

**SERVICE MARKETING &  
CRM  
(DE MBA2)  
(MBA)**



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## Chapter 1

# MARKETING OF SERVICES : CONCEPTUAL FRAMEWORK\*

### INTRODUCTION

Economists have divided all industrial and economic activities into three main groups: primary, secondary and tertiary. Primary activities include agriculture, fishing and forestry. Secondary activities cover manufacturing and construction, and tertiary activities refer to the services and distribution. In the pre-industrialised era, primary activities were the mainstay of the economy. The Industrial Revolution marked the beginning of increasing importance of secondary activities and the gradually decreasing status of agriculture and allied activities. The period following World War II saw USA become the world's first 'service economy' with more than 50 per cent of the working population employed in producing services.

Today 75 million Americans are employed in the service sector and as much as 70 per cent of the US economy is service-oriented. This led a New York Congressman to remark that America is becoming a nation of people who are "serving each other hamburgers or taking in each others' laundry". However, the US service industry is a very technical and sophisticated one comprising computer and software development, business consultancy, telecommunication, banking and insurance.

This pattern of economic development is not universally applicable to all countries. In many African and Asian countries the agricultural sector is still the dominant one. In countries like India, we can observe the growing importance of the manufacturing and service sectors while agriculture still continues to retain its stronghold on the economy. The manufacturing and service sectors are growing not only in volume but also in sophistication and complexity. The wide array of services found in the metropolitan cities of Bombay, Bangalore, Delhi, Calcutta, Madras compare favorably with those found anywhere in the world.

Daniel Bell, in his book 'The Coming of the Post-industrial Society' called this period of dominance by the service sector as the post-industrial Society<sup>1</sup>. According to him: "If an Industrial society is defined by the quantity of goods as marking a standard of living, the post-industrial society is defined by the quality of life as measured by the services desirable and possible for everyone."

### THE CONCEPT OF SERVICE

The term service is rather general in concept, and it includes a wide variety of services. There are the business and professional services such as advertising, marketing research, banking insurance, computer-programming, legal and medical advice. Then there are services which are provided by professionals but consumed for reasons not of business, rather for leisure, recreation, entertainment and fulfillment of other psychological and emotional needs such as education, fine arts, etc.

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\* This chapter is an enlarged version of the unit on Marketing of Services, from the course MS-6, Marketing for Managers, IGNOU, 1987. The Original Unit was contributed by Dr. L. Johari, Associate Professor at Faculty of Management Studies, Delhi University.

**Table: 1.1**  
**List of Selected Services**

**Utilities**

Electricity  
Water Supply

**Law Enforcing, Civil, Administrative and Defence Services**

Police  
Army  
Air Force  
Navy  
Judiciary  
Civil Administration  
Municipal Services

(Sewage, disposal of corpses  
maintenance of roads, parks & public  
buildings)

**Transport & Communication**

Railways (Passenger & Freight)  
Air Transport (Passenger & Freight)  
Post & Telegraph  
Telephone & Telecommunication  
Broadcasting (All India Radio)  
Telecasting (Doordarshan)

**Distributive Trades**

Wholesale Distribution  
Retail Distribution  
Dealers, Agents

**Insurance, Banking, Finance**

Banks  
Share & Stock Brokers  
**Business, Professional & Scientific Activities**  
Advertising  
Marketing Research  
Consultancy  
Legal  
Medical  
Educational  
Research

Maintenance & Repairs (of plants,  
machinery & equipment)  
Leasing  
Computer Programming  
Employment Agencies

**Leisure, Recreation**

Cinema, Theatre  
Clubs, Gymnasiums  
Restaurants, Hotels  
Video Game Parlours  
Casinos  
Self-improvement Courses

**Miscellaneous**

Beauty Parlours  
Health Clubs  
Domestic Help  
Drycleaning  
Matrimonial Service

**Source:** Adapted from Donald Cowell, 'The Marketing of Services' Heinemann, London.

Faced with such a broad spectrum we need to define the concept of service from a marketing view-point. Kotler offers one such definition: A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything<sup>2</sup>. Its production may or may not be tied to a physical product.

W.J. Stanton views services as fulfilling certain wants and states that, "services are those separately identifiable, essentially intangible activities which provide want satisfaction, and are not necessarily tied to the sale of a product or another service. To produce a service may or may not require the use of tangible goods. However, when such use is required, there is no transfer of title (permanent ownership) to these tangible goods."<sup>3</sup>

As in the case of a product, in the case of services also your starting point for understanding the marketing dynamics is the want satisfaction of the customers. It is important to correctly identify the particular want(s) which your service is fulfilling, since this will provide the clue for designing the most appropriate marketing strategy.

A restaurant provides satisfaction to its customers on the basis of type and quality of its food, its décor and environment and the behaviour of its staff and its location in a busy commercial-cum-office complex. For instance, 'Class Touch' was started as a restaurant serving exclusive Western and Chinese cuisine with an expensive decor, a live band, beautifully liveried waiters and a high-price menu. The venture was a flop right from the start. On the advice of its marketing consultant, the restaurant changed over from serving elaborate, expensive meals to a 'fast-food' outlet providing quick, reasonably priced meals for consumption both within and outside the restaurant. Today this restaurant is a big success. It was the correct identification of the want-satisfaction which helped the restaurant become successful. Located in a predominantly office complex, the owners realised that of lunch-break, people do not visit a restaurant for relaxation or status satisfaction. They have limited time at their disposal and want a quick clean meal at a reasonable price, with minimum frills and fancy. In this case, the restaurant was satisfying the basic hunger need, but was catering to a very specific class of customers (office-goers) with a special kind of constraint (that of time and money).

To be successful, you have to firstly, identify the basic need which is being fulfilled by your service, and secondly, find ways and means to differentiate it from that of the competitors so that you can increase your number of customers and also command their loyalty. In our earlier example of the restaurant it was only after the basic need had been correctly identified that the restaurant could adopt an appropriate marketing strategy and turn the corner. Thus, as marketing manager involved in the marketing of services your first concern should be the identification of the customers' needs. A clue to this can be provided by looking into the reasons for the phenomenal growth of the service sector in recent times.

## REASONS FOR GROWTH OF THE SERVICE SECTOR

Manufacturing industries grew because they produced tangible goods which satisfied man's physiological needs of food, shelter and clothing. As the basic need was fulfilled there was demand for improved satisfaction, and this led to a proliferation of variations of the same product and a number of companies involved in its manufacture. The growth of service industries can be traced to the economic development of society and the socio-cultural changes that have accompanied it. Table 1.2 presents the reasons for growth of service industries.

**Table 1.2**  
**Reasons for Growth in Service Industries**

<b>Reasons</b>	<b>Types of services required</b>
1. Increasing affluence	Greater demand for services (activities which consumers used to perform themselves) such as interior decoration, laundry, care of household products such as carpets, care of garden etc.
2. More leisure time	Greater demand for recreation and entertainment facilities,

	travel resorts, adult education and self improvement courses.
3. Higher percentage of women in the labour force	Greater demand for crèches, baby sitting, household domestic help.
4. Greater life expectancy	Greater demand for nursing homes and health care services.
5. Greater complexity of products	Greater demand for skilled specialists to provide maintenance for complex products such as air-conditioners, cars, home computers.
6. Increasing complexity of life	Greater demand for specialists in income-tax, labour laws, legal affairs, marriage counselling, employment services.
7. Greater concern about ecology and resource scarcity	Greater demand for purchased or leased services, car rental, travel, resort to time sharing rather than ownership basis.
8. Increasing number of new products	The computer-sparked development of such service industries as programming, repair and time sharing.

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**Source:** Schoell, K.F. and J.T. Ivy, 1981 "Marketing: Contemporary Concepts and Practices, Allyn and Bacon; Boston.

Sometimes, the growth of a specific service industry is the result of a combination of several reasons. Increasing affluence coupled with the desire to utilise leisure time for leisure rather than for doing odd repair jobs in the house had led to the growing tribe of plumbers and electricians. Increasing affluence combined with increasing complexity of life and increasing insecurity has led to the phenomenon of credit cards and travelers cheques which have proved to be almost perfect substitutes for money. These credit cards provide convenience and safety. In fact convenience is proving to be a key concept in the provision of services.

### CHARACTERISTICS OF SERVICES

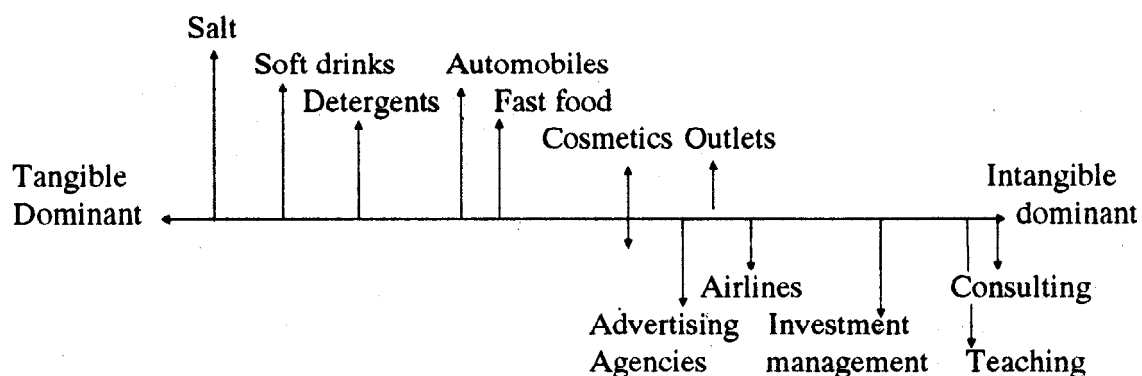
Services have a number of unique characteristics that make them so different from products. Some of the most commonly accepted characteristics are :

- a) Intangibility
- b) Inseparability
- c) Heterogeneity
- d) Perishability
- f) Ownership

## Intangibility

When you buy a cake of soap, you can see, feel, touch, smell and use to check its effectiveness in cleaning. But when you pay fees for a term in college, you are paying for the benefit of deriving knowledge and education which is delivered to you by teachers. In contrast to the soap where you can immediately check its benefits, there is no way you can do so in case of the teachers who are providing you the benefits. Teaching is an intangible service. When you travel by aeroplane, the benefit which you are deriving is a service (transportation) but it has some tangible aspects such as the particular plane in which you fly (Boeing, Avro, Concorde and the food and drink which is served). In this case the service has both a tangible and intangible aspect as compared to teaching which has no tangible aspect at all. Figure 1.1 presents the tangible-intangible dominant aspect on a goods-service continuum. This continuum highlights the fact that most services are in reality a combination of products and services having both tangible and intangible aspects. There are only a few truly pure tangible products or pure intangible services.

**Figure : 1.1 A Goods-Service Continuum**



**Source:** Shostack, G.L., 1977 "Breaking Free Product Marketing" *Journal of Marketing*, Vol.41, No.2 American Marketing Association.

The distinguishing feature of a service is that its intangible aspect is dominant. J Bateson has described the intangible characteristics of services which make them distinct from products<sup>4</sup>. These intangible features are :

- a service cannot be touched
- precise standardisation is not possible
- there is no ownership transfer
- a service cannot be patented
- production and consumption are inseparable
- there are no inventories of the service
- middlemen roles are different
- the consumer is part of the production process so the delivery system must go to the market or the customer must come to the delivery system.

### **Inseparability**

In most cases a service cannot be separated from the person or firm providing it. A service is provided by a person who possesses a particular skill (singer), by using equipment to handle a tangible product (dry cleaning) or by allowing access to or use of a physical infrastructure (hotel, train). A plumber has to be physically present to provide the service, the beautician has to be available to perform the massage. This is in direct contrast to products which can be produced in the factory today, stocked for the next two, three or more months and sold when an order is procured.

### **Heterogeneity**

The human element is very much involved in providing and rendering services and this makes standardisation a very difficult task to achieve. The doctor who gave you complete attention in your last visit may behave a little differently the next time. The new bank clerk who cashes your cheques may not be as efficient as the previous one and you have to spend more time for the same activity. This is despite the fact that rules and procedures have been laid down to reduce the role of the human element and ensure maximum efficiency. Airlines, restaurants, banks, hotels have a large number of standardised procedures. You have to reserve a room in a hotel and this is a straight forward procedure for which all the steps are clearly defined. Human contact is minimal in the computerised reservation systems, but when you go to the hotel there will be a person at the reception to hand over the key of your room. The way this person interacts with you will be an important factor in your overall assessment of the service provided by the hotel. The rooms, the food, the facilities may be all perfect, but it is the people interacting with you who make all the difference between a favourable and unfavourable perception of the hotel.

### **Perishability**

Services cannot be stored and are perishable. A car mechanic who has no cars to repair today, spare berths on a train, or unsold seats in a cinema hall represent a service capacity which is lost forever. Apart from the fact that a service not fully utilized represents a total loss, the other dimension of this perishability aspect is that most services may face a fluctuating demand. There is a peak demand time for buses in the morning and evening (office hours). Certain train routes are always more heavily booked than others. This fluctuating demand pattern aggravates the perishability characteristic of services.

### **Ownership**

When you buy a product you become its owner-be it a pencil, book, shirt, refrigerator or car. In the case of a service, you may pay for its use but you never own it. By buying a ticket you can see the evening film show in the local cinema theatre; by paying wages you can hire the services of a chauffeur who will drive your car; by paying the required charges you can have a marketing research firm survey into the reasons for your products' poor sales performance, etc. In case of a service, the payment is not for purchase, but only for the use or access to or for hire of items or facilities.

A service is purchased for the benefits it provides. If we closely examine the reasons why products are purchased, we find that they are bought because they provide certain intangible benefits and satisfactions.



Detergent powder provides the primary benefit of cleanliness, air-conditioners provide the benefit of cool, comfortable environment, a mixer-cum-grinder provides convenience. The only difference between products and services is that in the latter, the intangible component is greater than in the former. Thus, services can be treated as a special kind of product.

From a marketing view-point, the same concepts and techniques are applicable for both products and service. The successful marketing of both requires market research, product design, product planning and development, pricing, promotion and distribution. However, for marketing services, the marketing manager must understand the nature of the five characteristics of services and the manner in which they impinge on the marketing strategy.

Table 1.3 describes the implications of characteristics of services and how the marketing strategy can be focused to overcome these constraints. Besides the constraints highlighted in Table 1:3, are some other factors which have inhibited the active marketing of services. Professionals such as doctors and lawyers have traditionally been opposed to the idea of marketing, rather they have relied on the word of mouth of satisfied customers for increasing their clientele.

**Table: 1.3**

**Implication of service characteristics and ways of overcoming them**

	<b>Service characteristics</b>	<b>Implications</b>	<b>Means of overcoming Characteristics</b>
1	Intangibility	Sampling difficult. Difficult to judge quality and value in advance. Not possible to patent or have copyright. Relatively difficult to promote.	Focus on benefits. Use brand names. Use personalities to personalise service. Develop reputation. Increase tangibility (e.g. its physical representation).
2	Inseparability	Requires presence of performer/producer. Direct Sale. Limited scale of operations. Geographically limited market.	Learn to work in larger groups. Work faster. Train more service performers.
3	Heterogeneity	Difficult to standardise quality.	Careful selection and training of personnel. Define behaviour norms. Reduce role of human element. Mechanise and automate maximum possible operation.
4	Perishability	Cannot be stored. Problem of demand fluctuation.	Better match between supply and demand by price reductions in low demand season.
5.	Ownership	Customer has access to but not ownership of facility or activity.	Stress advantages of Non-ownership such as easier payment scheme.

**Source:** Cowell, Donald, 'The Marketing of Services'. Heinemann, London.

The small size of many service organisations such as beauty parlours; repair shops, barber shops etc. also limits the use of marketing techniques which can be successfully used in larger organisations and then there is the case of service organisation such as schools, hospitals and, universities which enjoy more demand than they can cope with. These institutions have, therefore, never felt the need for actively marketing their services.

## SERVICES CLASSIFIED

A larger number of classification schemes for services have been developed to provide strategic insights in managing them. Utilizing different bases, these schemes allow us to understand the nature of the service act, the relationship between service organisation and its customers, the nature of service demand and the attributes of a service product. Let us discuss these schemes briefly.

### 1. The Nature of the Service Act

Using two dimension of tangibility of the service act and to whom services are directed at, Lovelock<sup>5</sup> has classified services according to whether services are directed at people or possession, at minds, physical possessions or assets. Table 1.4 will help you understand this classification scheme.

**Table 1.4**

Nature of the Service Act	Services Directed At	
	People	Possession
<b>Tangible Action</b>	<b>Services directed at Peoples bodies</b>  Healthcare, Salons, Resturants, Transportation	<b>Directed at goods, Physical possession</b>  Transportation Laundry/Dry cleaning Lawn care
<b>Intangible Action</b>	<b>Services directed at Peoples minds.</b>  Education Broadcasting Information Museums	<b>Services directed at Intangible Assets</b>  Banking Legal Services Insurance Accounting

### 2. Relationship Between Service Organisation and Customers

In the service sector both institutional and individual customers may enter into continuing relationships with service providers and opt for receiving services countinually. Services can therefore be classified on the basis of whether the nature of the relationship is continous or intermittent and whether a consumer needs to get into a membership relationship with the service organisation to access and utilise the service.

Table 1.5: Services and customer Relationships

Nature of Delivery	Type of relationship	
	Membership	Non Membership
Continuous	Insurance Education Banking	Police Protecting Public high way T.V. transmission
Discrete	Theatre Seat Subscription Travelling on	Car seatal Pay telephone RestaurentCommitter ticket

### 3. How the Service is Delivered

Lovelock has used two issues of number of delivery sites (whether single or multiple) and the method of delivery to classify services in a 2 x 3 matrix. Then implications here are that the convenience of receiving the service is the lowest when the customer has to come to the service and must use a single or specific outlets. As his options multiply, the degree of convenience can go on rising, from being able to choose desirable sites, to getting access at convenient locations. (Table 1.6)

Table 1.6

Nature of Interaction between Customer and Organisation	Service Delivery Modes	
	Availability of outlets	
	Single site	Multiple site
Customer goes to service Organisation	Theatre	Bus service Fast food chain
Service organisation comes to the customer	Lawn care Pest control	Mail delivery Emergency auto repairs
Customer and organization transact business at arms length	Credit cards Local TV station	Telephone company Broadcasting

### 4. Proportion of Tangibility and Intangibility

Using the characteristic of intangibility of services, Shortack<sup>6</sup> proposes that all goods and services can be placed on a tangibility intangibility continuum, with services clustering towards low to high intangibility. You can refer back to **page 7** in this chapter, to try and classify services you are aware of, along this continuum. Accordingly, services can be classified as be those with a low intangibility content (a fast food restaurant) and as pure services, having very high intangibility content (Education, consultancy, Medical advice).

## 5. Service Inputs

Services based on this criterion have been classified as primarily equipment based or primarily people based service depending upon which input is primary applied to get service outputs. The equipment based services can be further classified according to whether they are fully automated, or consist of equipment monitored by unskilled persons (lift operators, delivery van personnel) or need the presence of skilled personnel to man the equipment (Quality control, Diagnostic services)

## 6. Contact Between the Consumer and the Service Provider

Services also differ in the extent of contact that needs to be maintain between the User and Provider, the marketing implication in this case being the necessity of physical presence of the provider as well as need to manage desired quality of personnel in case of high contact services. On this basis all services can be classified as high contact or low contact services, depending upon the time a user needs to spend with the service organisation/provider in order to utilise/acquire the service. Examples of low contact services are telecommunications, drycleaning and broadcasting while high contact services are education, hospitality, theatre performance.

## 7. Profit and Public Vs Private Services

Service can also be classified on the basis of whether they are primarily directed at public at large or primarily at individuals<sup>7</sup>. The public services include utilities and infrastructural services like transport and communication. They also include services provided by the state for public welfare like hospitals, educational and vocational institution, parks and museums etc. The private services on the other hand include the whole gamut of service dedigned for and consumed by consumers as individuals for e.g. restaurants, beauty care, medical advice. The implications underlined by this classification manifest themselves in issues regarding planning and design of services for public us private consumption. Involved here are issues of process, volume and distribution of services when they are designed as public services.

Services have also been classified by Kotler<sup>8</sup> as services designed for profit and non profit services, depending upon the marketing objectives to be persued in the exchange of services.

## ELEMENTS OF MARKETING MIX IN SERVICE MARKETING

For marketing of products, the four elements of marketing mix are product, price, distribution and promotion, which are used in a specific combination to arrive at the marketing strategy. In the case of services, there are three additional elements. These elements are people, physical evidence and process. We shall now take up each of these elements for discussion.

### Product

The most important issue in the service product is understanding what benefits and satisfaction the consumer is seeking from the service. From the view-point of a restaurant's manager, the restaurant simply provides food. But the customers coming to the restaurant may be seeking an 'outing', an atmosphere different from home, relaxation, entertainment or even status. The marketing of services can be a success only if there is a match between the service product from the consumer's view-point and the supplier's view-point. To find this match, as a manager you would have to analyse your service at the following levels:

- I) the customer benefit concept;
- II) the service concept;
- III) the service offer;
- IV) service forms, and
- V) the service delivery system.

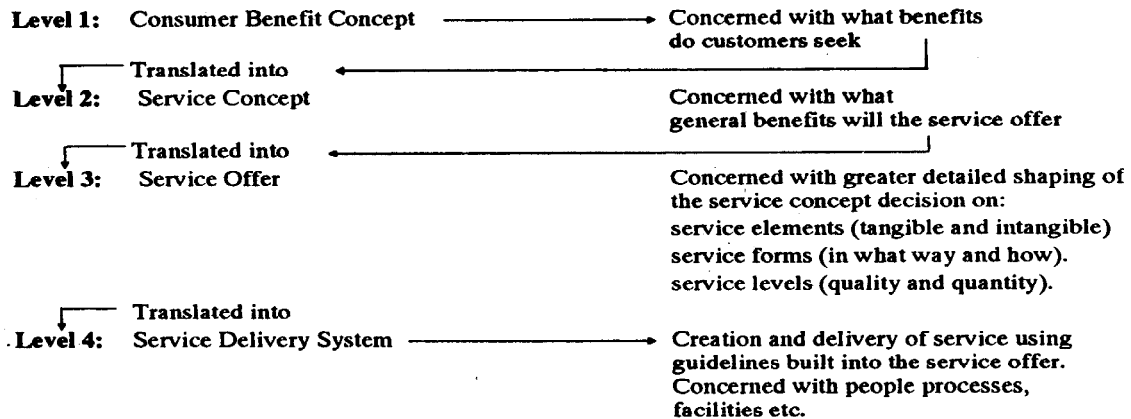
i) **Customer Benefit Concept:** The service product which you offer in the market place must have its origin in the benefits which the customers are seeking. But the problem is that customers themselves may not have a clear idea of what they are seeking or they may find it difficult to express or it may be a combination of several benefits and not a single one. Over a period of time, the benefits sought may also change. This change in customers may come about by a satisfactory or unhappy experience in utilising the service, through increased sophistication in service use and consumption, and changing expectations. All these make the issue of marketing a service product very complex.

ii) **Service Concept:** Using the customer benefits as the starting point, the service concept defines the specific benefits which the service offers. At the generic level the service concept refers to the basic service which is being offered. A center for the performing arts may offer entertainment and recreation. But within this broad framework, there can be specific choice paths for satisfying the entertainment objective, such as, drama, musical concerts, mime, poetry recitation, dance etc. Defining the service concept helps answer the fundamental question, 'What business are we in?'

iii) **Service Offer:** Having defined the business in which you are operation, the next step is to give a specific shape and form to the basic service concept. To refer to the example of the center for the performing arts, the service concept is to provide entertainment. The service offer is concerned with the specific elements that will be used to provide entertainment: drama, music, mime, poetry recitation, dance. In the category of musical concerts the choice may be vocal or instrumental, with vocal whether light or classical, Hindustani, Carnatic or Western. While these represent the intangible items of the service offer, the physical infrastructure of the center, in terms of its seating capacity, comfortable seats, quality and acoustics, provision of air-conditioning, snack bar and toilets are the tangible items. The tangible aspects can be controlled by offering the best possible benefit, but the quality and performance of the actors, singers, musicians cannot be controlled. Theoretically, a manager must control both the tangible and intangible components. But in practice, he can control only the tangible components and lay down norms for the intangible components (e.g. maximum duration of recital, brief introduction before each dance item, etc.)

iv) **Service Forms:** In what form should the services be made available to the customers is another area of decision-making. Should all the shows of the center be available in a package deal against a yearly membership fee or seasonal ticket? Should there be daily tickets with the consumer having the freedom to watch any one or more performances being staged on that particular day? Or should each performance have a separate entrance ticket, with a higher priced ticket for a well-known performer? Service form refers to the various options relating to each service element. The manner in which they are combined gives shape to the service form.

Figure : 1.2 Conceptualisation of the Service Product



#### v) Service Delivery System:

When you go to your bank to withdraw money from your account, you either use a cheque or a withdrawal slip in which you fill all the particulars and hand it over to the clerk, who after verifying the details, gives you money. The cheque or withdrawal slip and the clerk constitute the delivery system. In a restaurant, the waiters are the elements of the delivery system. The two main elements in a delivery system are the people and the physical evidence. The competence and public relations ability of a lawyer represents the 'people' component, while his office building, office door, letterhead, etc. are all elements of the 'physical evidence'. The physical evidence components have also been called 'facilitating goods' and 'support goods'. These are the tangible elements of the service and they exert an important influence on the quality of the service as perceived by the consumers. Figure 1.2 presents a graphical conceptualisation of the service product.

As a manager marketing services, you would like to market not just one service but a range of services. You would need to take decisions on the length and width of the range of services, the manner in which they complement and support each other, and how well they face up to the competitor's offerings. Table 1.7 illustrates the concept of a range of services, using the example of a club.

**Table : 1.7 Example of Range of Service  
Customer Groups**

Children	Mixed Adults	Only Women or Men	Business groups
Swimming Lessons	Swimming Lessons	Beauty Parlour/Massage facility	Conference Rooms
Badminton Lessons	Badminton, Tennis Lessons	Yoga/Judo Lessons	Secretarial Assistance
Indoor games Library	Card Room Billiards	Tournaments Kitty Parties	Video Coverage
Film Shows	Facilities for Parties & Receptions		

The service or services which you offer must be targeted at a specific market segment. The target market segment must have a definite need for the service. In the illustration of the club in Table 1.7 the recreation facilities for children would succeed only if the parents of the children perceive a definite advantage in the trade-off of money versus time. The parents must perceive it worthwhile to spend money on the children to keep them busy rather than spending their own time.

## Pricing

In the case of products, the term 'price' is used for all kinds of goods, fruits, clothes, computers, building etc. but in the case of services, different terms are used for different services. Table 1.8 represents the term used for some selected services.

**Table 1.8**  
**Price Terminology for Selected Services**

<b>Terminology</b>	<b>Service</b>
Admission	Theatre entry
Commission	Brokerage service
Fare	Transport
Fee	Legal service
Interest	Use of money
Premium	Insurance
Rent	Property usage
Salary	Employee services
Tariff	Utilities
Tuition	Education

**Source:** Donald Cowell, "The Marketing of Services" Heinemann, London.

In determining the prices of services, the one characteristic which has great impact is their perishability and the fact that fluctuations in demand cannot be met through inventory. Hotels and airlines offering lower rates in off-season and lower telephone charges for outstation calls after hours are examples of how pricing strategy can be used to offset the perishable characteristics of services.

Another characteristic of services that creates a problem in price determination is the high content of the intangible component. The higher the intangibility, the more difficult it is to calculate cost and greater the tendency towards non-uniform services, such as fees of doctors, management consultants, lawyers. In such cases, the price may sometimes be settled through negotiation between the buyer and seller.

On the other hand, in services such as dry cleaning, the tangible component is higher, and the service provided is homogeneous. It is easier to calculate the cost on a unit basis and have a uniform pricing policy. In general, the more unique a service the greater the freedom to fix the price at any level. Often the price may be fixed according to the customer's ability to pay. In such cases price may be used as an indicator of quality.

The third characteristic to be kept in mind while determining prices is that in many services, the prices are subject to regulations, either by the government or by trade associations. Bank charges, electricity and water rates, fare for rail and air transport in India are controlled by the government. In many other cases, the trade or industry association may regulate prices in order to avoid undercutting and maintain-quality standards. International air fares are regulated by international agreement of airlines, sea freight fares may be regulated by shipping conferences. In all such cases, the producer has no freedom to determine his own price.

The two methods which a service organization may use to determine prices are cost-based pricing and market-oriented pricing. In the former, the price may be regulated by the government or industry association on the basis of the cost incurred by the most efficient unit. Such a pricing strategy is effective in restricting entry and aiming at minimum profit targets. The market-oriented pricing may either be a result of the competition or customer-oriented. In case of competition-oriented pricing, the price may be fixed at the level which the competitor is charging, or fixed lower to increase market share. Customer-oriented pricing varies according to customer's ability to pay.

The pricing tactics that may be used to sell services are:

- a) Differential or flexible pricing;
- b) Discount pricing;
- c) Diversionary pricing;
- d) Guaranteed
- e) High price maintenance pricing;
- f) Loss leader pricing; and
- g) Offset pricing.

**a) Differential or Flexible Pricing** is used to reduce the 'perishability' characteristic of services and iron out the fluctuations in demand. Differential price implies changing different prices according to:

- i) customer's ability to pay differentials (as in professional services of management consultants, lawyers);
- ii) price time differentials (used in hotels, airlines, telephones where there is the concept of season and off-season and peak hours); and



- iii) place differential used in rent of property-theatre seat pricing (balcony tickets are more expensive than front row seats) and houses in better located colonies command high rent.
- b) **Discount Pricing** refers to the practice of offering a commission or discount to intermediaries such as advertising agencies, stock brokers, property dealers for rendering a service. It may also be used as a promotional device to encourage use during low-demand time slots or to encourage customers to try a new service (such as an introductory discount).
  - c) **Diversionsary Pricing** refers to a low price which is quoted for a basic service to attract customers. A restaurant may offer a basic meal at a low price but one which includes no soft drink or sweet dish. Once the customer is attracted because of the initial low price he may be tempted to buy a drink or an ice-cream or an additional dish. Thus he may end up buying more than just the basic meal.
  - d) **Guaranteed Pricing** refers to pricing strategy in which payment is to be made only after the results are achieved. Employment agencies charge their fee only when a person actually gets a job, a property dealer charges his commission only after the deal is actually transacted.
  - g) **High Price Maintenance Pricing** strategy is used when the high price is associated with the quality of the service. Many doctors, lawyers and other professionals follow this pricing strategy.
  - f) **Loss Leader Pricing** is one in which an initial low price is charged in the hope of getting more business at subsequently better prices. The danger is that the initial low price may become the price for all times to come.
  - g) **Offset Pricing** is quite similar to diversionsary pricing in which a basic low price is quoted but the extra services are rather highly priced. A gynaecologist may charge a low fee for the nine months of pregnancy through which she regularly checks her patient, but may charge extra for performing the actual delivery and post-delivery visits.

## Promotion

The fundamental difference which must be kept in mind while designing the promotion strategy for services is that the customer relies more on subjective impressions rather than concrete evidence. This is because of the inherent intangible nature of services. Secondly, the customer is likely to judge the quality of service on the basis of the performer rather than the actual service. Thirdly, since it is difficult to sample the service before paying for it, the customer finds it difficult to evaluate its quality and value. Thus, buying a service is a riskier proposition than buying a product. As a marketing manager you must design a promotion strategy which helps the customer overcome these constraints. The four methods used for promoting services, viz., advertising, personal selling, publicity and sales promotion, are the same as used in the promotion of products. We shall now discuss them in the context of services.

**Advertising:** Advertising is any kind of paid, non-personal method of promoting by an identified organisation or individual. Certain services such as entertainment (cinema, theatre), passenger and freight transport (roadways, airlines, trains), hotel, tourism and travel, insurance have been advertising heavily in newspapers, magazines, radio, TV to promote greater usage and attract more customers. However, certain service professionals such as doctors and lawyers, have

rarely used advertising as a means of increasing their clientele. A study conducted by J.R. Darling and D.W Hackett<sup>9</sup> in 1978 revealed that doctors, dentists, lawyers and accountants have a negative attitude towards advertising their services. These groups have traditionally relied on word-of-mouth for attracting new customers. But this situation is changing and you can occasionally see an advertisement in the daily newspaper giving information about the location and timings that a particular doctor is available for consultation. These advertisements may also carry the message 'Honorary doctor to the President of India' or ex-director of a prestigious medical college or institution. Such messages help create a positive image and credibility.

The Guidelines which can be kept in mind while promoting services are as follows:

- a) use simple, clear messages;
- b) emphasise the benefits of service;
- c) promise only that which can be delivered and do not exaggerate claims;
- d) build on word-of-mouth communication by using testimony of actual consumers in advertisements; and
- e) provide tangible clues to services by using well-known personalities or objects to help customers identify the service. This is being done by Indian Railways in their advertising on TV where they are using well-known sports personalities to talk about the importance of railways to the nation's economic development and projection of railways property.

One other aspect which is of importance in designing an appropriate advertising strategy is the high level of consumer-organisation interaction required in certain types of services (beauty saloons, management consultant, doctor). In these types of services, the objectives of advertising have been identified as:

- a) creating an understanding of the company in the customers' minds by describing the company's services, activities and its areas of expertise
- b) creating a positive image for the company
- c) building a strong sense of identification with the customer by turning his needs, values and attitudes
- d) creating a positive background for the sales people to sell the services by providing all relevant information about the company.

**Personal Selling:** The problem with using personal selling to promote services is that in certain types of services, the service cannot be separated from the performer. Moreover, it is not a homogeneous service in which exact standards of performance can be specified. In such situations, personal selling implies using an actual professional rather than a salesman to sell the service. A firm of management consultants may send one of its consultants (junior or senior depending on the kind of customer being attended) for soliciting business.

This kind of personal selling is certainly effective but also very expensive. One way of making personal selling more cost effective is to create a derived demand by tying up with associated

products and services. A management consultant may associate with a bank, so that the bank recommends his name as a consultant to any new entrepreneur coming for a loan. A chain of hotels may team up with an airline to offer a concessional package tour (as has been successfully done for promoting Nepal, and is being done by Vayudoot and Indian Airlines and Jammu and Kashmir Tourism Department). The other way is to maintain a high visibility in professional and social organisations, getting involved in community affairs and cultivating other professionals so as to maximize personal exposure and the opportunities for getting work from new sources.

**Publicity:** Publicity is unpaid for exposure which is derived by getting coverage as a news or editorial item. It is possible to get publicity when the service which you are offering is unique and, therefore, newsworthy, by holding a press conference in which you can associate your service with some issues of greater social relevance or by involving the interest of the newspaper or its staff in covering your service. The important point about publicity is that your choice of the newspaper, magazine and journal should be correct. The vehicle which you choose must be credible and enjoy a reputation of being trustworthy. A wrong choice of media vehicle will result in adverse publicity.

**Sales Promotion:** In the case of services, the sales promotion techniques which are used are varied and various in number. A doctor may charge lesser amounts as fee on subsequent visits to encourage the patient's loyalty, a paediatrician may send reminder cards to parents about their children's pending inoculations, a car mechanic may offer a guarantee for repairs undertaken up to three months, a chartered accountant may offer his services free for the first two visits to allow the customer to evaluate his work.

In services, sales promotion techniques are used to offset their perishability characteristic (family discounts offered by hotels in off-season in which two children under 12 are allowed free of charge) and to overcome the problem faced by customers in evaluating and judging the quality before making the purchase. Sales promotion techniques reduce the risk associated with the purchase.

## Distribution

The most important decision element in the distribution strategy relates to the issue of location of the service so as to attract the maximum number of consumers. The inseparability characteristic of services such as those of doctors, teachers, consultants, mechanics etc. poses a distribution constraint since they are able to serve only a limited, localised market. The other characteristic of services which affects the distribution strategy is the fixed location of services such as universities, restaurants, and hospitals which necessitates the customer to go to the service location rather than vice-versa.

The first decision variable in planning the distribution strategy relates to the location of the service. In deciding where to locate your service, you should raise the following questions as they would help you arrive at the right decision.

- 1) How important is the location of the service to the customers? Will an inconvenient location lead to purchase being postponed or being taken over by a computer? The answer is 'yes' in case of services such as dry cleaning, fast food outlets where convenience is the most critical factor. The answer is no in case of services provided by doctors and beauty parlours, where the customer's involvement with the provider of the service is very high and the decision is made on the basis of reputation, competence and past experience.

- ii) Is the service, technology-based or people-based? How flexible is the service? Can the equipment and people be moved to another location without any loss in quality?
- iii) How important are complementary services to the location decision? Can the clientele be increased by locating services where complementary products or services already exist? Garages and mechanic shops located next to petrol stations are examples of complementary location decision.

The second decision variable in the distribution strategy is whether to sell directly to the customers or through intermediaries. In case of services which are inseparable from the performer, direct sale is the only possible way of reaching the consumer. In case of other services such as hotels, airlines, property, life insurance, they may operate through middlemen. Table 1.9 provides an illustrative list of the intermediaries who sell services.

**Table: 1.9:  
Typical intermediaries for services**

<b>Service</b>	<b>Intermediaries</b>
Hotels	Travel agents, tour operators, airlines
Airlines	Travel agents, hotels
Life Insurance	Agents
Shares	Stock brokers
Employment	Employment agencies
Financial Services	Banks, financial institutions
Products	Wholesalers, stockists, retailers

The third decision variable in the distribution strategy is how to provide the service to a maximum number of customers in the most cost-effective manner (if the service is not of the kind that is inseparable). Some of the recent innovations in the area are rental or leasing, franchising and service integration.

India has witnessed a boom in the leasing business since 1982. Leasing or rental offers an easy solution for companies which want to expand and diversify but do not have the necessary resources to buy the required plant and machinery. Leasing offers them use of equipment, machines and building on the basis of a 'rental' rather than outright purchase. Leasing is also available for buying cars and other consumer durables. This trend is now also becoming popular in services. Today we have the concept of time-sharing for holiday resorts. By making a one-time payment or by paying an annual rental you become eligible to use accommodation facilities for a holiday in the place of your choice. Some holiday resort companies offer you the facility forever, while others offer it for a limited time duration. Sterling Resorts, MS Resorts, Punjab Tourism Resorts and Dalmia Resorts are some of the companies offering this service.

The other recent trend in distribution of services is that of franchising. Franchising is the granting of rights to another person or institution to exploit a trade name, trade mark or product in return for a lump-sum payment or a royalty. Companies have paid to use 'Appu' the elephant which was used as the mascot for New Delhi Asian Games in 1982 to promote their products. This is an example of franchising in which companies have sought to increase their sales or enhance their image by associating with a well known international event or personality (Walt Disney characters such as Mickey Mouse). The other variation of this kind of franchising is also widely used in services where some kind of homogeneity is possible as in the case of restaurants, beauty saloons, health club etc. Kwaliti (manufacturers or Kwaliti ice-creams and managers of chain restaurants) have established restaurants in major cities on the basis of franchise arrangements. International hotel chains such as Holiday Inn, Sheraton, Inter-Continental, have expanded world-wide using the franchising strategy. Franchise is characterised by the following features.

- a) Ownership by one person of a name, an idea, a secret process or a specialized piece of equipment and the goodwill associated with it.
- b) The grant of a licence by that person to another permitting the exploitation of such name, idea process or equipment and the goodwill associated with it.
- c) The inclusion in the licence agreement of regulations relating to the operation of the business in the conduct of which the licensee exploits his rights.
- d) The payment by the licensee of a royalty or some other consideration for the rights that are obtained.

In service Industries franchises operate in the area of hotels, restaurants, car rentals, fast food outlets, beauty parlours, pest control, travel agencies, office services, packers and movers, couriers, business centers, etc.

How do News Services and Entertainment Services achieve distribution? They do it through wireless or cable linkages with their clients/subscribers. News services may be linked to clients through teletype, telex fax, or through wireless linkages using TV signals which can be seen with the help of decoding devices. In the case of entertainment services, distribution is done through cinematographic films, video films, video and audio disks, audio cassettes, radio, broadcast television, cable televisions, etc.

In Australia, even educational services have been distributed to widespread areas through the "classroom of the air". This is an interactive school run by radio. Each of the pupils in distant outlying farms and ranches gets instructions from the teacher on radio and even question and answer sessions are conducted on radio, thus ensuring that no child, no matter how distant the might be located from a conventional school, remains uneducated. In some advanced western countries distribution of police assistance is done by having a large number of roadside communication modules. These modules are linked to the central police exchange. By pressing a button one is linked to this central exchange and you can either summon assistance in the case of an accident or a crime or even merely ask for directions if one is lost!

Recent times have also witnessed the growth of an integrated service system. Hotels may also offer local tours. This is being done by India Tourism Development Corporation (ITDC) which offers to its clients conducted tours to important tourist spots besides the hotel facility. This facility is offered under the name of Ashoka Travels and Tours. Hotels chains such as Taj, Oberoi, Welcom-

group offer the facility of making reservations in any of their associate hotel in the chain. Travel agencies offer 'package tours' in which they take care of all formalities such as visa, foreign exchange, reservations, local travel etc. Many computer companies offer free training for the employees of their customers on how to operate the computer.

All these trends highlight the importance of using innovative methods to overcome the inherent characteristics of service products which make their distribution a complex affair.

## People

People constitute an important dimension in the management of services in their role both as performers of services and as customers. People as performers of services are important because, "A customer sees a company through its employees. The employees represent the first line of contact with the customer. They must, therefore, be well informed and provide the kind of service that wins customer approval. The firm must recognise that each employee is a salesman for the company's service". The importance of customers in services stems from the fact that most services imply active and involved customer-organisation interface.

**Service Personnel:** Service Personnel are important in all organisation but more so in an organisation involved in providing services. The behaviour and attitude of the personnel providing the service is an important influence on the customer's overall perception of the service and he can rarely distinguish between the actual service rendered and the human element involved in it. How often have you had the experience of holding onto a telephone receiver after dialing for Assistance or Trunk Booking and receiving no response? What do you think has been the role contribution of the telephone operators towards giving our telephone system the image which it has today?

The case of telephone operators is still controllable because the telephone system presents a low contact organisation. High or low contact is defined on the basis of percentage of total time the customer has to spend in the system compared with the relative time it takes to service him. By this definition, restaurants, hospitals, schools represents a low contact organisation. High or low contact is defined also on the basis of organisations. The other important distinction of service personnel is between those that are visible to the customer and those that are not. In a restaurant, the waiters are visible while the cook in the kitchen is not. As a marketing manager you have to devote more time training the visible personnel, since they have greater responsibility in maintaining relations with the customer. The rice dish which is not cooked properly is the cook's fault but it is the waiter who will have to bear the brunt of the customers' anger. The manner in which the waiter behaves with the customer will be an important determinant in the restaurant losing that customer forever or retaining him as a regular client.

As a marketing manager your primary concern is the visible service personnel and especially so if yours is a high contact organisation. You have to be concerned with ways in which you can improve the quality and performance of your service personnel. This can be done through:

- a) careful selection and training of personnel;
- b) laying down norms, rules and procedures to ensure consistent behaviour;
- c) ensuring consistent appearance; and
- d) reducing the importance of personal contact by introducing automation and computerisation wherever possible.

**Customers:** Customers are important because they are a source of influencing other customers. In the case of doctors, lawyers, consultants one satisfied customer will lead to a chain reaction, bringing in his wake a number of other customers. Thus as a marketing manager, your first task should be to ensure complete satisfaction of the existing customers.

The kind of customers that you attract exerts an important influence on prospective customers. The prospective customer may feel attracted towards the organisation (it may be a restaurant, club, school, college) because it has his 'type' of customers or the customer may turn away if he perceives the existing customers to be of a kind with whom he would not like to associate. You have to decide about the class of customers you would like to have and work towards providing your service organisation an image which will fetch you your future customers. The physical appearance of your organisation, the looks and behaviour of service personnel, the delivery of the service have all to be turned into a desirable composite package.

### Physical Evidence

Cleanliness in a doctor's clinic, the exterior appearance and interior décor of a restaurant, the comfort of the seating arrangement in a cinema hall, adequate facility for personal needs at the airport all contribute towards the image of the service (organisation) as perceived by the customer. The common element in these is that they are all physical, tangible and controllable aspects of a service organisation. They constitute the physical evidence of the service. There may be two kinds of physical evidence:

- a) peripheral evidence; and
- b) essential evidence.

Peripheral evidence is actually possessed as a part of the purchase of service but by itself is of no value. An airline ticket, cheque book, or receipt for a confirmed reservation in a hotel are examples of peripheral evidence. A cheque book is of value only if you have money in the bank without that it is of no significance. Peripheral evidence 'adds on' to the value of essential evidence. In a hotel you may find a matchbox, writing pad, pen, complimentary flowers and drinks, which you may take away. These are representations of peripheral evidence. Such evidence must be designed keeping in mind the overall image which the organisation wishes to project and the reminder value of the evidence in its ability to remind the customer about the organisation.

Whereas peripheral evidence is possessed and taken away by the customer, the essential evidence cannot be possessed by the customer; the building, its size and design, interior layout and décor, logo and mnemonic device of the organisations are constituents of the essential evidence. The essential evidence is a very critical input in determining the atmosphere and environment of the service organisation. Contrast the essential evidence of a five-star hotel (its long driveway, grand entrance manned by a liveried doorman, sophisticated décor of lobby) with that of a fast food outlet (with bright colours, loud music, bright lights) and judge the kind of rich and formal atmosphere of the former with the relaxed and casual atmosphere of the latter. You can use physical evidence to build a strong association in the customers' minds and also to differentiate your service from the competition. As a marketing manager it is your responsibility to manage the physical evidence in order to create the ideal environment for your service. You can do this in two ways: one by making the service more tangible, and two, by making it easier for the customer to grasp the concept of the service.

One obvious way of making the service more tangible is by developing a tangible representation of the service as is done in the case of credit cards. Credit cards have a physical entity and are identifiable by their brand name (American Express, Diners, Visa, BOB, i.e., Bank of Baroda) and distinct looks of the card. Other ways by which a service can be made more tangible is by standardising the physical attributes such as location, interior décor, colour scheme etc. Most airlines use a dress for all their staff to help create a sense of identification. Kwality ice-cream vendors and the packaging container for ice-creams have a standardised design of blue stripes on a white background. Similarly, Indian Airline's white and orange colour combination is well-recognised.

The second way is to make it easier for the consumer to understand the concept of the service which you are offering with easily perceived objects and ideas. Promoters of package tours may provide detailed information about the hotel, food and transport facility they would be using to help the consumers understand the concrete dimensions of the tour and thus reduce their anxiety arising out of uncertainty. Information which helps reduce uncertainty and provides specific information about the various dimensions of the service should be provided to prospective consumers.

As a marketing manager you can help the consumers to understand the service you are offering by stressing the organisation and consumer relationship. Advertising agencies assign one accounts executive or a team to a particular client to help him identify with the agency.

## **Process**

In a service organisation, the system by which you receive delivery of the service constitutes the process. In fast food outlets the process comprises buying the coupons at one counter and picking up the food against that at another counter.

The process of a delivery function which can be compared with that of operations management implies the conversion of input into the finished product. But in a service organisation there is no clear cut input or output. Rather it is the process of adding 'value' or 'utility' to system inputs to create outputs which are useful for the customers.

Services can be described on the basis of the types of processes used in the delivery of the services. The three kinds of delivery processes that are applicable in case of service products are line operations, job shop operations and intermittent operations. Self-service restaurants and shops are examples of line operations. The consumer moves through logically arranged operations which are arranged in a sequence. In a self-service departmental store, the consumer starts picking up the items he needs and pays for them near the exit. This kind of delivery process is relevant when the service you are providing is fairly standard and the consumers' requirement is of a routine nature.

When the consumers require a combination of services using different sequences, the job shop type of operation is more useful. Hospitals, restaurants and educational institutions usually have this type of delivery process. In a hospital, some patients need only consultation in the Out Patient Department, some others may need consultation as well as medication or X-ray, some patients require hospitalisation for surgery, medication or investigations. All these categories of consumers require a different combination of dishes, A college may offer courses for full-time students as well as for working people through correspondence.



Intermittent operations are useful when the type of service is rarely repeated. Firms offering consultancy for projects use this kind of delivery system. Advertising agencies also use the intermittent delivery system since each advertising campaign requires a unique set of input factors.

As a manager you are interested in optimising the efficiency of your organisation without sacrificing the qualitative aspect. Some of the critical questions you need to focus upon are:

- a) What are the steps involved in delivering the service to the consumer?
- b) Are they arranged in the most logical sequence?
- c) If not, can some steps be eliminated, combined or rearranged to form a smoother sequence?
- d) What are the steps in which the consumer is involved?
- e) Can the consumers' contact be reduced or totally eliminated?
- f) Can we introduce automation to speed up the delivery process?

Services can be distinguished from products on the basis of their characteristics of intangibility, inseparability, heterogeneity, lack of ownership and perishability. These characteristics pose a challenge to the marketing manager who has to find solutions to constraints imposed by these features.

The marketing of services requires an extended marketing mix comprising production, pricing, promotion and distribution as well as people, physical evidence and process. The marketer has to lay great stress on the last three elements of the marketing strategy and combine them with the first four to achieve a harmonious blend which fulfils the customers want-satisfaction.

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## Chapter 2

# SERVICES MARKETING: BASIC ISSUES\*

## INTRODUCTION

Services occupy a place of significant importance in the Indian economy. The services trade accounts for almost 46 per cent of the total GDP in India. According to the Seventh Plan document, it is expected that its share would increase to 58 per cent by the end of the century. It employs nearly a fourth more than the people employed in the manufacturing sector in India.

Widespread interest in the effective management and marketing of services as well as the inconclusive debate on how distinct is the marketing of intangible services from that of the tangible products, have enriched the literature by highlighting the service characteristics as that of intangibility, immediacy, individuality, perishability, heterogeneity, ownership, inseparability of production from consumption, and being experiential. In common parlance, these characteristics are also referred as-

- services are performed, not produced
- services are more people-based than technology-based
- service supply cannot be easily changed to meet the suddenly changed market needs
- service demand has greater elasticity
- services face unique quality control issues and a larger number of problems in customer servicing
- service quality is an amalgam of services

Due to the above special characteristics of services, their management also extends its scope to go beyond the 4P's to 7P's namely : Service product, Place (Distribution), Promotion, Price, People, Physical evidence, and Process of service delivery system satisfaction.

In view of the above, the key criteria for a successful service transaction is-

- know the needs of the particular client
- serve those needs responsively, efficiently and pleasantly
- adaptively, modify the service to adjust to the requirements as they occur.

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## What is a Service

Given the unique characteristic features of services as well as the fact that everybody and every organisation irrespective of the sector to which it belongs provides service, the following working definition given by Christian Gronroos is quite meaningful.

“Services are the objects of transaction offered by firms and institutions that generally offer services or that consider themselves service organizations.”<sup>1</sup>

## Strategic Marketing = Strategic Management in Services

The powerful distinctive features of services intangibility, and inseparability of service production from consumption place the service marketing function as all pervasive in the organisation. The provision of service goes beyond the function of marketing and is very much influenced by the calibre, commitment and capability of the firm's finance, administration, operations, and public relations functions. Take for example the case of marketing of a Credit Card, or a speciality restaurant.

In other words, since the cost functions of a service organisation (namely finance, administration, operations, quality control, and its revenue function (sales/marketing) have to work generally simultaneously, strategic management of these two sets of functions cannot be planned or executed separately. It will be no exaggeration to state, therefore, that in a service firm everybody is involved in the performance of the marketing function, some directly in the marketing department, and others in the marketing support function. Effective management and marketing of services, thus calls for the special attention to be given to three strategic areas: Capacity Planning, Internal Marketing and Service Quality.

## CAPACITY PLANNING

Once again a reference to the characteristic features of services (namely immediacy, individuality, heterogeneity and perishability) is found making a critical demand on the resources of the firm to optimally match its offering to the market demand.

The matching of demand and supply in a service firm is a task of enormous complexities contributed by:

- difficulties in accurately predicting consumer behaviour (e.g., a sudden change in the tourist mind to visit India following the Gulf crises; disturbances in Kashmir);
- inability of the customer to provide sufficient lead time (e.g., impulse or emotional decisions to dine out, to make a telephone call)
- smaller production/assembly/packaging runs causing wastage in the utilisation of the available capacity (e.g. nursing services)
- lack of alternatives resulting in higher annoyance and dissatisfaction level of the customer due to non-availability of the service at the scheduled time (e.g., delays in flights and even cancellations)
- adverse cost to benefit relationship for extra-ordinary setting of performance standards (e.g., round-the-clock computer-repair services).

These complexities get further compounded due to a general lack of standardized systems and methods in use in the service firms.

### **Capacity Scheduling**

However approximate the demand analysis is, it leads the service firm to estimate and plan for the capacity, that is, how much of what (service) will be needed to achieve its pre-determined goals. The critical variables involved in the decision process include : goals of the service firm, capital and human resource available, market segments served, and Service Quality level aimed at. A detailed scheduling of men, materials, money and machines then follows separately for each element of the service-mix on a time-map.

The application of the foregoing approach in the case of a Maurya Sheraton hotel has enabled it to improve capacity utilisation of its existing properties, add capacity in the form of executive rooms, and move tables in one of its popular restaurants besides helping it to improve profitability.

### **INTERNAL MARKETING**

Services are predominantly people-based. As already stated the need for performing the marketing function in service firms is very large, and this function gets performed by both the personnel of the marketing department as well as of others. It, therefore, becomes necessary for the diverse performers to clearly understand the common purpose and spirit of the tasks to be performed and its backward and forward linkages with the other tasks.

What is not understood clearly cannot be delivered properly. Hence, the need and importance of internalising the marketing function by one and all in the organisation. The objectives of internal marketing are (i) to employ and keep the best people, and (ii) to make them do the best possible job by applying the philosophy of marketing internally to the internal market of employees, and bringing home the concept of internal customer.

The employment of a higher number of skilled personnel in service firms is thus not inappropriate. To quote Schlesinger and Heskett, a new model of (managing) services is emerging where companies :

- value investments in people as much as investments in machines, and sometimes more;
- use technology to support the efforts of men and women on the front line, not just to monitor or replace them;
- make recruitment and training as crucial for sales clerks and housekeepers as for managers and senior executives;
- link compensation to performance for employees at every level, not just at the top<sup>2</sup>

Internal interactive communication, internal mass communication, market and image research, external mass communication and advertising are some other methods that can help service firms in internal marketing.

In the author's research on Bank Marketing, it was found that a good number of banks in India had taken steps to make use of internal marketing for purposes of raising the customer service consciousness, and business mindedness on the part of their employees<sup>3</sup>. Some of the steps initiated by them to raise customer service consciousness among employees included:

- sponsoring them for training programmes in the areas of marketing, selling and behavioural sciences;
- increased involvement of staff in activities like deposit mobilisation, customer service campaigns, undertaking market surveys, branch budget formulation, etc., as well as in customer service and branch productivity committee meetings;
- organizing of marketing conference-cum-workshop of development managers on segment-wise basis;
- sharing of the findings of customer surveys, bank image and other studies relating to bank management with the staff;
- staff motivation, including offer of awards and rewards on individual and group basis;
- provision of guidance on customer service and related issues through a house journal, special newsletters and printed literature;
- setting up of marketing/customer cells at the operating and controlling offices;
- maintaining visibility through publicity and public relations actions.

Likewise, these banks had made an endeavour to increase the business-mindedness of their staff through activities, such as:

- sharing of performance results versus budgets, and problems facing the bank and the banking industry through meetings at various levels;
- allocation of specific goals to staff and close monitoring of the day-to-day developments in the banking industry;
- training for the development of detailed customer call programmes;
- exposure of staff to the criteria of cost-benefit aspects of the various activities pursued by the banks;
- development of team work among staff members belonging to different levels in the bank's hierarchy;
- promotion of continuing education programmes through house journals, provision of special literature, etc.; and
- encouragement of the usage of suggestion services, and projection of up-and-coming employees through house journals, prize contests and honouring them at bank conferences.

## SERVICE QUALITY

A shoddy service quality does not necessarily cost less than the superior service quality, for service quality is more a function of attitude than that of technology.

### Service satisfaction – Expectations-Perceptions

Service quality satisfaction is the outcome (not the output) of the resources and activities expended to deliver service against the customer expectations from it.

Gronroos builds on this dimension further by stating that the service quality can be broken into *technical quality* (what is received in service) and *functional quality* (How the customer receives the service).<sup>4</sup> For the purposes of improving the service quality levels, the organisation should first diagnose the appropriate cause of the customer service dissatisfaction and take the appropriate technical or functional measures to improve it.

While technical improvements are possible through altering the machines, computer systems, technical dimensions or imparting technical skills to the employees, the functional quality can be improved by focusing on behavioural areas such as attitudes service-mindedness, accessibility, inter-personal relations, appearance, commitment etc. In any case it must be examined, as Schlesinger and Haskett point out that poor service or service failures are not designed into the system by the choices (of people, systems, methods, job descriptions, rewards etc.) of the senior management.<sup>5</sup>

### Service Quality must be measured.

No measures to improve service quality will bear expected fruits unless service quality is periodically measured, benchmarks are set, and improvements effected are monitored and followed up. One such checklist on measuring service quality perception is as under:

- How well do we *deliver* what we promise
- How often do we do things right the *first time*
- How often do we do things *right on time*
- How quickly do we *respond* to service requests
- How *accessible* are we to contact
- How *helpful* and polite are we
- How well do we speak our *language*
- How well do we *listen*
- How hard do you *think* we work at keeping you a satisfied customer
- How much *confidence* do you have in our products or services

- How well do we *understand* and try to meet your special *needs* and *requests*
- Overall, how would you rate the *appearance* of our *facilities*, products, *communications*, and people.
- Overall, how would you rate the quality of our service
- Overall, how would you rate the quality of your *competitor's service*
- How willing would you be to *recommend* us
- How willing would you be to buy from us *again*

### Customer First

If the objective of 'Customer First' has to become a reality from the platitudes of the Chairman's speeches, the top management must share this dream with the company employees and take tangible and visible steps to mark their continued commitment to it. After all, service quality is cultural, and it begins at the top.

Experience also brings out that 'Customer First' involves changing attitudes at every level in the organisation for which necessary steps must be taken, and a positive attitude must be created. It also means offering more authority as well as support to front-line customer contact people who must be rewarded for the initiative they take in enhancing the customer satisfaction.

It may also be noted that the service quality delivered is related to the care and satisfaction of the employees in the service firms. It may be too much to expect employees who are ill-treated to keep treating the customers with a smile and commitment. In short, a company must treat its employees as it expects them to treat customers.

### TQM IN SERVICES MARKETING

Growing competition in the services sector, rising customer expectations and increasing recognition on the part of services firms that mere compliance to quality specifications or programmes on quality assurance may not always deliver, has provoked interest in implementation of Total Quality Management enroute to making their organization world Class.

The principal elements of TQM are: People, appropriate technology, quality control through problem solving tools/procedures, and a resolve for continuous improvement.

TQM believes that

- 'Quality' is the one and the only common aim for everybody in the Organisation
- No problem is too big. All it needs is big solution and the will to do it
- There's always a better way
- Best in the world applies to people, not things

- People are not problems, they are problem solvers
- Collective wisdom of people brings infinite results

Aiming at delighting the customer, TQM uses the steps of waste identification and measurement, setting of standards, waste elimination (Total Quality Control) and co-ordination through Total Employee Involvement.

### **Quality Improvement-Productivity Improvement = Cost Reduction**

It is a mistaken notion that TQM is for the manufacturing sector only. In terms of our consultancy, interventions in the case of a travel agency, a hotel, a nursing home and service-after-sales division of a tractor manufacturing company, we attained successful results in both offering hassle free value-added customer service as well as improving capacity utilisation, employee relations, and profitability. It helped the organisations in identifying the waste traps, waste gates, waste makers, and time spent on non-value adding activities. Not only did it help in pointing out the weakest links in the service chain, repetitively committed blunders also got diagnosed. On demanding initial investments in system modifications, training of employees and reorganisation of the structures, positive gains started getting tangibilised in under two years. It also provided an opportunity to employees to evaluate their work environment and share with the top management, dreams of their ideal work-place. We believe that TQM in services marketing and management carries an immense potential and promise for offering superior service quality to customers.

### **DISCUSSION ISSUES**

The services sector is near-about the take off stage in India. It offers a tremendous potential to improve the quality of life as well as provide employment to the educated. Being young in this sector, we have a lot to learn from the experience of the developed countries in this regard. This chapter briefly touched three important areas of services marketing and shared the limited research and experience of the author. More studies in these and other areas will help us conceptualise the Indian experience.

Relevant to the issue of basic services marketing in India are a few discussion points. How can disequilibrium between servicing capacity and demand be minimised? When are long-term answers like capacity expansions and franchising more useful; when are short-term alternatives like outsourcing or sub-contracting useful? What cost-effective methodology gives can impart internal marketing at an affordable cost? How can service firms attract and retain skilled and trained employees? What kind of a longitudinal study could help relate the service quality with the firm's profitability? How the gains of Total Employee-Involvement could be made enduring when there is so much of noise and restlessness in the external environment of the firm? These issues are of importance as the management and marketing systems in the services sector continue to suffer from lack of adequate systematisation.



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## Chapter 3

# DESIGNING SERVICE STRATEGY\*

## INTRODUCTION

The Big Kidskemp is retail shop for ready-made garments in Bangalore. It specialises in childrens' wear and is, perhaps, the largest store in the world. It targets at the upper and upper middle-class infants and teenagers. When the store was started about a year ago, the business community was very doubtful of its success. They weren't very sure if Bangalore was as yet ready to accept such a big and special store. Today, the shop is visited by more than 1000 customers every day.

Kidskemp is not just a shop. It is a kids' paradise that has fountains, besides toy trains and many other attractions for the children. It is also attractive to the parents in the sense that it offers a very large variety of garments with respect to price and proprietary designs.

This shop is owned by Melwanis. The father and son team manages it. They attribute the success to the will to dream, range of good quality products and a good personalised service. The customer is never unattended, nor are the children. It also organises mela during festivals and offers coupons that would give free ice-cream etc., in the premises itself. A defective product is replaced with a gift.

Kamath is a well-known restaurant chain in South India. All the Kamath restaurants look alike and offer a similar ambience, the food offered is the same, making adjustments for the regional differences. It is a restaurant for the middle-class.

Vishala, a restaurant in Ahmedabad, offers Gujarati food with a difference. It is situated on the outskirts and is totally ethnic. The restaurant is in an assemblage of some cottages. On arrival, a guest is taken to one of the cottages that is decorated in the Gujarati style. It is a place for those who value Gujarati culture and have the money to pay for it.

All these successful ventures have one thing in common. They cater to a very specific segment of the market : The kids, the middleclass and the lovers of ethnic food. They typify niche marketing, the very essence of the success of any service organisation. As compared to goods, services need niche marketing more strategically, since a product satisfies a need or a want whereas services aim at meeting the expectation of the customers. Services express a way of life and hence are more integral to the psyche of consumers than goods. Therefore, service marketing has to be very specific in its offering. The chances that a service organisation with several service offerings would offer an excellent service are much less than an organisation specialising in that service. In a nutshell, inherently service marketing is niche marketing.

The sections that follow look into the process of designing the strategy for situations particular to services.

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## THE SERVICE MARKETING FRAMEWORK

In marketing service, four Ps are not enough. We need three more Ps: Personnel, Physical facility and Public relations. This is necessitated by the fact that services are labour-intensive and require a very high face-to-face contact with the customers. In fact, they are inseparable from the provider due to their intangibility and such that the service starts getting recognised by the provider, a person or an equipment. Services also require the presence of customers: physical or mental. Thus the surrounding in which the customer is received gains importance. This is reflected through the décor of the office, the dress of the provider, the communication materials and, of course, the tools used in providing the service. These should create a good impression on the customer since he is the real sales person, much more effective than the most qualified sales person of the organisation. Due to the intangible nature of service, customers tend to depend heavily on word-of-mouth communication, almost making it imperative for a service organisation to maintain good public relations, besides the customer relation. Thus, in a personalization-based business, focusing or niching becomes mandatory.

### The Process

A focused marketing strategy is evolved through three steps:

- a) Segmentation.
- b) Measuring expectations
- c) Managing expectations.

### Segmentation

A market consists of customers heterogeneous in nature. A marketing policy in such a situation is difficult to come by. It becomes necessary to find out like-behaving individuals and group them. Segmentation is an exercise to that end. A service segment is a second stage fragmentation of such a homogenous group. Goods market segments are based on the needs of customers. The service market segment can have several expectation based sub-segments. For instance, business travellers with the same need expect different services in accordance with their own socio-economic and psychographic profiles. It is, thus, necessary that the customers in a segment be ranked on the basis of their expectations and the service be designed/modified to suit them. A restaurant may offer a self-service lunch as well as a full-service dinner to meet the expectation of a working lunch and a cuisine, even though the need in both cases is the same. Such an exercise in segmentation-by-expectation help in fine-tuning the strategies much better.

Segmentation also helps in matching supply and demand of service. Once the segments have been defined, a close-study of the consumption pattern and expectation is easier. It even helps in influencing the timing of consumption. For instance, majority of the guests in premium hotels in India are business travellers. The result of this is a slackened business on the weekends. Realising that a traveling executive expects to spend a week-end with his family, Welcome group has propagated the idea of flying-your-wife, where the family is brought to the executive rather than the other way round.

### Measuring Expectation:

The segments once defined give a group of homogeneous customers. The next step is to find out what people expect from the service. Expectations are created out of personal needs, word-of-mouth, the past experience of the customers and the 'messages' that a service firm sends out. These expectations would relate to either the process or the outcome of the service. A firm, thus, has to measure the expectations in terms of both production as well as delivery of the service since customer involvement is necessary. A decision to the extent of involvement of the customer would also take into consideration whether the customer would be involved in the process also. The expectation parameters change in ranks when the involvement moves from physical to mental involvement. A common set of dimensions could be classified under five heads as shown in Table-1 (Parasuraman, et al., 1991).<sup>1</sup>

One way of measuring the expectations is the response on a 'feedback form' introduced towards the end of the service contact. Hotels follow this. In order to make this effective, some firms may talk personally to one/select member of a group while they are checking out of the hotel. An exit response is necessary but difficult. Complaint Registers also serve this purpose. But ironically, most of the customers do not complain. It may be easier to conduct an exit response at a service station where the customer comes to collect his car. But in service organisations like hotels and airlines, it is difficult as the passenger/guest is in a hurry. Under such circumstances, an-in-service response like inflight responses could be utilised. These response cards induce reactions on all important aspects of service. A typical response card of a service station could include the following (Boggis, 1990).<sup>2</sup>:

- a) Were you satisfied with the quality of work?
- b) Was your vehicle returned to you free of grease and finger marks?
- c) Was the vehicle ready when promised?
- d) Were you treated with courtesy?
- e) Was the final charge for the work completed compatible with your expectation?
- f) When you booked your vehicle in, were you given adequate information and professional attention?
- g) When you collected your vehicle, was the content of the invoice and the work done discussed with you properly?

**Table.3.1: The Five Dimensions of Service**

Service	Definition	Focus Group Comments
Reliability	The ability to perform the promised service dependably and accurately.	"I am annoyed by mistakes not being corrected despite repeated phone calls." (Auto insurance customer)
		"Sometimes they take care of your problems too fast. They fix your truck and two days

		later you have to take it back for the same problem. Sometimes I think they could be a little more attentive and fix the problem permanently". (Truck leasing customer).
Tangibles	The appearance of physical facilities, equipment, personnel, and communication materials	<p>"Do something to the service areas of dealerships. They are cold, stark, uninviting places," (Auto repair customer)</p> <p>"They get you real pumped up with the beautiful ad. When you go in you expect bells and whistles to go off. Usually they don't." (Hotel customer)</p>
Responsive-ness	The willingness to help customers and provide Prompt service.	<p>"You put in a service call and wait. No one calls back; there is no communication." (Business equipment repair customer)</p> <p>"When I want to put a new policy into effect I get quick response. But when I have a problem... forget it." (Business insurance customer)</p>
Assurance	The knowledge and courtesy of employees and their ability to convey trust and confidence,	<p>"Sometimes they ask you what's this wire for?" (Business equipment repair customer)</p> <p>"I need the feeling of security. When I receive information from a competing company I would like to talk it over with my agent for reassurance that I still have a good policy." (Auto insurance customer)</p>
Empathy	The caring, individualised attention provided to the customer.	<p>"I would like to be able to communicate with the insurance provider who understands that while their actuarial tables are in black and white, life is played in shades of gray. I don't want to talk to an insurance person who is reading out of a book." (Auto insurance customer)</p> <p>"I don't want to be told 'no', because I don't have any alternatives". (Truck leasing customer)</p>

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**Source:** Parasuraman A. Zielhame VA and BerryLL 1991 "Understanding Customer Expectations of Service" Sloan Management Review Spring Vol 32 No.3

A consumer care panel is another way of measuring the expectation. This panel consists of potential users to begin with and regular users thereafter. The panel helps in gathering the independent views on the key aspects of service in a face-to-face talk with the managers. The panel works as the eyes and ears of the company.

The other sources of consumer expectations are consumer forums, and other statutory bodies that register the complaints of the consumers.

### Managing Expectations

It is highly unlikely that a company/service-firm can meet all the expectations of customers. Nor should it try to do it for the basic reason that expectations keep changing and, with experience, increasing. Fortunately, customers show a tolerance and adjust to minor differences from the desired service (Parasuraman, et al., 1991).<sup>3</sup> The expectations have to be managed to fit into the capabilities and scope of the process that a firm possesses. Therefore, a firm should look to the determinants of expectations and check its capabilities on them. A key to setting expectations is to fill the gap between what consumer see as good service and what competitors are providing. The expectation setting is very critical since a very high expectation may lead to highly dissatisfied customers. Surprisingly, research has shown that customers want satisfaction of basic service needs. Table.3.2 describes this phenomenon. Although customers derive maximum satisfaction out of the unprompted and unsolicited employee actions, this along with the failure of the service delivery system cause maximum dissatisfaction (Bitner, Booms and Tetreault, 1990).<sup>4</sup> This necessitates that service strategy, service delivery system and the providers be closely associated to the customers (Albrecht & Zemke, 1985).<sup>5</sup> A strategic model for achieving this will include the following basic elements (Heskett, 1988).<sup>6</sup>

- a) segment characteristics;
- b) concept formulation;
- c) operationalisation; and
- d) delivery system.

These basic elements provide the framework for strategy in service. Determination of target segment, and its characteristics and more specifically the expectation is the key to a good strategy. The concept formulation looks at designing of the service to suit the target market. The other two stages describe the production and delivery system for the service. These basic elements are integrated through the actions that run underneath. The concept has to be integrated with the market and the production/delivery system. The positioning strategy reflects the translation of expectations of the customers into the service. This is possibly the most critical part of the strategy. An imperfect translation of service expectation into the service concept spells disaster for the company. A winning service position, therefore, should meet two criteria: It uniquely distinguishes a company from the competitors and it leads customers to expect less than a company can deliver. (Davidow & Uttal, 1989).<sup>7</sup>

**Table 3-2: Service Customers Want the Basics**

Type of Service	Type of Customer	Principal Expectations
Automobile Repair	Consumers	<p><b>Be Competent.</b> "Fix it right the first time."  <b>Explain Things.</b> "Explain why you need the suggested repairs-provide an itemized list."  <b>Be Respectful.</b> "Don't treat me as a dumb female."</p>

Automobile Insurance	Consumers	<p><b>Keep Me Informed.</b> “I shouldn’t have to learn about insurance law changes from the newspaper.”</p> <p><b>Be on My Side.</b> “I don’t want them to treat me like I am criminal just because I have to claim”.</p> <p><b>Play Fair.</b> “Don’t drop me when something goes wrong.</p> <p><b>Protect Me from Catastrophe.</b> “Make sure my estate is covered in the event of a major accident.”</p> <p><b>Provide Prompt Service.</b> “I want fast settlement of my claims”.</p>
Hotel	Consumers	<p><b>Provide a Clean Room.</b> “Don’t have a deep-pile carpet that can’t be completely cleaned ... You can literally see germs down there.”</p> <p><b>Provide a Secure Room.</b> “Good bolts and peep hole on door.”</p> <p><b>Treat Me Like a Guest.</b> “It is almost like they are looking you over to decide whether or not they’re going to let you have a room”.</p> <p><b>Keep Your Promise.</b> “They said the room would be ready, but it wasn’t at the promised time”.</p>
Property and Casualty Insurance	Business Customers.	<p><b>Fulfill Obligations.</b> “Pay up.”</p> <p><b>Learn My Business and Work with Me.</b> “I expect them to know me and my company.”</p> <p><b>Protect Me from Catastrophe.</b> “They should cover your risk exposure so there is no single big loss.”</p> <p><b>Provide Prompt Service.</b> “Fast claim service.”</p>
Equipment Repair	Business customer	<p><b>Share My Sense of Urgency.</b> “Speed of response. One time I had to buy a second piece of equipment because of the huge down time with the first piece.”</p> <p><b>Be Competent.</b> “Sometimes you are quoting stuff from their instruction manuals to their own people and they don’t even know what it means.”</p> <p><b>Be Prepared.</b> “Have all the parts ready”.</p>
Truck and Tractor rental/leasing	Business customers	<p><b>Keep the Equipment Running.</b> “Need to have equipment working all the time-that is the key”.</p> <p><b>Be Flexible.</b> “The leasing company should have the flexibility to rent us equipment when we need it.”</p> <p><b>Provide Full Service.</b> “Get rid of all the paperwork and headaches”.</p>

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**Source:** Bitner M J, Boons B H and Tetreault MS (1990) “The Service Encounter: Diagonising favourable and Infavourable Incidents”. Journal of Marketing Vol - 54; PP 71-84.

A service can be distinguished on the basis of the process as well as the outcome. The process differentiation is more lasting. Following this a service can be positioned on the basis of complexity, the number of steps and intricating procedures involved and divergence, the characteristics of every step being unique (Shostack, 1987)<sup>8</sup>. As an outcome positioning the two bases generally used are Service Delivered and The Cost of Service (Heskett, 1986).

The concept is then translated into the operational system through value-cost coverage that determines if the concept can be offered at a profit and a barrier to entry could be created. The operating and the delivery system have to surely work in unison since they are simultaneous processes in service.

A system to manage expectation is, however, not complete when it is targeted only to customers. A successful service firm implies a significant level of internal marketing also. The employees of a service firm have to share the same concern as the conceptualizer of the service. In fact, the service has to be marketed first to the intermediate customers who are the employees of the firm, more specifically, the front line employees or the contact persons. In such a case, a service strategy has to be focused internally also. A complete strategic vision, external and internal is shown in exhibit-1. (Heskett, 1989).<sup>10</sup> A limited vision, when due importance is not given to caring of employees, traps the service into a cycle of failure. Figure 1 and 2 show the cycles of failure and success. It is clear from these cycles that proper selection, training and development of employees ensure success (Schlesinger & Heskett, 1991)<sup>11</sup>. Implementation of such a strategy is a fairly difficult task. It requires a service orientation which is more of a software to excellence. The 7-s framework of Mckinsey is a prescription for service industries where personnel hold the key to success and the process needs sharing of values by every employee in the organisation. An implementation process for a hospital for example could involve the following six steps:

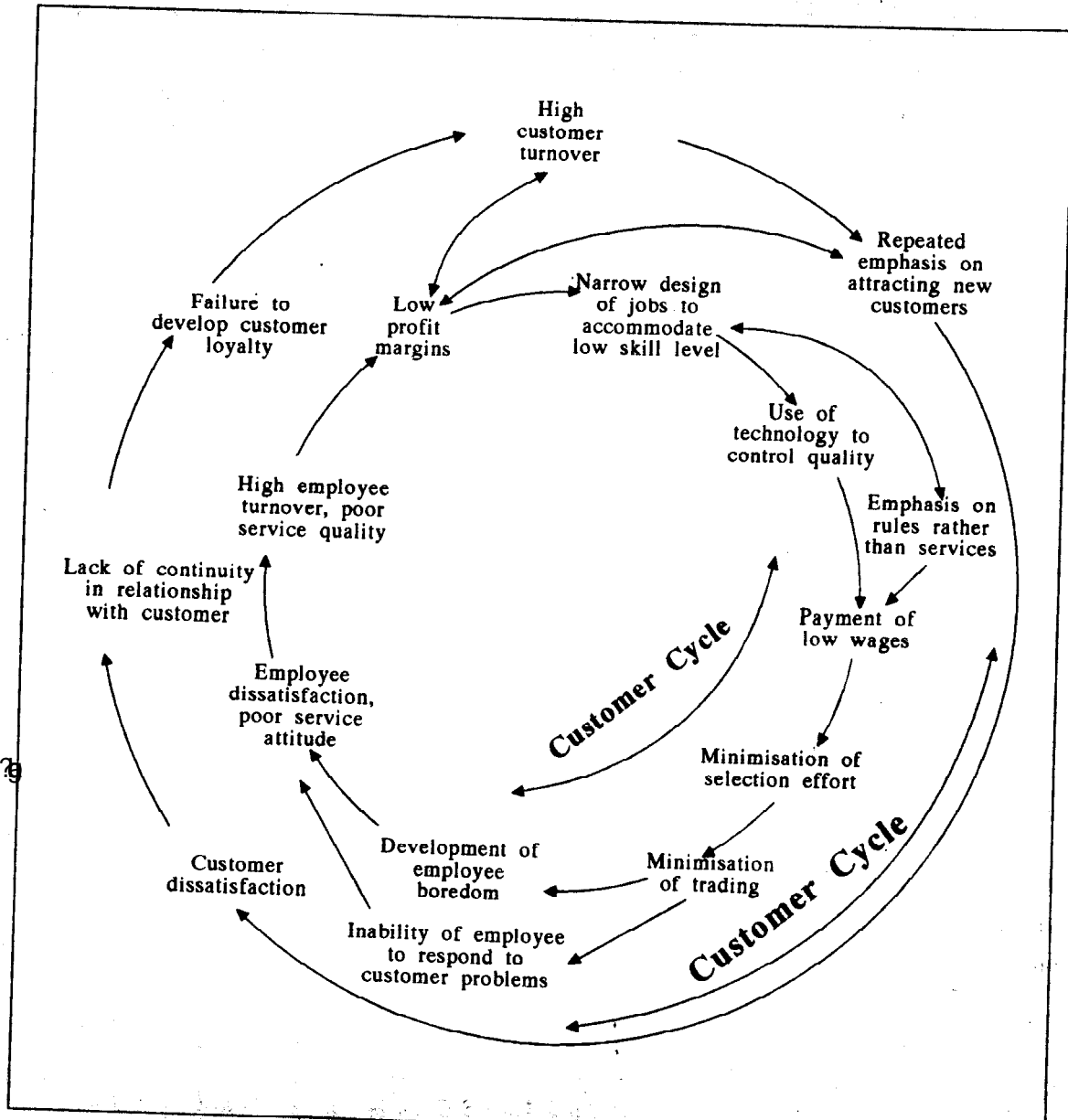
- 1) Overcome differences: CEOs need to create a compelling vision of the future for the board, medical staff, management team and support staff.
- 2) Identifying key strategic initiatives like realising physician and hospital financial incentives; focusing on the complete range of health care, including prevention, diagnosis and recovery, making the hospital campus more user-friendly and tailoring ambulatory care program to consumer needs.





- 3) Remove the barriers: Once the CEO has a strategic plan, they need to tackle organisational elements that will inhibit its success. For example, are there too many layers of management? Do incentives and compensation plans mesh with the strategic goal?

**Fig.3.1: The Cycle of Failure**



- 4) Identify information needs for decision making: Make sure that information needs are met at all levels of the hospital-from CEO to clerk.
- 5) Develop a process of continual improvement: Once you have translated your strategy into action, constantly assess its performance and ways that performance can be improved.
- 6) Empower and motivate your staff: This is the only way that total quality management can be fully integrated into every aspect of the hospital.

## IN NUTSHELL

Managing expectations holds the key to success in service marketing. To understand these expectations it is necessary that the market be segmented on the basis of expectations rather than needs. It should also be kept in mind that all the expectations cannot be met. Thus a service firm should set its offering in view of the process capabilities it possesses. In order that these expectations are managed well a strategy should be oriented towards customers as well as the employees, in particular the contact persons as their attitude and expertise keep the organisation out of the cycle of failure. In conclusion it can be said that while designing a strategy for a service organisation, the following points could be kept in mind:

- a) Focus, Don't get blurred.
- b) Segment by expectation than needs.
- c) Rank customers in a segment by their value.
- d) Stick with the segment you know best and can service most effectively.
- e) Fill the gap between customer expectations and competitors offerings.
- f) Train and develop employees to share common values.
- g) Manage expectation. Don't always meet them.
- h) Underpromise and overdeliver to create a customer franchise. (Davidow and Uttal, 1989; Parsuraman et. Al. 1991).

## Exhibits

III A and B below give a concise idea of the Externally Oriented Strategic Vision and the Internally Oriented Strategic Vision, respectively.

Exhibit III A : Externally Oriented Strategic Service Vision

Exhibit III B : Internally Oriented Service Mission





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## Chapter 4

### CASE STUDY

# THE CASE OF DOSA KING\*

In 1989, Mr. Narayanan, Chief Executive and Promoter of Gum India Limited (makers of Big Fun & Champs Chewing Gum) came up with the concept of a chain of Masala Dosa outlets serving a standardised, economically priced masala dosa in a “fast food” environment.

Starting with this concept, he conceptualised a machine that would manufacture dosas automatically. A company was registered under the name and style of “Indian Food Fermentations Limited” and work commenced upon developing the automatic Dosa Maker.

A year later after over 5000 man hours of R & D effort, a machine was evolved which could make Dosas automatically. In this electrically operated machine, a dollop of batter would drop on the heated tawa; once the dosa was ready, a dollop of masala would drop onto the dosa and the dosa would be automatically folded and picked up and inserted into a paper bag for handing over to the customer. The batter and masala mix would be manufactured in a central plant at Nagpur and supplied to the numerous outlets all over India.

The company plans to give the Dosa Making machines on lease to franchisees all over India and eventually also enter markets in the Gulf and SE Asia where large Indian ethnic communities exist. A promotion is planned on a co-operative basis with the franchisees.

Mr. Narayanan is confident that his Dosa King dosas shall be of uniform, standardised quality and taste at all outlets and can be marketed at a very reasonable price of Rs. 4.00 per dosa leaving a 20% margin for the franchisee. He hopes to have 100 outlets in selected cities by mid 1992 and entered to about 50 towns with a network of 500 outlets by end 1993. Now Mr. Narayanan is wondering which market/town he should select for his test marketing. He also has to decide whether he should give higher priority to launching Dosa King franchise in Metros or mini Metros or whether he should go first to state capitals and other large to medium cities. He has also to decide whether his initial foray should be in North, East or Western India. He has ruled out South India as he feels the customers are likely to be very discriminating and might not accept his machine made dosa. Further more, he felt a dosa was not as much of a “fun” or “speciality” or “eating out” food in the South as in the rest of India.

Recently, Mr. Narayanan was beset with another dilemma. Although the Dosa King machine requires only a 8 sq. ft booth for operating and can therefore be installed just about anywhere, he has been approached by a few restaurant operators who want to install it because of its novelty appeal. He has to decide whether to insist upon a separate booth independent of any restaurant or allow his machines to be operated from established restaurants.

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\* The author of this case is Mr Amrish Sehgal, Vice President, Bhutan Tourism Development Corporation, Bhutan.

## Chapter 5

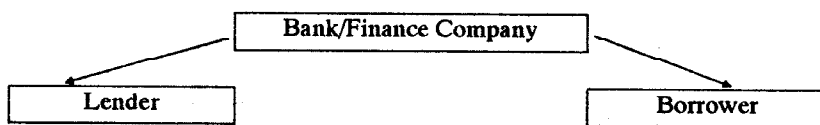
# MARKETING OF FINANCIAL SERVICES: THE INDIAN SCENE\*

### INTRODUCTION

Marketing of financial services begins with the mighty problem in that the service designer to promote more or less a uniformed product, which unlike most packaged goods have intrinsic differences. For instance a certain group of people will insist that no other noodles taste like Maggie. But money is money, no matter whether it came from Canara Bank, Unit Trust of India or Life Insurance Corporation.

### THE FINANCIAL SERVICES MARKET

Now simply put establishing a successful market for financial services would call for the basic appreciation of the fact that there are 3 key players in this business viz., the lender, the finance company/bank and the borrower.



It works on the simple principle that the bank/finance company

Borrows at interest rate  $x$   
Lends at interest rate  $y$   
And earns  $(y-x)$

However this seemingly simple process in existence for long has assumed various forms and shapes which we could describe as financial products. For instance in a bank against a savings account interest rate of, say 6%, the fixed deposit rate could be 11% for a period of one year. However, if this very amount is lent by the bank to a borrower the rate could be anywhere around 17%.

Now this very amount if received by a finance company as a fixed deposit would fetch a higher rate of return to the lender. Correspondingly, the borrower pays a higher rate of interest than 17%.

Banks and Finance companies may also receive money either for themselves or others by way of equity (which is partaking in an investment on a risk/profit sharing basis). Here the return, also known as dividend could range from nothing to abnormally high returns. There have been cases where the dividend rate has been as high as 110%.

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From the above, what one can point out is that money is raised broadly in the form of either debt (i.e. money lent at a pre-determined rate of interest) or equity (i.e. money lent provided in an investment scheme where the return is risk-determined).

In the concluding part of this section we shall be focusing in detail on the financial services in the Indian context.

### **Board Profile of Consumer of Financial Services**

In this business, the consumer can be of two types :

Consumer as an Individual for products such as bank deposits, company fixed deposits, units, company shares & debentures, etc. LIC policy, provident fund, consumer durable loan, credit cards etc.

Consumer's as a Corporate Entity for terms loans from financial institutions, working capital loan from commercial banks, inter-corporate deposits, equity by way of shares/debentures etc.,

The larger the bank or the finance company, usually the more difficult it is for them react to individual needs. Hence a way is to be sought for clustering consumer traits as empathetically as possible.

For long the consumer has been defined in terms of social class (upper-middle class; middle class, lower middle class, working class etc), age range and whether they have the money to go in for a financial product.

While one could talk about targeting the 35-55 age group, of middle class who are male and prudent investors with Rs. One lakh plus annual income, it may not be quite an accurate goal to aim at. It is not possible to understand needs of clientele just on this simple information. Since people within that group could react very differently to investments and other financial purchases, strict adherence to the above segments misses out the consumers attitudes and his emotional disposition to his purchasing. For instance no prudent investor views gold with any consideration, he runs to the stock market instead. That is a vast change in attitude from just a decade ago. And it is not difficult to see why. Between 1961 and 1980 while gold prices rose by 1630 per cent, the Economic Times share index crept up just 75 per cent. 1980-1990 saw a dramatic reversal. While the share index rose by a staggering 535 per cent, gold went up a mere 110 per cent.

The changing attitudinal reaction is best highlighted in the above example. If a simple demographic target audience was described, any marketing message on product development would have missed this shift in attitudes that occurred in the traditional gold-purchasing sector.

### **FINANCIAL SERVICES IN THE INDIAN CONTEXT**

The main explanation put forward to explain Indian financial market today is what has now got termed as "the great consumer boom". In the seventies, the Indian economy was characterised by industrial recession. The middle class thrust then was on accumulating substantial savings. Whatever conspicuous demand existed (for items such as TVs, tape recorders, kitchen gadgets, cosmetics etc.) was partly met by the inadequate domestic production and balance by way of imported goods brought into the country through appropriate and inappropriate channels.

By mid-80s the country saw a burgeoning middle-class population, estimated anywhere between 100-200 million, who wanted an outlet for their savings. The catalyst, of course, was the process of economic liberalisation.

The chart below illustrates the metamorphosis

Around 60's	Today
"Debt" a dirty word	"Debt" – A comfortable proposition
Limited number of financial products	Innumerable financial products
Vehicle for mass promotion non-existent	Today the TV reaches 42% of India's population.

Regardless of limited funds on hand the Indian consumer today does not mind borrowing. Today, broadly he borrows for

- a) House Purchase
- b) Vehicle Purchase
- c) Consumer Durable Purchase
- d) Purchase against Credit cards.

What the attitudes of this new generation show is the movement into the cult of the individual. We are in the environment of personal expression. Successful brands being the ones which sell themselves by allowing consumer to feel it is their choice-e.g. Citibank Diners Club Credit Card, "The Reward For Success" campaign.

In a research done by a company in U. K. on consumer attitudes towards financial products, it was discovered that distinct purchasing desires could be identified against the two dimensions, viz., 'the importance of money' and 'confidence'.

Financial Attitude Group	Attitude displayed
Connoisseur	Have interest & confidence in the financial product; are objective & go straight to the company offering the product
Pragmatists	View financial products attaching significant importance but not so important in & of itself. Are confident about their judgment of Financial products. Simple Sales proposition would do for them
Carefree Optimists	For them, money is a means of and for glamour. No desire to seek out financial products available to them. Tendency to spend all their money leaving no scope for investments

Traditionalists	They comprise the bulk of the community for whom the obvious choices are bank accounts, public provident fund, National Saving etc.
Anxious	Money may be important but its significance is indicated by the absence of it.

## FINANCIAL PRODUCTS – THE OPTIONS AVAILABLE

In order to appreciate better the range of financial products available to us in the country we shall briefly discuss about their “providers” and that how financial services have come to blossom.

Since bank nationalisation in July 1969, banking and finance industry constituents have been broadly identified into 7 categories.

- State Bank of India and its associate banks such as State Bank of Patiala, State Bank of Hyderabad etc.
- Nationalised banks (i.e. Government of India undertaking) such as Syndicate Bank, Bank of India, Canara Bank, Punjab & Sind Bank etc.
- Private sector banks such as Bank of Madura, Vysya Bank, Federal Bank etc.
- Foreign banks such as American Express Bank, ANZ Grindlays Bank, Bank of America etc.
- Insurance companies such as Life Insurance Corporation of India, General Insurance Corporation etc.
- Unit Trust of India
- Non-banking finance companies such as First Leasing, Sundaram Finance etc.

Till early eighties, no one in the highly regulated banking/finance industry showed any inclination to innovate or market new financial products; given their respective roles as bankers or finance companies all offered absolutely the same products.

Product development or innovation of financial products interestingly requires very little or no additional investment. But the downside is that no brand can boast of a Unique Selling Proposition (USP) for long, as it can be copied immediately. Of course, the safeguard to some extent here is the very branding of the product.

### Some Typical Financial Products

- 1. Savings & Recurring Account :** These are products available only with banks, providing relatively low yield but offer advantage of instant liquidity.
- 2. Current Account:** Again, available only with banks but can be operated only by corporate entities. There is zero-yield from this product. It exists only to facilitate day-to-day company transactions and availing of credit facilities from the bank, if any. It also serves as a reference point to check on credit worthiness.

**3. Fixed Deposits :** This product is made available by banks, finance companies and certain companies. Currently, the status is that the banks offer the lowest yield on deposits. Companies pay more and the highest is offered by finance companies.

**4. Retail Loan Products :** This covers the grant of auto loan, housing loan, consumer durable loan etc. Here making the consumer finance scheme more attractive from the point of its affordability is what sells.

Today, possession of a well-known brand of car has a reason to satisfy the status and recognition needs of the human self thus helping him to reach the fourth step of esteem needs in Maslow's hierarchy. This facility is available both from banks as well as finance companies, the effective rate of interest charged being comparably lower in the case of banks vis a vis finance companies.

**5. Commercial Loans:** This could broadly be split into long-term borrowings (beyond a period of one year) and short-term (less than a period of one year) borrowings.

Generally long terms loans are provided by financial institutions such as Industrial Finance Corporation of India (IFCI), Industrial Development Bank of India. Short-term loans, also known as working capital are made available by all commercial banks.

Non-banking finance companies assist corporate entities by arranging bulk amounts as deposits from third party companies, at rates of interest higher than bank's lending rate and, for shorter periods, say, 90 days, 180 days & one year etc.

**6. Leasing & Hire Purchase:** This facility is made available, both to individuals and firms, by only finance companies.

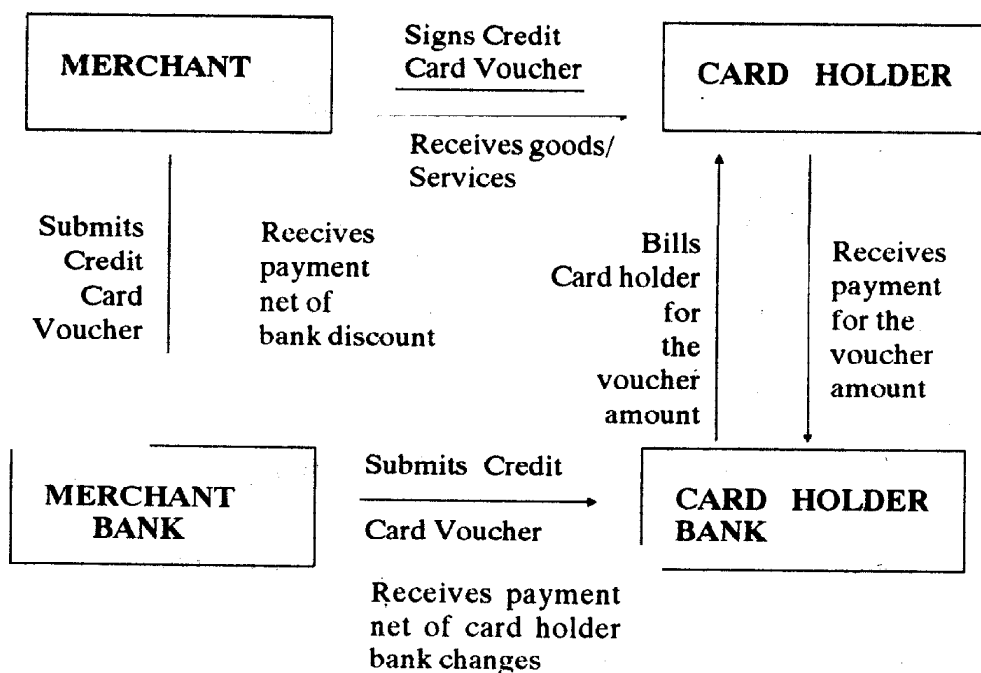
Both leasing and hire-purchase as a method of financing are essentially a provision of credit to the prospective user who does not have the immediate purchasing power to buy these goods but will have the capacity to make periodic payments for the use of such goods for specific period.

There is difference between the two terms. Leasing can be defined as a method of financing equipment/vehicles wherein the prospective 'user' known as "lessee" in consideration of making periodic payments is allowed the 'use' of equipment/vehicle during the period of lease while the legal ownership in the equipment/vehicle vests in the hand of the finance company, otherwise known as the "lessor".

Under Hire-Purchase agreement, the finance company lets the goods on hire to the user for a specified period of time. However here the title of ownership lies with the user from day one.

**7. Credit Cards:** Several banks, both Indian and foreign, have moved into the credit card business. Also known as "plastic money", it offers the individual an opportunity to buy rail/air tickets, make purchases from shops, have meals & stay at hotels when they need it. And pay at leisure.

The diagram given below is a graphic description of a credit card business cycle.  
(Fig 5.1)



**Fig 5.1: Credit Card Business Cycle**

In India, today we have more than 8 lakh cards in circulation. Some of the leading banks issuing credit cards being Citibank, Andhra Bank, ANZ Grindlays, Central Bank of India and Bank of Baroda. While Diners card is proprietary to Citibank, Master Card and Visa are franchised cards, as for instance ANZ Grindlays Visa Card, Central Master Card etc.

All the products discussed so far being fund based entitle banks & finance companies to earn by way of interest spreads and, optionally, nominal service charges.

Besides these, banks and finance companies provide a number of fee-based services such as merchant banking, issue management for raising equity from the market, foreign exchange advisory services etc.

## **ROLE AND IMPORTANCE OF THE REGULATORY MECHANISM**

All functions and responsibilities of banks (both Indian and foreign) and finance companies are governed by the regulations stipulated by the Reserve Bank of India (RBI).

For banks the two critical elements of Cash Reserve Ratio and Statutory Liquidity Ratio are fixed by RBI.

From time to time strictures are issued for matter such as revision of interest rates; change of policy; foreign exchange regulations.

## **TECHNOLOGY POWER FOR FINANCIAL PRODUCTS**

The growth of banking concept has been dramatic in recent times. While banks have been instrumental for various technological innovations, they have also been adapting the breakthrough to further their service by adding newer dimensions.

Apart from the extensive use of computers for accounting purposes and communications network of the general order, banks have introduced innovative concepts like Magnetic Ink Character Recognition (MICR) cheques, Bankers Automated Clearing Services (BACS), Clearing House Automated Payment Systems (CHAPS), Cash Dispensers (CDs), Automated Teller Machines (ATMs) are towards instant operational convenience, including cash withdrawals. Point-of-Sale (POS) terminals facilitate instant retail banking transactions. Laser Cards have enhanced the utility of credit cards. The formation of Society for Worldwide Inter Financial Telecommunications (SWIFT) coordinates international banking transactions through Satellite communications.

## PRICING OF FINANCIAL PRODUCTS

Since all Indian banks and finance companies go by the dictates of the Reserve Bank of India, it becomes clearly mandatory that the pricing of all their products conform to RBI regulation.

There is this story about a comment overheard at a dinner party of a group American bankers: "There ain't no brand loyalty that two cents off can't overcome". This could perhaps be exaggerated but depending upon the market for the product, it acts as a salutary reminder for those who would rush head long into an expensive promotional campaign to increase market share.

There are 4 circumstances when decisions relating to price need to be considered:

1. In setting the price for a product for the first time-This occurs when entering a new market or offering a new product
2. When initiating a price change either downwards to reflect cost savings, or upwards to cover increased costs or move profitable opportunities.
3. When the competition initiates a price change leading to the need for wide ranging decisions to be made-Should then the response be in form of a price rise, or should one maintain price and challenge the competitor, or change markets completely.
4. When launching a product new to organisation but not new to the public, care is needed to maintain internal consistency so as not to interfere with the profitability of the range, thus securing incremental benefits and not substituting revenues; for e.g., if a bank having an established traveler cheque product launches a credit card they should be careful enough to pre-empt what may be termed as "cannibalization".

Under these circumstances the two overriding considerations must be to ensure that first, the pricing strategy fits the overall objectives of the business and second, it fits the positioning of the business and its products.

If, for example, say the financial product is very unique and a market can be defined which is prepared to pay almost anything for it, then a market-skimming approach can be employed. In this instance, the highest price possible is selected to provide high profits for as long as the consumer and the competition allow. This is often referred to as 'premium pricing'.

With passage of time while it is being carefully managed the process does allow revision, usually pushing the price down and opening the product to a wider selection of the whole market. This approach is commonly used in niche marketing and is typical of status financial products

such as the American Express Platinum cards. All the same, today's consumer is now very alert to such strategies and will readily wait for the "mass market price".

Increased revenue pricing usually applies when an early cash recovery is important e.g. some of the tax benefit mutual fund schemes launched by India Bank and Canfina.

In market share pricing once ownership is achieved and price control is firmly within the company's grasp, high profits can be attained.

In spite of the increased use of other factors in the marketing mix, price is an important element, and successfully fixing a price is especially challenging for new products and services. Attention must be paid to the pricing objective, policies and procedures. But above all, good knowledge of the costs of administration and selling, understanding of consumer demand and an awareness of the competitors likely reactions determine how successful the chosen price will be.

### SELLING FINANCIAL SERVICES

Banks and finance companies use basically three ways in which they can sell to their customers:

- a) Direct face-to-face sale; something very commonly noticed in the case of insurance companies, mutual fund schemes, Unit Trust of India.
- b) An indirect face-to-face sale; this occurs when financial products are provided through intermediaries. Examples could be project consultants helping their clients to raise finance from banks, departmental stores stocking application forms for credit card membership, housing societies and car dealers making arrangements for loans.
- c) Direct marketing where no face to face contract is made with the consumer.

The choice of which distribution channel is most effective to deliver the institution's products is affected by many variables. The pros and cons of different alternative are listed below:

	Pros	Cons
(a) Direct Face-to-Face	Advantage of Full Control	Distribution Network Expensive
(b) Indirect Face-to-Face	No investment required to up this channel	Clear lack of control. Intermediary decides how much to sell & of which company
(c) Direct Marketing	Targeted individuals receive sales proposals through Letter-box & tele-marketing	Vulnerability of being treated as junk mail.

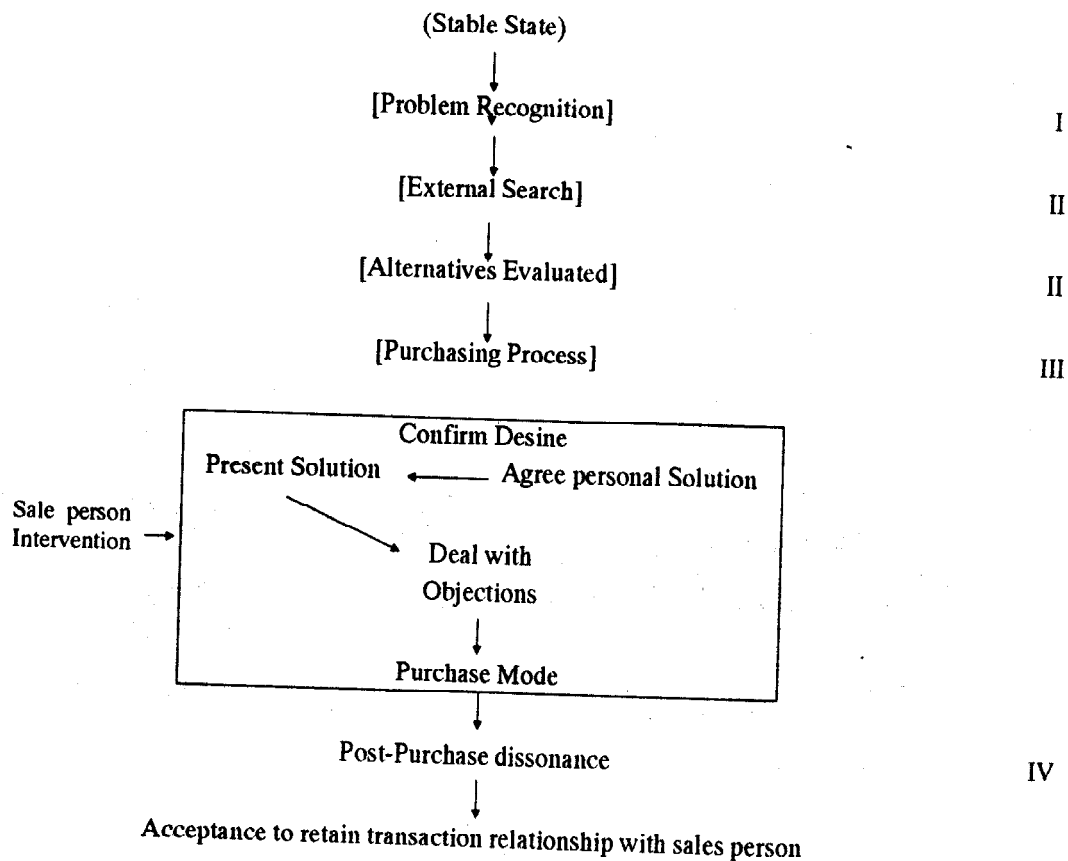
One of the most challenging tasks in delivering products through an established agent field force (as in the case of LIC or UTI) is the difficulty of control. Salesmen in general are extrovert personalities and free-thinking individuals. If not handled carefully this could lead to drop in morale.

Motivation is the key to a successful sales team. It can be achieved through product promotions, financial incentives, sales contests etc. (insurance companies have the exclusive Chairman's Club where star salesmen are granted membership).

**The sales process:** The process through which the customers go through depends upon their propensity to purchase, the need to purchase, the personal relationship with the seller and the urgency of his desire etc. What is important is the way in which these are accomplished.

Remember the old adage "Different strokes for different folks" for a financial product such as a Company Fixed Deposit the rate of interest could be relatively high but with a maturity period of say 1-3 years. Public Provident Fund is for much longer period while individuals can transact shares on the stock exchange several times a day.

The sales model given below helps to explain the process.



From the view point of product management it is observed that there are ways other than advertising to create product differentiation such as:

- the most obvious-service excellence
- charge lower interest-rates
- cause little drudgery for the customer in his documentation while submitting loan application.
- turnaround for handling cases
- standardisation



At this point it would make sense to quickly focus on the behavioural aspect of customers for financial loan products vis-à-vis the company's stance on loans and advances.

While sanctioning loan the company should not just size up the ability of the customer to repay but also his willingness to do so. Very often official income statements mean very little. Unlike the West, we do not have a commonly available individual or industry database of problem borrowers.

The one axiom of all lending is of course that **Risk** and **Return** are proportional to each other.

Some of the key success factors for a financial services company are

- Product Differentiation
- Accurate Credit Appraisal System
- Strong Management Information Systems
- Effective Account Receivable Management
- Regular Debt Follow-up.

## FINANCIAL PRODUCT ADVERTISING

Financial markets display trends towards two types of advertising, Corporate awareness advertising and product advertising.

**Corporate Awareness Advertising** is done by companies not just so that the prospective and existing customers will feel comfortable with the products they are using, but rather that this helps differentiate a product through building a brand personality.

Sometime back Tata Steel ran a corporate campaign just before its public issue. The advertisement carried a long list of the activities the company was involved in. The memorable parting line- "We also make steel".

Amongst the factors influencing the success of a corporate awareness campaign are

- a) Competitor's activities
- b) Underlying changes in the market

## Product Advertising

Financial product advertising has finally come of age. Over the last decade the Indian middle class, flush with funds, has discovered the scope of making investments in various financial products such as shares, debentures, mutual funds etc. The market has responded by going in for active advertising of these products.

Financial advertising's aim is, obviously, to persuade the new breed of investor to bring his money into the market. It is a task that is made more difficult as the investor is still relatively new to this business.

So far in India, financial, advertising has not been quite spectacular. The major reason could be that the subject of finance is a little specialised and cannot be treated alike other product advertising. It is particularly difficult when the financial instruments offered are very similar.

The following points be adhered to in financial advertising:

- a) Give the prospects all possible information that would help them.
- b) Avoid jargon and convey information in language the public can easily understand.
- c) Unlike cigarette, cosmetics or textile advertisements, a financial product can seldom say it all in one or two lines. The more the advertising explains, the more likely a sale is. In financial advertising all evidence points to the fact that long copy does get read.

## **FINANCIAL MARKETING RESEARCH**

Here the method of working can be categorised in two areas: qualitative and quantitative research

Quantitative research involves use of discussion groups to find the attitudes of consumers to certain products. For instance, Citibank has a special research laboratory in their head office in New York where members of the general public are invited to test out forms of the technological advances in delivering banking services.

Individual structured and semi-structured interviews can also be used for comprehensive attitudinal market research as they would incorporate focus groups.

Market Research enables a finance company to test its propositions about changing cultural and economic conditions, and allows an organization to restrict the number of mistakes that it makes in launching products.

Research is a valuable tool if handled appropriately. Careful analysis can show gaps in the portfolio of services which can be fulfilled profitably or which might be sought to be filled but would prove to be unprofitable.

At often overlooked area of research is the bank's or finance company's own sales force. Since they are regularly contacting new prospects and servicing past clients their daily call reports should include questions on clients attitudes.

## **FUTURE OF FINANCIAL SERVICES**

We are now at a time when there is severe competition, in the area of financial services, in an environment of increasing awareness of consumer rights.

The Securities and Exchange Board of India (SEBI) the watchdog body that acts on behalf of small investors has laid out guidelines that should prompt development of a host of new products while at the same time it disciplines marketers of financial products to become more factual.

The small investor is one the way to becoming a formidable marketing force. There is a phenomenal shift in the way people are beginning to perceive the financial products in India. But it appears that financial asset preference of individuals is still guided by liquidity and safety rather than risk and profitability.

While the consumer boom is here to stay, the two inherent dangers in this are:

- (i) liberal consumer financing may lead to reckless spending without regard to potential repayment ability, which may lead to bankruptcy.
- (ii) Growth in conspicuous consumption by the affluent may result in diversion of financial resources from essential basic industries to non-essential industries

However, optimists argue that because of less expense and shorter gestation, growth of consumer goods industry could solve problem of unemployment as against basic industries which involve not only larger financial resources and gestation periods but generate less employment. And while liberalization of consumer goods sector takes care of the supply side, the demand side can be well realized through Credit Financing.

The corporate scene in the banking and finance world displays trends to indicate that three kinds of players in this business will thrive, viz.,

- Business synergistic with consumer finance (e. g. cars, white goods etc.)
- Finance subsidiaries of consumer durable or vehicle
- Established banks

Here one is reminded of the Porter's Model and the threat to existing finance<sup>1</sup> and banking companies is from some of their own customers (Onida finance, Nagarjun Finance, Classic Finance of ITC group are some examples).

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## Chapter 6

# BRANDING AND ADVERTISING OF FINANCIAL SERVICES\*

### INTRODUCTION

If recent trends in financial markets are any indication, a new era has arrived for both, investors as well as those seeking to serve them. Common to both is the need for greater knowledge of investment products and services and better information on ways to make capital work harder and earn more.

Financial products or instruments are basically documents evidencing transfer of funds from the saving community, i.e., investors, to the business community, where it can be gainfully employed, on certain predetermined terms and conditions such as rate of return, repayment schedule, liquidity, and benefits etc. Since these terms and conditions are very crucial to investment decision-making, companies and banking/insurance institutions dealing in financial products must consciously endeavour to highlight them in order to win the confidence of investors. This is where the concepts of marketing come in. A number of factors can be indentified, which have necessitated the adoption of an aggressive marketing strategy for such products:

- Growing investor awareness
- Growing number of companies/institutions turning to capital market for funds
- Liberalisation of economy
- Recent credit squeeze and freezing of interest rates
- Stagnant saving level as a percentage of GNP
- Sudden explosion of Mutual Funds, activities
- Ever-increasing popularity of equity stock and bonds.

Although service product-innovations are critical to better customer service, what is more important is the urgent need for communication core benefits of the service to the prospective customer in order to convince him that his hard earned money is in safe hands and will fetch him good returns. In this regard, branding and effective advertising are two strategies which can play a decisive role. While branding helps the investor distinguish one product from another, advertising enables the marketer to communicate the basic information that an investor requires in selecting a particular product.

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\* chapter is based on the paper presented by Dr M.L.Agarwal and his team of PGP students Ashish Asthana, CRK Prasad, Udit Mishra. of XLRI Jamshedpur.

## BRANDING

Branding, which is a major input in the marketing strategy of commercial products, can be successfully used in the marketing of financial services too. *Brand* is a broad term that includes practically all means of identifying a product e.g., the LIC logo, Citibank's "City" – schemes, Canara Bank's "Can" – schemes. *Brand name* is that part of the brand which can be verbalized e.g., Citihome, Canstar etc. *Brand mark* is that part of the brand which can be recognised but is not utterable. e.g., the LIC folded hands symbol, Citibank's distinctive lettering etc. These constitute the logo for the company.

Branding is of two types – *individual branding* which is one-time affair like the Reliance public issue "Khazana" or *umbrella branding*, the practice of labelling more than one product with a single brand name, e.g., Citibank's "Citihome", "Citimobile" and LIC's "Jeevan Dhara", "Jeevan Akshay" etc.

The concept of branding of financial products offers several advantages. Brands command customer loyalty for the product. Each brand has a consumer franchise which can be used to its advantage. Financial products aim to attract the investor to bring his savings into the market. This is quite a delicate task because the investor's money is involved. Most of the financial instruments are very similar. This is where the advantages of branding can be exploited. Branding can help creating differentiation between the various financial products. It can help in create a distinctive identity for the financial product or public issue. Branding can also help to create some insulation from the competitor's promotional strategy.

A successful brand will be demanded by a customer even if the price is slightly higher and a substitute refused. Trust is the key element if people are expected to part with their money. A good name evokes that trust and gives the investors confidence that their money will be safe. Branding, especially umbrella branding, helps the consumers to decide whether to buy a product when the new product quality cannot be determined prior to purchase. Another strong advantage of branding is that good brands help to build the company's corporate image.

In umbrella branding, the advertising and promotion costs of subsequent products can be reduced considerably. This is because the brand-name recognition and preference is already there. For instance, if Indian Bank comes out with another scheme in its "Indsagar", "Indmoti" series, it does not have to start advertising from scratch to popularise it. Investors will know that this scheme is from Indian Bank and the overall thrust and confidence which had been built-up for the previous schemes will be extended to this too.

Branding of financial products has come to India in a big way. The first example of the handling of a public issue was when NTPC came out with its "Power Bonds" in 1986. Since then, the investors have seen Reliance Petro-Chemical's "Khazana", Deepak Fertilizer's "Mahadhan" and others. Most of the major issues of 1989 were branded – Bindal Agro's "Goldmine", Usha Rectifier's "Usha Lakshmi", Essar's "Steel Bonds" and Larsen and Tourbo's "L & T Vision". Banks too have gone in for umbrella branding in a big way. For instance, we have a series of Canara Bank's schemes like "Canpep", "Canstar" and "Canstock" or, the series of Citibank's schemes – "Citione", "Citihome", "Citimobile". Even institutions like LIC have jumped on to the branding bandwagon with their schemes like "Jeevan Dhara" and "Jeevan Akshay".

The importance of brand name is crucial in the branding exercise. The brand name should not be a casual after thought but an initial reinforcer of the product concept. First, it should suggest

something about the product's benefits and qualities e.g., Bindal Agro's "Goldmine". Second, it should be easy to pronounce, recognise and remember, e.g., Citibank's "Citihome" and Citimobile". Third, it should be distinctive, e.g. Larsen and Tourbo's "L & T Vision".

There are a couple of things to be careful about while using umbrella branding. *Spillovers* occur when information about one product affects the demand for other products with the same brand name. Spillovers can be positive or negative. All products under the umbrella contribute to the brand's reputation. This joint estimate of quality is used to evaluate each product. The company cannot control all the information revealed about its product, nor can it precisely determine how information will be shared by its umbrella-branded products. For instance, if customers are dissatisfied by "Citimobile" – this dissatisfaction can spillover to "Citihome" and other Citi schemes. Thus, it is imperative to maintain the quality of *all* the products under the umbrella brand, *all the time*.

A brand line should not be extended indiscriminately. Ries and Trout<sup>1</sup> have called it the line extension trap when the new products added to the brand does more damage to the previous products than good. Any new product should be consistent with the established line. A "fit" is said to occur, when a consumer accepts the new product as logical and would expect it from the brand. The company should know when to draw the line about introducing new products with the same brand name. In other words, brand name should not be over-used. For instance, if Canara Bank introduces fifteen more "Can" – schemes, the investors will not only get confused but also begin to doubt the quality of the previous schemes.

Developing a brand requires a great deal of long term investment especially advertising, promotion etc. It is quite an expensive proposition and hence is worth while mostly for large public issues or long term plans like a bank's schemes. Nonetheless, the advantage of branding can easily be exploited by the marketers of financial products. With a little bit of caution and planning, branding can be as successful for public issue as it is for toothpaste or cigarettes.

## FINANCIAL ADVERTISING

Financial advertisement is a very useful tool for promotion of financial products and services. Financial advertising is big business today. The middle class, flush with funds, has entered the stock market in a big way over the last decade by virtue of which India is emerging as one of the largest stock markets in the world. Financial advertising has also grown in India over the last decade to cater to the upcoming market.

The aim of financial advertising is to promote financial products so as to persuade the new breed of investors to put their money into the market. In India, as the investor is still new to the gamut of financial products and services being offered to him, the task of promotion thus, become much more challenging and exciting.

The financial products being offered today are very similar in various aspects. Examples are SBI Magnum Express. SBI Magnum Triple Plus, Canstar etc. This leaves the investor very confused, unable to decide which one to go for. This sort of situation calls for financial advertising which can distinguish the financial products of the company from those of its competitors. Mutual Funds in the market today indulge too much in the 'me too' type of advertising and have created a very confusing scenario.

When promoting financial products, it is important to see that people get all the facts in front of them. Unlike the advertisements of consumer non-durables like cigarettes, soaps etc., a finan-

cial product can't be explained using smart one – liners. Instead the copy needs to bring out all the features of the financial product. The intangible financial service has to be tangibilised through the medium of the advertisement. A person interested in investing his money is bound to go through each and every detail of such advertisements. The advertisement should be in concordance with people's emotions, speak their language and reflect their trust.

Testimonial advertising although acceptable as a method of making the advertisement memorable, must be used with caution. Presenting film stars and sportsmen in such advertisements might actually backfire. Visual symbols, emblems and catchy slogans can be attached while promoting financial products. Humour is another device which must be used with great discretion. Decisions involving financial products are serious in nature and the humour used should not go to the extent of trivializing the product offered.

Developing the profile of targeted segments is very important before formulation of a promotion package for a financial product. Advertisements are more effective when the prospective customers are identified and targeted as then an effective communication channel develops. In a scenario where new financial products are arriving in the market, and differentiation has become a difficult ask, promoting financial products to specific customer groups shall prove to be an effective strategy. We can substantiate this by looking at the success of UTI and LIC schemes targeted at retirees and working women, etc.

As financial products cannot be tested in the market before their launch, there is no room for mistakes while formulating an effective promotional strategy for them.

## **FINANCIAL ADVERTISING IN INDIA**

Since 1985-86 a new era of financial advertising has emerged in India, something that was seldom seen before. This is however inextricably linked to a new culture of saving and investment being witnessed these days. The culture was nurtured by a virtuous circle of higher savings fuelled by newer avenues of investment and reinforced by better returns. The year 1985-86 was a watershed year when shares and debentures market experienced a boom. The progress slowed down with world recession and the stock market crash in 1987 worldwide. However, the recovery was swift and strong and the years, 1988 and 1989 will go down in history of corporate investment in India as the best years, in which several major issues of shares and debentures, were announced and subscribed to by the eager investors.

Financial advertising refers to the advertisements of “financial instruments such as shares, debentures, bonds, bank deposits, saving schemes, units, mutual funds etc.”

In many ways, financial advertising is akin to consumer advertising. Financial instruments are similar to consumer products, although they engage higher customer involvement, commitments and risk. Thus, all marketing mix elements are of as much significance in financial products as they are in consumer products.

Two differences, however, are notable in comparing financial advertising with consumer advertising. Firstly, financial advertising is 'one time' i.e., related to a particular event. Thereafter, it is forgotten. Consumer advertising on the other hand is continual in nature. Secondly, the target audience in financial advertising is more 'limited' and 'identifiable' than is consumer advertising. Thus, media choice is more precise in financial advertising.

Financial product advertising is different from corporate advertising. While the former is primarily to persuade the existing and potential investors to the financial products, the latter deals with the task of building corporate image of the advertiser. Usually, financial advertising is preceded by corporate advertising. So if a Larsen and Toubro mega debentures issue is to be sold, L & T would usually start with describing all that the company had been doing and accomplishing and planning for the future. Then in the subsequent advertising, it will issue details of the debenture issue like the amount to be raised, the conversion terms, future profitability and investors benefits.

Following are some major features of financial advertising in India.

- a) There are now several ad agencies in India which deal exclusively with financial advertising. The first of the financial advertising agencies the Pressmen was established in 1964-about 30 years ago. Besides Pressmen, now there are Sobhagya Advertising Service, Clea Adversiting, Concept Advertising, Concept Advertising etc., exclusively dealing with marketing of financial products.
- b) The financial advertising accounts for less than 10% of the total advertising. Thus, if the advertising industry is worth Rs. 1,000 crores today, financial advertising's share is less than Rs. 100 crores.
- c) The growth of financial advertising, as is natural, is linked to growth of capital markets. Thus, in 1985-86 the first capital market boom, Rs. 814.6 crores were raised. In 1987-88 the figure was almost Rs. 5,000 crores. Future indications too auger well for the capital markets. Financial advertising, therefore, is expected to show similar growth trends.
- d) Financial advertising is not rated at par with consumer advertising on 'creativity'. This criticism is nevertheless not very serious because financial advertising is about products marked by 'seriousness' and 'facts.' So no-frills advertising in financial matters is as attractive as an emotional appeal in consumer products.
- e) Many companies have begun branding the financial products. For instance, Reliance 'Khazana', Deepak 'Mahadhan', Appolo tyres-'Swarna ganga'. Such brandings had however been limited to mega-capital issues only.
- f) Financial advertising uses a variety of media, with more emphasis on print media. Although TV has been used, it only arouses the initial interest and persuades the potential investors to look for facts in the print media.
- g) From the advertiser and user perspectives, trend towards cluttering of financial advertisers has been noticed. This becomes inescapable when several companies raise resources simultaneously, because the 'going' is good'. This obstructs the full appreciation of facts by investors.
- h) Finally, since the financial advertising is 'contextual' rather than 'perpetual' and agencies have to search unfliningly for new advertisers and companies, there is no 'durable' relationship between the client and the advertiser. This affects involvement of agencies in financial products, unlike the involvement seen in consumer products where agencies and advertiser both work together to build a product. Finally, the business of financial advertising is more 'cyclical' or 'seasonal' than 'regular' for agencies dealing in financial advertising.



## CONCLUSION

Thus, we see that various concepts of marketing can be directly applied to financial products to gain a competitive edge in the market place. In fact, as illustrated above, quite a few players in the financial market have already used these basic concepts successfully. This trend along with the recent changes in the economic system will prompt more and more companies to follow suit in future. However, a word of caution: Since more often than not, investment in financial products is a one-time decision and a customer's need for reliable and valid information is very high, the focus of the entire marketing effort must not deviate from providing these basic information to the investor. This is perhaps the most secure way of ensuring success in marketing of financial products and services.

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## Chapter 7

### Case Study

# CONSUMER BANKING: THE CITIBANK EXPERIENCE\*

## CONSUMER BANKING AND THE MISSION AT CITIBANK

The parent company Citi Corporation had decided only 15 years ago that retail banking was business of the future. Upto the sixties, retail banking was an adjunct to what was considered an institutional activity. This was so, even in the post nationalisation period in India, where the main focus of banking activity was either on a defined priority sector, whether it was agriculture or industry. Consumer banking was essentially looked upon as a service provided as a social measure. What Citi Corporation was able to realise long back was that consumer banking was distinguished from other types of banking business by its relative stability. As in the case of the demand for any basic product, the demand for this product would be continuous. The demand would, in ordinary course of things grow at 6 to 7% per annum of the population growth per annum is around 2.5%. Sharp price escalations, better investment opportunities may cause some lull in that rate but compared to corporate banking where the fluctuation on account of cyclic or business environment reasons are far more acute and severe, the fact of relative stability of consumer banking gets underlined. One needs only to look at the intense fluctuations brought about in institutional banking, whether in the area of financing to industry or real estate or developmental loans, caused by fluctuations in the industry concerned to realise that this volatility would necessarily need to be offset by some business. Citicorp decided early to utilize consumer banking to provide a stable basis to their, what was then their main business.

Way back in 1975, Citibank former Chairman Walter Writson and the present Chairman John Leed came to the conclusion that Citibank was excessively a corporate bank and would need to diversify. Writson those days used to say that he saw very few corporations out in the market but millions of consumers. Another reason for diversifying into consumer banking was 'disintermediation' a complex banking term meaning more competition from traditionally non-banking corporations into the traditional business areas of banking, which have the effect of easing out the banker as an intermediary from the investor user relationship in the financial sector.

The essential objectives was to reach individuals spread over a far wider base than companies ever would and in relation to these individual, introduce far wider variety of service products distributed through an array of service delivery methods besides bank branches. These service delivery methods include Automatic Teller Machines (ATMs), Mail, Credit Cards and Telephone. The Corporate Management also decided to add on countries, taking consumer banking to wherever financial markets had reached a certain level of development.

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\*Material developed on the basis of the presentation made by Mr Arun Shankar, V. P. Marketing, Citibank, N. Delhi at the National Seminar on *Marketing of Services* 1991, at IGNOU, New Delhi and the interview of Mr Jairath Rao, Chief Executive officer, Citibank, India, reported in *Advertising and Marketing* September, 1990, by M. Kaushik, SOMS, IGNOU.

## The Indian Operations

Citibank set up a consumer service group in 1985, to specifically target retail banking. The bank was, under the existing regulations, confined to a total of 6 branches located in four metro cities. An estimate of comparative presence can be drawn from the fact that State Bank of India has around 10,000 branches and the nationalised banks put together have 40,000 branches. The crucial question at this stage was, whether retail banking was worth pursuing as a serious business at all. Apparently Citibank thought so and plunged into the activity with gusto in 1985.

## Consumer Banking – The Issues Involved

Though principles of marketing as applicable to marketing of services, also apply to retail banking, there are some crucial differences. The market for retail banking, for example, is far more regulated than many service market situations, quite a large number of variables are such that one can't really play around with them. Secondly, it is a high operating cost environment. It is obvious that if thousands of loans amounting to a crore rupees are being arranged, the operating costs would be higher than if one loan of one crore is being made. Higher margin therefore become imperative. Thirdly, consumer banking is simply not feasible without automation, handling of volumes of that order without arranging for speed of handling would be impossible. Then, while prices for service to a certain extent depend upon volumes and net returns on funds, in the India context, strictly speaking prices are controlled. As opposed to products, where appeals can be created by the skillful use of colour, perfume, packaging and design, the product here is devoid of sensual appeal.

In another distinctive feature, in consumer banking it is difficult for competitors to eat into your market share if you have once established a relationship. In case of organisational clients, it is easier to sway customers by varying changes by fractions of percentage but individually, most consumers are not willing to switch for 1/8 of a percent. The possibilities of creating a franchise, as the relationship is on a person to person level, is far higher in consumer banking.

Financial services, retail banking included, get distributed through a limited physical distribution channel which is again a decision issue when increased volume of service delivery is under consideration.

To summarise, the retail banking scenario in India is characterised, by extremely limited physical distribution options as far as foreign bank is concerned, very limited pricing options, or large parts of the primary options being controlled by government regulations and (even the part that is not directly governed is indirectly controlled or regulated by requirements like the statutory, liquidity ratio and cash reserve ratio) and limited promotional avenues (incidentally, the RBI permits an incentive of Rs. 25/- as gift for mobilization of resources by a bank !).

## GROWTH STRATEGIES

Citibank has steered its growth on a two fold front, growth through product development and growth by searching and developing new markets. Despite a hot of government regulations, Citibank has been able to develop and market an impressive array of new products. According to Citibank CEO, India, Jerry Rao, product ideas at Citibank come from two streams. One is what they call 'success transfer of global leverage' – if something worked successfully in Malaysia or Brazil, it can become the germ of an idea to be applied in India or elsewhere. Focus groups and research on the kind of adaptation and the product offer to be created in view of the legal environment in India

then follow. On an average almost two thirds of Citibank products come from such global leverage, as they are a global company and feel that consumers saving, borrowing and investment needs do not vary widely across countries.

The other source is a combination of consumer sensitivity and internal brainstorming. By keeping a finger on the trend of consumer problems and concerns, voiced by them or elicited through day to day consumer interaction, the bank maintains an informal inventory of possible need pockets that may need specific satisfiers. Internal brainstorming is then used to shape up the possible satisfiers that can be created.

Far more important is the organizational policy of constant opportunity scanning and capitalising upon it, before the competition has had a chance to snap it up. The recognition at Citibank that the consumer has to be captured on the day one as a given financial service opportunity becomes apparent, has helped the bank cover markets far before the competition advances on the course. To give a common example, in case of an automobile loan scheme, Citibank believes in capturing the customer the day he applies for the vehicles, not when he has to pay up, making sure that the bank has the lead time between application and allotment, to influence the customer's decision to borrow. In America, where credit card usage is far higher than in India, the bank approaches prospective clients in the Universities, much before they graduate and would need credit cards. In another perceptive bid, the bank actively matches and captures Indians leaving for abroad, before they become NRI's, to effectively have a source of potential customers for their NRI schemes. The systematic way in which auto loans schemes for the new model of Maruti were introduced and managed, almost as soon as the new model was announced is a common example of how opportunity sensitisation helps organisations carve and develop market shares in a competitive scenario.

Reliance on technology and heavy investment in information processing infrastructure has made the task of constantly tapping the market and keeping in touch with the customer easier; more achievable. Citibank believes that it is not possible to maintain the trend of service standards it has defined for itself and deliver these to lakhs of customers if they do not have the backup support of their information processing. Not only does rapid and efficient information processing enable speedier collection, it also makes it possible to communicate customers in a regular, caring way. Citibank has 120,000 NRI accounts all over the world, when any such account shows no new entries for a period of six months, a letter automatically goes to the customer asking the customer politely as to why no money has been deposited with the bank in the last six months. This has an impact on the customer as he feels that he is actually thought of at the bank, that the bank cares enough to enquire about the state of his savings with them and his possible dissatisfaction if any. Citibank has a firm belief that computers and automation help cut costs, enables better service delivery and make it possible for the organisation to stay constantly ahead.

## **PRODUCT DIFFERENTIATION AND THE BRANDING ALTERNATIVES**

In financial service, where the core benefit that most institutions offer is virtually the same and the freedom to utilize pricing for creating product differentiation are limited, creating a differentiated offer for competitive advantage is a difficult task. On the other hand, successful differentiation in an industry characterised by identical products, offers exciting possibilities of creating a franchise in the customer's mind. Citibank has pursued the objectives of products differentiation through the use of skillful branding and tangibilising the intangible financial service in the form of various types of credit cards, which tagain are perceived as different product by the customers.

Credit cards can be seen as the physical manifestation of an intangible service. Citibank, in order to reach different customer segments has developed different credit cards. Which are not only physically and visually different, but also convey varying functional and emotional meaning to customers. As revealed by their marketing research, an ATM card which has no other use except enabling the consumer 24 hour cash access, was a main attraction for opening up their account for a lot of customers. Deeper probing revealed that though the customers lived far off and did not really need cash during off banking hours, the card has a status and demonstration value, something to flash around and display in front of friends and relatives.

Citibank also demonstrated one of the most successful uses of branding to denote product differentiation, with its introduction of the "unfixed deposit", a brand name, which incidentally does not use the company name. In essence, all bank deposits with an overdraft facility are essentially unfixed in character, but by identifying their product as the "unfixed deposit", Citibank was able to successfully demarcate a product and bring the concept of unfixedness in sharp focus, to the extent that the brand became a value addition to the generic product. Unfixed deposit is a registered brand name of Citibank today, and the consumer identification of the concept with the brand name is indeed high.

Other brands which were successfully developed were Multideposit, a clean overdraft facility called the Ready Credit Account, a loan for doctors called the Medi Plus. On the basis of umbrella Vs. individual branding, it was felt that where the product itself is very easily understood the need is to distinguish one's product from the competition, the use of the company name as the brand serves a very useful purpose. Acting on this basic norm, Citibank developed a whole range of brands, called Citimobile, Citihome, Citiloan etc., assuming that the concept of housing loans and auto loans were generally well known and understood. The brand name therefore did not need to be evocative of the product concept. An identification with the company name was enough.

On the other hand, where the product is not easily understood, it was felt the branding which works better would be something which describes and captures the meaning of the product, rather than the fact the product is from Citibank, Unfixed Deposit and Multideposits are brands in this genre.

Efforts to overcome the locational disadvantages (being a multinational bank, Citibank has extremely limited permission of opening bank branches) have also led to differentiate access, thereby developing a whole new product concept. When marketing research reports showed that location was an important criterion in choosing a bank, Citibank thought of telebanking to overcome the inherent locational disadvantage that it has. Telebanking, or banking on the phone was an idea no financial institution has given a thought to earlier. The main idea put across to the customer conveyed that going to the bank was a big effort, time consuming and initialing if one has to go by public transport. To top it all, going inside a bank may sometimes be an unpleasant experience. Strictly speaking apart from getting cash, there is no reason why a person should go to bank at all. Citibank, acting upon its marketing research findings started in Delhi in the last 2 years, a service by which except for cash, almost all banking transactions can be conducted on phone. Thus, augmentation of a core banking product, created a differentiated product offering in the customer's mind and got additional customer base for Citibank. Telebanking essentially meant changing the nature of relationship of the client with the bank, shifting the balance of greater autonomy towards the customer.

Similarly, the introduction of ATMs (Automatic Teller Machines) which can deliver cash 24 hours a day is an augmentation of the teller service where the bank only delivers cash when it is open. The convenience of the ATM lies in the fact that the customer banks at the time of his choice and is not confined by the regulated timings of banking hours.

## **MARKETING FOCUS AND THE FUTURE**

Unwavering focus on to the customer, and the constant need to spot an opportunity before anyone else does, has resulted in extremely high gear marketing effort at Citibank. As the CEO, India, says “Out marketing effort has outstripped our operating capabilities. Our marketing promises generally tend to be at a higher level than we are capable of actually of delivering. And we constantly have to deal with this tension. But I would rather have it this way – trying to reach up rather than the other way around of making low marketing promises, easily achieving them. . . .”

The overriding belief at Citibank, influencing its services design and delivery is to bring to the Indian customer the benefits of international standards of quality. As the standard of service in the financial sector is generally low and the environment generally uncaring, inefficient, rude and insensitive, anybody who preserves standards of excellence will be a success in the long run. Just because the customers are used to a low standard of service and do not really expect quality service, most institutions take the easier way out by not bothering about any standards at all. Not at Citibank though. To quote Jerry Rao again “Just because anyone lives in India, he does not need to get lousy service. He will get international standards of service or at least we will attempt to give him international standards of service. I think if we set ourselves that objectives, we are going to get a lot of customer loyalty and a lot of people who are willing to pay even a higher price for it”.

In terms of future trends, the effort at the bank is in moving to the kind of market place where the choice has to increasingly belong to the customer. The job of the bank should be to set up a means of options or a supermarket, where the customer has the option of making any kind of choices, in terms of amount to be borrowed or deposited, timing and mode of payment, as well as the place of banking. The trend at Citibank in future, is towards empowering the customer, where by changing delivery mechanisms and utilizing technology to maximize consumer convenience, the bank hopes to change the way marketing of financial services is carried out in this country.

## Chapter 8

### Case Study

# LAUNCH OF ABC CORPORATION DOLLAR CREDIT CARD IN INDIA\*

## PRODUCT BACKGROUND

Bank ABC Corporation a world leader in the credit card market identified the need for its corporate US dollar credit card in India. The company pitched very strongly with the Indian Government and finally sought the Reserve Bank of India's permission in August 1986.

The nature of the permission sought was that US dollar credit cards could be issued the Indian companies which qualify for blanket permits\*\* (in other words, established exporters).

ABC had launched the corporate card system overseas some 19 years ago and was operational in over 22 countries with resounding success.

Being a highly professional market driven company it gave full respect to the norms laid down by the marketing doctrine:

- i) Being an upmarket product it had to reckon that in India there will be small number of buyers only who will need the product.
- ii) High level of promotional effort and expenditure would be required to inform potential customers of this product which is now being made available in India, prevail upon them to buy the product and above all spend against the card.
- iii) The product was launched at high price with very low promotion. In other words it was a *slow-skimming* strategy.

ABC in India had the privilege of launching the first product of this kind in India.

## KEY FEATURES

The key features of the Product were:

- i) It was a corporate card viz, it could be issued to an individual only as an entity in an organizational end not in his personal capacity.
- ii) It was to have a validity of one year.
- iii) The joining fee was to be US Dollar 65 and US Dollar 60 the annual fee.

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\*\* It may be noted that Blanket Permits no longer exists.

- iv) Copies of bills were to be sent directly from ABC, Hong Kong to customer's bankers for payment. The bills being in US Dollar were to be debited to the Blanket permit of the card holder.
- v) Usability only as per RBI Guidelines.

The potential benefits of being an ABC Card holder included:

- Prestige
- Convenience
- Protection against losses
- Emergency Card Replacement
- Access to any of the 1400 offices of ABC worldwide.

## ENVIRONMENT SCAN

The Dollar card business in India operates 100% within the regulatory framework prescribed by the Reserve Bank of India, which integrated the following elements:

- i) **Eligibility:** Only Blanket permit holders being entitled to the membership and that too a very small number of employees (which is determined on a grid based on volume of exports).
- ii) **Stipulation**
  - Nature of expense i.e. that the expenses charged to the card should relate only to travel and boarding/lodging.
  - Quantum of Expenses being determined by the per diem allowance to the individual (based on his/her position in the company and the country that he/she is visiting) should not be exceeded under any circumstances.
- iii) **Reporting** to the RBI by the card holder involves raising a proforma debit before leaving the country and later on return, submitting tour reports detailing expenses to match with the proforma debit.

## BUSINESS STRATEGY

### Key Business Strategy

Being a landmark of a launch in the company's Indian history, the key business strategy was achieving

- i) market leadership through quick reaction to market place needs:
- ii) redirecting existing resources on an interim basis:



- iii) maximizing synergies by marketing an existing product and
- iv) enhancing consumer franchise.

### **Marketing Strategy**

Being a market leader globally in all its product lines it become natural for ABC to:

- (i) embark upon assuming a leadership role in the foreign exchange payment system in India too, by rapid penetration;
- ii) leveraging its synergies with the company's other product lines such as traveler cheques, travel and tourism financial services counters;
- iii) to capitalize on the global strengths of the product.

Given the above strategies the market entry rationale was clear. The product was to be launched in a limited sized but potential market, thereby all the company's competitors were excited and expected to react aggressively to exploit this opportunity.

ABC wanted immediately to assume a leadership role because:

- i) The size of the market is currently restricted with all competitors fighting for a share from day one.
- ii) Companies were required to indicate their brand preference when applying for approval to RBI and it was important that ABC reached them immediately.
- iii) It will not be easy for companies to change their card brand – reaching them first will be key.
- iv) The card will contribute a significant new business revenue stream to the company.
- v) The card will provide enormous leverage to cross sell American Express products and services to wealthy up scale corporations.

The marketing objective, therefore, was loud and clear. Enter the promising Indian market place with the ABC product and capitalize on a one-time, restricted, time-bound opportunity to establish pre-eminence for the ABC card and an important revenue stream.

### **CUSTOMER ATTITUDES AND MARKET SEGMENTATION**

In order to determine customer attitudes for international use cards and awareness of the ABC card, a research project was initiated in May, 1986. A total of 300 companies with blanket permits were interviewed at Chief Executive levels.

Brief summary of the findings follows:

- j) Most companies are aware of and need international use cards. Over 90% were aware of the ABC card.

- ii) A typical prospect goes abroad atleast thrice a year. Each trip is of atleast one week duration.
- iii) There is little sensitivity to paying annual and joining free.
- iv) Average expected spending par card per trip is US Dollar 200 approximately.
- v) Over 60% of the blanket permits were distributed amongst partnership/private limited/closely held companies, who will probably generate 2-4 cards per company.

### Segmentation

The company had targetted initially 5000 companies, generating foreign exchange and qualifying for blanket permits. Ultimately, the aim was to reach, 29,000 companies who do not earn foreign exchange but are engaged in import substitution, foreign collaborations etc., and need to travel abroad frequently.

### PRODUCT POSITIONING

The ABC Corporate Card was to be positioned as the most prestigious, secure and reliable of all business oriented payment instruments, enabling companies to manage travel and entertainment expenses effectively and efficiently while assuring their employees of business related convenience and outstanding customer service as they use the card globally.

Since India was a virgin market for a card with international use, the emphasis initially was on:

- Prestige
- Convenience
- Reliability
- Globalusage

and not on managing travel and entertainment expenses, as this was not yet a market need.

### COMPETITIVE ACTIVITY

ABC took stock of competitive scenes. Assessment of the scenario was as given below:

	<b>COMPETITORS</b>	<b>KEY STRENGTH AREAS</b>	<b>EXPECTED REACTION TO RBI APPROVAL</b>
1.	DINERS INTERNATIONAL	Well regarded as industry leaders in India.  Can easily gear for the Dollar Card launch  Already have a base of 70,000 Indian rupee cardholders.	Offer Dollar card product Immediately

- |    |                           |   |  |
|----|---------------------------|---|--|
| 2. | VISA INTERNATIONAL        | Aggressive approach   | Quick learners from competition. Will be interested in entering about 6 months later |
| 3. | MASTER CARD INTERNATIONAL | In link with Central bank of India which has a massive network of 4000 branches all over India. | Watch and see, slow approach   |

### OPERATIONS SUPPORT

Being a financial service product, operations support is key to this business.

ABC identified highly qualified MBAs/Chartered Accountants to man the following responsibilities.

- i) Financial Analysis of companies filled-in application forms before approval for sanction of cards.
- ii) Liaison with RBI for quick approval of forms.
- iii) Dollar card client servicing in terms of issuance of cards, bill payments etc.
- iv) Persuading customers with regard to account receivables.

Technological updations took place in terms of:

- i) A special satellite hook-up for cardmember servicing through a powerful computer system.
- ii) Additional telecommunication lines dedicated to this activity.

### THE DOLLAR CARD – THE RESULTS

Since its launch three years ago the company has crossed criteria major milestones.

- Today the total cards in force are over 3000.
- The number of companies that have signed up for the card exceed 1800.
- The average number of cards per company exceeds 1.7.
- Synergistically, the traveller cheque potential locked in by ABC, by way of the blanket permits lodged with itself, runs into several million dollars.

### REGULATORY IMPACT ON THE PRODUCT

Operating strictly within the framework of the guidelines drawn up by Reserve Bank of India, regulatory impact has been something to reckon with and has meant

- Limited target audience of the product

- A grid on number of cards per company – which is linked to the size of the blanket permit
- RBI's approval for each application takes time
- That no spending is allowed in India
- That spending on the card should be within Blanket Permit limit
- That only travel and entertainment expenses are permitted.
- Reporting to Reserve Bank of India after each trip abroad.

### **LATEST REGULATORY DEVELOPMENTS**

The Reserve Bank of India now allows issuance of card to:

- Liaison offices of Foreign companies in India.
- CAFEX (i.e. non-exporters but regular business travellers abroad) permit holders.
- No application is to be made to RBI for renewal of the card.
- Permission has now been granted for cash withdrawal against the card.
- Card companies can levy delinquency charges on late payments.

### **CHALLENGES AHEAD**

The company has plans to provide the following additional services on the card:

- Overseas Insurance
- Local Benefits Package such as
  - a) Merchandising
  - b) Assured Hotel Reservations.

The key challenge is that of overcoming regulatory barriers impacting

- Acquisitions
- Cumbersome Reporting Procedures
- Per Diem Instructions
- Delays in Permit renewal.

Another challenge is managing the cardmember base and wherever possible to avoid attriting payment offending cardmembers and to develop a more fine-tuned approach to manage collections both voluntary and involuntary.

## Chapter 9

# MARKETING OF HOSPITALITY & TOURISM SERVICES\*

## INTRODUCTION

The tourism and hospitality industry is identified by the products which are needed to satisfy the demand for travel accommodation, food and beverage away from home. Demand for accommodation is a function of travel and tourism. A tourist is often defined as "an individual spending at least 24 hours away from home for the purposes of pleasure, holiday, sport, business or family reasons". Tourism is one of the major industries today, with over 450 million tourists traveling annually. The annual average growth rate of the industry is estimated to be between 9% and 12% globally.

## TOURISM AS A SERVICE INDUSTRY

Tourism as a service industry comprises of several allied activities which together produce the tourism product. We find involved in the tourism product development, three major sub-industries. They are (a) tour operators and travel agents; (b) accommodation sector (hotelling and catering) and (c) passenger transportation. According to international estimates, a tourist spends 35% of his total expenditure on transportation, about 40% on lodging and food and the balance 25% on entertainment, shopping and incidentals.

The product in this case is not confined to travel and accommodation but includes a large array of auxiliary services ranging from insurance and entertainment and shopping. Demand generation, in addition to the consumer motivation, is also heavily dependent upon powerful persuasive communication both at the macro (country) level and the micro (enterprise) level. The participant in the process of this service business can be illustrated by the figure below (Fig 9.1)

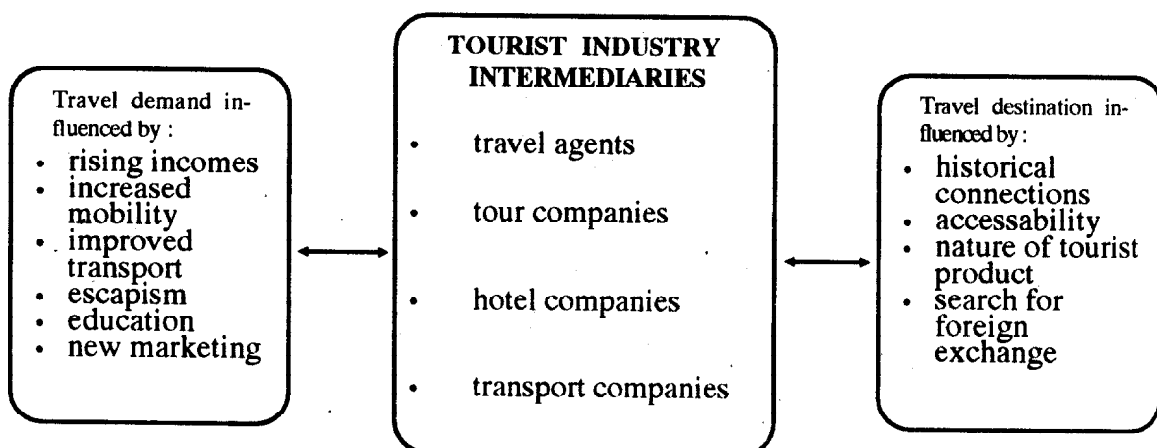
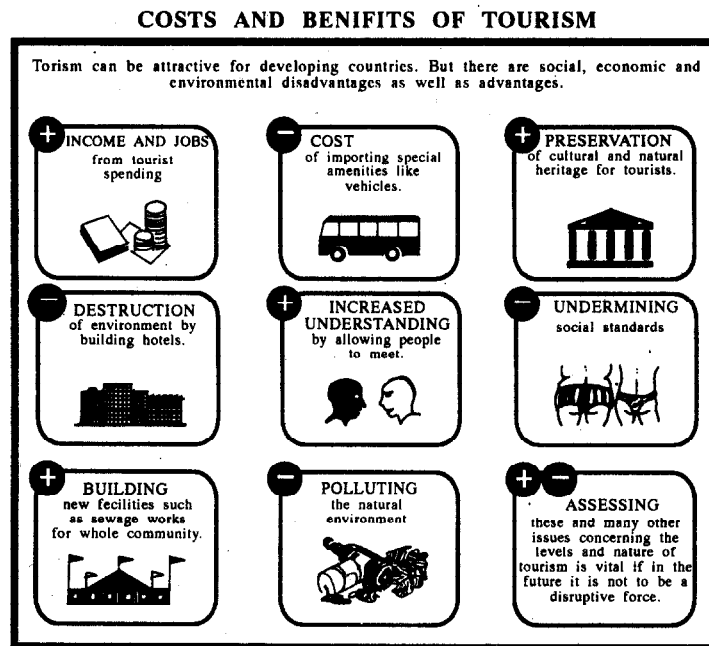


Fig. 9.1: Element of International Tourism Industry

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Source Johan Lea "Tourism and Development in the Third World Rautledge, Chapman and Hall Inc. 1991

At the social marketing level i.e., the marketing of tourism as a state business, the governments-concerned need to weight the advantages of income and employment against possible direct and long term disadvantages associated with tourism promotion. The United Nations Environment Programme 1979 gives a matrix of possible positive and negative efforts of tourism.



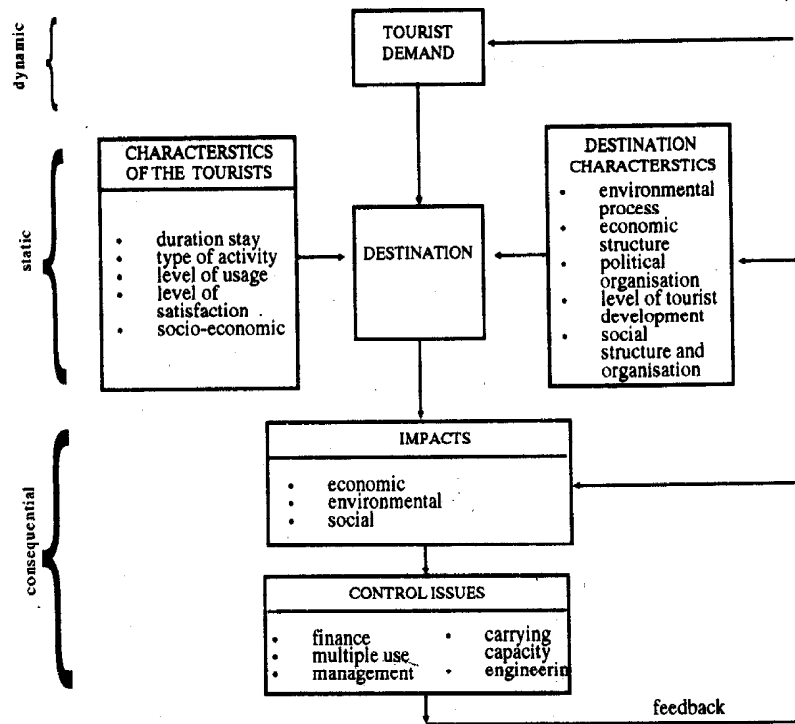
**Fig 9.2 Cost and benifits of tourism**

**Source** "United Nations Environment Program (1979) in Senior (1982)

Some of the pointers to nature of tourism as a service industry are :

1. Tourism accounts for nearly 6% of world trade.
2. Bulk of the tourism business is located in Europe and North America, with 1/8 of the market being shared between the other world regions.
3. The highest growth rate in tourism in recent years has been in the third world.
4. Tourism, like most pure services, because the character of inseparability, exemplifies a product which cannot be sampled before purchase, the prospective consumers have to travel to a foreign destination in order to consume the product.
5. The major players in the tourism market include a number of intermediary companies. Some of them transnational in character, some of them exhibit vertical integration, both backward and forward, acquiring interests in all major sectors of this service industry. Quite common is the existence of loose coalitions between intermediaries so that a more complete range of service can be offered to the consumer.

As a service industry tourism results in a complex series of economic, environmental and social impacts in the societies managing and marketing it. Lack of complete local control over the industry and valid criteria for measurement complicate the assessment of costs and benefits of tourism as an industry for host societies.



**Fig. 9.3 : Functional framework of Tourism**

**Source:** Functional framework of tourism process. adapted from Mathieson and Wall by "John Lea in tourism and development Whiled world.

A functional framework of the tourism service giving a complete overview of the process and the factors determining the level and type of service, is shown in Fig: 9.3

The framework envisages the service process as comprising of three main phases. A dynamic phase, involving movement to and fro from the destination, a static phase involving the stay and a consequential phase, covering the chief economic, physical and social impacts from the process of tourism, on the surrounding environments.

### The Tourism Product-Factors Governing Demand

Because of the unique nature of the tourism product-it being an amalgam of the physical characteristics of a destination and the infrastructural as well as managerial efforts of the promoter, the determinants of tourism demand emanate from both individual tourist motivations and the economic, social, technological factors. Not quite so apparent is the creation of tourism demand as a result of sophisticated tourism promotion.

The economic social and technological determinants of tourism demand include high and rising incomes, increased leisure time, good-education, new, cheaper and faster modes of transport. Some of the important factors are discussed here.

## **Income Levels**

In the last 30 years, disposable incomes around the world have shown upward trends, thus allowing more money for activities like leisure travel. Smaller families have meant higher allocations per person in the family. More and more women are entering the work force and in real terms the cost of travel has fallen. The dramatic rise of tourism in the last 50 years can be attributed in a large measure to the combined effect of more leisure time and rise in both real and disposable incomes.

### **More Leisure time:**

Increasing unionisation of labour right from 1930 onwards have reduced the number of working hours per week. Changing managerial orientations towards human resources have increased the levels of pay and paid vacation time in most developed countries. Added to that is the component of social tourism, in eastern European countries where the state often pays for the cost of holiday for certain classes of employees. All this has resulted in a larger number of people having longer periods of leisure which could be allocated to travel.

## **Mobility**

Better transportation and communication services have made the world a smaller place, and have brought both exposure and awareness of distant lands to large sections of potential tourists across the world. Faster modes of travel have cut down on travel time, making it easier for people to economically plan and execute trips abroad.

## **Growth in Government Security Programmes and Employment Benefits**

The growth in government security programmes and well entrenched policies of employee benefits mean that quite a large number of families may have long term financial security and may be more willing to spend money for vacations.

## **Growth of Business**

Business travellers have always contributed to a large extent to the tourism traffic. The increasing volume of transnational business and the attendant international travel has meant a spurt in the tourism business. Business travel is in fact such an important segment of the tourism market that many international airlines and hotel chains have targeted it as their key area of operation, developing a whole range of services to cater to the needs of the business traveller.

## **Tourism Motivation**

Even if people have the time, the money and the mobility to travel, tourism will not occur unless people have the motivation to take a trip. Motivation to travel may spring from a variety of needs. A variety of typologies developed for the tourists have classified tourists as those wanting to satisfy need for status and self-esteem, need for recognition as well as the need to know and understand, and the need for aesthetics.

Consumers may know what they want but are frequently unaware of the need that underlines the want. A couple may want a winter cruise but may not be able to decipher why. All too often tourism marketing is focussed on advertising to the want and not addressing the underlying need. If such needs can be established and promoted, the result would be a more effective mar-



keting effort. For example the couple who want the winter cruise may feel that they, or their return will be the envy of the entire neighbourhood (need for status) or a person may feel that he would like to see a monument and its surroundings for himself in order to truly appreciate its beauty (need for aesthetics). If such underlying motivations can be unearthed, and the extent measured, it would be possible to design tourism effort more effectively.

A clue to the motivations regarding travel, apart from travelling on and for business is provided by the tourist typologies, which classify tourists on the basis of reasons for travel. Valerie Smith gave an interactive typology<sup>1</sup> of tourists stressing the large variety of tourists and their behaviour at a destination. According to her, tourists can be classified into the following seven demand categories:

- 1 **Explorer:** Very limited in number, these tourists are looking for discovery and involvement with local people.
- 2 **Elite:** People who favour special, individually tailored trips to exotic places.
- 3 **Offbeat :** These are filled with a desire to get away from the usual humdrum life
- 4 **Unusual:** Visitors who are looking forward to trips with peculiar objectives such as physical danger or isolation.
- 5 **Incipient Mass:** A steady flow, traveling alone or in small organized groups using some shared services.
- 6 **Mass:** The general packaged tour market, leading to tourist enclaves abroad.
- 7 **Charter:** Mass travel to relaxation destinations which incorporate as many standardized, developed world facilities as possible.

The interesting fact is that each of these categories has a corresponding range of impacts on the host society and destination, the more intensive effects, progressively, being felt in each category down the list.

Erik Cohen<sup>1</sup> has suggested a cognitive normal typology to describe what travel, or a visit means to different people<sup>2</sup>. Thus tourism could be :

- 1 **Recreational:** One of the commonest forms the objective of travel here is to relieve the tensions and strains of work, involves no deeper significance.
- 2 **Diversiónery:** When the visit is a true escape from the boredom and routine of home life.
- 3 **Experiential:** The tourist here is a modern pilgrim looking for authenticity in the life of other societies because he has seemingly lost it in his own.
- 4 **Experimental:** Where the tourist wants to experiment with lifestyles other than his own.
- 5 **Existential:** The type describes a tourist who actually acquires a new spiritual centre as a result of the travel experience.

A different way of looking at tourists is by analyzing them psychographically. Plag (1972) felt that psychographically all tourists can be viewed as being spread along a continuum<sup>3</sup>. At one end of the centre are *allocentric* tourists who want an independent vacation experience and at the other end are *psychocentrics* who become part of the mass tourism market. According to Plag, different type of tourists are attracted to different tourist destinations depending upon their position between the two extremes of the continuum. The new destinations generally appeal to the small number of allocentric adventurous tourists, who prefer to fit in the local culture and consequently make few demands. As the destination gains popularity, it loses its charm for the allocentric who moves away to untouched locales. The destination draws most of its tourists from the midcentric section now. As the destination gives way to larger and larger number of arrivals, it goes through another change and becomes dependent upon foreign investment and manpower. The psychocentrics now feel at home in such a place, as it offers a range of facilities and services “just like back home”, which incidentally change its identity from the natural geographic and social locales which initially lured the allocentrics.

Generalisations like these help tourism marketers to view tourism from the perspectives of both the tourists' personal motivations (what does it do for me) and the host society. There is, for example, evidence to show that the aspirations of western tourists (comprising a major chunk of tourism traffic today) may not tally with the priorities held by third world host countries for the development of their industry.

Some governments may wish to maximize income from the industry by encouraging mass tourism with a minimum of local contact (as in case of beach resorts in Mexico). Others may wish to make their tourist trade up market to gain the same benefit from a smaller number of top spending investors (as in the case of Bali) while still others may want to encourage mass tourism with maximum visitor-host interaction by encouraging the use of village accommodation and hotels.

### **The Tourism Products and the Supply Factors:**

The supply factors, as the mix of destination, facilities and services is usually called, can be broadly classified into five broad types.

- 1 Attractions** – These may be natural (land forms, flora, fauna) or man made (historic or modern) or by reason of cultural or sociological destinations (music, art, folk lore).
- 2 Transport** – Tourism growth is closely related to the supply and extent of development in transport systems. Certain third world destinations and certain locations within these countries are rendered in an advantageous position, by easy access to the world air routes.
- 3 Accommodation** – A critical component of the supply factor, accommodation can be further divided into commercial sector (hotels, guest houses, holiday camps) and private residences or even camping/canvassing sites. These are dealt with separately under the head hospitality product.
- 4 Support and auxiliary services**-Cover a large array of supporting services such as shops, restaurants, banks and medical centres. Provision in different destinations may range be on a rang of facilities.

- 5 Physical and communication infrastructure-** To make available the facilities noted above, the infrastructural requirements needed are covered under this head. Examples are roads, airports, electricity, sewage disposal and so on. These are generally provided by government because of high capital costs.

## THE HOSPITALITY PRODUCT

The hospitality products are an output of the hotel and catering industry and can be defined as the set of satisfaction and dissatisfactions that a customer receives or expect to receive from a hospitality experience. These satisfactions could be physiological, economical, social or psychological.

**Physiological satisfactions** – Satiated appetite, quenched thirst, comfortable bed and room, pleasant environment.

**Economic satisfactions** – Good value for money, speedy service, excellent location and credit facilities.

**Social satisfactions** – Enjoyable company, attentive staff and advice on selection of food and wine.

**Psychological satisfaction** – Fulfilment of needs relating to self-esteem, status and security.

The above satisfactions can be classified according to the degree to which they can be controlled by the management. Some of the dissatisfactions may be outside the direct control of the management. While factors like dirty uniform, indifferent staff, uncleaned cutlery or cramped arrangements are controllable variables, some dissatisfactions like condition of roads leading to the hospitality location, behaviour of other customers and changes and preferences of consumers are examples which are non-controllable.

**Medilik<sup>4</sup>** has identified five basic components of hotels which contribute to these satisfactions/dissatisfactions. These are:

**Location** – defines the geographical placement of a hotel in a particular village, town or city or country. Within a given area specific location defines access and convenience, freedom from noise and other disturbances, attractiveness of surroundings.

**Facilities** – include the infrastructural and recreational facilities-bedrooms, restaurants, bars, conference and committee rooms, swimming pools, gym and tennis courts.

**Services** – defined by the availability and access of particular hotel services provided through its facilities and personal as well as the quality and style of these services in terms of formality/informality, degree of personal attention, efficiency and speed.

**Image** – defined by the way the hotel is perceived by consumers at large. While image is a product of deliberate and controllable inputs like location facilities and service, it is also contributed by factors like its name, appearance, atmosphere and associations as to who stays and eats, thereby what it communicates about itself and by what people say about it.

**Price** – is an expression of the value provided by the hotel through its location, facilities, service and the satisfaction derived by the consumers from the use of the above elements of the service product.

## CORE, TANGIBLE AND AUGMENTED HOSPITALITY PRODUCTS.

While discussing the service product, we have already discussed the concepts of the core tangible and augmented product. The core product in case of an hospitality service is a fundamental benefit that the consumer receives. Hospitality products channel different core benefits to the customers; for example a hotel delivers a place to sleep or meet while restaurants satisfy the need to eat and socialise. The tangible product is the way the basic product is translated physically. In an economy range hotel, for example can define its tangible products as a 10 x 10 room with TV, telephone and a small bathroom costing Rs. 200/- per night. Augmented product is the complete product offering including the atmospherics, behaviour of the staff, décor and the accessory service like transportation to and fro, communication and secretarial assistance. While the core product offered by most hotels is the same, by differentiating augmented and tangible product levels, the service may be enhanced in cost effective ways to make it more attractive to its target markets. Differentiation and competition, therefore, takes place largely at the augmented product level. Table-10.1 below gives the various ways in which accommodation and food service products can be augmented.

**Table – 9.1 Hospitality Product Augmentation**

<b>Accomodation</b>	<b>Food and Beverage</b>
Reservation system convenience	Speed of food service
Reservation system simplicity	Ordering convenience
Acknowledgement of reservations	Telephone
Lift attendants	Advance orders
Room service	Order-taking table staff
Standard of housekeeping	Complaints procedures
Courtesy	Advance reservations
Procedures for handling overbooking	Reliability of food/beverage quality
Information service	customer advice on wines
Customer recognition	Provision of special foods
Credit provision	Cooking to order
Baggage handling	Acceptance of credit cards
Pet/child care	Variations in portions
Provision for disabled	Home deliveries

Group accommodation	Extent of non-available menu items
Discounts on club referrals, etc.	Fibre/calorie information
Cleaning/laundry	Provision of doggy-bags
Courtesy care	Function-catering facilities
Willingness to bill later	Quality of table appointments Entertainment Privacy/discretion

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**Source :** Francis and Buttle “Hotel and Food Service Marketing”.

### HOSPITALITY PRODUCTS CLASSIFIED

The diversity of establishments in the hotel sectors in respect of the facilities services and consequently prices, has proliferated a number of classifications and guiding schemes in the sector.

In countries where legal registration of hotel establishments is required, classification automatically takes place. In other countries, classifications are voluntary and are used for differentiation purposes. The major benefits of classification are the assurance of maintenance of certain safety and public health standards and simplification of marketing by managing consumer expectations. Among the most widely used classifications is the RAC classification which classifies hotels by type and awards a star rating. The higher rated hotels are presumed to incorporate the facilities of the lower rated ones. According to this classification, the hotels are classified as:

**1 star** Simple in furnishing or menus or service. May well be managed by the proprietor personally, with few employed senior staff. Usually few, if any private bathrooms.

**2 star** formal reception arrangements and more employed staff. More accommodation usually of a higher standard. Greater provision for non-resident diners, including separate toilet arrangements. Lounge service available to residents.

**3 star** small luxury hotels or larger well-appointed hotels offering a high degree of comfort. Some room service. Telephones in bedrooms. A good proportion of bedrooms with private bathrooms. Full meal facilities for residents and non-residents including chance callers, on every day of the week.

**4 star** Large hotels with a full brigade of professional staff. Reception, portage and room service at all hours. Post office, telephones in all bedrooms. A high proportion of private bathrooms. Some bedrooms with private lounges, conference and/or banqueting facilities, or recreational facilities.

**5 star** Large luxury hotels offering the highest standard of accommodation, service and comfort.

### Hospitality Marketing-Major Decisions

At the stage of designing and delivering the hospitality service, hospitality marketers are faced with the following decisions:

- What are the satisfactions that should be delivered through the product – both tangible and intangible dimensions.
- What tangible form should the product take?
- Should a single item or a line of related items be marketed?
- Whether to market the product independently or as a part of a package of travel related products or both? How to select different target segments for each of these forms?
- How to augment the product and differentiate it from its competitors?
- How to define develop promote and communicate the image and atmosphere as directed by the market positioning objective?
- How to price the product, and what importance to be assigned to prices in marketing communications?
- Whether to market services directly or indirectly or both. In international tourism the services of hotels are usually marketed through tour operators, while direct marketing may be preferred for the local customers.

### **The Travel decision**

We have, in earlier sections covered the various motivations to travel. The actual process of decision making in the tourism context is, like other service choice decision, a behavioural process whereby the prospective traveler acts on the basis of fairly limited knowledge to find the most satisfactory outcome to meet this needs. The average tourist is faced with considerable uncertainty and may only have scanty ideas about distant destinations. His evaluation of alternatives is also limited to the extent of this awareness about possible destinations. Matherson and Wall<sup>5</sup> have described five sequential steps as stages of the travel decision..

#### **These steps are:**

- 1. Travel desire:** The first step where the need to travel is felt and the pros and cons thought about.
- 2. Information Collection and Evaluation:** This stage involves the process of finding out about the trip from travel agents, books and acquaintances. Information so collected is evaluated against criteria of cost and time constraints, alternative possibilities, relative attractiveness of destinations, perceived 'safety' of the alternative destinations and so on.
- 3. Travel decisions:** This is the decision phase involving selection of destination, travel mode accommodation and activities to be undertaken.
- 4. Travel preparation and experience:** involving tickets, bookings, travel, money and documents arrangement clothing and undertaking of the travel.
- 5. Travel satisfaction evaluation :** The whole tourism expenditure is constantly evaluated before, during and after the experience and the assessment is used to influence future decisions.

Destination countries have limited opportunity to influence personal decision-making in a direct way, though the present day tourism scenario is witness to large outlays on tourism promotion but countries. Through concerted efforts involving government tourism offices airlines and travel agencies, the destination countries utilize promotional techniques to influence the critical first phase in decision making but the real challenge is in being able to clearly differentiate their tourist product from that of competition, and design marketing strategies to maximise shares in the tourism market.

### Segmentation in the Tourism Market

The tourism market can be segmented by using variables like (a) age group; (b) number of trips taken per annum/season; (c) income and education; (d) purpose of the trip. In contrast to the first three the last variable ie. purpose of the trip has been fairly extensively used by the major players in the tourism industry – hotels, tour operators and travel agents and

### SOME MAJOR TOURIST SEGMENTS AND THEIR MAIN MARKETING CHARACTERISTICS

#### *Main Tourist Segments*

Marketing Characteristics	Holiday Tourists	Business Tourists	Common interest / tourists
1. Typical Destination	Resort-orientated	Big City	Visit friends, relatives education, pilgrimage
2. Seasonality	High, marketing mix can assist however in spreading demand levels	No seasonality	Partial seasonality
3. Length of Stay	Could be influenced by promotion/communication	Normally short and cannot be prolonged be advertising	Prefer long stay. This will be prolonged if the costs of additional stay are 'reasonable'
4. Mode of Transport	Varied mode(s) transport. Time spent on the way to destinations is part of the holiday or package	Airplane invariably. Objective is to reach the destination as soon as possible	The cheapest mode of transport
5. Hotel Accommodation User	Yes. Normally rather stops at un-expensive hotels	Yes, normally expensive hotels	Only to a very limited degree.
6. Requires Entertainment	Very much so. Normally the entertainment is part of the tourist package	Yes, but to limited degree	No.
7. Price Sensitivity	Very sensitive (high price elasticity of demand)	low price elasticity of demand	Sensitive
8. Role of Advertising/ Marketing Communication	Very important	Rather limited	Quite Important particularly sales Promotions are important
9. Tour Package (s) Importance	Of great interest and at all demand	Of no appeal	Limited appeal

**Source:** Meidan A "The Marketing of Tourism in Marketing in Service Industries Ed Lovelock Prentice Hall Englewood Cliffs N.J.

airlines. Using this criterion segments have been identified as travel for business, vacation, convention, personal emergencies, visits to relatives and other types. The different elements in the tourism marketing mix are then tailored to suit the different demand elasticities of these segments. The following table gives an idea of the tourism market as segmented by purpose of travel, along with their major market characteristics. (Table 10.2) other bases sometimes used to segment Tourism Market are

- a) **Benefit Segmentation** : Based on the realization that different tourists seek different benefits from the tourism experience, benefit segmentation consists in identifying the benefits that the tourists might be looking for in a given product class, identifying the kind of tourist who might be looking for each benefit and defining the tourist destinations which come closest to delivering each benefit. The objective here is to find sizable groups of people all seeking same benefits from a tourism product. One different benefit segments have been identified and grouped, each segment can then be measured in terms of volume of consumption, frequency of consumption and possible growth prospects.
- b) **Psychographic Segmentation** : Using lifestyle and personality variations among consumers, psychographic segmentation seeks to determine variance in consumer demand for tourism and then tailor or package the product to these demands. For example, travel agencies and tour operators market differently to ordinary families seeking a relatively cheap summer holiday than to swingers (young unmarried, fun-loving people seeking 'up-to-date' destinations and hedonistic living)
- c) **Distance travelled** : As a generalization, long distance travellers comprise the larger and more profitable segment in the tourism market while nearer travellers may be seen as representing the low margin high traffic consumer groups. Marketers depending upon their marketing objectives and the need to balance margins and volumes, use differential marketing mixes to attract both segments.

## THE TRAVEL AGENT AND TOUR OPERATORS.

From the early days of establishment of Thomas Cook, travel agents and tour operators have come to play a progressively important role in the manufacturing and distribution chain of the travel industry. The unique role of these organizations lies in their ability to determine the countries in which the other two major players in the tourism industry, the airlines and the hotels, need to market their products. However, like most services, the tourism product is highly intangible and extremely vulnerable to international fluctuations in supply and demand, is virtually impossible to brand and is in an expensive category of services. To add to the complexity of the tourism marketing situation, the product often exists in another country and is not under the control of the distributor i.e., the agents and operators. In this context, it is better to make a finer distinction. Travel agents, and operators, while distributing the service products of other participants in the tourism product delivery systems, also market their own services, create client awareness and provide care oriented service packages to their customers.

Achievement of these objectives, for both travel agents and tour operators presupposes heavy promotional expenditure and managing world wide representation. Travel agents and operators have been able to create a service opportunity for themselves because most people traveling



abroad (and domestically, for leisure or business) do not have the time, information or the experience to make the “product choice” by themselves. Holidays and travel therefore can be categorized as a high advice product. Technology can take over supply of low advice products like ticket transactions, price and timing information but the actual exchange of informations and advice required while buying a trip can only come from person to person interaction. While technology can be and is applied to give more complete information, for example by video and computerized data, the travel agent and the tour operators will always remain the important personal link between the tourism product and the purchasers.

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## MARKETING STRATEGIES FOR THE TOURISM MARKET

The basic objectives of tourism strategy, just like in any other marketing-endeavour are to match the firm's strength with market opportunities, to avoid environmental and competitive threats and to overcome weaknesses in operations and organisation.

The main steps in the tourism marketing strategy are (a) definition of the needs of the potential tourists and their possible destinations; (b) segmenting the market according to the type of need the firms wants to or is able to satisfy; (c) defining environmental constraints and competitive scene; (d) formulating marketing objectives and allocating marketing resources in terms of designing the tourism product, pricing it, communicating and organising its delivery.

The main strategies followed by tourism firm can be classified as growth strategies (where the main objective is related to a certain pattern of market growth ) or competitive strategies (comprising strategies which focus on the firms competitive market position and its enhancement).

Some basic strategies for tourism marketers are

**Market Penetration Strategy** : Utilised primarily by newer entrants in the tourism market, their strategy entails building a foothold in the market through certain a differential advantage in pricing or promotion or both; or finding a specific niche by identifying a specific destination or package with a specific need segment.

**Market Extension Strategy** : The strategy entails reaching new types of tourists through modification of existing tourist products, by planning in advance the launch of a new product, managing the life cycle stages of a tourist product (i.e., extending or stretching the life cycle stages of a tourist destination or a package).

**Market Development Strategy** : The tourist firm here seeks new classes of tourists for its products or would add salient product characteristics to the existing offer. The objective is to widen the appeal to cater to tourist segments which the firm has not been catering to earlier. The strategy may be either to add the new segments to the existing ones or to replace the present segments over a period of time, with more profitable or high growth segments by revamping the basic appeals used.

Product differentiation and product reformulation strategies are also being utilized in the tourism market. The former is achieved by offering different combinations or differentiated product features to different market segments. The differentiation may be at the basic service benefit level or at the tangible or augmented service level. At a different level some tourism firms may follow market creation strategy, by seeking to convert non – tourists into tourists, or by creating new tourist products.

Median and Lee<sup>6</sup> in their studies on tourism marketing have suggested that the selection of strategy in this industry would depend upon four factors. These are:

- a) The size of the segment
- b) Tourists' sensitivity to differences between the product packages and product components.
- c) The distinctiveness of the tourist establishments i.e., hotels, travel agents and tour operators.
- d) competitors' marketing strategies.

## SUMMARY

The consumer spending on tourism today exceeds that for health care, or for military purposes, Yet this high growth industry suffers from a lack of planned development, and application of marketing principles as far as consumer need identification and designing a product in response to these needs is concerned. What is needed, is a strong marketing orientation so that the potential of this high growth industry can be gainfully exploited from the point of view of the host society and firms engaged in tourism marketing.

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## Chapter 10

# MANAGEMENT AND MARKETING OF TOURISM IN INDIA\*

## INTRODUCTION

Tourism has emerged as the single highest net foreign exchange earning industry in India. In 1989, a record number of over 1.3 million international tourists visited the country and their number is estimated to go up to 2.5 million by 1995! In relative terms, our share in the global tourism industry, however, continues to be pitifully lower than one-half of a percent. This is deplorable, particularly in view of the inexhaustible and unique blend of historical, cultural and geographical tourism resource in existence in the country, and also the fact that India was the first Asian country to promote tourism in a professional manner in the early 50s.

The task involved in tourism management has of late, become more challenging for India, due to many more countries and tourism suppliers (i.e., hotels, airlines, travel agencies, tour operators, etc.) taking keen interest in it also the changing expectation and preferences of the customer who is now more informed and choosy. This applies equally to domestic tourism as well.

### Role in Economic Development

Tourism is a catalyst for stimulating economic, social and cultural activities. The money spent by tourists tends to percolate through many levels and has a multiplier effect. This has been confirmed by case studies of the real economic benefits conducted by the European Community, Kenya, Srilanka and the Bahamas.

The development of a tourist circuit results in the development of the hinterland too, from which the entire community benefits. Khajuraho could be mentioned as an example of transformation from a sleepy village to a thriving township, on this point.

Tourism carries great potential for generating direct employment and offers opportunities for self-employment.

Interacting closely with nation-building objectives, tourism acts as a positive force to stimulate economic development, to foster national integration, and to bring people and culture of different nations closer. As our first Prime Minister Jawaharlal Nehru said, "we must welcome the friendly visitor from abroad not only for economic reasons but even more because this leads to greater understanding and mutual appreciation."

### Marketing for Tourism

Tourism, basically, is an infrastructure based service product. The nature of the service marketed being highly intangible and perishable offers a limited scope for creating and maintaining the distinctive competitive edge. It is here that systematic marketing holds the key to bringing back the guest as a friend as also in getting the best out of the existing tourism resource.

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Effective marketing of tourism needs constant gearing up of the infrastructure to international standards and presupposes its coordination with the tourism suppliers. In strategic terms, it calls for the adoption of an integrated approach to management and marketing tourism. And, in operational terms, it means the implementation of a better defined, better targeted market driven strategy for realising the planned societal goals as well as that of the supplier organisations.

## THE CURRENT SITUATION

Tourism has been a late starter in 'India'. Though the Government of India initiated efforts in its development in the mid-50s, it is only in the last 10 years that sustained efforts have been put in to strengthen this industry.

The year 1986 was the first year when the international tourist arrival crossed the one million mark in India. Between then and 1990, the average annual growth rate has been around 11 percent. This seems to be in line with a spurt in the total number of international arrivals in East Asia and the Pacific at 11.2 percent. Given the limited airline capacities and the infrastructural inadequacies, in India, it will be realistic to assume a growth target of about 9 percent for the next five years.

The foreign exchange earnings from tourism registered a growth rate of 17 percent per annum during the period 1984-85 to 1986-87. The earnings during 1987-88 were Rs. 1890 crore thus making tourism the highest net foreign exchange earner in the country for the year.

It is interesting to note from the studies of the World Tourism Organisation that the expenditure of a foreign tourist in India is high, at about US \$ 1000 against the average of US \$ 675 in South Asia in 1988. Based on the projected tourist arrivals and the estimated expenditure, this foreign exchange earning is projected at Rs. 4000 crore by 2000 A.D. at 1986-87 prices.

Western Europe, North America and West Asia are the major contributors to tourist arrivals in India. The market share of the tourists from United States to India, however, has gone down sharply from 20.9 percent in 1970 to 11.6 percent in 1987.

According to a study conducted by the National Committee on Tourism in terms of economic significance, the average per capita expense of the West Asia tourist far exceeded the rest<sup>1</sup>. The other nationalities whose average expenditure (excluding international air fares) is greater than the average are United Kingdom, Japan, United States and Canada. Of these, the Japanese tourist stayed for a shorter duration but spent much more for every day of stay in the country.

It has been found that the non-package tourists, spent major part of their tour budget on accommodation and food and about 25 percent on shopping. However, package tourists spent nearly 65 percent of their budgets on shopping.

An analysis of the aggregated figures on tourism receipts indicate that the proportion of high spenders among foreign tourists has fallen in recent years and that of low budget tourists has increased.

Sight-seeing, business or official trips and visiting friends and relatives constitutes the main purpose of visit to India by as many as 75 percent of the tourists. Pilgrimage, archaeology, hill and beach resorts, and reports and cultural events were yet to attract sizable tourists.

According to the report of the Working Group on Tourism, the total employment in tourism during 1984-85 was estimated to be over 4 million<sup>2</sup>. Based on the tourist arrival projections it should have been 5.5 million in 1988-89, and is likely to be 9 million by 1994-95.

### **India: Perceptions of Tourists in Asia<sup>3</sup> (*Time's Survey Findings*)**

The following are the major findings of Time's Survey conducted among 9.157 of the magazine's subscribers in 11 Asian countries. The survey conducted in 1990, evaluated attitudes and opinions of 38 countries' products and tourism industries and 199 of the world's leading companies. It also evaluated the respondents' impressions of the countries as possible tourist destinations.

#### **Findings**

Unfortunately, rated among other Asian nations, India does not fare very favourably. The 12 countries rated by the respondents were : India, Peoples' Republic of China, Thailand, Japan, Indonesia, South Korea, Malaysia, Philippines, Taiwan, Pakistan, Singapore and Hong Kong. And respondents were asked to rate these against four statements.

It is rich in 'culture' – India romped to the top spot, with a whopping 71 percent of the respondents rating for the country. And though the Peoples' Republic of China came of close second (with 68 percent), the others were left far behind. Strangely, Indonesia notched up only 40 percent support in spite of the country's rich cultural heritage. Not surprisingly, the bottom end of the list saw countries like Hong Kong (8 percent), Singapore (9 percent) and Pakistan (12 percent). At the other end, following India and China were Thailand (57 percent), Japan (55 percent), Indonesia (40 percent), South Korea (30 percent), Malaysia (25 percent), Philippines (19 percent) and Taiwan (18 percent).

'The people are pleasant and warm'. India, unfortunately ends up low on the list. With a mere 17 percent of respondents voting for India on this count, the country ends up just four spots higher than bottom-ranker Pakistan (6 percent). Thailand with a score of 57 percent is very much on the top and leads the pack by a large margin. Second ranker Philippines is 20 points lower with 37 percent. There's a cluster at that level with Japan, Singapore and Malaysia in hot pursuit with scores ranging between 32 and 35 percent. Indonesia follows that cluster with 27 percent, Taiwan with 26 percent and South Korea with 23 percent. India, China, Hong Kong and Pakistan bring up the rear.

'There's excellent shopping for visitors'. India's again a backbencher here. With only 13 percent, it is only marginally higher than China and Indonesia (10 percent). It's no surprise that Hong Kong-the shopper's paradise-is the topper on the list, with a massive 79 percent tally. Singapore is close behind with 71 percent but third-ranker. Thailand lags behind by a few laps at least. Taiwan and South Korea (36 and 34 percent, respectively) almost tie for the fourth place, followed by a cluster-Japan, Malaysia and the Philippines (with scores ranging between 24 and 27 percent). Pakistan fares the worst with a paltry 3 percent.

'I would get good value for money if I were to visit it now'. Good news for India. Tying with Philippines, China and Singapore, India at the fourth spot fares much better on this count. And scores higher than even Japan (16 percent) and Taiwan (22 percent). Thailand's the topper again here. With 53 percent, it leads the pack with a decisive margin. Hong Kong at second spot is just 41 percent. While Malaysia is at No. 3 with 37 percent.

While the Time survey findings show that India is attractive both economically and culturally to those surveyed, it still appears to lack familiarity throughout the region. Considered to be the culturally richest nation in Asia, India nonetheless has only been visited by a very small portion of the respondents. Perhaps these are indications that the country needs to increase regional awareness and familiarity with other nation so as to encourage incoming visitors. Meanwhile, regional perceptions of the Indian government continue to be dismal. Consider the following:

- India is among the countries offering the poorest trading opportunities (scoring just 26 percent) compared with Taiwan's 60 percent.
- It fares abysmally when it comes to the ease of doing business in India. Getting a paltry 8 percent votes in favour, India ranks marginally higher than Pakistan (3 percent). Singapore is the topper here scoring 59 percent.
- In terms of encouraging foreign investment, India is again among the lowest scores, emerging third from the bottom end with a score of 27 per cent. In contrast, Thailand scores 65 percent.
- The country fares slightly better when it comes to the question of whether it is becoming more open to change. With a score of 32 percent, India is fifth among 11 countries, while top-ranker Taiwan has a tally of 46 percent.

So the writing on the wall is clear. India will have to increase awareness about itself among its Asian neighbours. Both for projecting itself as a good place to do business in, as well as an attraction for tourists.

## **TOURISM MARKETING AUDIT**

Tourism is a multi-sectoral industry and infrastructure comprises of diverse and wide ranging activities. Given its crucial role in the economic development, the question is no more as to how much and what sort of tourism should India cater to, rather it is how well can we manage tourism given the unparalleled tourist attractions and resources-both natural and manmade in existence in India. Over a period of time, international tourism has emerged as a highly competitive business. Given our present position, it needs a serious introspection for enabling a strategic tourism plan to be formulated. Following the framework of the Porter's diamond on the Competitive Advantage of Nations, given below is listing of factors that need a comprehensive audit so far as our capabilities and limitations are concerned<sup>4</sup>. It is hoped that such an audit will pave the way for proper positioning of Indian tourism and help bring in an appropriate tourism policy, and the much needed integration among tourism suppliers.

### **I Factor Conditions**

What kind of selective factor advantage can Indian tourism offer on the following:

1. Natural Resources such as
  - i) Climate: temperature, snow, sunny days, and rains.
  - ii) Natural Beauty: land forms, hills, rocks, terrain and scenic charms.

- iii) Water: lakes, ponds, river falls, springs and beaches.
  - iv) Flora and fauna: hunting, fishing, natural parks-wild life, sanctuaries, safari, and sikar.
2. Infrastructure, such as
- i) Water supply system; sewage and disposable system; drainage system; high-ways; road drives and parking lots.
  - ii) Parks, night lighting, airport runways and landing facilities.
  - iii) Access Drives-airport, marine and dock facilities, bus and train station facilities, and railway lines.
3. Knowledge Support, comprising of availability of professionally qualified and trained personnel for managing tourism supply organizations as well as the tourists.
4. Super-structure, covering hotels and catering institutions; places of entertainment; historical monuments; tourism organizations for water sports, mountain climbing and hiking, hunting etc.; financial institutions-banks and insurance; telecommunication; shopping centres; and the media.
5. Cultural Resources, such as history, architecture, fine arts, music, dancing, theatre, galleries, literature, zoological and botanical gardens.

## II Demand Conditions

What constitutes the Indian tourism demand determinants and how has India been responding to emerging preferences of tourists.

### 1. Market Size

- i) While the World Tourism Organisation estimates 450 million world tourism arrivals in 1991, what restricts India's share in it to be less than 0.5 per cent?
- ii) In order to reap higher rates of growth as well as provide sustenance to expensive tourism infrastructure, will the boost in domestic tourism help a great deal?

2 . A distinct change in the preference for tourism products is being noticed., along with his becoming more demanding and choosy. Can we anticipate the chaning behaviour and prepare ourselves for a proactive or timely response?

3 . A segmentation approach to tourism market demand carries the potential of suggesting promotion of new tourism circuits as well as strengthening the existing ones besides providing a lead for developing innovative products. What basis of segmentation can we profitably use?

4. How integrative and responsive has been our approach to tourism marketing in India especially with regard to attracting first time tourists and repeat tourism to India.

### III Related And Supporting Industries

Tourism being a multi-sector service product, is highly dependent upon the growth in the related and supporting industries. How competitive is India at the international level on the following:

- a) Guiding services and time-table publications
- b) Bus, coach, car hire and taxi services
- c) Conference and convention suppliers
- d) Food and beverage suppliers and their standards
- e) Travel agency and tour operators availability, services-mix and image
- f) Education and training institutions for hospitality services
- g) Other up-stream and down-stream support industries including gifts, souvenirs, publicity and sales promotion item suppliers.

### IV Tourism Firm Strategy, Structure And Rivalry

The marketing audit should focus on:

- a) managerial attitudes to offering superior service quality and not 'Chalta Hai' as well as boosting India's image abroad;
- b) corporate goals and planning sophistication reflected in success measurement in tourism services; perceptions regarding gestation period; pursuit of market segmentation strategy; and in attaining and sustaining competitive edges;
- c) how do tourism firms compete; how dynamic is competition and how fair are the approaches to keep ahead of the others; and what do the firms do when their survival gets threatened;
- d) what is the state of new business formations in the tourism sector; what kinds of spin-offs in consultancy, exports and vertical integrations are the rule rather than the exception and last but not the least;
- e) to what extent is the national tourism policy reflected in the corporate marketing strategies of tourism supplier firms.

### Findings of the Study by the International Management Institute

Applying Porter's framework with a view to examining the marketing orientation in the hospitality service firms and studying their perceptions on tourism in India, two exploratory studies were conducted by IMI. The major macro-level findings were:

- Tourism has not been taken seriously in India. Nothing else could explain the lack of coordination between the principal constituents of the tourism system.



- India has been insensitive to the changing preferences of the international tourist, otherwise it could not have neglected the holiday market, short-haul regional tourism or the special interest tourism.
- India lacks impactful promotion in tourist generating countries, and its tourist promotion offices are inadequately equipped. For instance, while the Asia-Pacific rim holds a great deal of promise for inbound tourism and countries like Indonesia, Malaysia, Singapore, Taiwan, Korea and Japan are experiencing tremendous growth, India has so far failed to exploit this opportunity.

The select findings of the study on marketing orientation in the hospitality service firms were as follows.

- While the firms surveyed felt the need to become marketing oriented and had initiated steps in this regard, they stated that they will have to become much more marketing oriented in the immediate future; and their operations and marketing personnel will have to work more closely than in the past.
- Marketing until recently meant to them sales through public relations and advertising; and through discounts, where-ever necessary.
- "Operations" followed by "Finance" dominated the management orientation in the surveyed firms.
- Growth in competition has only recently resulted in the use of concepts such as market segmentation, and modification/enlargement of the services-mix.
- Internal marketing and HRD were now getting more emphasis in management of hospitality services than before.
- Prevailing uncertainty in foreign tourist arrivals in India has made some of the responding firms to take a fresh look at their strategy, and modify their marketing mix for more stable revenue earnings.
- Marketing research is yet to move beyond the feasibility study stage among the firms surveyed. Firm-level product-market and segment-research studies and image-checks on a regular basis were a rare occurrence.
- Of late, emphasis was laid on collection of competitive intelligence in a formal and organized manner. Such data had, however, yet to be aggregatively analysed at the head office and used for decision-making.
- There was a quantum increase in the customer service satisfaction promises being made. But quality of customer service provided left enormous room for meeting expectations.
- Direct marketing is their new fascination. But the data base continued to be old and obsolete, and needed refinement as well as strengthening.
- Budgets for sales and marketing at the unit/branch level were common and like wise were the annual plans at the regional/ HQ level.

Formal long term marketing planning was of very recent origin in the firms surveyed. Generally speaking, their long-term marketing plans lacked on account of the following:

- No goal quantification: particularly product-wise and market-wise.
- No product/market/seasonal goal and activity planning was being undertaken.
- Customer-mix analysis and use of models for integrating the various promotional-mix elements and yield planning were yet to be regularly adopted.

So long as the state of the art on marketing continues to be the one as described above, the hospitality service firms will continue to be governed and managed by *ad hoc* marketing approaches.

## **MARKETING INDIA ABROAD**

India was the first Asian country to promote tourism in a professional manner. This was in the early 50s. Other nations entered the field much later. Despite that they have fast overtaken us.

The political and communal situation in 1990 hit the tourist arrivals in India, and there was a 0.7 per cent slump as compared with the previous year. To make matters worse for 1991, The Visit India Year, the Gulf crisis and more recently the kidnapping and maltreatment of foreign tourists has pushed our image further down. Tourism thrives as good word is spread, and can easily collapse also if wrong impression goes around. A tourist is a difficult person to woo but can run away easily at the smallest pretext.

### **Perceptions of Inbound Tourists about India**

With a view to study the perceptions of inbound tourists about India, foreign tourists were surveyed in Delhi during January-March 1991. This exploratory study was conducted by IMI and the tourists covered came from United States of America, Canada, Australia, Newzealand, United Kingdom, Germany and other parts of Asia, Africa, Latin America and Europe. The respondents surveyed belonged to the categories of free individual travelers as well as group travelers, and were primarily on 'leisure' or 'business' trips. Their major perceptions on some of the aspects covered in our survey were as under:

- Most of the visiting tourists had learnt about India through acquaintances. They stated that their itinerary was mainly planned both with the help of their travel agents as well as outdated tourists guide books on India available in their country.
- Almost one third of the tourists had to make changes in their itinerary after arriving in India. A large majority of them felt that had they got adequate information on the attractions in India they would not have had to make these changes.
- More than 40 percent of the tourists came to India with the image of a poor and heavily populated country, while 30 percent thought that they were coming to a beautiful country. Thus there seems to be a very diverse perception of India abroad.

The Germans and Americans were very prominent amongst those who perceived India as a beautiful country whereas the image of India with the rest of tourists from Europe was that of a poor and heavily populated country.

- Jaipur, Goa, Agra, Jim Corbett Park, Khajuraho and Ranthambore emerged as the most popular tourist destinations. All the tourists were very unhappy about the fact that they could not visit Kashmir. The opportunity of being able to visit so many diverse places emerged as the most memorable event for almost 50 per cent of the tourists.
- The opportunity of experiencing Indian festivals such as Holi came out as the overall second most memorable event.
- A significant per cent of the tourists felt that the helpful, friendly Indians they met was by itself very memorable.
- The transport sector (Indian Airlines, Indian Railways and Roadways) lacked adequate availability and courtesy to tourists.
- Inefficient and time consuming procedures at Immigration as well as Customs were rated as the most irksome as they compared these with international standards.
- Beggars and peddlers came out as the biggest irritants by more than 60 per cent of the tourists. India's large population and dirt emerged as the second major irritants faced in India.
- The 1967 'Impala' emerged as the car which would best describe India. An Impala could be described as an old, large, noisy, gas guzzler, with an ability to carry a large number of people. A 'Truck' emerged as the second choice.

### **Need for Focussed and Intensive Tourism Promotion**

Promotion of the right image of India abroad is a prerequisite of effective tourism marketing. We must correct India's image of a nation in permanent crisis; a nation plagued with maladies of poverty; of the society based on a rigid caste system; a land of snake charmers, sadhus and gurus; and a nation swathed in tons of red-tape and trapped in a time-wrap of its own making. The Festival of India programmes may have bolstered India's conventional exotic and mystic image but has failed to project its technological achievements<sup>5</sup>

In fact, India does not seem to have aggressively marked itself abroad so far. Such a programme will first require the development of an integrated promotion programme with a clear focus on a target market segment determination of promotion objectives, and the development of a detailed promotion and public relations strategy<sup>6</sup>.

Market research studies covering areas such as what motivates tourists to travel and what are their current perceptions of India; what percent of tourists are aware of India and what other nations compete with us on tourist motivation; How can India be positively known to more and what kind of inhibitions, apprehensions and appreciation, different target segments possess about India; and how distinct is the personality profile, recreation behaviour and motivational features of first time tourists to India versus repeat tourists to India; how well does India's tourism infrastructure match with their expectations, must augment tourism planning effort.

For example, if India would like to attract the Japanese tourist, she would have to launch an integrated promotion campaign in Japan and work towards a tie-up with airlines and gearing up of infrastructure. Simultaneously, its hotel and tour operators must initiate steps such as provision of

safety precautions (in Japanese language); Japanese newspapers, magazines and films; Japanese food and cuisine; golf courses; hard beds, Japanese speaking staff, and their preferred brands of articles to mention a few, for the Japanese tourist wants many things other than his *tea* and *sushi*.

### **Reorient the India Awareness Programme**

There is an urgent need to reorient the India Awareness Programme. Such an effort should *inter alia* include:

- More active role of Indian Embassies and High Commissions in tourism promotion as well as timely press releases to correct the prevailing image of India. Their staff needs to be courteous, and should take more interest in tourists intending to visit India. As far as possible, our Embassies and High Commissions should present the ambience of our cultural heritage.
- Printing and dissemination of cultural maps of India highlighting our unique seasons and strengths of our cultural, religious and architectural heritage-the pot pourie and mixture of Dravidian, Aryan, Greek, Mongol, Persian, Turkish, Portuguese, French and British, cultures, not to omit the scenic and adventurous charms of India,
- Promotion of exclusive themes such as Dress Experience, Royal Experience, etc.
- Innovative public relations programme comprising of regular coverage of India in the foreign press, publication of informative newsletters, press parties of travel writers and tour operators, invitation to foreign advertisement film makers, distribution of comprehensive and attractive theme based brochures on India in multiple languages, and screening of video film, covering do's and don'ts to visiting tourists and highlighting the niceties of India.
- Event marketing of special festivals, national days, regional festivals along with specially created souvenirs.

### **THE CHALLENGE**

In order to harness the available potential, the areas that need immediate and sustained attention are given as under:

- Formulation of a strategic marketing plan with a focus on a select number of tourist generating sources as out-thrust centres. In these centres, the use of planned and aggressive promotion and public relations exercises be carried out including the use of electronic media and direct marketing approaches. Streamlining of the quality of publication and distribution of brochures, folders, posters etc., is also needed.
- Exploration and development of new tourist generating markets with integrated and aggressive marketing in foreign countries. High priority needs to be accorded to tourism diversification in terms of development of beach resorts, amusement parks, health farms, wild life and natural tourism centres, adventure tourism – mountaineering, trekking, etc., to cater to the growing preferences of international tourists.

- Tourism as a product requires continuous updating and modernization. We must, therefore, strive to make India a destination for tourists to visit again, and hence look beyond the triangular circuits of Delhi-Jaipur-Agra and Bhubaneswar, Konark-Puri and likewise Bombay and Goa. Work on new circuits like Shekhawati - Rajasthan; Orcha-Jhansi; Chittrakot-Khajuraho; Rajpur-Kanha, and the Jasmine tours of the sunny south and relatively lesser known stations such as Daman, Kumarsain, Alakananda, Kaziranga, Ranthambhor and Ganapatipule need more integration and promotional punch.
- Advance preparation and integrated planning is needed before Visit India Years are announced so that we have not to be content with the belated awakening and mobilization of interest on the part of government bodies and tourism suppliers.
- Given the continental dimensions of India, domestic tourism must also be seriously promoted for proper utilization of the infrastructure required for tourism. This will include establishment of budget hotels, inns, Yatrinivas, hygienic, nutritious and economical food shops.
- Each tourist place should have the foods of their own distinctions. Provision of refrigerated vans and storehouses would greatly help in this direction.
- According to the Working Group on Tourism, India will need an additional 30,000 rooms in the approved sector during 1990-95, for which the State Governments must come forward and make the sites available. Accommodation facilities for middle and low income foreign tourist and domestic tourists need systematic planning. Linking of tourists centres with tourist trunk routes and the development of telecom services are the other associated areas that need priority. It is heartening to note that the Government is thinking in terms of provision of special hotel sites and their promotion in terms of 100% E.O.U.s, as well as the encouragement to foreign hotel chains to operate in India.
- Provision of adequate availability of air-conditioned coaches and cars, and improvement in the physical conditions of taxis deserve action. Expansion of rent a car facilities, posting of road-signs and availability of quality road maps would be a useful assistance.
- User-friendly infrastructure including air transport, the fleet, reliable flight schedules and punctuality, network, safety, courteous service and comfortable facilities at the airport need gearing up. Air-taxis and charters need substantial expansion.
- Streamlining of visa policy, facilitation at the airports, manning of immigrations and customs with suitably qualified personnel and a change in their attitudes towards making the tourist comfortable will earn us a lot of good will.
- Safety of the tourist especially at major tourist centres has emerged as yet another area requiring immediate and effective action.
- Greater role of privatization is required in the operational aspects of tourism, be it hotels or transport services as the public sector has generally come out to be less efficient in the these areas. The purpose and role of ITDC deserves a fresh look.

- In addition to revamping the macro marketing strategy for tourism in India, there is an urgent need to systematize marketing at the firm level with tourism suppliers. After all, infrastructural inadequacies do not justify neglect of customer satisfaction or going slow on marketing. IMI's survey on marketing orientation of Hospitality Services Firms revealed:

Some of the hotels and travel agents who have organized their marketing function somewhat better had shown improved results, won customer loyalty and built a better image, notwithstanding the bulk of the problems facing tourism in India, most of which in any case were outside the control of a single tourist supplier. Internal marketing and development of human resource needed further strengthening in them, for a smile in the front office of an hotel, airline or a travel agent could not alone solve the problems at the back office.

### **SUMMING UP**

Effective marketing and management of tourism needs a change in orientation and implementation of a better defined, better targetted market driven strategy. Right priority in its development at the level of the Central and State Governments, coordination between various Government organizations and the tourism suppliers, and the permeation of the marketing philosophy throughout the tourism system, could give us the planned results. And, more importantly, the political and economic will. If Srilanka, Thailand, Indonesia, Malaysia, Singapore could do it, why not India? Will we measure up?

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Table 10.1

## Region-wise tourist arrivals and tourism receipts

Region	Tourist Arrivals (000 Nos.)	Tourism Receipts (Million US \$)
Africa	8,883 (2.6)	3,131 (2.4)
North America	41,019 (12.1)	16,787 (13.1)
Central & South America	21,415 (6.3)	12,213 (9.6)
East Asia & the Pacific	29,891 (8.8)	14,061 (11.0)
West Europe	189,636 (55.7)	74,491 (58.3)
East Europe	39,945 (11.7)	1,542 (1.2)
Middle East	6,833 (2.0)	3,813 (3.0)
South Asia	2,729 (0.8)	1,790 (1.4)
Total	340,351 (100.0)	127,828 (100.0)

(Figures in bracket give percentage of total)

Source: Data Bank, The Economic Times.

Table 10.2

## A comparison of world tourist arrivals with Indian tourism

Year	World Tourist Arrivals		Tourist Arrivals in India		% Share of India
	Million Number	Index 1971=100	Number	Index 1971=100	
1960	69.3	100.0	123,095	100.00	0.18
1970	159.7	230.4	280,821	228.1	0.18
1980	284.8	411.0	800,150	650.0	0.28
1981	285.1	411.4	853,148	693.1	0.30
1982	286.7	413.7	860,178	698.8	0.30
1983	292.4	421.9	884,731	718.7	0.30
1984	319.0	460.3	835,503	678.7	0.26
1985	332.9	480.4	836,908	678.7	0.26
1986	340.4	491.2	1,080,050	877.4	0.32
1987	355.0	512.3	1,163,774	945.4	0.33
1989			1,337,232		
1990			1,327,598		

Source: Data Bank, The Economic Times.

Table 10.3

## Foreign tourist arrivals in India, including the nationals of Pakistan and Bangladesh

Year	Arrivals	% Change
1981	1,279,210	
1982	1,288,162	0.7
1983	1,304,976	1.3
1984	1,193,752	8.5
1985	1,259,384	5.5
1986	1,451,076	15.2
1987	1,484,290	2.3

Table 10.4 (a)

## Foreign tourists visiting india

Country of nationality	1991	1990	1989	1980	1971
	000s				
Afghanistan	25.3	20.5	23.4	10.8	6.2
Australia	22.7	30.1	30.4	22.6	10.9
Austria	9.9	10.3	9.8	7.2	1.8
Canada	36.1	41.0	40.3	23.8	7.0
France	69.3	79.5	78.0	58.7	16.8
Germany (W)	72.0	71.4	78.8	54.7	17.9
Iran	20.0	22.7	19.4	20.9	2.8
Italy	41.1	49.2	50.8	29.0	6.0
Japan	46.7	59.1	58.7	30.6	11.6
Kenya	13.8	13.8	12.5	6.6	6.6
Malaysia	30.6	34.3	33.1	26.4	17.8
Netherlands	19.8	24.4	22.7	11.2	3.7
Saudi Arabia	21.1	17.3	19.6	23.5	0.9
Singapore	28.4	32.6	29.4	16.6	7.6
Spain	13.6	18.6	20.0	11.4	1.1
Sri Lanka	70.1	68.4	67.7	68.4	16.6
Sweden	10.6	13.3	12.8	7.1	2.8
Switzerland	29.2	32.4	32.0	13.3	5.4
Thailand	11.4	11.9	10.6	10.9	3.4
U.K	212.1	235.2	229.5	102.5	40.0
U.S.A.	117.3	125.3	134.3	78.6	55.0
U.S.S.R.	32.4	37.7	36.9	11.0	3.5
Total (incl.others)	1,677.5	1,707.2	1,736.1	800.2*	301.0*
Foreign exchange earnings (Rs. crores)	3,300	2,444	2,456	1,166	45

\*Excluding Bangladesh and Pakistan.

† Relates to financial years.

Source: Statistical out-line of India (92-93) Tata Services Limited, Bombay.



Table 10.4 (b)

## Tourist arrivals from important markets

Market	1970	1975	1980	1985	1987
United Kingdom	43,212 (15.4)	68,848 (14.8)	102,483 (12.8)	119,544 (14.3)	166,390 (14.3)
France	16,832 (6.0)	30,192 (6.5)	58,682 (7.3)	44,091 (5.3)	64,432 (5.5)
Rest of W. Europe	29,130 (10.4)	60,185 (12.9)	101,931 (12.7)	96,983 (11.6)	154,825 (13.3)
West Germany	16,279 (5.9)	30,818 (6.6)	54,736 (6.8)	44,790 (5.4)	70,697 (6.1)
East Europe (Incl. USSR)	6,501 (2.3)	17,262 (3.7)	20,362 (2.5)	28,774 (3.4)	47,154 (4.1)
West Asia	12,170 (4.3)	24,567 (5.3)	38,801 (4.8)	90,820 (10.8)	121,952 (10.5)
S.E. Asia	20,009 (7.1)	36,388 (7.8)	78,106 (9.8)	54,663 (6.5)	71,987 (6.2)
Japan	9,432 (3.4)	20,050 (4.3)	30,575 (3.9)	30,573 (3.6)	46,240 (4.0)
U.S.A.	58,793 (20.9)	54,771 (11.8)	78,608 (9.8)	95,920 (11.5)	134,876 (11.6)
Canada	7,028 (2.5)	13,352 (2.9)	23,783 (3.0)	29,022 (2.6)	37,677 (3.2)
Australia	11,901 (4.2)	17,439 (3.8)	22,630 (2.8)	22,047 (2.6)	32,883 (2.8)
Rest of the world	49,563 (17.6)	91,403 (19.6)	189,453 (23.8)	179,681 (21.5)	214,461 (18.4)
Total	280,821 (100.0)	465,275 (100.0)	800,150 (100.0)	836,908 (100.0)	1,163,774 (100.0)

Source: Data Bank, The Economic Times.

Table 10.5

Average duration of stay and expenditure of foreign tourists  
according to different nationalities

Country/Region	Average duration of stay in days	Total expenditure per tourist in rupees	Expenditure per day per tourist in rupees
1. United Kingdom	26.9	8,120	302
2. France	27.7	6,741	24
3. West Germany	25.4	7,693	303
4. Rest of W. Europe	31.2	7,001	224
5. Eastern Europe	40.1	8,290	207
6. West Asia	23.6	12,082	513
7. S.E. Asia	30.2	3,719	123
8. Japan	15.3	7,550	493
9. U.S.A.	23.8	9,207	388
10. Canada	26.4	8,272	314
11. Australia	28.8	8,100	282
12. Rest of the world	35.6	7,869	221
All Nationalities	27.6	8,008	291

Source: Data Bank, The Economic Times.

Table 10.6

## Percentage distribution of expenditure by foreign tourists

Item	Percentage	
	Non-package tourists	Package tourists
1. Accommodation	33.5	11.6
2. Food and beverage	20.5	13.5
3. Entertainment	2.6	1.8
4. Shopping	24.8	64.8
5. Internal travel	13.6	5.3
6. Miscellaneous	5.0	3.0
Total	100.0	100.0

Source: *Data Bank*, The Economic Times.

Table 10.7

## Distribution of tourists according to main purpose of visit

Main purpose of Visit	Age in years			All Ages
	17.30	31.50	51&aboe	
Seeing archaeological monuments	2.5	1.6	1.4	2.0
Visiting hill resorts	0.5	0.2	0.2	0.3
Visiting beach resorts	0.9	0.6	0.3	0.7
Sports & cultural events	1.0	0.6	0.1	0.7
Sight-seeing	48.6	32.3	35.0	39.3
Sub-total Pleasure	53.5	35.3	37.0	43.0
Business, Official	11.7	36.0	29.1	25.2
Visiting friends & relatives	8.9	11.1	17.3	11.2
Study, education	6.6	3.6	2.3	4.6
Pilgrimage	3.1	3.3	2.9	3.1
Others	16.2	10.7	11.4	12.9
Total	100.0	100.0	100.0	100.0

Source : *Data Bank*, The Economic Times.

Table 10.8

## Percentage distribution of foreign tourists by nationality and sex

Nationality (Country/Region)	Sex		Total
	Male	Female	
United Kingdom	10.0	4.3	14.3
France	3.9	1.6	5.5
West Germany	4.4	1.7	6.1
Rest of West Europe	9.6	3.7	13.3
Eastern Europe	3.1	0.9	4.0
West Asia	8.2	2.3	10.5
S. East Asia	4.4	1.8	6.2
Japan	3.1	0.9	4.0
U.S.A.	8.0	3.6	11.6
Canada	2.2	1.0	3.2
Australia	1.8	1.0	2.8
Rest of the World	13.1	5.4	18.5
All Nationalities	71.8	28.2	100.00

Source : *Data Bank*, The Economic Times.

Table 10.9

## Distribution of tourists according to nationality and age

Nationality	Age - Groups		
	Below 35	35 - 54	Over 54
United Kingdom	44.5	41.0	14.5
France	39.6	45.5	14.9
West Germany	39.6	49.0	11.4
Rest of the West Europe	42.7	46.2	11.1
Eastern Europe	38.1	53.7	8.2
West Asia	52.5	38.0	9.5
S. East Asia	44.0	37.7	18.3
Japan	38.6	45.9	15.5
U.S.A.	39.2	45.3	15.5
Canada	44.2	43.9	11.9
Australia	49.6	39.6	10.8
Rest of the World	43.3	43.6	13.1
All Nationalities	45.1	42.5	12.4

Source : *Data Bank*, The Economic Times.

Table 10.10

## Percentage distribution of foreign tourists by types of hotels preferred (1982-83)

Nationality (Country/Region)	Type of Hotel Preferred			Total
	5 & 4 star	3 & 2 star	1 star & inexpensive	
United Kingdom	54.4	22.8	22.8	100.0
France	35.2	26.3	38.5	100.0
West Germany	44.5	23.5	32.0	100.0
Rest of W. Europe	37.5	25.5	37.0	100.0
East Europe	54.1	26.5	19.4	100.0
West Asia	39.2	37.9	22.9	100.0
S. East Asia	30.7	21.9	57.4	100.0
Japan	67.1	16.1	16.8	100.0
U.S.A.	59.0	23.1	17.9	100.0
Canada	46.1	26.0	27.9	100.0
Australia	32.0	24.8	43.2	100.0
Rest of the World	32.7	25.9	41.4	100.0
All Nationalities	42.3	25.6	32.1	100.0

Source : Data Bank, The Economic Times.

Table 10.11

## World tourism receipts and foreign tourism earnings in India

Year	World Tourism Receipts		Tourism Earnings in India	
	Value (Million US \$)	Index (1971=100)	Value (Rs. Crore)	Index (1971-72=100)
1971	20,850	100.0	31.5	100.0
1975	40,702	195.2	94.0	298.4
1980	102,363	490.9	1,165.6	3,700.3
1981	101,684	487.7	1,063.0	3,374.6
1982	98,420	472.0	1,130.0	3,587.3
1983	98,155	470.8	1,075.1	3,413.0
1984	102,811	493.1	898.0	2,850.8
1985	108,110	518.5	1,189.7	3,776.8
1986	127,828	613.1	1,440.0	4,571.4

Source : Data Bank, The Economic Times.

Table 10.12

Foreign exchange earnings  
(current price)

Year	Tourist Arrivals (Million)	Earnings		Earnings per tourist	
		Rs. Crores	Million US \$	Rupees	Dollars
1970-71	0.28	29.00	38.60	1,035.71	137.85
1975-76	0.46	94.00	112.20	2,043.48	243.91
1980-81	0.80	1,165.60	1,483.80	14,570.00	1,854.75
1981-82	0.85	1,063.00	1,227.80	12,505.88	1,444.47
1982-83	0.86	1,130.00	1,195.10	13,139.53	1389.65
1983-84	0.88	1,075.10	1,064.40	12,215.91	1,209.54
1984-85	0.83	898.00	790.40	10,819.28	952.28
1985-86	0.83	1,189.70	961.70	14,333.73	1,158.67
1986-87	1.08	1,440.00	1,141.90	13,333.33	1,057.31

Source : Data Bank, The Economic Times.

Table 10.13

## India's tourism receipts and GNP

(Value :Rs. Crores)

Year	GNP at current prices	Percentage increase in GNP in GNP	Share of tourism
1984-85	205,308	10.70	0.43
1985-86	231,876	12.94	0.50
1986-87	259,155	11.76	0.55

Table 10.14

## Tourism earnings and merchandise exports

(Rs. Crores)

Year	Value of merchandise export	Tourism earnings	Percentage of tourism earnings to exports
1980-81	6,711	1165.6	17.3
1981-82	7,800	1063.0	13.6
1982-83	9,137	1130.0	12.8
1983-84	10,168	1075.1	11.0
1984-85	11,959	898.0	7.5
1985-86	11,577	1189.7	10.0
1986-87	12,566	1440.0	11.0

Source : Data Bank, The Economic Times.

Table 10.15

## Region-wise profile of air traffic

Region	Number of air passenger arrivals ('000)	Number of foreign tourist arrivals ('000)	Share of tourists to total passenger arrivals (%)
America	91.6	60.5	66
West Europe	384.2	239.2	62
Africa/West Asia	1018.4	121.0	12
East Asia/Australasia	573.4	411.2	72

Table 10.16

## Capacity offered and utilised by Indian Airlines

Year	Capacity created ATKM <sup>1</sup>	Capacity utilised RTKM <sup>2</sup>	Load factor %	Passenger share of RTKM %	Number of passengers (Millions)
1970-71	208.2	161.5	77.6	84.8	2.16
1975-76	352.8	248.9	70.5	85.9	3.37
1980-81	663.9	420.2	63.3	83.2	5.41
1985-86	1037.8	720.0	69.4	82.3	9.13
1986-87	1123.2	776.1	69.1	82.3	9.87

<sup>1</sup>ATKM = Available Tonne Kilometres : This refers to the capacity of the airline and is obtained by multiplying the carrying capacity for passengers, mail and outgo converted into metric tonnes by the distance in kilometres flown by the air craft.

<sup>2</sup>RTKM-Revenue Tonne Kilometres : This refers to the traffic carried by the airlines and is obtained by multiplying the revenue earning load of passengers including excess luggage, mail and outgo in metric tonnes by the distance flown in kilometres.

Source : *Data Bank*, The Economic Times.

Table 10. 17

**India : Perceptions of Tourists in Asia**  
 (Source : Time's Survey 1990)

FACTOR	COUNTRY/RANKING											
	Hong Kong	India	Indo - nesia	Japan	Mala - yasia	Paki - stan	PRC	Phili - ppines	Sing - apore	South Korea	Taiwan	Thai - land
Rich in Culture	-	I (71)	V (40)	IV (40)	VII (25)	-	II (68)	VIII (19)	-	VI (30)	IX (18)	III (57)
Pleasant and warm	-	IX (17)	VI (27)	V (32)	III (35)	-	-	II (37)	IV (33)	VIII (23)	VII (26)	I (57)
Shopping for visitors	I (79)	IX (13)	-	VI (27)	VII (25)	-	-	VII (24)	II (73)	V (34)	IV (36)	III (42)
Value for money	II (41)	IV (34)	V (32)	-	III (37)	-	IV (34)	IV (34)	IV (34)	VI (26)	-	I (53)
Offers Good Trading Opportunities	I (56)	VIII (26)	VII (30)	V (45)	VI (42)	IX (7)	-	-	II (52)	IV (47)	-	III (48)
Easy To Do Business with		VIII (8)	VII (16)	V (26)	III (30)	IX (3)	-	VI (18)	-	IV (27)	I (42)	II (35)

(Numbers in bracket are % Respondents)

Source: Data Bank, The Economic Times

## Chapter 11

# HOSPITALITY MARKETING: A SPECIAL CASE IN SERVICES MARKETING\*

Much discussion in marketing literature has centered on the case of the service industry being different than the manufacturing industry. Ideology aside, it has been shown that treating services differently from goods will make the marketer realize his goals better. To extend the same logic to marketing of hospitality service it follows that the hospitality marketer must in his turn, realize the uniqueness of the hospitality product and seize the advantage.

### DIFFERENTIATING SERVICES

One can attribute a “good” to be a noun and “services” to be a verb i.e. a good is a thing and services an act. A good is an object or a material whereas services is a deed or a performance. When a good is purchased, the buyer acquires an asset and when a service is purchased the buyer incurs an expense. However, most goods carry some amount of services and most services require supporting goods.

In general, there are very few pure goods or services-for example a car which is so tangible and can be considered a good is mainly in the domain of transportation-which is services. If, one looks at a car and only car as a tangible good, then he or she is prone to get into what Levitt termed as “marketing myopia”<sup>1</sup>.

One can claim, the more intangible the services, the greater will be the difference in the marketing characteristics of the services. To take it little further the greater the weight of the tangible elements in a market entity, the greater will be the divergence from product marketing in priorities and approach.

An effort is made here to look at the services marketing from a hospitality perspective and try to define or delineate the uniqueness of hospitality marketing. Let us look at some basic differences in the case of services as it relates to hospitality industry.

**Intangibility:** Services are experienced rather than procured. The customer always goes back empty handed but not empty headed. They have an experience to remember. The customer is not sure what he/she is buying or what he/she will get. They cannot even be sure if they will get that what they got last time. Thus the consumers come in with an expectation. In such a case, the marketer has a two fold job-one is to develop the expectation appropriately and the other, to match that expectation and deliver. In hospitality industry this has tremendous implication for both service design and delivery and the promotion function.

**Perishability:** There is nothing as perishable as an airline seat or a hotel room. But perishability in essence seems to be more of a management problem than a consumer problem in the hospitality industry. This is managed mainly by price discounting and customer upgradation of the product.

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**Hetrogenity:** Here we define lack of uniformity not only from the aspect of the services being rendered but also from the customers need-(what is hot cup of tea to one customer may be cold to another). In this business, the knowledge experience and proficiency of a consumer can to some extent reduce the problem of hetrogenity and for the marketeer, this gives a chance for socializing consumers into the production process. In fact, this leads to the issue of what is the level of “people processing” that an organisation should adopt.

**Simultaneity of production and consumption:** This concept integrates to an extent management and marketing in the hospitality industry. One aspect of this is the personnel interaction between staff and customers. Secondly, the customer cannot assess the product until he has consumed it. Further, most often the buyers must follow the sellers rules of usage i.e. One person per room, a fixed buffet price etc.

There are other aspects of the service components that also affect hospitality marketing. The service marketer must anticipate the buyer’s needs because the buyers need may not be manifested all the time. Also the peripheral services of the hospitality product affect the basic product too.

Another approach taken by service marketers is to identify the functional differences between goods and services (See table 11.1). This notion can help the hospitality marketer because he is marketing a bundle of benefits and has to put in place a service delivery system. (The ensuing discussion of hospitality components will identify the importance of this approach.)

## COMPONENTS OF HOSPITALITY PRODUCT

It is fruitful to identify the basic components of a hospitality product. The basic hospitality product is a combination of product, services and environment.

a) **Goods:** The goods component include items like beds, food, room size, furnishings,

AC, and all those things that work and don’t work in a hotel. These are all the tangible elements of the hospitality product. One can even include price in this category because the customer perceives it as a tangible element. The management has direct control and its decisions directly affect the product that it sells.

**Table 11.1 Functional Difference Between Services and Goods**

Functional Characteristics	Goods	Services
Unit definition	Precise	General
Ability to measure	Objective	Subjective
Creation	Manufactured	Delivered
Distribution	Separated from production	Same as production
Communications	Tangible	Intangible
Pricing	Cost basis	Limited cost basis

Flexibility of producer	Limited	Broad
Time interval	Months to years	Simultaneous or shortly after
Delivery	Consistent	Variable
Shelf life	Days to years	Zero
Customer perception	Standardised-what you see	Have to consume to evaluate
Marketing	Traditional, external	Nontraditional, largely internal

**Source:** Adapted from a talk by Thomas Fitzgerald, Vice-President, ARA Service, Ltd., American Marketing Association Services Conference, Orlando, 1981

- b) Environment:** In the category of environment, we are placing those items which the management has some control over, but not as directly or as easily. The environmental items may or may not be physical or tangible. These are items that the customer feels. It is a feeling that gets marketed here. For example: an electronic lock in a bedroom door is physical and tangible but what is getting marketed here is the feeling of security for the customer. It is a benefit that one is marketing. One can add in this category, the calm atmosphere, comfort, ambience, architecture, colour etc. Setting can play an enormous role in influencing reality of a service in a consumer's mind. The creation of an environment could be and should be deliberate rather than accidental and need not just be left in the hands of interior decorators. In other words, product development becomes important.
- c) Services:** Here we include the full non-physical and intangible attributes that management can and should control. Here employees play a major role with variables like friendliness, speed, attitude, professionalism, responsiveness and so on, but not everything depends on the system that the management consciously sets up. It also depends on the control that management consciously puts into place. For example: reservations or credit policy etc.

There is a complex relationship between the goods component, the environment component and services component. It is imperative that there is a good congruence and confluence between these three. A proper amalgamation of the components provides the hospitality customer a bundle of benefits. (I am not using the term services but instead the term benefits because in the hospitality industry case, it is more important to look at the perceptual orientation of the customer). Let us take an example of the benefit of a room service and explore how it interrelates to all the three components outlined above.

First question to answer here is whether to offer room service or not? Based on the need of the market, the dimensions of that need has to be looked into to decide on the scope of room services. The scope of room service would mean decisions on the menu, eg. Breakfast, lunch or dinner, the items that should be made available etc.

Then once the scope is decided, one needs to decide on the level of services ie. Aspects like how many times the phone should ring before answering a room service call, how long a coffee should take before delivery, what should go as accompaniments in the tray, when should the tray be cleared and so on. All these above questions are related to the service elements.

Then, there is the goods element-whether the juice should be fresh or not, whether the rolls should be made in house or not-should we serve crisp bacon or a soggy toast-what should be the price? Should it be costlier than restaurant pricing or less?

Then there is the environment-should we take fresh flowers in the tray, should we place the tray after clearing the table or just leave it. What colour should be the tray cloth, what colour should be the china. How should the steward greet the customer? All this belongs to the realm of aesthetics and is intangible. There has to be a good mixture of these three if a room service has to succeed and satisfy the basic want or need.

As can be seen from above, the management decision is not just a decision of 'yes' and 'no' for room service-but a logical, analytical combination of multitude of a elements within the three hospitality components. Once you have combined these elements and taken a management decision, the players dealing with the room service process become basically the marketers. This is definitely different from marketing a tyre, manufactured in a place where the plant manager never sees the customer, some times not even the dealer. Noting this, overall, we can say that as far as the customer is concerned, the entire hospitality product is an intangible service.

### CUSTOMER EXPECTATIONS-THE KEY ELEMENT

Hospitality marketing should take the route that it is first and foremost in the business of solving customers' problems. Charles Revson of Revlon Cosmetics put it aptly: "In a factory we make cosmetics, in a store we sell hope"<sup>2</sup>. Often the problem is felt by a customer and then the manifestation of that need occurs. This manifestation could be immediate or may take some time. Once the need is manifested then the impulse to buy or the move to buy a product is made by the customer, and in the case of hospitality industry, the customer makes that move with a level of expectation. Both the purchase of expectations and solutions require a sacrifice which is price. It follows, the greater the sacrifice, greater the risk, greater the expectation and more demanding the customer.

This can be better elaborated by an expanded hospitality trade off model. The size of the expectation and value and risk will obviously differ from services to services. The key is to reduce gaps and provide satisfaction. In other words, the model just tells us to provide the customer what they want, when they want, where they want it, and at a price they are willing to pay. (See Fig.11.1)

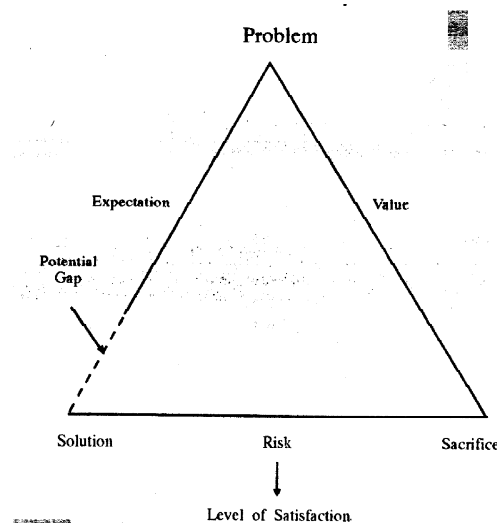


Fig11.1: Hospitality Trade off Model.

Whenever expectations more than match, satisfaction occurs. Thus satisfaction becomes an end product of hospitality marketing and not part of the process. The key is to keep the expectation gap as low as possible. Hospitality marketing differentiates available solution through creation of appropriate expectations. On the other side of the equation, having created expectations, marketing needs to reduce perceived risk so that for the prospective customers, perceived expectation is what there is. i.e. not just price risk but also persuade the customer that the solution is worth the price.

The issue of creating expectations becomes fairly simple if the market target is coherent, defined and clear, but this is really not so in the hospitality market. The level of hospitality product selected by the same customer to fulfill the same basic need, changes constantly. For example, a five star hotel is chosen when one is on an expense trip for business and a three star hotel may be chosen if one is spending oneself or going on vacation with the family. The same customer obviously has to be addressed by both the five star and three star. Therefore, in such a case it becomes very crucial for the hospitality marketer to create a product-service-environment combination that addresses a specific choice or need situation of a customer, creates the right expectations in him and more than matches the expectations with its delivery. Thus taking this orientation and noting these characteristics, it becomes all the more important that hospitality marketing start with understanding the market needs first, secondly, deciding on the positioning structure and then developing an appropriate mix of product, services and environment.

### **Hospitality Product Development-The Key For Strategic Success**

Having noted that the product components are the essence of the hospitality marketing success, it is appropriate to claim that a well thought out strategy of product development is essential and this takes us to the realm of organizations and organizational development. As noted earlier, the services organisation and service product don't stand apart.

They are one and the same-All they are is highly market focused. Therefore, we need to look at how service organizations are analysed and approached.

In the organizational literature, organizations have been analysed from the two dimensions of technology and structure. Technology is defined as the "mechanism or process by which an organisation turns out products and services. Structure is defined as properties internal to the organisation like hierarchy, flow of work, authority etc." It is proposed that a hospitality organisation's technological dimensions are two fold ie. The service diversity and service complexity. The diversity refers to the number of different services that exist. Complexity refers to the degree and nature of the inter-relationship that exists between these sub-units (refer to fig. 11.2). The figure represents a dimensional matrix and helps the hospitality marketer to decide upon the positioning of his product. A

### A Framework for the Lodging Industry

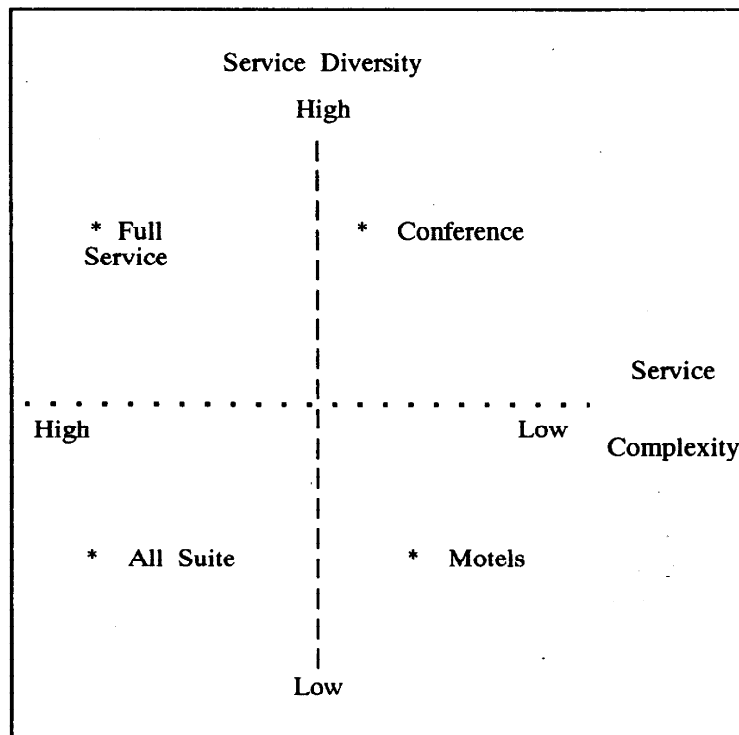


Fig. 11.2 : Dimensions of service technology : a lodging industry perspective

full service hotel like we see in India in five star hotels, will carry high levels of service diversity and service complexity.

Having decided the placement of the hospitality product in these dimensions, one can look at the structure. Since most service industries are interactive in nature, the hospitality organizations can decide whether they want to focus on process interaction or people interaction and accordingly define their service concept (Table 11.2).

DIMENSIONS	PROCESS INTERACTIVE	PEOPLE INTERACTIVE
Input		
-Information	Quantity	Quantity & Quality
-Customisation	Low	High
Process		
-Transformation	Simple	Complex
-Problem Solving	Basic	Diverse
-Socialisation	Minimum	Maximum
-Decision Making	Linear	Inter-related
Output		
-Transaction	Simple	Multiple
-Attachment	Short-term	Long-term

Table 11.2 Dimensions of service structure: an integrated systems perspective.  
Adapted from Mills and Margulies, 1980.

The table outlines the various aspects related to process and people interactive dimensions. A hospitality marketer must consider at the service/product conceptualisation stage and make conscious decision as to where the product is going to be on the technology dimension and what level of process/people interactivity it will carry. This decision will fine tune the segment that one wants to service-the expectation one wants to create, and the satisfaction one wants to deliver. This type of conceptualization of the hospitality product at the very early stages of product development is an integral part of hospitality marketing and an exercise that just should not be left undone.

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## Chapter 12

# HEALTH SERVICES: THE INDIAN SCENE\*

### INTRODUCTION

The National Health Policy (1983) of India reiterates India's commitment to attain "Health for All" by 2000 A.D. Lots of efforts have been made towards this end, however, a number of factors like high population growth, poverty, illiteracy, lack of resources etc. make it difficult to reach anywhere near the above objective. Though we are in the last decade of the twentieth century, still we witness high rates of infant and child mortality, low expectation of life at birth etc. in India. The Table 11.1 gives abroad scenario about Health Services in India.

**Table 12.1 Health Services in India**

	1989	1988	1987	1984	1973
	000s				
Primary Health centres*	20.5	16.8	16.4	7.3	5.3
Hospitals	10.2	10.2	9.8	7.4	4.0
Dispensaries	28.3	28.8	27.7	21.9	10.8
Hospital Beds *	758	741	719	625	406
Doctors (Registered)	n.a.	n.a.	332	297	172
Nurses (Registered)	n.a.	n.a.	219	171	94

\* Figures relate to financial years, except for 1988 which is for calendar year.

† Including dispensary beds etc.

**Source:** *Statistical Outline of India 1992-93 Tata Services Ltd.*

We are yet to develop an extensive medical and health care system. To find out the economic development of any country, the health status of its residents is one of the important indicators. All the developed countries have extensive medical and health care programmes and these countries are characterized by higher life expectancy, low infant mortality, more per capita doctors and hospital beds etc. As can be noticed from the figures given below. India is far behind the developed nations in this regard.

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**Table 12.3 Basic Health Indicators**

Country	Expectation of Life at birth (years), 1990	Infant Mortality (per 1,000 live births), 1990	population per physician **
India	59	92	2,520
U.S.A.	76	9	470
Japan	79	5	660
Germany	76*	7*	380 †
France	77	7	320
U.K.	76	8	680
Sweden	78	7	390
Canada	77	7	510
Italy	77	9	230

\* Figures relate to United Germany.

† Figures relates to West Germany.

\*\* Data relates to the latest available year and may not be the same for all the countries. In most cases they relate to years between 1985 and 1990.

**Source:** Statistical Outline of India 1992-93-Tata Services Ltd.

Besides lack of proper medical infrastructure, there are various other factors responsible for poor national health status. These include:

- a) Illiteracy : Though the literacy rate in India is on considerable increase, almost 50% of the population is still illiterate. Some of the factors like high population growth, lack of awareness etc. are closely linked with illiteracy. Literacy rate in India, which was just 18.33% in 1951 has gone upto 52.11% in 1991, which still leaves a lot to be desired. The literacy rates of major industrialized and upcoming economies are far better than India. For example, adult literacy rate (year 1985) in U.S.A., Japan, West Germany, France, Britain, Sweden, Canada is 99% and even in China and Brazil it is 75% and 76% respectively.

What is further important in the Indian context is that female literacy is far lower than male literacy. As per 1991 data, male literacy rate is 63.9% whereas for females it is only 39.4%. This is a very high imbalance and needs to be corrected as female literacy has a vital significance on over all health scenario. The table given above highlights the importance of female literacy for India.



**Table 12.3 Female Literacy-Health & Social Impact**

State	Female Literacy Rate (1991)	Infant Mortality Rate (1990)	Female Age at Marriage
Kerala	86.9	17	21.8
Tamil Nadu	52.3	67	20.3
Maharashtra	50.5	58	18.8
U.P.	26.0	98	17.8
Bihar	23.1	75	16.5
Rajasthan	20.8	83	16.1

**Source:** Five year Plan 1992-97.

- b) **High Population Growth:** This is one of the major reasons for lack of proper medical and healthcare services. Whatever efforts on development of Health sector are made, get diluted and are not visibly significant due to comparatively high population growth. The population growth rate in India has been 2.22% per year during 1971-81 and 2.11% during 1981-1991. The annual population growth rate during 1980-90 has been less than 1% for France, Germany, Italy, Japan, Sweden, U.K., U.S.A., and has been 1.4% for China. Therefore in India, population control has virtually become an integral part of the programme for attaining overall objective of "Health for All".
- c) **Poverty :** The per capita income in India is among the lowest in the world. Because of widespread poverty (as per 1987-88 data approximately. 30% of our population is below the poverty line), malnutrition, lack of proper dwelling facilities and sanitation etc. exist which lead to poor health.

### Perception and Characteristics of Indians Regarding Health Services

Majority of Indians make use of medical and health services only on having some problem or illness. Periodic or preventive check ups and tests are not very much prevalent. The consumer spending on health in India is predictably quite low because of low incomes, but what is significant is that spending on health services as a percentage of total spending is also quite low. This is partially because of free medical services provided by the government but also due to lack of awareness and level of importance given to health care. Of course, because of scarcity of resources, a person would tend to spend larger portion of whatever limited resources he has on food, clothing and shelter. Therefore, majority of people do not plan for medical care in their household budget.

A major characteristic of Indians regarding health services is a sharp sexual difference in availing of these services. The reporting of illness is almost double for males as compared to females<sup>1</sup>. This is not because of better health status of females in India, rather it is because perceived need for medical aid is much smaller for females as compared to males.

**Table 12.4 Consumer spending by category; as percent of total, 1986**

	<b>Food Beverages, Tobacco</b>	<b>Clothing, Foot wear, Textiles</b>	<b>Household Goods</b>	<b>Housing</b>	<b>Health</b>
Argentina	34.0	5.3	6.4	28	5.1
Australia	20.8	6.1	6.8	22.8	6.4
Brazil	27.3	5.0	5.0	31.0	5.2
Canada	15.7	6.1	8.0	17.7	3.9
China	52.4	14.2	11.1	0.9	2.0
India	54.4	10.1	4.5	2.7	2.0
U.S.A.	17.8	6.0	11.4	15.6	11.4
U.K.	24.1	7.0	6.0	10.6	1.2
West Germany	23.0	8.4	9.8	13.5	4.5

**Source:** International Marketing Data and Statistics 1988-89 & European Marketing Data and Statistics 1988-89.

### **TYPE OF HEALTH SERVICES**

The type of health services available in India can be broadly categorised into two :

- a) Government owned
- b) Privately owned/commercial

The Government (both Central and State) has a network of institutions at primary, secondary and tertiary levels. These include sub-centres, primary health centres, community health centres, rural hospitals and dispensaries in rural areas, sub-divisional and divisional hospitals, medical college hospitals and specialized hospitals. However, the government is facing a lot of problems in attracting doctors to rural areas. 29.6% and 14% sanctioned posts lied vacant as on December 1991 for specialists in rural areas and doctors at primary health centres respectively. Overall, also, the government facilities are not adequate as per the population needs and most of the people who have a reasonable level of purchasing power, make use of private health care services.

One important government health care scheme is the Employee State Insurance scheme designed for industrial workers. The scheme is mainly financed by contributions from employers and employees in the implemented areas. The State Governments also contribute 12.5% of the expenditure on medical care within the prescribed limits. The scheme provides both medical benefits as well as cash benefit like sickness benefits, disablement benefit, maternity benefit etc.

#### Employees' State Insurance Corporation : At a Glance

No. of Factories covered	: 1.52 lakhs
No. of ESI beneficiaries (including family members)	: 283 lakhs
No. of ESI hospitals	: 115
Total no. of hospital beds available	: 25,000
No. of ESI Diagnostic centres	: 322
No. of ESI dispensaries	: 1412
No. of Medical officers/Practitioners etc.	: 9,600
Para Medical staff etc.	: 26,000
No. of states UTS covered	: 21

During the last couple of decades a lot of private nursing homes, diagnostic centres and speciality hospitals have come up in urban areas, with their major market being middle and high income group people. The last decade has also witnessed the emergence of 'Corporate Hospitals' in India. Apollo Hospitals, a Rs.10.24 crore public limited venture opened at Madras on September 18, 1983 has the distinction of being the first corporate hospital in the country. Lately, a lot many public limited companies have been set up in this area, which include GIL Hospitals Ltd. Malar Hospitals Ltd., Advance Medical Care Ltd., NMC Ltd etc. Currently, the Apollo Group is setting up an approximate Rs.100 crore multispeciality hospital in New Delhi. Medical care is now emerging as a big industry in the private sector. This has resulted in some competition and better availability of advanced technologies/super specialities, which were so far available in western countries only. Since large investments are required for setting up of such hospitals, it was beyond the scope of an individual or a small group of individuals and the most viable alternative was to have corporate hospitals. However, most of these recent developments are again mainly targeted at middle and high income groups.

### MARKETING OF HEALTH SERVICES

The Indian Health Care Market is more of a seller's market. The demand far outstrips the supply. As in case with any other product or industry in a seller's market, the 'marketing' aspect in Indian Healthcare market is given a low level of importance. Some of the organizations which have started giving a thought to marketing are also more limited to 'sales' aspect or 'image building' exercise and not to total marketing approach.

However, there will be some changes in the near future towards acceptance of marketing activities as an essential part of health care organisations, though not as much as in developed countries (where demand/supply conditions and purchasing powers are totally different from ours). The major reasons necessitating a shift towards marketing approach in India are:

- In certain market segments, competition is becoming more intense
- More consumer awareness
- Setting up of Corporate Hospitals
- Increasing purchasing power
- Need to attract limited available specialists

In India, where medical care infrastructure is inadequate compared to the requirements, proper attention has to be given to educate people about the nature of illnesses, the facilities available, importance of healthcare and hazards of ignoring these aspects. An educated citizen would mean better utilization of available facilities as well as prevention of many diseases, thereby easing pressure on the scarce resources.

The marketing of health services as they exist today can be broadly classified into two categories:

- a) Social (Non-Profit)
- b) Commercial

**Social** : This is primarily being done by the Government. The major promotional efforts made by the Government have been in the areas of :

- Family Planning
- Child Immunisation
- General awareness regarding healthcare and family welfare.

Lot of efforts and expenditure has been made by the government to promote the above programmes. Different types of promotion programmes have been undertaken so as to reach maximum possible people. These include promotion through mass communication like TV, radio, print material (newspapers, magazines etc.), outdoor advertising, cinema, transit advertising (buses, trains etc.), through selective communication like direct mail scheme (in response to T.V. Spots and press advertisements on immunization, right age of marriage, spacing methods etc.) and in some cases even personal communication. Besides, government has launched a free contraceptive distribution scheme, training programmes, village health guide scheme etc. to make health and family welfare programmes reach far flung areas and the poor. Government has also realised the importance of using different types of distribution channels for promoting its programmes. For example, to encourage family planning, even private hospitals and nursing homes are being given subsidy for buying equipment for this purpose. For T.B. patients, government has evolved a scheme whereby free medicine is provided to the patients in their villages itself once they have registered themselves with a hospital.

In order to intensify health and family welfare communications, during the year 1989-90 a multi-dimensional approach coupled with an integrated thrust of messages on life style of people was adopted. Emphasis was laid on interconnecting the messages beyond family planning like child survival, raising the status of women, enhancing the value of female literacy and accelerating socio-economic development including linkages with anti-poverty programmes. The messages revolved around the key areas of responsible parenthood, promoting increases in the age of marriage, women empowerment, safe motherhood, adoption of contraceptive practices. Proper care has been taken to target the advertisements, e.g., showing a village Sarpanch or a labourer couple or a farmer so that the target audience can identify themselves with the message and do not perceive these messages as being for someone else. The immunization services were promoted by informing the villagers about the consequences of not immunizing the child, followed up by providing the immunization cards giving details of the programmes and organising Shishu Rakshak Melas.

**Commercial :** This includes individual/institutional promotion like advertising about the facilities and equipments available in the nursing homes/hospitals. Big hospitals and nursing homes also enter into agreements with public and private sector companies located in that area for treatment of their employees. Hospitals also come out with health insurance schemes and discount facilities for people who become members of the scheme. However, generally speaking, not much has been done so far for marketing of health services because of gaps in demand and supply. But with the coming up of big hospitals, there is some change in the scenario. Advertisements of big hospitals in print media are not an uncommon sight these days. Efforts are also being made by hospitals to encourage people to have preventive healthcare by having regular check ups. This segment which has so far not been fully exploited, is being aggressively advertised by some organizations. Some sort of market surveys are also being carried out by big hospitals. However, not much is being done in the areas of market research, forecasting, consumer analysis etc.

#### Exhibit : 12.1

Excerpts taken from prospectus of two corporate hospitals, which tapped capital market in 1992, regarding their marketing arrangements and prospects.

**Company A :** The company is one of the centrally located corporate hospitals in Madras. The medical services will be utilised by the American Health Insurance viz. Guam Memorial Health Services Ltd U.S.A. for treatment of their members during their visit to Tamil Nadu. Consequently many foreigners, embassy and diplomatic staff would find it advantageous to use the hospital.

The hospital will also enter into health care arrangements with the leading companies both in public and private sectors for and assured captive clientele in Madras. A health care association has been formed to offer different health/mediclaim insurance policies to individuals and their families.

**Company B :** Company engaged ORG to carry out a market survey in order to examine the gap in existing health services in the city. The methodology adopted was based on primary data collected from (a) sample surveys of household representatives (b) structured interview with general practitioners, specialists and officers-in-charge of major government hospitals in the city. For household survey, the city was divided into four spatial zones and in each zone, special emphasis was laid on the high income group and upper middle class. The final conclusion of the study revealed some salient features.

The basic data was further reexamined by the company's consultants. The study has finally concluded based on the findings that the need for a multi-speciality hospital equipped with special treatment for cardio vascular diseases, neuro surgery facilities, emergency and specialized treatment for burns and accident cases as also a well equipped diagnostic centre with advance facilities specially like Catscan, Angiography as also for Lithotripsy treatment, was strongly felt.

Keeping in view the above findings, the proposed hospital of the company would have specialized facilities. The promoters of the company would also enter into a long term arrangement by way of MOU with major public sector undertakings located in and around the city. The Company also proposes to introduce a health insurance scheme and special discount facilities for life members of the hospital. In view of the above, the facilities proposed to be provided and the long term arrangements to be made out by the company with leading public sector undertakings in the city, it would have no difficulty in achieving its target of market share as envisaged.

Medical Insurance Policies promoted by GIC and its subsidiaries have also come into picture during the last decade. Such schemes, though extremely popular in western countries, have not evoked good consumer response in India despite a lot of advertisements. Hardly 6-7 lac people are covered under medical insurance plan of GIC. Efforts are being made to make these schemes more attractive in order to cover a large section of society.

Another interesting development which has taken place in India is that private hospitals and private practitioners have been brought under the purview of the Consumer Protection Act. With this, the users of these services can file complaints for compensation in case of any negligence. Because of this, GIC has also raised the insurance premiums charged from doctors, under medical indemnity insurance scheme. Further, there is also a consideration to bring the government hospitals and its doctors under the purview of the Consumer Protection Act.

## **MARKETING IMPLICATIONS OF THE HEALTH SCENARIO IN INDIA**

- 1) Since literacy rate is at low level, especially among females, the promotional tools used should be more of audio-video type rather than in print form.
- 2) With large population growth, lot of people have shifted from rural areas to urban areas. The urban population which was 19.91% of the total population in 1971 has increased to 25.72% in 1991. This has resulted in creation of slums in cities. Proper attention has to be paid for primary health care facilities for the slums.
- 3) Not many qualified doctors are willing to go to rural areas. This problem deserves special attention. Government and other agencies should try to evolve some education system which can prepare people to work for at least primary healthcare in villages. Proper development of Indian System of Medicine and Homeopathy (ISM & H) should also be encouraged.
- 4) In order to provide specialists to rural population, mobile services may be introduced.
- 5) Government's nutrition programme should be strengthened. Also more emphasis to be given on literacy drive, especially among females.

- 6) Preventive healthcare market is still largely untapped. Efforts to be made to encourage people to come forward for periodic/preventive check-ups.
- 7) More thrust to be given to females who should be encouraged to make use of health care facilities.
- 8) Setting up of corporate hospitals with huge capital investments will lead to more competition and marketing efforts in order to ensure proper capacity utilization.
- 9) Strict enforcement of Consumer Protection Act may result into cost escalation as well as more demand for specialists.

## Chapter 13

# MARKETING OF FAMILY PLANNING AT “PARIVAR SEVA SANSTHA”\*

### INTRODUCTION

India's population has reached a staggering 844 million (1991 census). This is despite various steps undertaken at the national level during the last four decades. The planners are finding it extremely difficult to control this high rate of population growth which is putting a heavy strain on India's development programmes. The task is too stupendous to be handled effectively by the government alone and the chances of success depend to a large extent on the involvement of the community. Voluntary organizations are in a relatively better position to help in achieving involvement of the community and to motivate it to adopt a small family – norm. The Government of India has been realizing this increasingly, more so recently and is trying to involve the voluntary agencies.

Parivar Seva Sanstha (PSS) is one such voluntary organisation which is committed to the cause of family planning in India, started by Dr. Mrs. S. B. Dhall, a leading, practising Delhi-based gynaecologist and obstetrician who was very much concerned at the appalling usual problems associated with poverty were also due to their having large families and ill-health due to morbidity associated with child-birth and unwanted pregnancies. The lack of awareness and knowledge about family planning, inadequate level of health care facilities and the communities' inability to afford such services from private health care clinics being some of the reasons aggravating this problem.

In 1975, Marie Stopes International (MSI), a British charity engaged in the task of encouraging and assisting private initiatives in the field of family planning currently in some 20 developing countries all over the world, agreed to provide help and assistance to address this problem. On 11<sup>th</sup> September, 1978, Marie Stopes Society now known as Parivar Seva Sanstha was registered in Delhi under the Indian Societies Act 1860 with technical and financial assistance from MSI.

The main objectives of PSS are

- promoting the health of mother and children and
- preventing women, particularly from the weaker section from the drudgery of unwanted pregnancies and the attendant risks of maternal morbidity, intensified poverty and malnutrition.

PSS started its first family planning service delivery clinic in the slums of North Delhi in 1979 and over the last 13 years it has grown in size and stature with 31 static clinics and two rural mobile health projects spread all over the country. In addition, PSS has initiated many innovative family planning extension education and service projects which mainly include.

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\* Prepared by Mr. Kamal Yadava, IGNOU on the basis of the Presentation of Ms Sudha Tewari, Managing Director Parivar Seva Sanstha at the National Seminar on Marketing of Services, IGNOU and an M. B. A. project of Mr. A. K. Bhagal, submitted to SOMS, IGNOU.



- Education project for ICDS workers (Anganwadis) in six districts of U. P.
- Education service projects with Mahila Mandals and youth groups in Calcutta and its catchment areas.
- Family Life Education Programme for adolescents, both in the formal and non-formal sectors.
- Family planning awareness generation, motivation and service linkages development programme for industries in Northern and Eastern India.
- Community based distribution of contraceptives.
- Social marketing of contraceptives (both condoms and oral pills)
- Soap Opera (communications through telefilms and serials based on social themes for broadcast on television).

The sanstha believes that the family planning programmes need to be evolved in response to different and varying needs of the community. These needs are different because of differences in culture, socio-economic status and living patterns, consequent to occupation of women (housewife, farm/construction/industrial labour, service etc.), besides their age, health, number and ages of their children etc.

### **SOCIAL MARKETING- THE CONCEPT**

Social Marketing is the utilization of the proven tools of commercial marketing for high efficiency and a low-cost delivery of social needs. Social marketing takes a page from the practices of commercial community by anchoring its efforts in a successful manner and brings highly subsidized products and services within the reach of very poor people at prices affordable by them. High efficiency and a low-cost delivery of social needs are only possible in case professional marketing techniques in their totality are applied to meet the felt-social needs of the society. Parivar Seva Sanstha is attempting to achieve precisely this.

### **Elements of Marketing Mix-the 'P's**

- a) **Place** : In social marketing of the family planning clinical services the felt need of the area, based on present demand and availability of such services and competition is ascertained through extensive field surveys. Local culture, demographic details, socio-economic status and living patterns of the community are also studied and programme details, including strategies, budgets, schedules and sequencing are finalized.

The location (place or distribution outlet) selected has been found to play a key role in the eventual success or otherwise of such projects. Sanstha through its experience, has found that by and large, other factors remaining positive, the following types of locations are invariably successful:

- Cities where the potential/need for such services is the highest depending upon the availability and adequacy of existing services both from government and private health care providers.

- Appropriate area in the city based on the study of competition. Preferably in a commercial area on the ground or first floor of a building, not more than 10 to 15 years old. Premises on floors higher than second floor are considered unsuitable, even if escalators/lifts are available in the building. Covered areas of about 1200 to 1500 sq. feet are considered adequate for clinic premises.
  - For easy access, the location should be as near the railway station and main bus stand, as possible.
  - The clinic should be conveniently accessible, so that the clients do not need to ask anyone for routes and directions to reach the clinic.
  - It should have approach roads wide enough to allow ambulance and other vehicles to easily approach or leave the clinic. Preferably, it should also have an adequate parking place near it.
  - The area and the building should have proper ventilation, regular supply of amenities like electricity and water, and a good sewage system.
  - The clinic should best be located in a shopping area visited frequently by ladies. Saree and garment shops, beauty parlours, ladies tailoring shops, cosmetics and bangles shops, children's toy shops etc. provide the best neighbourhood as opposed to hardware shops etc. where ladies are unlikely to visit.
  - The clinic should not be located very far from a blood bank and a high hospital either government or private.
- b) Products/Services:** The service or the other 'P' among the elements of marketing mix is also equally important. In the context of services it is the quality of services which gives sanstha the competitive edge in marketing. Highest standards of overall services including medical aspects are maintained. These are achieved by using latest medical techniques with technical assistance from MSI, maintaining adequate stocks of high quality drugs and employing highly qualified and experienced lady doctors, para-medical and counseling staff. Cleanliness and hygiene are given very high importance.
- Good décor, pleasant and soothing colour combinations and comfortable sitting arrangements are utilised to add on to the interior decoration of the clinics.
  - The doctors and para-medical staff are provided training and reorientation from time to time to ensure that the quality of medical services is in line with the latest developments in the field. High equality and latest medical equipments are provided and maintained in good working order.
  - Responsible handling of medical complications, irrespective of expenses involved and providing good follow-up to clients who have received services are some of the additional strengths of the Sanstha in the area of services.
  - The other component of Sanstha's services is looking after the convenience of the clients, by providing good behaviour, personalized care and concern at all stages from reception to recovery.

- c) **Price** : Fixation of prices for various services and for different clinics is done based on a detailed study of competition and the paying capacity of the community. Mostly market penetration strategies are adopted whenever a new clinic is started. Prices are reviewed based on feed-back from the clients, performance of the clinic with respect to the estimated service numbers and the cost of inputs and necessary adjustments done. Break-even and sensitivity analysis are also done to arrive at the appropriate price volume mix. Normally the prices are revised once a year.

A strategy of differential pricing is used by charging reasonable prices to those who can afford and by providing subsidised treatment to the very poor.

- d) **Promotion** : Services are being promoted using mass media advertising, out-door promotion, both modern and traditional and through a heavy emphasis on Information Education and Communication (I.E.C.) techniques. Due to non-availability of permission from the concerned authorities and paucity of funds, the Sanstha has not been able to use the television media for mass advertising, although it was able to advertise for a short span on the radio with good results. Outdoor promotion mainly includes hoardings, kiosks, wall paintings, bus panels, tin plates and stickers etc. The Sanstha has successfully branded its products and services using the Marie Stopes logo to create a distinct position for itself and achieve brand loyalty for its products and services. In addition to the Marie Stopes logo, the Sanstha uses a standard colour combination of light blue for painting the interior of all its clinics.

### **Information Education and Communication (I.E.C.)**

The Sanstha lays a lot of emphasis on I.E.C., using both interpersonal and inter-group techniques such as individual counselling, mothers' meetings, health baby competitions, street theatres, role-play, immunization camps, gynae camps and health camps, quiz and slogan competitions etc. The Sanstha employs a team of two or three field educators, mostly females, attached to each of their clinics. They are grass-root level workers recruited from the community itself and are fully conversant with the local culture, language, customs and norms etc. and are hence better identified with the community. These workers establish a good rapport with the community and besides other activities make door-to-door visits to provide education and counselling to increase awareness and create the necessary motivation for adopting family planning practices.

Audio visual tools used by field educators include slides, flip charts, video films etc. Role plays on health care, nutrition value of locally available foods and various other aspects of health and family planning are also performed. Doctors from the clinic also visit the field to extend support. Area coverage by field educators is both extensive and intensive. These field educators also identify and involve the informal opinion leaders like school teachers, social workers and other self-motivated influential ladies within the community and turn them into volunteer promoters of the programme. They are provided training by the Sanstha and the former in turn provide education on health and family planning, distribute contraceptives and motivate the potential acceptors for family planning. Promoters are offered incentives for referring cases to Sanstha's clinics.

The field educators also make regular visits to the doctors and chemists functioning in various cities (and catchment areas) where Sanstha's clinics are located and develop a referral network which helps tremendously in improving the performance of the clinics. The Sanstha invites doctors and chemists to visit its clinics to see for themselves the good facilities being pro-

vided including availability of latest medical equipment and high standards of hygiene being maintained. Feed-back and suggestions are also invited from the doctors for bringing about further improvements in the services. These referrals are offered small incentives either in cash or in form of gifts etc. The Sanstha has a strong referral network of doctors, chemists and promoters. The field educators are fulltime, salaried employees of the Sanstha and are also entitled to various performance linked incentive schemes.

### Strategies

Based on its experience of over 18 years, the Sanstha has found the following points to be important for success.

1. The working must be at the grass-root levels. The strategies need to be tailor made for target groups and be situation specific and should take into account the practical difficulties, limitations and constraints being faced by the community.
2. The communications are most effective, when those are
  - from someone who can be easily identified with the community.
  - in the language used and easily understood by the community and
  - appropriate to the local culture and norms
3. Even the communities with extremely limited resources also prefer normally charged and affordable services to free services. This is so, as it helps them to preserve their dignity. Also more value is attached to services for which a payment is made and any paid treatment or advice is taken more seriously.
4. Highest standards of quality of services including a friendly atmosphere should be maintained in the service delivery centres.
5. Family planning programmes are perceived predominantly for the women, who are more at ease with female doctors and counsellors. More than 80% of Sanstha's medical, para-medical and other staff is, therefore, female.
6. Like in any other programme, "professionalism" plays the key role in achieving success in the family planning programmes also. The Sanstha employees highly qualified and experienced professionals in various fields such as Medical, Social, Communications, Administration, Finance and Marketing etc.
7. Effectiveness and efficiency in the implementation of family planning programmes can be best achieved with a small team of dedicated and committed staff.
8. The training, growth and development of staff, as also their motivation on a continuous basis is considered very important for achieving success.
9. Availability of funding assistance, whether from government or private agencies both at home or abroad should not be taken for granted. Efforts for fund-raising and obtaining financial support for various programmes should be taken up on an on-going basis. Also

efforts must be continued to identify new sources of funding assistance and to develop project proposals which are need based and use innovative approaches to address the problems.

10. Search for 'Excellence' in all activities must be the pursuit, all the time.

## Chapter 14

# MARKETING OF CARDIAC CARE AT EHIRC\*

### AN INTRODUCTION TO EHIRC

Escorts Heart Institute And Research Centre is the first comprehensive research facility dedicated to the study, treatment and prevention of heart diseases in India. It has been truly a quantum leap in the cardiac care field of health care in India.

Heart disease is recognized as one of the world's largest killers. In India, the incidence of heart disease is rising at an alarming rate and it is estimated that close to 30 million people suffer from heart diseases. As compared to western countries, the type of coronary artery disease in India differs in its pattern. Even the age of onset of coronary artery disease is much lower so that many Indians are getting heart attacks at as young an age as 30 to 40 years. It has been proved that adequate preventive measures and early detection is extremely successful in reducing the incidence of heart attacks.

Since the research data generated in the West is not totally applicable to the causes and factors of heart disease in India, in-depth investigation on a national level is vital, so that our own environmental, dietary, socio-economic, ethnic factors, etc., can be modified to reduce heart attacks in our country. To accomplish this goal, EHIRC was completed in 1988 at a cost of Rs. 20 crores. This philanthropic non-profit institute has been set up by a trust mainly funded by Escorts Limited in addition to other donors and well wishers. A loan of Rs. 7.5 cores was obtained from IDBI for completion of the project.

The costs of surgery and investigations in India are a fraction of the costs incurred for similar services abroad. Today, an open heart operation inclusive of all hospital costs, an attendant's fare, boarding etc., for the three weeks would cost around Rs.6 to 8 lacs in USA. Similar services will cost around Rs. 1,00,000 at the Institute with the added advantage of continued after-care as well as the cardiac patient being in his or her own environment and among his or her relatives. The costs of other service like angiography, angioplasty, examinations, etc. are significantly lower than in any foreign country.

### MARKETING OF HEALTH SERVICES

Marketing of Health Services is a profession in USA and soon it will be in India also. Marketing includes the responsibility to provide information in regard to services or products to people in order to enable them to decide to use these services or products. In marketing of health services there are no major differences compared to the marketing of tractors, motorcycles, washing machines, Lux soap or any other product.

The Health Care industry in USA has become very competitive and it is becoming increasingly more competitive. This has necessitated each hospital to identify and develop any function or service which can provide a competitive edge. As a result, many health care providers are now recognizing the important role that the sales function can play as an integral part of the total market

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\* The authors are Mr Pramod Batra, Chief Administrator, Escorts Heart Institute and Research Centre and Ms. Shelly Matla, EHIRC, New Delhi

mix. This sales function has been discussed later under '18 noble ways to get more patients at your hospital'.

In India the competition has just begun. In regard to cardiac care services in India there is not much reliable data, however, some estimates can be made. The current need for cardiac surgical services in India is around 1,50,000 to 3,00,000 patients per year. This can be increased many fold as desired depending upon educating the people and promoting the cardiac services. If we say 100 persons for every 1000 persons – and on a population of 90,00,00,000, let us say 40% of population is over 40 years it comes to 36,00,00,000; and applying 100 to 1000 formula – it comes to 3,60,00,000. Whatever the figure is-it is mind boggling. So far as marketing of Health Services in India is concerned, one can literally say-SKY IS THE LIMIT.

Now, these figures are very rough but they point out that the health care industry is likely to become increasingly competitive in India. And the biggest challenge which health care providers face is the fact that they do not yet recognize the important role that the sales function can play as part of total marketing mix. The biggest deadly sin in health care in India is that one can get away with “big mistakes” as the follow up action of the implementing agencies is considerably less. There are no standards and whatever standards are there, they can always be “breached” without any one getting behind the bars. Patients will never know how, what and when and where to expect and at what price and if they are getting value for money. Someone has to set standards and start blowing the whistle. Increased competition is the answer.

Health care is a noble profession which cannot be left to “profiteers” and quacks and, therefore, health care must be “sold” professionally by professionals. Only competition can bring out the best in us and this has to be done without seeking much help from the government which with its own priorities will remain unable to provide much help in health care.

We in India, to some extent, feel uncomfortable in selling hospital services. This is due to our culture and heritage. This need not be so. Patients need education. They need information. And each person is a patient! So the task of a salesman for health service is unlimited. This is what marketing can do, and will do.

The following have to be developed suitably :

- patient educational folders and leaflets which are interesting to read and absorb, well-illustrated using Indian scenarios.
- regular patient clinics in satellite towns to educate and inform and to encourage to get the comprehensive cardiac care check- up done.
- use of TV, CCTV and video films to inform and educate people and promote the institute.
- spread of insurance idea.
- health clinics and camps in companies, colleges, schools, and similar organizations.
- informing physicians, primary and secondary health centres in regard to facilities available.

- educational write ups in main line and regional newspapers to increase awareness of cardiac ailments.
- mass contact programmes-arranging public lectures by medical super stars.

It is a question of dormant demand versus limited supply. Demand is “sleeping” and marketing can “wake it up” for the good of everyone-people, health providers and the hospitals.

## THE CURRENT MARKETING SCENARIO

In regard to the status of Marketing of Health services in India, it is best comparable to the proverbial Bata story which is as follows:-

In 1936, Mr. Bata of Bata Shoe Co., Canada, sent his fresh Harvard MBA Sales Manager to Northern India for market survey for shoes who after 30 days of extensive travelling sent the following telegram: “Boss, Indians, do not wear our kind of shoes. Very limited market.” Mr. Bata, with his salt and pepperish hair experience and hunch then sent his graying General Manager to Southern Indian also who after three days sent the following telegram, “Sir, Indians do not wear shoes. Send me ten thousand pairs”.

Marketing of health services in India is like “ten thousand pairs” – unlimited and virgin. It only requires good marketing principles and concepts and a service which will genuinely meet the needs of different stratas of the population – from the poorest of the poor to the richest of the rich-by world standards.

Or look at it this way – for the super speciality heart facility at Escorts Heart Institute and Research Centre – there are proverbial 9,99,99,999 managers and businessmen over 40 years of age, each one is a prospect and each one, if the need is there, can on his own or through some agency arrange Rs. 1,00,000 for open heart surgery.

Man is a strange animal. He has inborn weaknesses such as anger and jealousy which result in wars. And after having caused the “damange”, man’s generosity comes through in one or the other form. A rich man may give a crore, a poor man may give a rupee, both of them are “doing” their duty – part of human nature. Strange and funny but part of life. Each one of us has some element of the Good Samaritan in us. And this is one area where marketing can also play a very significant role. Hospital Marketers should use their skills to collect donations from those patients who can afford to give for those patients who can’t afford the medical treatment. Any hospital, worth its name, must not forget this social commitment and that is to take care of the less fortunates in its area of operation.

### **Fifty – One Marketing Thoughts for Hospital Services Marketing Representatives (HSMR)**

1. *Communication with patient is the core of good hospital service.*
2. *Essence of marketing is to create patients, profits will follow.*
3. *Selling is one time affair. Marketing ensures the service is sold again and again and again.*



4. *It costs six times as much to get a new patient as to keep a patient you already have.*
5. *No hospital service, however good it may be, sells by itself. That is where marketing comes in.*
6. *Marketing will sell only good services. Marketing will also hasten the death of bad services.*
7. *If you have too many problems, may be you should go out of business. There is no law that says a hospital must exist forever.*
8. *Hospital business is never so healthy as when, like a chicken, it must do a certain amount of scratching for what it gets.*
9. *Think and do... one good deed per day to your patient. When you are thinking and doing you'll have no time to worry. A good deed is one that brings a smile of joy to the face of your patient.*
10. *Marketing is really a form of communication.*
11. *Beware of small expenses; a small leak can sink a big ship.*
12. *Look straight into the eyes of people, employees and patients.*
13. *"I will try" has always done wonders.*
14. *I will persist until I succeed, is a motto that pays.*
15. *The ability to speak is a short cut to distinction.*
16. *Selling well is doing certain things, a certain way, everyday.*
17. *When you say something, make sure you have said it. The chance of your having said it are only fair.*
18. *Gift wrap what you have to say or write.*
19. *Bad advertising can unsell a hospital service.*
20. *Patients do not forgive bad quality, untruthful advertising and being bored.*
21. *A satisfied patient is the best advertisement for the hospital.*
22. *Half the money you spend on advertising is wasted, and the trouble is you don't know which half.*
23. *60 to 90 percent of advertising is down the drain and all that can be done is to ensure better value for the advertising rupee.*
24. *The best mental effort in the game of business is concentrated on the major problem of securing the patient's rupee before the other hospital gets it.*

25. *There is new business out there, no matter how depressed the market. All we have got to do is to find it first. There are no prizes for the marketer who comes second.*
26. *Profit is not a dirty word.*
27. *Good communication can result in the elimination of undesirable activities.*
28. *Competition is not an enemy which has to be feared, meet it halfway and accept the challenge.*
29. *If your patient traps are better than those of others, people will beat the path to come to you wherever you are, even in the forest.*
30. *Nothing happens unless we make it happen in the hospital.*
31. *We have got strengths and we have got weaknesses, but so have our competitors. And if we sell our strengths against their weaknesses, we will win.*
32. *Without competition, there is less incentive to innovate.*
33. *Better cash management means better profits.*
34. *A big order can be lost by reaching late for an appointment.*
35. *Top management should spend 40 to 50 percent of its time educating and motivating its people.*
36. *When business is good it pays to advertise, when business is bad you've got to advertise.*
37. *If I don't go, I don't get.*
38. *It ain't over till it is over.*
39. *Negative salesmen are bad company.*
40. *Visit your counterparts regularly.*
41. *Selling a service is not an easy thing, but the real test lies in selling yourself.*
42. *Sales oriented accounts staff? Why not?*
43. *Quality of service before profit.*
44. *The more people trust you, the more people buy from you.*
45. *Many a sale has been won or lost in the first three minutes.*
46. *The cost is long forgotten but the quality is remembered forever.*
47. *Out of the small orders of today, grow the big orders of tomorrow.*

48. *If an order is hard to get, all the more glory goes with getting it.*
49. *Don't lose a patient for want of a smile.*
50. *Marketing of health services is a noble profession because it satisfies the needs of the patients.*
51. *If there is any one secret of marketing, it lies in the ability to get the patient's point of view and see things from his angle as well as from your own.*

## 18 NOBLE WAYS TO GET MORE PATIENTS

1. **Put yourself in your patient's shoes:** *It is a basic and commonsensical concept but it has been very wisely said : "Commonsense is not very common !" Sometime should be spent every day thinking from the patient's point of view. It may be difficult but it will mean more sales of hospital services.*
  - Listen to the patients
  - Ask questions from them
  - Do something extra for each patient
  - Admit mistakes to the patients gracefully.
2. **Patient is the God :** A patient can take away his business to a hospital wherever he gets better value for his money, better service and a better ego massage. He does not have to give reasons for his action. It is his money and he can spend it where he likes or the way he likes.

### What Does the Patient Want?

Research shows that a patient wants very little to feel happy. He does not want to be over charged in terms of money and time. Therefore, as a health provider, it should be ensured to keep on conveying to the patients that they are getting something extra for their loyalty to the hospital. Patients would like the hospital to make profits but it should be a transaction where both parties benefit the most.

**Patient is the GOD ...** yesterday, today and tomorrow. He wants that a hospital must work every time to get his repeat or additional business. Again, this work can be in terms of money, time, service, respect, and so on. Wise marketers achieve this objective by putting more of "you" than "I" whenever they talk to their regular patients. Hospitals are no different. Patients have to be treated with respect, dignity and reverence. Eventually this will result in more profits for the hospital.

3. **Patient is the profit, everything else is overhead :** Possibly, this was the fact that Henry Ford not only followed genuinely but also implemented to the last word. His biographies contain several references to his near obsession and reverence for his customers. These words may sound trite but once implemented, these will benefit the most.

'Over-service' the present patients a little bit because they are and will continue to be the best prospects for more hospital business. Whenever over service is done patients will make a mental note of the over service and gradually the good reputation will spread. Also, when deciding to buy hospital services, the patient considers not only what it costs him in terms of money, but also what it costs him in terms of time. Therefore, patient convenience should be an important factor to be always kept in mind. Any activity which is not meant to benefit the patient, now or later, directly or indirectly, is overhead. And hospitals-any hospital-cannot afford the luxury of the overheads.

- 4. Patient Satisfaction :** Technicians and assistants in the hospital are people and if they are not satisfied, one can never have satisfied patients. This is a simple but often ignored fact. "Many hospitals have succeeded without proper medical facilities, none without proper technicians". Employees with average intelligence initiative, when treated with respect and dignity as individuals, given training and motivation will turn out to be good technicians.

**Another point to be considered is how to get the patients, serve them and keep them?** A very big question but with simple answers like :

- Help patients remain healthy. Remove their fears and worries.
- Help patients to reduce costs of medical care for their family.
- Help patients to save time.
- Increase patient's awareness among the employees so that they can work together.

- 5. Prospecting for patients is the key result area (KRA) in selling efforts of a hospital:** No patients, no hospital. Right? Simple. But more often than not this simple truth is forgotten.

- Meet the patients, personally. Remember "If you are not busy meeting your patients, you are forcing them to visit other hospitals?".
- Become trustworthy to patients.
- One small deed for the patient accomplishes more than a thousand words.
- "Working Together Works". Unless employees in various department work together as a team, one can't get more patients at the hospital.

**6. Continuous communication with the patients :** Communication with the prospects and the patients is the core of good marketing. How to achieve it? There is no magic wand in the world that will help achieve it; only patience and persistence pays. Each employee should be trained to be a good listener to the patients when they come into the hospital or when they write to the hospital. This includes encouraging the patients to open up and express themselves clearly.

In our country, with so many festivals for *Devis* and *Devtaas*, a health provider has several "excuses" to send a postcard to his patients. The postcards can contain simple messages to help the patients. And when a patient comes in, he should really be helped, otherwise it will result in stinking publicity. A promotional mailer can be so fine tuned that it can reach the individual on his birthday, on his anniversary and so on.

**7. Serving top 100 patients the best way :** Every branch manager of IBM – anywhere in the world- always has a comprehensive file on each of his top 100 customers. It is not important how to select the patients. Those patients should be looked for among those who are satisfied with your health facility. From these patients lot a can be learnt-what they liked and what they did not like. A hospital with 1000 satisfied patients and no expensive modern facilities will take less time to get expensive modern facilities as compared to the time that a hospital with good modern facilities and no patients will take to get 1000 satisfied patients.

Now, once there is the list of top 100 or 1000 or even 10,000 patients, thinking should be done as to what will happen to the hospital if these patients desert. This will help in managing the facility in far better ways and will automatically result in self-auditing policies and procedures and day-to-day activities in the various departments. And finally, 100 is not a magic number. It can be 60 or 300 or 1000 – the number one can serve the best.

**8.Patient oriented hospital :** It is not a simple task, but can be done by following the patient by patient approach. When does a hospital becomes patient oriented? As soon as the facility starts rendering, through thoughts and actions, the best possible service to each of its patients. This way a hospital becomes great for its patients. Patients do not like to come to a big hospital where they get lost, but they love coming to a great hospital where they will be given the best possible attention. Also a big hospital does not necessarily make more profits than a great hospital.

**9.Patient oriented policies and procedures :** A hospital exists so long as the patients keep on coming. Hospital policies and procedures, even if they have been given by the best business management, professor, are suicidal if they inconvenience the patients.

**10.Patients must be given the best possible services :** Patients should be given “USA” – Unique Service Advantage – and once they get it, they will become repeat patients and bring in more patients. It simply means some extra and individual care to show that the business of patients matters a lot to the hospital. May be the best equipment can be installed, hospital be opened for longer hours for the convenience of patients, and so on. It also involves studying the competitors and to start serving the patients better.

**11.Patients want answers to their problems; they are not impressed by the 3Cs :**

A hospital where the patients get answers to their problems is a better “mousetrap” than a hospital where the patient’s problems don’t get solved. Patients are not impressed by the carpets, chrome and chandeliers in the hospital. Patients will flock to that hospital which follows a more helpful attitude. The 3Cs won’t help if they are shown the rules and regulations whenever they come with problems. A health provider should not only work harder to satisfy his patients but must also appear to be doing so. Patients with complaints must immediately get the feeling that they are still welcome – rather more welcome – than when they had come in the first place. A bit of additional consideration is all that is required to convince the patients that they are wanted at the hospital.

**12.Fight, fight, fight ... for your patients :** Nothing motivates and satisfies a patient more than to see his health worker putting in an honest day’s work to solve his problems. Every patient, unless proven otherwise, is a reasonable patient and, therefore, will warm up when he hears from the health worker, “My dear patient, here is what I shall do for you”. If the health worker is a “fighting” type and says these words with sincerity, it will be music to the patient’s ears.

**13. Listen, listen, listen ... to your patients :** The patients should be given a proper hearing. Very often, their complaints are like burning embers and if ignored, may become huge fires, or on

the other hand can be turned into ashes by merely dropping a few drops of cold water in the form of an instant helpful attitude. If properly attended to, the complaints can be turned into opportunities. A health facility that wants to earn a good reputation in the long run also ensures that the patients are encouraged to lodge complaints and each complaint is fully investigated.

**14. Each of the employees should visit patients :** In a health facility, every employee does something-directly or indirectly-for the patients. Otherwise, he does not have a right to be on the payroll of the hospital. If so, how is it that some of the employees never see the faces of their patients, at least, not away from the hospital. In the hospital, a selling atmosphere should be created wherein every employee gets an opportunity to market the services.

**15. Checking with the patients about employees attitude :** Why customers (patients) quit?

- 1 % Die
- 3% Move Away
- 5 % Form Other Friendships
- 9 % For Competitive Reasons
- 14 % Because of Product Dissatisfaction
- 68 % Quit Because of Attitude of Indifference Towards Customers by Some Employees

Notice the last line carefully. A continuous follow up, therefore, should be done with the patients to find out how they feel about the hospital employees and how they were treated by them.

**16. Solve the small problems of patients today :** A hospital is not a bed of roses. Of course, most of us feel that it is a bed of roses when we see it from a distance. It is only when we touch the bush to pluck the roses that we get pricked by the thorns too. And every hospital must learn how to handle difficult patients with extra care. A difficult patient is like a dark cloud with a silver lining. He presents an opportunity in disguise to test the hospital's orientation to him. Fortunately, patients are people and the rule of 80:20 applies to them too, i.e. 80 percent of patients are reasonable and they forgive and forget very quickly while it is only 20 percent who carry their grievances on and on.

**17. Dissatisfied patients are best teachers :** One can never please 100 percent of patients, 100 percent of the times and 100 percent of the days. If one can do so it is either a sellers market or he is a genius or he is not taking takeable risks. Generally for an average hospital one – third of patients are very satisfied, another one-third are reasonably satisfied and the balance one-third are not fully satisfied and, in fact may be 10 percent are fully dissatisfied. These dissatisfied patients should be searched for and once they are located, one third of the problems are solved. Close attention should be paid to every word they say and it should be noted down. This conveys that personal interest is being taken in the matter. The objective is not to win the argument but to come to an agreement that satisfies a dissatisfied patient.

**18. Learning the art of knowing when to say “No” to patients :** The secret of success in conversations with very difficult patients is the ability to disagree without being disagreeable. Whenever a “No” is said to a patient, it should be said in such a way so that he understands it to be only

a "No" at that time and not as "Never". It is the easiest thing in the world to say "No" to the patient and thus lose him forever. One should explain "because" for the "no" one is saying. Once the patient knows why a "No" has been said, he will understand and become reasonable.

To sum up, in a hospital, decisions should not be made in the proverbial ivory tower. We must see the white of our patients' eyes. Hospitals who meet their patient first and decide later, do exceedingly well.

## Chapter 15

### Case Studies

# MARKETING OF HEALTH SERVICES AT APOLLO HOSPITALS\*

Most patients see large hospitals as a corporation: a faceless institution. But as Buck Rogers says in the "IBM Way"<sup>1</sup>; "Even a giant can be generous, helpful and kind". The goal for a big hospital should be to act small and treat every patient as though he were unique. "I behave as though every IBM customer is about to leave" says Buck Rogers. The same principle should be adopted for every patient. It is very important to keep a close watch on what is happening in the patients' minds.

In order to understand the patients better, the Apollo Group of Hospitals have a number of in-built systems which help keep a finger on the pulse of user opinion.

- a) Every patient is given a feedback form which measures his levels of satisfaction in patient areas. All patient complaints are sorted out as soon as possible and the management regularly reviews the action taken in various areas. Senior officials including the Chairman, visit patients everyday as an example of Management By Walking Around (MBWA). There are complaints/suggestion boxes placed all over the hospital in order to encourage patients and their relatives to make their opinions known.
- b) The Guest Relations Officer is primarily in-charge of complaints and suggestions. This office receives and handles regular suggestions regarding improvement of services. Attempts are made to solve the problem on the spot and regular reviews carried out.
- c) A detailed study is carried out periodically with patients about to be discharged. About 150 patients are studied every six months. The idea of such periodical surveys is based on the fact that patient's needs keep changing. Since the hospital tries to solve problems immediately, the nature of problems also keep changing. This is kept in view while constantly trying to improve and enhance the quality of care.
- d) The Facilitation Desk which is manned right through the day, provides an additional channel for patients who seek information, directions and redressal. The 24-hour reception is of course ready to help the patients.
- e) There is an Advisory Committee of opinion leaders from the community, who meet once in two months and keep the management informed about what the community feels about the hospital. Very interesting insights have been received while carrying out this programme. An opinion was received that some of the hospital employees do not respect the privacy of the patients. So, a special programme was organized to ensure that all the employees knock at the door before entering.

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We have all heard about the “Four P’s” of marketing: Price, Place, Promotion and Product. Instead of four P’s, in service marketing we have the CAPS concept;

- a) Consideration instead of Price
- b) Access instead of Place
- c) Promotion
- d) Service instead of Profit

### **Consideration**

“Consideration” embraces much more than the price. Because when a person comes to a hospital what is as important as Price, it is the waiting time, the pain involved in the process and the loss of dignity which is part of medical treatment.

In a Government hospital, though the patient does not, in most cases, pay money, he may incur a cost in terms of waiting, discomfort and loss of dignity. Sometime back, a senior director of a major company from Hyderabad had come to Apollo Hospitals. He said that what upset him most was the loss of dignity. He went on to explain that when the technician drew blood from him in an open area, he was very upset by the fact that everyone could see him in pain. For a person used to being in control, this was a very upsetting experience. Not all the reductions in “Price” would help him overcome this consideration. That is why even if a medical service is offered free, some people may not accept if the other costs like pain, waiting and loss of dignity are more.

Sometimes, even in medicine, high prices can actually attract the snobs in the market. For instance, when people know that a famous actress’s nose was corrected by a particular doctor, they will be willing to go to the same cosmetic surgeon because of the snob value. This element is obvious in many other organizations.

Parents do not mind paying the high fees at Doon School because some very important people studied there. This concept is beautifully demonstrated in the marketing of Shyam Ahuja Dhurries. The Shyam Ahuja Dhurries cost five times more than any other Dhurries. Their advertising appeals to the snob in all of us. It says “They are not for everybody”. A glance at the Maslovian Theory of the needs is very relevant here. The need for social acceptance, the need to appear special, is a fact that should be accepted by every marketing person. If a product meets the need for social acceptance of an individual, it has a greater chance of success, as the very name, Aristocrat and VIP suggest.

It does not matter whether a hospital is private or government. Everyone in the medical field must strive to reduce the ‘consideration’ that a patient pays in order to make use of hospital services.

### **ACCESSS**

Access means that the place chosen must be easy to reach. The product must be easy to use and convenient. At Apollo Hospital, Hyderabad, this problem was obvious because of the distance of the hospital from the centre of the city. Hence, the opening of satellite diagnostic centres in the middle of the city was a creative method of tackling the problem. Also, shuttle bus services have been arranged at regular intervals.

Waiting time is a very important aspect of access. It is important to study systems by which appointments are fixed and, the manner in which daily appointments are handled. Some time ago, when the hospital was full there was a problem in allocating beds for patients specially to those from outside Madras. A system was worked out to mitigate this problem. Those from Madras were requested to go home and they were specially called on telephone when the rooms were ready. This was a problem that suddenly crept up immediately after a time when lot of free beds were available. One of the crucial access problems at Apollo Hospitals, was the problem of finding parking places. Today, it has been solved to a certain extent by the public address system as well as a slight increase in the amount of parking space available.

When the problem of access is considered, it is often found that most hospitals are used to having the community come to them for their services. But at Apollo, it was discovered that the shortage of space makes it necessary to go out into the community. The group has gone out into schools to deliver the school package which includes a number of services ranging from the annual medical check-up to talks on facts of life like drug addiction and medical counselling. Annual medical check-ups at factories have been conducted at site to reduce the loss of time to industries. Into this category, also falls the industrial package which includes annual medical check-ups, first-aid classes, talks on facts of life and medical counselling.

### **Promotion**

The promotion in hospital marketing has to be extremely limited because of the professional ethics of doctors. The promotional goals of hospital marketing are :

1. To inform and educate the public about the various services available particularly in preventive health.
2. To organise personal and formal meetings to discuss the services.
3. To persuade new consumers that the services are worth using.
4. To inform the consumer how to obtain the services easily and conveniently.

One of the latest promotional programmes of Apollo Hospitals has been the cardiac screening programme where the emphasis is on preventive medicine and the services are offered at 50% of the usual cost. This has been one of the more obvious high profile campaigns, but every month atleast three or four programmes on public education are being conducted.

Other major target groups have been doctors. Regular continuing medical education programmes for doctors are conducted atleast once a month. Some international seminars have also been conducted. With doctors it has been tried to make access easier by introducing programmes like the Lab All Share Programme.

In terms of promotion, it is extremely important the government hospitals talk about some of the sophisticated services which they are offering, so that more people will have a chance to use them. For instance, some of the most sophisticated services in the country are available in government hospitals. However, a large number of people in the country do not have information regarding this. Hence they do not have the opportunity to utilize those services. These institutions could also get involved in large programmes for public education like preventive health care, immunisations etc. It is time that private and government hospitals forget their differences and

start working together towards the single goal of giving all those who need medical treatment, the best possible care.

### **Service**

The last element in the marketing mix is probably the most important. There is no doubt that this element is important to hospitals of every kind, whether they are charity, government or private. Even a man who does not know where his next meal is coming from, has been found to take a loan and use the services of a private hospital, because he imagines that he will get better care in such a hospital. We are dealing with a very sensitive issue-the issue of life and death.

The quality of service has a deep and profound impact on the users. This is where the "touch-me-not" analogy operates. The touch-me-not flower has leaves which close the moment one touches them. Like this, the consumers of hospital services are extremely sensitive to even what may appear to be minor aspects of the problem. There are some interesting experiences of this at Apollo. The group was among the first to introduce complete AIDS testing including the Western Blot. A lot of editorial coverage was also received on it. Suddenly it was found that several of the patients were not using the facilities, When one of them was asked for the reason, he said 'We are not coming to your hospital because we are scared that we will get aids'.

There was a similar experience with the drug addiction programme of the hospital, when one of the drug addicts walked into a patient's room and started playing the music system. It was then decided to arrange greater security for the drug addicts so that other patients are not affected.

It was Theodore Levitt who said that it is very important to be alert to changing conditions. In his words "To continue to grow, you must act according to customers needs and desires and not bank on the presumptive longevity of the product"<sup>2</sup>. It is important to be aware of changing needs, changes in what the people feel and even changes in fashions. With the AIDS scare, came the increasing insistence on disposable needles. With women's fashions veering towards pencil thinness, came the popularity of fitness clinics. We need to be sensitive, responsive, caring, capable of changing.

In conclusion one cannot help remembering the anecdote in the famous book 'What They Don't Teach you at Harvard Business School'<sup>3</sup>. One of the major dog food companies in the country had their Annual Marketing Conference. Everybody stood up and spoke about how great the company is, how efficient and how successful the company is. Finally the Managing Director who was an old experience man, stood up and said "I am happy to hear that this is one of the best companies in the country. How is it that we are selling the lowest amount of dog food in the country?" A young recruit stood up and said : "We are selling lowest amount of dog food because the dogs hate it". This brings us back to the original point, that the crucial factor is to keep in touch with what the patient is feeling. It is important to continue to respond to changing patient needs. The patient should be the focus of all efforts.

## Chapter 16

# Marketing of Educational Services\*

## INTRODUCTION

Marketing of education is a subject with very wide coverage if one considers that formal education begins at the school age and depending upon the choice, vocation and circumstance of the persuants, matures into intermediate and higher levels of learning including professional and specialized fields. Apparently, benefits sought from higher and professional or vocational courses are more tangible or measurable in terms of entry qualifications to a chosen profession, certification to enable practicing a profession or relative ease of access to a suitable form of livelihood. Not attempting to cover the marketing of education per se, the scope of this chapter is limited to the post school or higher education.

Without marking specific comments about any particular discipline, the chapter deliberately seeks to keep the treatment of the subject general, as the objective is to develop a basic understanding of the concepts involved in the marketing of education as a special case of marketing of services.

Interestingly, the need to 'market' their services has not really been felt by the education sector, as educational institutions, be they colleges or Universities or institutions catering to specific fields like ours, have faced more demand than they could cope with. For specialized fields like management and computer education, where attractive market potential have increasingly caused more and more institutions to be set up, competitive situation is slowly changing. Even the institutions facing heavy demand have been confronted with the question of being able to choose the desired target customers, and therefore face issues like product differentiation, product extension, diversification and service integration. There is a basic concern with building and retaining organizational reputation for creating a 'pull' in the market. All this has activated some interest in the hitherto neglected area of marketing of education services. Let us try to understand some of the basic services marketing concepts, relevant to marketing of education.

Before going into the subject of education services marketing, it is important to understand the concept of education as a service. Going by the modified AMA definition "services are those separately identifiable, essentially intangible activities, which provide want satisfaction and are not necessarily tied to the sale of a product or another service"<sup>1</sup>. Providing a service may or may not require the use of tangible goods. However, when such use is required, there is no ownership transfer of these tangible goods in service buying transaction. Education as a service; then, can be said to be fulfilling the need for learning, acquiring knowledge-providing an intangible benefit (increment in knowledge professional expertise, skills) produced with the help of a set of tangible (infrastructure) and intangible components (faculty expertise and learning), where the buyer of the service does not get any ownership. He may have tangible physical evidence to show for the service exchange transaction but the actual benefit accrued is purely intangible in nature.

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## SERVICE CLASSIFICATION AND EDUCATION

A number of classification schemes have been developed to classify the whole array of services according to some chosen variables. One of the simplest schemes classifies services as consumer, intermediate and industrial service. Education is a service that is geared primarily to the consumer market, therefore it can be classified as a consumer service rather than an intermediate or industrial service, though packages of industrial training are also designed for the organizational customers.

On the basis of the way in which services have been bought, education, depending upon the type and level can be classified both as a shopping service and as a speciality service. Swan and Pruden have suggested that establishing whether a service is bought for instrumental motives (i.e as a means to an end) or for an expressive motive (as an end in itself) provides a useful framework for service designers<sup>2</sup>. For majority of customers education may fulfill the instrumental function, but there is always a category of customer for whom education and the pursuit of knowledge are expressive motives.

Another classification scheme categorises services as equipment based and people based services, depending upon which resource is primarily used in the production of the service<sup>3</sup>. By its very nature, education is essentially a people based service though some service delivery systems may make heavy use of technology and equipment. Services have also been classified on the level of personal contact as low contact or high contact services<sup>4</sup>. Recent developments in open and distance learning systems have successfully countered the challenge of constantly maintaining high levels of contact, by creating specialised kinds of user friendly course material and using multi-media technology to gain access to students. Shostack, who in her studies has stressed the intangibility characteristic of services has classified services on the bases of dominance of tangibility/intangibility, along a continuum of a pure tangible product with high tangibility dominance to a pure service with intangibility dominance<sup>5</sup>. Accordingly education can be classified as a pure service with dominant intangibility content.

## SERVICE CHARACTERISTICS AND IMPLICATIONS FOR MARKETING OF EDUCATION

### Intangibility

Education like most 'pure' services is an intangible dominant service, impossible to touch, see or feel. Evaluation of this service however can be obtained by judging service content (curricula, course material, student workload, constituent faculty) and the service delivery system. The consumer, based on these evaluations, has a number of alternative choices before him and may make selection on the basis of his own evaluation referrals, opinions sought from others and of course a brand or corporate image of the organisation providing education. At the end of the service experience, the consumer gets something tangible to show for his efforts i.e. a certificate or a grade card denoting his level of proficiency at the given course/programme. According to Bateson, finer distinction of intangibility into palpable and mental intangibility, has implications for the marketing of the educational services.<sup>6</sup> For reasons of both mental and palpable intangibility :

**Education cannot be seen or touched and is often difficult evaluate.** It is therefore, imperative to build in "service differentiation" in the basic product to enable competitive positioning.

**Precise standardization is difficult.** For educational packages of same levels and bearing similar certification (eg. B.A., B.Sc, and B.Com. degree programmes, Postgraduate are Commerce

and Science programmes, Management Diploma and degree programmes) across universities and colleges, it is often difficult to bring about standardisation of course design as resources/needs/objectives of different institutions may differ. Institutions like Universities, though, try to manage equivalence in standards through Boards of Studies which are generally inter-university bodies. Technical education is sought to be standardised through bodies like the All India Council for Technical Education. Interestingly, the lack of standardisation also opens up the marketing opportunity of creating highly differentiated, need based course packages, suited to chosen target groups of customers or serving specialised/localised needs.

**Education as a service cannot be patented.** This feature implies that courses designed or developed at one institution can be replicated and offered at other institutions. It also implies that as far as the service product features are concerned, all advantages of a given competitor have an essentially perishable character. Only those discernible strengths which have their basis in the people resource, cannot be easily replicated. Hence, the added importance of faculty selection and motivation for educational institutions.

As these implications of intangibility become apparent to the service, product designers and providers in the field of education, the following pointers to marketing planning emerge :

- Focus on account of intangibility should increasingly be on benefits delivered by the service system and the uniqueness of the package that is being offered. The benefit accruing to the student may emanate from the service product-its depth, width, level or variety or from the uniqueness of the delivery system, the evaluation system or the extremely high goodwill enjoyed by the institution.
- Education, like most other pure services, should be tangibilised so that the beneficiary has some physical evidence to show for his achievements. Certifications for various levels of attainment, citations and separate certificates for any special achievements or activities should be duly prepared and delivered in time to be meaningful.
- Branding through effective use of Institute/ University acronym, to aid instant identification and recognition should be practiced. Concerted efforts at building up organisation's reputation through performance as well as through skillful use of communication tools would need to be carried out to associate this 'brand name' with a desired 'brand image'.

### **Perishability**

Services are perishable and cannot be stored. To an extent, education displays this characteristic which results in certain features.

- **Production and consumption are simultaneous activities.** This is true of most conventional teaching institutions where face to face teaching necessitates simultaneous production and consumption. Open and distance learning systems which make substantial use of technology, however, have made it possible for production and consumption of the service to be carried out at different times-the use of audio-video units and preparation of course material sent to the students across the consumer population, are designed to meet the challenge posed by the perishability character of services.

- **No inventories can be build up.** This is true of most services, as well as education, as an unutilised service like a course on offer, or a lecture scheduled to be delivered, cannot be stored, if there are no students enrolling for the course or to attend the lecture. This factor opens up the challenge of managing the service in the face of fluctuating demand. Nearly all universities at one time or the other have faced the problem of overstaffing, when certain disciplines went out of vogue, like pure sciences and post graduate courses in languages. The marketing implications of perishability necessitate that a better match between supply and demand for educational packages would need to be made. Course design and course offers need to be preceded by a need analysis of the target population before the decision to launch them is made. This points towards the use of marketing research techniques for service development (designing the course concept) and planning, but more than that it necessitates a shift from 'institution orientation' to a student or 'customer orientation'. Courses need not be offered because the institutions have available expertise in an area or it is something that the institution has been traditionally doing. In consonance with the marketing concept, the capability of finding a better fit between the needs of the society and the design of the offering, would define the difference between an effective and a non effective institution.

### **Inseparability**

Services are also characterised by the factor of inseparability in the sense that it is usually impossible to separate a service from the person of the provider. In the context of education, this translates into the need for the presence of the performer (the instructor) when the service is to be performed and consumed. This necessarily limits the scale of operations to the number of instructors available, it also means that the distribution mode is more often than not direct in the sense that no intermediaries are involved; the transfer of knowledge is directly from the provider to the learner. As noted before, open learning systems have overcome the characteristic of inseparability by incorporating the teacher into the material and bringing about a separation between the person the producer and the service. A direct marketing implication of this inseparability is the need for obtaining/training more service providers as well as the need for more effective scheduling of operations.

### **Heterogeneity**

Heterogeneity in the context of services means that unlike product manufacturing situations where design specifications can be minutely standardised and followed, the standards of services, educational services included, would depend upon who provides the service and how. This heterogeneity of performance renders service offers for the same basic "service product" from different institutes vastly different from each other. Even though standardisation of courses according to some prescribed norms may be attained, it is difficult to 'standardise' individual performance i.e. that of the faculty resource person. That, perhaps, is not even a desirable goal in education, but maintenance of a certain quality standard across 'performers' certainly is. In the absence of accepted quality standardization mechanisms in this context, it is the market forces alone, which would force quality standards on education. Dwindling registrations in institutions, snatching away of "market shares" by more effective competitors is what is making institutions take a renewed look at quality of service delivery and mechanisms for maintenance of standards.

In terms of marketing implications, the heterogeneity characteristic of educational services, necessitates careful personnel selection and planning, constant and careful monitoring of standards which can provide cues to the prospective customers to aid choice of institutions. Ex-

amples of these cues could be success rates of the placement programme, the absorption of the institutions product in the job market, or the performance of the pass-outs at other competitive examinations.

### Ownership

Ownership or the lack of it also characterises service. In the context of education, the customer only buys access to education, or derives the learning benefit from the services provided. There is no transfer of the ownership of tangibles and intangibles which have gone into creation of the service product. Payment of fees (price for the service) is just the consideration for access to knowledge and for the use of facilities for a given tenure.

### MARKETING STRATEGY AND EDUCATION

It has been pointed out in almost all studies on the subject of services marketing that strategic management and marketing strategy for each organisation, needs to be unique in itself as it is organisation and situation specific. Some directions for marketing strategy for education may, however, be drawn keeping in mind the special characteristics of education as an intangible dominant, people based, high contact consumer service. These are outlined below.

1. The dominantly intangible nature of education service may make the consumer's choice of competitive offers more difficult.
2. In case of delivery systems where the performance of the service demands the presence of the instructor, marketing of education would need to be localized and offer the consumer a more restricted choice. Of course, as institutions build up their "pull" in the market, consumers are willing to relocate themselves to avail of the service.
3. Perishability may prevent storage of the service product and may add risk and uncertainty to the marketing of education, specially in the event of fluctuating demand for courses/instructors/disciplines.

The basic question for strategic marketing planning that need to be answered are :

**i) What business are we in?** In order to properly define the mission and the overall objective of the organisation it is essential to define what business we are in. Are we in the business of transmission and propagation of knowledge? Are we professional skills? Are we in the business of creating special skills or preparing people for a specific vocation? Or are we there to provide basic knowledge and training to people which will enable them to reach a level where they can make further choices? Answers to these questions will lead the institution to identify what it holds to itself as the organizational mission and overall objective.

**ii) Who are our customers and what benefits do they seek?** Identification of target markets and understanding the needs of customers, as well as the criteria they use to make choices, represents an important step in marketing strategy formulation. For an education institution, the task translates to determining what is the nature of the benefits sought by its set of 'customers'. Are they merely seeking a certification, or development of a specific kind of expertise or is accumulation of knowledge the real value sought? Since the purchaser of



the educational service is primarily buying the expertise or knowledge he believes that the institution has at its disposal, it is important for the institution to be able to define the kind of expertise it is capable of producing. It is also important to develop an understanding of the criteria prospective students apply when they choose between competing institutions. A study in the Indian context, for management education, reveals that some of the criteria used by students to choose between institutions were :

- a) reputation of the institution,
- b) no. of applicants keen to enroll in the course,
- c) past success rate of placement,
- d) faculty expertise,
- e) width of specialisation offered,
- f) infrastructural facilities, and
- g) fees.

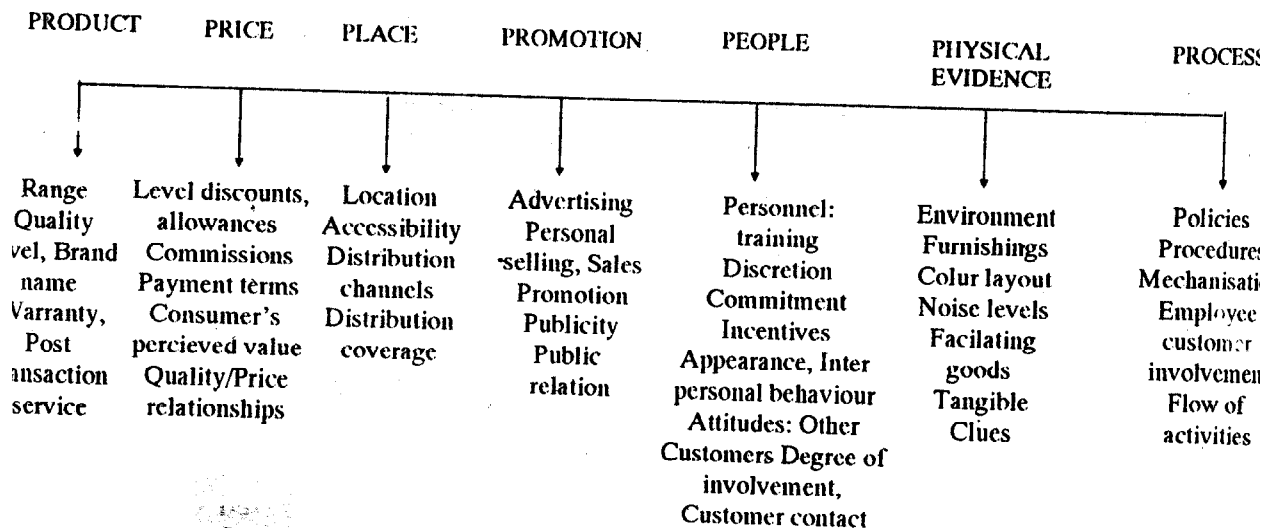
Identification of criteria used to differentiate between competing offers may lead institutions to lay emphasis on developing competing strengths and creating perceived differences between their offers and the competitor's offer.

**iii) How can we build or defend own competitive position?** Every organisation has to consider an entry strategy into a market and then creation and protection of a competitive position. Though a number of alternative positioning choices are possible for educational institutions, the task of positioning is a slightly more difficult proposition here, because of the absence of a strong tangible core to the service offer. One of the basic ways to achieve a strong competitive position is to build up strong service differentiation which can generate a clearly focused organizational and product image in the consumer's mind. Examples can be found in the case of NIIT which identified the need for computer education and training in the Indian market and built up expertise to cater to clearly defined need segments in terms of basic learners, job aspirants, people needing to update their knowledge, organizational customers needing customised packages and so on. Another example is that of Indian Institute of Management, Ahmedabad, which through development and nurturance of highly specialised faculty resource and excellent industry interaction has built up formidable barriers to competition. These clearly differentiated positions enable these institutions to generate large number of aspirants and select the desirable quality of students.

**iv) How should we offer new service offers that help/strengthen the competitive position?** As needs and wants of the consumer population change, existing course packages or delivery systems may cease to satisfy them. A preemptive approach to education planning suggests that 'satisfiers' to such needs be preemptively developed and offered before the need really becomes apparent to the consumers themselves. Since education to an extent, represents a derived demand dependent upon the final demand for desired qualifications for employment; changing job scenarios, industry requirements and consequent need for qualifications may be one indicator to watch, for generation of new service offer ideas. Though a highly structured approach to research and development in a new service may be difficult, there is no reason why systematic organisational processes for generating and testing new course package concepts and weeding out old and "unprofitable" services should not be designed.

## THE MARKETING MIX AND EDUCATION SERVICE

The traditional 4 P concept developed for marketing of products has been conceptually extended by Booms and Bitner to include 3 more Ps i.e. People, Physical evidence and Process, to explain the marketing elements used for services.<sup>7</sup> Fig. 6.1 below gives an idea of the components and subcomponents of the mix.



**Fig. 16.1: The Marketing Mix For Services**

Source: "Booms, B. H. and Bitner, M.J" *Marketing strategies and organisation structure for service firms* "in Donnelly J and George W. R. (eds)" *Marketing of services* AMA, 1981

Developing the right marketing mix for marketing of education would mean constantly fashioning and reshaping the components of the mix into the most effective combination of the components at any point of time, Let us, by considering these components, try to study what considerations do education planners and dispensers need to keep in mind, with respect to these elements of services marketing. We shall mainly concentrate on the aspects of the service product and promotion, as concepts of process and people have been integrated in the concept of the augmented service product. Considerations of price, place and physical evidence have also been discussed.

### The Service Product-The Education Package

While deciding on the education packages to be offered to a consumer population, the starting point obviously has to be the consumer. It is imperative at the very outset of deciding the service product, to outline the distinction between what an educational institution offers in terms of its service and what benefit does its larger population derive from it. Central to the idea of a service product, are the consumer benefit concept, the service concept, the service offer and the service delivery system. While the consumer benefit concept defines what benefits do consumers derive from a particular educational package offered, the service concept is concerned with the definition of the general benefit the service organisation offers on the basis of the consumer benefits sought. Thus at the very basic stage of the design of the education offer, marketing orientation suggests

that the offer should be fashioned as a response to the identification of the consumer benefits sought.

According to Gronroos, the service concept has to be defined at two levels.<sup>8</sup> The general service concept refers to the essential utility being offered ( a computer training organisation offers solution to the problem of keeping up to date information flows within the organisation) while at the core of the service offer are specific offers (software training packages for bank employees). Let us try to elaborate the concept of service offer a little more as it has specific to the conceptualisation developed by Gronroos entails :

- Developing the service concept
- Developing a basic service package
- Developing an augmented service offering and finally,
- managing image and communication.

As already noted, the service concept defines the intentions of the organisation in respect of offering a certain benefit to the consumers. The 'basic service package' described the bundle of services that are needed to fulfill the needs of the target market. Extending this to the education sector, the basic service package determines the entire package offer which is a designed to fulfill the learning needs of a target population. For decision making purposes it is essential to recognise this basic package as consisting of three elements. These are;

- the core service
- the facilitating service (and goods) and
- the supporting service

The core service is the reason for being in the market. A management institute exists because it equips people with skills and abilities to manage organisations. Faculty expertise and the accumulated experience at the institute represent the core resource for supplying this benefit. However, in order to make it possible for students to avail these services additional services are required. A registration and admission service, class schedules, counselling service, enabling students to make relevant specialisation choices, and library facility are required so that the students are facilitated in deriving the benefits of the core service i.e. the learning. These services are called the facilitating services. It is important for the planners to realize that if the facilitating services are not adequately provided, the core benefit cannot be consumed. Sometimes tangible goods are also required to avail the benefit of the core service. Course material, in the form of books and prepared course notes, instruction manuals, computers, classrooms and class equipments are examples of facilitating goods that help access the core benefit.

The third element of service that goes to make the basic service package is the supporting services. Like facilitating services, they are also auxiliary to the core benefit but their objective does not lie in facilitating the use of core service rather they are used to enhance the value of the core product and to differentiate the service offer from other comparable offers. An efficient place-

ment cell in the above mentioned example, high quality residential facilities, good network of exchange relationships with business organizations, do not facilitate the learning process but add value to the service offer by adding to the utility derived from the total offer.

From a managerial viewpoint, it is important to make a distinction between facilitating and supporting services. In order to effectively access the core package, the facilitating services are necessary and the service package would collapse, if the facilitating services are not provided. The marketing strategy directive that can be developed here is that for highly intangible core service products like education, facilitating services should aspire to attain a quality level which enables them to become a competitive strength. Supporting services which are essentially designed as a means of competition, diminish the value of the package if they are lacking. The core benefit, learning however, can still be derived if the supporting services are deficient or absent.

The basic service package, however, is not equal to the service perceived by the consumer. An excellent basic education package, along with its facilitating and support service element may be made in effective by the way students are handled or student interactions are managed. How the whole service offer is perceived forms an integral part of the total product. The basic service package and the elements that go into the service perception form what has been termed as the augmented service product. The Augmented Service Product integrates the concept of service process with the services offer. Three distinct elements which along with the basic offer go into the creation of the augmented service product as components of the perceived service process are :

- accessibility of the service
- interactions with the service organisation and
- consumer participation.

Taking the example of a university, accessibility of the service would depend upon :

- The number and skills of the persons associated with providing the core, facilitating, and supporting services
- Office hours, class and seminar schedules, time used for other services
- exterior and interior of offices, classrooms, facilities
- Tools, equipments, study materials etc.
- The number, quantity and aptitude levels of students involved in the learning process.

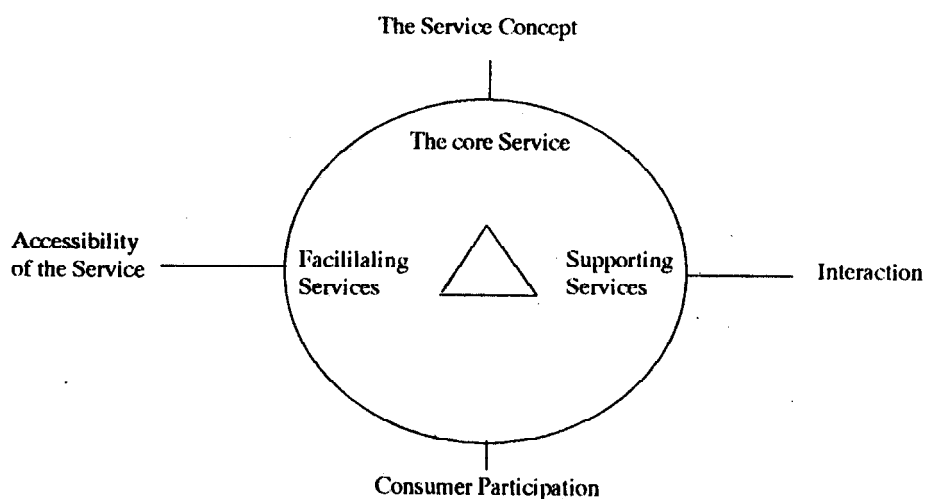
The interaction between the service provider (the University) and its customer can be in terms of :

- Interaction with resources faculty (their expertise, skill, attention, attitudes)
- Interaction with other service interfaces (admission, evaluation, students inquiries, students welfare office, office staff, hostel wardens and proctors. Reception-attitudes and willingness of response, accurate answers.)

- Interaction with the physical environment (space, cleanliness, maintenance, noise levels)
- Interaction with accessory service system (waiting line for admission, results, enquiries, payment receipts etc.)
- Interaction between students and,
- Interaction of the various sub system with each other, (faculty, facilities, office personnel, other service departments).

Customer participation is a concept which identifies the impact the receiver of the benefit has on the service he perceives. In the above example the student is expected to fill in various forms, exercise choices of disciplines and subject combinations and participate in the learning process through interaction and attention. The service rendered by the University would be dependent upon the quality of student participation in the above and allied activities. Specifically the aspect of student participation that as relevant are

- Are students knowledgeable enough to identify their need or problem, and to exercise choice options offered by the University?
  - Are they reasonably aware of the time and flexibility dimensions offered to them?
  - Are they prepared and willing to share information and feed back.
  - Are there any quicker and more efficient of motivating participation.
- The augmented service offer can be diagrammatically represented as shown below.



**Fig. 16.2: The Augmented Service Offer**

Source : Gronroos, C. "Services Management and Marketing", Lexington Books, Lexington 1990

In planning the total educational package offer, therefore the focus of the concern is not the course alone, the package has to be seen as a total offer along with its facilitating and supporting services. As planners identify that consumer perceptions are also affected by inputs other than the core service, attention needs to be focused on the accessibility, interaction and consumer participation aspects as well as the basic service offer, so that the augmented education service offering can be effectivly created and positioned.

### **Pricing of the Education Service**

Pricing decisions for the service offer are of a major importance and should ideally be related to achievement of marketing and organizational goals. Pricing of the educational offer however, typically represented as 'tuition fees', is subject to certain constraints and characteristics.

Most educational institutions, in fact all public institutions like the Universities. Institutes of technology, Medical and Engineering colleges, come under the category of services where price are subject to public regulation. In all such cases the price element is not controllable by the marketer, instead it become a subject matter of public policy, Where political, environmental and social considerations take priority over purely economic considerations. Prices may be based on the ability to pay fee structure relating to parents' income in case of Unversities) or some socially desirable goals (total fee exemption for women candidates in state like Rajasthan and Gujrat). Autonomous institutions also subject themselves to formal self regulation of price for example, the institution like AICWA, and AICA are subject to institutional retualtions regulations relating to fee structures which they decide for themselves. On the other hand private institutions, typically in specialised fields like medicine, engineering, computers and management tend to price their services on what the market would bear. As most of these institutions operate in subject fields where demand far exceeds supply, prices charged depend upon economic condition, consumer feelings about prices, buyer need urgency, competition in the market place, level of demand etc.

Heterogenity of services and different pricing considerations used by different types of institutions make price a less important determinant of consumer choice in educational services.

The more the services are homogenous (undergraduate, graduate courses in the basic disciplines) the more competitive would tend to be the pricing. Another generalization that can be drawn from product marketing is that the more unique the education service offer, the greater would be the ability of the providers to vary prices according to the buying capacity of the consumer population.

Differential pricing, based on the consumer's willingness to pay may also be utilized for the education service. The practice of charging different fees for the sponsored candidates and the non sponsored ones is common in professional courses, so is the practice of charging differential fees from full time and part time evening participants of the study programme.

### **Promotion and the Education Services Offer**

The objective of promotion in education services is akin to its role in other marketing endeavors. Accordingly, the basic objective that promotion as a marketing tools is expected to paly for marketing of education would include.

- Building awareness of the education offer package and organisation providing it.

- Creating and sustaining differentiation of the organisation and its offer from its competitors.
- Communicating and portraying the benefits such to be provided.
- Building and maintaining overall image and reputation of the service organisation.
- Persuading customers to use or buy the service.
- Generating detailed information about core, facilitating and augmented service offer.
- Advising existing and potential customers of any special offers or modifications or new service offer packages.
- Eliminating perceived misconception.

Educational institutions however, have not been able to use promotional tools effectively because of certain perceived notional barriers. Some of these barriers are :

- Most educational institutions are product oriented rather than market or student oriented. They perceive themselves as producers of certain educational programmes, rather than as satisfiers of certain learning needs. This lack of marketing orientation, keeps those managing educational institutions from realising and exploiting the role that promotion could play in attaining their organisational objectives.
- Professional and ethical considerations may prevent the use of certain forms of promotion. Established education institutions may regard the use of mass media advertising and sales promotion as being in bad taste.
- The nature of competition in case of educational institutions like Universities, technology and management institutes is such that they are unable to cope with their present demands and work loads. They therefore may not feel the need to promote for demand generation purposes. What has to be realized however, is that even such institutions need to use promotion for image creation and to sustain as well to maintain a secure market position, and to improve the quality of customers (students) seeking then services.
- The nature of consumer attitudes regarding education and their perception of mass media information sources may sometimes preclude the use of intensive promotion;. For making their choices regarding a particular institution or a course package, prospective students rely mostly on subjective impressions of the institution, or use surrogate indicators of quality like the provider's reputation or image. They also tend to rely heavily on word of mouth referrals rather than published literature or material supplied by the institution.

Due to some of the above considerations, as also because of prevailing 'industry tradition' promotion of educational service has tended to rely more heavily on the component of publicity rather than any other element.

Studies in the field of marketing of services indicate that the reluctance towards using mass media advertising or sales promotion is partly due to the inherent psychological barrier and

partly due to the misunderstood role of these tools.

Restrictions on advertising for several professional services are being slowly relaxed. Growing competition and the threat of losing market shares has awakened many an institution to realise the importance of mass media tools like advertising for organizational as well as service offer promotion. Some guidelines that can be used while applying this powerful tool for generating awareness, interest and enrollment are summarised below :

#### **a) Create Clear, Simple Messages**

The real challenge in advertising educational service lies in communicating the range, depth, quality and level of service offers by a given institution, in simple, unambiguous form. The need of giving pertinent information has to be balanced against the need to avoid wordy copy.

#### **b) Emphasise Service Benefits**

Based on an identification of benefits sought, advertising for the educational product should emphasise the benefits to be provided rather than the technical details of the offer.

#### **c) Make Realistic, Attainable Promises**

Education by its very nature is a high reliability service, where expectations are high. Unfulfilled promises create dissonance. Promises in terms of performance of services therefore should be realistic.

#### **d) Build on Word of Mouth Communication and Referrals**

As noted earlier, non marketer dominated sources in case of education marketing may be more important to the consumer. Educational organisation should therefore build upon the importance of word of mouth communication by

- persuading satisfied consumers to share their sense of satisfaction with others.
- directing ad campaigns at opinion leaders
- encouraging potential consumers to talk to existing consumers.

#### **e) Provide Tangible Clues**

In terms of certification, records of attainments and past success figures, provide the prospective target population with tangible clues to enable them to make choices.

#### **f) Develop Continuity in Advertising**

Most successful institutions position themselves in different ways, so that their images are discernibly different in the eyes of the consumer population. Positions could be built around innovative teaching methods, faculty expertise, research and development possibilities, international orientation, tradition of quality, range and depth of specializations offered, progressiveness, delivery system, flexibility, supporting services or a combination of any of the above. Once a theme has been identified, consistent use of themes, formats, symbols and images enables recognition of the organisation and its association with the desired values.



### Place Decision and the Education Service

In most cases the educational services represent the single location and direct distribution processes with no intermediary between the producer and the consumers of the service. The learning process is usually accomplished by the user of the service going to the service provider. However, because of buyer need urgency and the nature of the utility derived, accessibility and convenience for educational service location are not as a critical factor as in case of, say, a banking service. Depending upon the competitive situation, the factors that have marketing implications in terms of location are

- a) What does the market demand? Will the purchase of service be postponed or negated if the institution is not conveniently located? How critical are accessibility and convenience in service choice decision?
- b) Are competitors finding alternative ways to reach to the markets? (for eg. distance learning in education) Can some competitive advantage be gained by developing alternate/different norms of service location and delivery?
- c) How do flexibility, being technology or people based, affect the educational service offer in terms of flexibility in location and relocation?
- d) Is there an obligation on part of the institution to be located in a convenient site? (eg. Public health education centres, family planning training centres, vocational training centres etc.)
- e) How critical are complementary services to the location decision? (Transport to and fro, residential and canteen facilities and so on)

Answers to issues like the above underline the critical importance of the location decision and may result in more systematic approaches than in the past.

### CONCLUSION

In the present era, it is not nature resources or natural wealth which distinguish an affluent society from a backward one, it is the accumulation and development of the knowledge resource. Education was never as important a utility as it is today. People however differ in the benefits they seek from the educational services offered to them. It is important, then in order to be able to satisfy these needs and wants effectively, that a marketing orientation be applied to the conceptualisation, design and delivery of educational service. This is even more imperative in a developing country like India, where resources are scarce and a better match between needs and service provided needs to be attained. Education planners, in order to plan the service offer well and deliver it effectively, need to understand the behaviour of the target population, and the criteria they use to exercise choice. The key to better delivery of the education service is not that it is performed by people but that it is performed for people. People therefore represent the starting point for analysis to precede conceptualising the service offer and developing it into a marketable service package. The education service offered by the institution must reflect the organisational response to the identified needs and wants of the target segment, in a given socio-economic context.

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## Chapter 17

# PROFESSIONAL EDUCATION: MARKETING OF SERVICES\*

“Marketing of educational services” is an extremely broad topic when we concede that education begins at a very young age and continues throughout life unfolding into many area of knowledge and going deep into specializations. It would not be fair to try and cover all of these in one chapter. This chapter is therefore limited to **Professional Education** only and in the context of India. We will take a brief look at the patterns of professional education in India.

In short the picture would be somewhat as follows (Fig 17.1)

### (Level A)

Initial or basic level of professional coursers	would <u>create</u>	Entry level professional
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**Some of whom after some years of practice would like to take**

### (Level B)

Continuing Education or Specialised course	which inturn <u>would create</u>	Specialists in the profession
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**Some of whom would like to pursue**

### (Level C)

Advanced level education or Research programme	which <u>would create</u>	Researchers Teachers, Faculty
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**Figure : 17.1**

By definition, professional education has more tangible returns than education in the fundamental sciences or arts. This return is seen as the acceptance of an individual as a practitioner of a particular profession, and thus opening the opportunity for his/her to earn remuneration accepted for such a profession. The better a person gets at this work, through experience or through formal qualification, the more is the price for practice he can command.

Fig. 17.1 above gives a basic framework for what professional education is expected to deliver and before we go into understanding the market in India, let us look at some of the experiences of professional education in India.

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## Patterns of Professional Education

### a. Medical Education

Medical education is the oldest and perhaps the most highly sought after profession which makes the pattern very clear. The medical schools within a short period received societal recognition for their product. The demand for medical education became very high and the educational content at the entry level was standardized and received statutory recognition.

Once the credibility of the profession and medical education was established, there was a rush to open medical schools and dispense certificates of medical education not necessarily of standard quality.

Today there are 128 recognised Medical Schools and another 22 unrecognised ones which continue to educate and certify medical education. The intake into these colleges in the last five years has been of the order of 12-14 thousand and 10-12 thousand are graduating each year with medical degrees.

Since the final product was designed after western models, most doctors have been concentrating their services in large cities. Consequently competition has grown. Two things have happened as a result. Through the competition itself there has been an automatic sifting in the quality of doctors, **thereby creating a hierarchy amongst various schools**. Secondly, the entry level qualification (MBBBS in this case) has become so common place that in order to maintain the standard of remuneration **specialisation has become necessary even at the entry point**.

A third development has been that the proliferation of medical schools have made it difficult to ensure quality of education allowing inferior quality products to enter the profession and bringing down its image. Today the Indian Medical Association has to deal with such issues as ethics in medical practice, medical audit and have a big task before them to maintain the quality and image of the profession.

### b. Company Secretary's Course

A different scenario is presented by the professional education, in the area of company Secretaryship. The company secretaries training was earlier conducted by the Department of Industries in the Government. In 1968 the Institute of Company Secretaries was set up for the purpose of running this course. In 1975, a statutory requirement came into force; requiring that all companies with more than Rs.25 lakhs turnover must employ Chartered Secretary who in this case has to be a member of the Institute. Students taking entry level programme would automatically become associate members and then members in due course of time. There was an immediate rise in the demand for this course. This institute however has maintained a very strict control at the exit level so that only a limited number of qualified professionals graduate into the market, thereby ensuring a standard of the profession.

### c. Management Education

A third experience is that of management education. Though management education has been following more or less the course of medical education there is one major and fundamental difference. A management qualification is not a statutory requirement for a person to be a manager. Management education has however, established its worth in the last two and a half decades and

has been accepted by society. University departments offering MBA have risen from less than 50 to about 120 in the last 10 years. Now that a large number universities are offering MBA programmes, already a varied degree of quality of the final product is evident amongst the MBA holders creating a growing consciousness in industry as to the institute delivering the management education.

One other difference in management education is that professionals from various streams join management programmes to further their prospects. This results in a large number of entries at the second level.

In addition to the very broad pictures which are visible to all of us, I would like to share the experience from two education programmes with which I have been personally associated. Both these programmes are very different from each other in many ways and similar in many.

### **(i) Health Care Management**

The first of these is a two year certificate programme in Health Care Management offered to personnel including doctors, nurses or other may persons, who were already in administrative positions in Hospitals or Health Centre. This course was run by the Voluntary Health Association of India. Persons were selected on sponsorship basis. One of the primary criteria for selection was the relevance of the programme to the organisation. Individual's position and motivation to do the course were other criteria for selection.

The course was conducted through distance learning methods, though during the period of two years there were at least three intensive contact programmes and a few more points of contact through faculty visits, regional meets and so on.

The average intake was 60 in each batch. In spite of the generally accepted fact that distance education programmes have a fairly high dropout rate, in these batches, dropout, was as low as 15%. This programme was characterized by highly specific application oriented course content and rather intensive teaching inputs provided at the convenient location of the students work place. The course did not have a statutory status but was widely accepted in the client group because of its high relevance and delivery.

### **e. AIMA Program**

The second experience is one with management education conducted by the All India Management Association through distance learning.

The AIMA course was initiated in 1976 and was clearly intended as a continuing education programme for those who were already in executive positions. In a few years the course received government recognition for promotion into superior positions and in the next few years several public sector organisation quickly included this qualification for incentives and subsidies in their management development programmes. Once the course received a formal recognition from the industry, the registration into the programmes escalated rapidly. The growth in applicants was phenomenal if we look at the increase over the application in 1980 when government, recognition was granted. The number of applications rose by 81% on the next year and by 179% after two years.

The student profile comprised largely of engineers and other functionaries in public sector enterprises aiming towards management cadres. About 70% of the students who joined received

organisational support in one from another ranging from partial subsidy to total reimbursement. In many cases there were additional increments to be gained at the end of the course.

In the last few years many of the companies, particularly the large public sector ones have reviewed their incentive policies and have tightened subsidies for general qualifications. This has had an effect on the profile of the students now joining the AIMA programme. On comparing current profile to those of a few years earlier we find three significant shifts have taken place. Firstly, the age groups today is much younger. The percentage of students between 25-30 years has gone up by from 56 to 66 in the last three years and correspondingly the percentage of above 40 years has dropped from 9% to 5%.

Secondly,, there has been a shift from public sector executive towards private sector. Public sector students comprised 50% in 1987, 44% in 1989 and is now only 36% while private sector has arisen from 31% in 1987 to 41% in 1989 to 54% in 1991.

The third shift is the rise in students taking the course voluntarily from organisations not giving any types of assistance. Their proportion has risen from 30% in 3 years ago to 56% now.

These trends show that management education today has begun to be viewed as something which will improve a person's capability putting him in a better bargaining position for his professional skills. This will be irrespective of which organisation he worked for and whether that organisation formally recognises the course to not.

One other outcome of this shift has been the push to take this course towards the entry level qualification whereas it was created for the second level. This push factor needs to be dealt with clearly by AIMA within the framework of its own objectives.

The purpose of relating these experiences at the macro level and at micro level is to show a pattern that can be considered fairly consistent in the marketing of educational services in the field of professional education. There are three important payoffs or factors that concern the consumer.

- a) Recognition (statutory a societal or both);
- b) content of the course leading to discernible enhancement of professional skills and,
- c) the process of imparting the education or the faculty interaction which for our purpose we will term as "delivery".

### **Understanding the Consumer**

Let us understand the consumer at the three different levels of education as already identified in figure 17.1

The types of persons who would be looking for entry at the different levels are shown in the figure 19.2.

**Table. 17.2 : Continuum of growth in the Profession**

A	B	C
Entry level	Specialisation level	Research & Contribution level
-High values placed on statutory recognition.	-High value on societal recognition, particularly within the profession.	-Self Recognised opportunity and facility.
-would compromise on content and delivery.	- Fairly well developed contents.	-High degree of clarity in required content.
-Little knowledge of the demands of the profession.	-Fairly well developed ability to apply.	- Need for of clarity in of application areas.
-Little knowledge of the demands of the course.	-Willingness to meet course demands.	
-Highly instructor oriented.	- Looks upon instructor more as a facilitator but expects high level of delivery.	- High need for flexibility and access to resources.
-Ability to apply not developed	-Expectations of vertical mobility and higher remuneration.	-Self Confident.
-High peer influence.	- Satisfaction of learning to do a job better.	-Satisfaction of furthering professional learning through own contribution.
-Expectation of highly remunerative job opportunities.	- Better promotional avenues	

The type of person who would be looking for level one course will usually be a fresher without experience. Such a person has had only a hearsay exposure to the profession and has little first hand knowledge. At this stage the highest demand is for statutory recognition which ensures a place in the profession. The course content and delivery become of secondary consideration. The objective of the applicant at this stage is to get into the stream at any cost.

At the level B the student's expectations and needs rate quite different from level A. At the time of joining at this level he has learned to differentiate between directly useful knowledge and peripherals. His performance will be different and so will his relation with the instructor. Level C pushes this even further with again a different set of needs and expectations.

It is the responsibility of organizations providing professionals educational services to move the new entrant along the continuum from A to B to C.

### **Task of Education Delivery**

Any organization handling the responsibility of delivery of professional educational services will be

required to deal with the students profile and the varying degrees of expectations at each level. We also need to understand and anticipate the types of environment patterns and pressures that are likely to emerge. The marketing of services will naturally take into account all of these factors.

One basic requirements must be fulfilled for any organizations to undertake professional education and sustain it. The education service itself must of a consistent quality to back the image projected through marketing.

### Strategies for Marketing

We have seen that in Professional Education the consumer is looking for three pay offs. To reiterate,

- a. Recognition leading to acceptance by the profession and society, through statutory means or through well established social means;
- b. Course content leading to enhancement of knowledge and skills, which differentiates capabilities even within the profession; and
- c. Course delivery through acknowledged teachers and practitioners in the profession and through means which creates high quality end products.

Though these areas are not strictly in water tight compartments, for the purpose of formulating a marketing strategy these classification become important.

We have also seen that there are consumers at different levels which for our purpose has been classified into three as shown in 17.1. In figure 17.2, we have tried to see which of the payoffs listed above are more important at which levels. This understanding is necessary for creating our marketing strategies. If this is acceptable then in marketing Professional Education Services, we would have to deal with matrix that is as follows

**Fig. 17.3 The Payoff Matrix**

Payoffs	Recognition	Content	Delivery
<b>Students</b>			
Level A	*	*	*
Level B	*	*	*
Level C	*	*	*

The area identified by each cell of the matrix would require a specific strategy for marketing.

At this stage one other consideration becomes important.

All professional education organization must take a deliberate decision as to which of the levels – A, a & C is its primary focus. If it undertakes to cater to all levels then a predetermined mix should be decided upon.



The reason for mentioning this is that in the absence of a clear strategy in this regard, an institution may well find itself pushed by the most evident market demand. The experience of all professional education shows a gradual push towards level A. Merely level A education would not sustain the quality of the profession over a long period. Institutions must therefore allocate resources for Level B and C.

We must also remember that at levels A & B the student has an expectation of high remuneration at the end of the course.

The various steps that may be taken in the marketing of professional educational services, are listed below.

### **Sharing Information of Recognition**

At the lower level this would entail informing the students of the type of recognition a course enjoys. This problem would not be very high for Universities or established schools on account of statutory recognition already attached. The students will however like to know how the course is thought of in the profession and in society. It, therefore, becomes necessary to inform students of the types of career growth, job opportunities, and remuneration that have become available to student who have qualified the course. This involves creating a database of alumni. The database will have to be kept periodically updated to keep track on the growth of the alumni. In all its communication to the prospective applicants the educational institution will need to cull out this information appropriately and highlight those achievements which would indicate societal recognition.

The second set of activities related to recognition would be to play a catalytic role of information between the students and users organisations. This is particularly true for those organisations offering management education where the achievements of the students must be informed to industry to get better recognition from industry. This was applied in every intensive way by IIM's in the initial years. High profile marketing of students' capabilities backed by well trained products over a period of time has now precluded the need for any overt marketing.

In a nutshell, to achieve recognition we need to create databases on students, information from which is appropriately used from time to time to communicate with prospective students, organizations and society at large.

### **Creating Awareness of the Demands of the Profession**

It is necessary for educational institutions to create a forum for interaction with prospective applicants, where a better understanding of demands of the course and demands of the profession is created. This will ensure over a period of time that those who choose a profession are the ones who are genuinely interested in the profession.

### **Strategies for Delivery**

The educational institution would need to determine its strategy for education delivery which again would vary from level to level. Level A would require highly structured course content which would be instructor oriented.

As the student moves along the continuum of professional growth the teaching strategy would have to change. At level B, whereas boundaries of courses would be defined and evaluating

methods structured, the teaching methodology would need to be far more student oriented. The instructor would become a facilitator, allowing the student to determine his learning methodology and helping him to identify resources. We assume that at level B all students would already have been practicing for some years and would have a professional arena to learn from. Here the learning would become more case based and the student would need to be taught techniques of identifying a learning situation relevant to his course.

At level C the educational services would be available to the student but the student would structure the goals of his education programme and the methodology.

### **Creating Interfaces with Practitioners**

No profession is static. There are always new developments. Therefore, this particular activity is of special relevance to professional education, since it must assume the responsibility of creating new learning from the experiences in the profession.

Types of interaction will be different from one another depending on whether these are intended for Level A, B or C.

At level A, it would mainly be for the purpose of information sharing in creating awareness and understanding of the profession. These would be of lectures and seminars kind.

At level B, the interface meeting would have to be far more interactive. Seminars and workshops would have to be designed to allow level B students opportunity to understand the growing need for specialization, direction of growth of the profession, opportunities of furthering one's capabilities and usefulness of types of courses.

At level C, the interface would be of yet another kind. There could be need for creating forum where ideas can be developed through interaction of top professionals, which in turn would be created into educational programmes. Another purpose for interface would be to identify area for research and contribution and make this information available at Level C for the purpose of research.

### **Certification of Learning Based on Experience**

There is this new area where no professional institution in India has yet begun work. This involves in grading levels of capabilities or competencies within a profession. This capability may have been acquired through practice or experience in the profession, or through a formal course. Or a combination of both.

In the marketing of professional education, we can anticipate that each profession is growing so rapidly in its area of specialisations and complexities, ways must be found to allow a professional to learn, practice, enhance learning and move with a similar rapid pace during the course of his 30-40 years of productive life. In this process, certification of capabilities becomes relevant.

The American College of Hospital Administration has been practicing this for some years. Levels of accreditation are granted on experience based case preparation by the registered student. The British Institute of Management has recently initiated work in this area in the field of management, though it is early to analyze the results of the exercise.

We in India can read the signs of future direction and prepare to move toward that right away.

## **CONCLUSION**

In suggesting the various steps in this chapter, three basic assumptions have been made.

Firstly, the courses offered are relevant to the current needs of the profession and are of good quality.

Secondly, there is a growing impact of technology on all educational programmes. These range from computers to harness information to the electronic media which can be vary effectively used for teaching.

Thirdly, the growing influence of networking and establishing linkages in order to avoid duplication of effort and better use of resources. I would assume that all institutions offering professionals education would keep abreast of these.

In conclusion, it would be proper to state that every educational organization must consciously decide for itself as to at which point of the continuum it would like to be. Without this there is the danger of responding to market pressures, creating low quality products which would be a disservice to the profession.

## Chapter 18

# MARKETING OF PROFESSIONAL SUPPORT SERVICES: IMPLICATIONS FOR ADVERTISING AGENCIES\*

### THE IMPORTANCE OF SERVICES MARKETING

With services sector showing the highest rate of growth in our economy it becomes imperative to look closely at the marketing of services as a discipline, a study of the shares of services sector in the developed world shows that with the process of development, the share of the services sector increases rapidly. Services not only employ 2 out of every 3 Americans working in the private sector but also contribute over 60% of the GNP. In all developed countries the share is over 50%. The need to look at the marketing of services in India therefore, is both timely & productive.

### THE NEED FOR AN INDUSTRY-SPECIFIC STUDY

The growth of study of modern medicine around 1700 witnessed a movement from panaceas to specific diagnosis and the search for specific remedies against specific ills. Similarly the study of services marketing can benefit more by concentrating on specifics, focusing at smaller sub-groups of services business and identifying what can be done with the marketing variables in each of these fields.

### THE NEED TO LOOK AT ADVERTISING

With the advertising business in India crossing the Rs. 1,000 crore mark, with many new small agencies entering the market, some even closing shop and brand casualties increasing, the need to look at the marketing concepts that apply in this industry is stronger than ever before. If advertising is looked upon as the brand building activity, then future brands need to be invested in by studying the marketing of professional advertising services. An attempt in this direction is being made here.

This attempt shall be broken up into 3 parts.

- A) Application of the general concepts of marketing of services to the advertising industry
- B) Identifying the style & content of agency growth
- C) Understanding Agency Positioning & Strategy

### An Application Of The General Concepts Of Marketing To An Agency Set Up:

#### i) The 4 Ps:

Kotler<sup>1</sup> defines a generic marketer as one creating value through configuration, valuation, symbolization & facilitation. In an advertising agency scenario this includes the design of the

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advertising services package, whether the services offered are inhouse or from freelancers, the range of services offered and the intensity of service offering of each of the services in the range. Valuation is the media commission earnings of an agency which are fixed at 15% (until an agency offers unethical discounts). However, valuation of other services in its package can vary as can its art charges. Symbolisation is what the agency is perceived as by its target audience. Alternate symbolisation alternatives can include positioning by size, by creative talent, by auxiliary services, by markets etc. Facilitation has more to do with accessibility of service and ease with which client can tap each of the service offerings of the agency. The production consumption interaction in advertising allows for direct distribution only.

## **ii) Three More Ps:**

The above four concepts correspond broadly with the 4ps of marketing. However, in the marketing of services 3 more Ps are important. These are personnel, physical facilities and process management. Though these three Ps deal with the preparation of the service, they are as important as the other 4 Ps. This is so because the consumer is very often taking part in the shaping of the service offering. The production and consumption interaction is a unique characteristic of the service industry. Consumers can influence not only accessibility of a service but also communication about it. A dissatisfied consumer, research proves, will influence a large number of people to abstain from using the service. The process management and physical facilities are critical as they work together every time to prepare the service for the consumer.

## **iii) Service: A Non-standardised Product :**

Factories have set formulas for ingredients so that the consumer knows exactly the type of product he is going to consume. For an advertising agency, there is usually no standardized product. When an agency is called by client for consultation on a problem, the solution to the client's problem may well lie with the 3 other Ps (Product, Price, Place), than with promotion. Interaction between client & agency may bring out the fact that advertising is not the right tool to use at this point of time. Should the client's problem lie in the area of promotion, campaign instead of media releases. Hence a good client servicing person in an advertising agency can not be given a pre-determined product to sell.

## **iv) Service: Where Product Quality Needs Renewal On Every Purchase:**

While all products produced by a factory may meet pre-determined quality norms, in the service industry giving the consumer consistent quality may not be as easy. This is because the service has to be renewed with every purchase.

Because a service has to be created every time the customer demands it, there is a production consumption interaction while the demand is being fulfilled. As service is usually given personally, the interpersonal dynamics between the people offering the service and the consumer has to be nurtured so that the renewal of the service meets certain norms of both service quality and consumer satisfaction. In advertising, agencies giving good creative inputs may also be changed by clients because servicing may not be able to create a positive experience in the client's mind. The production consumption interaction in such a case does not meet client's demand of service quality, hence consumer dissatisfaction is expressed. An appreciation of the renewal aspect of service brings out the importance of people and process (Two of the Three new Ps.)

## vi) Service: An Intangible

With no physical ownership rights existing on the offering to the customer, no transfer of ownership can take place as in a tangible product. Also, unlike a physical product, they can't be evaluated easily by taste, smell, feel etc, While the agency's output may help to sell physical products (sometimes services too) of the client, the agency has no physical product itself to sell. Its physical products at best may be artworks, which by themselves have no value. Alternatively the agency could be considered as selling time and space on the air and in the press. Evaluation of its service, however, can only be done overtime by the response it generates. There are no tangible ways of measuring it today.

### Agency Growth: Its Style & Content :

#### A) Content/philosophy Of Growth:

Agency growth is a dependent variable. The business philosophy of a good agency defines its growth, as a dependent variable of the client's growth. Thus the primary task of an agency is to make its client's products grow. In the long run when planning for growth of the agency, it becomes very important to develop skills that nurture and foster the growth of the client organization.

- Hence though physically agencies may execute artworks, write copy, produce films, plan for media buying and provide routine servicing to clients, this is only the outer manifestation of its real business.
- The real job of the agency is to build brands, increase market shares, penetrate new markets, influence product development and planning, understand, participate in and may be, even influence marketing strategies. The job again may not end here.
- A client organization is different from a brand. It may have needs of corporate communication which may have to be identified and then fulfilled.
- The client as a corporate identity may be evolving. The agency could participate in its process of identifying new markets, new products and new business. Thus an agency should grow not only with the brands that it helps to build but also evolve and grow with its client organizations.

#### Style of growth:

As with marketing of any business firm, there are three objectives that professional firms also seek: Sufficient demand, sustained growth and profitable volume.

To achieve these objectives professional firms need to market themselves. The three styles of marketing for an agency (as for any professional firm) can be : minimal, hard-sell and professional marketing.

**Minimal Marketing** : Minimal marketing is practiced by many firms offering professional services. These firms dislike thinking of themselves as businessmen, instead state that they are motivated by service. They think of marketing as a salesman's job and look down on business solicitation.

They believe that their good work will get more clients.

**Hard Sell Marketing** : Hard sell marketing is at the opposite end of the spectrum to minimal marketing. It reflects a total sales orientation, offering price discounts, bad mouthing competition, offering referral commissions and indulging in practices bordering on violating professional codes of ethics. This approach forgets like any sales oriented approach, that there is more to business than attracting clients. Marketing involves a discipline of identifying and cultivating market, choosing targets, developing services, formulating plans etc.

**Professional Marketing** : This approach to marketing of professional services is in consonance with the professional code of ethics. Such an approach involves

- planning for long-range marketing objectives and works out strategies to match
- training staff to improve the efficiency and effectiveness of marketing and personal selling
- allocating time and budget to support marketing activity
- ensuring that quality of professional services offered currently does not suffer as marketing activity is increased.

Such effort is usually preceded by gathering data about the market. Strategies are evolved thereafter. These strategies may include “service” or “market” specialisation. Specialisation in any particular service/range of services may give an agency a cutting edge with clients who are looking for those services. Similarly specializing in certain type of markets (say “public issues” market) may pre-empt segments of the market to the agency. Another strategy may be of expanding services to current clients.

## Agency Positioning & Strategy

### 1. Positioning

One way defining Positioning of an advertising agency could be :

“Bringing the right people together and making them work effectively for a brand”. This is an incomplete definition for it ignores the ‘consumer benefit’ approach or the clients point of view. Clients have specific needs when searching for agencies. Agencies have more strengths in certain areas. Symbolisation (or positioning) is the ‘value added’ dimension agencies give to these strengths so that the client perceives them as fulfilling his specific needs.

### Positioning By Size

A client may be looking at a “big” or a “small” agency. The positioning statement for a “big” agency includes “full infrastructural back up, many branches, the ability to think and act big, benefit of experience of handling many product categories etc.” Positioning statement for a “small” agency includes “Flexibility, personalised service and attention, innovation, quick turnaround time, time & ability to go that extra mile for a client and his product etc.”

### **Positioning By Talent**

It must be remembered here that an agency has to offer full fledged services. However its positioning may be decided by the strength it creates in one particular area.

- “Creative oriented”. The client may be looking for agencies which are capable of delivering strikingly different creative output. This positioning can cut across the size barrier. The “small” agency too can position itself in this slot, earning the label as “creatives hot shot” for itself.

Clients may find strikingly different creative output very suitable in product categories where technology has matured and no distinct product advantages exist. A client may need to bank upon creative to create a “communication difference”.

“Marketing input oriented”. Some agencies may have strengths of having good brand thinkers. This, then, becomes the point of differentiation for the agency. Clients, too may look for such agencies with whom they can discuss marketing strategies. The benefit offered by this positioning to the client is a better interpretation of the marketing concept into advertising.

“Other”: Other alternatives could be based on talent in the agency. For example an agency may be able to offer good “servicing input”, another may have excellent “media planning” skills etc.

### **Positioning By Auxiliary Services**

Agencies can position themselves by offering additional services like in-house “market research” services. Further alternatives are “Direct Marketing”, “Public Relations” etc. These package of services can help give an agency the extra edge with clients whose usage level of such services are high. The synergy of advertising with market research or direct marketing is the consumer benefit offered by agencies choosing this positioning alternative.

### **Positioning By Markets**

It is possible for an agency to position itself by markets, too. Some agencies in India specialise in “public issue” advertising. Their positioning in this segment is so strong that few consumer product launches are done by these agencies while the bulk of the public issues business in the country is diverted to them. There are also some agencies whose bulk business comes through publishing “Tender Notices” of public sector undertakings. This is another example of specialisation by markets. It is possible for agencies to specialise in industrial products advertising or retail advertising.

### **Positioning By Price:**

Though professional code of ethics do not allow any discounting practices on media commission earnings, some agencies position themselves by offering discounts to clients.

### **HOW DOES STRATEGY VARY WITH THE SIZE OF THE CLIENT?**

The nature of inputs required from an agency vary with the size of the client and the brand. Different expectations from agency in entrepreneurial, medium size and dominant brand positions are discussed here.



**(a) Client: Entrepreneurial:  
Agency Task: "Nurturing of new brand"  
"Create positioning"**

When the client is young and small he is launching a new product/new established market. This is an entrepreneurial phase for the client. The services the client demands of the agency must be able to comprehend the growth pangs of an entrepreneurial organization and even though such brands usually bring low levels of billing, an agency must devote time to their needs which are usually unique and require an entrepreneurial decision making streak in the agency as well. Quick decisions and quick reflexes of an agency are critical as entrepreneurial marketing is like guerilla warfare. Such tactics, if backed by sound marketing thinking at client/agency end usually lead to success and rising brand shares. The basic agency task is however to create a brand positioning strategy for the client. Quick responses of client and agency as they fine tune the positioning in the market place are critical.

The demands from various departments of the agency for an entrepreneurial client are as follows:

- Servicing:** Personalised to the entrepreneur. Decision Making: Quick, based on gut feel.
- Servicing person:** Should be senior, capable of thinking on his feet. Must have knowledge of Account Planning.
- Media Planning:** Should focus on low cost, unconventional media.
- Account Planning:** Should be capable of evaluating if client's gut feel meets marketing logic.
- Creative:** Should never let the focus shift from the brand positioning in the flood of ideas coming in.
- Client Focus:** In early entrepreneurial phase may be survival. Agency should understand this.

**c) Client: Medium Size**

**Agency Task: "Strengthen brand positioning" to build brand leader.**

Two scenarios are discussed here :

- j) When client's growth is faster than the market growth

Here the focus moves to one of strategic planning for a brand to become a leader. Even when a brand has succeeded in an entrepreneurial set-up, the agency for its next phase of growth may have to alter its style as the client may enter new markets and segments by now and even though servicing may still be personalised; account planning will need to be more formalized keeping many more variables in mind, which at an entrepreneurial risk-taking stage may have been ignored. The basic agency task here is to strength brand positioning to build a brand leader.

ii) When market growth is faster than clients growth rate

Where a medium-size brand has been dormant for a long period of time in a market which is otherwise growing at a healthy rate, it may be useful for the agency to use some entrepreneurial concepts in both product and promotion design to make the brand an active player again. Repositioning of a brand becomes the major brand building task of the agency. The client should be motivated to relook at pricing and distribution strategies by the agency.

The focus for different departments of the agency for a medium size client are as follows:

- Servicing:** May be personalised still. But agency should meet second line marketing People to receive market feedback directly (In non-entrepreneurial situation: It is heirarchial & partly personalized).
- Decision Making:** Agency should promote formalized decision making based on Account Planning recommendations. To dilute focus on gut feel only.
- Media planning:** Has to think of using mass media judiciously. For building brand leaders, Media Dominance Strategy has to be worked out.
- Account planning:** Should be the key agency focus so as to heighten brand positioning or to “reposition” a slow moving brand.
- Creative:** To make brand distinction totally different from others, it should use media differently or design the message differently.
- Client focus:** It must be made long term here by agency advice.

#### d) Client: Market Leader

##### Agency Task: “Maintaining” dominant brands

When brands are dominating ones in their product category, and market share can be increased only marginally, with the category itself nearing maturity stage, the key function is of maintaining brand shares. The focus is on “pre-emptive” strategies and not “attacking” strategies Competitors’ strategies have to be preempted and defensive mechanisms worked out. Aggressive strategies at this stage may drain more financial resources that they can generate. The brand positioning has to be guarded here against imitators.

The focus of various departments of the agency for a large size client is outlined below:

- Servicing:** Formal, following heirarchical structure.
- Decision planning :** Formalised
- Account planning:** The key input to strategy here is Market Intelligence (what the competitors plan to do) so as to pre-empt. Client’s marketing has to participate in this.

- Creative :** Defensive strategy for brand position.
- Media Planning:** Focussed for those target audiences which competitors are planning to tap. In other media, reminder level to be maintained.
- Client focus :** Defensive for brand position & share offensive for competitive threats.

Viewing the above analysis according to the stage of the product life cycle of the product would generate the following conclusion:

**A. “Create Brand Positioning”**

Entrepreneurial needs in servicing, planning & execution.

**B. “Strengthen Brand Position”**

Account planning needs dominant.

Or

If brand not moving well : “Reposition” it.

**C. “Guard Positioning”**

Maintenance for dominant brands.

## HOW DOES STRATEGY VARY ACCORDING TO SIZE OF AGENCY

The strategy options for small, medium & large size agencies are discussed here.

### The Small Size Agency.

Small agencies by their very size usually do not have very large brands to work on. The agency focus then largely becomes entrepreneurial, where the agency should have an ability to select clients whose products have a USP which is capable of becoming a benefit, highly desirable to a particular target audience in the market. At this stage, agency strategy involves **a search for the right clients i.e.** the agency should catch the entrepreneur who has a good product. The success of the brand then become the success of the agency. However, faulty selection and non-payment by the client is a risk. Hence mortality rate of small agencies is higher than for medium and large scale agencies. The other alternative strategy for a small size agency could be to **offer some specialised services**. Clients, irrespective of size, needing strengths in certain service areas would find such agencies useful. For example, agencies having good studio facilities could cater to clients who have needs of printing or other work requiring high quality artwork.

In case a small agency has a large brand, its revenues become largely dependent on the brand. This is both a constraint and an opportunity. The constraint is that the brand portfolio of the agency is very narrow. Hence the agency could become overdependent on the brand. Such dependence may hamper giving professional advice, especially when it is unpleasant for the client. The opportunity is that the success of the brand is the key of the agency’s success. If the agency realises this fully and establishes a healthy professional working relationship with the client it could be

mutually very beneficial. The agency would devote its fullest energies to the success of the brand, giving a growing brand the attention it deserves. In the long run, it would be advisable for the agency to **diversify its client mix**, for recessionary market conditions in the agency's major brands market and a subsequent financial involvement would be unmanageable for a small agency.

### Medium Size Agencies

A medium size agency should **invest in tomorrow** with small brands that it builds into leaders. It should have a **balanced client mix**. With more than a couple of brand leaders bringing the front, half a dozen or more, major brand players in their market and a handful of small clients who have a potential for becoming leaders tomorrow. The advantage of the medium size agency is clear. It is neither too big to be unaffected by a change in any client's health neither is it too small to avoid offering comprehensive advertising services. Its product portfolio, should consist of "today's bread winners" who are some large brands as well as "tomorrows bread winners" which are small brands the agency is nurturing to become brand leaders. The key benefit a medium size agency offers its clients (Its positioning statement) is that it is not too big for its clients to lack personalised agency attention. Neither is it too small to avoid investing in full fledged infrastructural support services. Therefore it can claim to offer the best of both worlds to a client.

### Large size agencies

A large agency must heighten its positioning as a leader. This can be done by **setting industry standards**. A leading agency, for example, produced an Urban Market Index and Rural Market Index which not only helps other agencies but also clients in their planning. Another strategy is to **help in creating better training facilities** to train professionals for advertising. This creates goodwill as many students may move to client organisations. It also helps to attract the best talent, hence preserving the pre-eminent place for the agency in the long run. This could also be done through organising seminars for both agencies and clients. Yet another strategy could be to create **industry standards in auxiliary services** like market research by setting up independent companies to handle these services. Such services can be used by both clients and other agencies. The basic strategy is to help **improve the quality of inputs** for the advertising profession. The leading brands naturally choose the largest agencies. Hence a large agency's client list reads like a who's who of brands. The advantages of such a scenario are obvious. The disadvantages need looking at. Due to the size of such agencies, it becomes unviable to handle brands who generate turnovers below a certain size. This leads the "innovator entrepreneurs" who are creating new product categories and attacking new markets to look elsewhere. It therefore makes eminent sense for large agencies **to set up smaller "sister" agencies** who can not only handle such clients but can also pick up competitive brands to the parent agency's brands. The latter is identical to a "multi branding" strategy used by dominant companies to maximise market share in large markets. The launch strategy for these "sister" agencies could well be a positioning stance that is the antithesis to the larger parent agency. If the larger agency is perceived as one following classical rules of advertising, the sister agency could well be a maverick". This would get both type of clients and brands and diversify the product/client mix of the group. Such an anti-thesis positioning would be useful when a larger growing segment of brands have a potential of succeeding using such a positioning stance. Usually the anti-thesis positioning of the smaller agency is "better servicing", "more time for client" etc. The positioning also reflects itself in clients chosen : they could be smaller say retail v/s. manufacturers etc.

**CONCLUSION:**

In short, unlike factories, which have standardised products, advertising is a dynamic situation where every output of the agency is different from the previous one. The production consumption interaction not only calls for direct distribution but is the prime determinant of the output. Advertising is a business of managing people: clients, on one hand and agency personnel on the other. The key task is to maintain enthusiasm and a desire for excellence among all of them. Advertising is a game of bringing out the differences among two products, and creating a USP for a brand by giving a consumer benefit to the dissimilarities. An agency must develop this ability to make a difference for a brand and therefore for itself. That is what successful agency positioning and agency growth are all about. An agency, in the final analysis is known by the brands it builds.

**Reference**

1. Kotler, Philip; Marketing Management, Analysis, Planning Implementation and Control, Prentice Hall of India 1991

## Chapter 19

# INDMARK-THE TRADE MARK RESEARCH GROUP (A)\*

One warm evening in March 1991, Kapil Varma and Sanjeev Bikhchandani were sitting and chalking out their future business plans. Sanjeev, 27, was a graduate of IIM Ahmedabad and was well settled in the marketing department of a well known Delhi based Multinational Corporation in the foods business. Kapil, 24, had until recently been working with his uncle, a well known intellectual property attorney in Delhi. Having met a few months ago through a common friend, Sanjeev and Kapil got talking and realized that they both possessed an entrepreneurial urge and wanted to start their own independent enterprises. Feeling that they would get along well together they had decided to start a business together in partnership.

After discussing the various avenues open to them, they focused onto the information services sector since it required minimal capital investment to start with. Being familiar with the area of trade marks due to a stint at his uncle's firm, where he had handled similar responsibilities, Kapil hit upon the idea of starting India's first completely computerized trade mark searching and watching service under the name Indmark-The Trade Mark Research Group. The idea appealed to Sanjeev and they began to research it in earnest.

Now after months of investigation they were both sitting to review the situation and the options before them.

### The Trade Marks Scene In India

Simply put a trade mark is a means that is used to enable consumers to distinguish between the goods of one manufacturer from those of another. A trade mark could be a brand name, a logo, a label, a pack design or any other visual device.

Trade marks in India are governed by the Trade & Merchandise Marks Act (1958). The Trade Marks Registry, under the Ministry of Industry is the nodal body that is empowered by the Government of India to administer and implement this act. The registry has its head office at Bombay and branch offices at Delhi, Calcutta, Madras and Ahmedabad. In order to gain exclusive rights to the use of a particular trade mark, manufacturers are required to register that trade mark with the Trade Marks Registry. Non registration of a trade mark however does not prevent a manufacturer from using that trade mark provided no other manufacturer has a prior application pending for registration or a prior registration for that trade mark.

The registry has classified goods into 34 different product categories for the purpose of registration of trade marks (see Exhibit 19.1). An application for the registration of a trade mark has to be in one specific class (Exhibit 19.2) and the exclusive right to use of a registered trade mark by its proprietor is for the manufacture and sale of only those goods for which it has been registered. A proprietor of a trade mark may however apply for the registration of the same mark in as many of the 34 classes if he wishes to.

In order to achieve the basic objective of distinguishing goods of one manufacturer from those of others a trade mark would have to be distinctive. This would mean that two identical or

deceptively similar trade marks would not be allowed to be registered for the same goods.

### Stages in the Life of a Registered Trade Mark

A registered trade mark goes through many stages in its life. The first stage is the stage of a *trade mark search*. In order to avoid prima facie rejection of an application for the registration of a trade mark, the applicant would under the normal course of events, conduct a trade mark search to find out if an identical or a similar trade mark is registered, applied for or in use by any other manufacturer of goods in the same class. This would provide the applicant with an assessment of the chances of the Registry rejecting the application at a later stage on the grounds of similarity with another existing applied for or registered mark. Not all applicants conduct a trade mark search before applying for registration of a trade mark though.

If an applicant so desires he can then apply to the Registry for an *assessment of prima facie* registrability of that trade mark, so as to assess whether the application for registration will subsequently be rejected on the grounds that the trade mark is inherently incapable of distinguishing.

Once a proposed trade mark clears the search and the assessment of prima facie registrability an *application* can be made to the appropriate office of the Trade Marks Registry for the registration of that trade mark in the specified class on the prescribed form.

After an application is made for the registration of a trade mark, it is allotted an application number and it enters the stage of *examination and objection*. In this stage the application is examined by officials of the registry and any objections that the Registry may have to the proposed registration of that mark, are communicated to the applicant. Due to the elaborate procedures and the heavy rush of applications for registration (see Exhibit 3) this is an extremely time consuming stage and on an average takes 3 to 4?

If an application successfully clears the examination and objections stage it is either *accepted or advertised before acceptance* in the Trade marks Journal –the fortnightly publication of the Trade Marks Registry (see Exhibit 4).

Any member of the public now has a chance to *oppose* the proposed registration of a trade mark within 90 days of an advertisement appearing in the Trade Marks Journal.

If an application clears the opposition stage it goes through a few procedural formalities and the trade mark is then *registered* from the date of the application.

Once a trade mark has been registered it enters into the *watch stage* where the proprietor watches the advertisements in the trade marks journal every fortnight so as to *oppose* the registration of any identical or deceptively similar trade mark that may have slipped through the trade marks registry's net. Only very few proprietors take this stage very seriously or are even aware of it.

The registration of a trade mark is valid for seven years and then has to be *renewed* by paying the prescribed renewal fee.

Failure to pay this renewal fee could result in the trade mark being *removed* from the register of trade mark.

## The Trade Marks Registry Library

Each of the five offices of the Trade Marks Registry is required to maintain a record of registered trade marks and pending applications, which is open to public inspection for conducting trade mark searches. In actual practice however, only the Registry offices at Calcutta and Bombay maintain this record. It was this record that is used by the Registry, companies, attorneys and the public to conduct trade mark searches. A fee of Rs. 20/- per hour is charged by the Trade Marks Registry for use of its library.

The record at the Trademarks Registry Library was arranged in following manner :

- (i) Registered Trade Marks from 1940 to 1959 in a register in alphabetical order of trademark.
- (ii) Registered Trade Marks from 1959 to 1976 in another register in alphabetical order of trademark.
- (iii) Subsequent Registered Trade Marks in index cards in alphabetical order of trade marks.
- (iv) Pending applications in files in chronological order of application (one page per application).

## The Proposed Service

Indmark proposed to launch India's first completely computerized Trade marks Searching Service. This would involve collecting data from the Trade Marks Registry library, building up a set up back issues of the Trade Marks Journal (Over 1000 issues had been published since 1940) for cross checking of search result, inputting the data collected onto electronic media, writing software for searching the diatribes thus formed, marketing the service to Prospective clients and servicing the orders received. One limitation of the service would be that it would not be able to do searches for logo Trade Marks (see Exhibit 5).

Both Sanjeev and Kapil felt that their service would be popular since their enquiries had revealed the dissatisfaction with current trade marks searching was high. They felt that their service would be economical, faster and more reliable. An unbeatable combination.

To reduce risk they decided to launch the service in only one class to see what the market response was before progressing further.

## The Competition

Competition to the Indmark trade mark searching service could be classified into the following categories:

The first kind of competition would come from those manufacturers who did not bother to apply for registration of their trade marks. A large number of small scale manufacturers and others in the unorganized sector in India fell into this category since either they were not aware of trade mark legislation or did not consider it to be an important enough issue. Such companies would naturally not go in for a trade mark search.



The second kind of competition would come from those companies who were in the habit of applying for registration of a trade mark without bothering to conduct a search (see Exhibit 2 for details of No. of applications and No. of official searches.)

The third competitor was the Trade Marks Registry itself, which offered an official trade mark search upon payment of Rs.50/- per mark per class searched. This search was time consuming since the Registry took anywhere between 6 to 12 weeks from the date of the search request to give a search report. Further the quality of the search report was suspect and in the past many applications that had been cleared by the official search were said to have been opposed, later on, on grounds of similarity with prior applications or registered marks. The official search however did have been advantage-namely it was *official* and that carried weight in litigation and discussions with the Registry.

Next, some companies followed the practice of searching the record open for public inspection at the trade marks registry themselves. Such a search typically took a week to complete and was inconvenient since it interfered with the regular work of company staff.

Also, a large number of companies followed the practice of hiring Trade Mark attorneys to handle all their trade mark searching and registration formalities. These attorneys either sent their own staff to conduct searches at the Trade Marks Registry or else applied for the official trade mark search on behalf of their clients. Attorneys typically took 10-20 days to conduct a search themselves and upto 3 months to obtain an official search. Their charges varied from Rs. 150/- to 3,000/-.

Sometimes, companies, instead of searching the record at the Trade Marks Registry would conduct a common law search i.e. they would conduct a survey of the market to find out if an identical or a similar trade mark was in use.

The last kind of competition would come from an organization called Piggy Bank Data Services (as in-house company of a firm of Trade Mark Attorneys M.S. Lal Lahiri & Salhora) that built a database of all registered and advertised trade marks from the Trade Marks Journal. The Piggy Bank database however, did not contain any pending applications prior to advertisement in the trade marks journal. It was estimated that pending applications accounted for over 70% of the total 6,00,000 registered and pending trade marks across all classes in India. Piggy Bank gave a search of registered marks for Rs. 1000/- per mark searched for each class.

### **The Customers**

Sanjeev felt there were broadly two kinds of clients, namely companies and Trade Mark attorneys. Indmark could either target the service at companies or at Trade Mark attorneys or at both Trade Mark attorneys and Companies.

Trade Mark attorneys were very strong influencers on decisions regarding Trade Marks. However there was a danger that they would perceive Indmark as competition.

Companies would benefit from this service but many companies would want a one stop shop (which Trade Mark attorneys provided) where they would get a whole host of Trade Mark related services including registration and legal counsel. Further many companies may not like to act against the advice of their attorney since they preferred to delegate task of Trade Marks to specialists like Trade Mark attorneys.

Further, the market could be segmented in term of the domestic and the international market (See Exhibit 6).; International clients paid higher rates but they were difficult to shift since they had international alignments with large firms of Trade Mark attorneys. Also marketing and communication costs were higher for the international market.

### **The Costs**

Sanjeev and Kapil estimated that data collection and inputting would cost Rs. 0.65 per trade mark. Further a full set of back issues of the trade marks journal would cost Rs. 40,000/-. Marketing expenditure during launch would cost Rs. 40,000/-. A PC-386 SX along with a dot matrix printer and office furniture would cost another Rs. 75,000/-. Other overheads not including partners remuneration would amount to Rs. 20,000/- per month. To cut costs the business would commence operations in a servant quarter above the garage of Sanjeev's house. For this a nominal rent of Rs. 800/- per month would be paid to Sanjeev's father. The variable cost per search for Indmark was estimated to be Rs.20/-.

### **Decisions Faced by Sanjeev & Kapil.**

Having reviewed the facts thus far Sanjeev and Kapil decided to put down on a piece of paper the key issues facing them, and meet the next day to decide on each issue.

The key issues as recorded looked something like this :

1. Which class of trade marks should be computerized first?
2. What should the features of the proposed service be?
3. What should be the price of the service?
4. How should the service be promoted?

**INDMARK – (A)**  
**EXHIBIT 1**  
**THE FOURTH SCHEDULE**  
**Classification of goods – Names of**  
**Classes**

(Parts of an article or apparatus are, in general, classified with the actual article or apparatus, except where such parts constitute articles included in other classes).

1. Chemical products used in industry, science, photography, agriculture, horticulture, forestry; manures (natural and artificial); fire extinguishing compositions; tempering substances and chemical preparations for soldering; chemical substances for preserving foodstuffs; tanning substances, adhesive substances used in industry.
2. Paints, varnishes, lacquers, preservatives against rust and against deterioration of wood; colouring matters, dyestuffs; mordents; resins, metals in foil and powder form for painters and decorators.
3. Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations: soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices.
4. Industrial oils and greases (other than edible oils and fats and essential oils), lubricants; dust laying and absorbing compositions; fuels (including motor spirit) and illuminants; candles, tapers, night lights and wicks.
5. Pharmaceutical, veterinary and sanitary substances; infants and invalids foods, plasters, material for bandaging; materials for stopping teeth, dental wax; disinfectants; preparation for killing weeds and destroying vermin.
6. Unwrought and partly wrought common metals and their alloys; anchor's anvils, bells, rolled and cast building materials; rails and other metallic materials for railway tracks; chains (except driving chains for vehicles); cables and wires (non electric); lock smiths' work; metallic pipes and tubes; safes and cash boxes; steel balls; horseshoes; nails and screws; other goods in non-precious metal not included in other classes; ores.
7. machines and machine tools; motors (except for vehicles); machine couplings and belting (except or vehicles); large size agricultural implements; incubators.
8. Hand tools and instruments; cutlery forks and spoons; side arms.
9. Scientific, nautical, surveying and electrical apparatus and instruments (including wireless), photographic, cinematographic, optical, weighing, measuring signaling checking (supervision) life saving and teaching apparatus and instruments; coin or counter-freed apparatus; talking machines; cash registers; calculating machines; fire extinguishing apparatus.

10. Surgical, medical dental and veterinary instruments and apparatus (including artificial limbs, eyes and teeth).
11. Installations for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes.
12. Vehicles; apparatus for locomotion by land, air or water.
13. Firearms; ammunition and projectiles; explosive substances; fire works.
14. Precious metals and their alloys and goods in precious metals or coated therewith (except cutlery, forks and spoons), jewellery, precious stones; horological and other chornomic instruments.
15. Musical instruments (other than talking machines and wireless apparatus).
16. Paper and paper articles, cardboard and cardboard articles; printed matter; newspapers and periodicals, books; bookbinding material; photographs; stationery, office requisites (other than furniture); instructional and teaching material (other than apparatus); playing cards; (printers') type and cliches (stereotype).
17. Gutta percha, India rubber, balata and substitutes, articles made from these substance and not included in other classes; materials for packing, stopping or insulating; asbestos, mica and their products; hose pipes (non-metallic); plastics in the form of sheets, blocks, rods and tubes being for use in manufactures.
18. Leather and imitations of leather, and articles made from these materials and not included in other classes; skins; hides; trunks and travelling bags, umbrellas, parasols and walking sticks; whips, harness and saddlery.
19. Building materials, natural and artificial stone, cement, lime, mortar, plaster and gravel; pipes of earthenware or cement; road making materials, asphalt, pitch and bitumen; portable buildings; stone monuments; chimney pots.
20. Furniture, mirrors, picture frames; articles (not included in other classes) of wood, cork, reeds, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-or-pearl, meerschaum,celluloid, and substitutes for all these materials.
21. Small domestic utensils and containers (not of precious metal nor coated therewith); combs and sponges; brushes (other than paint brushes); brush making materials; instruments and material for cleaning purposes; steel wool; glassware, porcelain and earthenware not included in other classes.
22. Ropes, string, nets, tents, awnings, tarpaulins, sails, sacks; padding and stuffing materials (hair, capoc, feathers, seaweed, etc.); raw fibrous textile materials.
23. Yarns, threads.
24. Tissues (piecegoods); bed and table-covers; textile articles not included in other classes.

25. Clothing including boots, shoes and slippers.
26. Lace and embroidery, ribbons and braid; buttons, press buttons, hooks and eyes, pins and needles; artificial flowers.
27. Carpets, rugs, mats and matting; linoleums and other materials for covering floors; wall hangings (non-textile).
28. Games and playthings; gymnastics and sporting articles (except clothing); ornaments and decorations for Christmas trees.
29. Meat, fish, poultry and games; meet extracts; preserved, dried and cooked fruits and vegetables; jellies; jams; eggs; milk and other dairy products; edible oils and fats; preserves, pickles.
30. Coffee, tea, cocoa, sugar, rice, tapioca, sago, coffee substitutes; flour and preparations made from cereals; bread, biscuits, cakes, pastry and confectionery, sauces, spices; ice.
31. Agricultural horticultural and forestry products and grains not included in other classes; living animals, fresh fruits and vegetables; seeds, live plants and flowers; foodstuffs for animals; malt.
32. Beer, ale and port; mineral and aerated waters and other non-alcoholic drinks; syrups and other preparations for making beverages.
33. Wines, spirits and liqueurs.
34. Tobacco, raw or manufactured; smokers' articles; matches.

EXHIBIT 2 BREAK UP OF APPLICATIONS BY CLASS									
CLASS	74-75	75-76	76-79	83-84	85-86	87-88	88-89	89-90	90-91
1	322	211	554	475	527	773	891	654	735
2	162	170	585	307	433	470	460	462	514
3	884	940	1168	1323	1251	1255	1363	846	840
4	101	125	168	127	177	216	259	345	402
5	1362	1307	1570	2439	2493	2870	3189	1267	996
6	278	224	371	397	432	497	510	418	415
7	719	778	773	1122	1065	1290	1318	752	620
8	164	82	212	248	282	438	560	640	410
9	485	497	585	1102	933	1026	1086	1192	955
10	70	72	225	182	219	352	350	341	622
11	266	328	417	707	649	624	640	506	470
12	595	662	559	759	591	576	610	614	670
13	22	3	162	89	123	158	172	316	560
14	89	35	182	184	214	270	296	296	510
15	4	2	145	77	113	147	310	315	577
16	305	410	483	620	545	750	74	674	605
17	94	30	188	165	308	365	400	422	575
18	46	8	148	194	219	278	285	360	503
19	63	34	129	200	146	18	20	506	632
20	42	15	116	189	221	338	301	562	540
21	103	160	186	257	284	272	336	442	570
22	13	10	96	110	151	404	249	416	590
23	115	201	200	200	304	187	467	403	604
24	493	497	497	913	560	500	420	418	640
25	337	493	505	759	495	505	613	450	785
26	60	11	96	161	203	215	186	396	428
27	9	18	85	116	140	180	168	584	480
28	47	84	160	267	301	467	410	566	617
29	187	302	343	399	433	367	485	636	628
30	350	392	395	763	517	566	610	582	661
31	106	191	169	263	297	335	374	410	580
32	98	150	212	340	373	417	430	615	628
33	201	249	155	324	358	390	390	516	702
34	620	704	621	574	599	549	555	910	714

## INDMARK (A)

## EXHIBIT 3

## TRENDS IN ACTIVITY AT THE TRADE MARK REGISTRY

	APPS. FOR REGN.	ADVTS. IN JOURNAL	TRADEMARKS RENEWED	TRADEMARKS REMOVED	OFFICAL SEARCHES	MARKS REGD.
69-70	7692	NA	NA	NA	NA	NA
70-71	7544	NA	NA	NA	NA	NA
71-72	8244	NA	NA	NA	NA	NA
72-73	7813	NA	NA	NA	NA	NA
73-74	8294	NA	NA	NA	NA	NA
74-75	8812	1100	7052	1274	5752	3146
75-76	9395	1346	9788	2532	6475	3019
76-77	10649	NA	NA	NA	NA	NA
77-78	10926	5968	6913	NA	NA	NA
78-79	12460	1062	10103	2479	8552	3760
79-80	12621	NA	NA	NA	NA	NA
80-81	13864	NA	NA	NA	NA	NA
81-82	13970	NA	NA	NA	NA	NA
82-83	15264	12138	3718	NA	NA	NA
83-84	16452	909	9118	2411	2980	NA
84-85	15681	9524	2526	NA	NA	NA
85-86	15956	1355	10856	10	2986	2380
86-87	18275	9295	6540	NA	NA	NA
87-88	18266	1512	9156	545	9508	2660
88-89	19617	3044	12842	197	10880	5010
89-90	19232	2619	11944	9290	13292	5245
90-91	20778	3052	10436	6364	17906	7222

## EXHIBIT 4

## SIMPLE OF ADVERTISEMENT IN TRADE MARKS JOURNAL

No. 1054, May 1, 1993/Vaisakha 11, 1915

## Class 10

## CAVAFIX

480, 733.—November 9, 1987. B. BRAUN MELSUNGEN, AKTIENGESELLSCHAFT, Carl-Braun-Strasse 1, D-3508 Melsungen, Federal Republic of Germany; Manufacturers and Merchants. Address for service is M/s P. S. Pai & Co., 16 Apollo Street, Fort, Bombay-400 001. User claimed since 6th March 1984. (BOMBAY).

Central Venous Catheter.

## PERITOCAT

480, 734.—November 9, 1987. B. BRAUN MELSUNGEN, AKTIENGESELLSCHAFT, Carl-Braun-Strasse 1, D-3508 Melsungen, Federal Republic of Germany; Manufacturers and Merchants. Address for service is M/s. P. S. Pai & Co., 16, Apollo Street, Fort, Bombay-400 001. User claimed since February 28, 1986. (BOMBAY).

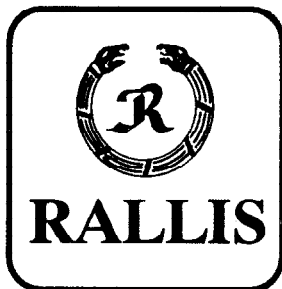
Peritoneal dialysis stylet catheter.

## MANMAN

505,645.—February 20, 1989. Mrs. MADHURI M. GOKHALE, 1157, Sadashiv Peth, Opp. Bhave High School, Pune-411 030; Manufacturers and Merchants. User claimed since May 1st, 1978. (BOMBAY).

Surgical apparatus and instruments.

## Class 11



423,692B.—June 25, 1984. RALLIS INDIA LIMITED, Ralli-House, 21, D. S. Marg, Bombay-400 001; Manufacture and Merchants. Proposed to be used. To be Associated with No. 195, 299(310)xi and others. (BOMBAY).

Installations for lighting, heating, steam generating, cooking, refrigerating, ventilating, drying and sanitary purposes.

Registration of this Trade Mark shall give no right to the exclusive use of the letter "R" appearing on the label.

6—193 TMR/Bom/92

## Class 11—Contd.

## VIKRANT

Advised before acceptance under section 20(1) (proviso).

417, 244.—February 6, 1984. KASHMIRI LAL & SATISH KUMAR, trading as S. K. INDUSTRIES, 1774, Basti Julhan, Sadar Bazar, Delhi-110 006; Manufacturer and Merchant. User claimed since 1st April, 1981. (DELHI).

Stoves, blow lamps, gas lanterns, burners for stove & side tank stove and parts and fittings of the aforesaid.



## SHRIRAM

Advised before acceptance under section 20(1) (proviso).

427,013.—September 12, 1984. SHRIRAM REFRIGERATION INDUSTRIES LIMITED, 19-Kasturba Gandhi Marg, New Delhi-110 001; Manufacturers and Merchants. Proposed to be used. To Be Associated with No. 329, 002 (730)xi. (DELHI)

Water Coolers.



451,779.—March 31, 1986. HARBANS SINGH and Smt. PARKASH KAUR, trading as VISHWAKARMA STEEL INDUSTRIES, 4, Ravi Nagar, Tilak Nagar, New Delhi-100 018; Manufacturers and Merchants. User claimed since 24-2-1977. (DELHI).

Auto bulbs and accessories, included in Class 11.

## MICROLEC

Advised before acceptance under section 20(1) (proviso).

480,754.—November 9, 1987. MICRO MANAGEMENT (ECS) LIMITED (a British Company), la United Downs Industrial Estate, St. Day, Redruth, Cornwall TR 16 8HY, United Kingdom; Manufacturers and Merchants. Address for service is C/o. D. P. Ahuja & Co., 8, Camac Street, Calcutta-700 017. Proposed to be used. (CALCUTTA).

Installations and apparatus included in Class 11, all for heating, heat pumps, boilers, none being parts of machines.



## INDMARK (A)

## EXHIBIT 5

## BREAK UP OF APPLICATIONS BY TYPE

YEAR	WORD	DEVICE	LETTER/ NUMERICAL	TOTAL
1974-75	4413	3808	591	8812
1975-76	7876	830	689	9395
1978-79	8986	1994	1480	12460
1983-84	11582	1957	2895	16452
1985-86	11462	2146	2348	15956
1987-88	12608	3219	2439	18266
1988-89	12878	3489	3250	19617
1989-90	13131	2842	3259	19232
1990-91	14612	2900	3221	20733

## INDMARK (A)

## EXHIBIT 6

## BREAK UP OF APPLICATIONS BY ORIGIN

YEAR	INDIAN	FOREIGN	TOTAL
1974-75	7679	1133	8812
1975-76	8386	1009	9395
1976-77	9983	666	10649
1977-78	9950	1336	11286
1978-79	11326	1134	12460
1979-80	11326	1295	12621
1980-81	12306	1558	13864
1981-82	11983	1987	13970
1982-83	13273	1991	15264
1983-84	14714	1738	16452
1984-85	12960	2721	15681
1985-86	13095	2861	15956
1986-87	15095	3180	18275
1987-88	15161	3105	18266
1988-89	14977	4640	19617
1989-90	17386	1846	19232
1990-91	18796	1982	20778

## Chapter 20

# MARKETING OF LOGISTICS\*

## INTRODUCTION

Logistics is the term used in the military operations to denote the activity of moving the soldiers, their arms & ammunitions from their base station to the strategic points. The logistics support during a war is undoubtedly as important as waging the war itself.

Quite logically this logistics function forms the spine of any manufacturing organisation. Borrowing the term from the military, in simple terms, logistics may be defined as the activity of the movement of goods/freight from the manufactureres/ suppliers to their customers. Therefore logistics industry provides the most important link between the manufacturer and the customer. No matter how good the product is, or how best the technology of producing it is, unless the products reach the customer, the manufacturer will not be able to realise his earnings. And as the manufacturers' need to cater to the customers spread across or even outside the country increases, the importance of logistics support to the marketing or production plans becomes manifold.

A comprehensive definition of logistics comes from Bowersox. "... the process of strategically managing the movement and supplies, between enterprise facilities, and to customers"<sup>1</sup>. He classifies the "Integrated Logistics" tasks into two broad categories, namely, Logistical Operations, consisting of physical distribution, materials management and internal inventory transfer and Logistical Co-ordination consisting of product market forecasting, order processing, operation planning and procurement or materials requirement planning. Shapiro and Heskett define the central task of logistical management as "... ensuring time, place and quantity utility"<sup>2</sup>.

Thus, the term logistics in the industry incorporates a whole lot of components such as the distribution channels, which includes wholesalers and retailers, the mode used and methods of distribution. Magee, Capacino and Rosenfield identify the following seven elements of logistics system<sup>3</sup>: i) Product inventory, ii) Raw material and component part acquisition and control, iii) Transportation and local delivery means, iv) Manufacturing and converting capability, v) Warehouses, vi) Communications and control and vii) People. So, when we talk about services marketing and logistics, we are talking about activities, persons and processes which provide time, place and quantity utility to essentially intangible products.

### The Logistics Scene in India

There have been traditionally four modes of distribution utilised for moving the raw materials or finished products all over the world and so also in India. They are distribution:

- by Road
- by Rail
- by Air
- by Sea

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In India while Road and Rail are used predominantly for moving the goods produced for domestic consumption, Air and Sea transportation are utilized mainly for export import related goods. It is also worth mentioning that in India, the operation of Rail and Air transportation are predominantly in the hands of the Government run bodies.

### **Current Status in India**

The distinct difference between the marketing in a service industry as compared to a manufacturing industry is quite visible in the logistics industry of our country. To begin with, Marketing in its strictest sense has never found a place in the logistics industry in our country be it rail, road, air or sea. Still, certain aspects of marketing are widely practised in one way or the other, either knowingly or unknowingly. Therefore, even in the absence of an organised marketing effort, the manifestations of the decisions taken in that direction can be clearly seen. Infact one often finds the work "Commercial" being used in this industry to denote the activities which ought to be classified as marketing.

### **Indian Railways :**

Indian Railways which was traditionally moving core items of the economy such as coal, iron etc., identified the need for a speedier and economical transport mechanism for the industry and has established recently the "Freight Expresses". Information systems to keep track of the cargo are developed and being utilised. To give a fillip to the export bound cargo, the Railways have established a separate corporation to handle the Containers. Many inland container depots have been started after assessing the transport needs of the products and markets. To cater to the customer satisfaction, model stations are being developed and computerized online reservation systems have been introduced to make the whole process easier and less tiresome. All these prove to show that the fundamental principle of marketing of identifying the customer needs and satisfying the customers by providing efficient primary and secondary services is being undertaken.

### **Airlines :**

In the airline industry, the logo design of Air India was changed so as to give a more "dynamic" outlook to the brand. The target market's preferences in terms of Indian food, entertainment on board were identified and appropriate communications mix were designed to convey the message. The phenomenal growth of the air courier industry in the country provided the customer organizations time-bound and assured deliveries of their packages. The introduction of automatic telephone answering systems and on-line bookings are part of efforts to be closer to the customer needs.

### **Shipping :**

The freight forwarders in the sea-borne trade have always played an important function as primary marketers for the shipping organisations. The on going talk of providing an integrated bill to take care of total transportation from the customers' factories to their foreign markets is a pointer in this regard.

### **Road Transport:**

The vast demand for transportation of goods by road in our country is being met by several trucking organisations from both the unorganised and organised sectors. There are several individuals

operating with one or two branches and/or one or two vehicles of their own and there are organisations such as TCI having widespread network of exclusive branches and others operating through agencies.

In this highly fragmented industry, there are many firms that concentrated and earned niches in their respective markets. It is common to find trucking firms operating only on certain routes or only within certain geographical boundaries.

Traditionally pricing is seen as the only strategy of winning over the competition. Also it is the Cost-plus mechanism that is the most widely followed method of pricing. Establishing personal rapport (quite different from personal selling) has been the predominantly used strategy to gain entries and retain customers.

The economics of a firm or an organisation engaged in the transport of goods by road is determined by lot of factors external to it such as :

- Control on free movement by the State through various forms, checkpoints, octroi etc.
- Bad condition of roads
- Inadequate facilities for communications
- Fuel inefficient vehicles
- Inadequate information on the market

Despite these impediments, the demand for transportation of goods by road has been increasing in leaps and bounds every year. Infact there has been a distinct shift from the rail to road. It was estimated that whereas railways carried 61% of goods moved during the '50s, in the '80s the trend reversed, with road transport accounting to morethan 65% of freight moved.

## **ISSUES INVOLVED**

Despite all the earlier mentioned developments in the logistics industry, the marketing concept has not yet devolved in its totality. The situation may at best be described as refined on sophisticated selling.

This throws up lot of issues regarding the adoption of marketing concept in the logistics sector of Indian economy.

### **Is Marketing Required at All?**

Primary among these is the question whether marketing is necessary at all in this industry? And if it is necessary, is it because it is a necessary evil?

To appreciate these questions better, one has to understand the situations, discussed below.

**Absence of Intense Competition:**

Sectors like the rail and air transportation have been developed by the Government whereby the entry and exit barriers have led to a near monopoly situation. Even in the two remaining sectors though there are no such barriers, the competition was never so intense so as to inculcate the spirit of marketing.

**Clouded Vision on Marketing:**

Secondly in sectors like the rail and the air, it was always opined that the social objectives with which the organisations were set up negated the use of marketing. In other words, marketing was seen as a tool to be practiced only by industrial and profit-oriented organisations. It is only in the recent past that marketing is being recognized as important for the public utilities and non-profit organisations.

**Existence of Sellers Market:**

Thirdly but for the recent few years, the logistics industry was always a sellers market with the buyer having little or no choice. While the railways is totally a State department, the movement by air is more or less restricted to the state run organisation only. In the shipping industry, the situation is that of the demand far outstripping the supply with the result the customers have to be contented with the inadequate infrastructures and procedures. In our road freight industry also there is no organised competition and what so ever is existing, is, more of regionalized and unhealthy competition.

**Lack of Awareness:**

The fourth and the most important reason is the overall lack of awareness or education of the concept itself and the inherent advantages that can be derived from it. This is probably a fall out of inadequacy of training in services marketing.

Due to these reasons, one does not find the concept as applied in other sectors of the economy.

**MARKETING AND LOGISTICS THE RELEVANCE**

Logistics as an industry cannot for long, even in India, afford to ignore marketing applications. The reasons are obvious.

**Sensitivity to Local Demand**

Unlike other service industries, logistics industry has to meet the demands from each of the areas it is operating in. Hence the common concept of aggregate market share has no relevance here. In every area that one operates, one has to aim for a higher market share.

**The Need for Customer Orientation**

The basic difference between the services marketing and product marketing is the high degree of customer orientation required in the former. While in the manufacturing industry, the defective products are accepted upto some established norms, in service industry a let up even on one

occasion leaves a customer unsatisfied. This is particularly true in the logistics industry where the impact of failures is more pronouncedly felt than the successes. Added to this, unlike in product marketing, a transporter has to meet the requirements of the sender as well as the receiver. As this involves lot of lead time in the service delivery, maintaining constant touch with both the ends becomes absolutely necessary. All this obviously calls for more refined ways of interaction with customers and almost error-proof processes to satisfy them. Customer Servicing, hence, is the key.

### **Undifferentiated Marketing-How Long?**

In all the components of the logistics industry, one finds the existence of undifferentiated marketing. Though it can be argued that this reduces costs and focuses efforts on the major users, its continuity in the wake of increasing awareness among different categories of customers and their rising expectations has to be doubted.

### **Are Uniform and Me-too Strategies Adequate?**

With the accelerated industrial activity during the last five years and with the much acclaimed New Industrial Policy in vogue, would it be adequate to cater to the transportation needs of the customer organisations by following the traditional uniform strategies by every logistics company? With increasing demand and diversifying consumer needs the practice becomes open to question.

### **Satisfying the Intangibles – The Challenge Within**

As is well known, in the service industry, the success of an organization depends not only on it meeting the physical attributes as required by the customers, but also on satisfying the intangibles. In the Indian logistics industry, the identification and meeting of intangible requirements has been long over due.

### **The Issue of Unknown Demand**

A major factor which has led to lot of market targeting problems is the absence of any authoritative information on the demand trends and customer expectations.

## **LOGISTICS-THE COMPETITIVE EDGE TO CUSTOMER ORGANISATIONS.**

The primary issue of whether marketing is required by this industry can be solved only if we answer the more basic question \*

\*What is Marketing and Why in Logistics?

Marketing as we perceive is process of identification, creation and meeting of needs of an individual or an organization. These needs are converted into affordable demands by designing an appropriate product and satisfying the customer by providing it conveniently.

If this is agreed as the definition, then logistics industry is no exception in applying the concept. As marketing in the long term aims at reducing the gap between the supply and demand, it is imperative that logistics sector follows the other industries in satisfying the customer needs.

This leads us to question the traditional concept of logistics. The function of logistics, in our opinion is not mere carrying of materials from one place to another. Of greater importance is the fact logistics helps the customer reach his clientele efficiently, economically and in time. Thus directly or indirectly the logistics function provides a mechanism to the customer to be more competitive. If this is agreed as the basic objective of logistics, it is imperative therefore that every component of the logistics industry – whether it is rail, road, air or sea has to identify ways in which the competitive edge of the customers can be enhanced. And this automatically calls for a total marketing orientation.

Whether one is in a sellers market or whether the competition is less intense, marketing becomes a necessitating factor for the long term survival, if not growth of any organisation providing the logistics services.

### **LOGISTICS-SATISFYING THE CRITICAL ASPECTS IN THE PHYSICAL DISTRIBUTION MANAGEMENT**

A logical extension of the above mentioned strategy is to become a part of the physical distribution management of the customers. This requires identifying ways and means of solving the customers' critical problems such as cutting inventory costs, meeting deadlines etc. Only then the customers would be in a position to evaluate the cost-benefits and reliability of services. The ways to achieve a marketing orientation in the logistics industry could be :

#### **Infusing Internal Competition for Efficient Service Levels**

To orient the logistics organisations toward customers, infusing competition will be an effective mechanism. As external competition is minimal or non-existent, these organisations have to create competition internally-between the different units in the organisation.

#### **The Need for More Public Accountability**

Wherever the government run bodies are providing logistics services, the importance of marketing can be inculcated by making these organisations more accountable to the general public. At present this public accountability is skewed towards giving returns to the share holders only. This has to change to the more appropriate function of filling the gaps in the demand and supply.

#### **Product Differentiation & Constant Innovation.**

As the industrial activity in the country is envisaged to grow by leaps and bounds in the coming years, it is in the interest of the logistics industry to bring out product differentiation and keep upgrading technologies of transportation. Innovation in meeting customer requirements alone will determine the success of the organisations in this industry in the future. This also means conversion of transportation services into identifiable products, each giving the target customers their desired satisfaction.

#### **Need for Integrated Service Packages**

To serve the customers more effectively, logistics organisations have to integrate their service offers by including multi-model operations. As this will take care of the different procedural hassles involved in different modes of distribution, it will go a long way in satisfying the problems of the customer organisations.

### **Importance of Non-Price Strategies**

Capturing markets or attracting customers cannot continue for ever by depending on price alone. Non-price strategies of various kinds need to be adopted.

### **Infrastructural Improvements for Better Marketability**

Availability and utilisation of infrastructure adds to service quality and improves the marketability of the service. While some of these are specific to products being transported others have common utility. Again, while some of these facilities have a direct bearing on buyer satisfaction, some others contribute to improvements in the input efficiency. Infrastructure, in the logistics sector would comprise vehicles, handling devices, storage facilities, communication linkages, enroute facilities for crew, etc.

### **Communication-the Critical Success Factor**

In the existing scenario of management of logistics, perhaps the most effective tool for service quality improvement is the efficacy of the communication facility. An imaginative communication system including networks, will go a long way in enhancing the service quality of the logistics sector, especially the goods transport segment.

### **Public Relations in Tune with Markets.**

The need for constant communication with the markets is very significant in the service industry and much more so in the logistics organisations. The logistics industry interestingly, has not been able to create an 'image' for itself. Further, this sector is remembered and talked about more for its failures than for its contribution. The generic and specific benefits provided by this sector needs to be properly projected. The public and the users must be enabled to see that the logistics sector is no mere Carriers of Cargo but a significant medium of facilitating effective business transactions. The enhanced 'image' of the industry will also pave way to attract expertise into this sector.

### **Customer Orientation at the Organisational Level**

Like all service sectors, Customer Servicing is a prime responsibility of a vast number of personnel in any organization in the logistics sector. Strategies for marketing in logistics should take care of this need to infuse total customer orientation in the entire organisation.

### **Co-ordinated and Planned Development**

All the sectors of the Logistics industry have to come together and pool on their resources in assessing the market trends and identify ways and means of meeting the customer requirements. This co-ordination of work if activated by the concerned Ministries of Surface Transport and Industry will help the industry become more efficient and capable of satisfying the customers and the nations' needs of safe and reliable logistics support, not only through singular modes but also through multimodal approaches.

### **CONCLUSION**

To sum up, the need of the hour is to infuse a marketing sense in the logistics industry. This requires a change in the attitudes and functioning of both the providers and users of logistics



services in our country. The organisations engaged in supplying the services have to shed their traditional role of being mere carriers of goods, become more aware of the needs of the customers and provide the specific benefits that the latter expect. On the other hand, it is also necessary on the part of the users of the logistics services to come out of their present perception of viewing transporters as mere mode of distribution. In the wake of the changing economic and market environment, it is only those organisations that can reach their customers faster, safer and in time that will spell success.

Ultimately, the marketing in logistics has to start with creating and communicating an 'image' of the logistics sector itself.

## References

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## Chapter 21

# MARKETING APPROACH TO ELECTRICITY IN INDIA\*

### INTRODUCTION

Several description of public utilities are available in the texts and all of them include under them the services like water, electricity, communication and all of transport effected with a public interest". The last adjective of public interest is indeed notable because the supply of public utilities is regarded as public necessity meriting a close State intervention. Public utilities in terms of both products and production are peculiar and vitally different from other forms of services. The obvious gap between their galloping demand and static supply forces us to treat public utilities with greater expectations. Again, like other services, most public utilities are intangible and non-storable, even though their demand varies cyclically and seasonally. Thus, utility undertakings must stand ready to supply the service instantly whenever and where it is wanted. This raises the cost of supplying the utilities.

Cost determination/price fixation of utilities is a vexatious matter. It faces a variety of business and non-business considerations. Public policy, social welfare and commitment to all customers – not excluding the under privileged or disadvantaged ones – render running of public-utilities a tight rope-walk and their pricing a matter of volatile public scrutiny.

Another unique feature of utilities is that service supplied by them is non-switchable. Buyers of utilities cannot transfer their demand from one seller of utilities to another. In the case of electricity, for instance, if users are not satisfied with their designated supplier, there is no way out as there is no other undertaking to do the job.

Due to the above characteristics, it has all along been argued that utilities are best supplied by state monopolies and that competition is often uneconomical to introduce. The view is now being contested with pleas for private participation in public utilities. It should be encouraged to keep the monopolistic public-utility services conscious of their responsibilities to the users/markets, they argue.

### ELECTRICITY ENVIRONMENT IN INDIA

In the family of public utilities, electricity is relatively a new arrival. It was a century and half ago that electricity became commercial with the development of dynamos. A rapid growth was seen thereafter. The first electrical rail car was in operation in Scotland in 1855, while the year 1880 saw the invention of electric light bulb and the establishment of a first public electric supply station in New York by Edison. Other parts of the world too witnessed the arrival of electricity as a power-source.

In India, electric supply began in Calcutta in the year 1899 – close to a century ago. And yet, while India tops the electricity produced per capita in South Asian Nations with 191 kwh, it ranks as low as 53<sup>rd</sup> in the list of 100 developing countries<sup>1</sup>. Not only is there an inadequate availability of power in India, it is marked by a persistent shortfall of supply with reference to its targets. The shortfall has in most years been of double digit.

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In terms of demand projections, only a grim scenario can be painted. For instance as high as 30 to 40 percent of the total electricity demand from all sectors including ancillary transmission and distribution losses, will remain unmet in India in the foreseeable future.

To meet this, the government has resorted to build up electricity capacities. As power is a state monopoly, it is necessary to look at how government of India has allocated resources to this sector over years, (Table 21.1). It is remarkable from the table that although the percentage share of outlay on power sector has been growing but as in any other state activity, resources have stayed underutilized every year.

**Table 21.1 PUBLIC SECTOR OUTLAY ON POWER DURING FIVE YEAR PLANS  
(EXPENDITURE AND OUTLAY IN CRORES)**

Period	Provision	Actual outlay	total plan outlay (actual)	% share of outlay on power
First Plan	179	149	1,960	7.6
Second Plan	380	452	4,672	9.7
Third Plan	1012	1.257	8,577	14.6
Annual Plans	n.a.	1.213	6,625	18.3
Fourth Plan	2448	2.932	15,779	18.6
Fifth Plan	7.016	7.400	39,426	18.8
1979-80	n.a.	2.241	12,177	18.4
Sixth Plan	19.265	18.537	1,10,971	16.7
Seventh Plan	34.273	29.339**	1,80,000	19.0

source: 1 Five-Year Plan-documents

2 Annual Report 1988-89. Planning Commission.

\* Relates to provision for Seventh Plan as a per centage of total outlay in the Plan.

\*\* Total expenditure during 1985-89

All this paints power sector in dark shades if not totally black. Apathy, inefficiency, unprofessional approach and monopolistic nature of electric supply have contributed their hues to this picture. There is an urgent need to seek newer perspective and certainly a marketing outlook to tackle challenges in this sector. It must, for starters, move from 'production' angle to 'satisfaction' slot in its efforts to serve the customers.

## MARKETING APPROACH TO ELECTRICITY IN INDIA

### a) Marketing Orientation

Electricity corporation have so far been 'oriented' towards ensuring electric power to as wide a section as possible at the most affordable rates. To achieve this resources have been sought and allocated to build power plants, transmission lines and distributive modes.

Since demand has been far in excess of supply, recent years have witnessed a campaign from this sector, educating and exhorting electricity consumers to conserve and use electric-power

more wisely. A note of caution, however, is in order here. Nowhere in the world have the conservation calls succeeded – without simultaneous endeavors from their electric utilities to create additional capacities and/or suggest alternative sources of supplying power. Worse, with the passage of time, people may become immune to howsoever powerful persuasion to save power.

What then is needed change in the orientation of electricity utilities.

First, they must accept the fact that electric utility will always be under constant demand pressure. Resource – constrained economy like ours cannot find every rupee needed to build new capacities. Nor will the utilities be allowed to go for unfettered expansion in view of the increased voice of environmentalists and political expedients.

Secondly, they must realise that electricity utility, like any other service product, aims to make the life of users better, Thus, quality of service and commitment to consumers must be demonstrably added to their work culture. Internal reorganisations and removal of wasteful procedures must be eliminated.

Thirdly, they must focus better on market needs. Electricity must not be dismissed as a mere commodity. It can also be marketed as a value-added product, as has been successfully done in other core sectors like petroleum, steel and cement.

Finally, in order to complete a market orientation 'growth with customer welfare' must be at the foundation of the electric supply corporations.

### **b) Market Information System**

Buyers behaviour and market segmentation are two powerful marketing tools that can be consciously considered and operationalised in electricity utilities in India. However, information about them is next to nothing or sketchy at present. Now, electric utilities collect technical and commercial data. Technical data pertain to all technical details or generation, transmission and utilisation of electric utility. Commercial data pertain to the associated costs, tariff income, etc. However, it has been repeatedly recommended in various forums that information about markets must also be collected as an independent input to their decision making.

This information system will help the utilities to know who are their major and vital customers. For instance, Table 21.2 provides users pattern of electric power in all these years. What is now required is that each of them is separately investigated to identify :

- i) Broad, specific and sub-segments of users.
- ii) Components of customer service function (as against customer complaints)
- iii) Apparent and psychological reasons for using (exclusively) electricity.
- iv) openings for value-additions.
- v) Customers commitment among their employees.
- vi) Feedback on total supply efforts, etc.

Table 21.2 PATTERN OF POWER UTILISATION: TRENDS (In percentage)

Type of User	1951	1960-61	1970-71	1980-81	1983-84	1984-85	1985-86	1986-87
Domestic	12.4	10.7	8.8	11.2	12.9	13.6	14.0	14.2
Commercial	6.9	6.1	5.9	5.7	6.4	6.1	5.9	5.9
Industrial Power	63.8	69.4	67.6	58.4	55.8	55.2	54.4	52.5
Railways (Traction)	6.9	3.3	3.2	2.7	2.6	2.5	2.5	2.4
Agriculture	4.2	6.0	10.2	17.6	17.8	18.4	19.1	20.7
Others	5.9	4.5	4.3	4.4	4.5	4.2	4.0	4.3

Source : 1 Central Electricity Authority. Public Electricity Supply — All India Statistics 1970-71 — 1980-81

2 Economic Survey 1987-88 & 1988-89.

## MARKETING MIX ELEMENTS

The public utility services is a 'static concept with dynamic contents'. It means that marketing efforts as of any utility organisation, - including electric power, must grow in tune with current needs. Given below is the description of these elements for electric power.

### a) Product

Marketing of electric power need a fresh conceptualisation of the service. Almost total intangibility of this service must not deter us from imaginatively tangibilising the same, and create additional value for various consumer segments. For instance, almost all plants and distribution units need to be modernised and have physical assets replaced and/or maintained. This is essential to convey a sense of efficient and upto-date electric utility to the customers – a vital component of product conceptualisation. A fine example of this is Tata Electric companies in the very same country of ours. They create value, maintain profit – generating assets, regularly, and commit themselves far better to their customer needs.

### b) Pricing

No aspect of electric power supply in India has received as much attention as its pricing Table 5.1 indicates how wholesale prices of fuels have risen in the last two decades as compared to all commodities. It reveals that electricity prices have risen six times at the base of 100 in 1971 while other commodities have only quadrupled in this period.

**Table 22.3 INDEX NUMBERS OF WHOLESALE PRICES OF FUELS**  
(Base : 1970-71 = 100)

Item	1972-73	1980-81	1985-86	1986-87	1987-88
Petrol	121.5	430.7	612.2	642.6	606.6
Diesel oil	105.9	279.6	440.2	452.2	450.7
Light diesel oil	107.8	548.1	929.3	929.3	929.3
Kerosene	114.9	277.3	386.7	410.4	410.4
Furnace oil	113.3	880.1	1,412.5	1,412.5	1,412.5
Aviation spirit	125.4	581.8	688.9	688.8	690.8
Lubricating oil	99.0	373.6	525.8	538.6	550.2
Petroleum crude and natural gas	142.0	2,041.8	1,752.1	1,577.1	1,079.1
electricity	105.7	239.0	486.1	564.6	620.8
Coke	134.7	291.7	582.3	606.3	606.3
Coal	110.8	347.6	662.2	730.7	765.7
Lignite	116.6	232.0	520.5	532.1	531.8
Fuel, Power, light & lubricants	110.0	354.3	579.9	619.2	642.0
All commodities	116.2	257.3	357.8	376.8	405.4

Source : Revised Index Number of Wholesale Prices in INDIA 1988.

Not surprisingly, pricing of electric power has been under a greater public glare. Shorn of all complexities that is indeed the characteristic of price fixation of electricity in India. On further analysis the following two facts emerge for our consideration :

Firstly, there is a wide dispersion between average selling price and average cost of generating electricity by all SEBs. Table 21.3 indicates this as below :

**Table 21.3 : Price Dispersion of Electricity (per KV)**

	1988	1989
• Average cost of Electricity generated by SEBs	89.90	92.8
• Average rate of sale:		
Domestic	52.04	52.43
Commercial	92.36	96.81
Agriculture	18.54	19.89
Industry (high Tense)	71.20	130.10

Source : Planning Commission Reports on Energy pricing (1989).

It is clear that expect sale to commercial; segment, price of electric power to every other user segment is being subsidised. Who will bear this avoidable burden and how?

Secondly, electric utilities in India charge higher rates from industrial customers than domestic users. Thus, while Indian industrial sector pays about 60 percent more than domestic users, it is just the reverse in countries like USA, UK, Europe and other countries.

Could this be one reason why we have such a cost-push inflation? Why should we let electric utilities charge Peter to pay Paul, especially when it is non-productive?

Be that as it may, the issue of electric pricing calls for a shift in emphasis in view of the government invitation to private entrepreneurs to join power sector in India.

### **c) Distribution**

Electric supply undertakings have, almost always failed in optimising the distribution of electric utility. It is evident from the growing theft and pilferage, the frequent interruptions in power supply due to transmission snags, and rising complaints against the billing and overall delivery and losses in distribution. In the last two decades, one-fifth of the total electricity generated has been stolen and pilfered. Grouped under the head as transmission and distribution losses, the loss in 1988 was equivalent to the total amount of electricity sold in 1971.

It indicates how an absence of competitive distribution/supplier contributes to distribution ineffectiveness. The United States of America is the only country with competitive sources of distribution in at least ten states. Although a cost-benefit study is yet to be conducted, indications are that such systems are popular with consumers and despite conventional wisdom, they all not costlier than monopolistic systems. It could be tried in India also in a limited scale. Already, we have got good results in transportation sector where both state and private entrepreneurs are allowed to operate.

### **d) Promotion**

Role and techniques of promotion are substantially different in the marketing of electric supply. On the one hand, promotion has sought to enlighten consumers about the importance of power sector, on the other, it has exhorted them to be frugal (with electric consumption). A significant amount of resources have been committed to press, television, and hoardings to this end.

How much effect all this have had on actual electricity use, is open to research and speculation for both energy producers and users. One thing is very likely. It is that very soon this campaign will wear out and evoke defence mechanism among utility users. Already, a preliminary research has revealed this phenomenon is a local study of electric users. It was found that these persuasive messages have only dented the outer surface and have yet to evoke a decline in actual electric consumption.

A better alternative to this promotion, therefore, could be to :

- issue segment specific messages to persuade lower consumption;
- introduce penal rates for energy wasters (beyond a reasonable cut-off);
- initiate children and through them, the family for efficient energy use;

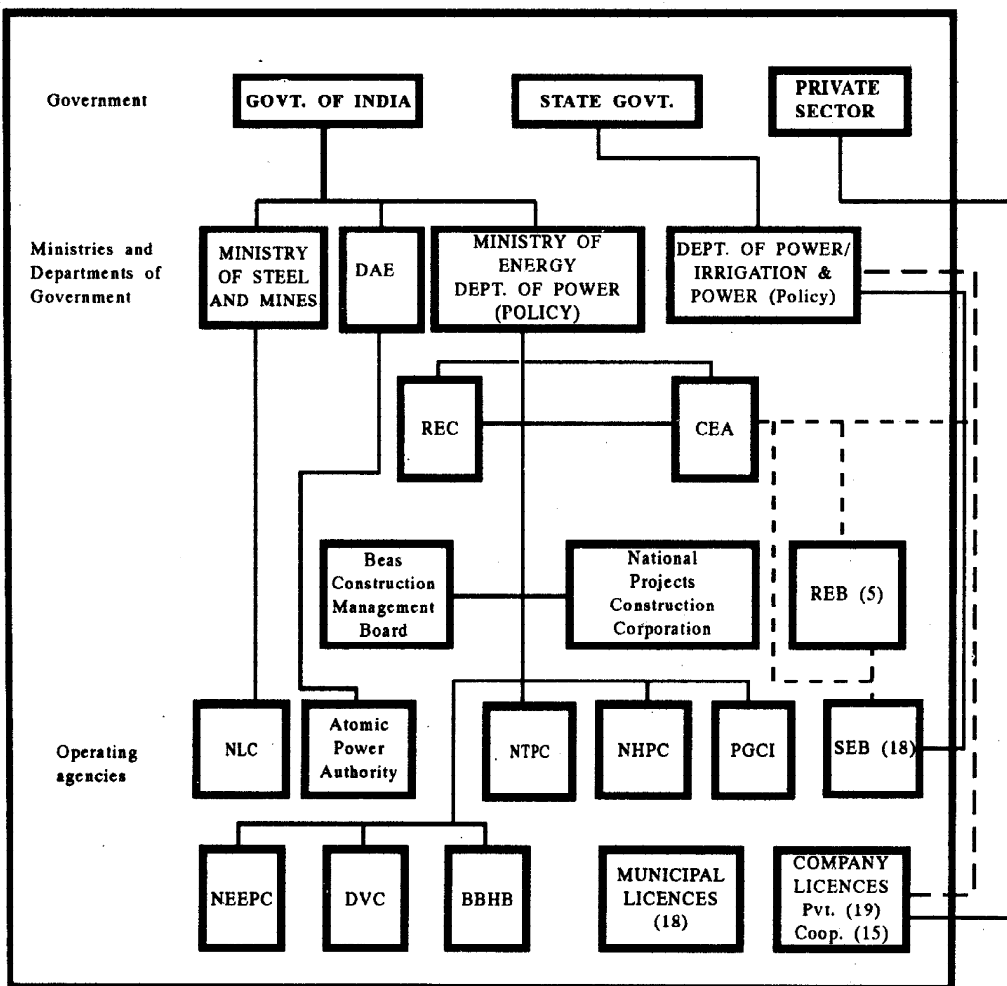
- encourage commercial companies to research and introduce energy saving products by public awards and recognition; and
- start a nodal agency to research and propagate, in a more concerted fashion, the conservation of electricity on the same lines of Petroleum Conservation Research Association (PCRA).

Promotion of electric supply should be integrated with other marketing mix, efforts. Piece-meal promotion will not only not demarket electricity but succeed only in destabilising public confidence in the wisdom of those charged with the responsibility of this utility.

**STRUCTURE FOR ELECTRICITY MARKETING**

None of the above will bear fruit until a smooth structure is built around utility. Figure 21.1 exhibits the organisation structure of electric industry in India.

It is apparent that the entire structure consists of supply undertakings in central, state and private segments. Three-fourth of electric generating capacity rests with individual states, the various state electricity boards and power corporations having varying political leadership. They are too diverse to present a cohesive model of electricity marketing.



**Fig. 21.1 : Organisation Structure of Electricity Supply Industry in India**



What then is the ultimate impact? Have the consultants of electricity system in India been able to create a stimulating structure around the supply of electric utility? The answer is a woeful no. An inkling of this can be discovered in the persistent slippages in creating additional capacities in this sector. Often they have been reaching only as high as fifty percent of the planned targets.

It is inescapable, therefore, that the question of building superstructure around marketing of electric utilities begins with a discussion or role of government. While electric power is a natural state monopoly, there can be no justification for its laxity and poor performance. It is required that the government should monitor technical standards and link the electric supply system with customers instead of with barren rules and procedures. As there is only a single distributor, government must ensure that prices of electricity reflect 'value of service' and not just 'costs'.

The second point is that these public utilities must remain 'lean and hungry, and ready to adapt to any developments. As an indication of such realisation, the government of India has now removed the four decades old barriers for private enterprise. Now they are being invited to build and develop further the power generation and distribution. Hitherto, the private sector participation in public power supply (utility operations), and been only as licensees. Although exact nature of the issues arising out of this development are yet to take shape, but it is clear that the days of non-functioning public monopolies are numbered.

## CONCLUSION

An attempt has been made so far to view electricity as a service with its own peculiarities and yet as a fit case for relating it with a marketing approach. A slight shift from 'production orientation' (generation and distribution of electric power) to 'total customer satisfaction' will be a big accomplishment. We have already paid a price –perhaps too heavy, for our short-focusing and poor managerial and marketing approaches. It is vital to realise and consider all that has been said so far, not as 'a series of specialised activities' (comprising product mix, channel management, pricing strategies and promotional devices), but as a "continuous thought process". And hopefully towards more power to market.

## Reference

1. 1981 World Bank Statistics.

## Chapter 22

# IS THE CUSTOMER ALWAYS RIGHT? \*

On August 28, Mr. Gurucharan Singh joined as regional Manager, National Insurance Company (NIC), Chandigarh. As he had risen through the ranks, he had a lot of experience behind him. His recent two visits abroad, had completely changed his perspective of services marketing. “There is a lot to be done in the service sector in India”-was his conviction. With this objective in mind-the day he joined as the Regional Manager, he called a meeting of all Divisional and Branch Managers, to share his views on “Challenges for Insurance Industry”. Since then, all was going fine until he received an angry letter from Mr. Chawla who was disgusted with the working of the company and with the behaviour of an Assistant Branch Manager, (ABM) of one of the branches of National Insurance Company. To respond to the customer complaint he marked the letter to the ABM for his comments. The reply came back. After reading the observations made by the ABM he raises his head and wonders—who is right? Where should the company draw the line on compensation and service? What is the best way to handle cases of complaining customers? He thinks for a while and then reacts. He has a few challenges ahead

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\*The case contributed by Prof J. B. Nadda, Assistant Professor. Faculty of Management, Goa University, Goa. April 1993.

The Regional Manager  
National Insurance Company Ltd.  
Chandigarh.

Sir,

I am angry, frustrated and a disappointed ex-customer of your company. Prior to the recent set of events, which have really put me off, I viewed your company to be the best. Hence, although your company's Branch Office is far off from my place I opted doing business with you. Not only have I insured my vehicles—a car and a scooter—with your company, but I am also a holder of your household and mediclaim policies.

It all happened this way :

**July 28:** Your Development Officer, Mr. R. K. Singh came to my place and informed me, that the insurance policies of my car and scooter expire on July 30, hence, have to be renewed. As I was satisfied with the service of your company I drew a post dated Cheques of July 30 in favour of the Branch Manager, NIC, and handed it over Mr. R.K.Singh. I also requested Mr. Singh to hand over the cover note of the policy to my son as I was to be out of station between July 30 and August 5.

**August 6 :** On my return to Chandigarh on 6<sup>th</sup> evening I enquired from my son about the cover note of our renewed policy. I was told that he has not received any policy or a cover note from Mr. R. K. Singh.

**August 7 :** On August 7, I rang up your branch office and enquired for Mr. R. K. Singh. I was told that Mr. Singh is in the field and the Branch Manager is on one month leave ending on August 30. The same day my son met with an accident. Although, he escaped unhurt, my scooter was badly damaged. As Mr. Singh had neither given us the covernote of our renewed insurance policy nor had he intimated us anything about it, my worry now was—whether my scooter was insured to July 30 or not?

**August 8 :** I did not attend to my office and went to your branch office. I waited there for two hours until Mr. R. K. Singh showed up. On enquiring whether my vehicles were insured on the 30<sup>th</sup> of July or not, he very apologetically informed me that although the policy was drawn on the 30<sup>th</sup> of last month it could not be delivered, as he was extremely busy with his sister's marriage. I thanked my stars that the policy was issued prior to the accident. I appraise Mr. Singh of the accident and requested him to send his surveyor to assess the loss. Mr. Singh assured me that the surveyor will reach my place the same evening. Sir, the surveyor did not come. Promise was not kept.

**August 9 :** Saturday (Holiday) Surveyor did not come.

**August 10 :** Sunday (Holiday) Surveyor did not come.

**August 11 :** I visited your branch office again and met the Assistant Branch Manager.

He was aware of the accident. Sir, if at all he was aware of the accident why did he not send the surveyor in the last three days? Anyway, he assured me that the surveyor will visit my place the same evening and the surveyor did come.

**August 20 :** I called the Assistant Branch Manager from work and enquired about the progress made in my case. I was told that the surveyor has not yet submitted his report.

**August 27:** I again rang up the Assistant Branch Manager and enquired about the progress. He informs me that although the surveyor has not yet submitted the report but has informed him that the loss is to the tune of Rs. 800/-. You know sir, I was shocked. I was shocked because any one could look at my scooter and assess the loss over Rs. 800/- Our mechanic had estimated the loss well over Rs. 1500/-. Can you understand my frustration? With a view to discuss the issue in detail I suggested a meeting with the ABM at 3 p.m. the same day. He said he was busy that day, and suggested the next morning 10.30 AM. He also promised to get the surveyor's report by then. I agreed to it.

**August 28 :** Instead of attending to my office I reached the branch office at 10.30 AM sharp only to be told the ABM is away to the Regional Office and shall be back soon. Frustrated and irritated I waited for him for about an hour and then left for my office. In the afternoon, I again rang up your branch office the ABM was not there. I left a message for him that he should speak to me on 25468 the moment he is back. No call from the ABM.

**August 29 :** Instead of going to my office I again visited your branch office and fortunately met the ABM. I expressed my displeasure at the treatment meted to me at his hands the day before. Shockingly, instead of being apologetic far his conduct he told me that since the surveyor had not yet submitted the report he could do anything about my problem of claim assessment. Sir, is it the way that your company treats customers? If he could not get the surveyors report by then and could do nothing about my problem why did he agree to meet me and waste my time the earlier day and this day? When I insisted that I must speak to his superior, he said-I could meet the Branch Manager as he was joining on the 31<sup>st</sup> but he shall also not be able to do anything about it. Your ABM was so unprofessional, that he also remarked that "all customers estimate their losses on the higher side". What did he mean by this statement? Do you think we are swindlers who earn profit out of our insurance policies? Over the years I have done Rs.20000/ worth of business with your company and I have never made a claim. I was so disgusted with your ABM that I could do nothing else but walk out of his office, with a hope to meet the Branch Manager on Monday the September 1.

**September 1 :** I met the Branch Manager. He was understanding and gave me a patient hearing. He suggested that since he was away for long he does not know anything about this case, hence, it would be better if I could contact him the day after.

**September 3 :** I called the Branch Manager from work. He informed me that the actual loss assessed by the surveyor is Rs.1300/- and not Rs.800/-. I blessed my stars. Thank God, something was moving in the positive direction. Even though I was sure Rs.1300/- shall not meet the actual expenses on repairs I agreed for the settlement of claim at Rs.1300/-. The Branch Manager asked me to go ahead with the repairs and submit all bills in original.

**September 15 :** I went to your branch office with required relevant documents for my claim. In the mean time I got my scooter repaired which had actually cost me Rs. 2200/. The BM informed me that it would take 15 days to process my papers and for the funds to come, hence, it would be better if I collected my claim cheques in the first week of October.

**October 5 :** When I reached your office on October 5 there were lot of bombshells in store for me. My misery had not ended it was just the beginning of it.

1. I was told that the Branch Manager has gone on a three week training program to Calcutta and much against my wishes I had to meet the ABM.

2. Your ABM informs me that the claim could not be settled as it had to be reassessed.

Sir, I lost my temper and enquired your ABM about the whole reassessment business—“Office confidentails can not be shared with customers” was your ABM’s reply. Helpless and frustrated as I was—I left his office telling him that if he wants my business back he’d better contact me.

Sir, that was more than two weeks ago and I haven’t heard from your ABM. I am outraged at this entire episode, by the way your company treats its customers, by ABM’s conduct, by the lack of communication and by the ridiculous system of working you have. If you want me back as your customer I expect full claim of Rs.2200/- (for which I have documents) and full apology from your ABM, or else you can kiss our business good-bye, along with that of our friends and colleagues at work, who would soon hear all about the NIC way of doing business.

Yours Sincerely

Rajesh Chawla

The Regional Manager,  
National Insurance Company Ltd.,  
Chandigarh.

Sir,

This is in response to your letter requesting detailed information on customer complaint of Mr. Rajesh Chawla. I read Mr. Chawla's letter and reviewed the whole case. I am convinced that this office made all efforts to set things right for Mr. Chawla, although he may not accept it. Nevertheless, should you feel that we have fallen short of company's expectations we shall love to be portrayed as bad boys in the eyes of the customer, if it helps in any way.

However, I deem it fit to make you aware of some mitigating circumstances which I can share only with you and not with the customer. Unfolding these shall help you understand the case more accurately and fully.

1. That the customer received the covernote of his insurance policy a week late is a news for me. He never mentioned about this delay to me. Then how could I react to his problem unaware? However, I agree Sir, it was a lapse on our part. Hence, after receiving the letter and knowing about this lapse we have instructed the Development Officers accordingly.
2. Although, the company should not appoint surveyors of customer's choice, after years of experience we have all realized that the customers get only more dissatisfied if we appoint surveyors against their wish. We appointed Mr. Jaiswal as surveyor on August 8 (Friday) to assess Mr. Chawla's loss on the following grounds
  - a. Mr. Chawla expressed his wish to our Development Officer (Mr. R. K. Singh) that if possible Mr. Jaiswal be appointed as the surveyor.
  - b. As Mr. Jaiswal and Mr. Chawla stay in the same colony, I felt that the proximity of their residence shall enable Mr. Jaiswal to complete the survey early and to the customer's satisfaction.
3. Why Mr. Jaiswal could not perform survey on August 8,9, and 10 (Fri, Sat and Sun) needs some explanation.

On August 8 the day, Mr. Chawla intimated Mr. Singh (Development Officer), about the accident I called Mr. Jaiswal's residence. I was informed by his wife that Mr. Jaiswal is away to Pathankot and will be back by 6 p.m. the same evening. I left clear instructions with her for Mr. Jaiswal that he has to perform a survey the moment he is back. I also left Mr. Chawla's address with her. As a follow up measure when I rang up Mr. Jaiswal's residence on Aug 9 (holiday). I learnt that he shall be back from Pathankot only by Monday morning. At this, I could have appointed some other surveyor even on a holiday—but would Mr. Chawla have liked it? In his letter Sir, Mr. Chawla has conveniently not mentioned that Mr. Jaiswal was his choice.

4. Much of Mr. Chawla's gripe concerns with my absence from office on August 28 when he had come to meet me. If you recall Sir, on Aug. 27 evening-following the traditions of the company we had a welcome party for you. In the party Sir,

you had wished to meet all Divisional and Branch Managers the following day at 10 am, in your office. As I was acting BM then, I had to set priorities—either to attend the meeting or to attend to Mr. Chawla. I chose the former as it was your first day in office as Regional Manager and the first formal meeting with you. Nevertheless, before leaving for your office on Aug 28, I made attempts to contact Mr. Chawla and inform him about the change in my program. Unfortunately, the office neither had Mr. Chawla's contact number nor was he listed in the telephone directory. Hence, I could do nothing else but leave instructions with my office to request Mr. Chawla to wait as I expected the meeting to be over soon. The meeting got stretched and I got delayed in reaching my office. By that time Mr. Chawla had already left after creating a scene in the office. The same afternoon while I was away to meet a client Mr. Chawla rings up at our office at about 4 p.m. Not finding me he left his telephone number which I presume is his office number. When I reached back office at 5.30 p. m. I tried my best to contact him but in vain. Probably his office was closed by then.

5. Sir, as you can tell from the tone of Mr. Chawla's letter, he is a very demanding, persistent individual. What his letter does not tell you, however, is that he inundated us with the sheer volume of calls between Aug 20 and 27. Given the number of calls, there was no way for me to demonstrate progress in his case, when he called again on Aug 27, but to mention my casual conversation with Mr. Jaiswal that he expects the loss to be to the tune of Rs.800/ to Rs.1000/. Agreed, I failed in getting the surveyors report by Aug 28 as promised. But that was because Mr. Jaiswal fell ill and could not prepare the report. Necessary to mention that Mr. Jaiswal submitted his report on Sept 1 while he was still down with flu only on my insistence.
6. With regard to reassessment, we have just followed company's standing policy. As Mr. Jaiswal was black listed as a surveyor by our regional office on October 1 we have sent all pending claims assessed by Mr. Jaiswal for reassessment.
7. Mr. Chawla's letter has several misstatement of facts. While there is no point in disputing these with him, you would like to know the following.
  - a. I never said that neither the BM nor can I do anything about his problem of claim assessment. My statement was - - " Although we do not interfere with the surveyor's report because it reflects upon our professional integrity, but I shall speak to the surveyor and see that can be done about it. However, no one can do anything till we receive Mr. Jaiswal's report".
  - b. No way did I give an impression that Mr. Chawla is a swindler. I just appraised him of the fact that when customers assess their loss they do not deduct depreciation and accessory losses out of the total loss. Hence, the actual assessment is always lesser than the actual loss.
  - c. With regard to the reassessment Sir, I never said "office confidentials can not be shared with customers". My statement was "although there is nothing confidential, we do not generally share such information with customers crib as to how are they responsible if we have blacklisted our surveyor" Above all, I made it clear to Mr. Chawla that jaiswal is black-listed.

7. Agreed I have maintained silence for two weeks since his last visit to our office. This is because I strongly believed that :
- a. Mr. Chawla just did not want to see me - - he also makes mention of this in his letter.
  - b. I would have hurt him more with the reassessment business.
  - c. Mr. Chawla had more confidence in the BM. Hence, I felt it would be better that the BM comes back from his training and sorts out the issue.

If Mr. Chawla is unhappy with the idea of reassessment and delay in his claim settlement, I can suggest nothing to rebuild his confidence in us. His demand to recover Rs.2200/ is a bit far fetched. For apology I am always there.

Sir, this brings up two questions : While protecting the interests of the customer should we also not protect the interest of the company? should we mind losing business of such customers?

With regards,

Sincerely yours

**(A. B. M.)**