

Question Paper

Services Marketing (MB3G2M): January 2009

Section A : Basic Concepts (30 Marks)

- This section consists of questions with serial number 1 - 30.
- Answer all questions.
- Each question carries one mark.
- Maximum time for answering Section A is 30 Minutes.

1. Philip Kotler, classified products/services into various categories depending on their degree of tangibility. [<Answer>](#)
Surgery and consultancy are classified as
 - (a) A pure tangible good
 - (b) A pure service
 - (c) A major service accompanying minor goods and services
 - (d) A tangible good accompanying services
 - (e) A pure service accompanied by tangible goods.
2. Fast food hubs like Pizza Corner's, which take order over the phone and provide home delivery of the placed [<Answer>](#)
order is an example of which of the following kind of differentiation?
 - (a) Packaging
 - (b) Service premises
 - (c) Customers
 - (d) Convenience
 - (e) Service personnel.
3. When a customer decides to approach a psychiatrist for treatment, this decision of the customer involves which [<Answer>](#)
of the following type of perceived risk?
 - (a) Psychological risk
 - (b) Time risk
 - (c) Social risk
 - (d) Physical risk
 - (e) Functional risk.
4. By setting up a glass pane to separate the kitchen area from service area, the service provider in a restaurant is [<Answer>](#)
trying to create which of the following types of impact on customer perception?
 - (a) Facilitating quality service
 - (b) Providing a sensory stimulation to customers
 - (c) Shaping the first impression of the customer
 - (d) Managing the trust of the customer
 - (e) Changing the image of service organization.
5. A service blue print depicts the entire service process on a map and shows the various stages of customer [<Answer>](#)
interaction with the service provider and provides minute details of the service delivery processes, the tangible evidence of the service, and the people involved in carrying it out. Which of the following is/are the element(s) of a blue print?
 - I. Layout design.
 - II. Customer role.
 - III. Onstage and backstage employee actions.
 - IV. Support processes.
 - (a) Only (I) above
 - (b) Both (I) and (II) above
 - (c) (I), (II) and (III) above
 - (d) (II), (III) and (IV) above
 - (e) All (I), (II), (III) and (IV) above.

6. Dell designs computers according to its customer's specification and make changes in the configuration and the outlook of a computer. Which of the following approaches of mass customization is adopted by dell? [<Answer>](#)
- (a) Adaptive customization
 - (b) Cosmetic customization
 - (c) Collaborative customization
 - (d) Transparent customization
 - (e) Selective customization.
7. Marketers can segment tourists based on their different socio-economic status, geographic differences, and psychographics. Which of the following represents the psychographic segmentation of the market? [<Answer>](#)
- (a) Segmentation of the tourists based on their spending habits
 - (b) Developing the tour packages based on the age, sex and attitudes of the target segment
 - (c) Segmentation based on the destination frequently visited by the tourists
 - (d) Division of tourist segment based on their economic status
 - (e) Dividing the target segment based on personality and lifestyle.
8. Service organization often tend to ignore the feeling of customer when they are kept waiting. Which of the following statements is **incorrect**, regarding psychology of waiting line? [<Answer>](#)
- (a) Anxiety makes the waiting period seem longer
 - (b) Occupied times seems longer than the unoccupied times
 - (c) Unfair waits are longer than equitable waits
 - (d) Solo waits feels longer than the group waits
 - (e) Uncertain waits are longer than the known finite waits.
9. Smart mobile repositioned its brand from "touch tomorrow" to "live every moment" as a part of market penetration strategy. Which of the following type of marketing penetration strategy does the mobile company adopt? [<Answer>](#)
- (a) Maintaining or increasing the market share of existing service
 - (b) Driving away competitors by restructuring a mature market
 - (c) Inducing existing customer to use the services frequently
 - (d) Multiplying brands
 - (e) Identifying new market segments.
10. When Easy talk mobile company enters the mobile service market keeping the cost of mobile low, which of the following type of pricing does the mobile company adopts? [<Answer>](#)
- (a) Discounted pricing
 - (b) Pricing to meet customer expectation
 - (c) Price discrimination
 - (d) Market skimming
 - (e) Penetration pricing.
11. Cox & kings holiday resorts sponsors a free trip for a selected few prospective customers to exotic locations like Munnar and Shimla. Once the customer is feels satisfied with the promotional offer, they might opt for a life time membership at the resort. Which of the following techniques is adopted by Cox & Kings, in order to promote their resorts? [<Answer>](#)
- (a) Prize promotion
 - (b) Premiums
 - (c) Sampling
 - (d) Refund and discount
 - (e) Prize quantity promotion.
12. To manage the intermediaries effectively, service companies adopts various strategies. Alignment of goals comes under which of the following strategies? [<Answer>](#)
- (a) Control
 - (b) Functional
 - (c) Partnering
 - (d) Empowerment
 - (e) Promotion.

13. Process has been defined differently by various disciplines. A service provider is required to have an understanding of the different processes. Which of the following statements are **true** about “Job Shop Process”? [<Answer>](#)
- I. The process determines the activities and their sequential arrangement based on the type of job at hand.
 - II. The process cannot be modified to suit the fluctuations in demand or to offer customized services.
 - III. The process is quite flexible and can be used to offer various types of services that need a similar set-up.
 - IV. The process should be adopted by service which requires continuous operation.
 - V. The process is applicable to fast food restaurants.
- (a) Both (I) and (II) above
 - (b) Both (I) and (III) above
 - (c) Both (II) and (IV) above
 - (d) Both (IV) and (V) above
 - (e) (I), (III) and (IV) above.
14. The growth in the service sector was quite slow because of some misconceptions held by people regarding services. Which of the following is/are **not** the myth(s) about services? [<Answer>](#)
- I. The service sector is labor-intensive and less productive.
 - II. Growth in the service economy is linked to the growth of the public sector services.
 - III. Marketing a service is different from marketing a product.
 - IV. Service firms earn more revenue when compared to the other sectors.
- (a) Only (I) above
 - (b) Only (III) above
 - (c) Both (I) and (II) above
 - (d) Both (III) and (IV) above
 - (e) All (I), (II), (III) and (IV) above.
15. The certificates of fellowship and appreciation or a photograph with a big star or a celebrity displayed in the waiting area of a doctor, beautician or a photographer provides, which of the following benefit to the service provider? [<Answer>](#)
- (a) Creating good impressions
 - (b) Differentiation from competitors
 - (c) Service quality management
 - (d) Increased credibility
 - (e) Repositioning of service.
16. There are various characteristics of service process design and implementation. Which of the following characteristics increases with divergence? [<Answer>](#)
- I. Service location.
 - II. The service itself.
 - III. Customer participation and interaction.
 - IV. Complexity.
- (a) Only (I) above
 - (b) Only (II) above
 - (c) Only (IV) above
 - (d) Both (II) and (IV) above
 - (e) Both (III) and (IV) above.
17. A company which attempts to minimize pollution from its plants by setting up modern effluent treatment facility to maintain greenery over 1000 acres of land around its refinery unit, is following which type of market model? [<Answer>](#)
- (a) Internal markets
 - (b) Customer markets
 - (c) Referral markets
 - (d) Influence markets
 - (e) Supplier markets.

18. Congratulating a self motivated employee on successful completion of a challenging project by giving an appreciation letter, comes under which of the following type of internal marketing? [<Answer>](#)
- (a) Motivation
 - (b) Rewards
 - (c) Co-ordination
 - (d) Empowerment
 - (e) Communication.
19. Which of the following does **not** come under the category of special service? [<Answer>](#)
- (a) Providing information to customer
 - (b) Attend special requests
 - (c) Provide solution to a problem
 - (d) Handle customer comments
 - (e) Restitution.
20. In which of the following dimensions of measuring service quality, the service personnel of an organization should understand customer's problem and try to resolve them immediately? [<Answer>](#)
- (a) Reliability
 - (b) Assurance
 - (c) Responsiveness
 - (d) Empathy
 - (e) Tangibility.
21. What made Information Technology (IT) firms like Satyam, Infosys and Mastek concentrate on global market in initial stages of business? [<Answer>](#)
- (a) Regulation in the home country
 - (b) Competitive advantage
 - (c) Competition in the market
 - (d) Changes in political environment
 - (e) Lack of demand in home country.
22. Taj Mahal and Asoka's are some of the 3 and 4 star hotels which provide all the facility to the elite class as well as middle class customers. These types of hotels come under which of the following type of demographic segmentation? [<Answer>](#)
- (a) Premium segment
 - (b) Leisure segment
 - (c) Budget segment
 - (d) Geographic segment
 - (e) Psychographic segment.
23. Tourists visit Shimla and Manali when the weather is pleasant and just right for every one to enjoy, avoiding going at the time of biting cold and heavy snowfall. This example relates to which of the following characteristics of tourism industry? [<Answer>](#)
- (a) Perishability
 - (b) Huge financial investment
 - (c) Unstable demand
 - (d) Stable location
 - (e) Tangibility.
24. Depending upon the different needs of the customer's, mutual fund market is segmented into different types of funds. Which of the following types of funds provide capital appreciation over the medium to long term and offer high returns over a period of time? [<Answer>](#)
- (a) Balanced funds
 - (b) Income funds
 - (c) Money market funds
 - (d) Tax saving funds
 - (e) Growth funds.

25. After the foray of other private and government players in telecom industry, Airtel who positioned its services exclusively for higher-income segment reduced its tariff charges to make it affordable for common man. Which of the following strategy is adopted by Airtel to capture the market? [<Answer>](#)
- (a) Pricing strategy
 - (b) Positioning strategy
 - (c) Promotion strategy
 - (d) Implementation
 - (e) Service strategy.
26. Which of the following segments in courier industry, was been ignored by leading players like DHL initially? [<Answer>](#)
- (a) Small and medium enterprise
 - (b) Individual
 - (c) Overnight delivery
 - (d) Corporate delivery
 - (e) Same day delivery.
27. Different goods and services have varying magnitudes of search, experience and credence qualities. These three kinds of qualities form the basis for differentiating between the consumer evaluation process for goods and services. Which of the following statements are **true** about the credence qualities? [<Answer>](#)
- I. Credence qualities for services includes attribute such as price and convenience.
 - II. Credence qualities include those attributes of good or a service, which can be assessed after its purchase and utilization.
 - III. Credence qualities are the qualities of a product or a service that are difficult to assess after its purchase and consumption/utilization.
 - IV. Services have more credence qualities than goods.
- (a) Both (I) and (II) above
 - (b) Both (I) and (III) above
 - (c) Both (II) and (IV) above
 - (d) Both (III) and (IV) above
 - (e) (I), (II) and (IV) above.
28. The services provided by the Information Technology (IT) industry are exceptionally large in range, and varied. Which of the following category helps the customer evaluate their needs, understand the technology and choose a suitable solution to suit their needs? [<Answer>](#)
- (a) Training services
 - (b) Maintenance services
 - (c) Multimedia
 - (d) Consultancy services
 - (e) E-commerce.
29. In which of the following modes of entry, an organization takes the help of another organization to market its products/services in a foreign market? [<Answer>](#)
- (a) Turnkey projects
 - (b) Mergers and acquisitions
 - (c) Piggyback
 - (d) Strategic alliance
 - (e) Joint ventures.
30. Which of the following is **not** a business function in a charity organization? [<Answer>](#)
- (a) Financial function
 - (b) Social function
 - (c) Production function
 - (d) Personnel function
 - (e) Purchasing function.

END OF SECTION A

Services Marketing (MB3G2M): January 2009

Section B : Caselets (50 Marks)

- This section consists of questions with serial number 1 – 6.
- Answer all questions.
- Marks are indicated against each question.
- Detailed explanations should form part of your answer.
- Do not spend more than 110 - 120 minutes on Section B.

Caselet 1

Read the caselet carefully and answer the following questions:

1. Internal marketing is among the most fruitful of all things the Certified Public Accountants (CPAs) can do to develop new clients and deepen existing client relationships. Discuss the complexity the CPA faces while implementing internal marketing and the techniques adopted by them to have a most effective sales force through internal marketing. [<Answer>](#)
(10marks)
2. Internal marketing involves attracting and retaining the best talent in the market. Identify the areas where internal marketing can play an important role for the firms like CPA. [<Answer>](#)
(8 marks)

Internal marketing is among the most fruitful of all things the certified public accountants (CPAs) can do to develop new clients and deepen existing client relationships. A solid internal marketing system takes them far in their effort to get more and better business. Fortunately, it's one of the simplest and least uncomfortable business development activities they do.

They do practical internal marketing which is a process that educates all employees about the firm's services and who in the firm provides them. They just let everyone in the firm know what services the firm offers and who provides them. Although the process seems simple, they face at least four obstacles which impede their effective internal marketing. As often, the internal marketing process is informal at best. Employees simply talk to each other and develop relationships on their own, but when a firm reaches a certain size (probably more than 25 or so) or opens multiple offices that informal system tends to disintegrate unless they foster a culture that values interdepartmental or interoffice communication and cooperation. To add to the complexity the possibility of a breakdown in communication and trust increases when they hires specialists in a given areas. As they don't trust what—or who—they don't know or understand.

CPAs focus most of their efforts on billable work. They usually aren't interested in yet another meeting that cuts into billable time. Educational sessions on the firm's services certainly fall into that category. Most professionals won't make the effort to get to know other team members, particularly in larger firms. They're busy; they're often introverted; and they're rewarded and recognized primarily for racking up billable hours. They can't see what's in it for them as individuals when it comes to internal marketing.

As these problems is insurmountable. There are few techniques which they use to increase the effectiveness of there internal marketing efforts. They begin with new employee orientation. Instead of burdening new employees with a recitation of personnel policies which they could easily read on their own, they introduce them to the firm's services and experts. Give each department five to ten minutes (no more, because the new folks are already on information overload) to present an overview of what each department does and who does it. They have the most energetic speakers representing each group.

They encourage new employees to visit individuals in other departments after they're settled because, if the tax people don't know their financial planning or benefits administration people cannot possibly recommend their services.

They encourage "cross-eating." Rather than thinking about internal marketing or

cross-selling, they encourage cross-eating. As food is the best icebreaker among people, they encourage interdepartmental lunches. As they consider organizing lunches or providing food, they also follow up regularly to see whether employees are participating or not. They believe that they'll do it if the other senior people in the firm do it. People naturally emulate what they perceive to be successful behaviors, so if they start the process, others will follow. The flip side of this, of course, is if they are sitting behind their desk 60 hours a week with their door closed, they'll emulate that behavior, too.

They congratulate employees for getting to know their coworkers and communicate the benefits of doing so to others. They use star performers; conduct regular internal training sessions on all their services. The important thing is to have their very best presenter do the training. Too often, internal training is relegated to either a department head or the most technically astute employee. An accurate-but-dull presenter will hinder the internal marketing effort. An energetic, likable, enthusiastic team member will help capture the attention of others, and generate excitement about the service.

They give discount in new services. They consider allowing employees to offer new services at a discount. As they believe nothing works better than word-of-mouth advertising. They make the employees advocates of their services as they believe they are best referral source for new business.

They cheer on the team. They reward and recognize the people who let clients know about new services. They think it doesn't necessarily have to be a financial reward as sometimes a simple thank-you note or e-mail does the trick.

They use their internal newsletter and intranet effectively. They ask each department to submit information current activities and to provide good news about business development efforts. As they remember that the goal in these venues is to inform and uplift.

They discuss results honestly, conduct their marketing meetings effectively. They use the meeting time for discussions about which internal marketing efforts are working and which aren't. They won't use the time for displays of hot air. As they believe trust builds when people are honest with each other. Sharing both successes and failures enables people to understand the complexities of the firm's different services, what makes them useful, and what services clients are and aren't accepting. It's also a unique opportunity for problem solving. They consider honesty in communication is simply invaluable to their firm.

One last and the toughest and most important thing they follow is to work hard at changing their culture from one that recognizes and rewards only billable time and technical acumen to one that honors business development, training, and mentoring. That means starting at the top and really (not just nominally) changing the criteria for partnership to include all the skills that make a business successful—not just seniority and technical mastery.

By recognizing and rewarding a balanced set of skills, and by implementing these simple steps, they have built their internal marketing process stronger, their revenue is higher, their clients are better served, and their team members are their very best sales force.

**END OF
CASELET 1**

Caselet 2

Read the caselet carefully and answer the following questions:

3. The American International Group, Inc. (AIG) is a major American insurance corporation based in New York City ranks sixth-largest company in Forbes Global 2000. Explain the principal business segments and the performance of The American International Group. [<Answer>](#)
(8 marks)
4. 'Temporary market disruptions may have some effect on AIG through unrealized losses. However, the sound credit quality of the portfolios should result in collection' [<Answer>](#)
(8 marks)

of substantially all principal and interest under any reasonable scenario'. In this light, explain the various elements that a service organization like AIG has to consider to respond to the dramatic changes affecting the service economy.

The American International Group, Inc. (AIG) is a world leader in the insurance and financial services. It is considered to be one of the leading international insurance organizations with operations in more than 130 countries and jurisdictions. AIG was established in 1919 by Cornelius Vander Starr. Starr has set up an insurance agency in Shanghai, China. Starr was the first Westerner in Shanghai to sell insurance to the Chinese. He expanded his business to Asia, Latin America, Europe, and the Middle East. It has its European Headquarter (HQ) in Croydon, London, England and its Asian HQ in Hong Kong, China.

AIG in 2001 witnessed the largest acquisition in its history. On August 29, it has acquired American General Corporation a leader in the US life insurance, retirement savings and consumer finance market. American General enhanced AIG's leadership in areas of core strategic importance, and its businesses and culture as they are highly compatible with those of AIG. AIG is the second largest life insurer and the number one provider of both fixed and variable annuities in the US.

With the integration of American General, AIG is well-balanced between life and general insurance and also between domestic and international operations. A key component of the acquisitions is the Variable Annuity Life Insurance Company (VALIC) which provides savings products to more than million accounts of employees of not-for-profit institutions. The acquisition brings AIG a valuable new distribution channel.

The mission of AIG is to provide their clients with evaluation, formation and proactive management skills that have consistently made AIG member companies one of the most successful insurance and financial services organizations in the world. The vision is to impart the values of innovation, leadership, and integrity that ensure their business success underpinning the company's commitment to the communities in which they operate. Through the Corporate Giving Program, AIG invests its human and financial capital in collaboration with visionary organizations that share these values and leverage their resources to deliver successful results.

Building upon our proud history of investment in new and underserved markets, the group is committed to work across barriers like social, economic, political and cultural in order to enable human dignity, enrich civic life and build communities and economies on local, regional and international levels.

At AIG, the group is committed to the highest standards of inclusiveness and a culture that encourages leadership and offers equal growth opportunities for all employees.

The company aspires to be an employer of choice, providing a rewarding and team-oriented environment where a diverse group of professionals with integrity and vision work continuously to enhance its position as a formidable competitor and global market leader.

In responding to a diverse marketplace, the company is committed to its customer base, products, suppliers, communities and employees to create a multicultural and diverse organization.

According to the 2007, Forbes Global 2000 list AIG ranks sixth-largest company in the world. AIG has four principal business segments which include General Insurance, Life Insurance and Retirement Services, Financial Services and Asset Management.

AIG's General Insurance operations include the largest US underwriters of commercial and industrial insurance, the most extensive international property-casualty network, a personal lines business with an emphasis on auto insurance and high net-worth clients, a mortgage guaranty insurance operation and a leading international reinsurer.

The principal units of General Insurance are Domestic Brokerage Group, Domestic Personal Lines, United Guaranty Corporation, Transatlantic Holdings and Foreign General Insurance Group.

AIG's growing global life insurance businesses which serves millions of customers around the world, has make up the most extensive network of any life insurer. Strategies have been formulated to enhance the growth focus on developing new

markets, which helps in expanding distribution channels and broadening product offerings.

AIG has one of the premier retirement services business in the US. It also has an extensive international retirement services network to meet the growing needs of groups and individuals in countries worldwide. The principal units of life insurance are foreign life insurance and retirement services and domestic life insurance and retirement services.

AIG's Financial Service business specialize in aircraft and equipment leasing, capital markets, consumer finance and insurance premium finance. These businesses complement AIG's core insurance operations and achieve a competitive advantage by capitalizing on opportunities throughout the AIG global network.

AIG's Asset Management businesses include institutional and retail asset management, broker dealer services, private banking and institutional spread-based investments, and also the management of AIG insurance invested assets. The principal units of asset management are AIG Global Investment Group (AIGGIG), AIG Private Bank Ltd., AIG's Zurich-based private banking and AIG Sun America Asset Management Corporation.

AIG has continued to generate impressive financial performance owing to its diversified global business portfolio and solid execution of strategies.

Regarding the company's investment portfolio, exposure to the residential mortgage-backed securities market within AIG's portfolios is of high-quality and enjoys substantial protection through collateral subordination.

Temporary market disruptions may have some effect on AIG through unrealized losses. However, the sound credit quality of the portfolios should result in collection of substantially all principal and interest under any reasonable scenario.

The company continues to be comfortable with its exposure to the US residential mortgage market both in their investment activities and in its operations.

AIG possesses considerable strengths, all of which have helped generate this strong performance and provides good reason to be confident about AIG's growth prospects. The company possesses superior financial strength, liquidity and cash flow. This enables AIG to address the emerging and increasingly severe risks that challenge its global client base.

In every period of uncertainty, there is also opportunity and AIG is poised to take advantage of these opportunities as they arise.

AIG has a first-class management team and employees around the world who are dedicated to servicing their customers. The company has an entrepreneurial culture that is not going to change, but holding the promise to operate with the best governance and compliance possible.

Last year, AIG became the first US insurer to adopt a corporate policy on climate change. AIG also joined the US Climate Action Partnership to advocate federal legislation to limit greenhouse gas emissions in the US through an emissions trading system.

AIG is also a leading supporter of microfinance and micro insurance initiatives, committing more than \$7 mn to organizations like Accion International and FINCA International. As a result of these and other activities, AIG was named of the most 100 sustainable companies in the world by Corporate Life and Innovest Strategic Advisors.

**END OF
CASELET 2**

Caselet 3

Read the caselet carefully and answer the following questions:

5. The services marketing mix consists of three additional elements like people, process, and physical evidence apart from the traditional marketing mix elements such as product, price, promotion, and place. How McDonald was able to utilize these additional three elements to market its services? [<Answer>](#)
(8 marks)
6. McDonald launched specific items including Mc Veggie burger, Mc Aloo Tikki burger, Veg. Pizza, Mc Puff and Chicken Mc Grill burger to its main menu to satisfy its Indian customer. McDonald has adopted line flow operation for its French fries [<Answer>](#)
(8 marks)

section to serve hot and crunchy French fries. Discuss the other process it has adopted for its main menu to serve its customer.

McDonald's is a leading international fast food restaurant chain with 30,000 restaurants spread across the globe. In India, it launched its operations in 1996, with two stores. As per the Informal Eating Out (EO) survey involving the survey of branded food chains in India, conducted by ACNielsen, McDonald's was found to be the leader in fast food chains. Many factors can be attributed to the success of McDonalds Indian operations.

First, McDonalds has focused on products and changed its menu to suit the tastes of Indian consumers. It launched India specific items including McVeggie burger, McAioo Tikki burger, Veg. Pizza McPuff and Chicken McGrill burger. French Fries prepared by Me Donald are served in less time and are fresh and hot, for which they follow line operation. Considering the Indian preferences and sensibilities, the company doesn't offer pork and beef items in India. It offers egg-less sandwich sauces for vegetarian customers and vegetarian items are prepared at a separate counter at the outlets.

On the pricing front, McDonalds has adopted customized pricing for each of the cities depending upon the tax structure, demand, and purchasing power of the population. However, to attract mass-market customers it has launched a new menu called Happy Price Menu in which selected items are priced at Rs 20 across all the outlets in the country.

As McDonalds is into the food business, establishing an efficient supply chain infrastructure is of great importance. McDonalds has, therefore focused on setting up an efficient and effective supply chain. Its supply chain is three tiered, consisting of farms, processing plants, and distribution centers. The company has selected the farmers who can meet its quality and supply standards and directly sources the produce from them. They are supported by McDonalds in terms of seed technology and latest irrigation methods to enable them to obtain higher yields and better produce. The next level of supply chain activities involves the processing of farm produce. For this, the company has tied up with various local suppliers like Vista Processed Foods Pvt Ltd. a joint venture of OS1 Industries Inc., USA, and McDonald's India Pvt Ltd that processes chicken and vegetarian food products at its plant situated at Taloja, Maharashtra. Dynamics' Dairy supplies cheese, butter, ghee, and milk products and Amrit Food supplies long life UHT Milk and Milk Products for Frozen Desserts from its fully automated plant situated at Ghaziabad, Uttar Pradesh. The next level of supply chain activity is the distribution of processed food to the outlets. For this, the company has tied up with Radhakrishna Foodland, which is into food products distribution. Foodland provides logistics support to McDonalds by providing cold storage facilities and transporting the processed foods to the outlets using temperature controlled transport vehicles.

To maintain the service standards, the company has made it mandatory for personnel to undergo periodic training programs, The core principles of McDonald's that are, Quality, Service, Cleanliness, and Value (Q.V.C&V), guide its training programs. The company's highly structured training programs are conducted at four levels: crew development program, restaurant management program, mid-management program, and executive development program. Entry-level workers are trained under the basic crew development program. The training is conducted at each restaurant. Crew members are given on-the-job and off-the-job training. The next level of training is the management development program. This training program is devised for the employees in the restaurant management team. The program ranges from the basic level to the advanced level.

McDonalds also focused on creating a right ambience in the outlet. Since it has been positioned as a family restaurant, McDonalds ensured that the physical environment reflected that image. The outlets are spaciouly designed, well lit and has an informal atmosphere, so that kids can play around and families have the opportunity to conduct events like birthday parties. Besides, no-smoking zones have been set-up in the outlets, taking into account the sensibilities of families. The company has also laid special emphasis on the convenience of kids. The height of the counters at some outlets is lower than normal, so that they are easily accessible to kids. In addition,

McDonalds has made use of vibrant and pleasing colors, and paintings based on different themes, which children can relate to. McDonalds has also created localized advertisements titled “What Your Bahana”. The ads have the same theme as the “I’m lovin it” global campaign. The characters in the ads cite weird reasons for eating out at McDonalds. Humor has been used to put across the message to the consumers.

To keep up the interest in the brand, McDonalds also ran various sales promotion activities targeting the children and family, such as offering toys and conducting contests.

END OF CASELET 3

END OF SECTION B

Section C : Applied Theory (20 Marks)

- This section consists of questions with serial number 7 - 8.
- Answer all questions.
- Marks are indicated against each question.
- Do not spend more than 25 -30 minutes on Section C.

7. Market segmentation involves grouping potential customer based on similarities they exhibit when they make purchase decision. The service provider should choose and target a segment that will give him sustained profitable business and help him enjoy a good market share. Elaborately discuss the market segmentation of hotel industry.

[<Answer>](#)

(10 marks)

8. The fundamental characteristic of services differs from those of packaged goods. Discuss the difference between service and packaged goods in context of promotion.

[<Answer>](#)

(10 marks)

END OF SECTION C

END OF QUESTION PAPER

Suggested Answers

Services Marketing (MB3G2M): January 2009

Section A: Basic Concepts

Answer	Reason
1. B	A pure service because they are totally serving the customer based on their knowledge. < TOP > Operating a person or writing prescription is totally a service rendered by the person.
2. D	Convenience as the customer is getting the product in a convenient way without taking < TOP > much pain of visiting the shop.
3. C	Social risk, as he can become ridicule among his acquaintance. People if they come to < TOP > know somebody is seeing a psychiatrist then he might make fun or can hamper his image.
4. D	Managing the trust of the customer. Customer is able to see things how they are been < TOP > made. Whether the place is clean or not. The food is hygienic or not every thing can be seen through.
5. D	The various elements of blue print are Customer role, onstage and backstage employee < TOP > actions, and support processes. Hence the answer is (d)
6. C	Collaborative customization is a type of customization which aims to help customers < TOP > who are not comfortable at selecting from a wide variety of options available.
7. E	Tourists can be divided based on their different socio-economic status and various < TOP > other parameters. The psychographic segmentation of the market implies dividing the target segment based on personality and lifestyle. Hence, the answer is (e).
8. B	Unoccupied times are longer than the occupied times because when you are occupied < TOP > you don't get time to think about the time of wait.
9. A	A service provider can maintain or increase the market share of the existing services < TOP > through promotional activities, aggressive advertising brand repositioning or new price strategy.
10. E	Penetrated pricing is used by service provider when new services are introduced in the < TOP > existing market or when existing services are introduced in new market. Initially by keeping low price.
11. C	By providing the service free Cox & Kings is giving sample of its services. It is < TOP > adopting a technique for promoting products and services by offering them free of cost.
12. C	Partnering strategy this strategy aims at aligning the goals of the service principle and < TOP > those of the intermediaries.
13. B	Line or Flow Operations: The process cannot be modified to suit the fluctuations in < TOP > demand or to offer customized services, the process should be adopted by service which require continuous operation and the process is applicable to fast food restaurants. Hence the answer is (b)
14. D	Myths pertaining to services are: < TOP > <ul style="list-style-type: none">• The service sector is labor-intensive and less productive.• Growth in the service economy is linked to the growth of the public sector services.• Marketing a service is not different from marketing a product.• Service firms earn less revenue when compared to the other two sectors. Hence the Answer is (d).

15. D It increases the credibility of the service provider stating that he is in good hands. [< TOP >](#)
16. C Complexity increases with divergence [< TOP >](#)
17. D Influential market as by minimizing the pollution it is having good relations with public, environmentalist and local government. [< TOP >](#)
18. B Giving a appreciation letter to a employer is a intrinsic reward [< TOP >](#)
19. A Providing information to the customer is a supplementary service and not a special service. [< TOP >](#)
20. D Empathy understanding the problem of the customer and solving it is showing empathy to the customer. [< TOP >](#)
21. E Lack of demand in home country made these IT company go global. [< TOP >](#)
22. B Leisure segment. This segment appeals the rich and elite people as well as middle class customer. [< TOP >](#)
23. C Unstable demand, when demand for services are not stable they vary according to the season. [< TOP >](#)
24. E Growth funds provides capital appreciation over the medium to long term and which is invested in equities ,which generally offer high returns over a period of time. [< TOP >](#)
25. B Positioning strategy as it positioned it self from the higher class segment to middle class segment. [< TOP >](#)
26. A Small and medium enterprises, which was been ignored by the leading player of couriers initially. [< TOP >](#)
27. D Different goods and services have varying magnitudes of search, experience and credence qualities. [< TOP >](#)
- Option (I): is incorrect since, price, convenience are the attributes of Search qualities.
Option (II): is incorrect since, Experience qualities includes those attributes of a goods or a service, which can be assessed by a customer only after its purchase and utilization.
Option (III) and option (IV) are correct.
- Credence qualities are the qualities of a product or a service that are difficult to assess after its purchase and consumption/utilization.
 - Services have more credence qualities than goods.
- Hence the answer is (d).
28. B Consultancy services help the customer evaluate their needs, understand the technology and choose a suitable solution to suit their needs. TCS and CMC are some of the leading IT consultants in the country. [< TOP >](#)
29. C In Piggyback, an organization takes the help of another organization to market its products/services in a foreign market. [< TOP >](#)
30. B Social function cannot be considered as business function. [< TOP >](#)

Services Marketing (MB3G2M): January 2009

Section B: Caselets

1. A solid internal marketing system takes them far in their effort to get more and better business. [< TOP >](#)

Although the process seems simple, There is little complexity also which impede their effective internal marketing.

As often, the internal marketing process is informal at best. Employees simply talk to each other and develop relationships on their own, but when a firm reaches a certain size (probably more than 25 or so) or opens multiple offices that informal system tends to disintegrate unless they foster a culture that values interdepartmental or interoffice communication and cooperation. To add to the complexity the possibility of a breakdown in communication and trust increases when they hires specialists in a given areas. As they don't trust what—or who—they don't know or understand.

CPAs focus most of their efforts on billable work. They usually aren't interested in yet another meeting that cuts into billable time. Educational sessions on the firm's services certainly fall into that category that is why they try to avoid session.

Most professionals won't make the effort to get to know other team members, particularly in larger firms. They're busy; they're often introverted; and they're rewarded and recognized primarily for racking up billable hours. They can't see what's in it for them as individuals when it comes to internal marketing.

The techniques of internal marketing adopted by the CPAs are:

- They begin with new employee orientation. Instead of burdening new employees with a recitation of personnel policies which they could easily read on their own, they introduce them to the firm's services and experts. Give each department five to ten minutes to present an overview of what each department does and who does it. They have the most energetic speakers represent each group.
- They encourage new employees to visit individuals in other departments after they're settled. If the tax people don't know their financial planning or benefits administration people how can they possibly recommend their services.
- They encourage "cross-eating." Rather than thinking about internal marketing or cross-selling, they encourages cross-eating. As food is the best icebreaker among people, they encourage interdepartmental lunches.
- As they consider organizing lunches or providing food, they also follow up regularly to see whether employees are participating or not. They believe that they'll do it if the other senior people in the firm do it. People naturally emulate what they perceive to be successful behaviors, so if they start the process, others will follow.
- They congratulate employees for getting to know their coworkers and communicate the benefits of doing so to others. They use star performers; conduct regular internal training sessions on all their services.
- The important thing is to have their very best presenter do the training. Too often, internal training is relegated to either a department head or the most technically astute employee. An accurate-but-dull presenter will hinder the internal marketing effort. An energetic, likable, enthusiastic team member will help capture the attention of others, and generate excitement about the service.
- They give discount in new services. They consider allowing employees to offer new services at a discount. As they believe nothing works better than word-of-mouth advertising. If you can make your employees advocates of your services, they'll be your best referral source for new business.
- They cheer on the team. They reward and recognize the people who let clients know about new services. They think it doesn't necessarily have to be a financial reward as sometimes a simple thank-you note or e-mail does the trick.
- They use their internal newsletter and intranet effectively. They ask each department to submit information current activities and to provide good news about business development efforts. As they remember that the goal in these venues is to inform and uplift.
- They discuss results honestly, conduct their marketing meetings effectively. They use the

meeting time for discussions about which internal marketing efforts are working and which aren't. They consider honesty in communication is simply invaluable to their firm.

- One last and the toughest and most important thing they follow is to work hard at changing their culture from one that recognizes and rewards only billable time and technical acumen to one that honors business development, training, and mentoring.

2. As internal marketing offers many advantages some of these advantages like high productivity and increased return on investment fall within the internal sphere of the organization. The areas where internal marketing can play an important role for the firms like CPA's are: [<TOP>](#)

Customer attraction and retention: Internal marketing motivates employees to provide the best service to every customer and earns their commitment to strive for excellence in rendering services. Customers who enjoy superior quality service patronize the organization and bring in more business through repeated and increased purchases. They also help bring in new customers for the company when they provide positive word-of-mouth publicity. This is very beneficial for firms like CPA'S as customer retention in terms give more profit to them. Therefore, internal marketing helps in attracting new customers and retaining the existing ones.

Employee retention and motivation: Internal marketing seeks to design jobs that provide satisfaction and enrichment to employees, create the right work environment and offer a reward system that motivates them to perform better. This helps the organization enjoy high employee productivity and also their commitment and loyalty towards the organization. The loyalty of customer helps in developing more clients. It also helps in attracting the best resources in the talent market as the turnover rate would be low and the employees carry a positive image of the organization.

Corporate image: Internal marketing ensures that all the employees understand the mission, vision and objectives of the organization and their role in achieving the organizational objectives. When employees feel valued and respected by the organization, they work with enhanced commitment. Committed employees render superior service to exceed customer expectations and these delighted customers develop a positive attitude towards the organization. The satisfied employees together with customers create a good corporate image of the organization in the society. This is very important for any firm like CPA.

Change management: Internal marketing emphasizes on listening to employees, addressing their concerns, and empowering them to play an important role in the organization. It believes in involving the employees while introducing any changes in the existing system by seeking and valuing their opinions and suggestions. Employee suggestions that are feasible and valuable are implemented and the employees rewarded suitably. As for CPA's they are more focused on their billable work. Educational sessions on the firms service helps them generate enthusiasm amongst employees and encourages them to participate in implementing organizational change programs.

Organization's performance and continuity: Internal marketing emphasizes continuous training and development of employees to meet the future requirements of the organization and also help them achieve their individual aspirations. This ensures that organizations have a continuous and uninterrupted supply of talented and motivated people. Even when some employees leave the organization due to various reasons like retirement, resignation, etc., the organization will have suitable people at the next level to take over. This helps in preventing situations where employees face ambiguity and uncertainty due to lack of able managers, which would eventually affect the organization's performance.

Thus it can be concluded that internal marketing plays a measure role in firms like CPA.

3. AIG has four principal business segments which include General Insurance, Life Insurance and Retirement Services, Financial Services and Asset Management. [<TOP>](#)

General Insurance

- AIG's General Insurance operations include the largest US underwriters of commercial and industrial insurance, the most extensive international property-casualty network, a personal lines business with an emphasis on auto insurance and high net worth clients, a mortgage guaranty insurance operation and a leading international reinsurer.
- The principal units of General Insurance are Domestic Brokerage Group, Domestic Personal Lines, United Guaranty Corporation, Transatlantic Holdings and Foreign General Insurance Group.

Life Insurance and Retirement Services

- AIG's growing global life insurance businesses which serves millions of customers around the world, has make up the most extensive network of any life insurer. Strategies have been formulated to enhance the growth focus on developing new markets, which helps in expanding distribution channels and broadening product offerings.
- AIG has one of the premier retirement services businesses in the US. It also has an extensive international retirement services network to meet the growing needs of groups and individuals in countries worldwide. The principal units of life insurance are foreign life insurance and retirement services and domestic life insurance and retirement services.

Financial Services

- AIG's Financial Service business specializes in aircraft and equipment leasing, capital markets, consumer finance and insurance premium finance. These businesses complement AIG's core insurance operations and achieve a competitive advantage by capitalizing on opportunities throughout the AIG global network.

Asset Management

- AIG's Asset Management businesses include institutional and retail asset management, broker dealer services, private banking and institutional spread-based investments, and also the management of AIG insurance invested assets.
- The principal units of asset management are AIG Global Investment Group (AIGGIG), AIG Private Bank Ltd., AIG's Zurich-based private banking and AIG Sun America Asset Management Corporation.

PERFORMANCE OF THE AMERICAN INTERNATIONAL GROUP

- AIG has continued to generate impressive financial performance owing to its diversified global business portfolio and solid execution of strategies.
- Regarding the company's investment portfolio, exposure to the residential mortgage-backed securities market within AIG's portfolios is of high-quality and enjoys substantial protection through collateral subordination.
- Temporary market disruptions may have some effect on AIG principally through unrealized losses. However, the sound credit quality of the portfolios should result in collection of substantially all principal and interest under any reasonable scenario.
- The company continues to be comfortable with its exposure to the US residential mortgage market both in their investment activities and in its operations.
- AIG possesses considerable strengths, all of which have helped generate this strong performance and provides good reason to be confident about AIG's growth prospects. The company possesses superior financial strength, liquidity and cash flow. This enables AIG to address the emerging and increasingly severe risks that challenge its global client base.
- In every period of uncertainty, there is also an opportunity and AIG is poised to take advantage of these opportunities as they arise.
- AIG has a first-class management team and employees around the world who are dedicated to servicing their customers. The company has an entrepreneurial culture that is not going to change, but holding the promise to operate with the best governance and compliance possible.
- Last year, AIG became the first US insurer to adopt a corporate policy on climate change. AIG also joined the US Climate Action Partnership to advocate federal legislation to limit greenhouse gas emissions in the US through an emissions trading system.

AIG is also a leading supporter of microfinance and micro insurance initiatives, committing more than \$7 mn to organizations like Accion International and FINCA International. As a result of these and other activities, AIG was named of the most 100 sustainable companies in the world by Corporate Life and Innovest Strategic Advisors.

4. ENVIRONMENT FOR SERVICE ORGANIZATIONS

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The willingness and ability of managers in service firms to respond to the dramatic changes affecting the service economy will determine the survival and prosperity of the organization or its defeat at the hands of more agile and adaptive competitors.

UNDERSTANDING THE SERVICE ENVIRONMENT

Economic, competitive, regulatory, social, and technological elements generally affect the marketing of goods and services in the same manner. There are, however, a few differences, which are discussed below

ECONOMIC ELEMENTS

The demand for services continues to increase as a result of growing complexity of national and global economies. Economic interdependencies are thus an important factor to consider. Changes in one area of the economy can have an influence on the other areas and can affect the demand for goods and services.

COMPETITIVE ELEMENTS

In many cases, service providers and companies that are outside the service sector compete for customers. Goods present a common source of competition. Service providers face competition from government agencies and non profit organizations. Non profit groups offer services that compete with the services offered by for profit firms. Manufacturing firms that are involved in the marketing of services also present service competition.

REGULATORY ELEMENTS

Local, state and central governments have a major role to play in the management of all companies. It is necessary for international marketers to obey the laws of the countries in which they operate. Regulations particularly affect service providers because governments regulate many services in order to ensure consistency and reliability. This regulation can range from simple to invasive regulation. Whatever be the nature of regulation, it tends to reduce marketing flexibility as well as the level of competition. In order to predict and perhaps influence the regulation of services, industries subject to extensive regulation need to keep a close eye on government proceedings.

Regulation affects competitive forces in two important ways. First, since regulation usually restricts the range of marketing options available a company competitive differentiation is more difficult to achieve. Second, it decreases the level of competition.

SOCIAL ELEMENTS

Social forces influence the marketing of services. The demand for service can be affected by the public's acceptance, skepticism, or rejection of it. There has been a growth in exercise and diet services as more and more people have expressed their interest in looking good and feeling good. Concern for safety and growing apprehensions about crime have spurred the growth of personal and home security services and systems.

TECHNOLOGICAL ELEMENTS

Scientific and technological advancements provide many opportunities for improving service quality and productivity. The faster processing of customers, with fewer mistakes by hotels, airlines and car rental firms is the result of computerized reservations systems. New procedures and specialized equipment help doctors treat and rehabilitate patients. The application of technology and manufacturing techniques to services is referred to as the industrialization of services.

5. McDonald's has used the three elements like physical evidence, personnel, and processes [< TOP >](#) effectively to market its services.

Physical evidence: As McDonald's is in the food retailing business, customers cannot evaluate the services it provides before consuming them. So, the company tried to offer some tangible factors based on which customers could judge the service quality. McDonald's projected its outlets as family restaurants and created an ambience that reflected that image. It offered a bright and informal atmosphere. The outlets were spacious and done up in colors that would appeal to children.

Personnel: The company laid special emphasis on its personnel and their training. All the personnel working at different levels were asked to undergo training. McDonald's used four kinds of training programs - crew development program, restaurant management program, mid-management program, and executive development programs. These programs were aimed at training employees at different levels. The programs emphasized McDonald's core principles of Quality, Service, Cleanliness, and Value.

Processes: A part of McDonald's success can be attributed to its best practices in the service delivery process. Primarily, the company established an effective and efficient supply chain that not only cut costs but also helped it to provide fresh and quality products to the customer. On the service delivery front, it standardized each process in the production and delivery of

orders.

6. According to marketing, a process should involve logical steps that can be broken down to increase efficiency. It should have an element of flexibility, which would help in achieving different results to produce the desired outputs. [< TOP >](#)

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

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

Job Shop Process:

In contrast to line operations, a job shop process determines the activities and their sequential arrangement based on the type of job at hand. This process is quite flexible and can be used to offer various types of services that need a similar set-up. For example, in Mc Donald, the same set-up can be used to serve a Mc aloo, a Mc veggie, or a Mc Chicken. Therefore, it provides an opportunity for service providers to customize their services according to customer needs. As customization of services involves a larger number of separate activities, this process demands more service personnel. Further, all the service personnel have to be trained to perform the various activities involved. This is an advantage as they can replace other absent workers. On the other hand. It has the disadvantage that none of the personnel will be specialized in a particular operation.

Section C: Applied Theory

7. Market segmentation involves grouping potential customers based on similarities they exhibit when they make purchase decisions. Often, service providers segment customers based on similarities in their wants, requirements, and purchasing power. Market segmentation helps a sender provider to choose and target a segment that can be successfully served, given the capabilities of the service provider. The service provider should choose a segment that will give him a sustained profitable business and help him enjoy a good market share. A hotel industry can be segmented either geographically or demographically. Let us now discuss these two in detail. [< TOP >](#)

Geographic Segmentation

Geographic segmentation of the market involves dividing the whole market based on the needs of the people living in these geographical areas. However, in this case, it is based on the needs of the people visiting these geographical areas. Customers need hotels when they are visiting a place on a business trip or on a leisure trip. Based on this, the market can be segmented as tourist resorts or places, and commercial or business centers.

- Tourist resorts: Tourist resorts attract guests on long vacation or a short holiday trip. In India, hill stations like Shimla, beach resorts like Goa, historically famous places like Jaipur, places of aesthetic importance like Agra, temple towns like Madurai and places of scenic beauty like Kerala can be categorized as tourist resorts. The Taj group, The Oberoi group, ITC Hotels and many local hoteliers operate in these resorts and enjoy good business, especially during holiday season.
- Commercial centers: Most hotels situated in the country's commercial hubs, like Mumbai, Bangalore, Delhi, and Hyderabad, aim to serve the corporate customers who travel for business purposes. However, most of these cities are also known for their beautiful palaces, forts and temples, or other places worth visiting. Therefore, they can

have hotels that cater to both business as well as leisure travelers.

Demographic Segmentation

Demographic segmentation of the market is based on the purchasing power of the customers and the purpose for which they use these hotels. Demographic segmentation divides the entire market into premium, leisure, and budget hotels. Let us now discuss each segment in detail.

Premium segment: Hotels in the premium segment aim to attract business and corporate customers, upper-class leisure travelers, NRIs and foreign tourists. This segment includes 5-star deluxe and 5-star hotels. Leela Kempinski, Taj Lands Mumbai, The Resort, Sun-N-Sand, Le Meridian are some of the hotels in this category, in the city of Mumbai. Companies normally sponsor their top management executives to stay in premium hotels. NRIs and some of the foreign tourists who can afford to do so choose to stay in these hotels. These hotels provide facilities like CD/VCD/DVD players with a good collection of cassettes, 25" interactive television, fax machines, mini-bar, voice mail, coffee bars, online connectivity, swimming pool, recreation facilities, health spa, etc.

Leisure segment: These hotels are visited by customers who have leisure time or who take off time from work to spend with their families. This segment consists of hotels that appeal to the rich and the upper middle class people. Some business and corporate travelers also visit these hotels. This segment consists of 3- and 4- star hotels. Most hotels of The Taj Group in Kerala, with their health clubs and other facilities, appeal to the elite; whereas, some hotels provide limited options and price them accordingly for the middle class customer segment. Hotel Heritage, West End Hotel, Best Western, The Emerald and The Residence are some of the 3- and 4- star hotels in Mumbai. These hotels provide facilities like individual air-conditioners, 24-hour room service, direct dial telephones, television with satellite channels, a multi-cuisine restaurant and bar, wake up call service, state-of-the-art gym, health spa, swimming pool, recreation room etc.

Budget segment: The hotels in these segments aim to attract people who travel for personal or business purposes. These are budget conscious customers who are not keen to pay high prices. This segment includes 2-star hotels and other hotels. Hotel Park View, Hotel Midland and Pals Hotel in Mumbai are some examples. Most of these hotels have multi-cuisine restaurants, banquet halls, air- conditioning, TV, direct dial telephones etc

8. PROMOTIONAL STRATEGIES FOR SERVICES

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The fundamental characteristics of services differ from those of packaged goods. As we have studied in the earlier chapters, services are characterized by intangibility variability, and Perishability. The differences between the promotional strategies of packaged goods and services arise due to these special characteristics. Let us now discuss the differences between services and packaged goods in the context of promotion;

* **Services cannot be inventoried:** Services are perishable in nature and they cannot be stored for future use when the demand would be high. Therefore, matching demand with capacity becomes a challenge for sendee marketers. One way to match demand and capacity is to decrease the usage during peak demand periods and increase it during off-periods. This can be done through price discrimination. However, this strategy will be successful only if service providers are able to communicate the price changes to the target audience on a regular basis.

On the other hand, promotion of packaged goods has little necessity to match supply and demand as the capacity can be altered to suit the demand at the manufacturing stage itself.

Further, temporary promotions by marketers of goods encourage customers to purchase in bulk and store them, enabling marketers to reduce their holding costs of inventories. Though it is impossible to store services for future use, service marketers can attract customers to use their services more frequently by offering them memberships in Uie form of advance purchases or loyalty schemes. While advance purchases offer convenience to customers, loyalty schemes offers price discounts.

Reduced role of intermediaries: Promotion planning for packaged goods requires distribution of available resources among advertising, trade promotion and consumer promotion. Whereas, services that are sold directly in the market do not require any trade promotion. That is, as the role of intermediaries is limited or even non-existent, there is no need to promote them. Intermediaries come into the picture only in a few sendee industries like travel and insurance. These companies hire agents and brokers and reward them aptly to successfully compete with the other players in the industry.

Role of service personnel: Service personnel play a key role in customer interaction and in

the service delivery process. A customer's perception of the image of the company and satisfaction with the service depend to a large extent on the his/her interaction with the service personnel. In contrast, there is relatively less responsibility for sales personnel in packaged goods industry as the actual product also has a role to play in customer satisfaction. Service companies can differentiate their services and gain a competitive advantage through their customer service.

Service delivery location: Service delivery location also adds to the credibility of the service provider and his service. For example, a spacious, well-lit and well-ventilated cyber cafe in a complex would attract more customers than a narrow and dingy cafe in a by-lane, Customers rate the service provider depending on the ambience of the place too. Further, the physical evidence at the service provider's location tangibilizes the service and thus reduces the perceived risk of the customer. Therefore most service providers advertise their service location. They even resort to PR initiatives when any changes are made to their locations or new ones are added.

Customer as a co-producer: Unlike packaged goods where customer is not involved in the production process, some service industries require customer's involvement in the production process. For example, selecting investment options, ordering menu in the restaurant, etc. require customer's participation. Therefore, service providers stress on the role of the customer in their promotion campaigns

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