

RETAIL SALES MANAGEMENT AND SERVICE MARKETING

MODULE 4: SERVICE MARKETING

INTRODUCTION

The world economy nowadays is increasingly characterized as a service economy. This is primarily due to the increasing importance and share of the service sector in the economies of most developed and developing countries. In fact, the growth of the service sector has long been considered as indicative of a country's economic progress. Economic history tells us that all developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy.

This shift has also brought about a change in the definition of goods and services themselves. No longer are goods considered separate from services. Rather, services now increasingly represent an integral part of the product and this interconnectedness of goods and services is represented on a goods-services continuum.

Services get more importance as there is a requirement of keeping the customer delighted to sustain and grow in the industry. There has to be speedy response to the customer expectation.

DEFINITION

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

According to Philip Kotler and Bloom services is defined as "any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product."

CHARACTERISTICS OF SERVICES

The defining characteristics of a service are:

Intangibility: Services are intangible and do not have a physical existence. Hence services cannot be touched, held, tasted or smelt. This is most defining feature of a service and that which primarily differentiates it from a product. Also, it poses a unique challenge to those

engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.

Perishability: Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer. e.g. A customer dissatisfied with the services of a barber cannot return the service of the haircut that was rendered to him. At the most he may decide not to visit that particular barber in the future.

Inseparability/Simultaneity of production and consumption: This refers to the fact that services are generated and consumed within the same time frame. E.g.: a haircut is delivered to and consumed by a customer simultaneously unlike, say, a takeaway burger which the customer may consume even after a few hours of purchase. Moreover, it is very difficult to separate a service from the service provider. E.g.: the barber is necessarily a part of the service of a haircut that he is delivering to his customer. Services, unlike manufacturing, have no differentiation between operations and marketing. Internal customer focus is important than external customer orientation. Further customers are often involved in the production of service.

Variability: It is impossible to provide similar service every time. You'll experience some change every time you buy a particular service from a particular service provider. For example – Yesterday you had a coffee at CCD. Today, you are again at CCD to have a coffee, but you have got different place to sit today; the person served you coffee is different today; other people having coffee are also different today. Hence, your experience of having coffee today is different as compared to yesterday.

What is services marketing?

Service marketing is a form of marketing that businesses that provide a service to their customers use to increase brand awareness and sales. Unlike product marketing, services marketing focus on advertising intangible transactions that provide value to customers. Advertisers use effective services marketing strategies to build trust with their customers and show them how their service can benefit them. Businesses may base their services marketing strategies on the promotion of ideas, benefits and promises to help them sell their services.

For example, a company that provides wellness coaching may promote the benefits of adapting a healthier lifestyle, the promise that they can help their customers achieve their fitness goals and the idea that incorporating an effective wellness routine is easier with the help of a certified coach.

Significance of service marketing

- Creation and expansion of job opportunities
- An optimal utilization of resources
- Paving avenues for the formation of capital
- Increasing the standard of living
- Environment-friendly technology

Difference between services and Goods

A different marketing approach is necessary for services marketing, because services differ from goods in many respects. Customer Service in a service firm is highly interactive in nature. Customer interacts with the firm physical facilities, personnel, and tangible elements like the price of the service. The success of any service firm depends on how its performance is judged and perceived by the customer. Today, Service Firms are becoming highly competitive, so, it is essential for service firms to provide high quality services for their survival.

Difference between Services and Goods

Basis	Services	Goods
Nature	An activity or process. e.g., watching a movie in a cinema hall	A physical object. e.g., video cassette of movie
Type	Heterogeneous	Homogenous
Intangibility	Intangible e.g., doctor treatment	Tangible e.g., medicine
Inconsistency	Different customers having different demands e.g., mobile services	Different customers getting standardised demands fulfilled. e.g., mobile phones
Inseparability	Simultaneous production and consumption. e.g., eating ice-cream in a restaurant	Separation of production and consumption. e.g., purchasing ice cream from a store
Inventory	Cannot be kept in stock. e.g., experience of a train journey	Can be kept in stock. e.g., train journey ticket
Involvement	Participation of customers at the time of service delivery. e.g., self-service in a fast food joint	Involvement at the time of delivery not possible. e.g., manufacturing a vehicle

Myths about services:

Myth is a popular belief which is over simplified that tends to explain only part of phenomena the following are the myths commonly held about services.

Myth 1-A Service Economy produces services at the expense of other sector.

The service sector is growing at very fast pace. Eventually advanced countries will produce only services and there will be no manufactured goods output at all. This belief is there because sector is growing so rapidly that other sectors cannot grow at the same pace. This fear is baseless. In fact both manufacturing and service sector have grown. In manufacturing sectors there are more workers than before, the manufacture sector itself needs services. Therefore service sectors support manufacturing sector and not growing at the expense of manufacturing Secondly it is fact that need for services can be felt very easily modern day consumer spend more money on services than for manufacturing of goods. Thirdly some services in fact aid to improve and increase production and productivity.

Myth 2-Service jobs are Low paying and Low level.

Many people think service jobs are of fast food employees, hairdressers, stores, clerks etc. this is not true. There are service sectors like law, accounting, banking and medicine etc. which are not of low pay category, another misconception about this sector is that service business is small in size, though it may employ a large number of people and may dominate GDP.

Myth 3-Service production is labor intensive and low in productivity.

It is a myth service labor intensive; production is sluggish, creating a drag on the economy. While hotel, travel agency may be less capital intensive, services like airlines telecommunication, insurance etc. are quite capital intensive

Myth 4-Service is necessary evil for manufacturing firms.

Traditionally many manufacturers were of view that so called after sales service was only adding to cost and in no way it is profitable. The traditional view was that service was equated to repair, maintenance and handling of complaints. Many manufacturers view services as a profit centre and use it as a vehicle to differentiate their product from that of competitors

Myth 5-Managing services is just like Managing manufacturing Business.

This myth will lead us to study of “service marketing” Many felt that there was not much difference between product and services made out to be. It was only in 1980 that it was

felt by marketers and top management personal that there is a substantial difference between the services and product marketing.

IMPORTANCE OF SERVICE MARKETING

As service is an intangible product, its marketing becomes a difficult task. However, the marketing of such intangible services is extremely important in order to sustain and survive in the market.

Following points are listed, to explain the importance of services marketing:

1. A Key Differentiator:

Most of the consumers consider the services as an important element in order to judge the product or a service. For example, Dominos and Pizza Hut are known to sell similar products in the market; however the service that they provide to their customers matter a lot.

Since there is not much difference in the product of the above mentioned two brands, at such times their services create an impact on the customer's mind. Hence, "service" is defined as a key differentiator where a company can provide excellent customer services to retain their old customers and to attract new ones.

2. Importance of Relationship:

Since service is an intangible product, customers will be able to buy such services based on mutual trust and confidence in the seller. Hence, it is important for the seller to maintain good relationships with the customers by listening to their needs properly and delivering exactly what they want. Hence, relationship is considered very important in a service sector, which will help the seller to retain loyal customers and also attract the new ones.

3. Customer Retention:

In today's highly competitive environment, it is very important to retain old customers than to attract new ones. This is because there are a lot of sellers trying to catch from the same pool of buyers. Thus, sellers must concentrate on retaining the customers by fulfilling their changing needs.

They must promote feedback amongst customers and must work on the given feedback in order to match up to their wants. This way they will be able to retain their loyal customers by offering increasing satisfaction.

4. Multiple Touch Points:

Service sector does not provide any tangible services to the customers. Thus customers have to depend on intangible services like talking to many people about the services before buying the same. This creates a perception in the customer's mind whether to go ahead with the purchase

or not. These multiple touch points are important to motivate the customers to trust them and make the purchases.

5. Services Proliferate:

Since it is a challenge to market the intangible services to the customers, marketers should find various ways and means to market the product in such a way that it stands out from the rest of the crowd. They should invent various ways to communicate the benefits of the services to the customers in such a language which they find easy to reflect to their needs and value.

6. Feedback Improves Services:

Since it is difficult to match up the marketing concepts of the service sector with the needs of the customers, sellers must work on the feedback given by the customers. These feedbacks are genuine suggestions and tips given by the customers and if the seller works on the same, it will help him to match up with the changing needs and desires of the customers. Sellers must cultivate the habit of collecting regular feedbacks from the customers and working on the same.

7. Technology Impacts:

Technology is a big boon for the service sectors. People like to collect information on the services before actually purchasing them. Thus, internet plays a very important role here to flash the required details of the services so that customers can directly visit the website for details and this will also prevent them from talking to many other people. Service sellers must take full advantage of the growing technology and reach out to maximum customers with the required knowledge and quality.

CONTRIBUTION AND GROWTH OF SERVICE SECTOR

The growth of service industries can be traced to the economic development of society and the socio-cultural changes that have accompanied it. Changing environmental forces brought out of the services in forefront of the economy. Those environmental forces separately or in combination create new type of service. The following environmental factors are responsible to make a new service.

1. Economic affluence: One, of the key factors for the growth of demand for services is the economic affluence. The size of the middle income consumer is raising fast and the percentage of the very poor household's declining. The rural households in the upper income category are growing at a much faster pace than the urban households in the corresponding categories. The Economic liberalization Process has had a positive impact on the

Indian households. Their income as well as their expenditure has been pushed, creating a demand for many goods and services

2. Changing Role of Women: Traditionally the Indian woman was confined to household activities. But with the changing time there has been a change in the traditional way of thinking in the society. Women are now allowed to work. They are employed in defense services, police services, postal services, software services, health services, hospital services, entertainment industries, Business Process Outsourcing and so on. The percentage of working women has been growing rapidly. The changing role of women has created a market for a number of product and services. Earning women prefer to hire services in order to minimize the innumerable roles that they are required to perform. The demand by woman is forcing service organizations to be more innovative in their approach.

3. Cultural Changes: Change is the underlying philosophy of culture. Place of change in Indian culture is not uniform. However, during the last century the factors of change are prominent. The emergence of the nuclear family system in place of the traditional joint family system creates a demand for a host of services like education, health care, entertainment, telecommunication, transport, tourism and so on. There has been a marked change in the thought processes relating to investment, leisure time perception and so on which has created a huge demand for services

4. I.T. Revolution: For the last 15 years in India IT became one of the key service businesses of the country. India has the largest software skilled population in the world. The domestic market as well as the international market has grown substantially. Realizing the potential for this area many state governments have made IT as their most, prioritized segment. States such as Karnataka, Andhra Pradesh, Madhya Pradesh, Maharashtra and Delhi have already achieved substantial progress in Information

5. Development of Markets: During the last few decades the wholesaler and the retailer population has grown in the country. Urban India has become a cluster of wholesaling and retailing business. In the semi-urban areas, retailing has spread to the nooks and corners of the streets and in the rural areas retail business is significantly present. A new breed of organizations, offering marketing services has come up. The government also offers marketing services to the small-scale agricultural farmers, artisans and other traditional business sectors

6. Market orientation: The changing competitive situation and demand supply positions has forced the manufacturing organization to shift their philosophy from

production orientation to market orientation. Market is a service function that has been added in the organization. The pressures in the market has further forced the manufacturing organizations to have marketing research, accounting, auditing, financial management, human resource management and marketing research divisions

7. Economic liberalization: The economic liberalization of the 1991 has brought many changes in the Indian scenario. With the Disinvestment and the Privatization policies the state owned monopolies in many service areas came to an end Multinationals were permitted to enter the Indian market. Liberal lending policies and lower interest rates motivated many people to become self-employed.

8. Export potential: India is considered to be a Potential source for services. There are a number of services that India offers to various parts of the world like banking, insurance, transportation co data services, accounting services, construction labor, designing, entertainment, education, health services, software services and tourism.

SERVICE MARKETING MIX

An expanded marketing mix for services was proposed by Booms and Bitner (1981), consisting of the 4 traditional elements—product, price, place, and promotion and three additional elements—physical evidence, participants, and process. These additional variables beyond the traditional 4 P's distinguish 'customer service' for service firms from that of manufacturing firms.

Physical Evidence

Physical Evidence such as infrastructure, interior, decor, environmental design, business card, etc that establishes firm's image and influences customer's expectations. Tangible clues help customer judging the quality of service before service usage or purchase. Before service usage the service is known by the tangible elements that surrounds it. In product marketing quality of product is judged by the product itself.

Participants

Participants in service environment also provide clues about what the customer should expect. There is more variability among service outcomes in labor-intensive services than in machine-dominated service delivery; bank customers who use human tellers will experience far more service variability than those using automatic teller machines. Training the personnel adequately is a major factor influencing the provision of quality service. Hence, providing customer service in a service industry depends not only on recognizing customer desires and establishing appropriate standards, but also on maintaining a workforce of people both willing and able to perform at specified levels.

Process

The how of service delivery is called the 'process' or the 'functional' quality. The attitudes and behavior of service personnel influence perceived service performance. These behaviors are usually associated with what is called the 'processes. For example, when things go wrong in a service encounter, employees frequently attempt to soothe disgruntled customers by apologizing, offering to compensate, and explaining why the service delivery failure occurred. Any of these behaviors may influence customer attributions about the firm's responsibility for the failure and the likelihood of it occurring again

7 P'S OF SERVICE MARKETING

The customer service for a service firm cannot be explicitly divided into pre-transaction and post-transaction elements, because production and consumption of a service occurs at the same time. The service provided can prove effective in terms of satisfying the customer, only if the gap between expected service and perceived service is bridged. The wider this gap—the more the number of disappointed customers; and disappointed customers may cause the image of the firm to deteriorate.

1. Product/Service

Most services are intangible because they are performances rather than objects, precise manufacturing specifications concerning uniform quality can rarely be set. Because of this intangibility, the firm may find it difficult to understand how consumers perceive their services. For developing a good customer service, the service marketer should stress on tangible cues and also create a strong organizational image. This can be done by communicating clearly to the customers the features of the service being provided.

2. Price

Because of the intangible nature of the service—price becomes a pivotal quality indicator in situations where other information is not available. It is essential, therefore that the service firm engages in competitive pricing. Being an important tangible cue, price of the service is an area in which the service marketer can concentrate to get a competitive edge. In the case of pure services, as in the present context, like medical services or legal services price is an important factor because it is a basis for the customer to make a final choice among several competing service organizations.

3. Place

Because services are performances that cannot be stored, service businesses frequently find it difficult to synchronize supply and demand. Also, services cannot be inventoried for the same

reason. Consequently the service firms must make simultaneous adjustments in demand and capacity to achieve a closer match between the two. Also, the firm could use multisite locations to make the service more accessible to the users. If the service is located in a remote area, regardless of the other advantages of the service, customers would not be motivated to use the service.

4. Promotion

The service marketer should constantly simulate word-of-mouth communications apart from using regular advertising. If customers in an existing market, for some reason or another have an image of the firm which does not correspond with reality, traditional marketing activities can be expected to be an effective way of communicating the real image to the market. Communication includes informing the customers in a language they can understand. Specially in services post-purchase communication is very important, because retaining existing customers is as important, or even more important than attracting potential customers.

5. Physical Evidence

Physical evidence, as already discussed under the services marketing mix, like the environmental decor and design significantly influence the customer's expectations of the service. Since services cannot be readily displayed, firms should create a conducive environment that helps the customers to develop a positive perception of the service. For example, people would not like to wait for a medical service or a legal service, if the atmosphere of the place they are made to wait is unpleasant. Customers can be put off by a mere change in the layout of the service facility or even the absence of clear signboards.

6. Participants

Most services are highly labor intensive; the behavior of the personnel providing the service and the customers involved in production (due to the inseparable nature of services), have an effect on providing efficient customer service. To achieve customer-oriented personnel, the organization needs to recruit and select the right people, and offer an appropriate package of employment, in order to enhance their skills and encourage them. Because of the constant interaction between the employees involved in the service, and the customers—there is a mutual dependence between the two. If the customers are dissatisfied, employees experience discomfort working with unhappy customers, and customers are unhappy because the employees were not trained in customer satisfaction. The extent of this mutual dependence influences the customer's perception of the service.

7. Process

In the 'how' of the service delivery is extremely important because the service and the seller are inseparable. The functional quality, or the 'how' of service delivery is especially important to service industries, as it is difficult to differentiate the technical quality, or the 'what' of

service delivery. Previous experience with a service also influences the expectations of the customer. If the customer has had a bad experience with the Service on any previous occasion, it will influence his or her future perceptions of the service. It is essential to train the front line employees, whose actions and behavior influence the customer's opinions of the organization and the actual service provided.

Example

Imagine you want to open a new restaurant. Services marketing would then guide you on how to develop the 7Ps including the:

- Core product: What is your value proposition? What sort of dining experience you wish to deliver, for example, one that is ideal for romantic fine-dining or business lunches?
- Pricing: What price levels and menu designs you want to offer such as lower priced off-peak menu?
- Promotion/market communications: How to reach your target audience and shape their visitation behavior?
- Place: Where do you locate your restaurant?
- People: How do you select, train, motivate and retain your front-line employees?
- Physical evidence: What will the interior of the restaurant look like?
- Process: How do you design service processes to satisfy customers? This can range from seating to preparing the bill?

Services marketing would also help guide your thinking about how to develop long-term profitable relationships with your customers, design complaint handling and service recovery processes and policies, help you to systematically improve the quality of your service and the productivity of the entire operations.

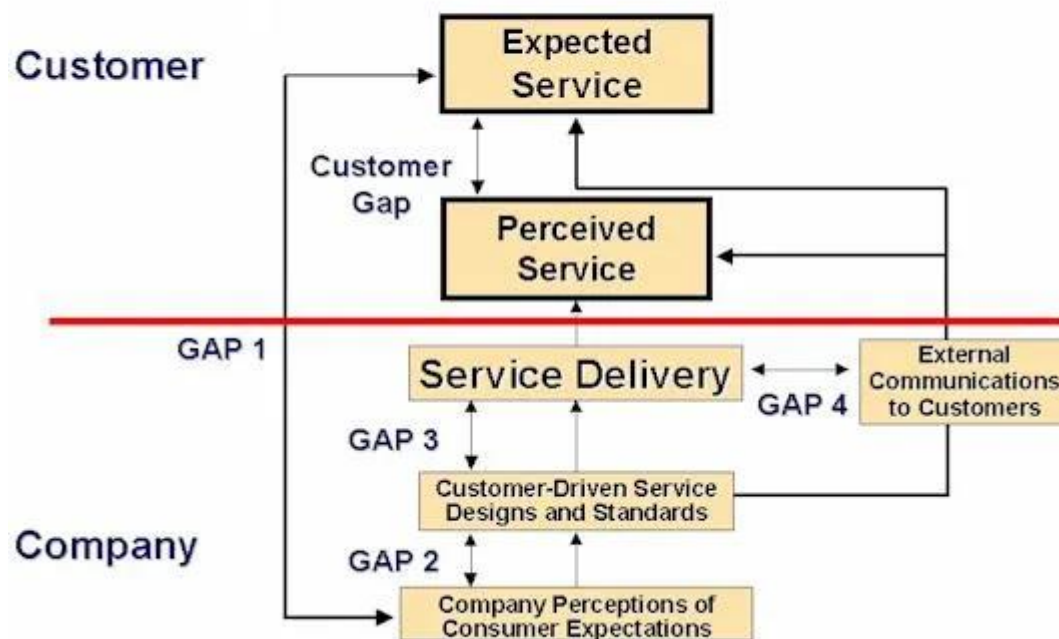
SERVICE GAP MODEL

Introduction

In the London Underground, "Mind the Gap" signage is ubiquitous, warning passengers of the gap between the platform and the train's entry/exit stairs. In the retail environment, the danger zone is the gap between customer service expectations and customer perceptions of service. In order to effectively manage the customer experience, retailers need to have that same front and center focus on minding the gap. The framework used to identify and address potential service gaps is the Gap Model of Service Quality, also referred to as the 5 Gap Model. As the second reference indicates, the model involves 5 different gaps.

Originally proposed in a 1985 Journal of Marketing article titled “A Conceptual Model of Service Quality and Its Implications for Further Research,” the Gap Model of Service Quality is a framework for analyzing common customer satisfaction issues. In the following sections, we will drill down into each gap individually, identifying root causes and actions to address customer satisfaction issues and close the corresponding service gap.

In the Gap Model of Service Quality, the first gap is the gap of knowledge, reflecting the difference between customer expectations and management’s understanding of those expectations. That is, management doesn’t know what customers expect. Common reasons for this disconnect include and ineffective transfer and analysis of available information. For example, this gap might occur if management fails to solicit and factor in information and insights from front-line employees, field personnel and customer surveys. In a big data world where customers have free access to rating platforms and the inclination to share their experiences, this gap is sometimes referred to as a “listening” rather than information gap. That is, in many cases, the information is there. The key challenge is prioritizing information sources, making sense of and acting on the available information.



Gap 1: Customer Expectation vs. Management Perception

Gap between consumer expectation and management perception: This gap arises when the management or service provider does not correctly perceive what the customer wants or needs. For instance – hotel administrators may think guests want better food or in-house restaurant facilities, but guests may be more concerned with the responsiveness of the staff or the cleanliness of their rooms.

Factors that affect the size of the knowledge gap include:

- **Market research:** Before introducing a new product or service into the market, a company must conduct market research to understand whether there would be any demand for the product, and what features should be incorporated. The better this process is conducted, the smaller the knowledge gap will be. There are methods of ensuring that customer desires are taken on board. These include comprehensive studies, gauging satisfaction after individual transactions (surveys immediately after a purchase is made), customer panels and interviews, and through customer complaints.
- **Communication channels:** The fewer the layers between management and customer contact personnel, the more likely that customer preferences will be incorporated into higher-level decision making on the product.

Gap 2: Management Perception vs. Quality Specifications

Gap between management perception and service quality specification: This is when the management or service provider might correctly perceive what the customer wants, but may not set a performance standard. An example here would be that hospital administrators may tell the nurse to respond to a request 'fast', but may not specify 'how fast'.

The second gap in the service quality framework is the policy gap, reflecting the difference between management's perception of customer expectations and actual customer service specifications. In this scenario, management may have an accurate understanding of customer expectations but that understanding hasn't been effectively implemented as operating policy. Specificity is the key here. For example, an expectation that the phone be answered in a timely manner is open to interpretation. Is "timely" 2 rings or 3? What if service personnel are already working with customers? For clarity and operational effectiveness, policies should be developed with the SMART – Specific, Measurable, Actionable, Relevant and Timely – goal-setting acronym in mind. Note, however, that situational factors can complicate matters. Policy that is actionable when things go according to plan may not work when staff calls in sick or there's an unexpected influx of customers or a power outage or [fill in the blank]. SMART is good. Hiring employees who are able – and empowered – to improvise to achieve the overall customer satisfaction objective is best. Consider whether you should factor in Nordstrom's Rule #1: "Use best judgment in all situations."^[1] It's not appropriate for all circumstances, but if so, by all means factor in a personal judgement override.

In order to address the policy-practice gap, companies should clarify, train on, measure and reward performance relative to customer service standards. To be specific:

- Clearly articulate service levels and business (i.e., budget) assumptions
- Develop, communicate and train to specific customer service standards
- Factor service level performance into evaluations for all related personnel
- Measure performance and adjust resources as required to meet service level objectives
- Monitor industry service level standards and update policy as appropriate

Gap 3: Quality Specifications vs. Service Delivery

Gap between service quality specification and service delivery: This gap may arise in situations pertaining to the service personnel. It could happen due to poor training, incapability or unwillingness to meet the set service standard. An example would be when a doctor's office has very specific standards of hygiene communicated but the hired staff may have been poorly trained on the need to follow these strict protocols.

The third gap in the model is the performance gap, reflecting the difference between service quality specification and service delivery. Given that service is largely a function of human rather than robotic resources, resources versus robotics – at least to date – service quality may be affected by a range of factors including training, aptitude, attitude and health and cultural factors. The interactive nature of the customer service situation is a factor as well, with customer changes, special requests and the attitude and communication skills they bring to the situation impacting a service representative's ability to deliver to an established standard.

In a performance gap situation, the issue is generally not the lack of specific service policies but a failure to consistently and reliably meet those service expectations. In order to close this gap, companies should review financial and operating assumptions to ensure that service specifications are achievable. Human Resources-related activities from job analysis and job descriptions to candidate screening, selection, training and evaluation should be reviewed to ensure new employees are capable of and willing to meet service position demands. Developing a well-structured onboarding process, providing product/service training and cultivating a customer-centric team environment can help new service employees get up to speed with a minimum of stress. Indeed, onboarding is a topic onto itself, contributing to productivity, engagement and retention. And, speaking of retention, one critical way to mind the performance gap is to recognize and reward top performers. To summarize:

Validate service quality expectations and align people, processes and culture to support those goals.

Gap 4: Service Delivery vs. External Communications

Gap between service delivery and external communication: Consumer expectations are highly influenced by statements made by company representatives and advertisements. The gap arises when these assumed expectations are not fulfilled at the time of delivery of the service. For example – a hospital printed on its brochure may have clean and furnished rooms but in reality, it may be poorly maintained – in this case, the patient's expectations are not met.

The fourth gap in the model is the communication gap, reflecting the difference between the levels of service promised and what is received. Consumer expectations are shaped by a range of communications including promotional advertising, website copy and photographs and statements made by company representatives. This gap is commonly due to over-promising or, at the extreme, false advertising (i.e., bait and switch). The classic “under promise and over deliver” advice is a way to avoid this gap. For perspective on this point, read marketing guru Tom Peter's Under Promise, Over Deliver rant. Key takeaway: Quality, responsiveness and price are all important elements. What's most important, however, is keeping your word. That will keep customers satisfied, and ensure that you keep your customers.

Specific actions to close this gap:

- Review communications across all touch-points, including digital (email, website, social media and partner sites), print, and on-premise materials, to ensure accuracy and consistency
- Implement a “reality check” review and approval process for new campaigns and updates.
- Conduct mock customer interactions and listen in and provide coaching on point-of-contact conversations to ensure services are being represented realistically
- Incorporate employee input and customer reviews to make advertising real. Similarly, incorporating actual employees and customers in advertising puts a real face on the business.

Gap 5: Actual Performance vs. Perceived Service Gap

Gap between expected service and experienced service: This gap arises when the consumer misinterprets the service quality. The physician may keep visiting the patient to show and ensure care, but the patient may interpret this as an indication that something is really wrong.

The fifth or Customer gap represents the overall difference between the customer's expectations for and perception of the level of service received. This gap can occur due to service issues from gaps 1–4 or can reflect an error in the customer's judgment of the service

received. The customer's perception is influenced by a range of factors including personal experience and needs, advertising and word of mouth. For example, a customer may have experienced excellent service during a meal but incorrect charges on the bill or boisterous diners at the next table may taint the experience and leave the customer dissatisfied overall. The key point to recognize is that the fifth gap can't be closed directly; in order to close the customer gap, a retailer needs to close gaps 1–4. Obtaining customer feedback is the key to identifying the root cause(s)—that is, the underlying service gap(s)—and, ultimately, closing the Customer gap.

SERVICE DESIGN

The term “service design” was coined by Lynn Shostack in 1982. Shostack proposed that organizations develop an understanding of how behind-the-scenes processes interact with each other because “leaving services to individual talent and managing the pieces rather than the whole make a company more vulnerable and creates a service that reacts slowly to market needs and opportunities.”

This is still true today, but the responsibility does not fall on only operations and management, as it did twenty years ago. Practicing service design is the responsibility of the organization as a whole.

Definition of Service Design

Most organizations are centered on products and delivery channels. Many of the organizations' resources (time, budget, and logistics) are spent on customer-facing outputs, and the internal processes (including the experience of the organization's employees) are overlooked; service design focuses on these internal processes.

Definition: Service design is the activity of planning and organizing a business's resources (people, props, and processes) in order to (1) directly improve the employee's experience, and (2) indirectly, the customer's experience.

Imagine a restaurant where there are range employees: hosts, servers, busboys, and chefs. Service design focuses on how the restaurant operates and delivers the food it promises—from sourcing and receiving ingredients, to on-boarding new chefs, to server-chef communication regarding a diner's allergies. Each moving part plays a role in the food that arrives on the diner's plate, even though it is not directly part of their experience. Service design can be mapped using a service blueprint.

Components of 'Service Design'

In user experience design multiple components must be designed: visuals, features and commands, copywriting, information architecture, and more. Not only should each component must be designed correctly, but they also must be integrated to create a total user experience. Service design follows the same basic idea. There are several components, each one should be designed correctly, and all of them should be integrated.

The three main components of service design are:

People. This component includes anyone who creates or uses the service, as well as individuals who may be indirectly affected by the service.

Examples include:

- Employees
- Customers
- Fellow customers encountered throughout the service
- Partners

Props. This component refers to the physical or digital artifacts (including products) that are needed to perform the service successfully.

Examples include:

- Physical space: storefront, teller window, conference room
- Digital environment through which the service is delivered
 - WebPages
 - Blogs
 - Social Media
- Objects and collateral
 - Digital files
 - Physical products

Processes. These are any workflows, procedures, or rituals performed by either the employee or the user throughout a service.

Examples include:

- Withdrawing money from an ATM
- Getting an issue resolved over support
- Interviewing a new employee
- Sharing a file

Returning to the restaurant example, people would be farmers growing the produce, restaurant managers, chefs, hosts, and servers. Props would include (amongst others): the kitchen, ingredients, POS software, and uniforms. Processes would include: employees clocking in, servers entering orders, cleaning dishes, and storing food.

Benefits of Service Design

Most organizations' resources (time, budget, and logistics) are spent on customer-facing outputs, while internal processes (including the experience of the organization's employees)

are overlooked. This disconnect triggers a common, widespread sentiment that one hand does not know what the other is doing.

Service design bridges such organizational gaps by:

- **Surfacing conflicts.** Business models and service-design models are often in conflict because business models do not always align with the service that the organization delivers. Service design triggers thought and provides context around systems that need to be in place in order to adequately provide a service throughout the entire product's life cycle (and in some cases, beyond).
- **Fostering hard conversations.** Focused discussion on procedures and policies exposes weak links and misalignment and enable organizations to devise collaborative and cross functional solutions.
- **Reducing redundancies with a bird's-eye view.** Mapping out the whole cycle of internal service processes gives companies a bird's-eye view of its service ecosystem, whether within one large offering, or across multiple sub offerings. This process helps pinpoint where duplicate efforts occur, likely causing employee frustration and wasted resources. Eliminating redundancies conserves energy, improves employees' efficiency, and reduces costs.
- **Forming relationships.** Service design helps align internal service provisions like roles, backstage actors, processes, and workflows to the equivalent front stage personnel. To come back to our initial example, with service design, information provided to one agent should be available to all other agents who interact with the same customer.

SERVICE DELIVERY

When providing service delivery to clients, it's beneficial to give the highest quality possible while distinguishing yourself from the competition. By creating value and engaging with both customers and employees, you can create a service delivery culture that does both. This may help create a favorable brand image for your company and increase revenue. In this article, we

discuss what service delivery is, explore why it's important and review six types of common service delivery industries.

Service delivery is a business framework that supplies services from a provider to a client. It also includes the constant interaction between the two parties during the duration of the time in which the provider supplies the service and the customer purchases it. Essentially, a service delivery company provides something to a customer they can't create on their own. That service could be anything from a task to technology or information. It can fall into two broad categories of general reference for any service or more industry-specific models for technical service.

Service delivery processes typically aim to provide the client with increased value by setting standards, policies, principles and constraints to guide all aspects of their business and customer interactions. Sometimes service delivery may involve a third-party or outsourced supplier besides the provider and the client.

Components of service delivery

There are four logically sequenced steps or areas that companies use to provide the best customer experience through their service delivery. Focusing on these elements can give a broader understanding of the scope of service delivery:

1. Service culture

Service culture relates to the leadership principles, vision, mission, work habits and values of a service provider company. Management controls these items, which set a basis for operations throughout the entire organization. Maintenance and development of these elements can develop the social processes of an organization and help serve the long-term success of the company.

2. Employee engagement

Employee engagement focuses on those who work within an organization to provide service delivery. Human resources and other leadership supervisors can use their influence to shape employee attitudes, activities and purposes that align with the service culture of the organization. This serves as the link between the service delivery design process and the excellence model that the customer experiences.

3. Service quality

Service quality includes all strategies, performance management systems and processes involved in service delivery. These items help define the management model that helps the client reach their end goal within the service delivery process. This element is the foundation of the service provider and client partnership.

4. Customer service

Customer service focuses on providing the client with both the resources and knowledge they desire about their service delivery product. It includes items like account management, customer intelligence and continuous improvement. This phase uses a continuous review and collaboration process to understand how customers perceive the organization's service delivery and what you can do to make it better. This can work most effectively when the customer is part of the creation and delivery process.

SERVICE DELIVERY PROCESS



1. Needs Analysis

To provide a service it is important to fully understand the needs of our clients.

This information gathering step can range from interviews of key staff to the development and performance of a formal survey. The objective is to determine the direction that the organization wants its program to go.

2. Course of Action

From the information gained during the needs analysis a course of action can be developed. The course of action may include short- and long-term actions. For example, short-term objectives might require the development of a Project Plan that outlines the strategy, steps, and resources needed to achieve management's objectives. A long-term action might include outlining the level of commitment to support maintaining and improving the existing management systems. It is expected that a course of action will be proposed at the end of the needs analysis and formalized in a document (e.g., plan, outline, etc.).

3. Performance

Performance is dependent on the course of action selected. For example, performance may include periodic consulting sessions, where issues are discussed, and interpretations and recommendations are provided. Performance may involve coaching or mentoring an employee who would fill a position on issues related to standards and regulatory compliance or process improvement.

Performance may also include other consulting and training activities, such as setting up a measurement program, performing document reviews for improvement and compliance, participating in management review, conducting internal audits, or conducting training related leading to meeting an organization's objectives.

4. Results

A successful relationship with a customer depends on the results that the consulting firm can deliver. Other results may evolve as the relationship continues and may include internal audits that lead to improvements and business-related recommendations that are comprehensive, unbiased, and provide sufficient information for management to make decisions.

Factors are to be considered in the service Delivery process

- **The service itself:** It is necessary to understand whether the service itself is process dependent. Most of the equipment based services like laundry and lawn care as well as services with highly intangible attributes like insurance and banking are process dependent.
- **Customer participation:** In case of most service system the customer is present when the service is being performed. The customer can be made a productive labor Instead of being a passive bystander. Productivity can be increased by shifting some the service activities On to the customer. A spectrum of service delivery system is possible depending on the degree of customer involvement from self service to complete dependence on a service provider.
- **Degree of customer contact:** It refers to the physical presence of the customer in the system. The degree of customer contact can be measured by the amount time the customer is present in the system in relation to the total service time. In case of low contact system consumer have a direct influence on the production process because they are not present.

- **Degree of divergence:** A standardized service with low divergence is designed for high volumes with a narrowly defined and focused service. Since the tasks are routine it requires a workforce with relatively low levels of technical skills. For customized services more flexibility and judgment are required to perform the service tasks. In addition to this more information is exchanged between the customer and the service worker. In order to achieve customer satisfaction, decision making is delegated to service workers.
- **Location of service delivery:** The service delivery process should be located either at the service provider's premises or carried out at the customer place. In case of the services like painting carpet cleaning etc. The service has to be delivered at home. Many services are being delivered without the customer and the supplier meeting their destiny.
- **Complexity of service:** Complexity of services reflects the number of steps that are involved in delivering the services. By looking at the blueprint it can easily determine whether the services are high or low in complexity and its divergence can be determined by having a look at its blueprint.