Unit 14: Customer Relationship Management and Other Contemporary Issue

Structure:

Objectives

After studying this unit, you should be able to understand:

- Relationship Marketing Vs. Relationship Management
- Definitions of Customer Relationship Management (CRM)
- Forms of Relationship Management
- Managing Customer Loyalty and Development
- Significance of Customer Relationship Management
- Rural Marketing, E-Marketing or Online Marketing

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14.1 Relationship Marketing Vs. Relationship Management

Relationship Marketing

Relationship marketing is a strategy designed to foster customer loyalty, interaction and long-term engagement. This customer relationship management approach focuses more on customer retention than customer acquisition.

Relationship marketing is designed to develop strong connections with customers by providing them with information directly suited to their needs and interests and by promoting open communication. This approach often results in increased word-of-mouth activity, repeat business and a willingness on the customer's part to provide information to the organization.

Relationship marketing contrasts with transactional marketing, an approach that focuses on increasing the number of individual sales. Most organizations combine elements of both relationship and transaction marketing strategies.

Relationship Marketing is emerging as a new phenomenon however; relationship oriented marketing practices date back to the pre-Industrial era. In this article, we trace the history of marketing practices and illustrate how the advent of mass production, the emergence of middlemen, and the separation of the producer from the consumer in the Industrial era led to a transactional focus of marketing. Now, due to technological advances, direct marketing is staging a comeback, leading to a relationship orientation.

The authors contend that with the evolution of Relationship Marketing, the hitherto prominent exchange paradigm of marketing will be insufficient to explain the growing marketing phenomena of collaborative involvement of customers in the production process. An alternate paradigm of marketing needs to be developed that is more process rather than outcome oriented, and emphasizes value creation rather than value distribution.

Importance of Relationship Marketing

i) Customer relationships are the lifeblood of every good company. Relationships between a company and their customers, distributors, employees, referral sources, are vital to continued, sustained growth, and stability.

ii) Loyal relationships with these valued individuals make for a strong bottom line. With well-planned relationship marketing efforts, like a greeting card campaign using system that can impact retention and will impact the bottom line.

iii) According to customer relationship management experts, companies can increase revenue by 50% if they retain only 5% more of their customers.

   Business owners tend to be driven, both financially and philosophically, to make cold calls, pursue new contacts, and acquire new customers.

iv) Regardless of how effective the customer retention efforts are, some relationships will inevitably break down. For various reasons, certain customers will suspend their relationship with business.

v) Repairing a broken relationship is more efficient than trying to build one from scratch. But many companies make the mistake of attempting to re-acquire lost customers in the same way that they acquire new ones.

Today, most marketers are seeking more than just a one-time exchange or transaction with customers. The focus of market driven companies is on developing and sustaining relationship with their customers. This has led to a new emphasis on

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relationship marketing, which involves creating, maintaining and enhancing long-term relationship with individual customers as well as other stake holders for mutual benefit.

Relationship Management

Relationship management is a strategy in which an organization maintains a continuous level of engagement with its audience. This management can happen between a business and its customers or between a business and other businesses. Relationship management aims to create a partnership between the organization and its audience, either customer or business, rather than consider the relationship merely transactional.

Relationship management involves any process or strategy used to build support for a business and its offerings and increase brand loyalty. Most often relationship building occurs at the customer level, but it is valuable at the business level as well. While a business may choose to hire a relationship manager to oversee these tasks, it may also integrate these duties with other positions, such as marketing or human resources.

Consumers who feel that a company is responsive to their needs are likely to continue using the products and services of that business. Additionally, maintaining a level of communication with consumers allows the company to identify potential problems before they come to a costly head.

Relationship Marketing Vs. Relationship Management

Relationship Marketing	Relationship Management
1. Relationship marketing is a strategy designed to foster customer loyalty, interaction and long-term engagement.	1. Relationship management is a strategy in which an organization maintains a continuous level of engagement with its audience.
2. While relationship marketing is a sales and marketing concept.	2. Relationship management refers to the tools used to carry out the concept.
3. Relationship marketing is implemented as a strategy and includes activities such as identifying long-term sales and retention goals, public relations, marketing and advertising campaigns.	3. RM includes the operational tasks that support the relationship marketing activities may include gathering data about the customers, then organizing and analyzing it to create target customer profiles.
4. Relationship marketing seeks to increase sales by building trust and engaging customers.	4. Using a RM system effectively allows a salesperson to quickly and consistently deliver what customers are looking for with each and every interaction, because their preferences and buying history are recorded.

14.2 Customer Relationship Management (CRM)

Definitions of CRM

According to ***Paul Greenberg,*** "CRM is a philosophy and a business strategy supported by a system and a technology designed to improve human interactions in a business environment".

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According to ***James J Lynch,*** “CRM as selling by using psychological rather than economic inducements to attract and retain customers. It seeks to personalize and appeals to the hearts, minds and purses of the mass consumers”.

According to ***Ian H Gordon,*** “CRM is an ongoing process of identifying and creating new values with individual customers and then sharing the benefits from this, over a lifetime of association. It involves the understanding focusing and management of ongoing collaboration between supplier and selected customers for mutual glue creation and sharing through inter-dependence and organizational alignment”.

Meaning of CRM

Customer Relationship Management (CRM) is an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organized way.

Concept of CRM

According to one industry view, CRM consists of:

i) Helping an enterprise to enable its marketing departments to identify and target their best customers, manage marketing campaigns and generate quality leads for the sales team.

ii) Assisting the organization to improve telesales, account, and sales management by optimizing information shared by multiple employees, and streamlining existing processes (for example, taking orders using mobile devices).

iii) Allowing the formation of individualized relationships with customers, with the aim of improving customer satisfaction and maximizing profits; identifying the most profitable customers and providing them the highest level of service.

iv) Providing employees with the information and processes necessary to know their customers understand and identify customer needs and effectively build relationships between the company, its customer base, and distribution partners.

Objectives of CRM

CRM, the technology, along with human resources of the company, enables the company to analyze the behaviour of customers and their value. The main areas of focus are as the name suggests: customer, relationship, and the management of relationship and the main objectives to implement CRM in the business strategy are:

i) To simplify marketing and sales process.

ii) To make call centre’s more efficient.

iii) To provide better customer service.

iv) To discover new customers and increase customer revenue.

v) To cross sell products more effectively.

Benefits of CRM

The several benefits of CRM are:

i) Maximizing customer retention and value and hence achieving all round profitability is CRM’s goal and it manages to accomplish this. CRM entails

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acquiring knowledge about customer thereby enhancing the value to both customer and organization. CRM serves as a measuring tool for almost all departments including marketing, sales and service and brings about departmental co-operation.

ii) CRM implementation helps a company to achieve increased customer revenues. Organizations are able to indulge in more cross selling. CRM aids the call centres in their activities as it tends to make call centers more efficient. CRM implementation has the propensity to aid marketing and sales processes thereby aiding the sale and marketing department in an organization. Customer Relationship Management is gaining importance as a management tool globally and is ranked second to strategic planning.

iii) CRM is a process that manages to achieve the optimal balance between organization's investment and customer satisfaction which leads ultimately to maximum profit. CRM involves applying customer knowledge to improve performance and results in the integration of marketing, sales and services activities. CRM also enables a company to help sales staff to close deals faster. All these contribute to overall profitability.

iv) The benefits of customer relationship management are considered abound. It allows organizations not only to retain customers, but enables more effective marketing, creates intelligent opportunities for cross selling and opens up the possibility of rapid introduction of new brands and products. To be able to deliver these benefits, organizations must be able to customize their product offering, optimize price, integrate products and services and deliver the service as promised and demanded by the customer base.

v) Keeping the customer happy is obviously one way of ensuring that they stay with the organization. However, by maintaining an overall relationship with the customer, companies are able to unlock the potential of their customer base and maximize the contribution to their businesses. Whilst the value of customer relationship management has been identified by the organizations, the full implications and benefits are yet to be.

vi) The strategic benefits of customer relationship management allow companies to reduce the cost of customer acquisition and give established players the ability to reach like a new market entrant, the very people they are battling against. Ironically, these are increased and the potential of customers can be then capitalized through cross selling of other products and services. It is important to understand the key benefits of CRM for most companies. These benefits generally fall into three categories: cost saving, revenue enhancement, and strategic impact.

Role of CRM

The various roles of customer relationship management are:

1. Role of CRM in banking sector

Customer relationship management (CRM) played a vital role to the banking industry at the start of the 21st century as it has been to any other industry. Many banks have used CRM tools to acquire more customers and to improve relationships with them.

i) Customer Service and Retention

More competition and increased regulation made it more difficult for banks to stand out from the crowd. However, the development of CRM gave proactive banks access to

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technology that helped them improve customer retention by using customer feedback to offer conveniences like ATMs and online banking. Banks can also use CRM tools to improve customer loyalty by using data collected through customer sign-ups, transactions and feedback processes.

ii) Call Centers

Bank call centers, use CRM solutions for various purposes. Cost-driven call centers use CRM to track call transactions and troubleshooting techniques to fine-tune the service resolution process. Metrics like average handle time and customer feedback ratings help bank call centers improve their customer support for retention. Profit-driven call centers also leverage CRM customer account records for add-on selling opportunities.

iii) Sales

Sales have taken on more importance in banks with the evolution of CRM. Bundling of products and premier customer accounts are examples of techniques used by banks to build single-product customer accounts into full product suites including a range of financial services. With CRM software, bankers can easily see what products you currently use, what products you are eligible for and what the benefits are should you add the additional product or service.

2. Role of CRM in Telecom Industry

Information Technology and Telecommunication are constantly evolving industries in terms of technology, growth, global reach and understandably facing a high level of threat of obsolescence. In the earlier days of Telecom, both customer relationship and billing used to handle by one system only. As competition grew, there was a need to be competitive in responding to the customer queries, paving the way for exclusive Customer Relationship Management (CRM) systems. CRM evolved from being used by just the Customer service team to solving customer inquiries, request and complaints across the organization. CRM is a huge transformation in service experience for any customer of any Communicating Sequential Processes (CSP).

3. Customer Relationship Management (CRM) in Service Industry

Customer Relationship Management (CRM) is a process implemented by a company to handle its contact with its customers by storing information on current and prospective customers. Used by business to improve services provided directly to customers and to use the information in the system for targeted marketing and sales purposes.

Detailed and achieved through CRM:

i) All sales or service related interaction a company has with each individual customer.

ii) Track and detail personal customization for company and online experience to improve the relationship.

iii) Work flow automation and a well documented service history for customer support.

Issues and areas addressed:

i) Front office department support to areas such as sales, service, and marketing.

ii) Readily accessible and available customer information.

iii) Save customer from having to repeat contact and previous history with company helping to improve the customer to company relationship.

iv) Creating a customer-centric approach for a company.

v) Because of the company-wide size and scope of many CRM implementations, significant pre-planning is essential for a smooth roll-out of the CRM software as well as an equally important role of employee adoption and training of the system.

4. Role of CRM in Retail Industry

Retail is India's largest industry as for over 10 per cent of the country's GDP and around 8 percent of the employment. Technological improvement is responsible for majority of innovation in retail sector over past few years.

Customer Relationship Management systems are adopted by the retail sector in order to get success by improving customer satisfaction and enhancing loyalty. CRM motivates a customer to return again and again as they receive good services. This paper throws light on the need of CRM in retail sector.

With the help of CRM system and strategies, retail sector can retain their customers even for the life time. India is progressing towards a tough competitive environment where only those retailers would survive who can understand their customers and develop a strong bond with them by developing and implementing appropriate CRM strategies and programs effectively.

Advantages of CRM

i) Reduction in customer recruitment cost.
ii) Generation of more and more loyal customers.
iii) Expansion of customer base.
iv) Reduction in advertisement and other sales promotion expenses.
v) Benefiting customer selectivity approach.
vi) Increase in the number of profitable customers.
vii) Easy introduction of new products.
viii) Easy business expansion possibilities.
ix) Increase in customer partnering, etc.

Disadvantages of CRM

i) System Integration: CRM software may not integrate well with other email and accounting systems. If this is the case, a CRM could prove costly for a company because it is utilizing more resources than originally thought. Companies must evaluate all departments that will be involved in its use before the purchase.

ii) Resentment: CRM software's biggest disadvantage is the resentment employees may feel toward the software. Many employees disagree with change. Often, implementing new systems indicate growth or the need for cutbacks to save the company money. Older employees who have used older systems or their own methods may feel offended as though they are not competent in doing their jobs. Once a new system is brought around, it's important for an organization to keep employees in the loop.

iii) A Learning Curve: Another disadvantage to newly implemented CRM software is the learning curve. Either implementing a CRM for the first time or upgrading an older version will require employees to take the time out to learn the system. People fear what they do not know. This may reduce productivity as they become familiar with the new system.

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14.3 Forms of Relationship Management

1. Operational CRM

Operational CRM streamlines the business process that includes Sales automation, Marketing automation and Service automation. Main purpose of this type of CRM is to generate leads, convert them into contacts, capture all required details and provide service throughout customer lifecycle.

Sales Automation:

Sales automation helps an organization to automate sales process. Main purpose of sales automation is to set standard within organization to acquire new customers and deal with existing customers. It organizes information in such a way that the business can meet customers' needs and increase sales more efficiently and effectively. It includes various CRM sales modules like lead management, contact management, Quote-to-Order management, sales forecasting.

Marketing Automation:

Main purpose of marketing automation is to find out the best way to offer products and approach potential customers. Major module in marketing automation is campaign management. It enables business to decide effective channel/s (like emails, phone calls, face to face meeting, ads on social media) to reach up to potentials customers.

Service Automation:

Service automation enables business to retain customers by providing best quality of service and building strong relationship. It includes issue management to fix customers' problems, customer call management to handle incoming/outgoing calls, service label management to monitor quality of service based on key performance indicators.

2. Analytical CRM

Analytical CRM helps top management, marketing, sales and support personnel to determine the better way to serve customers. Data analysis is the main function of this type of CRM application. It analyzes customer data, coming from various touch points, to get better insights about current status of an organization. It helps top management to take better decision, marketing executives to understand the campaign effectiveness, sales executives to increase sales and support personnel to improve quality of support and build strong customer relationship.

Features of Analytical CRM:

Gather customer's information, coming from different channels and analyze data in a structured way

Help organization to set business methodology in Sales, Marketing and Support to improve customer relationship and loyalty

Improve the CRM system effectiveness and analyze key performance indicators, set by business

3. Collaborative CRM

Collaborative CRM, sometimes called as Strategic CRM, enables an organization to share customers' information among various business units like sales team, marketing team, technical and support team. For example, feedback from a support team could be

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useful for marketing team to approach targeted customers with specific products or services. In real world, each business unit works as an independent group and rarely shares customers' data with other teams that often causes business losses. Collaborative CRM helps to unite all groups to aim only one goal – use all information to improve the quality of customer service to gain loyalty and acquire new customers to increase sales.

14.4 Managing Customer Loyalty and Development

Customer loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bring you even more customers. However, that focus is not how you build customer loyalty.

The customer loyalty can be built through the following ways:

i) Keeping touch with customers using email marketing, thank you cards and more.

ii) Treating your team well so they treat your customers well.

iii) Showing that you care and remembering what they like and don't like.

iv) Build it by rewarding them for choosing over competitors.

v) Build it by truly giving a damn about them and figuring out how to make them more success, happy and joyful.

Customer loyalty is when a supplier receives the ultimate reward of his efforts in interacting with its customer. Customer loyalty tends the customer to voluntarily choose a particular product against another for his need. The loyalty may be product specific or it may be company specific. When a loyal customer has repetitive requirement of the same product, such customers may be described as being 'brand loyal'. On the other hand he may also require different products of the same manufacturer. That is to say he makes significant purchases direct from the same supplier and that counts as the company specific loyalty.

Loyalty also means that customer is sticking to the supplier on certain grounds though he may be having other options also. It may be possible that the supplier may not have the best product or the customer may be having some problems with the supplier in respect of his supply of the product but the customer likes to ignore other options and prefers to continue with the same supplier as the customer thinks the supplier provides him more value and benefit than others. Such loyal customers tend to spend more money buy more, buy longer and tell more people about the product or supplier. This type of long-term customer loyalty can only be created by making the customers feel that they are number one priority with the supplier.

Some customers are inherently predictable and loyal, irrespective of the supplier with which they are doing business. They simply prefer long-term relationships with him. Loyal customers are predisposed to stay with one product or supplier, resisting competitive offers and also recommend the supplier to others.

In case the business is done directly the relationship is direct so also the loyalty. But if the selling is through two or more intermediaries then the loyalty has to be measured at different levels. In that case the end customer loyalty is influenced by the loyalty of the intermediate customers. Then the supplier has to focus his loyalty retention plan accordingly and has to judge and analyze the loyalties of the intermediaries. This process depends on what amount of importance he gives to each of the intermediaries and how much to the ultimate customer. But it is certain that well-managed customer retention programs are sure to give the ultimate customer loyalty.

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True, the customers who are targeted by a retention program demonstrate higher loyalty to a business. Therefore such customer retention programs should include regular communication with customers, and provide them opportunities to remain active and choosing to do business with the supplier.

Loyalty is demonstrated by the actions of the customer. But it doesn't mean that the customer satisfaction level can measure his loyalty. Customer loyalty is not customer satisfaction. Customer satisfaction is the basic entry point for a good business to start with. A customer can be very satisfied with the deal and still not be loyal. On the other hand a customer may not express satisfaction but wants to remain loyal to the supplier due to some reasons which keeps him benefited from that supplier. For the same degree of satisfaction, the loyalty level may also be different for different suppliers.

On the other hand, loyalty should not be considered as just an attitude. Customer loyalty should have a direct connection to a company's financial results. The supplier should be able to plan a clear and direct economic benefit of some kind, as the result of the strategies and tactics he employs to increase its customers' loyalty. Measuring customer loyalty and developing a retention strategy are of great importance to an organization's success.

Reasons behind Customer loyalty

Customer loyalty is the fact that people choose to use a particular shop or buy one particular product, rather than use other shops or buy products made by other companies. Customers exhibit customer loyalty when they consistently purchase a certain product or brand over an extended period of time.

As an example, many customers stick to a certain travel operator due to the positive experiences they have had with their products and services.

Customer loyalty is the key objective of customer relationship management and describes the loyalty which is established between a customer and companies, persons, products or brands. The individual market segments should be targeted in terms of developing customer loyalty. Four different reasons for loyalty should be promoted:

1. Psychological

Customers might also develop a sense of loyalty to a certain person working for a company. People can build up a good relationship with a bank advisor they have known for several years and who has always fulfilled their expectations. The fact that people develop a sense of loyalty can be described as a psychological reason to stick to a specific product.

2. Economic

In business-to-business markets, it might also be possible that customer loyalty results from the fact that switching to another company would lead to the company facing economic disadvantages. In this case, loyalty is based on economic grounds.

3. Technical/functional

Furthermore, it might be possible that a company adjusted and adapted its technical procedures to a particular supplier and a change would cause immense technical problems, thus, technical or functional reasons are the grounds for customer loyalty.

4. Contractual

A contractual reason for loyalty exists if a customer is bound to the company for a certain period of time due to a contractual agreement and for legal reasons. Loyalty is an old-fashioned word traditionally used to describe fidelity and enthusiastic devotion to a country, a cause, or an individual. It has also been used in a business context, to describe a customer's willingness to continue patronizing a firm over the long term, preferably on an exclusive basis, and recommending the firm's products to friends and associates.

Customer Loyalty and Satisfaction

Most of the organizations have murkiness in considering customer loyalty and satisfaction. They feel that both are same and a satisfied customer is always loyal to them. But this is not true as the customer can be delightfully satisfied but he may be or may not be loyal. This is because satisfaction an emotional and slushy feeling over the job done. But loyalty is related to the action taken by the customer future. There can be following two combinations of aspect when satisfaction and loyalty are treated together:

1. Satisfied but disloyal customers

A customer can be fully satisfied but may not be loyal due to following reasons:

a) **Entrepreneur Customer:** These types of customers like to experiment a lot and hence try to create various options for them to get more benefits. So even if they are satisfied they diverge to other options available in the market.

b) **Pressure from Competitors:** Due to the pressure in market the customer tends to follow the competitors path and divert from the existing supplier to remain sustain in the global marketplace.

c) **Outdated Suppliers:** The customer may be satisfied with the existing customers but sometimes feel that the product and services he is using are outdated in market. Due to the changing technology there is always a need to update the technical aspects and product features even if the old products and services are satisfactory. Focusing on these facts the customers normally go to other suppliers for his new requirements.

2. Unsatisfied but loyal customers

The other abnormal situation is when the customer is loyal but is unsatisfied. The reasons for this are following:

a) **Lack of available options:** There can lack of options available for customers. This situation arises when the existing supplier is having a monopoly in a particular segment of products or when all other competitors are worse than the existing supplier. The customer feel trapped in this type of situation and is forced to be loyal to the supplier but at the end of the day he will be an unsatisfied customer.

b) **Improved Supplier:** In another situation the suppliers may take the customers in confidence by convincing them to provide improved products and services in the coming future. This is an important tactic that supplier implement in their marketing strategy to become customer centric and to have customers stick to them and be loyal. To remain in a healthy relationship the customers also remain loyal but have a feeling of dissatisfaction beneath. But finally if the supplier continuously supply degraded products and services the customer could easily divert from them in search of better prospects.

c) **Customer Inertia:** There are some customers who afraid to change the supplier. Even if they have bad experience with the supplier, they continue to

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have business with them. This may be due to the emotional and business attachments or bonding of customers with those particular suppliers. There could be many others reason for this like, the customers' feel reluctant to face the complexity of the process of changing their way to other suppliers and prominently when they already have a long term relationship with their suppliers. Under this situation the customer tries to ignore the feelings of being unsatisfied and remain loyal to them.

Drivers of Customer Loyalty

It is very important for an organization to identify the factors and facets which drive customer loyalty. These factors help the organization to manage customer loyalty in a better and efficient way. Following are the drivers of customer loyalty:

1. Attitude

A customer to bear on his loyalty can have following types of attitude:

a) **Emotional and sentimental:** Some customers stick to a particular supplier due to the emotional and sentimental attachments with that supplier. This attachment may be due to the physical location of the supplier, product pattern provided by the supplier that exactly suits customer or may be due to the esteemed assistance and services provided by him. This type of bonding enhances customer loyalty and it is very difficult to break this bonding under any circumstances.

b) **Rational Type:** Such type of customer makes purchase decision rationally. Before making any purchase they evaluate the suppliers and assess the profitability criteria.

c) **Entrepreneur Type:** These types of customers have a habit to try new options. Their decision to choose supplier is normally irrational and can change their loyalty to other suppliers even if they are satisfied with existing customers. It's difficult for the supplier to retain or manage these types of customers as no situation could bind them.

2. Product and services

Following are the important aspects of product and services that could substantially help in retaining loyalty of customers:

a) **Differentiated Products and Services:** Differentiation in products and services help the organization to reduce competition in market and have substantial influence on customers' mindset.

b) **Multiple Products for the same customer:** By manufacturing multiple products for the same customer enhances the relationship with customer which increases loyalty. If the customer is loyal towards any one brand then there are good chances to retain his loyalty for whole range of brands.

c) **High Service Component:** The products having a high service component captures more customer loyalty. This is because the customer does not want to experiment with other products provided by different supplier. Hence they become loyal to the existing customer due to the provision of high service components.

d) **Technology:** The technological aspects of product manufactured by the supplier plays a vital role in customer loyalty. The more products are technologically sound, more is the loyalty.

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e) **Human Resources:** Organizational human resource plays a vital role in marketing segments where customer comes in direct contact. In some consumer sectors like household and automobiles, the customer gets a chance to evaluate capability of organizational human assets. If the customer evaluates these human assets as useful and is influenced by the aspects then he develops a positive feeling against the supplier who posses these enhanced human assets.

f) **Supplier's Culture:** Supplier's culture is most important driver of customer loyalty. In consumer sector this culture means quality and in core sector it can be related to technology. Example: In Indian the supplier of almost all the dairy product called 'Amul' has pursued customer loyalty because of their overall culture. In core sector the image of the supplier is the biggest driver of loyalty. This image could add a status symbol for most of the customers. 'Mercedes' automobiles and 'RayBan' sun-glasses are example of this. The customers uses these products only for maintaining or enhancing their lifestyle and always be loyal to them.

14.5 Significance of Customer Relationship Management

Significance of CRM can be summarized as follows:

i) CRM is basically a methodology and software that helps an enterprise to manage customer relationships in an efficient way.

ii) CRM includes all business processes like sales, marketing and service that serve the customer in everyday business activities. What happens in CRM is that an enterprise builds a customer database that describes the customer in detail so that management, sales persons, customer service people and customers can access information, match customer needs with product plans and give excellent customer service. For this, it is essential to gain the trust of customers through more personalized services. CRM basically helps in gaining the trust of customers through more efficient customer service.

iii) CRM understands and manages the needs of an organization's current and potential customers. Identifying and meeting customer needs is the main objective of customer relationship management. CRM works to achieve excellent customer service. This is fundamental of CRM implementation.

iv) Effective CRM delivers this personalized service that customer expect with its quick response what comes from an efficient customer database system. CRM makes integration of every area of business that touches the customer for example, marketing, sales, customer service, etc., possible mainly through its integration of the people, process and technology of the organization. Building loyalty with customers is gained as a result of CRM implementation as it enhances value to both customer and company. CRM also serves to bring about process, organization and technical change. It enables a company to manage its business activities in a more efficient manner around customer behaviour.

14.6 Rural Marketing

Rural Marketing refers to the activities undertaken by the marketers to encourage the people, living in rural areas to convert their purchasing power into an effective demand for the goods and services and making these available in the rural areas, with the intention to improve their standard of living and achieving the company's objective, as a whole.

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The Rural Marketing is a two-way process, i.e.,

i) **Urban to Rural:** FMCG Goods, Agricultural fertilizers, automobiles, etc. are offered by the urban market to the rural market.

ii) **Rural to Urban:** The agricultural supplies viz. Fruits, vegetables, flowers, milk, etc. is offered from the rural market to the urban market.

Features of Rural Marketing

The main reason why the companies are focusing on rural market and developing effective strategies is to tap the market potential that can be identified as follows:

1. **Large and scattered population:** According to the 2001 census, 740 million Indians forming 70 per cent of India's population live in rural areas. The rate of increase in rural population is also greater than that of urban population. The rural population is scattered in over 6 lakhs villages. The rural population is highly scattered, but holds a big promise for the marketers.
2. **Higher purchasing capacity:** Purchasing power of the rural people is on rise. Marketers have real-ized the potential of rural markets, and thus are expanding their operations in rural India. In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities.
3. **Market growth:** The rural market is growing steadily over the years. Demand for traditional products such as bicycles, mopeds and agricultural inputs; branded products such as toothpaste, tea, soaps and other FMCGs; and consumer durable such as refrigerators, TV and washing machines has also grown over the years.
4. **Development of infrastructure:** There is development of infrastructure facilities such as con-struction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.
5. **Low standard of living:** The standard of living of rural areas is low and rural consumers have diverse socio-economic backwardness. This is different in different parts of the country. A con-sumer in a village area has a low standard of living because of low literacy, low per capita income, social backwardness and low savings.
6. **Traditional outlook:** The rural consumer values old customs and traditions. They do not prefer changes. Gradually, the rural population is changing its demand pattern, and there is demand for branded products in villages.
7. **Marketing mix:** The urban products cannot be dumped on rural population; separate sets of prod-ucts are designed for rural consumers to suit the rural demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumers.

14.7 E-Marketing or Online Marketing

E-marketing is referred to those strategies and techniques which utilized online ways to reach target customers. There are millions of Internet users that daily access different websites using a variety of tools like computers, laptops, tablet and smart or android phone devices, and the number of internet users are increasing very rapidly. So every business seems to be jumping on the internet marketing bandwagon. The internet is most powerful tool that can put any business on solid footing with market leaders companies. There are many free as well as economical way on internet to promote your business.

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E-marketing is the act of sending a commercial message, typically to a group of people, using email. In its broadest sense, every email sent to a potential or current customer could be considered email marketing. It usually involves using email to send advertisements, request business, or solicit sales or donations, and is meant to build loyalty, trust, or brand awareness. Marketing emails can be sent to a purchased lead list or a current customer database. The term usually refers to sending email messages with the purpose of enhancing a merchant's relationship with current or previous customers, encouraging customer loyalty and repeat business, acquiring new customers or convincing current customers to purchase something immediately, and sharing third-party ads.

Advantage of E-Marketing

a) Internet provides 24 hours and 7 days “24/7” service to its users. So you can build and make customers relationships worldwide, and your customer can shop or order product at any time.

b) The cost of spreading your message on internet is nothing. Many social media sites like Facebook, Linkedin and Google plus allow you freely advertise and promote your business.

c) You can easy and instantly update your registered customers or subscribers through email.

d) Visitors or potential customers of your website can get up to the minute information on each visit.

e) If you are having a sale, your customers can start shopping at the discounted prices literally as soon as they open their email.

f) If a company has an information sensitive business, like a law firm, newspaper or online magazine, that company can also deliver its products directly to customers without having to use a courier.

Disadvantages of E-Marketing

a) If you want a strong online advertising campaign you have to spend money. The cost of web site design, software, hardware, maintenance of your business site, online distribution costs and invested time, all must be factored into the cost of providing your service or product online.

b) Almost over 60% of households now a day shop online. While that numbers are continuously growing, your company needs to reach maximum people.

c) Some people prefer the live interaction when they buy any product. And if your company has a small business with one location, this may also deter customers from buying who lives on long distances.

d) Your company should have updated information on your site. This requires research and skills and thus timing of updates is also critical.

e) Is your company web site secure? There are many incorrect stereotypes about the security of the internet. As a result, many visitors of your business web site will not want to use their credit card to make a purchase. So there is a fear in the minds of your visitors of having their credit card info stolen.

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14.8 Summary

Relationship marketing is a strategy designed to foster customer loyalty, interaction and long-term engagement. This customer relationship management approach focuses more on customer retention than customer acquisition. Analytical CRM helps top management, marketing, sales and support personnel to determine the better way to serve customers. Data analysis is the main function of this type of CRM application. It analyzes customer data, coming from various touch points, to get better insights about current status of an organization. It helps top management to take better decision, marketing executives to understand the campaign effectiveness, sales executives to increase sales and support personnel to improve quality of support and build strong customer relationship.

Customer loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bring you even more customers. However, that focus is not how you build customer loyalty.

Rural Marketing refers to the activities undertaken by the marketers to encourage the people, living in rural areas to convert their purchasing power into an effective demand for the goods and services and making these available in the rural areas, with the intention to improve their standard of living and achieving the company's objective, as a whole.

E-marketing is referred to those strategies and techniques which utilized online ways to reach target customers. There are millions of Internet users that daily access different websites using a variety of tools like computers, laptops, tablet and smart or android phone devices, and the number of internet users are increasing very rapidly. So every business seems to be jumping on the internet marketing bandwagon. The internet is most powerful tool that can put any business on solid footing with market leaders companies. There are many free as well as economical way on internet to promote your business.

Relationship management is a strategy in which an organization maintains a continuous level of engagement with its audience. This management can happen between a business and its customers or between a business and other businesses. Relationship management aims to create a partnership between the organization and its audience, either customer or business, rather than consider the relationship merely transactional.

Customer Relationship Management (CRM) is an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organized way.

More competition and increased regulation made it more difficult for banks to stand out from the crowd. However, the development of CRM gave proactive banks access to technology that helped them improve customer retention by using customer feedback to offer conveniences like ATMs and online banking. Banks can also use CRM tools to improve customer loyalty by using data collected through customer sign-ups, transactions and feedback processes.

Operational CRM streamlines the business process that includes Sales automation, Marketing automation and Service automation. Main purpose of this type of CRM is to generate leads, convert them into contacts, capture all required details and provide service throughout customer lifecycle.

Sales automation helps an organization to automate sales process. Main purpose of sales automation is to set standard within organization to acquire new customers and deal with existing customers. It organizes information in such a way that the business can meet customers' needs and increase sales more efficiently and effectively. It includes various CRM sales modules like lead management, contact management, Quote-to-Order management, sales forecasting.

Service automation enables business to retain customers by providing best quality of service and building strong relationship. It includes issue management to fix customers' problems, customer call management to handle incoming/outgoing calls, service label management to monitor quality of service based on key performance indicators.

14.9 Check Your Progress

I. Fill in the Blanks

1. ………………is a strategy designed to foster customer loyalty, interaction and long-term engagement.
2. Customer loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bring you even more…………………..
3. Rural Marketing refers to the activities undertaken by the marketers to encourage the people, living in rural areas to convert their purchasing power into an……………...
4. …………………. is an information industry term for methodologies, software and usually Internet capabilities.
5. Operational CRM streamlines the business process that includes Sales automation, Marketing automation and………………….

II. True/False

1. Relationship marketing is a strategy designed to foster customer loyalty, interaction and long-term engagement.
2. Customer loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bring you even more customers.
3. Rural Marketing refers to the activities undertaken by the marketers to encourage the people, living in rural areas to convert their purchasing power into an effective demand.
4. Customer Relationship Management (CRM) is an information industry term for methodologies, software, and usually Internet capabilities.
5. Sales automation helps an organization to automate sales process.

III. Multiple Choice Questions

1. What is a strategy designed to foster customer loyalty, interaction and long-term engagement?
   a) Relationship marketing
   b) Relationship management
   c) Customer loyalty
   d) Customer Relationship Management
2. What is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bring you even more customer?
   a) Relationship marketing
   b) Relationship management

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c) Customer loyalty

d) Customer Relationship Management

3. What is an information industry term for methodologies, software, and usually Internet capabilities?

   a) Relationship marketing

   b) Relationship management

   c) Customer loyalty

   d) Customer Relationship Management

4. What refers to the activities undertaken by the marketers to encourage the people, living in rural areas to convert their purchasing power into an effective demand?

   a) Rural marketing

   b) Relationship management

   c) Customer loyalty

   d) Customer Relationship Management

5. Operational CRM streamlines the business process that includes ……………..

   a) Sales automation

   b) Marketing automation

   c) Service automation

   d) All the above

14.10 Questions and Exercises

I. Short Answer Questions

1. What is Relationship Marketing?
2. What is Relationship Management?
3. What is Customer Relationship Management (CRM)?
4. Give the meaning of Customer Loyalty.
5. What is Customer Relationship Management?
6. What is Rural Marketing?
7. What is E-Marketing or Online Marketing?

II. Extended Answer Questions

1. Discuss the concept relationship marketing.
2. Distinguish between Relationship Marketing and Relationship Management.
3. Explain the concept Customer Relationship Management (CRM).
4. Discuss functions of CRM.
5. Explain various forms of Relationship Management.
6. Discuss the process of managing Customer Loyalty and Development.
7. Explain significance of Customer Relationship Management.
8. Discuss about Rural Marketing, E-Marketing or Online Marketing.

14.11 Key Terms

Notes

- **Relationship Marketing:** Relationship marketing is a strategy designed to foster customer loyalty, interaction and long-term engagement. This customer relationship management approach focuses more on customer retention than customer acquisition.
- **Relationship Management:** Relationship management is a strategy in which an organization maintains a continuous level of engagement with its audience. This management can happen between a business and its customers or between a business and other businesses. Relationship management aims to create a partnership between the organization and its audience, either customer or business, rather than consider the relationship merely transactional.
- **Customer Relationship Management:** Customer Relationship Management (CRM) is an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organized way.
- **Customer Service and Retention:** More competition and increased regulation made it more difficult for banks to stand out from the crowd. However, the development of CRM gave proactive banks access to technology that helped them improve customer retention by using customer feedback to offer conveniences like ATMs and online banking. Banks can also use CRM tools to improve customer loyalty by using data collected through customer sign-ups, transactions and feedback processes.
- **Operational CRM:** Operational CRM streamlines the business process that includes Sales automation, Marketing automation and Service automation. Main purpose of this type of CRM is to generate leads, convert them into contacts, capture all required details and provide service throughout customer lifecycle.
- **Sales Automation:** Sales automation helps an organization to automate sales process. Main purpose of sales automation is to set standard within organization to acquire new customers and deal with existing customers. It organizes information in such a way that the business can meet customers' needs and increase sales more efficiently and effectively. It includes various CRM sales modules like lead management, contact management, Quote-to-Order management, sales forecasting.
- **Marketing Automation:** Main purpose of marketing automation is to find out the best way to offer products and approach potential customers. Major module in marketing automation is campaign management. It enables business to decide effective channel/s (like emails, phone calls, face to face meeting, ads on social media) to reach up to potentials customers.
- **Service Automation:** Service automation enables business to retain customers by providing best quality of service and building strong relationship. It includes issue management to fix customers' problems, customer call management to handle incoming/outgoing calls, service label management to monitor quality of service based on key performance indicators.
- **Analytical CRM:** Analytical CRM helps top management, marketing, sales and support personnel to determine the better way to serve customers. Data analysis is the main function of this type of CRM application. It analyzes customer data, coming from various touch points, to get better insights about current status of an organization. It helps top management to take better decision, marketing executives to understand the campaign effectiveness, sales

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executives to increase sales and support personnel to improve quality of support and build strong customer relationship.

- **Customer Loyalty:** Customer loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bring you even more customers. However, that focus is not how you build customer loyalty.
- **Rural Marketing:** Rural Marketing refers to the activities undertaken by the marketers to encourage the people, living in rural areas to convert their purchasing power into an effective demand for the goods and services and making these available in the rural areas, with the intention to improve their standard of living and achieving the company's objective, as a whole.
- **E-Marketing:** E-marketing is referred to those strategies and techniques which utilized online ways to reach target customers. There are millions of Internet users that daily access different websites using a variety of tools like computers, laptops, tablet and smart or android phone devices, and the number of internet users are increasing very rapidly. So every business seems to be jumping on the internet marketing bandwagon. The internet is most powerful tool that can put any business on solid footing with market leaders companies. There are many free as well as economical way on internet to promote your business.

14.12 Check Your Progress: Answers

I. Fill in the Blanks

1. Relationship marketing
2. Customers
3. Effective demand
4. Customer Relationship Management (CRM)
5. Service automation

II. True or False

1. True
2. True
3. True
4. True
5. True

III. Multiple Choice Questions

1. (a)
2. (c)
3. (d)
4. (a)
5. (d)

14.13 Case Study

On November 18, 2015, Ikea, the world's largest furniture retailer, opened 'Space10' lab, to bring out sustainable product designs for urban customers. Space10 lab, a state-of-the-art external innovation lab-cum-exhibition venue in Copenhagen, Sweden, was to play a crucial role in designing products for the urban dwellers of the future. The lab was an innovation hub where Ikea's product development, design, and marketing teams worked on a single platform to develop prototypes and exhibit them as well.

Ikea, the world's largest furniture retailer known for its Swedish-styled democratic designs that blended form, function, quality, sustainability, and economy, was working on redesigning its products in a major way to suit changing consumer tastes marked by urbanization and increased use of technology. Ikea's strategy aimed to create radical futuristic product designs by hiring a new design head, collaborating with prominent fashion designers, and establishing facilities like Space10, which would help in the radical and rapid development of new product designs.

Questions

1. Analyze the ways a company can build a design-driven culture.
2. How to appreciate the impact of collaborations?

14.14 Further Readings

1. Marketing by Gary Armstrong, Michael Harker, Philip Kotler, Ross Brennan
2. Principles of Marketing by Philip Kotler
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4. Principles of marketing by Frances Brassington, Stephen Pettitt
5. Marketing insights from A to Z by Philip Kotler
6. Principles of marketing by Frances Brassington, Stephen Pettitt
7. Principles of marketing by Veronica Wong, John Saunders
8. Marketing by Armstrong, Armstrong Gary
9. Essentials of Marketing by Charles W. Lamb, Joseph F. Hair, Jr., Carl McDaniel

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4. Shaw, E. H., 2012. Marketing Strategy. Journal of Historical Research in Marketing, 4(1).
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7. Masi, R. J.; Weidner, C. K, AS (1995). Organizational culture, distribution and amount of control, and perceptions of quality. Group & Organization Management.
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9. Philip Kotler and Alan Andreasen, Strategic Marketing for Nonprofit Organizations, 5/e (Upper Saddle River, NJ: Prentice-Hall, 1996).
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14. Strategic Marketing Management (second edition), Richard M. S. Wilson and Colin Gilligan.

Unit 15: International Marketing Management

Structure:

Objectives

After studying this unit, you should be able to understand:

- Nature of International Marketing
- International Marketing Concept
- International Market Entry Strategies
- Approaches to International Marketing
- International Product Policy
- International Promotions Policy
- International Branding
- Country of Origin Effects
- International Pricing

Notes

15.1 Nature of International Marketing

International marketing is a broader concept and includes export marketing. Export marketing is concerned with the production of good in one country and marketing them in different countries of the world while international marketing is a boarder concept and includes globalization.

1. **Broader market is available –** Unlike domestic marketing the market is not restricted to national population. Population of other countries can also be targeted in international marketing.
2. **Involves at least two set of uncontrollable variables –** In domestic marketing the marketers have to interact with only one set of uncontrollable variables. In international marketing at least two set of uncontrollable variables are involved or more if the marketing organization deals in more countries.
3. **Requires broader competence –** Special management skills and broader **competence is required in international marketing/business.**
4. **Competition is intense –** An international marketing organization has to compete with both the domestic competitors and the international competitors. Hence, the competition is intense in international marketing.
5. **Involve high risk and challenges –** International marketing is prove to various kinds of risk and challenge like – political risk, cultural differences, changes in fashion and style of foreign customers, sudden war, changes in government rules and regulations, communication challenges due to language and cultural barriers, etc.

15.2 International Marketing Concept

International marketing occurs when a business directs its products and services toward consumers in more than one country. While the overall concept of marketing is the same worldwide the environment within which the marketing plan is implemented can be drastically different. Common marketing concerns such as input costs, price, advertising, and distribution are likely to differ dramatically in the countries in which a firm elects to market. Furthermore, many elements outside the control of managers, both at home and abroad, are likely to have a large impact on business decisions.

The key to successful International marketing is the ability to adapt, manage, and coordinate a marketing plan in an unfamiliar and often unstable foreign environment.

Businesses choose to explore foreign markets for a host of sound reasons. Commonly, firms initially explore foreign markets in response to unsolicited orders from consumers in those markets. In the absence of these orders, companies often begin to export to: establish a business that will absorb overhead costs at home; seek new markets when the domestic market is saturated; and to make quick profits. Marketing abroad can also spread corporate risk and minimize the impact of undesirable domestic situations, such as recessions.

While companies choosing to market internationally do not share an overall profile, they seem to have two specific characteristics in common. First, the products that they market abroad, usually patented, have high earnings potential in foreign markets; in other words, the international sale of these products should eventually generate a substantial percentage of the products' total revenue. Also, these products usually have a price or cost advantage over similar products or have some other attribute making them novel and more desirable to end users abroad. Second, the management of companies marketing

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internationally must be ready to make a commitment to these markets. They must be willing to educate themselves thoroughly on the particular countries they choose to enter and must understand the potential benefits and risks of a decision to market abroad.

Globalisation is the new buzzword that has come to dominate the world since the nineties of the last century with the end of the cold war and the break-up of the former Soviet Union and the global trend towards the rolling ball. The frontiers of the state with increased reliance on the market economy and renewed faith in the private capital and resources, a process of structural adjustment spurred by the studies and influences of the World Bank and other International organisations have started in many of the developing countries. Also Globalisation has brought in new opportunities to developing countries. Greater access to developed country markets and technology transfer hold out promise improved productivity and higher living standard. But globalisation has also thrown up new challenges like growing inequality across and within nations, volatility in financial market and environmental deteriorations. Another negative aspect of globalisation is that a great majority of developing countries remain removed from the process. Till the nineties the process of globalisation of the Indian economy was constrained by the barriers to trade and investment liberalisation of trade, investment and financial flows initiated in the nineties has progressively lowered the barriers to competition and hastened the pace of globalisation.

15.3 International Market Entry Strategies

1. Importing and Exporting

Importing and exporting are often the simplest ways a business may go global.

a) Importing

Importing is the purchasing abroad, either directly from target suppliers or indirectly through sales agents and distributors.

Import of goods requires involvement of the customs authorities in both the country of import and the country of export. There are often subject to import quotas, tariffs and trade agreements. An import of a good occurs when there is a change of ownership from a non-resident to a resident; this does not necessarily imply that the good in question physically crosses the frontier. However, in specific cases national accounts impute changes of ownership even though in legal terms no change of ownership takes place (e.g. cross border financial leasing, cross border deliveries between affiliates of the same enterprise, goods crossing the border for significant processing to order or repair). Also smuggled goods must be included in the import measurement.

Imports of services consist of all services rendered by non-residents to residents. In national accounts any direct purchases by residents outside the economic territory of a country are recorded as imports of services; therefore all expenditure by tourists in the economic territory of another country are considered as part of the imports of services. Also international flows of illegal services must be included.

b) Exporting

Exporting is the selling abroad, either directly to target customers or indirectly by retaining foreign sales agents and distributors. Export of commercial quantities of goods normally requires involvement of the customs authorities in both the country of export and the country of import. Products that are made or grown abroad but sold domestically are called imports and products made or grown domestically and shipped for sale abroad are

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exports. People who engage in this type of international trade are called importers or exporters.

Ownership advantages are the firm's specific assets, international experience, and the ability to develop either low-cost or differentiated products within the contacts of its value chain. The locational advantages of a particular market are a combination of market potential and investment risk. Internationalization advantages are the benefits of retaining a core competence within the company and threading it though the value chain rather than obtain to license, outsource, or sell it. In relation to the Eclectic paradigm, companies that have low levels of ownership advantages either do not enter foreign markets. If the company and its products are equipped with ownership advantage and internalization advantage, they enter through low-risk modes such as exporting. Exporting requires significantly lower level of investment than other modes of international expansion, such as FDI. As you might expect, the lower risk of export typically results in a lower rate of return on sales than possible though other modes of international business. In other words, the usual return on export sales may not be tremendous, but neither is the risk. Exporting allows managers to exercise operation control but does not provide them the option to exercise as much marketing control. An exporter usually resides far from the end consumer and often enlists various intermediaries to manage marketing activities.

2. Licensing

Licensing is an arrangement whereby a firm (the licensor) grants a foreign firm (the licensee) the right to use intangible property such as a patent, logo, formula, process, etc. The licensee pays a royalty or percent of the profits to the licensor. Licensing allows a business to go global relatively rapidly and simply. Rather than trying to export a product directly, incurring shipping costs and delays, among other barriers, a company can license their methods of doing business to a foreign organization. For example, rather than blend and bottle a soft drink here and then ship overseas, a company may license a foreign bottler who produces the soft drink locally using the licensed formula. This may also allow some adaptation to local tastes and customs. Licensing does not have to be an international arrangement. Licensing may take place completely within one country. But, it is also a convenient way for a company to spread its products abroad with minimal risk.

3. Franchising

Franchising may take place completely within one country. There are many examples of nationally-based franchises with which we are sure you are familiar. It is also another convenient way for a company to introduce its products abroad with minimal risk.

Franchising is a form of licensing in which the parent company (franchisor) offers some combination of trademark, equipment, materials, managerial guidelines, consulting advice, and cooperative advertising to the investor (franchisee) for a fee and/or percentage of revenues (royalties). As with licensing, franchising allows a business to go global relatively rapidly and simply, however, franchising generally requires a greater commitment, financially and otherwise, than licensing by both parties. The most obvious example is the ubiquitous McDonald’s franchise. Some other examples are Starbucks or hotel chains such as Hilton. Franchising may also allow some adaptation to local tastes and customs.

4. Foreign Direct Investment

Foreign direct investment occurs when a company invests resources and personnel to build or purchase an operation in another country. This turns the firm into a multinational company (MNC). A wholly owned subsidiary is a firm that is owned 100% by a foreign firm. This is a major decision for an organization because costs and risks of direct investment are greater than with franchising or licensing. Although governments usually welcome foreign direct investment, they are also often concerned about this type of investment for several reasons. Due to their size, MNCs may influence the host country's economic and political systems. Control of a country's important resources may pass into the hands of foreign corporations and, perhaps, then governments. Some countries enact programs to counteract these concerns.

5. Joint Ventures and Strategic Alliances

Joint ventures and strategic alliances are somewhat different from foreign direct investment in that we are not talking about creating wholly owned subsidiaries. Yet, they can be excellent, strategic ways to penetrate different global markets around the world while limiting exposure at the entry phase. A joint venture is an organization created by two or more companies or a company and a foreign government in which each party contributes assets, owns the entity to some degree, and shares risk. A joint venture allows a company to partner with a firm from another country thus learning about business practices, cultural differences, etc. This is particularly popular among manufacturing concerns.

A strategic alliance is an agreement between potential or actual competitors to achieve common objectives. Unlike a joint venture they do not actually form a new entity but work cooperatively while maintaining their independence. It allows participants to share costs and risks and to take advantages of each other strengths.

15.4 Approaches to International Marketing

The Approaches to International Business are as follows:

Ethnocentric Approach

Its characteristics are:

1. Extension strategy is adopted for international marketing.
2. Plans are made in home country by its personnel and the company generally operates through agents.
3. Export is viewed as a means of disposing the surplus in the domestic market.
4. Believes home country practices to be superior and so can be successful everywhere. That is it believes that home country is superior to any other country in the world regardless of any evidence to the contrary.
5. Only sees the similarities in the markets. It believes that since a product or a service has performed well at home, it should also perform well abroad.
6. Does not conduct any systematic International market research. That is it believes that no further research is necessary on foreign markets and no adaptations need to be made to the products or services to tailor them to global customer preferences and need.
7. The approach does not allow a company to be a major player in International Business.

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Polycentric Approach

Its characteristics are:

1. Opposite of Ethnocentrism – It assumes that each country is unique and therefore it allows its subsidiaries to have more control in developing strategies that will work in a particular country.
2. Since each country is so unique, complete control should be given to local managers since they obviously know what is best for the company in that country.
3. As long as these subsidiaries are profitable, headquarters is apt to leave them alone.
4. Only sees dissimilarities.
5. Each subsidiary develops its own unique business and marketing strategies (that is decentralized)
6. Focus is on local conditions, laws, culture etc.
7. Adaptation strategy is followed in marketing.
8. These are called 'Multinational companies/Multi-domestic companies/locally responsive companies.

Regiocentric Approach

Its characteristics are:

1. It is a hybrid approach. It views the entire world/global market to be a single market but sees both similarities and dissimilarities within it.
2. Pursues both extension and adaptation strategies in global markets.
3. It adopts a policy of blending of cultures. Integration strategy is adopted at region/global level
4. However it does not adapt just for the sake of adapting – only does when it adds value.
5. "Thinks globally, acts locally". These are called Transnational Companies or Multinational Enterprises (MNE).

Geocentric Approach

Its characteristics are:

1. Under geocentric approach, companies view the entire world as a single country.
2. Geocentric orientation believes that the entire world is a potential market and strives to develop strategies that will work in every market.
3. They select the employees from the entire globe and operate with a number of subsidiaries.
4. The headquarters coordinate the activities of the subsidiaries
5. Each subsidiary functions like an independent and autonomous company in formulating policies, strategies, product design, human resource policies, operations etc.
6. In geocentrically oriented companies, authority is not simply placed with headquarters at home or with subsidiaries abroad, but rather a is dispersed more equally between the two so that a collaboration is formed.
7. Also, a view of superiority is not based on nationality.

15.5 International Product Policy

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International product policy is defined as the broad guidelines related to the production and development of a product worldwide. These policies are generally decided by the top management of a company i.e. board of directors. It is like a long term planning with respect to the product-mix of the company in order to deliver maximum customer satisfaction. International product policy of a company has certain objectives:

1. **Survival:** The main objective of any company is to stay in the market profitably.
2. **Growth:** Based on the long term goals of the company the policies are defined to get a good growth in the market.
3. **Flexibility:** The product policy needs to be flexible to the changing needs of the customers, government regulations, global trends and economy.
4. **Scalability:** The companies should use its resources properly to make the most of its valuable resources. With time the company needs to develop economies of scale to improve profits.

Types of Product Decisions

Important product decisions in international marketing management are:

1. Market segment decision
2. Product mix decisions
3. Product specifications
4. Positioning and communication decisions.

1. Market Segment Decision

The first product decision to be made is the market segment decision because all other decisions product mix decision, product specifications, and positioning and communications decisions depend upon the target market.

2. Product Mix Decision

Product mix decision pertains to the type of products and product variants to be offered to the target market.

3. Product Specifications

This involves specification of the details of each product items in the product mix. This includes factors like styling, shape, size and other attributes and factors like packaging and labeling.

4. Positioning and Communications Decisions

Positioning is the image projected for the product. For example, toilet soap may be positioned as baby soap, beauty soap, a deodorant soap, freshness soap or skin care soap. Communication refers to the promotional message designed for the product. Obviously, both positioning and marketing communication are very much interrelated.

15.6 International Promotions Policy

International promotion policy is set of rules and guidelines set forth by a company or organization that outlines how employees are to interact with potential customers in the promotion of a good or service. The international promotion policy helps the company keep control of the message it is sending about the good or service, as well as to dictate appropriate actions that employees can take when dealing with outside personnel. For

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example, a pharmaceutical company could have a promotion policy that its field representatives must adhere to when they meet with doctors to promote a drug. See also promotional strategy.

The promotional mix and its function of providing information should be based on the characteristics of the society in which the product is to be marketed. In some countries the alternatives available for building a strong promotional strategy are restricted by many factors. For example, the international marketer must take into consideration the literacy of the population and the availability of various communications media. A promotional mix designed to reach a consumer in Nigeria will be quite different from the mix used in the United States. This is not surprising because very few Nigerian homes have television. But television is only one tool used for promotion. Other methods can be used to reach the Nigerian consumer. For example, radio and motion picture advertising reach 5 million Nigerians each year. Another point the international marketer should consider is that the service availability connected to the product is sometimes a crucial factor when the purchasing decision is made in the foreign markets. Promotional messages might include information on the availability of service.

Service key issues are faced in designing strategy for personal selling in foreign markets. These include design of sales territories, control systems for field sales people, and type of compensation to be paid.

Displays are popular means of sales promotion. Wording and layout arrangements are selected with local conditions and cultural norms in mind.

Even if restrictions make product promotion difficult at times, there is an effective promotional strategy for every country.

Promotional Strategies

There are many different types of promotional strategies a company can implement, and promotional products are just one of them. You need to have complete campaign and strategy in place. Here are a few strategies that can be employed.

1. Media releases

Media releases are a great way to get information about your product, service or company out to a large amount of potential customers. If you can put information about your product into an interesting story then there is a chance your story will be picked up. Remember it must be interesting for people or it will not be grabbed.

2. Events

Is your event going to be memorable? Are people going to feel like friends visiting or like walking wallets? Spend a little extra, make them feel welcome and get to know people. Yes, you are there for a purpose, however people expect a good time at events and you want to make sure they leave with a favourable impression.

3. Networking

Networking within your industry and clients is a great way to get yourself and you product noticed. Attend networking functions, have a good story or joke ready, and they will be sure to remember you for the right reasons.

4. Sales Pitches

A great sales pitch consists of not only showing the prospect your product. You are also selling yourself. Be likeable, bring along morning or afternoon tea, and be memorable.

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5. Follow-up with clients

Once you have spoken with a client it is important to follow up my mail or email, if only to confirm with them the items you discussed. This also sets the tone for further talks and reminds them that they are important to you.

6. Promotional products

Promotional products can be used to accomplish several things. They can motivate customers to use your product or service, increase attendance at conferences or trade booths, thank loyal customers, for attracting staff, and for rewarding staff. When choosing a promotional product think of the goal you are trying to achieve.

Media Choices for International Marketing

Marketing communications in international markets needs to be conducted with care. There will be influences upon your media choice, cultural issues to be considered, as well as the media choices themselves - personal selling, advertising, and others.

Influences upon International Media Choice

There are a number of factors that will impact upon choice and availability of media such as:

i) The nature and level of competition for marcoms channels in your target market.
ii) Whether or not there is a rich variety of media in your target market.
iii) The level of economic development in your target market (for example, in remote regions of Africa there would be no mains electricity on which to run TVs or radios).
iv) The availability of other local resources to assist you with your campaign will also need to be investigated (for example, sales people or local advertising expertise).
v) Local laws may not allow specific content or references to be made in adverts (for example, it is not acceptable to show).

15.7 International Branding

International Branding is an example of interactive communication between marketers and consumer who are from different countries and cultures. The name of an established brand will be used at the brand transfer, to launch a new product.

Characteristics of International Branding

a. Consistency

Creating a global branding enables a company communicate consistent messages to customers in all it international markets. Consumers now receive marketing messages from a huge number of different sources, so delivering a consistent message is the most effective way to reach consumers.

b. Risk

A global company can reduce the risk in developing a global campaign by building on branding strategies that deliver successful results in domestic market. Building an existing brand progressively, market by market, is the safest and most cost-effective way to create a global brand.

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c. Localization

While consistency is important, a company´s global branding does not need to communicate exactly the same message to each local market. It is important to understand and respect the language, cultural and business differences in individual territories by adapting effective communications to meet local preferences a process called localization.

d. Management

Running a consistent global branding reduces the cost and complexity of managing campaigns. Some multinational companies employ different advertising and marketing agencies for each territory. If each agency creates a different campaign for the local market, costs can rise rapidly because of the duplication of effort. By developing a single global branding and advertising strategy, you can reduce the number of agencies you use and eliminate duplicate costs.

International and Global Brands

International and global brands have been in existence for a very long time in one form or the other. The common approach that firms which sought to "go global" did is to extend their domestic marketing strategies to international market. In other words they pursued the standardized approach of branding. As firms expand their international activities, their standardized approach to branding led to international and eventually to what is now called global branding. A brand is "anything that identifies a seller´s goods or services and distinguishes them from the others". By this definition trademark could be said to be part of branding since it can be used to identify and differentiate a company´s product from others. Branding, is very important since it may be very difficult for a product to be advertised without it. A brand as consisting of: a concept/promise/benefit, proprietary signs, name, trademarks, symbols, logo, products and services. By extension, global branding therefore, involves extending all three aspects of a brand across the world. While this is not possible for many products, some products are more amenable to global branding. For example, products aimed at luxury and youth segments seem ideally suited for global brands.

Also, in markets such as telecom, airlines and hotels, where there is heavy consumer mobility, global branding is more feasible. Global or transnational companies must keep looking for global branding opportunities. Global brands can generate a competitive advantage that is difficult for local brands to match. Global brands can be supported by global advertising campaigns with a global positioning, leading to substantial economies of scale in marketing. However, in situations where market conditions are heterogeneous, there may be no option but to acquire or develop local brands.

Nonetheless, in line with the branding concept for local markets, global branding scholars advocate that the development of brands on a global level offers opportunities for capitalizing on economies of scale, developing global markets and pursuing multiple market segments. This benefit from an economic perspective reiterates the significance of branding, not only in domestic market, but also at the global level. Other benefits of global branding include the fact that it gives the customers added value. It provides cross border learning, it generates more cultural benefits for a company and also leads to lower cost. As a result of the immense benefits associated with the adoption of a global brand, most contemporary multinational companies are now adopting global brands. This is therefore justified that many companies adapt a global brand as a marketing strategy.

In dealing with global brands it is prudent that the culture and language of the people are taking into consideration. This is because a brand may have a particular meaning in

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one country but may have an entire different meaning in another country and in some cases the brand may be out rightly inappropriate in other country. Global brands are in most cases positioned and sold the same around the world. Nonetheless, minor modifications may occur.

Forbes magazine lists the top 100 global brands for 2015 and the top 10 of these include: Apple, Microsoft, Google, Coca Cola, IBM, McDonalds´s, Samsung, Toyota, General Electric and Facebook. The following are the common features of the above top 10 global brands:

a) **They are strong in home markets:** the cash flow gained in the local markets give advantages in global market.

b) **They have geographical balance in sales:** the global brand is known more around the world.

c) **Consistent positioning:** The values are communicated the same all around the world and the products are positioned the same as well.

d) **Product category focus:** Focusing simply on one product category.

e) The products are somewhat the same around the world with some little modifications in some places/countries to suit the local needs of the people.

15.8 Country of Origin Effects

There are at least four different ways in which the country of origin of a product could affect its evaluations: (a) as a product attribute whose implications combine with other attributes to influence evaluations, (b) as a signal to infer more specific product characteristics, (c) as a heuristic (to simplify the evaluation task), and (d) as a standard relative to which the product is compared. The manner in which country of origin is used in evaluations was expected to depend on subjects' familiarity with the product being judged, the amount of attribute information available, the importance of the evaluation, and the order in which country-of-origin and intrinsic attribute information was received. In fact, country of origin appeared to function in three of the four ways considered, but there was little evidence that it served as a heuristic in any condition. Results confirm the need to consider the use of country-of-origin information in several different capacities simultaneously rather than assuming that its effects result from a single underlying process.

15.9 International Pricing

International pricing is often considered the most critical and complex issue in international marketing. When talking about the price of a product, it is important to notice that it is a sum of all monetary and non-monetary assets the customer has to spend in order to obtain the benefits it provides. The main pricing decisions in international marketing comprise the following:

i) The overall international pricing strategy determines general rules for setting (basic) prices and using price reductions, the selection of terms of payment, and the potential use of countertrade.

ii) The price setting strategy determines the basic price of a product, the price structure of the product line, and the system of rebates, discounts or refunds the firm offers.

iii) The terms of payment are contractual statements fixing, for example, the point in time and the circumstances of payment for the products to be delivered.

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Types of International Pricing

1. Transfer Pricing

Transfer pricing refers to the setting, analysis, documentation, and adjustment of charges made between related parties for goods, services, or use of property (including intangible property). Transfer prices among components of an enterprise may be used to reflect allocation of resources among such components, or for other purposes. OECD Transfer Pricing Guidelines state, “Transfer prices are significant for both taxpayers and tax administrations because they determine in large part the income and expenses, and therefore taxable profits, of associated enterprises in different tax jurisdictions.”

Over 60 governments have adopted transfer pricing rules. Transfer pricing rules in most countries are based on what is referred to as the “arm’s length principle” that is to establish transfer prices based on analysis of pricing in comparable transactions between two or more unrelated parties dealing at arm’s length. The OECD has published guidelines based on the arm's length principle, which are followed, in whole or in part, by many of its member countries in adopting rules. The United States and Canadian rules are similar in many respects to the OECD guidelines, with certain points of material difference. A few countries, such as Brazil and Kazakhstan, follow rules that are materially different overall.

The rules of nearly all countries permit related parties to set prices in any manner, but permit the tax authorities to adjust those prices where the prices charged are outside an arm's length range. Rules are generally provided for determining what constitutes such arm's length prices, and how any analysis should proceed. Prices actually charged are compared to prices or measures of profitability for unrelated transactions and parties. The rules generally require that market level, functions, risks, and terms of sale of unrelated party transactions or activities be reasonably comparable to such items with respect to the related party transactions or profitability being tested.

Most systems allow use of multiple methods, where appropriate and supported by reliable data, to test related party prices. Among the commonly used methods are comparable uncontrolled prices, cost plus, resale price or markup, and profitability based methods. Many systems differentiate methods of testing goods from those for services or use of property due to inherent differences in business aspects of such broad types of transactions. Some systems provide mechanisms for sharing or allocation of costs of acquiring assets (including intangible assets) among related parties in a manner designed to reduce tax controversy.

Most tax treaties and many tax systems provide mechanisms for resolving disputes among taxpayers and governments in a manner designed to reduce the potential for double taxation. Many systems also permit advance agreement between taxpayers and one or more governments regarding mechanisms for setting related party prices.

Many systems impose penalties where the tax authority has adjusted related party prices. Some tax systems provide that taxpayers may avoid such penalties by preparing documentation in advance regarding prices charged between the taxpayer and related parties. Some systems require that such documentation be prepared in advance in all c

2. Dumping

Dumping is the act of charging a lower price for a good in a foreign market than one charge for the same good in a domestic market. This is often referred to as selling at less than "fair value".

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Dumping can force established domestic producers out of a market and lead to monopolistic positions by the exporting nation. For example, a glut of Chinese garlic exports in the mid 2000s forced many North American producers to switch crops and leave the market. When the price of Chinese garlic soared in 2009, the shuttered North American businesses were unable to quickly re-enter the local market due to barriers to entry.

A standard technical definition of dumping is the act of charging a lower price for a good in a foreign market than one charge for the same good in a domestic market. This is often referred to as selling at less than "fair value". Under the World Trade Organization (WTO) Agreement, dumping is condemned (but is not prohibited) if it causes or threatens to cause material injury to a domestic industry in the importing country.

The term has a negative connotation as advocates of free markets see "dumping" as a form of protectionism. Furthermore, advocates for workers and laborers believe that safeguarding businesses against predatory practices, such as dumping, help alleviate some of the harsher consequences of such practices between economies at different stages of development (see protectionism). The Bolkestein directive, for example, was accused in Europe of being a form of "social dumping," as it favored competition between workers, as exemplified by the Polish Plumber stereotype. While there are very few examples of a national scale dumping that succeeded in producing a national-level monopoly, there are several examples of dumping that produced a monopoly in regional markets for certain industries. Ron Chenow points to the example of regional oil monopolies in Titan: The Life of John D. Rockefeller, Sr. where Rockefeller receives a message from Colonel Thompson outlining an approved strategy where oil in one market, Cincinnati, would be sold at or below cost to drive competition's profits down and force them to exit the market. In another area where other independent businesses were already driven out, namely in Chicago, prices would be increased by a quarter.

15.10 Summary

International marketing is a broader concept and includes export marketing. Export marketing is concerned with the production of good in one country and marketing them in different countries of the world while international marketing is a boarder concept and includes globalization.

International marketing occurs when a business directs its products and services toward consumers in more than one country. While the overall concept of marketing is the same worldwide the environment within which the marketing plan is implemented can be drastically different. Common marketing concerns such as input costs, price, advertising, and distribution are likely to differ dramatically in the countries in which a firm elects to market. Furthermore, many elements outside the control of managers, both at home and abroad, are likely to have a large impact on business decisions.

Globalisation is the new buzzword that has come to dominate the world since the nineties of the last century with the end of the cold war and the break-up of the former Soviet Union and the global trend towards the rolling ball. The frontiers of the state with increased reliance on the market economy and renewed faith in the private capital and resources, a process of structural adjustment spurred by the studies and influences of the World Bank and other International organisations have started in many of the developing countries. Also

International Marketing Services, LLC was founded in 1986 as IMS, Inc. with an original mission to facilitate business and trade between the United States and the former

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Soviet Union and its erstwhile Eastern Bloc allies in Central Europe. At that time, many countries were still in the grip of authoritarian, Communist governments, and Mikhail Gorbachev's glasnost and perestroika were merely ideas. Free trade between the United States and those countries was unimaginable for most people, and even travel required extensive paperwork. Most trade was in "must have items" for either side. Nevertheless, we saw an opportunity in the slow but sure opening of the Soviet Union, as well as the practical fact that most trade missions at the time were run by either government and ineffective at providing post-show marketing and sales support.

Importing is the purchasing abroad, either directly from target suppliers or indirectly through sales agents and distributors.

Import of goods requires involvement of the customs authorities in both the country of import and the country of export. There are often subject to import quotas, tariffs and trade agreements. An import of a good occurs when there is a change of ownership from a non-resident to a resident; this does not necessarily imply that the good in question physically crosses the frontier.

Exporting is the selling abroad, either directly to target customers or indirectly by retaining foreign sales agents and distributors. Export of commercial quantities of goods normally requires involvement of the customs authorities in both the country of export and the country of import.

Licensing is an arrangement whereby a firm (the licensor) grants a foreign firm (the licensee) the right to use intangible property such as a patent, logo, formula, process, etc. The licensee pays a royalty or percent of the profits to the licensor. Licensing allows a business to go global relatively rapidly and simply.

15.11 Check Your Progress

I. Fill in the Blanks

1. International Business focuses, on global resource opportunities to buy / sell…………………..
2. The first phase of globalization began around _________ and ended with world war I.
3. The ratio of trade to GTP was as high as 22.1 in _________
4. IMF means _____________.
5. ………………….occurs when a company invests resources and personnel to build or purchase an operation in another country.

II. True/False

1. International marketing is a broader concept and includes export marketing.
2. Export marketing is concerned with the production of good in one country and marketing them in different countries of the world while international marketing is a boarder concept and includes globalization.
3. Import of goods requires involvement of the customs authorities in both the country of import and the country of export.
4. Exporting is the selling abroad, either directly to target customers or indirectly by retaining foreign sales agents and distributors.

5. Licensing is an arrangement whereby a firm (the licensor) grants a foreign firm (the licensee) the right to use intangible property such as a patent, logo, formula, process, etc.

III. Multiple Choice Questions

1. What is a broader concept and includes export marketing?
   a) International marketing
   b) Export Marketing
   c) Licensing
   d) All the above
2. What is concerned with the production of good in one country and marketing them in different countries of the world while international marketing is a boarder concept and includes globalization?
   a) International marketing
   b) Export Marketing
   c) Licensing
   d) All the above
3. What is an arrangement whereby a firm (the licensor) grants a foreign firm (the licensee) the right to use intangible property such as a patent, logo, formula, process, etc.?
   a) International marketing
   b) Export Marketing
   c) Licensing
   d) All the above
4. What is the selling abroad, either directly to target customers or indirectly by retaining foreign sales agents and distributors?
   a) International marketing
   b) Export Marketing
   c) Licensing
   d) Exporting

15.12 Questions and Exercises

I. Short Answer Questions

1. What is International Marketing?
2. What is International Marketing Concept?
3. What is International Market?
4. What is Exporting?
5. What is Licensing?
6. What is International Product Policy?
7. What is International Promotions Policy?
8. What is International Branding?
9. What is International Pricing?

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II. Extended Answer Questions

1. Discuss nature of International Marketing.
2. Explain about International Marketing Concept.
3. Discuss various International Market Entry Strategies.
4. Explain various Approaches to International Marketing.
5. Write note on: International Product Policy.
6. Discuss about International Promotions Policy.
7. Discuss in details about International Branding.
8. Discuss reasons for fixing International Pricing.

15.13 Key Terms

- **International marketing:** International marketing is a broader concept and includes exportmarketing. Export marketing is concerned with the production of good in one country and marketing them in different countries of the world while international marketing is a boarder concept and includes globalization.
- **Importing:** Importing is the purchasing abroad, either directly from target suppliers or indirectly through sales agents and distributors.

  Import of goods requires involvement of the customs authorities in both the country of import and the country of export. There are often subject to import quotas, tariffs and trade agreements.
- **Licensing:** Licensing is an arrangement whereby a firm (the licensor) grants a foreign firm (the licensee) the right to use intangible property such as a patent, logo, formula, process, etc. The licensee pays a royalty or percent of the profits to the licensor. Licensing allows a business to go global relatively rapidly and simply.
- **Franchising:** Franchising is a form of licensing in which the parent company (franchisor) offers some combination of trademark, equipment, materials, managerial guidelines, consulting advice, and cooperative advertising to the investor (franchisee) for a fee and/or percentage of revenues (royalties).

- **Foreign Direct Investment:** Foreign direct investment occurs when a company invests resources and personnel to build or purchase an operation in another country. This turns the firm into a multinational company (MNC).

15.14 Check Your Progress: Answers

I. Fill in the Blanks

1. Worldwide
2. 1870
3. 1913
4. International Monetary Fund
5. Foreign direct investment

II. True or False

1. True
2. True
3. True

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4. True
5. True

III. Multiple Choice Questions

1. (a)
2. (b)
3. (c)
4. (d)

15.15 Case Study

In 2014, Philip Morris International (PMI), a leading global cigarette and tobacco company headquartered in New York, the US, launched iQOS in Nagoya, Japan, and Milan, Italy, as a pilot project. iQOS was a rechargeable electronic device that heated tubes of tobacco called HeatSticks, as opposed to the burning of tobacco that took place in conventional cigarettes. These HeatSticks resembled a cigarette cut in half. Japan was chosen as the main market for the pilot project, as global tobacco companies perceived Japan as a perfect test ground for 'Heat but not burn' (HnB) tobacco products, since e-cigarettes, which used nicotine-laced liquid, were not allowed under the country's pharmaceutical regulations.

The declining trend in smoking in developed countries had put the tobacco industry under serious pressure in the last decade. Global cigarette consumption was annually dropping by 2-2.5 percent. In an effort to reinvent itself, Philip Morris, maker of the popular Marlboro brand, decided to expand sales of what it called 'reduced-risk products' to 35 countries by 2017. The launch of iQOS was the first step toward this objective. Compared to cigarettes, HeatSticks also had the advantage of countries taxing them at a lower rate. "We are more confident than ever that these products have the potential to fundamentally transform our business," said Calantzopoulos.

This case is about Philip Morris International (PMI), a leading global cigarette and tobacco company. It discusses the company's strategy to venture into the 'Heat but not burn' (HnB) tobacco products category. PMI launched iQOS in 2014 in Nagoya, Japan, and Milan, Italy, as a pilot project. iQOS was a rechargeable electronic device that heated tubes of tobacco called HeatSticks, in contrast to conventional cigarettes in which tobacco was burned.

The case highlights the dangers of tobacco consumption and its effect on human health. It describes in detail PMI's strategy to develop and commercialize what it called Reduced Risk Products (RRPs). iQOS was the first of four platforms of RRPs developed by PMI. The case also examines the challenges faced by the company. It ends with a discussion on whether PMI would be able to stay ahead of its competitors or not.

Questions

1. Evaluate the importance of venturing into the 'Heat but not burn' (HnB) tobacco products category.
2. Examine the challenges PMI could face in future and explore strategic options before the company

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15.16 Further Readings

1. Marketing by Gary Armstrong, Michael Harker, Philip Kotler, Ross Brennan
2. Principles of Marketing by Philip Kotler
3. Contemporary Marketing by David L. Kurtz
4. Principles of marketing by Frances Brassington, Stephen Pettitt
5. Marketing insights from A to Z by Philip Kotler
6. Principles of marketing by Frances Brassington, Stephen Pettitt
7. Principles of marketing by Veronica Wong, John Saunders
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9. Essentials of Marketing by Charles W. Lamb, Joseph F. Hair, Jr., Carl McDaniel

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Unit 16: Services Marketing Management

Structure:

Objectives

After studying this unit, you should be able to understand:

- Nature of Services Marketing
- Designing the Services marketing process
- New service development
- Approaches to services marketing
- Developing service personnel
- Managing service delivery channels
- Pricing the services

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16.1 Concept of Services Marketing

Service marketing is an important to explore the distinctive features of services, because recognition ofthis special nature will provide insights for enlightened and innovativemanagement. One reason for the poor quality of service levels across different serviceindustries is that managers often tend to solve service marketing problems with tools andtechniques that are essentially meant for tangible products. It happens because ofinadequate understanding about the nature of services. As our knowledge of thecharacteristics of services grows, so does our ability to deal with them from both aneconomic and marketing perspective. Services have a number of unique characteristics thatmake them different from products.

Since services are performances, frequently produced by humanbeings, no two services will be precisely alike. The human element is very much involvedin providing and rendering services and this makes standardization a very difficult task toachieve.

Service implies that intangibility is a key determinant of whetheran offering is or is not a service. While this is true, it is also true that very few products arepurely tangible or purely intangible. Instead, services tend to be more intangible thanmanufactured products, and manufactured products tend to be more tangible than services.

A service is provided by a person who possesses a particular skill (singer,doctor, etc.), by using equipment to handle a tangible product (dry cleaning) or by allowingaccess to or use of a physical infrastructure (hotel, train, etc.). Services are typicallyproduced and consumed at the same time. The relationship between production andconsumption, therefore, dictates that production and marketing are highly integratedprocesses. The telephone company produces telephone service while the telephone userconsumes it.

Since services are deeds, performances or act whose production andconsumption takes place simultaneously, they tend to perish in the absence ofconsumption. Goods can be stored and sold at a later date in the absence of a customer.Services, on the other hand, go waste if they are not consumed. A seat on an airplane or ina restaurant, an hour of a professor’s time, or telephone line capacity not used cannot bereclaimed and used or resold at a later time.

Meaning of Service

Service is a type of economic activity that is intangible, is not stored and does not result in ownership. A service is consumed at the point of sale. Services are one of the two key components of economics, the other being goods.

Definition of Service

Service is described in the Oxford English Dictionary as "the action of serving, helping, or benefiting; conduct tending to the welfare or advantage of another; condition or employment of a public servant; friendly or professional assistance."

Webster's Ninth New Collegiate Dictionary, service is described as "the occupation or function of serving others; employment as a servant; contribution to the welfare of others.”

Philip Kotler defines a service as, “Any act or performance that one party offers to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to the physical product.”

According to **Kotler and Armstrong,** “A service is an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”

According to **Quinn,** Gagnon,'Services are actually all those economic activities in which the primary output is neither a product nor a construction'.

According to **Kotle,** 'Any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything.'

Characteristics of Services

Services can be paraphrased in terms of their generic key characteristics:

1. Intangibility

Services are intangible and insubstantial: they cannot be touched, gripped, handled, looked at, smelled and tasted. Thus, there is neither potential nor need for transport, storage or stocking of services. Furthermore, a service can be resold or owned by somebody, but it cannot be turned over from the service provider to the service consumer. Solely, the service delivery can be commissioned to a service provider who must generate and render the service at the distinct request of an authorized service consumer.

2. Perishability

Services are perishable in two regards. The service relevant resources, processes and systems are assigned for service delivery during a definite period in time. For Example: An empty seat on a plane never can be utilized and charged after departure.

When the service has been completely rendered to the requesting service consumer, this particular service irreversibly vanishes as it has been consumed by the service consumer. Example: the passenger has been transported to the destination and cannot be transported again to this location at this point in time.

3. Inseparability

The service provider is indispensable for service delivery as he must promptly generate and render the service to the requesting service consumer. In many cases the service delivery is executed automatically but the service provider must preparatorily assign resources and systems and actively keep up appropriate service delivery readiness and capabilities. Additionally, the service consumer is inseparable from service delivery because he is involved in it from requesting it up to consuming the rendered benefits. Examples, The service consumer must sit in the hair dresser's shop and chair or in the plane and seat; correspondingly, the hair dresser or the pilot must be in the same shop or plane, respectively, for delivering the service.

4. Simultaneity

Services are rendered and consumed during the same period of time. As soon as the service consumer has requested the service delivery, the particular service must be generated from scratch without any delay and friction and the service consumer instantaneously consumes the rendered benefits for executing his upcoming activity or task.

5. Variability

Each service is unique. It is one-time generated, rendered and consumed and can never be exactly repeated as the point in time, location, circumstances, conditions, current configurations and/or assigned resources are different for the next delivery, even if the same service consumer requests the same service. Many services are regarded as heterogeneous or lacking homogeneity and are typically modified for each service consumer or each new situation consumerised. Example: The taxi service which transports the service consumer from his home to the opera is different from the taxi service which

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transports the same service consumer from the opera to his home–another point in time, the other direction, maybe another route, probably another taxi driver and cab.

Each of these characteristics is retractable per se and their inevitable coincidence complicates the consistent service conception and makes service delivery a challenge in each and every case. Proper service marketing requires creative visualization to effectively evoke a concrete image in the service consumer's mind. From the service consumer's point of view, these characteristics make it difficult,or even impossible, to evaluate or compare services prior to experiencing the service delivery.

Meaning of Service Marketing

Services Marketing refers to the marketing of services as against tangible products. As already discussed, services are inherently intangible, are consumed simultaneously at the time of their production, cannot be stored, saved or resold once they have been used and service offerings are unique and cannot be exactly repeated even by the same service provider.

Service marketing, however, is much broader an activity requiring closes cooperation between marketers and those managers responsible for operations and human resources. The marketers and managers need to be more customers oriented in addition to being concerned about priced realistically, distributed through convenient channels and actively promoted to customers. The organisation must continuously be aware of trends in the size and structure of each market in which its service compete. The organization must monitor what its competitors are doing and have a clear strategy for achieving competitive advantage.

Nature of Services Marketing

Given the intangibility of services, marketing them becomes a particularly challenging and yet extremely important task.

1. A key differentiator

Due to the increasing homogeneity in product offerings, the attendant services provided are emerging as a key differentiator in the mind of the consumers. For Example: In case of two fast food chains serving a similar product (Pizza Hut and Domino's), more than the product it is the service quality that distinguishes the two brands from each other. Hence, marketers can leverage on the service offering to differentiate them from the competition and attract consumers.

2. Importance of relationships

Relationships are a key factor when it comes to the marketing of services. Since the product is intangible, a large part of the customers buying decision will depend on the degree to which he trusts the seller. Hence, the need to listen to the needs of the customer and fulfil them through the appropriate service offering and build a long lasting relationship which would lead to repeat sales and positive word of mouth.

3. Customer Retention

Given today's highly competitive scenario where multiple providers are vying for a limited pool of customers, retaining customers is even more important than attracting new ones. Since services are usually generated and consumed at the same time, they actually involve the customer in service delivery process by taking into consideration his requirements and feedback. Thus they offer greater scope for customization according to customer requirements thus offering increased satisfaction leading to higher customer retention.Marketing such services is an important skill-and a tough one-for businesses to have. Without a tangible product to show and tell customers about, service marketers must be adept at pulling together all the pieces of the marketing mix to create value for their intended consumers.

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4. Relationships are Key

In service marketing, because there is no tangible product, relationships are key. Service marketers must listen to and understand the needs of customers and prospective customers to build loyalty and trust. Ultimately, effective relationships in service marketing will lead to repeat sales and positive word of mouth.

5. Multiple Touchpoints

Service marketing involves many touchpoints for the consumer. Interactions with multiple people and experiences that is less tangible than when buying an actual product all impact the consumer's perspective of the purchase process. These touchpoints work together to establish a perception in the consumer's mind.

6. Services Proliferate

Consumers have many service options to choose from, and because the product is intangible, the challenge for the service marketer is to somehow make her services stand out from the crowd. Because service marketing is so prolific, marketers must think of ways to communicate the benefits of the service they offer in language that reflects consumer need and value.

7. Feedback Improves Service

Unlike the marketing process for a tangible product, service marketing actually involves the consumer in the marketing process. He is engaged in the process and contributes to a positive outcome. For this reason, it is important to seek consumer feedback and to use that feedback to improve service marketing effectiveness.

8. Technology Impacts

Technology is having a major impact on the service economy. You can use technology to streamline service activities and provide do-it-yourself options for consumers. Internet-based services, for instance, allow consumers to participate actively in the service marketing process, often never involving contact with another human being. Having a website is important, because people like to get information about service providers before deciding which one to use.

16.2 Designing the Services Marketing Process

Designing a service process system involves a careful consideration of factors related to services. Various issues such as location, facility design, and layout for effective work flow procedures and job definitions for service providers, customer involvement, equipment selection, etc., should be decided while designing service process. Apart from these, the following factors should be considered in the process design and implementation.

1. The Service itself

The importance of the actual process in service delivery is being recognized of late. By employing some principles, the service and delivery process can be designed, implemented and monitored. The service itself is dependent upon its process. Even intangible services such as legal representation, equipment-based services (services through vending machines, ATM) etc., are dependent upon their process. While designing

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a service, it is necessary for the service provider to carefully understand the process on which the service is dependent.

2. Customer Participation in the Process

The presence of the customer is a must when some services are being performed. The consumer is a part of the production process and there is a close interaction between the service provider and the consumer.

For example, services in a self-service restaurant, hair dressing saloon, beauty parlours, etc., necessitate the participation of customers in the production process.

Sometimes, the customer instead of being a passive bystander acts as productive labour if needed. Customer participation enhances the degree of customization.

For example, the education service rendered by a college would depend upon the quality of student participation in the programmes offered by the college. Through customer participation, the service provider identifies the impact the receiver of the benefit has on the service.

3. Location of Service Delivery

The issues related to accessibility and availability of services are crucial. Priority must be given in decisions about location of premises and services distribution. Provision of service may take place at the service provider's premises or at the customer's home.

For example, air conditioning and plumbing services should be provided at the customer's home, while dry cleaning of clothes is carried out at service provider's outlet.

Public services such as telephone, banking, insurance etc., should be easily accessible to the customers. Generally, the service provider should choose to provide a location convenient to the customers.

4. Level of Customer Contact

The physical presence of the customer in the system is called customer contact. The level of customer contact can be calculated from the amount of time a customer spends in the system compared to the total system.

The level of contact with customers largely depends upon the type of service received. From this point of view, a service may be high-contact service or low-contact service. Where performance of a service is fully based on equipment (automatic weighing machines, ATM, public telephone), the level of contact between the customer and service provider is nil.

In case of professional and medical services, the level of contact is very high. The service system should be planned according to high contact and low contact operations in order to achieve overall service quality.

5. Degree of Standardization

The services may be standardized services or customized services. In case of standardized services, services are delivered in a very standard format. A standardized service is generally, designed for high volumes with a focused service. For example, prerecorded messages provided by telephone companies.

The tasks involved in standardized services require a workforce with relatively low levels of technical skill. Service providers deviate from the standard to meet the needs of different customers. This is called divergence. Customized services involve high divergence where flexibility and judgement are called for on the part of the service provider. He interacts with the customers in order to identify the needs of latter.

The interaction between the service provider and customer may be in terms of resources facility such as expertise, skill, attention, attitudes, personnel, space, cleanliness etc. In other words, interaction is more between the customer and the employees of the service provider. Provision of customized services requires high levels of technical skill. Generally, customized services are unprogrammed and not well defined before they are provided.

For example, counseling of students, house decoration, tailoring etc.

6. Complexity of the service

Complexity refers to the amount of steps involved in delivering services to customers. So, the degree of complexity can be measured on the basis of the number of activities which contribute towards the service delivery. Some services are high in complexity as well as high in divergence.

For example, a doctor's service is highly complex and highly divergent. Every case history of the patient is so different, yet they always diagnose correctly. But catering services are high in complexity and low in divergence.

16.3 New Service Development

a) Business Strategy Development

The first Step is to review the vision and mission of the company.

b) New Service Strategy Development

The product portfolio strategy and a defined organizational structure for new product / service development are critical for the foundation of success. (Possibility in terms of markets, types of services, time horizon, profit criteria). The framework allows an organization to identify possible directions for growth. Offerings are some of the most common approaches.

There should be formal mechanism for ensuring an ongoing stream of new service possibilities.

The mechanism may include a formal new service development department with responsibility for generating new ideas, suggestion boxes for employees, customers, new service development teams to identify new services.

c) Idea Generation

Formal brainstorming, solicitation of ideas from employees and customers, lead-users researchers and learning about competitors.

d) Service Concept development and evaluation

After clear definition of the concept, it is important to produce a description of the service that represents its specific features and then to determine initial customer and employee responses to the concept.

e) Business Analysis

Assuming the service concept is favorably evaluated by customers and employees at the concept development stage, the next step is to determine its feasibility and potential profit implications. This stage will involve preliminary assumptions about the costs of hiring and training personnel delivery system enhancements, facility changes. The organization will pass the results of the business analysis through its profitability and feasibility screen to determine whether the new service idea meets the minimum requirements.

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f) Service development and testing

It involves construction of product prototype and testing for consumer acceptance.

During this phase, the concept is refined to the point where a detailed service blueprint representing the implementation plan for the service can be produced.

g) Market testing

The new service may be offered to employees of the organization and their families for a time to assess their responses to variations in marketing mix.

At this stage, pilot study has to be done for the service, to be sure that the operational details are functioning smoothly.

h) Commercialization

At this stage, the service goes live and introduced to the market place. The first is to build and maintain acceptance of the new service among large numbers of service delivery personnel who will be responsibility day-to-day for service quality. This is to monitor all aspects of the service during introduction and through the complete service cycle.

i) Post introduction evaluation

At this stage, the information gathered during commercialization of the service can be viewed and changes made to the delivery process, staffing or marketing –mix variables on the basis of actual offering to the market response.

16.4 Approaches to Services Marketing

Developing a strong marketing plan is vital to the success of any business. Service firms can face challenges in their marketing strategies as they often don't offer physical products that can be demonstrated for customers. These companies therefore depend on delivering high levels of professionalism and efficiency. A comprehensive marketing strategy can help service providers highlight capabilities and attract clients.

1. Customer Referrals

Qualified sales leads can usually be found in the existing customer base. When a professional service firm deals with their current crop of satisfied customers, its sales staff should find out if those clients have business associates that would benefit from their services. These referrals come with an instant connection to the prospect and remove much of the anxiety often associated with making a cold call.

2. More Options

Professional networking opportunities give service firm chapters an additional avenue to implement their marketing strategies. Networking groups allow companies to conduct face-to-face interactions with potential clients and industry leaders. Gatherings that mix business with pleasure, such as conventions, charitable functions and civic events, give sales staffers additional chances to spread the word about the company. They can also interact with important contacts in ways that leave personal impressions.

3. Industry Specialization

With so many service firms competing for a limited number of potential clients, their respective marketing plans must include methods on how to stand out from their rivals. Since no firm can meet every customer's every need, each company must determine which skill sets it possesses and emphasize those skills. For instance, a law firm specializing in bankruptcy law will stress its abilities to clients seeking help in reorganizing their debts.

4. Social Media

Social media has quickly become one of the most effective marketing tools for service firms. Sites such as Facebook, Twitter and Tumblr give companies new outlets to spread their messages to a worldwide audience. Professional networking sites such as LinkedIn allow marketers and sales staff to connect with prospective customers based on work experience and industry status.

16.5 Developing Service Personnel

Service personnel are those people who provide an organization's services for customers. Service personnel are important in all organizations. However, they are particularly important in those situations where, in the absence of clues from tangible products, the customer will form an impression of the organization from the behaviour and attitudes of its staff.

Service personnel include operators, bus drivers, lift attendants, librarians, clerks in banks, chefs, receptionists and counter clerks in hotels or hire car companies, security guards, telephonists, repair and servicing personnel and waiters. These people may perform a 'production' or 'operational' role but may also have a customer contact role in service organizations.

Their behaviour may be as important in influencing the perceived quality of a service as the behaviour of formal sales staff. It is crucial therefore that these service personnel perform their jobs effectively and efficiently; also that the service organization's measures of effectiveness and efficiency include a strong element of customer orientation among its staff.

Customers:

Another factor which may influence the marketing of services is the relationships between cus-tomers. A customer's perception of the quality of a service may be formed and influenced by other customers as well as by service organization personnel.

Customers may talk to other customers about service organizations. Or where groups of customers 'receive' a service at the same time (e.g. a package tour) the enjoyment of the service may be shaped by the behaviour of other customers.

In services marketing, management may play a role in 'quality controlling' the interactions between customers and in influencing the relationship that takes place between them. Relationships between customers are, of course, just one dimension of their behaviour as participants in the service produc-tion process and in the service consumption process.

It was observed that: 'the selling of a services and the rendering of the service can seldom be separated'. Examples of situations where the service cannot be separated from the person providing the service include window cleaning, dentistry and hairdressing. It is only with mechanized and automated services that people play little part in service transactions (e.g. automatic photograph booths; vending machines).

Human beings therefore may play a unique role in the marketing and the production of services. This has important implications for the marketing function since it is clear that the human service representatives constitute an important element of any service marketing strategy and are an element in any service marketing mix.

What distinguishes service organizations from industrial good companions is that the customer may come into contact with people whose primary role is to perform a service

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rather than to market a service.

Service personnel include those members of the organizations from industrial good companies is that the customer may come into contact with people whose primary role is to perform a service rather than to market a service.

Service personnel include those members of the organization who are in contact with customer (contact personnel) and those members of the service organization who are not in contact with cus-tomers. Some of these staff may be visible to the customer during purchase and consumption of a service.

16.6 Managing Service Delivery Channels

Business distribution channels are the avenues a business uses to sell or deliver its product or service. Distribution channels for sellers of products include brick-and-mortar stores, online stores, direct mail solicitations, catalogs, sales reps, wholesalers, distributors and direct response advertising. Service providers don't offer something a consumer can touch, feel and put in a bag, so if you're selling a service, you must figure out additional ways to deliver it.

Communication

Communication channels present information to pools of potential consumers known as the product's target markets. Communication channels may carry a company's advertisements, other types of persuasive messages, and business correspondence. Examples of communication channels include television, radio, magazines, newspapers, billboards, webpages, direct mailers and email. Marketers structure communication channels around the media choices of the target market. For example, a marketer attempting to target tech-savvy young adults might run an Internet advertising campaign. Marketers modify the structure of marketing channels if the communications aren't reaching the target market and when attempting to reach new markets.

Distribution

Products reach customers through distribution channels. Distribution channels include product displays and product delivery methods. Distribution channels also include the customer point of purchase, such as retail stores, wholesalers and websites with sales capabilities. Similar to communication channels, distribution channels are based on the shopping preferences of the product's target market. Changes to the distribution channel structure happen because the product isn't reaching the target market or because of shifts in available distribution channels, such as retail store closings.

Service

Transactions are facilitated through service channels. Types of service channels include banks, warehouses, insurers and transportation companies. Unlike communications and distribution channels, target market preferences have little bearing on the marketer's choice of service channels. This is because most service channel action is invisible to consumers. Marketers may change service channel structure to improve efficiency or for cost-effectiveness.

Supply Chain

Also known as the value delivery network, the supply chain refers to the process of turning raw material into products in customers' hands. Elements of the supply chain include distribution and service channels, as well as the supply of raw material. Companies modify the supply chain structure for strategic business alliance purposes, to cut costs and to streamline product delivery. Some companies strive to own several elements of a product's supply chain channel, which aids in strategic control and helps deliver value to customers.

16.7 Pricing the Services

Price is the amount we pay for goods, services or ideas. The term price is known by a variety of names in different sectors of the economy. For example, price is known as fare in the transport sector; fee in education; rent in real estate and in certain services it is known as charge. Generally speaking, the price is the exchange value between the seller and buyer. So, price is the money charged by a marketer for his product or service. For the marketer, price covers the total market offering. The ultimate user considers price as a sacrifice of his purchasing power. For the buyer, it stands for quality and quantity of the service bought.

Price is the source of revenue and a prime determinant of profit for the service provider. In the service sector, price reflects the nature of relationship between customer and provider.

Pricing is a vital area in marketing. Price is one of the significant elements in the marketing mix. It is the sole and an important element in the marketing mix of a firm that brings revenue to the business. Organizations should use a sophisticated approach to pricing. While pricing the services, due regard should be given to shifts in demand, the rate at which supply can be expanded, prices of available substitutes, the price – volume relationship and the availability of future substitutes. Service companies must understand how customers perceive prices of services.

The price charged by the service provider must be acceptable to the target customers. It should coordinate well with the other components of the marketing mix. Pricing decisions have an impact on all – suppliers, sales force, distributors, competitors and customers. Price also indicates to the customers the kind of quality of the service that they are likely to receive. For example, the menu card in a restaurant indicates the quality of its food and service in terms of price.

Objectives of Services Pricing

A firm approaches its target market with a tailor-made marketing mix of variables. The marketing strategy of the firm represents the combination of strategic variables (product, price, promotion and place). This strategy will vary from one market segment to another. This necessitates the firm to develop pricing objectives. A firm may have a number of objectives in the area of pricing. Some of these will be long-term while others will be short-term. Also some will be primary objectives while others will be secondary. The below chart shows the various pricing objectives of the firms:

1. **Survival price:** Survival price is only a short-run objective. A firm follows survival price policy when there is an intense competition and changing consumption pattern in the target market. Generally, it is a low pricing objective to maintain demand for the firm’s product. Many ready-made garment sellers dealing in foreign brands like Lee, Arrow, Peter England, Van Heusen etc., have followed pricing below cost. So pricing below cost involves foregoing desired levels of profits to ensure survival. Factors such as intense competition, changing consumer wants, critical cash conditions etc., force the service provider to follow this objective.

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2. **Current profit maximization price:** Profit maximization is the oldest objective of pricing. It is generally a long term objective. It is the opposite to the survival price. The firm charges high price that will maximize current profit of the firm. This pricing objective is set when a good demand exists for the services of the firm. Profit maximization pricing ensures maximization of profitability over a given period. The period concerned may be related to the life cycle of the service.
3. **Market share price:** Price helps improve market share. Market share means that portion of industry's sale which a marketer wishes to retain Market share also represents. a sensitive indicator of customer as well as trade acceptance. Maximization of market share is adopted by those firms which are able to realize economies of scale in distribution and promotion. When a marketer attains a high market share in the market, he is able to enjoy lowest costs and highest long-term profits. A market share leader charges a low price to maintain his market sharp.
4. **Service quality leadership:** A service company may use a pricing policy to prove its prestige. The high price charged impresses the quality of the service. It also leads to price – quality leadership in the target market. Service offerings positioned in high price category build a quality image for the service provider. High-priced restaurants and personal care centres aim at achieving leadership in service and quality by setting 'service quality' price for their services.

Profit maximization cannot be the only objective of pricing. A multiplicity or mix of objectives is invariably involved. Firms seek to meet a variety-of interests through price policy. Interests may vary from one firm to another. Accordingly, pricing policy may vary. No firm is satisfied with a single objective in pricing.

16.8 Summary

Service refers to an act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. The services have unique characteristics which make them different from that of goods.

Services are activities performed by the provider, unlike physical products they cannot be seen, tasted, felt, heard or smelt before they are consumed. The marketer of service cannot rely on product-based clues that the buyer generally employs in alternative evaluation prior to purchase.

Services are produced and consumed simultaneously. In case of physical goods, they are manufactured into products, distributed through multiple resellers and consumed later. But, in case of services, it cannot be separated from the service provider. Thus, the service provider would become a part of a service.

Services are highly variable, as they depend on the service provider and where and when they are provided. Service buyers are aware of this variability. So, the service firms should make an effort to deliver high and consistent quality in their service and this is attained by selecting good and qualified personnel for rendering the service.

Now-a-days, almost all services are found technology-driven. Developed countries are making full use of latest technology while rendering services. Technologies used by service generating organizations such banks, insurance companies, tourism, hotel services, Eco-friendly services. Technologies used in manufacturing organizations may have harmful effects on the environment. So, services industry does not pollute the environment which is indeed creditable.

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Services Management refers to the total organizational approach that makes quality of service as perceived by customer. It is the process of monitoring and optimizing a service to ensure for meeting the critical outcomes of the customer values.

16.9 Check Your Progress

I. Fill in the Blanks

1. ________ has become a powerful economic engine in its own right.
2. ________ is an example of a pure tangible article.
3. ________ is an example for tangible goods with a few supplementary after- sale services.
4. The attention will be on the services sold by business & professional concerns with ________.
5. The activities, benefits or satisfactions which are offered for sale are called as ________.
6. The major services employing service personnel is ________, ________ and ________.
7. The types of organization are ________ and ________ organization.
8. ________ is now regarded as a reward for creating a satisfied customer.
9. ________ and ________ identification receive great emphasis.
10. The primary function of service is ________.
11. The service market consists of providers of ________, ________ and ________ service.
12. The example of personal care service is ________ and ________.
13. The example for labour service is ________.
14. The example for professional service is ________.
15. ________ and ________ is the unique feature of industrialization.

II. True or False

1. Service has become a power full economic engine in its own right.
2. Soap, salt is an example of a pure tangible article.
3. Television set is not an example for tangible goods.
4. The attention will be on the services sold by business & professional concerns with developing motive.
5. The activities, benefits or satisfactions which are offered for sale are called business.
6. The major services employing service personnel are Telecommunication.
7. The profit & non- profit are the benefits of organization.
8. Profit is now regarded as a reward for creating a satisfied customer.
9. Market segmentation & market demand receives less emphasis.
10. The primary function of service is advertising.

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III. Multiple Choice Questions

1. Which of the following has become a powerful economic engine in its own right?
   (a) Service
   (b) Commodity
   (c) Market
   (d) Advertisement
2. Which of the following is an example of a pure tangible article?
   (a) Soap
   (b) Salt
   (c) Radio
   (d) both a & b
3. Which of the following is an example for a tangible good with a few supplementary after - sale services?
   (a) Television set
   (b) Computer
   (c) Both a & b
   (d) Cosmetics
4. The attention will be on the services sold by business & professional concerns with…………………..
   (a) Service motive
   (b) Profit seeking motive
   (c) Wealth
   (d) None of the above
5. The activities, benefits or satisfactions which are offered for sale are called as………..
   (a) Goods
   (b) Commodity
   (c) Service
   (d) All the above
6. The major services employing service personnel are……………..
   (a) Telecommunication
   (b) Railway
   (c) Defence
   (d) All the above
7. The types of organizations are…………..
   (a) Profit organization
   (b) Non-profit organization
   (c) Both a & b
   (d) Service organization
8. Which of the following is now regarded as a reward for creating a satisfied customer?
   (a) Service
   (b) Profit

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(c) Organization
(d) Goodwill

9. This identification receive great emphasis................
   (a) Market segmentation
   (b) Market demand
   (c) Market policies
   (d) Both a & b
10. The primary function of service is...............
   (a) Production
   (b) Marketing
   (c) Profit
   (d) Policies

16.8 Questions and Exercises

I. Short Answer Questions

1. Define the term service?
2. What is Services Marketing?
3. What is new service development?
4. State various approaches to services marketing.
5. What is managing service delivery?
6. What is pricing the service?

II. Extended Answer Questions

1. Discuss nature of Services Marketing.
2. Explain the process of designing the Services marketing process.
3. Discuss about new service development.
4. Discuss various approaches to services marketing.
5. Explain about developing service personnel.
6. Discuss the process of managing service delivery channels.
7. Discuss about pricing the services.

16.9 Key Terms

- **Service:** Service refers to an act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything.
- **Intangibility:** Services are activities performed by the provider, unlike physical products they cannot be seen, tasted, felt, heard or smelt before they are consumed. The marketer of service cannot rely on product-based clues that the buyer generally employs in alternative evaluation prior to purchase.
- **Perish ability:** The service relevant resources, processes and systems are assigned for service delivery during a definite period in time. Hence, services cannot be stored. The services go waste if they are not consumed simultaneously i.e. value of service exists at the point when it is required. A

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marketer should effectively utilize the capacity without deteriorating the quality to meet the demand.

- **Variability:** Services are highly variable, as they depend on the service provider and where and when they are provided. Service buyers are aware of this variability. So, the service firms should make an effort to deliver high and consistent quality in their service and this is attained by selecting good and qualified personnel for rendering the service.
- **Capital Formation:** There are indications that Services will grow more rapidly in the near future. Economic, social and political factors signal an expansion of the service sector. Investments and job generations are far greater in the service sector compared to manufacturing. It is estimated that telecom alone will account for an investment of Rs. 1,50,000 crores in the coming years.
- **Service Marketing:** Service marketing is a branch of marketing that involves distribution of fast moving consumer goods and durable goods. This field refers to both businesses to consumer as well as business to business services. The marketers and managers need to be more customers oriented in addition to being concerned about priced realistically, distributed through convenient channels and actively promoted to customers.
- **Customer Participation:** Customer participation will increase the degree of customization; the customer represents productive labour just at the moment it is needed. The degree of customer involvement depends on the wide range of service delivery system from serf-service to complete dependence on a service provider.
- **Location of Service Delivery:** The service provider should ensure whether the service is to be provided in his premises or it should be provided at the customer's place.

16.10 Check Your Progress: Answers

I. Fill in the Blanks

1. Service
2. Soap; salt
3. Television set; computer
4. Profit seeking motive
5. service
6. Telecommunication; Railway; defence
7. Profit & non- profit
8. Profit
9. Market segmentation; market demand
10. Marketing
11. Personal; professional; industrial
12. Beauty parlours; laundries
13. Domestic workers
14. Accountant
15. Division of labour; work specialization

II. True or False

1. True
2. True
3. False
4. False
5. False
6. True
7. False
8. True
9. False
10. False

III. Multiple Choice Questions

1. [a]
2. [d]
3. [c]
4. [b]
5. [c]
6. [d]
7. [c]
8. [b]
9. [d]
10. [b]

16.11 Case Study

On February 24, 2015, SpiceJet, one of the most preferred low-cost airlines in India, launched a three-day discounted sale offer, ‘Color the Skies’, in celebration of Holi with all-inclusive one-way fares starting as low as Rs.699 for domestic travel and Rs.3,799 for international flights. According to Kaneswaran Avili (Avili), Chief Commercial Officer of SpiceJet, “SpiceJet’s the ‘Color the Skies’ sale gives our customers the chance to celebrate Holi and spread joy and color more widely as they can now make almost immediate travel plans to visit places, friends, family, relatives, or just to get away for a short break. We have extended 100,000 seats on offer at unbeatable fare. This is SpiceJet’s way to thank our customers who have supported us during challenging times which are now behind us.”

This case is about SpiceJet’s ‘Color the Skies’ discount sale offer. SpiceJet was the second largest passenger carrier in India as of March 2014. However, the airline landed in financial trouble in 2014 which led to cancellation of many of its scheduled flights in December 2014. To regain its market share, the airline launched a series of flash sales in 2014 and 2015. One such offer was ‘Çolor the Skies’, launched on the auspicious occasion of Holi. The case discusses the reasons behind the launch of the offer, the highlights of the offer, and whether it was successful in attracting customers. The case concludes by discussing whether flash sales would prove sustainable for SpiceJet in the long run and help it in reviving its market share.

Questions:

1. Understand the importance of competitive pricing at SpiceJet.
2. Study the various discount sale offers launched by SpiceJet to attract customers.
3. Analyze the pros and cons of flash sales in the aviation industry.

16.12 Further Readings

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