities for future improvements in service delivery process.






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Amey Varma



**Participants (20)**

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- Pallavi Chandwaskar (Host, me)
- Aditya Varma
- Amey Varma
- Amisha Tiwari
- Darshana
- Dhanashree Jinde
- Eshan
- gauri
- Harsha
- Kanti Raut
- kddivekar
- Manish Chaudhari
- Neha

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- gauri
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- Prashant
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- Samruddhi Jadhav
- Sneha Patil
- Sujay Patil
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# *Consumer Behaviour in Services*

*Dr. Pallavi Chandwaskar*

# Objectives

- Enhance understanding of how consumers choose, experience, and evaluate services.
- Describe how consumers judge goods versus services in terms of search, experience, and credence criteria.
- Develop the elements of consumer behavior that a services marketer must understand: choice behavior, consumer experiences, and postexperience evaluation.

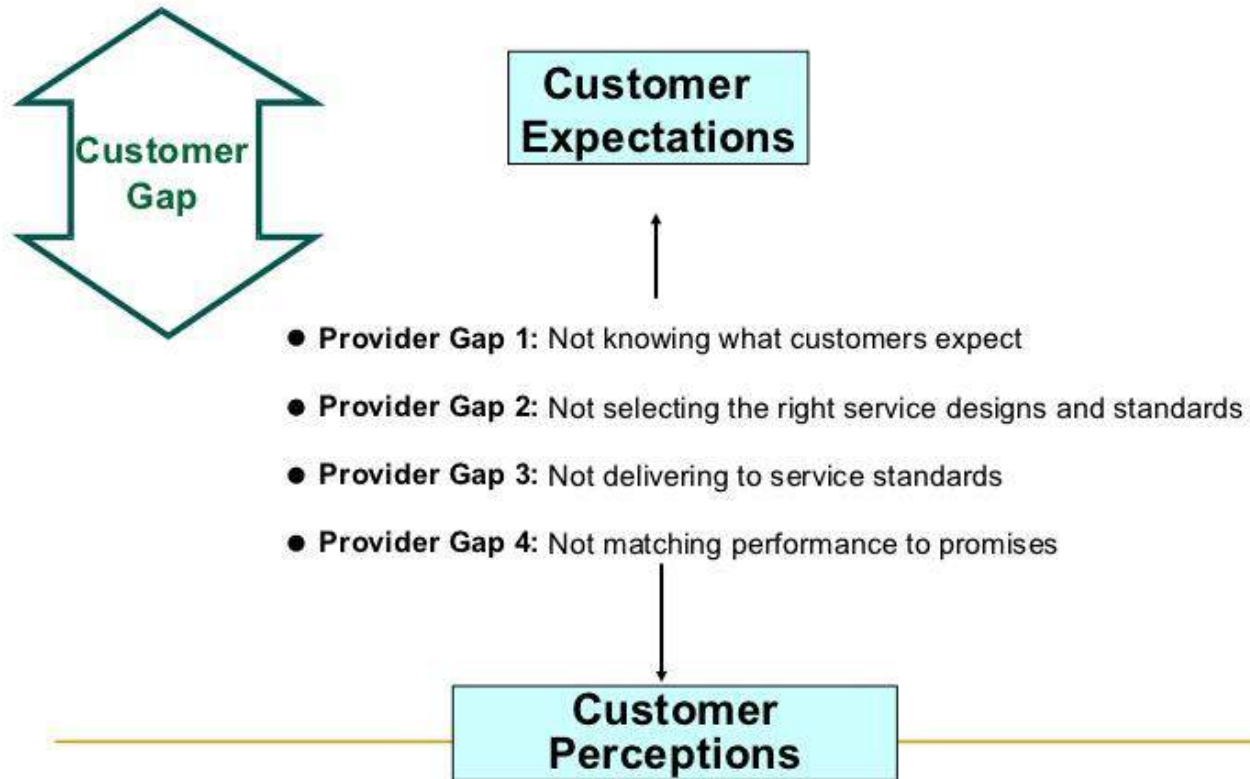
# Customer Behavior in Services

- Search, Experience, and Credence Properties
- Consumer Choice
- Consumer Experience
- Postexperience Evaluation
- Global Differences: The Role of Culture



# The Customer Gap

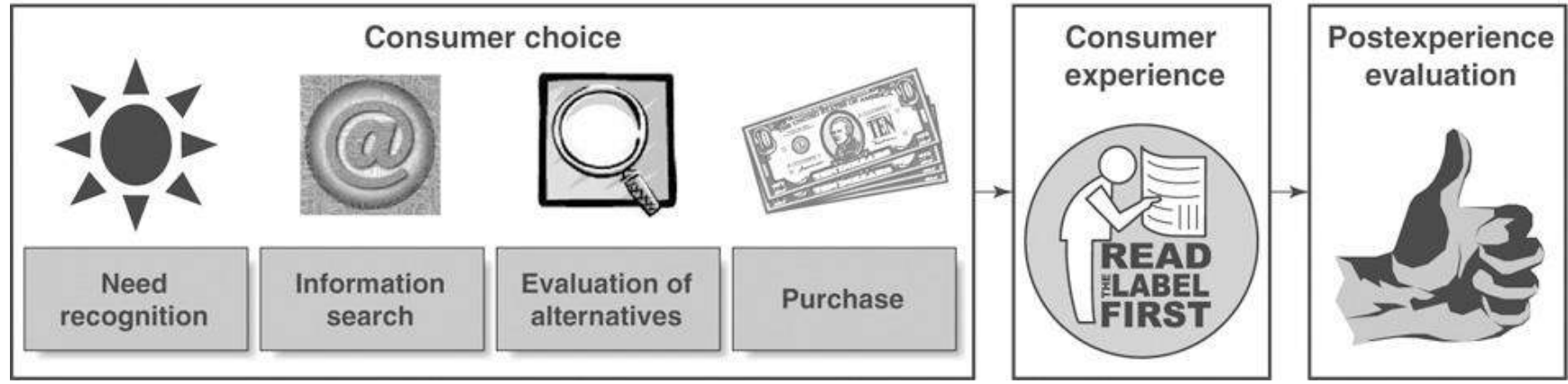
## Key Factors Leading to the Customer Gap



# Stages in Consumer Decision Making and Evaluation of Services



FIGURE 3.2 Stages in Consumer Decision Making and Evaluation of Services



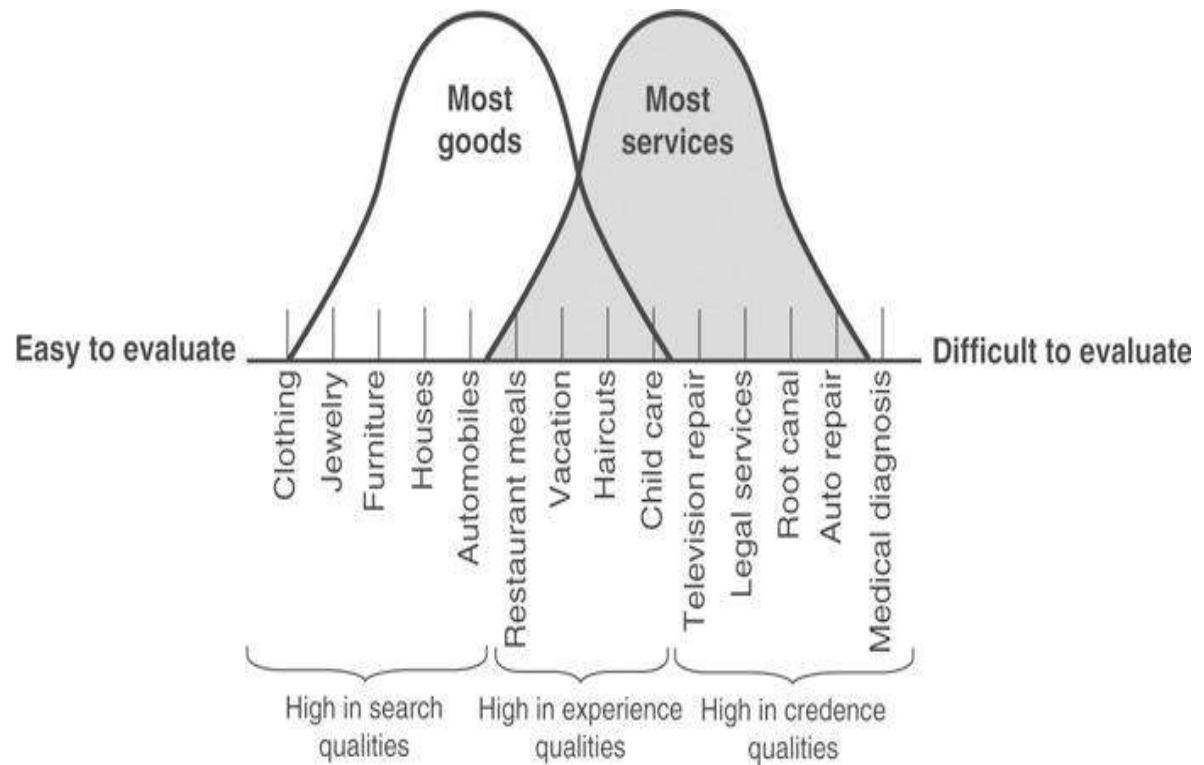
# Consumer Evaluation Processes for Services



- **Search Qualities**
  - attributes a consumer can determine prior to purchase of a product
- **Experience Qualities**
  - attributes a consumer can determine after purchase (or during consumption) of a product
- **Credence Qualities**
  - characteristics that may be impossible to evaluate even after purchase and consumption

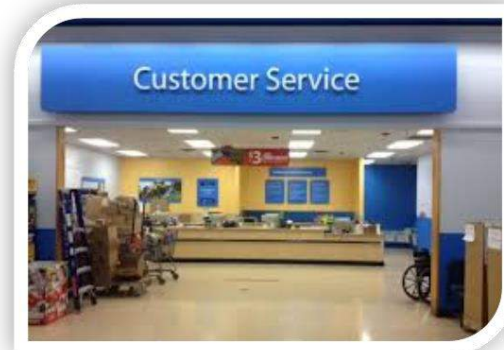
# Continuum of Evaluation for Different Types of Products

**FIGURE 3.1**  
Continuum of  
Evaluation for  
Different Types  
of Products



# Issues to Consider in Examining the Consumer's Service Experience

- Services as processes
- Service provision as drama
- Service roles and scripts
- The compatibility of service customers
- Customer coproduction
- Emotion and mood



# Level of Customer Participation

LOW	MODERATE	HIGH
Customer presence required during service delivery	Customer input required for service creation	Customer coproduces the service product
Product is standardized	Customer inputs (information, material)	Active client participation mandatory
Payment may be only required customer input	Client input customize standardized service	Customer inputs coproduces the outcome
Eg. Airline travel	Annual physical check-up	Career counseling
B-2-B customer	Self-service restaurant	Weight-reduction program

# Increasing productivity when customers are Co-producers

- **Conduct a “job analysis” of customers’ present role** in business & compare it to roles that firm would like them to play
- Determine if customers are aware of how they are expected to perform
- **Motivate customers** by ensuring that they will be rewarded for performing well (eg. Satisfaction from better quality & more customized output)
- **Regularly appraise customer’s performance.** If unsatisfactory, try to change their role or procedures in which they are involved.

## Activity # 2

- Think of a time when as a customer, you had a particularly satisfying or dissatisfying experience with either service personnel or service facilities.
- When did incident occurred?
- What specific circumstances led to the situation?
- Exactly what did the employee say or do?
- What resulted that made you feel the interaction was satisfying/dissatisfying?





# *Service Blueprint (Service Delivery Systems)*

*Dr. Pallavi Chandwaskar*

# New Service Strategy Matrix for Identifying Growth Opportunities



**FIGURE 9.2**  
New Service  
Strategy Matrix for  
Identifying Growth  
Opportunities

Source: Adapted from  
H. I. Ansoff, *Corporate  
Strategy* (New York:  
McGraw-Hill, 1965).

Offerings	Markets	
	Current customers	New customers
Existing services	Share building	Market development
New services	Service development	Diversification

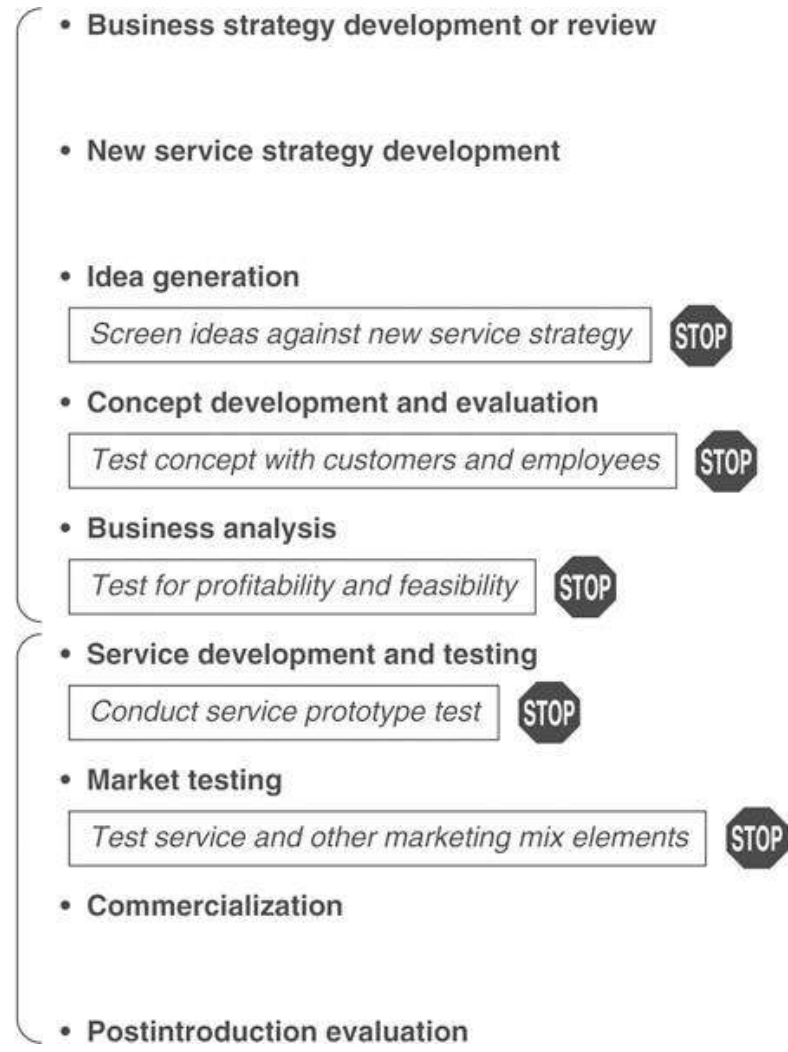
# New Service Development Process

**FIGURE 9.1**  
**Service Innovation**  
**and Development**  
**Process**

Sources: M. J. Bowers, "An Exploration into New Service Development: Organization, Process, and Structure," doctoral dissertation, Texas A&M University, 1985; A. Khurana and S. R. Rosenthal, "Integrating the Fuzzy Front End of New Product Development," *Sloan Management Review* 38 (Winter 1997), pp. 103–120; and R. G. Cooper, *Winning at New Products*, 3rd ed. (Cambridge, MA: Perseus Publishing, 2001).

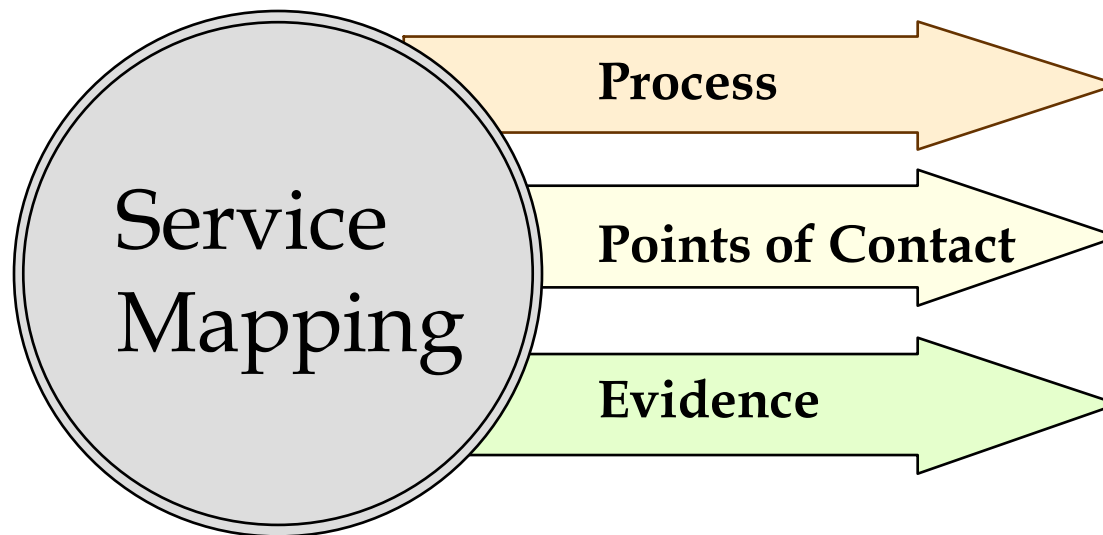
**Front-end  
 planning**

**Implementation**



# Service Mapping/Blueprinting

- A tool for simultaneously depicting the service process, the points of customer contact, and the evidence of service from the customer's point of view.



# Service Blueprint Components

## Customer Actions

*line of interaction*

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## Visible Contact Employee Actions

*line of visibility*

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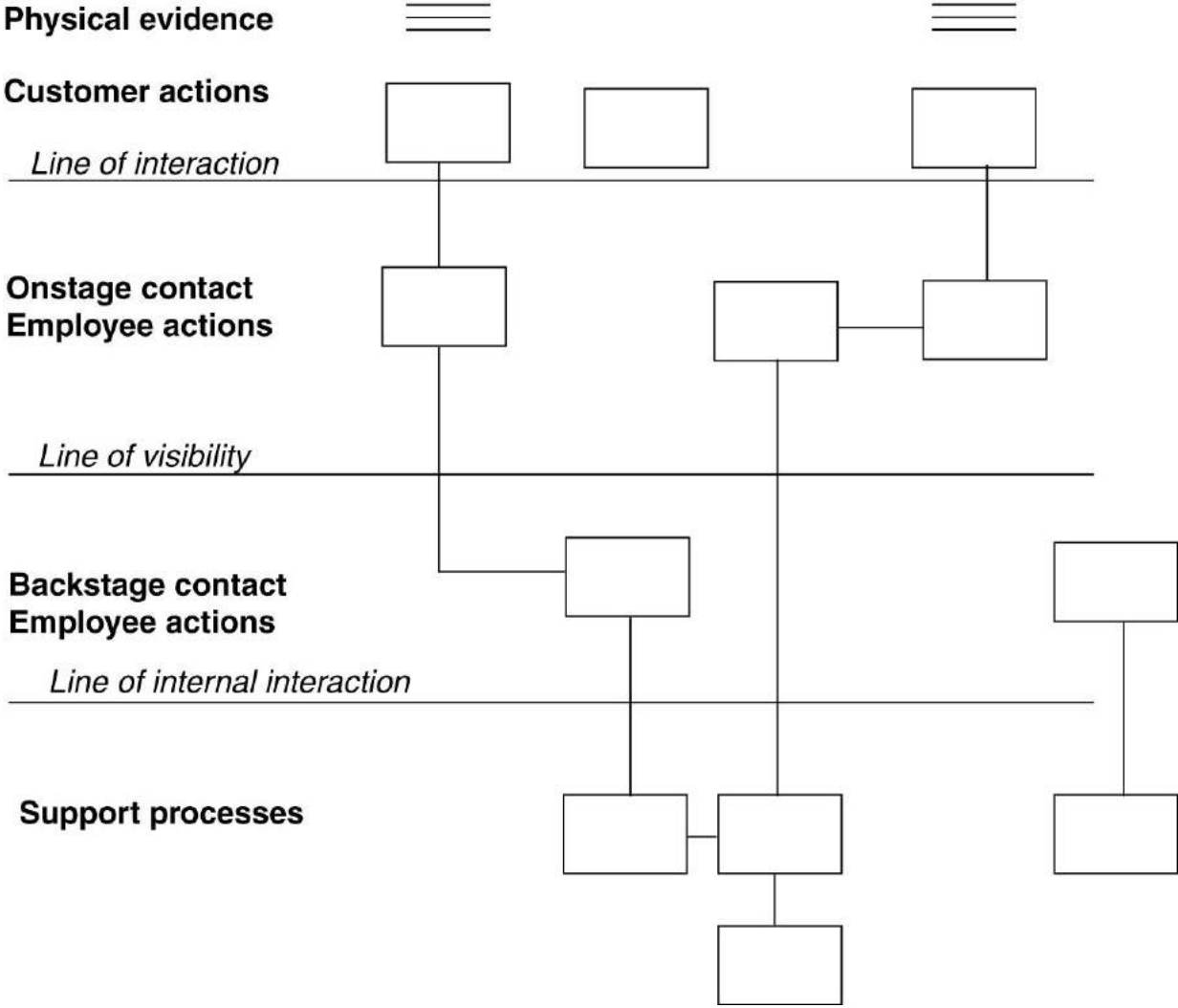
## Invisible Contact Employee Actions

*line of internal interaction*

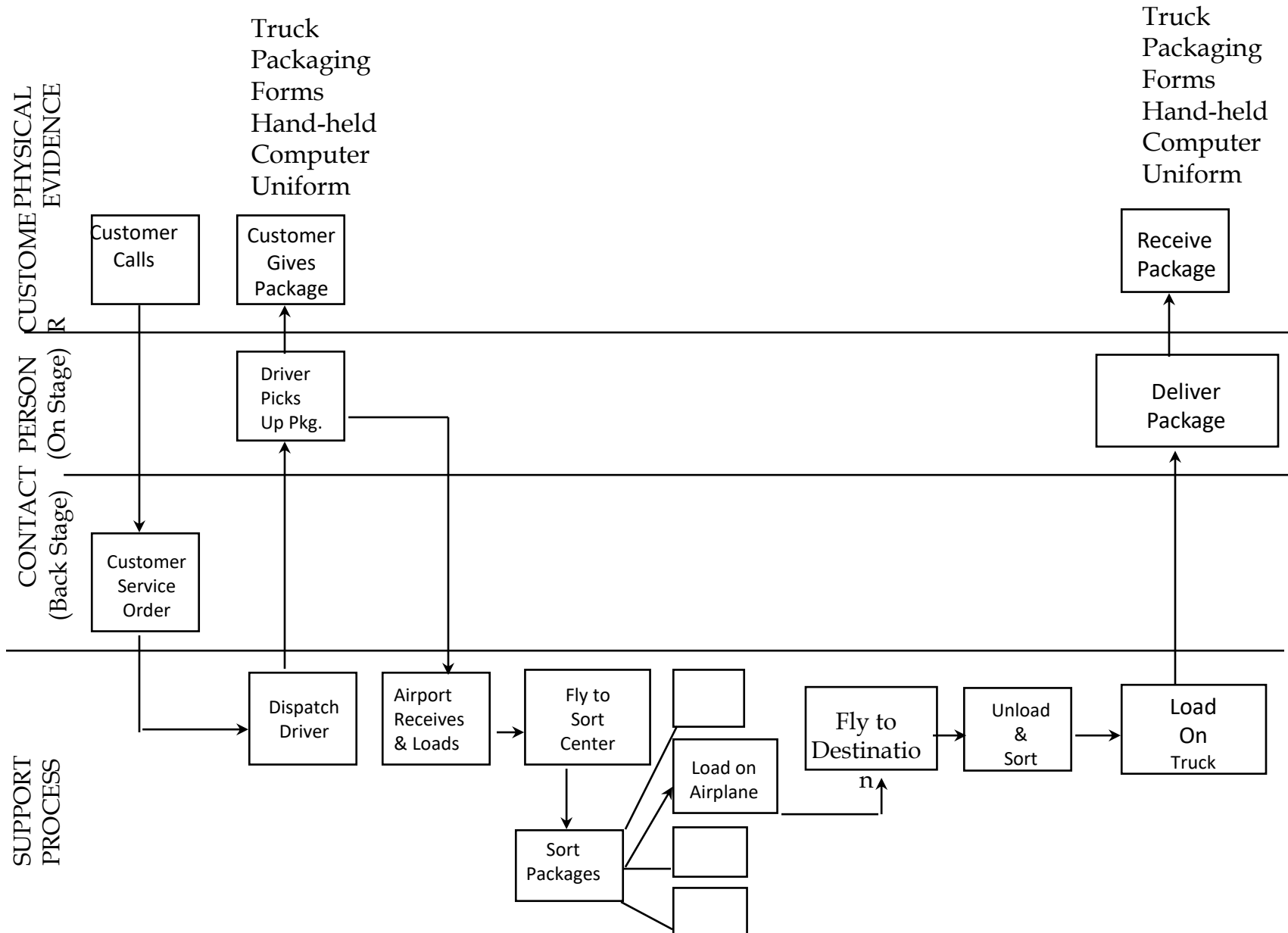
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## Support Processes

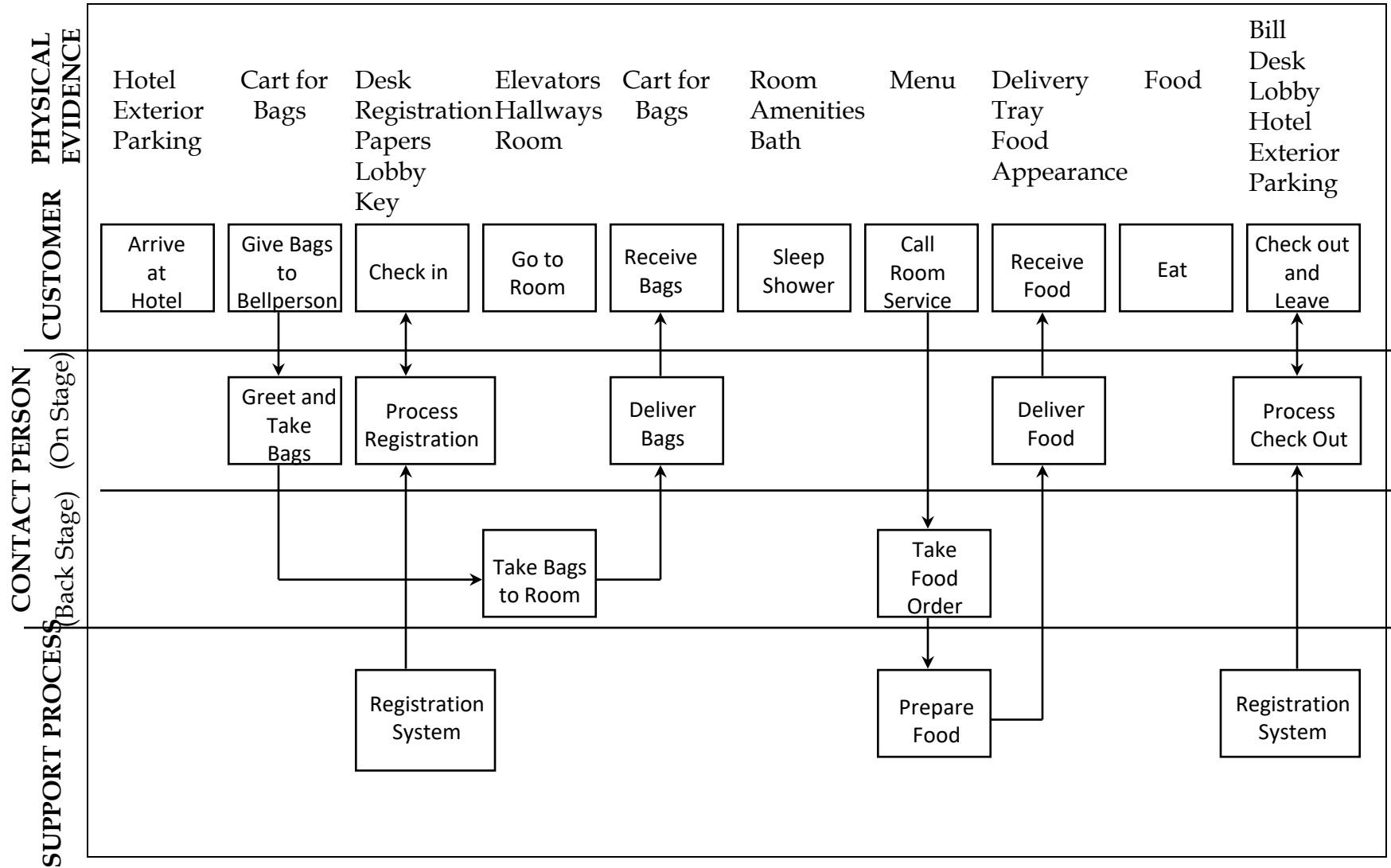
# Service Blueprint Components



# Express Mail Delivery Service



# Overnight Hotel Stay



# Building a Service Blueprint

## Step 1

Identify the process to be blue-printed.

## Step 2

Identify the customer or customer segment.

## Step 3

Map the process from the customer's point of view.

## Step 4

Map contact employee actions, onstage and back-stage.

## Step 5

Link customer and contact person activities to needed support functions.

## Step 6

Add evidence of service at each customer action step.

# Application of Service Blueprints

- **New Service Development**
  - concept development
  - market testing
- **Supporting a “Zero Defects” Culture**
  - managing reliability
  - identifying empowerment issues
- **Service Recovery Strategies**
  - identifying service problems
  - conducting root cause analysis
  - modifying processes

# Blueprints Can Be Used By:

- **Service Marketers**

- creating realistic customer expectations:
  - service system design
  - promotion

- **Operations Management**

- rendering the service as promised:
  - managing fail points
  - training systems
  - quality control

- **Human Resources Management**

- empowering the human element:
  - job descriptions
  - selection criteria
  - appraisal systems

- **System Technology**

- providing necessary tools:
  - system specifications
  - personal preference databases

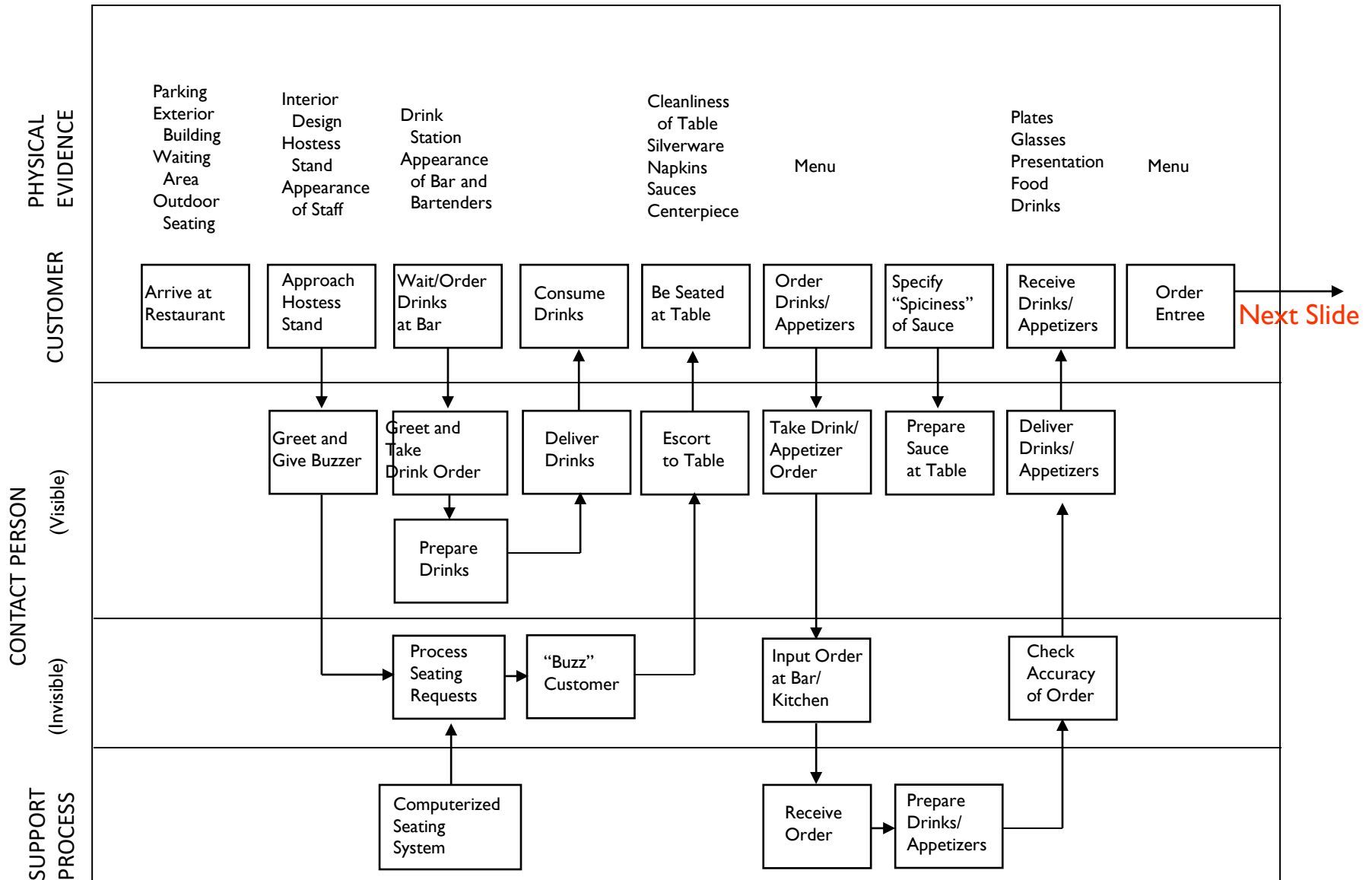
# Benefits of Service Blueprinting

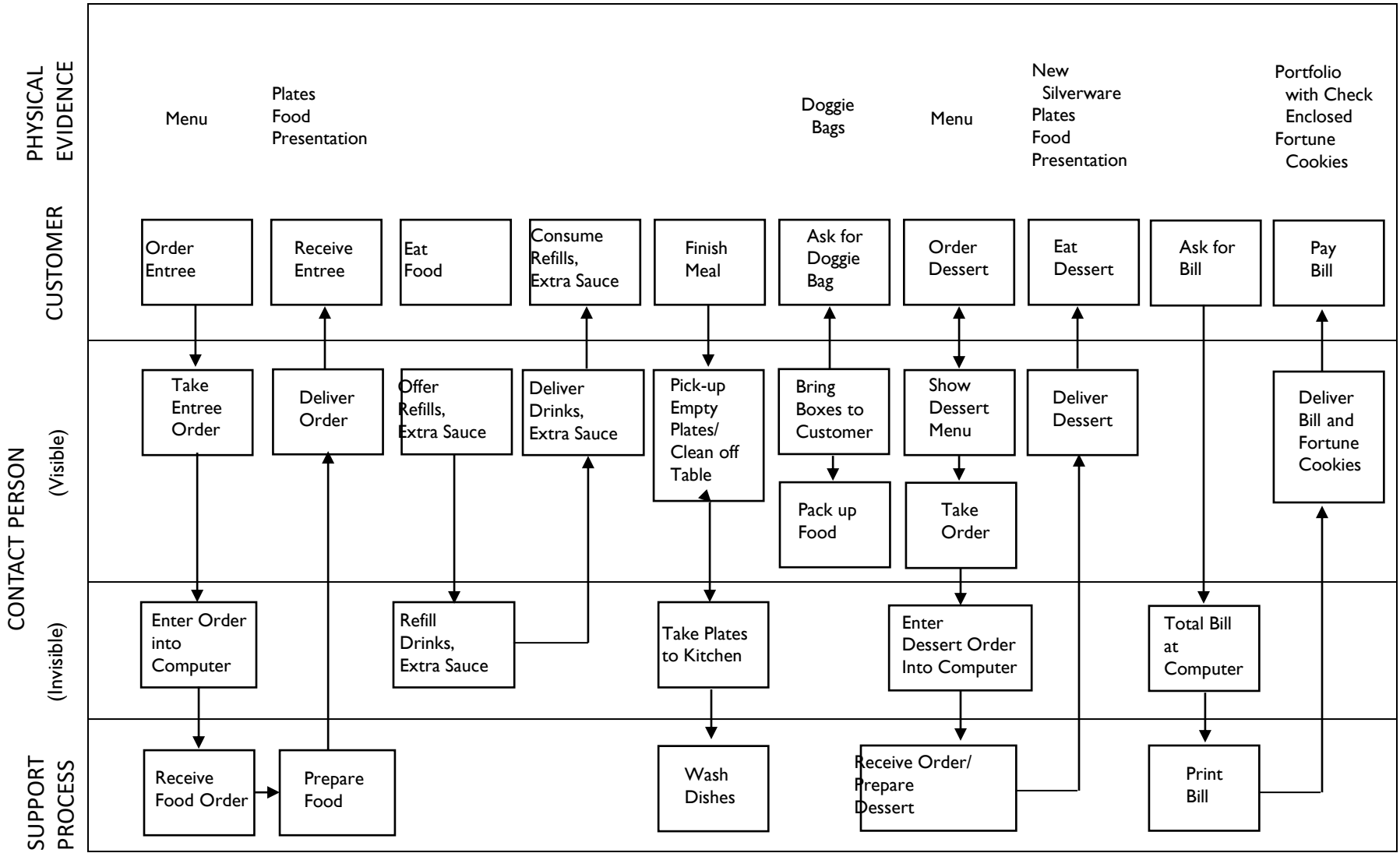
- Provides a platform for innovation.
- Recognizes roles and interdependencies among functions, people, and organizations.
- Facilitates both strategic and tactical innovations.
- Transfers and stores innovation and service knowledge.
- Designs moments of truth from the customer's point of view.
- Suggests critical points for measurement and feedback in the service process.
- Clarifies competitive positioning.
- Provides understanding of the ideal customer experience.

# Common Issues in Blueprinting

- Clearly defining the process to be blueprinted
- Clearly defining the customer or customer segment that is the focus of the blueprint
- Who should “draw” the blueprint?
- Should the actual or desired service process be blueprinted?
- Should exceptions/recovery processes be incorporated?
- What is the appropriate level of detail?
- Whether to include time on the blueprint

# Example blueprint: A restaurant





# Tangible Cues or Indicators of Quality

- Exterior and Interior Design
- Presentation of Food/Drinks
- Appearance of Staff
- Cleanliness of Tables, Utensils
- Cleanliness of Restrooms
- Location of Restaurant
- Appearance of Surrounding Customers

# Possibility of Standardization

- Hostess Greeting
- Pre-Prepared Sauces (Mild, Medium and Hot)
- Time Standards
- Food and Drink Quality Standards
- Bill Standards

# Potential **Fail Points** and **Fixability**

- Food
  - revise food presentation; create quality control checks to ensure order is correct before delivering to customer
- Staff
  - training; set number of times to check-in on customers; behavioral and attitude guidelines; dress code
- Billing
  - standards for when to bring bill, how to deliver, when to pick-up, how quickly to process transaction; ensure one fortune cookie per customer
- Cleanliness
  - standards for amount of time it takes to clear and clean tables; regular restroom checks

# Class Activity# Service Blue-print Development

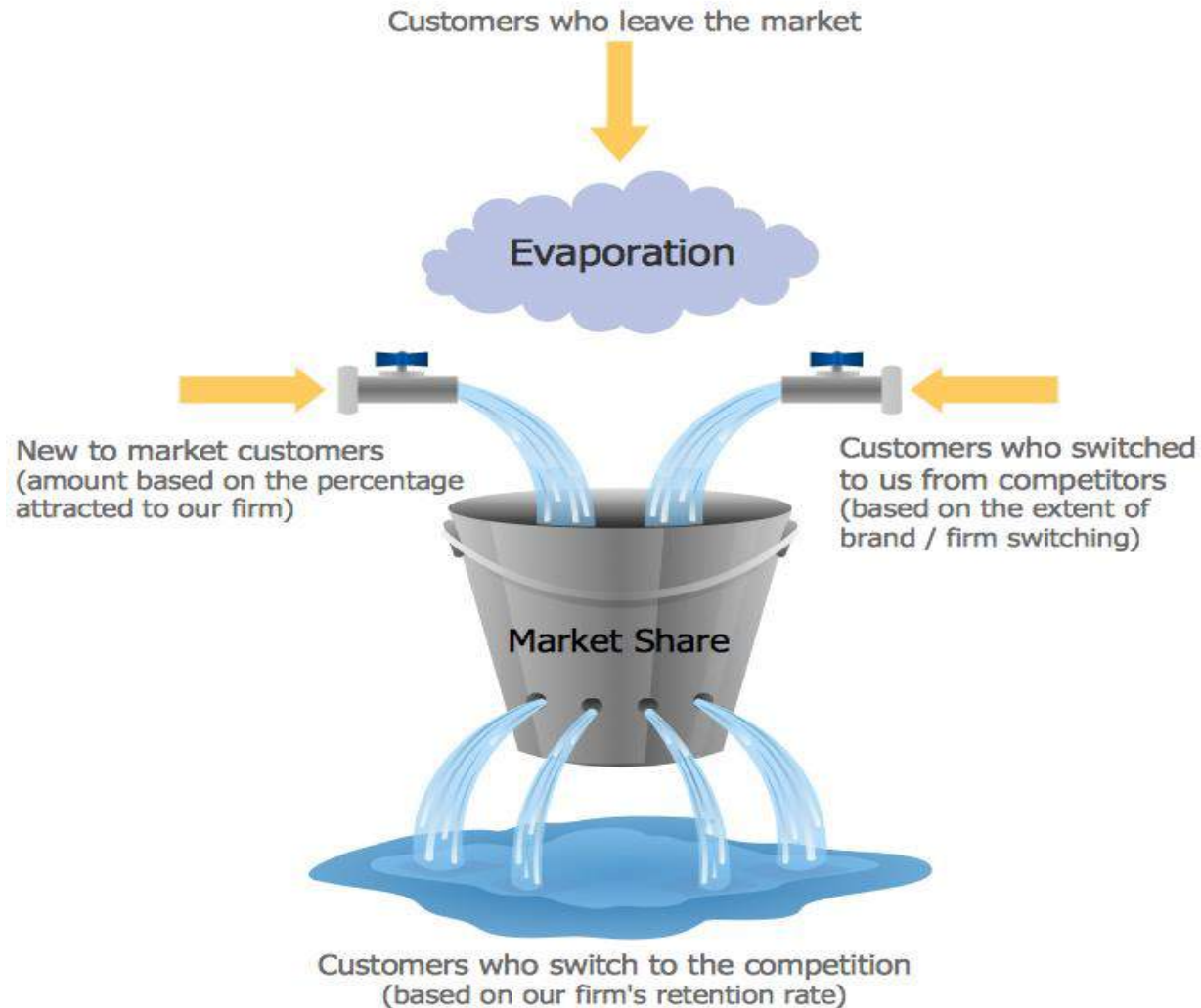


- Identify any one service industry among a group of 4 and prepare service blue-print of the service delivery process for that service by highlighting:
  - **Lines of interaction, physical evidence, customer activity, service contact personnel and support processes**
  - **Service Fail points and Fixability**

# Leaky-Bucket Theory

- The **leaky bucket theory** is the model that seeks to describe the process of **customer gain and loss**, otherwise known as customer churn.
- Customer retention is one of the key concepts in relationship marketing.
- The leaky bucket theory is more of an analogy than a theory.
- It is a simple way of understanding the concept of **customer relationship management** and how to increase **customer lifetime value**.

# Leaky Bucket Theory



# THE ANALOGY

- **Bucket size** represents **market share** of your service firm
- **Inflow of water** shows **share of customers attracted by your service firm among new customers entering market**
- **Inflow from second tap** shows **customers switching to your brand**
- Out of total inflow, over the time few **customers leave the market**, (either physically move to other territory or no longer use this service) , this is analogous to **evaporation cloud**
- **Water leaking out** of the bucket shows **customers of our firm switching to competitor brand** of service



# *Managing Customer Relationships*

*Dr. Pallavi Chandwaskar*

# Customer Relationship Management (CRM)

CRM is about...

- finding customers (**Acquiring**)
- collecting info about them along the way
- using that information to enhance their experience and foster long-term relationships (**Loyalty & Advocacy**)



## CRM - Defined

- “CRM is a combination of policies, processes, and strategies implemented by a company that unify its customer interaction and provides a **mechanism for tracking customer information.**”
- From the outside, customers interacting with a company perceive the business as a single entity, despite often interacting with a variety of employees in different roles and departments.

# Applications



- ❑ Information in the system (CRM related MIS) can be accessed and entered by employees in different departments
  - Sales
  - Marketing
  - Customer service
  - Training
  - Performance management
  - Human resource development
- ❑ Details on any customer contacts can also be stored in the system
  - The rationale behind this approach is to improve services provided directly to customers

# Aspects of CRM

- Many inter-related aspects:
  - **Front office operation**
  - **Back office operations**
  - **Business relationships**
  - **Analysis**



# Aspect 1 – Front office

- ❑ Direct interaction with customers, through
  - **Face to face meetings**
  - **Phone calls**
  - **E-mail**
  - **Online services etc**



## Aspect 2 – Back office

- ❑ Operations that ultimately affect the activities of the front office
  - **Billing**
  - **Maintenance**
  - **Planning**
  - **Marketing**
  - **Advertising**
  - **Finance**
  - **Manufacturing**



# Aspect 3 - Business relationships

Interaction with other companies and partners

- **Suppliers/vendors**
- **Retail outlets/distributors**
- **Industry networks (trade assn')**



# Aspect 4 - Analysis

- Key CRM data can be analyzed in order to plan
  - **Target-marketing campaigns**
  - **Conceive business strategies**
  - **Judge the success of CRM activities (e.g., market share, number and types of customers, revenue, profitability)**



# CRM as business strategy



# 1. Customer Acquisition

## □ Attracting our customer

- For the first purchase
- We have acquired our customer

## □ Growth

- Market orientation, innovative IT & value creation
- Aim is to increase the number of customers that purchase from us for the **FIRST TIME** eg. **Introductory offers**



## 2. Customer Retention



### □ Re-purchase

- ❖ Our customer returns and buys for a second time
- ❖ This is most likely to be the purchase of a similar product or service, or the next level of product or service.



### □ Growth

- ❖ Market orientation, innovative IT & value creation
- ❖ Aim is to increase the number of customers that purchase from us **REGULARLY** eg. **Membership cards, loyalty benefits, Frequent flyer**



# 3. Customer Extension

## ❑ Additional, supplementary purchases

- ❖ Our customers are regularly purchasing
- ❖ We introduce products and services to our loyal customers different from original purchase
- ❖ Once purchased, our goal is to retain them as customers for the extended products or services

## ❑ Growth

- ❖ Market orientation, innovative IT & value creation
- ❖ Aim is to increase the number of customers that purchase **ADDITIONAL** products/services.



## 4. Marketing orientation

- Focused upon the three levels of needs of customers
  - ❖ Actual, tangible product
  - ❖ Core product and its benefit
  - ❖ Also the augmented product such as a warranty and customer service



**SAMSUNG**



Valid only for warranty expiring between 20<sup>th</sup> March to 30<sup>th</sup> April, 2020.

# Elements of CRM

- 1. Validation
- 2. Discovery
- 3. Action

# 1. Validation



## □ Correct data

- ❖ Ensuring that the data you have on your customers is not only correct
- ❖ Also, in a suitable state for targeting communications programs

# 2. Discovery



- Use of data mining techniques
  - To find relationships that you did not know existed
  - Sometimes conventional analysis is impaired by your own natural assumptions and prejudices
  - Discovery techniques help to solve these issues by starting from ground zero
  - They simply search for relationships in the database against a set of objectives

# 2. Action



- Your customers and prospects need to have the right messages communicated to them
- This is done with a Campaign Management tool that can automatically select the right targets and the right messages via the right channels
- The responses are then fed back into the Validation process for evaluation and refinement

# Essentials



- CRM is corporate strategy composed of applications, technology and products that fulfill three essential requirements
  - ❖ **1. Organization perspective**
  - ❖ **2. Customer perspective**
  - ❖ **3. Front office staff perspective**

# 1. Organization perspective



## □ 360° view of each customer

- ❖ For consistent and unified contact with that customer whenever anyone anywhere in the enterprise deals with that customer
- ❖ This knowledge increases the opportunities for sales and the effectiveness of customer service

## 2. Customer perspective



### □ Customers to have a consistent view

- ❖ To enable your customers to have a consistent view of your enterprise, regardless of the way the customer contacts you
- ❖ This improves customer satisfaction and customer retention

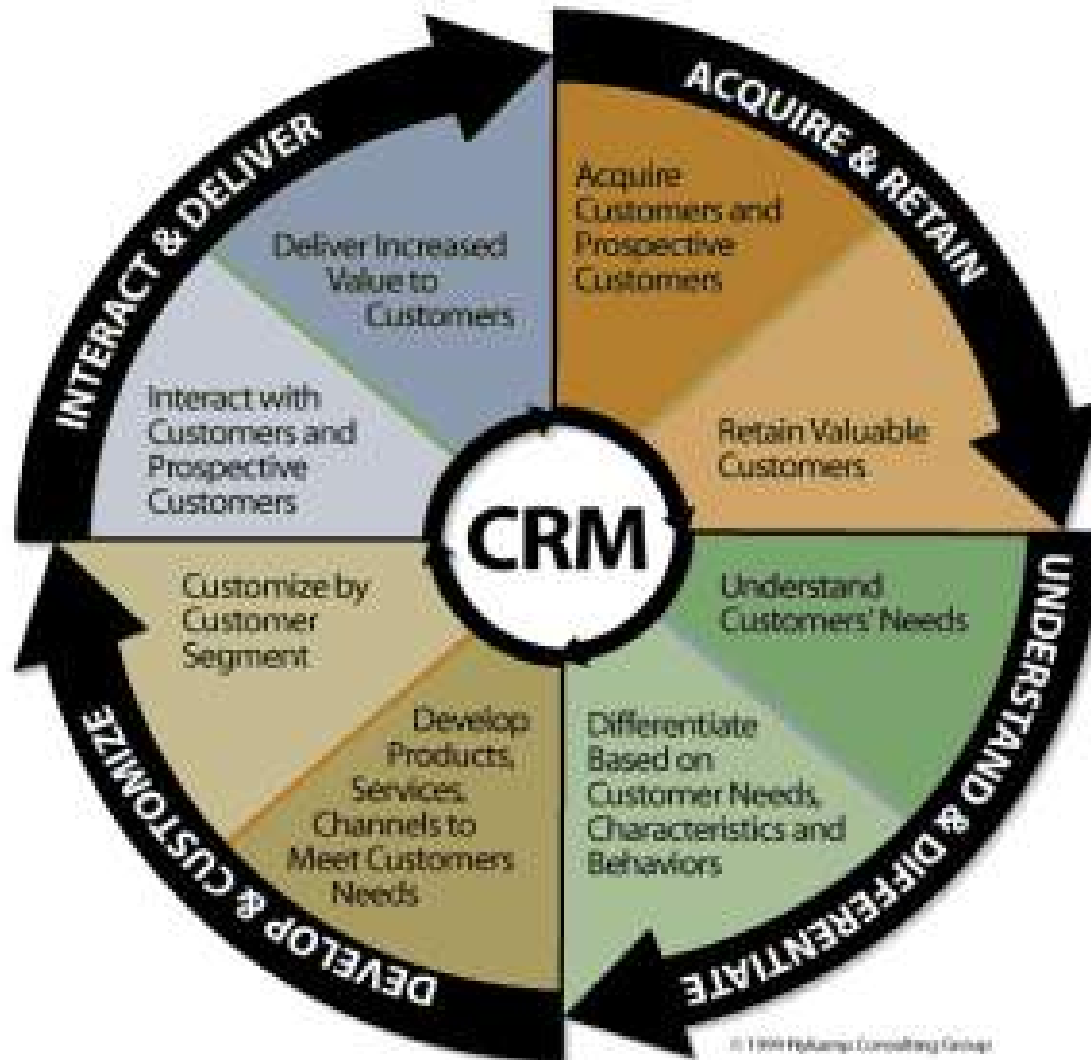
# 3. Front office staff perspective



## □ Staff performance

- ❖ To enable front office staff to perform sales, service and marketing tasks more efficiently as a team
- ❖ Increasing expertise and reducing costs

# CRM Processes & Systems



# 1. Understand & differentiate

## □ Understand

- ❖ Demographics, purchase patterns & channels
- ❖ Segmentation to identify logical unique groups
- ❖ Primary research to capture needs and attitudes
- ❖ Customer valuation to understand profitability

## □ Differentiate

- ❖ Based on the value customers are expected to deliver



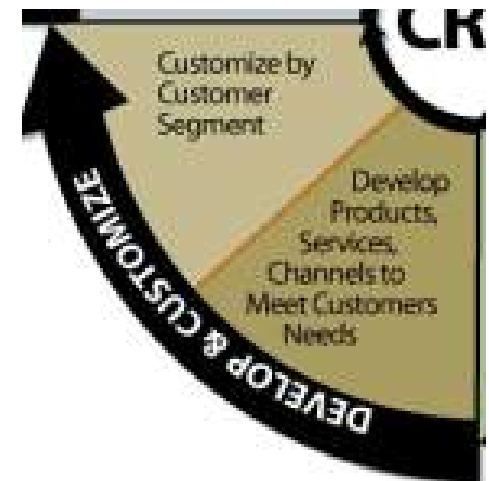
## 2. Develop & Customize

### □ Develop

- ❖ Products, services, channels and media can be customized based on the needs of quantitative customer segments

### □ Customize

- ❖ Based on the potential value delivered by customer segment



## 3. Interact & Deliver

### □ Interact

- ❖ Not just through marketing, sales and media
- ❖ Distribution, shipping, customer service & online

### □ Deliver

- ❖ Delivering value is a cornerstone
- ❖ Factors including quality, ease of use, responsiveness and service excellenc



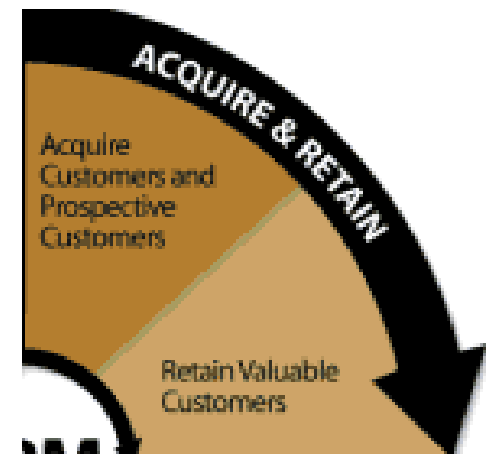
## 4. Acquire & Retain

### □ Acquire

- ❖ Learning about customers makes it easy to identify those producing the greatest value

### □ Retain

- ❖ Maintain interaction;
- ❖ Deliver on value
- ❖ Customers change as they move through differing life stages
- ❖ Modify the service





# *Service marketing mix, Customer Satisfaction and Service quality*

*Dr. Pallavi Chandwaskar*

# Expanded Marketing Mix for Services



<p><b>Product</b></p> <ul style="list-style-type: none"> <li>Physical good features</li> <li>Quality level</li> <li>Accessories</li> <li>Packaging</li> <li>Warranties</li> <li>Product lines</li> <li>Branding</li> </ul>	<p><b>Place</b></p> <ul style="list-style-type: none"> <li>Channel type</li> <li>Exposure</li> <li>Intermediaries</li> <li>Outlet locations</li> <li>Transportation</li> <li>Storage</li> <li>Managing channels</li> </ul>	<p><b>Promotion</b></p> <ul style="list-style-type: none"> <li>Promotion blend</li> <li>Salespeople                             <ul style="list-style-type: none"> <li>Selection</li> <li>Training</li> <li>Incentives</li> </ul> </li> <li>Advertising                             <ul style="list-style-type: none"> <li>Media types</li> <li>Types of ads</li> </ul> </li> <li>Sales promotion</li> <li>Publicity</li> <li>Internet/Web strategy</li> </ul>	<p><b>Price</b></p> <ul style="list-style-type: none"> <li>Flexibility</li> <li>Price level</li> <li>Terms</li> <li>Differentiation</li> <li>Discounts</li> <li>Allowances</li> </ul>
<p><b>People</b></p> <ul style="list-style-type: none"> <li>Employees                             <ul style="list-style-type: none"> <li>Recruiting</li> <li>Training</li> <li>Motivation</li> <li>Rewards</li> <li>Teamwork</li> </ul> </li> <li>Customers                             <ul style="list-style-type: none"> <li>Education</li> <li>Training</li> </ul> </li> </ul>	<p><b>Physical Evidence</b></p> <ul style="list-style-type: none"> <li>Facility design</li> <li>Equipment</li> <li>Signage</li> <li>Employee dress</li> <li>Other tangibles                             <ul style="list-style-type: none"> <li>Reports</li> </ul> </li> <li>Business cards</li> <li>Statements</li> <li>Guarantees</li> </ul>	<p><b>Process</b></p> <ul style="list-style-type: none"> <li>Flow of activities                             <ul style="list-style-type: none"> <li>Standardized</li> <li>Customized</li> </ul> </li> <li>Number of steps                             <ul style="list-style-type: none"> <li>Simple</li> <li>Complex</li> </ul> </li> <li>Customer involvement</li> </ul>	

# Elements of Service Encounter

Service Personnel	Service facilities & Equipments	Non-personal communications	Other People
Sales Representative	Building exteriors, Parking, landscaping	Form letters	Fellow customers encountered during service delivery
Customer service staff	Building interiors and furnishing	Brochures/ catalogs instruction manuals	Word of mouth comments from friends, strangers
Accounting/ billing staff	Vehicles	Advertising	
Operations staff	Self-service equipments operated by customers	Signage	
Designated intermediaries	Other equipments	News stories/ editorials	

# Example of Service Marketing mix



## Services Marketing Mix at Starbucks

### Physical Evidence as Visual Representation

- Comfortable chairs, store design, cozy corners

### People

- Employees including baristas
- Training to inculcate Starbucks culture
- Customers

### Processes

- Standardized yet allows room for customization by customers

### Product, Price, Place & Promotion

- High quality beverages
- Higher price
- “Clustered” stores
- Promotion through direct employee-customer contact, sponsor parties, etc.

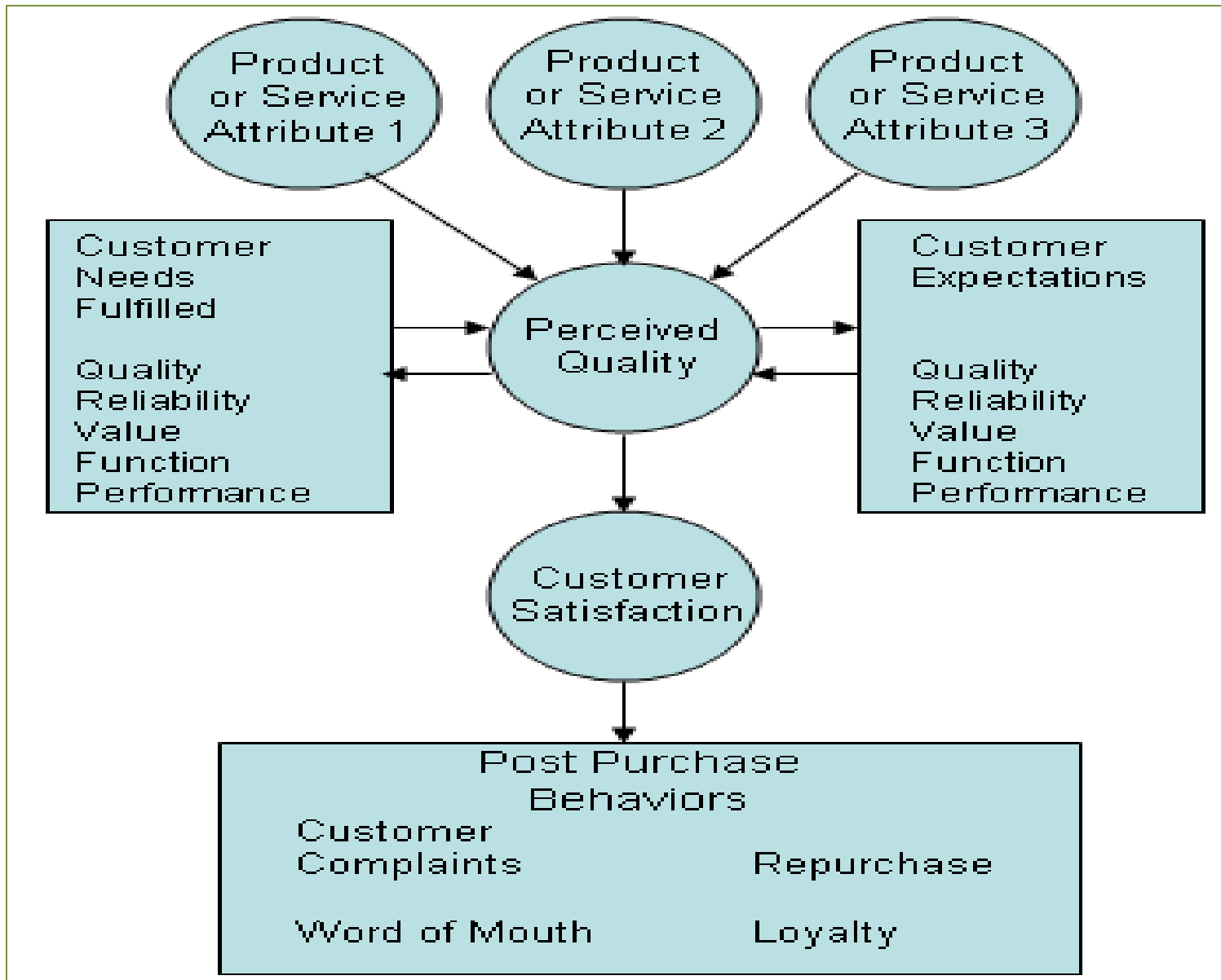
# Service Quality

**Predicted Service:** The level of service quality a customer believes a firm will actually deliver.

The inherent nature of services makes consistent delivery difficult across employees in the same company & even from same employee from day to day.

**Zone of Tolerance:** The range within which customers are willing to accept this variation in service delivery.

# Service Quality and Customer Satisfaction



# Service Quality & Satisfaction

**Service Quality:** Customer's long-term cognitive evaluations of a firm's service delivery.

**Customer Satisfaction:** A short-term emotional reaction to a specific service performance.

How do customers evaluate Service Quality?

**Quality Gap:** A discrepancy between service providers performance and customer expectations.

# Seven Service Quality Gaps

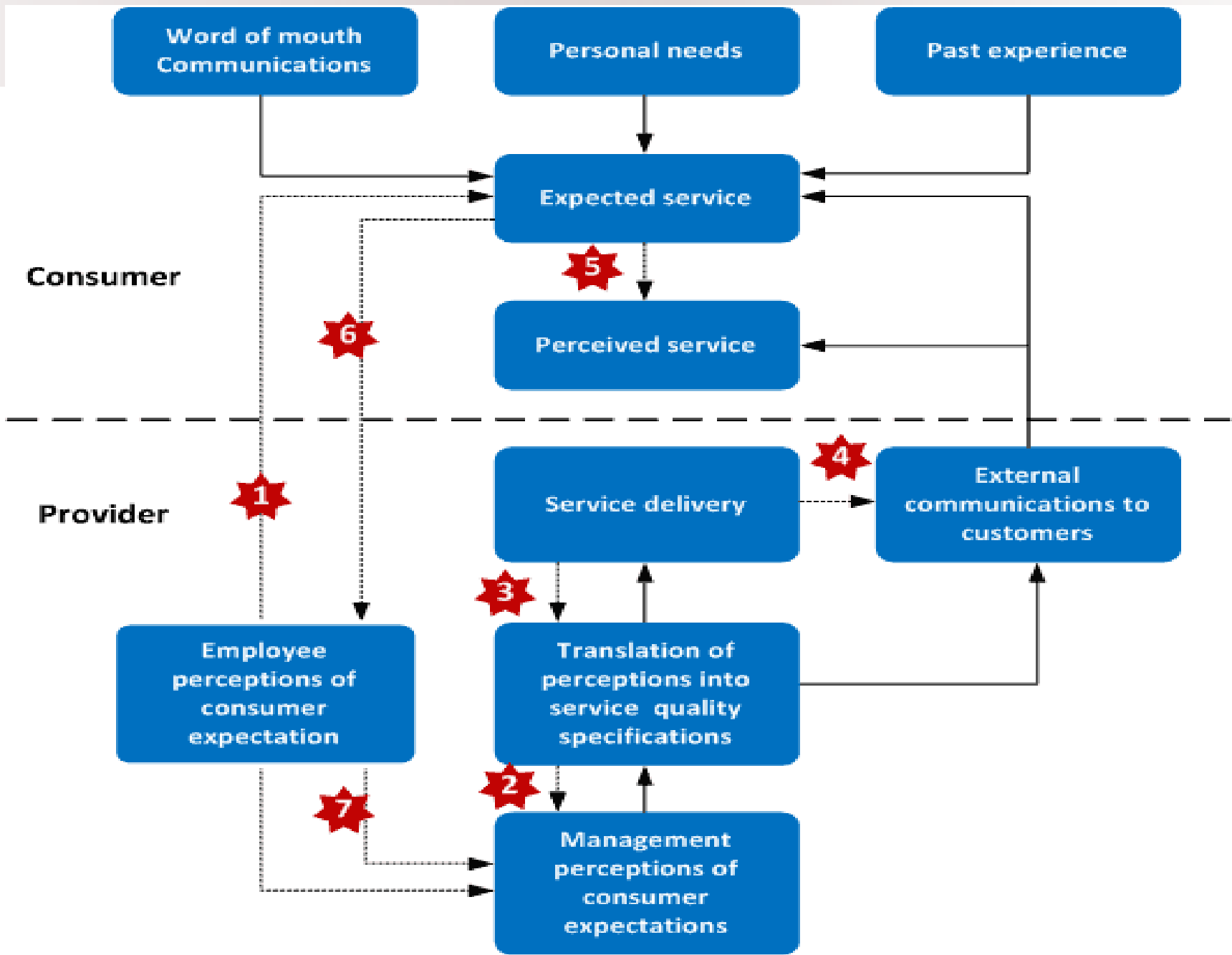
1. **The knowledge Gap**
2. **The standard Gap**
3. **The delivery Gap**
4. **The External Communication Gap**
5. **The perception Gap**
6. **The Interpretation Gap**
7. **The Service Gap**

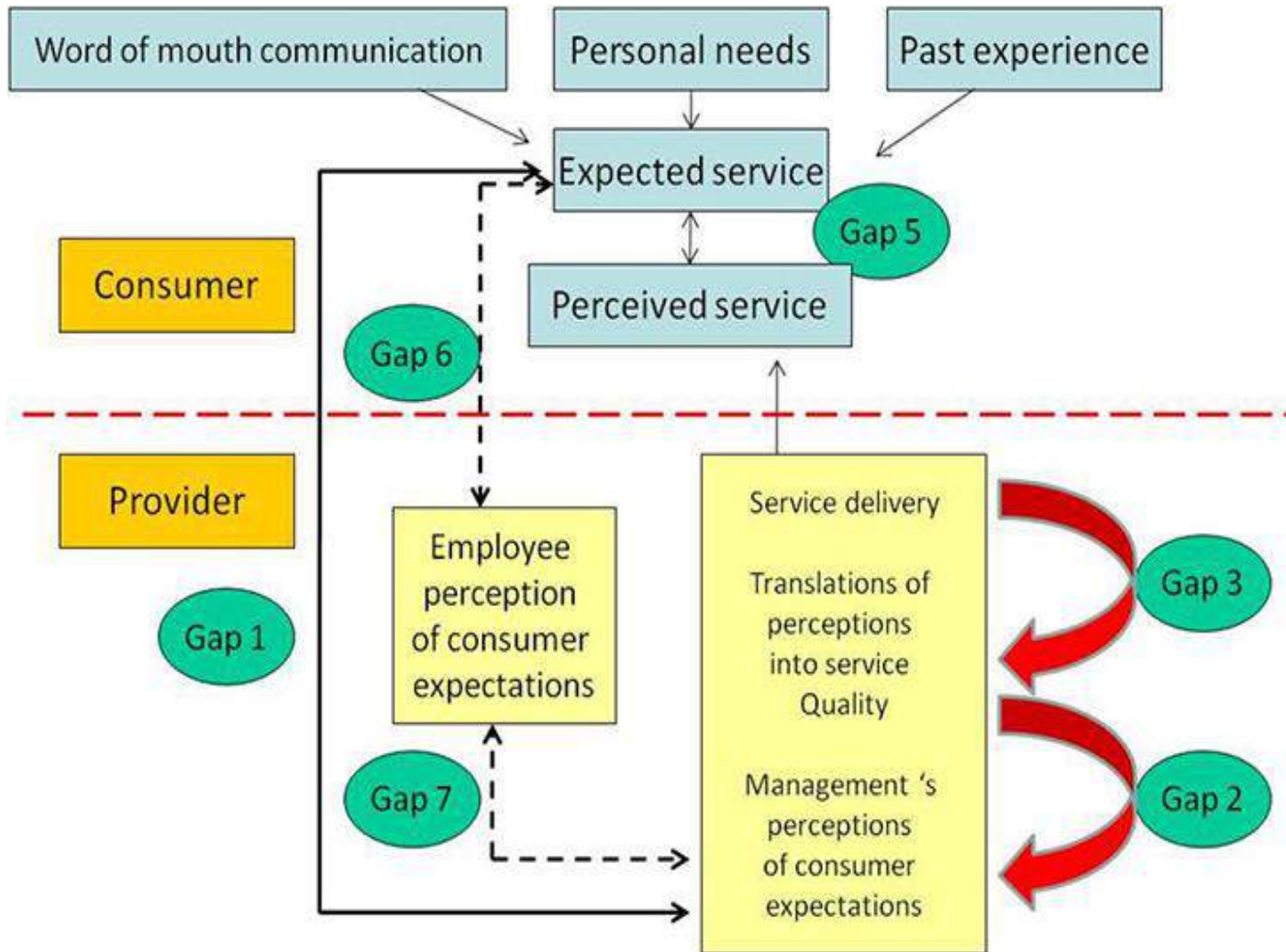


# Seven Service Quality Gaps explained



DIFFERENCE BETWEEN	GAP	DIFFERENCE BETWEEN
CUSTOMER'S NEEDS AND EXPECTATIONS	<b>1. KNOWLEDGE GAP</b>	MANAGEMENT DEFINATIONS OF THESE NEEDS
MANAGEMENT'S PERCEPTIONS OF CUSTOMER EXPECTATIONS	<b>2. STANDARDS GAP</b>	QUALITY STANDARDS ESTABLISHED FOR SERVICE DELIVERY
SPECIFIED DELIVERY STANDARDS	<b>3. DELIVERY GAP</b>	SERVICE PROVIDER'S ACTUAL PERFORMANCE
COMPANY'S ADVERTISEMENTS & SALES PROMISES	<b>4. EXTERNAL COMMUNICATION GAP</b>	WHAT COMPANY IS ACTUALLY ABLE TO DELIVER
WHAT SERVICE IS ACTUALLY DELIVERED	<b>5. PERCEPTIONS GAP</b>	WHAT CUSTOMERS PERCEIVE THEY HAVE RECEIVED
WHAT SERVICE PROVIDER'S COMMUNICATION PROMISES	<b>6. INTERPRETATIONS GAP</b>	WHAT CUSTOMER THINKS WAS PROMISED
WHAT CUSTOMERS EXPECT TO RECEIVE	<b>7. SERVICE GAP</b>	THEIR PERCEPTION OF ACTUAL DELIVERED SERVICE





# Class Activity

- In the teams of four/ five, Identify one service delivery instance from your experience for each of the quality gap. (15 mins)



# Service Quality Information System



Organizations known for providing excellent Service quality are good at listening to both, customers & front line employees.

To do this effectively, companies need to create an ongoing **service research process** which is conducted through a portfolio of **research techniques** that form a firm's **service quality information system**.

Possible techniques include:

- **Transactional surveys**
- **Total Market Surveys**
- **Mystery Shopping**
- **New Declining & Former Customer Surveys**
- **Focus Group Interviews**
- **Employee Field Reporting**

# Transactional Surveys

Designed to measure customer satisfaction & perceptions about service experiences while they are still fresh in customer's mind.

These surveys are conducted right after a service encounter or within few days.

For this, many service businesses, including hotels and restaurants, have questionnaires at their service sites for customers to complete the surveys.

Some companies also provide incentives to customers for completing the surveys.

# Total Market Surveys

Purpose: To measure customers' overall evaluation of service quality, which are result of customers' accumulated experience over time

Less frequent than transactional surveys & includes wide range of information including:

**Customer's service expectations & perceptions**

**Relative importance of service dimensions**

**Customers' intention to repurchase**

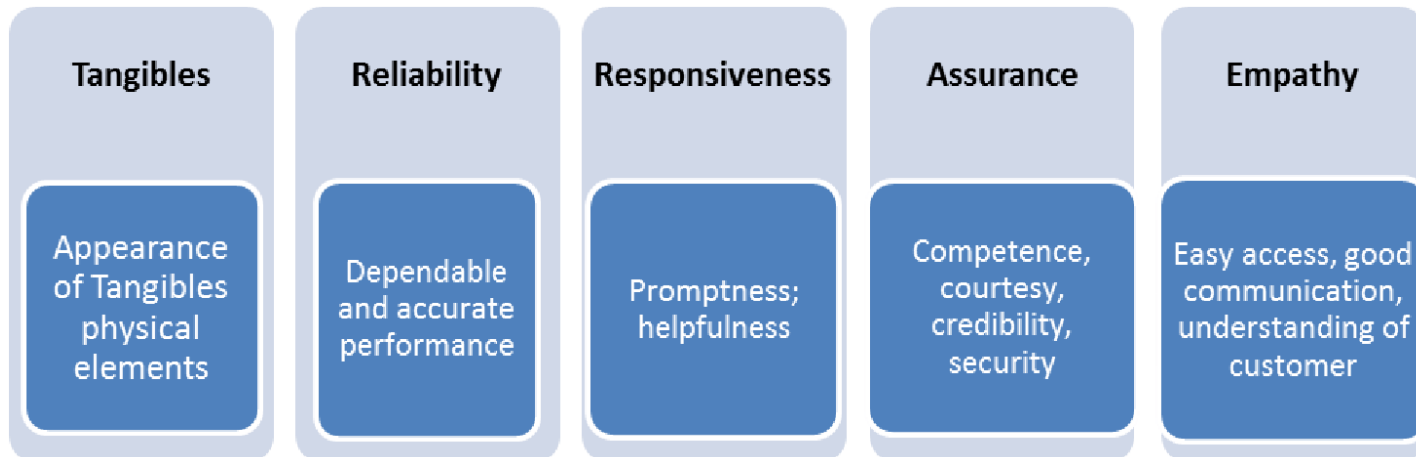
**Customers' intention to make positive recommendation**

Marketers sometimes use tool called SERVQUAL, includes Five QUALITY DIMENSIONS.

# SERVQUAL

- A multidimensional research instrument designed to measure service quality by capturing respondents' **expectations** and **perceptions** along the five dimensions of service quality.
- The questionnaire consists of matched pairs of items; 22 expectation items and 22 perceptions items, organised into five dimensions which are believed to align with the consumer's mental map of service quality dimensions.
- Both the expectations component and the perceptions component of the questionnaire consist a total of 22 items, comprising 4 items to capture tangibles, 5 items to capture reliability, 4 items for responsiveness, 4 items for assurance and 5 items to capture empathy.

# Five Quality Dimensions - SERVQUAL



# Five Quality Dimensions

**Reliability:** Is company dependable in providing service as promised?

**Tangibles:** What do the Service providers physical facilities, equipment, personnel & communication materials look like?

**Responsiveness:** Are service employees able to provide prompt service?

**Assurance:** Are service employees knowledgeable, polite, competent & trustworthy?

**Empathy:** Does service firm provides personalized & caring attention?

# SERVICE QUALITY EQUATION

The model of service quality is built on the *expectancy-confirmation paradigm* which suggests that “**consumers perceive quality in terms of their perceptions of how well a given service delivery meets their expectations of that delivery**”.

Thus, service quality can be conceptualised as a simple equation:

$$\mathbf{SQ = P - E}$$

where;

**SQ** is service quality

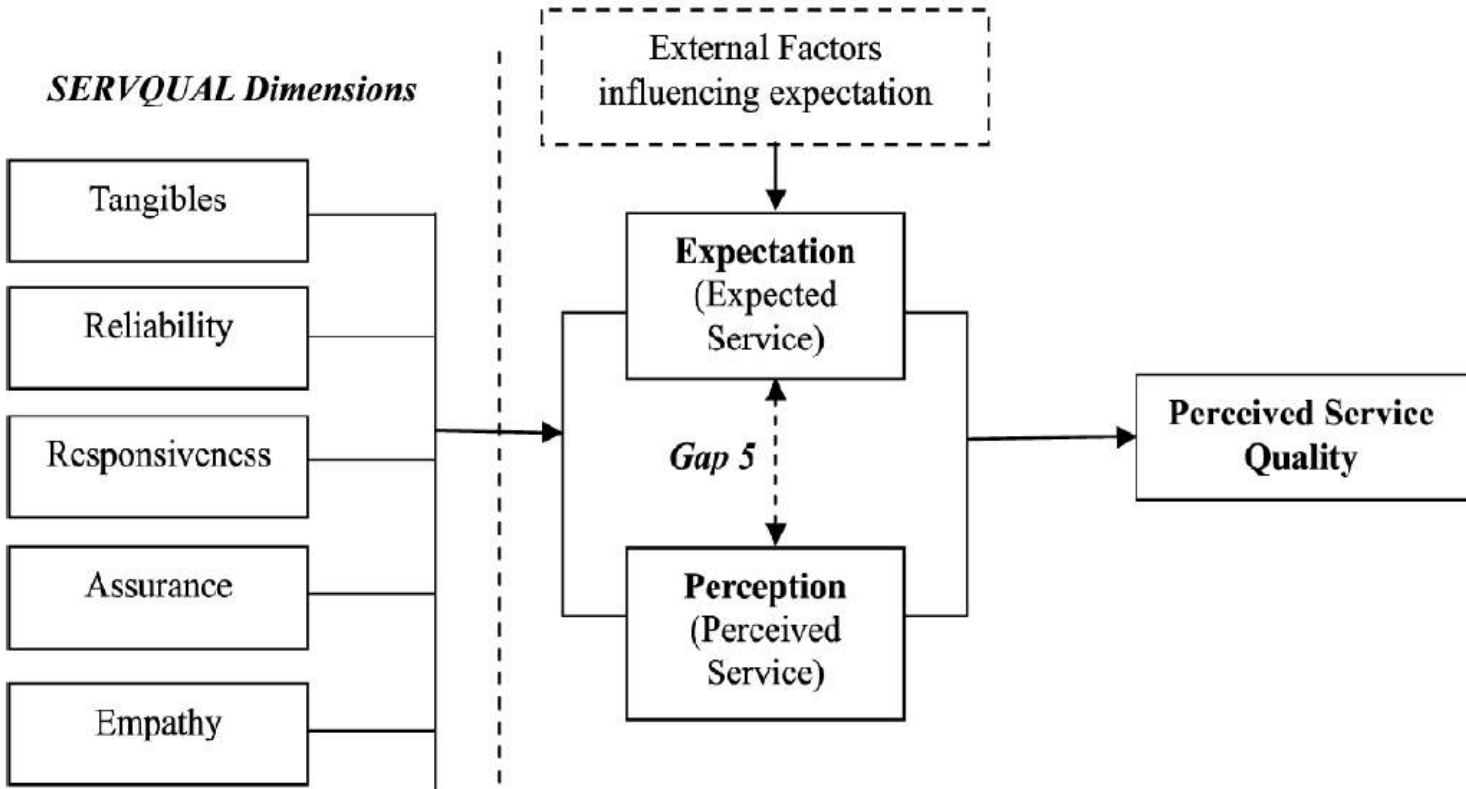
**P** is the individual's perceptions of given service delivery

**E** is the individual's expectations of a given service delivery

For Questionnaire refer below link:

<http://www.kinesis-cem.com/pdf/ServQual.pdf>

# SERVQUAL MODEL



# Mystery Shopping

Mystery shoppers are people who are hired by company to pose as ordinary customers.

During their unannounced visits to service sites, they observe the both the physical environment & the interaction between customers and employee.

It also provides feedback on performance of service employees, which can be used to reward exceptional performance.

# New, Declining & former customer Surveys



Former customers can provide information about areas where a firm's service quality is lacking or deficient.

Surveys monitoring declining patronage can identify why customers are buying fewer services and may predict future customer defections.

New customers can provide information about what attracted them to a specific service provider.

# Focus Group Interviews

Involve questioning a group of representative customers about a specific topic or issue.

Interviews conducted by trained moderators.

Useful way of getting in-depth information of a service problem & to identify possible solutions.

Can also be used to find out what criteria customers use to evaluate a service.

# Employee Field Reporting



A systematic method of finding out what customers learn from their interaction with customers & their direct observation of customer behaviour.

Employees can also record critical incidents that occur during service encounters.

Data Collection by: Written surveys, telephone interviews or focus groups.

## Activity# 4

Select a service category and Design 2 questionnaires to measure **service quality level** (based on **5 quality dimensions**) for the purpose of transactional survey of **new** and **declining** customers to assess the **seven service quality** gaps for a service industry of your choice.

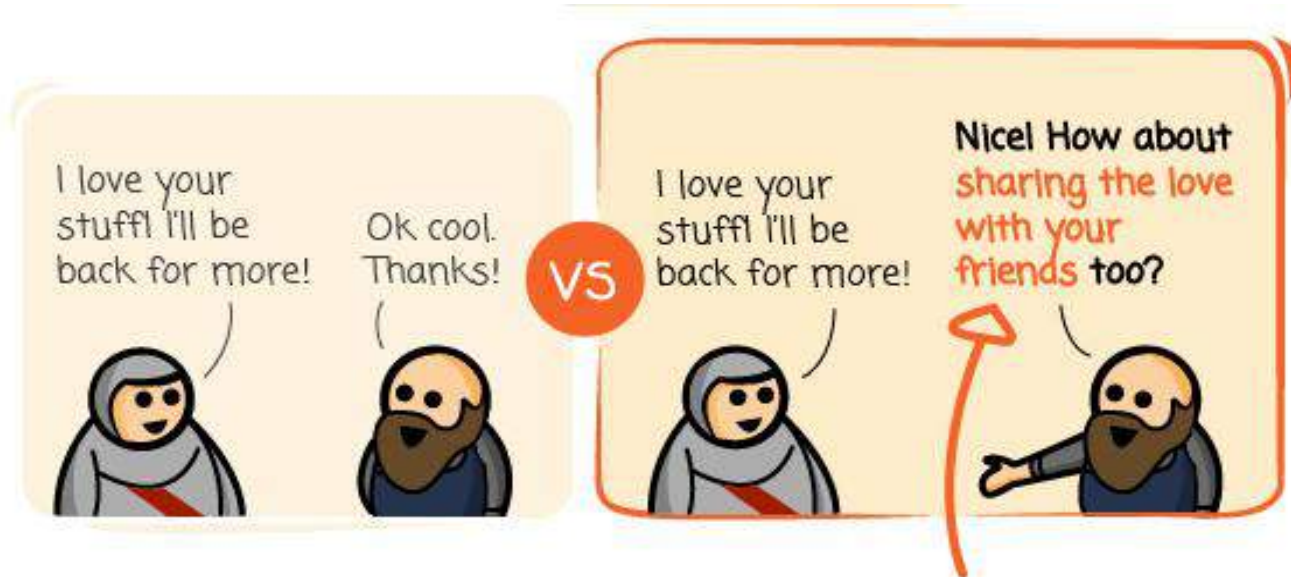


# New Developments in services: Referral Marketing



# Referral Marketing

- **Referral marketing** is a method of promoting products or services to new customers through referrals, usually word of mouth.
- **Referral marketing** is the process of leveraging customers and partners to refer their network to your business for personalized lead generation at scale.




## THIS IS REFERRAL MARKETING

Referral Marketing is deliberately encouraging your customers to tell their friends about you.


# Poster

Give The Gift Of **OPTIMAL HEALTH** To That  
**SPECIAL FATHER**  
In Your Life



**Purchase A \$150  
Gift Certificate For Dad For Only** **\$47**


**And You'll Be  
Entered To WIN A...**



See The Front Desk For Details

# Referral Card


**The Gift Of  
OPTIMAL  
HEALTH**



A Gift For .....

A Gift From .....

For A  
**Chiropractic Exam, X-rays &  
30 Minute Heated HydroMassage™**



**Your Chiropractic**  
Dr. Your Name, D.C.  
123 North Way St  
Your City, State 12345  
**Phone: 123-456-7890**  
**YourChiropractic.com**

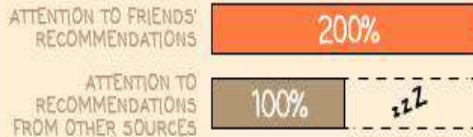
# Online Referral Marketing

- Online referral marketing is the internet-based, or **Software as a Service (SaaS) approach**, to traditional referral marketing.
- By tracking customer behavior online through the use of web browser cookies and similar technology, online referral marketing can potentially increase brand awareness, referrals and, ultimately, revenue.
- Online referral or electronic referral (eReferral) refers to a process by which consumers pass along a company's marketing message and/or their product or service evaluations to their close allies, e.g. friends, family members, colleagues and group members via the internet.
- Many platforms allow organizations to see their referral marketing return on investment (ROI), and to optimize their campaigns to improve results.
- <https://www.youtube.com/watch?v=eY4xlps-l5w>

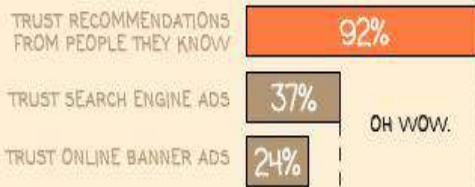
Referred customers are less likely to leave<sup>D</sup>



People pay **2X** more attention to recommendations from friends<sup>B</sup>



**92%** of consumers trust recommendations from people they know<sup>C</sup>



"Word of mouth is our best form of advertising."  
- Shopify<sup>E</sup>

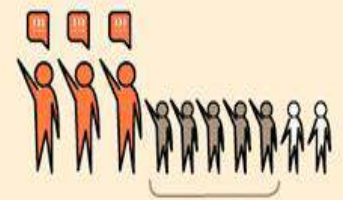
Referred customers bring you higher profit margins<sup>D</sup>



"**90%** of our growth is from word of mouth."  
- Matthew Stinchcomb, Etsy<sup>F</sup>

**DID YOU KNOW?**

**83%** of satisfied customers are willing to refer products and services. **but only 29%** actually do.<sup>A</sup>



You mean, these satisfied customers are **not** telling their friends about my shop?

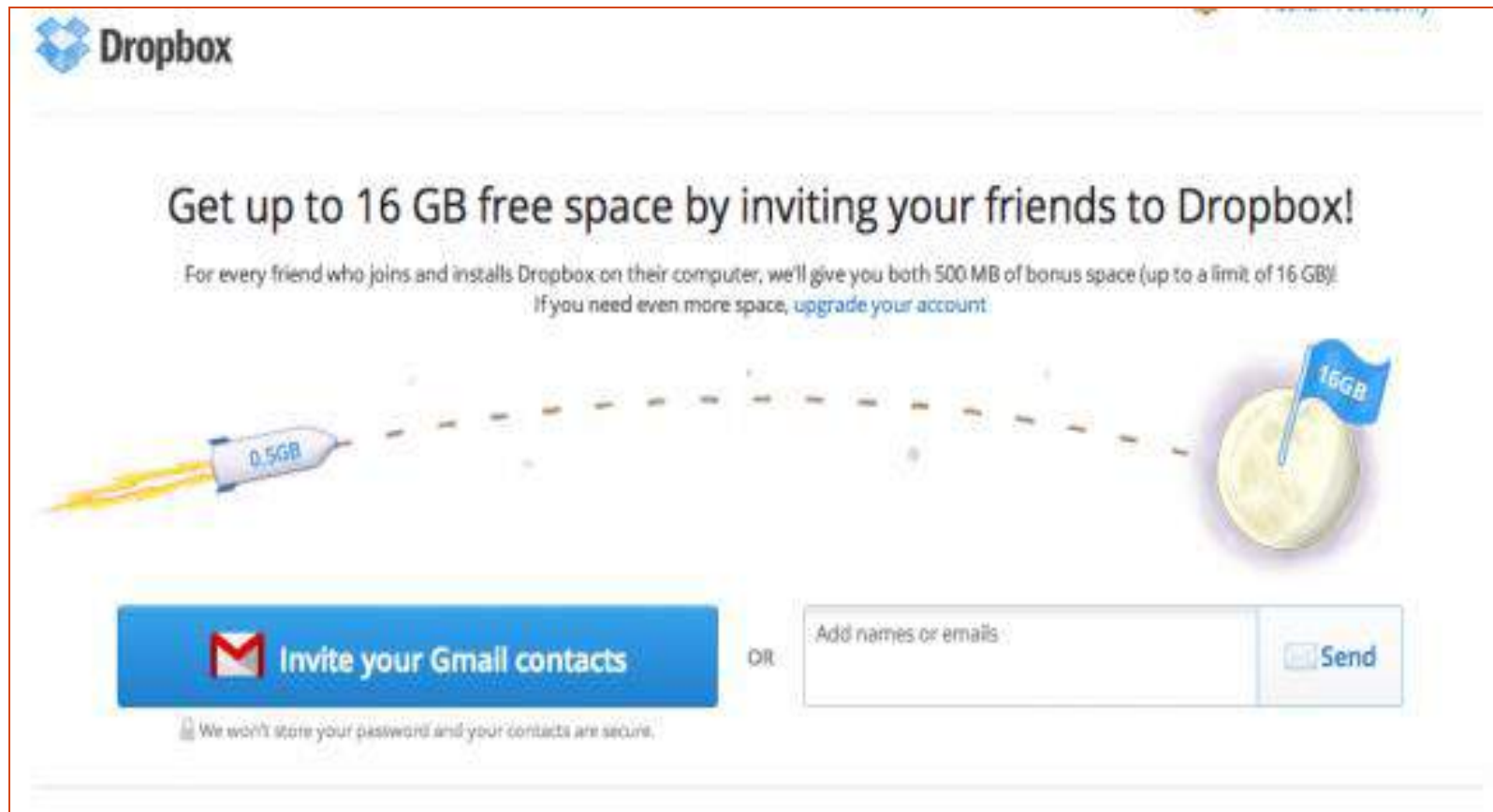


**DON'T LEAVE IT TO CHANCE.**

Good marketing is about deliberately influencing the process.

# “Best practice” referral program examples

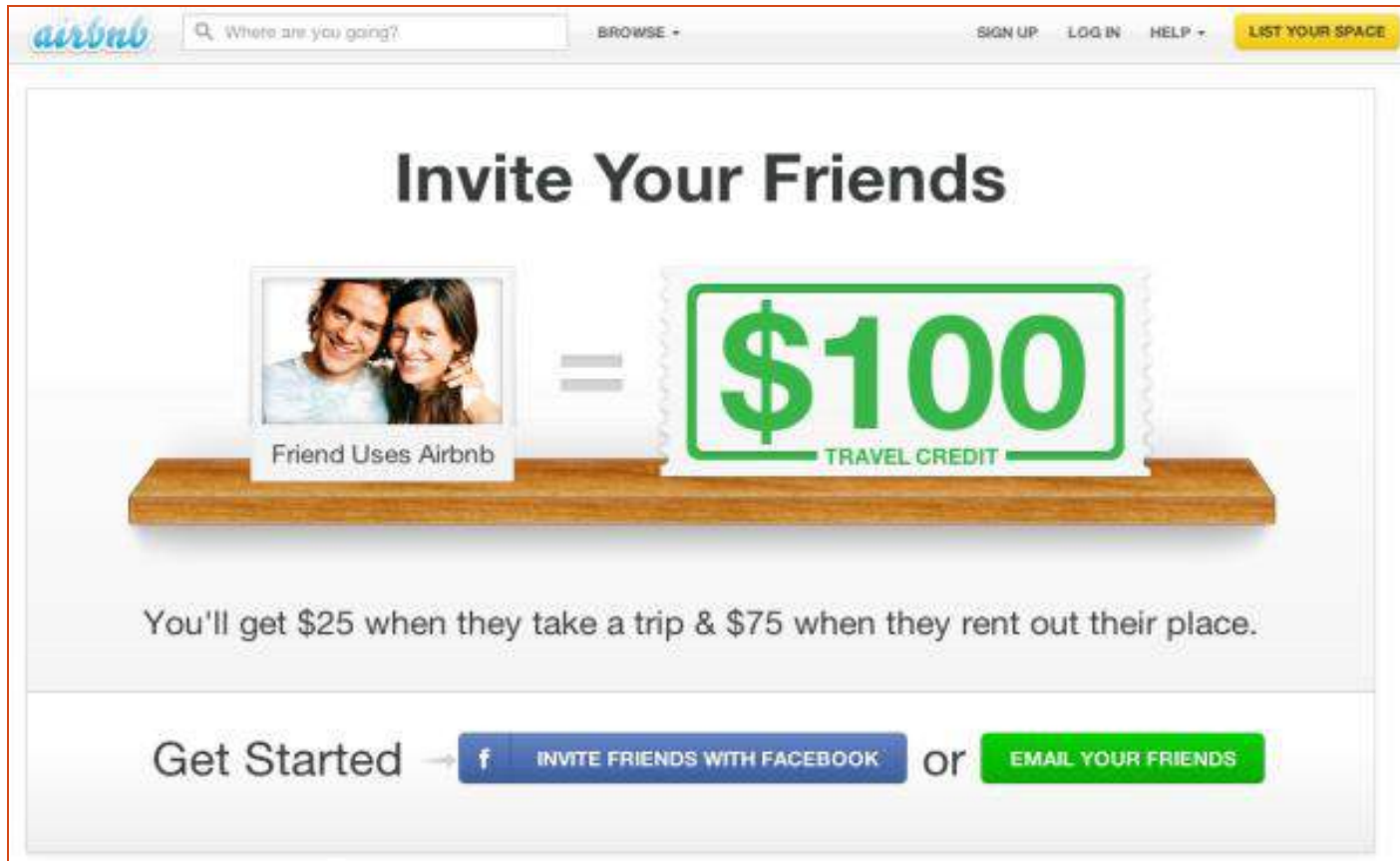
## 1. Dropbox’s famous referral program



The image shows a screenshot of the Dropbox referral program landing page. At the top left is the Dropbox logo. The main heading reads "Get up to 16 GB free space by inviting your friends to Dropbox!". Below this, a sub-headline states: "For every friend who joins and installs Dropbox on their computer, we'll give you both 500 MB of bonus space (up to a limit of 16 GB). If you need even more space, [upgrade your account](#)." A visual metaphor shows a rocket labeled "0.5GB" on the left, with a dashed line representing a path leading to a moon with a flag labeled "16GB" on the right. At the bottom left is a blue button with the Gmail logo and the text "Invite your Gmail contacts". To its right is the word "OR." followed by a text input field labeled "Add names or emails" and a "Send" button. A small disclaimer at the bottom left reads: "We won't store your password and your contacts are secure."

# Airbnb's referral program

<https://www.youtube.com/watch?v=WzGhFmiB9G0>



The image shows a screenshot of the Airbnb website's referral program landing page. At the top, the Airbnb logo is on the left, followed by a search bar with the text "Where are you going?". To the right of the search bar are links for "BROWSE", "SIGN UP", "LOG IN", "HELP", and a yellow button labeled "LIST YOUR SPACE".

The main heading is "Invite Your Friends". Below this, there is a visual equation: a photo of a smiling couple in a white frame labeled "Friend Uses Airbnb" is followed by an equals sign and a green-bordered box containing "\$100" and "TRAVEL CREDIT" below it. Both items are resting on a wooden shelf.

Below the shelf, the text reads: "You'll get \$25 when they take a trip & \$75 when they rent out their place."

At the bottom, the text "Get Started" is followed by a right-pointing arrow, a blue button with the Facebook logo and the text "INVITE FRIENDS WITH FACEBOOK", the word "or", and a green button with the text "EMAIL YOUR FRIENDS".

# Uber's referral program

<https://www.youtube.com/watch?v=gvEU656kVCQ>

The screenshot displays the Uber 'Invite Friends' interface. At the top, the Uber logo is on the left, and navigation links for 'Dashboard', 'Invite friends', 'Promotions', and 'Billing' are on the right. The main heading is 'INVITE FRIENDS'. Below this, the 'Give 10 Get 10' program is detailed through three icons: a speech bubble with social media icons for 'Send out your code', a car for 'Your friend takes a ride', and two people for 'You both get 10'. A section for 'Your invite link' shows the URL <https://uber.com/invite/x8vog> with a 'Personalize' link. Below are buttons for sharing via Facebook, Twitter, and Email. At the bottom, a progress bar shows the user has earned 500 credits towards a goal of 500, with markers at 60, 120, 180, and 240. The text 'Share your promo code with friends to earn Uber credits! Get crackin' and invite people!' is positioned above the progress bar.

# Amazon Prime's referral program

amazonPrime

## One more benefit of friendship

Tell your friends how much you love Prime. When they join and make a \$5 purchase, we'll give you \$5 towards your next Amazon purchase.

Total Credit Earned

\$0



### Refer via email

Enter up to 5 email address(es) below

mail@amazon.com, pet@amazon

Send invitation

### Share on facebook

Post to your wall

Share on facebook

Residents of AR, CO, ME, MN, MO and RI are ineligible to receive Amazon Prime referral credit. Credits expire one year from date of issuance, are one-time use, are non-refundable, and can be redeemed only on items sold by Amazon.com on [www.amazon.com](http://www.amazon.com).

Questions? Read the [FAQs](#). See the full [Terms and Conditions](#).

# Statistics to ponder

- 65% of new business comes from referrals
- Customers are 4 times more likely to buy with referrals from friends
- Referral programs are among the least expensive marketing strategies
- Referred customers spend an average of 13.2% more than regular customers

# Advantages

- **Reducing your sales budget** by focusing on customers who are satisfied with your products and services.
- **Increasing your sales cycle** by generating leads within the scope of your satisfied customers' circles of influence, a better way to spend marketing dollars than cold calling.
- Quickly generating more satisfied customers, ensuring a **continuous cycle of repeat customers and referrals**.
- Improving sales revenue, offering a **higher conversion rate** than unqualified sales leads.
- **Generate a better overall ROI** from your marketing strategy.

# Case Studies

- Uber Business Model

<https://www.youtube.com/watch?v=gvEU656kVCQ>

- Airbnb Business Model

- <https://www.youtube.com/watch?v=WzGhFmiB9G0>

# Class Activity#1

- In the teams of two,
  - Visit library to identify any referral campaign in recent newspapers and magazines available there
  - Create a referral campaign for a product/service of your choice and design layout/ referral message



- Please refer below newspaper for all current updates in Marketing and emerging trends in marketing
- <https://brandequity.economictimes.indiatimes.com/>



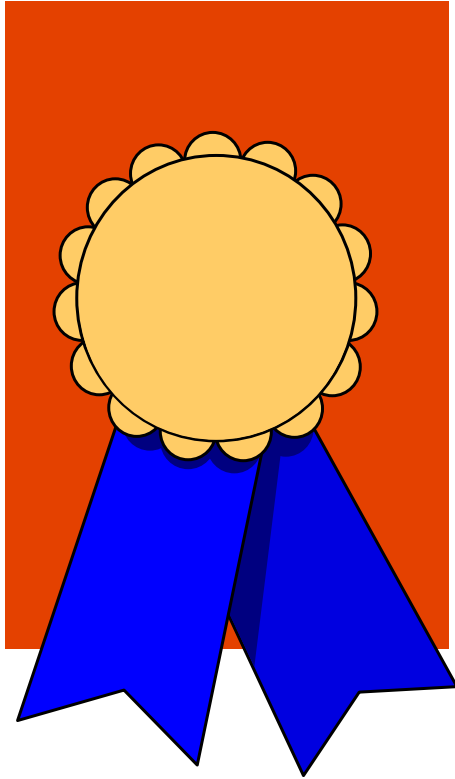
# *Improving Service Quality and Productivity*

*Dr. Pallavi Chandwaskar*

# Productivity in a Service Context

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

# Dimensions of Service Quality



- Tangibles
- Reliability
- Responsiveness
- Assurance
  - competence,
  - courtesy
  - credibility
  - security
- Empathy
  - access
  - communication
  - understanding of customer

# Importance of Productivity and Quality for Service Marketers



## ***Productivity***

- **Helps to keep costs down**
  - lower prices to develop market, compete better. Eg. Snapdeal
  - increase margins to permit larger marketing budgets. Eg. Starbucks
  - raise profits to invest in service innovation. Eg. Starbucks
- **May impact service experience (must avoid negatives)**
- **May require customer involvement, cooperation**

## ***Quality***

- **Gain competitive advantage, maintain loyalty** eg. Urban Clap, Air bnb
- **Increase value (may permit higher margins)** eg. British Airways
- **Improve profits**

# Perspectives on Service Quality

*Transcendental:* Quality = excellence. Recognized only through experience

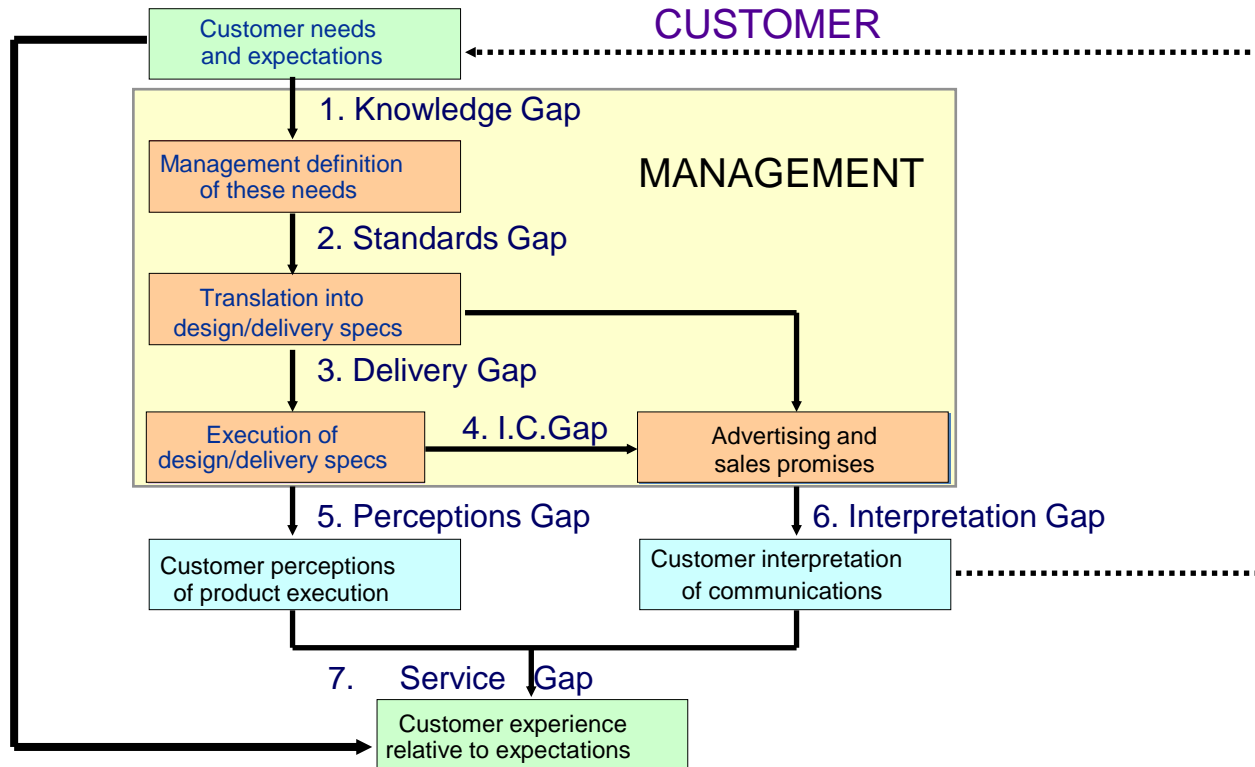
*Product-Based:* Quality is precise and measurable

*User-Based:* Quality lies in the eyes of the beholder

*Manufacturing-Based:* Quality is conformance to the firm's developed specifications

*Value-Based:* Quality is a trade-off between price and value

# Seven Service Quality Gaps to be closed



# Prescriptions for Closing Service Quality Gaps

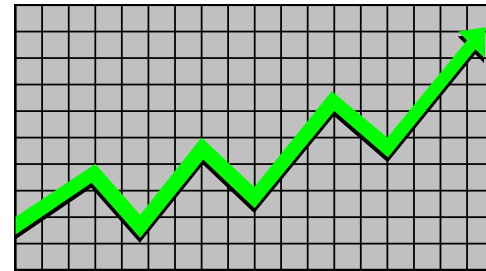
- **Knowledge:** Learn what customers expect--conduct research, dialogue, feedback
- **Standards:** Specify SQ standards that reflect expectations
- **Delivery:** Ensure service performance matches specs--consider roles of employees, equipment, customers
- **Internal communications:** Ensure performance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

# Hard and Soft Measures of Service Quality

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

# Hard Measures of Service Quality

- **Control charts to monitor a single variable**
- **Service quality indexes**
- **Root cause analysis (fishbone charts)**
- **Pareto analysis**

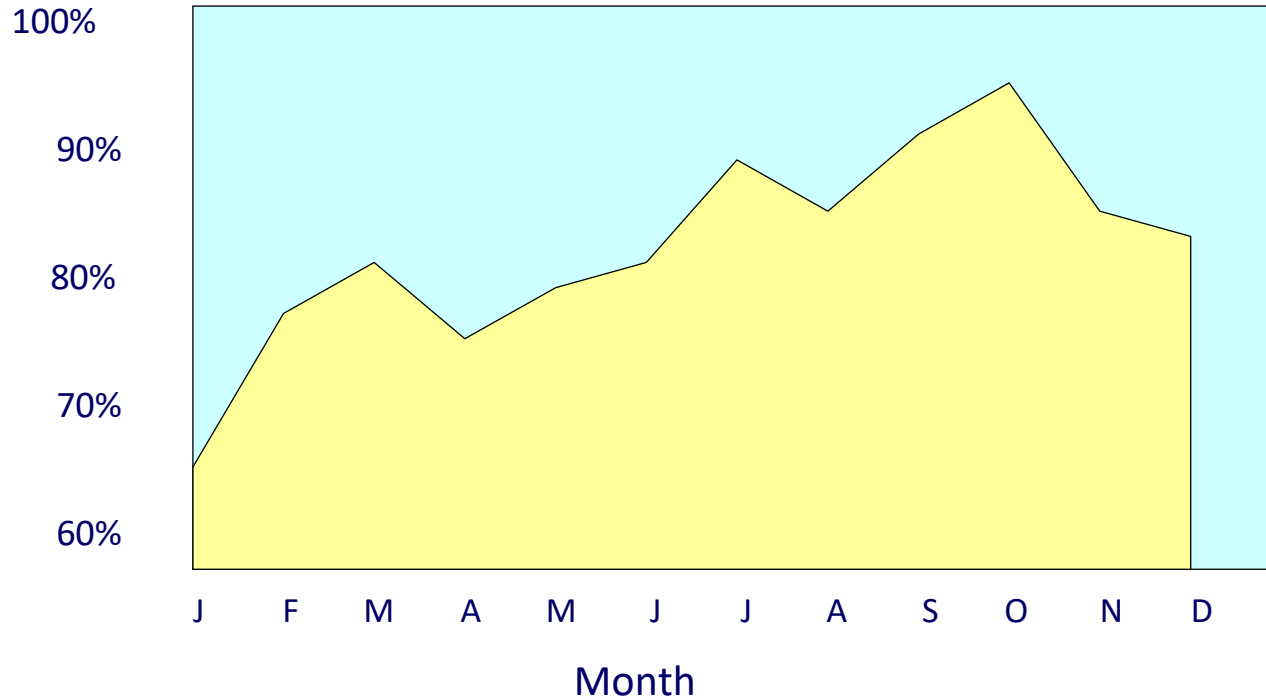


# Composition of FedEx's Service Quality Index (SQI)



Failure Type	Weighting Factor	X	No of Incidents	=	Daily Points
Late Delivery – Right Day	1				
Late Delivery – Wrong Day	5				
Tracing request unanswered	1				
Complaints reopened	5				
Missing proofs of delivery	1				
Invoice adjustments	1				
Missed pickups	1				
Lost packages	0				
Damaged packages	1				
Aircraft Delays (minutes)	0				
Overcharged (packages missing label)	1				
Abandoned calls	0				
	5				
	5				<u>XXX,XXX</u>
	1				
Total Failure Points (SQI) =					

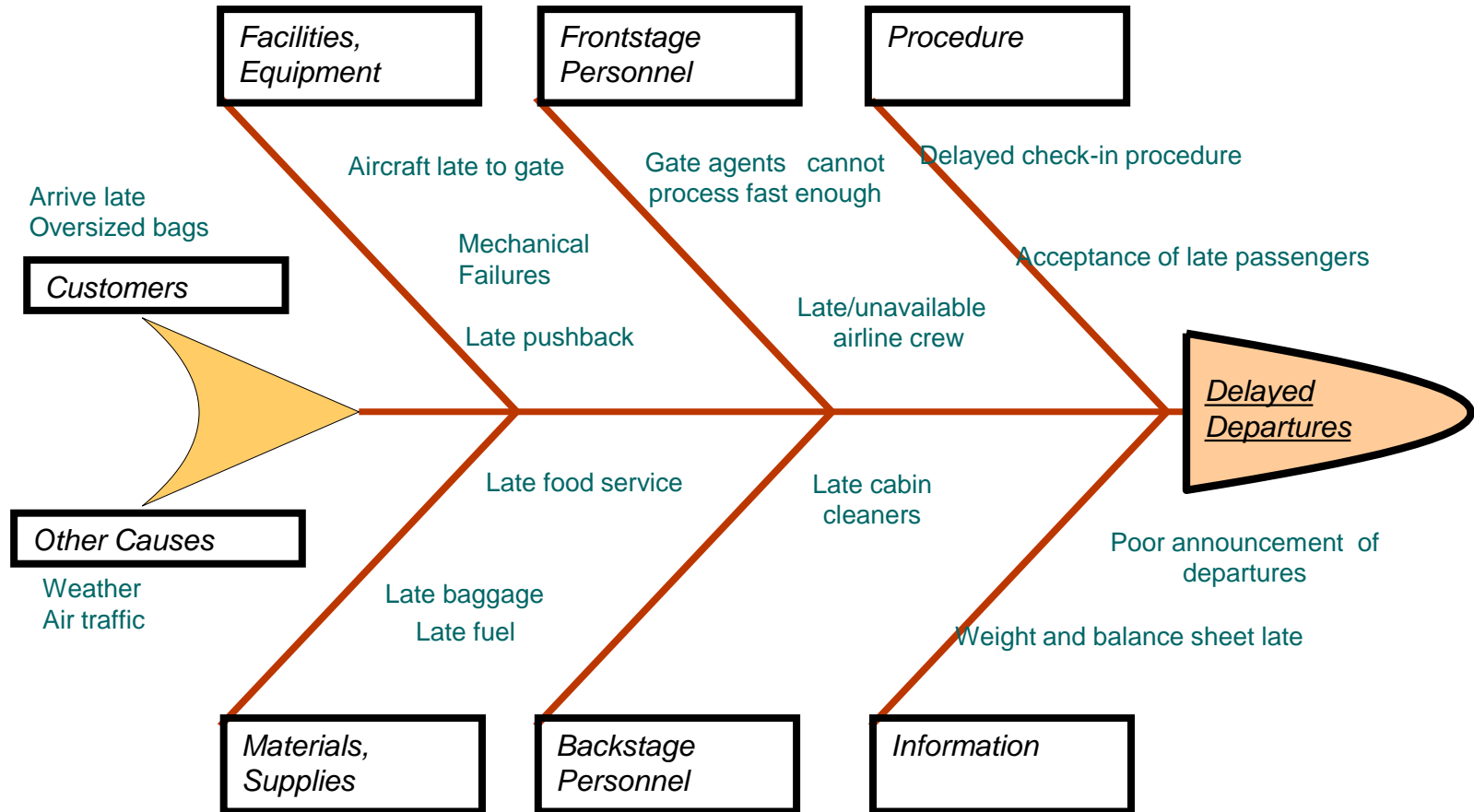
# Control Chart: Percent of Flights Leaving within 15 Minutes of Schedule



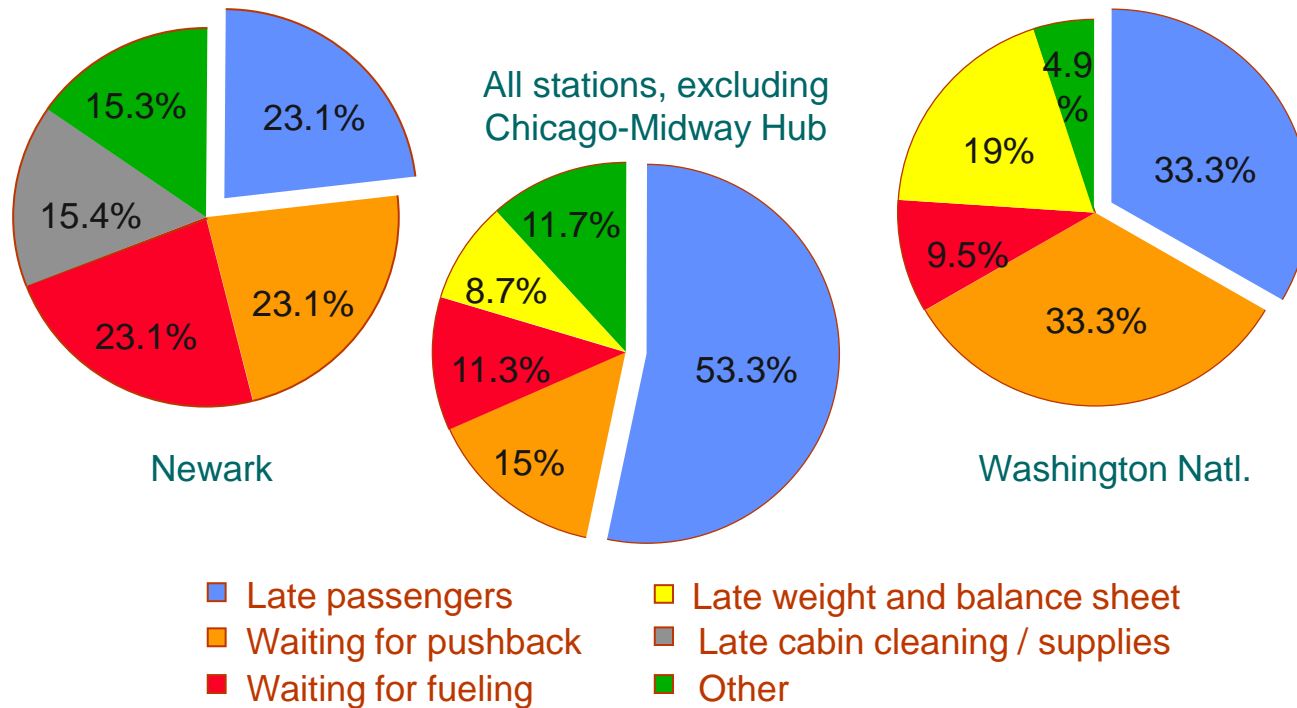
# Tools to Address Service Quality Problems

- **Fishbone diagrams:** A cause-and-effect diagram to identify potential causes of problems.
- **Pareto charts:** Separating the trivial from the important. Often, a majority of problems is caused by a minority of causes i.e. the 80/20 rule.
- **Blueprinting:** A visualization of service delivery. It allows one to identify fail points in both the frontstage and backstage.

# Cause and Effect Chart for Airline Departure Delays



# Analysis of Causes of Flight Departure Delays



# Return on Quality (ROQ)

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

# Efficiency, Effectiveness, and Productivity

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

# Measuring Service Productivity



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

# Questions to Ask When Developing Strategies to Improve Service Productivity

- How to transform inputs into outputs efficiently?
- Will improving productivity hurt quality?
- Will improving quality hurt productivity?
- Are employees or technology the key to productivity?
- Can customers contribute to higher productivity?

# Operations-driven vs. Customer-driven Actions to Improve Service Productivity



## *Operations-driven strategies*

- ❖ Control costs, reduce waste
- ❖ Set productive capacity to match average demand
- ❖ Automate labor tasks
- ❖ Upgrade equipment and systems
- ❖ Train employees
- ❖ Leverage less-skilled employees through expert systems

## *Customer-driven strategies*

- ❖ Change timing of customer demand
- ❖ Involve customers more in production
- ❖ Ask customers to use third parties

# Backstage and Frontstage Productivity Changes: Implications for Customers



- **Backstage improvements can ripple to the front stage and affect customers**
  - e.g., new printing peripherals may affect appearance of bank statements.
- **Front-stage productivity enhancements are especially visible in high contact services.**
  - Some may just require passive acceptance by customers
  - Others require customers to change their scripts and behavior.

# Overcoming Customers' Reluctance to Accept Changes in Environment and Behavior



- Develop customer trust
- Understand customers' habits and expectations
- Pretest new procedures and equipment
- Publicize the benefits
- Teach customers to use innovations and promote trial
- Monitor performance, continue to seek improvements

# Six Sigma Methodology to Improve and Redesign Customer Service Processes



	<i>Process Improvement</i>	<i>Process Design/Redesign</i>
<i>Define</i>	<ul style="list-style-type: none"> <li>■ Identify the problem</li> <li>■ Define requirements</li> <li>■ Set goals</li> </ul>	<ul style="list-style-type: none"> <li>■ Identify specific or broad problems</li> <li>■ Define goal/change vision</li> <li>■ Clarify scope &amp; customer requirements</li> </ul>
<i>Measure</i>	<ul style="list-style-type: none"> <li>■ Validate problem/process</li> <li>■ Refine problem/goal</li> <li>■ Measure key steps/inputs</li> </ul>	<ul style="list-style-type: none"> <li>■ Measure performance to requirements</li> <li>■ Gather process efficiency data</li> </ul>
<i>Analyze</i>	<ul style="list-style-type: none"> <li>■ Develop causal hypothesis</li> <li>■ Identify root causes</li> <li>■ Validate hypothesis</li> </ul>	<ul style="list-style-type: none"> <li>■ Identify best practices</li> <li>■ Assess process design</li> <li>■ Refine requirements</li> </ul>
<i>Improve</i>	<ul style="list-style-type: none"> <li>■ Develop ideas to measure root causes</li> <li>■ Test solutions</li> <li>■ Measure results</li> </ul>	<ul style="list-style-type: none"> <li>■ Design new process</li> <li>■ Implement new process, structures and systems</li> </ul>
<i>Control</i>	<ul style="list-style-type: none"> <li>■ Establish measures to maintain performance</li> <li>■ Correct problems if needed</li> </ul>	<ul style="list-style-type: none"> <li>■ Establish measures &amp; reviews to maintain performance</li> <li>■ Correct problems if needed</li> </ul>



# *Customer Complaint & Service Recovery*

*Pallavi Chandwaskar*

# Learning Objectives

- Identify the extent of **consumer complaints & effectiveness of current recovery practices**
- Outline the course of action open to all dissatisfied customers
- Explain **Factors affect complaining**
- Principles of **effective service recovery system**
- Demonstrate value of well-planned **unconditional guarantee**

# Customer Complaint

- **Customer Complaint:** A formal expression of dissatisfaction with any aspect of a service experience across any dimension of service quality.
- What is the cause of customer complaint?
- **Service failure:** A perception by customer that one or more specific aspects of service delivery have not met their expectations i.e. quality gaps were there.

# Customer Responses To Service Failure

Course Of Action	Next Course of Action	Possible Consequences for the Firm
Take No Action.	<ul style="list-style-type: none"> <li>- Tell friends of negative experience</li> </ul>	<ul style="list-style-type: none"> <li>- Negative WOM</li> <li>- Problem Still Unresolved</li> </ul>
Decide to Complaint.	<ul style="list-style-type: none"> <li>- Complain to firm at local level</li> <li>- Complain to head office</li> <li>- Complain to outside organization</li> </ul>	<ul style="list-style-type: none"> <li>- Problem resolved</li> <li>- Problem unresolved</li> </ul>
Escalate Complaint.	<ul style="list-style-type: none"> <li>- Seek legal action</li> </ul>	<ul style="list-style-type: none"> <li>- Problem resolved</li> <li>- Problem unresolved</li> </ul>
Switch Service Provider	<ul style="list-style-type: none"> <li>- Tell friends of negative experience</li> </ul>	<ul style="list-style-type: none"> <li>- Negative WOM</li> <li>- Defection</li> </ul>

# Customer Responses To Service Failure



- **Action through a third Party**
  - Consumer advocacy organization
  - Consumer affairs or regulatory agencies
  - Civil or criminal courts
- **Customer who complain**
  - Give a firm the chance to correct problems
  - Restore relationships with the complainer, and
  - Improve service quality for all.

# TARP Study of Consumer Complaint Handling

- The Technical Assistance Research Program Institute (U.S.) has studied consumer complaint handling in US and other countries.
  
- It’s findings prompted many managers to consider the impact of dissatisfied customers-especially those that never complained but simply defected to a competitor.
  
- Findings were based on identifying –
  - frequency of problems in certain industries,
  - reason for not complaining,
  - category of customers usually complaining and
  - impact on repurchase intentions.

# Findings of The TARP Study

- **What percentage of complaints are reported?**
  - Complaint rates of about **17%** among customers having a problem with **service**.
  - Complaint rates of about **36% with goods**.
  - Majority of complaints are made at place where the service was received rather than directly at head office.
  - Fewer than **5% complains ever reach corporate head quarters** presumably because retail intermediaries fail to pass them on.

# Findings of The TARP Study

- **Who is most likely to complain?**
  - Consumers from high-income households are more likely to complain.
  - Younger people are more likely to complain than older ones.
  - People knowledgeable about products and complain procedure are more likely to complain.
- **Why don't unhappy customers complain?**
  - They didn't think it was worth the time or effort.
  - They decided no one would be concerned about their problem or about resolving it.
  - They didn't know where to go or what to do. (Ignorance of procedure)

# Complaints as a Market Research Data

- For complaints to be useful as research input they should be funnelled into a central collection point, recorded, categorized and analysed.
- This requires a system for capturing complaints where ever they are made-without hindering tamely resolution of each specific problem and transmitting them into a central location where they can be recorded in a company-wide **complaint log**.
- It is a detailed record of all customer complaints received by a service provider which includes
  - Frontline employees
  - Intermediary organizations acting on behalf of company
  - Backstage managers
  - Suggestions or complaint cards
  - Complains to third parties

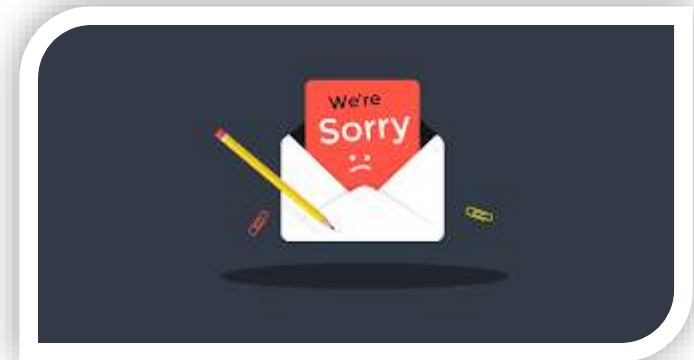
# Role of Complaint Logs

- To provide a basis for tracking all complaints to see that they have in fact been resolved.
- To serve as an early warning of perceived deterioration in one or more aspects of service.
- To indicate topics and issues that may require more detailed research.



# Service Recovery

- It is Systematic efforts by a firm after a service failure to correct a problem and retain a customer's goodwill.
- Principles of effective service recovery.
  - Act fast.
  - Admit mistakes but don't be defensive.
  - Show that you understand the problem from each customer's point of view.
  - Don't argue with customers.
  - Acknowledge the customer's feelings.
  - Give customers the benefit of doubt.
  - Clarify the step needed to solve the problem.
  - Keep customers informed of progress.
  - Consider compensation.
  - Persevere to regain goodwill.



# Service Guarantee

- A **promise** that if service guarantee fails to meet predefined standards, the customer is entitled to one or more forms of compensation.
- Forces firms to focus on what their customers want and expect in each element of service.
- Sets clear standards, telling customers and employee alike what the company stands for.
- Require development of systems for generating meaningful feedback and acting on it.
- Force service organizations to understand why they fail and encourage them to identify and overcome potential failure points.
- Build marketing muscles by reducing the risks associated with purchase and building long term loyalty.



# Examples

<https://www.youtube.com/watch?v=ZFb01yTR9bA> - customer service British Airways

<https://www.youtube.com/watch?v=tWnaKsmQ6k8> - Service complaints and service recovery in hospitality

<https://www.youtube.com/watch?v=PKiVLGvtOFk> - Service excellence in Healthcare

<https://www.youtube.com/watch?v=i9bohI46C7s> - Service recovery singapore airlines

<https://www.youtube.com/watch?v=0T2jE04Y34c> - Service recovery plans Scoot airlines low cost

<https://www.youtube.com/watch?v=9oF0-28MOoU> - Service excellence british airways

# Class Discussion# Service Complaints

- Recall a service failure experience you had as a service customer and service complaint you raised.
- How was it handled?
- Did you find it satisfying?





# *Managing Demand and Capacity and service Assets*

*Dr. Pallavi Chandwaskar*

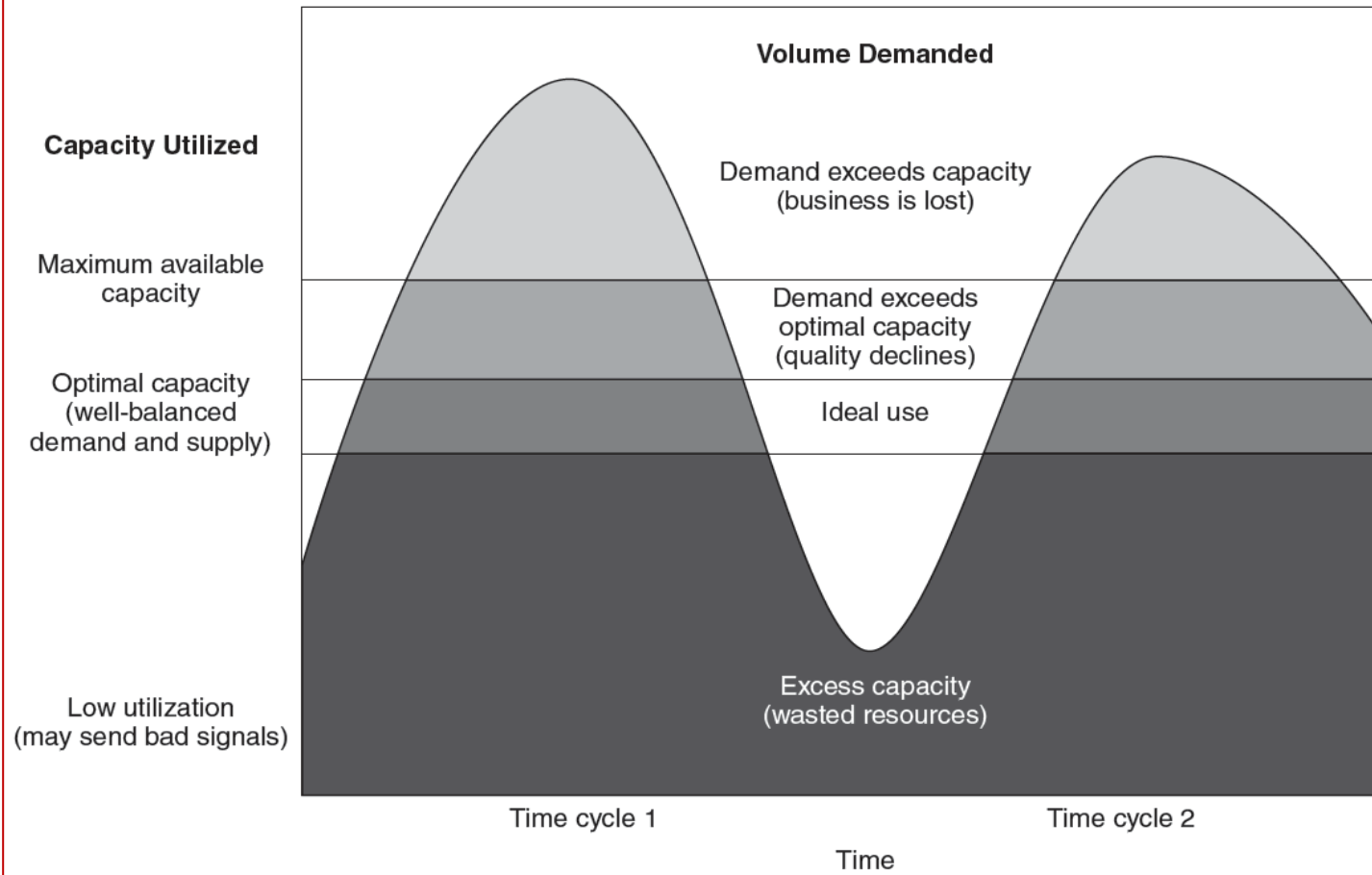
# Managing Demand and Capacity

- The Underlying Issue: Lack of Inventory Capability
- Capacity Constraints
- Demand Patterns
- Strategies for Matching Capacity and Demand
- Yield Management: Balancing Capacity Utilization, Pricing, Market Segmentation, and Financial Return
- Waiting Line Strategies: When Demand and Capacity Cannot Be Matched

# Variations in Demand Relative to Capacity

**FIGURE 13.1** Variations in Demand Relative to Capacity

Source: Lovelock, Christopher H.; Wirtz, Jochen, *Services Marketing*, 7th Edition, (c) 2011, chap. 9, p. 230. Reprinted by permission of Pearson Education Inc., Upper Saddle River, NJ.



# Variations in Demand Relative to Capacity

- **Excess demand: the level of demand exceeds max capacity.**
  - Some customers will be turned away.
  - For customers who do receive service, quality may be lacking because of crowding or overtaxing of staff and facilities
- **Demand exceeds optimum capacity.**
  - No one is turned away, but quality may still suffer.

# Variations in Demand Relative to Capacity

- **Demand and supply are balanced at optimum capacity.**
  - Staff and facilities are occupied at ideal level.
  - No one is overworked, facilities can be maintained, customers are receiving quality.
- **Excess capacity: demand is below optimum.**
  - Resources are underutilized resulting in lower profits.
  - Some customers may receive high quality service, but if quality depends on the presence of other customers, customers may be disappointed.

# Demand and Capacity for Service Providers

**TABLE 13.1**  
**Demand and**  
**Capacity for Service**  
**Providers**

Source: Adapted from C. H. Lovelock, "Classifying Services to Gain Strategic Marketing Insights," *Journal of Marketing* 47 (Summer 1983), p. 17. Reprinted by permission from the American Marketing Association.

Extent to Which Supply Is Constrained	Extent of Demand Fluctuations over Time	
	Wide	Narrow
Peak demand can usually be met without a major delay.	1 Electricity Natural gas Police and fire emergencies Internet services	2 Insurance Legal services Banking Laundry and dry cleaning
Peak demand regularly exceeds capacity.	4 Accounting and tax preparation Passenger transportation Hotels Restaurants Hospital emergency rooms	3 Services similar to those in cell 2 that have insufficient capacity for their base level of business

# Understanding Capacity Constraints and Demand Patterns



## Capacity Constraints

- Time, labor, equipment, and facilities
- Optimal versus maximum use of capacity

## Demand Patterns

- Charting demand patterns eg. Flight
- Predictable cycles eg. Passenger transport
- Random demand fluctuations eg. ICU
- Demand patterns by market segment eg. Higher education

# Constraints on Capacity

**TABLE 13.2**  
**Constraints on**  
**Capacity**

Nature of the Constraint	Type of Service*
Time	Legal Consulting Accounting Medical
Labor	Law firm Accounting firm Consulting firm Health clinic
Equipment	Delivery services Telecommunications Network services Utilities Health clubs
Facilities	Hotels Restaurants Hospitals Airlines Schools Theaters Churches

# Strategies for Shifting Demand to Match Capacity

**FIGURE 13.2** Strategies for Shifting Demand to Match Capacity

**DEMAND  
TOO HIGH**



**DEMAND  
TOO LOW**

*(Reduce Demand during Peak Times)*

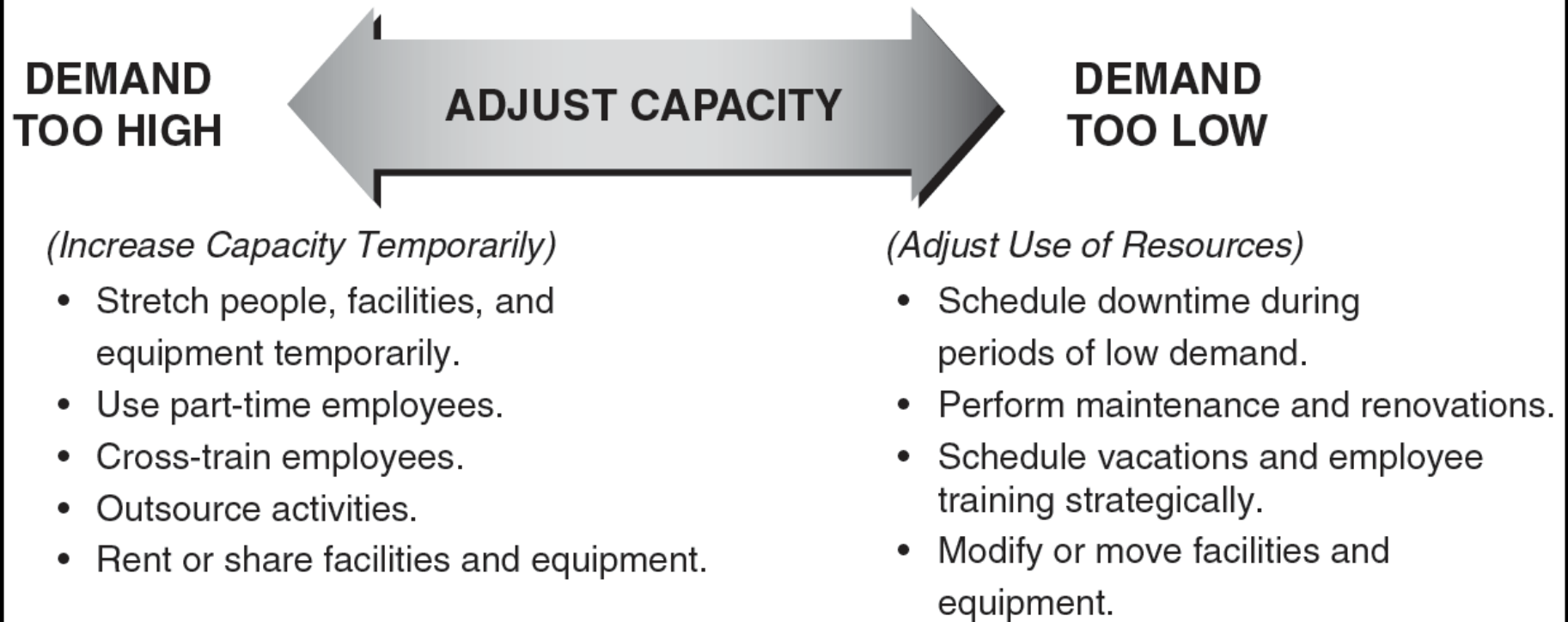
- Communicate busy days and times to customers.
- Modify timing and location of service delivery.
- Offer incentives for nonpeak usage.
- Set priorities by talking care of loyal or high-need customers first.
- Charge full price for the service—no discounts.

*(Increase Demand to Match Capacity)*

- Educate customers about peak times and benefits of nonpeak use.
- Vary how the facility is used.
- Vary the service offering.
- Differentiate on price.

# Strategies for Adjusting Capacity to Match Demand

**FIGURE 13.3** Strategies for Adjusting Capacity to Match Demand



# Yield Management

## Definition

**“The process of allocating the right type of capacity to the right kind of customer at the right price so as to maximize revenue or yield.”**

$$\text{YIELD} = \frac{\text{Actual revenue}}{\text{Potential revenue}}$$

**Where Actual revenue = actual capacity x average actual price**

**Potential revenue = total capacity x maximum price**

**Most effective when: 1) different segments make reservations at different times and 2) customers who arrive/reserve early are more price sensitive than those who arrive/reserve late.**

# Yield Management Example

- 200-room Hotel
- Max room rate = \$100/night
  - Potential Revenue =  $200 \times \$100 = \$20,000$
- All rooms sold at discounted rate (\$50/night)
  - Yield =  $200 \times \$50 / \$20,000 = \$10,000 = 50\%$
- Full rate charged, but only 80 rooms sold
  - Yield =  $80 \times \$100 / \$20,000 = \$8,000 = 40\%$
- Full rate charged for 80 rooms, discount for remaining 120 rooms
  - Yield =  $[(80 \times \$100) + (120 \times \$50)] / \$20,000 = \$14,000 = 70\%$

# Challenges and Risks in Using Yield Management



- Loss of competitive focus
- Customer alienation
- Overbooking
- Incompatible incentive and reward systems
- Inappropriate organization of the yield management function

# Waiting Line Strategies

- Employ operational logic to reduce wait
  - How to configure the queue?
    - Multiple Queue
    - Single Queue
    - Take a Number

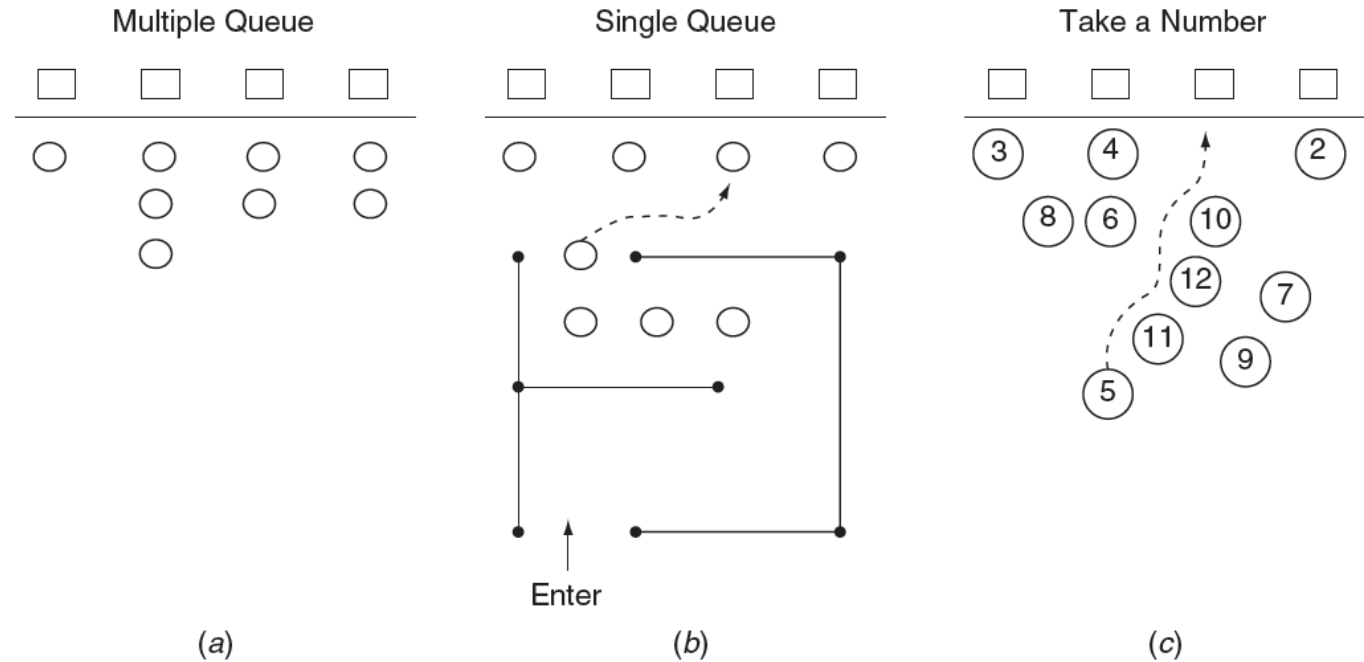


Customer satisfaction is heavily dependent on the amount of time customers spend waiting for a service.

# Waiting Line Configurations

**FIGURE 13.4**  
**Waiting Line**  
**Configurations**

Source: J. A. Fitzsimmons and M. J. Fitzsimmons, *Service Management*, 7th ed. (New York: Irwin/McGraw-Hill, 2011), chap. 12, p. 311. © 2011 by The McGraw-Hill Companies, Inc. Reprinted by permission of The McGraw-Hill Companies.



# Waiting Line Strategies

- Establish a reservation process
- Differentiate waiting customers
  - Importance of the customer
  - Urgency of the job
  - Duration of the service transaction
  - Payment of a premium price
- Make waiting more pleasurable



Waiting is common in many service industries.

# Issues to Consider in Making Waiting More Pleasurable



- Unoccupied time feels longer than occupied time.
- Preprocess waits feel longer than in-process waits.
- Anxiety makes waits seem longer.
- Uncertain waits seem longer than known, finite waits.
- Unexplained waits seem longer than explained waits.
- Unfair waits feel longer than equitable waits.
- The more valuable the service, the longer the customer will wait.
- Solo waits feel longer than group waits.