## **Public service delivery**

## **LESSON ONE**

## **Meaning and characteristics of services vs. products; rationale of studying of services**

## OBJECTIVES

## After going through this lesson, you will be able:

## To understand the concept, nature and types of services

## To understand the difference between goods and services.

## To understand the role of services in an economy.

## INTRODUCTION

## In simple words, services are deeds, processes, and performances. But, the increasing interest in the services sector has been accompanied by considerable disagreement and debate as to what constitutes a service and whether service marketing is a distinctive subject area. In order to develop clarity on service as a concept, it is desirable to look at the way various researchers and scholars have defined it over the years.

Stanton proposed a definition in 1974 and defined service as “Separately identifiable, intangible activities which provide want satisfaction when marketed to consumers and/or industrial users and which are not necessarily tied to the sale of a product or another service”.

Gronroos defined a service as “an activity or series of activities of more or less intangible nature that normally, not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solution to customer problems”.

We may conclude service as, “an activity or series of activities rather than things which has some element of intangibility associated with it, which involves some interaction between the customer and the service provider, and does not result in a transfer of ownership. Customer has a vital role to play in the production process as the services are provided in response to the problems of customers as solution. The production of the service may or may not be closely associated with a physical product”.

### ****1.2 CHARACTERISTICS OF SERVICES****

### **It is utmost important to explore the distinctive features of services, because recognition of these special characteristics will provide insights for enlightened and innovative management. One reason for the poor quality of service levels across different service industries is that managers often tend to solve service marketing problems with tools and techniques that are essentially meant for tangible products. Services have a number of unique characteristics that make them different from products.**

### **Some of most commonly accepted characteristics are as follows:**

### ****Lack of Ownership****

Lack of ownership may be one of the most obvious ones of the characteristics of service. It refers to the fact that you cannot own and store a service like you can a product. This characteristic is strongly linked to several other characteristics of services, such as intangibility, perishability, inseparability.

### ****Intangibility****

When thinking about the characteristics of services, intangibility may come to your mind first. Service intangibility means that services cannot be seen, tasted, felt, heard or smelled before they are bought. You cannot try them out. For instance, airline passengers have nothing but a ticket and a promise that they will arrive at a certain time at a certain destination. But there is nothing that can be touched.

### ****Inseparability****

Characteristics of services include inseparability, which means that services are produced and consumed at the same time. This also entails that services cannot be separated from their providers. Contrary to services, physical goods are produced, then stored, later sold, and even later consumed. Services are first sold, then produced and consumed at exactly the same time. A product can, after production, be taken away from the producer. However, a service is produced at or near the point of purchase. For instance, when visiting a restaurant, you order your meal, the waiting and delivery of the meal, the service provided by the waiter waitress etc. All these parts, including the providers, are part of the service and therefore inseparable. In services marketing, a service provider is the product.

### ****Variability****

Variability does also belong to the important characteristics of services. It refers to the fact that the quality of services can vary greatly, depending on who provides them and when, where and how. Because of the labor-intensive nature of services, there is a great deal of difference in the quality of service provided by various providers, or even by the same providers at different times.

### ****Perishability****

Perishability means that services cannot be stored for later sale or use. In other words, services cannot be inventoried. This is one of the most significant characteristics of services, since it may have a major impact on financial results. Doctors or dentists often charge patients for missed appointments because the service value has foregone. The value existed only at that particular point and disappeared when the patient did not come. When demand is steady, the perishability of services is not a problem. However, in case of fluctuating demand, service firms can have difficult problems. For this reason, transport companies own much more equipment than they would if demand were even throughout the day: the demand during rush-hours needs to be served at that specific time, it cannot be served later or earlier. Consequently, service companies use various techniques for creating a better match between demand and supply: Demand shifting.

### ****User participation****

Finally, the characteristics of services include user participation. Indeed, users participate in every service production. Even when the user is not required to be at a location where the service is performed, users participate in every service production. A service cannot be separated from its provider, but neither can it be separated from its user.

**1.3. PRODUCT**

A product is an overall concept of objects or processes which provide some value to customer; goods and services are subcategories which describe two types of product.

Thus, the term product is frequently used in a broad sense to denote either a manufactured good or a service. In fact, customers are not buying goods or services - they are really buying specific benefits and value from the total offering. So, the most important issue in service product is what benefits and satisfaction the consumer is seeking from the service. To find this match it is desirable to analyze the service at the following levels:

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

(ii) **Service concept**: Using the customer benefits as starting point, the service concept defines the specific benefits which the service offers. At the generic level, the service concept refers to the basic service which is being offered. A center for performing arts may offer entertainment and recreation. Defining the service concept helps in answering fundamental question - ‘what business are we in?’

**(iii) Service offer:** After defining the business in which we are operating, the next step is to give a specific shape and form to the basic service concept. In the case of center for the performing arts, the service concept is to provide entertainment. The service offer is concerned with the specific elements that will be used to provide entertainment; drama, music, mime, dance.

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

**1.4. rationales for developing public service**

Benefits to governments Linked to but distinct from the benefits of open public services reforms to citizens are their potential benefits for governments. Here we outline eight potential rationales for developing public service commitments for governments:

1. **Social contract** - The provision of public services is a key component of the social contract between governments and citizens, and an area where open government reform is likely to have most meaning and impact for citizens.

**2. Public trust** - Citizens come into contact with government through public services more often than any other route, and their delivery shapes people’s trust in and expectations of government.

3. **Good governance** - Public services account for a large proportion of public spending and the public should have the right to access information on their budgets, contracts, performance and provision.

4**. Strengthening accountability** - Open public service reforms introduce new forms of accountability, which can supplement conventional approaches to public service reform and help governments achieve their reform initiatives.

5**. New insight** - Open public service reforms create the space for citizens to inform policy makers and service providers of their needs, preferences and expectations. Citizens and civil society can offer new insights into the delivery of public services and ideas for improvement, which can result in better and/or lower cost services

**. 6. Constructive engagement** - Open public service reforms can support citizens, public servants and politicians to engage in a more informed, direct and constructive manner.

**7.Collective action** - Social outcomes - such as health and wellbeing, good quality education, and sustainable cities and communities - are not achieved by governments or public service providers working alone. They require citizens, civil society, business and other groups to take action in their pursuit. Open public service reforms can help support citizens and civil society to make even greater contributions towards social development.

**8. Fulfilling international commitments** - Public service commitments and reforms can support progress on both open government and sustainable development.

**1.4. How to develop public service commitments**

The Open Government Partnership requires country action plans to be developed through a multi stakeholder process, with the active engagement of citizens and civil society. This is particularly important for public services, which directly impact on the lives of citizens and where reform is both complex and contextually dependent. The best reforms will be developed based on multiple sources of expertise, including of existing service provision, citizen priorities, contextual factors, public service systems, open government reform, and governance and accountability systems. We recommend that the following steps are taken:

1. Engage citizens and civil society in selecting a priority service, and defining the problem, the reform or initiative will tackle.

2. Scope out and understand the context and system in which the reform or initiative will be applied, including the availability and use of resources, relevant state and non-state stakeholders, power relationships, and existing engagement and accountability mechanisms.

3. Engage citizens, sector specialists and social accountability experts - from national civil society, academic, international NGOs and/or multi-lateral organizations - in helping to design the reform or initiative.

4. Engage relevant oversight (inspectorates, etc.), audit, ombudsman and/or parliamentary institutions in exploring how the reform or initiative can feed into existing accountability processes.

5. Engage with the media, civil society organizations, social movements and other groups to raise awareness of the reform or initiative, and mobilize citizens to participate.

6. Work with academics and multilateral partners to evaluate the impact of the reform or initiative.

**LESSON TWO**

**2. What’s wrong with public service? Assessing the Current State**

- Current demographic, financial and environmental challenges have increased the urgency for rethinking the role of government and the capacities it needs to govern.

- The quality, flexibility and effectiveness of public governance systems are central to countries ‘capability to address future issues.

- In particular, governments are devising new policy instruments or reshaping old ones in radically new ways in efforts to support economic activity, spur new growth and strengthen the framework for well-functioning markets.

- Governments have bought out financial institutions and bailed out selected private companies, are redesigning regulations and have increased public investment.

- It is difficult to foresee the potential implications that these measures will have over the longer term; interactions between governments, citizens, businesses and civil society may well function differently in the near term and perhaps far into the future. Moreover, both climate change and the financial crisis have illustrated the importance of global governance systems, now that actions in one or several countries can have world-wide ramifications. As worlds become more inter-connected, governments need to be agile to respond quickly in dynamic environments. Citizens are turning to the state, seeking immediate solutions to complex problems and demanding high-quality public services to meet their changing circumstances and needs. In addition, continuing technological evolution has raised citizens’ expectations from government for new ways to communicate and personalize services. Better educated and less deferential citizens are judging their governments both on their “democratic performance” – the degree to which government decision-making processes live up to democratic principles – and their “policy performance” – their ability to deliver positive outcomes for society (OECD, 2009a). While society’s expectations of government are increasing, the resources available to meet these needs are becoming more limited. Now many countries are experiencing increased budget deficits, which will generate stronger pressure to reduce public spending. Under these circumstances, rethinking the role of public service reform to improve the service delivery of public sectors.

**2.1 Public service reform initiatives in Ethiopia**

Based on the analysis of related documents, the Ethiopian public service reform initiatives made so far can be summarized as follows.

1. **Business process reengineering**

Business Process Reengineering involves rethinking and changing the process flows and improving the organization processes. The methods are introduced or considered when some shortcomings are evident in the existing systems.

A manufacturing firm may decide that the production cycle is too lengthy and so it may decide to change the workflows. This can involve redesigning the machining processes so that more operations are included in a single set up. In some cases, extra operations may be eliminated so that the processes are reengineered with new methods and activities.

In many instances, BPR yields improvement in the organization efficiency, process time is shortened, productivity is increased since the cycle time is reduced, idle time and waste/ excess operations are eliminated and the organization makes profits.

In some cases, BPR activity may perhaps lead to worker redundancy since some workflows and organization processes may become redundant. For this reason, BPR has received some negative publicity.

BPR is actually a change management process where there is a movement from one state to another. In many instances, there is large-scale involvement of multiple teams. The activity can be initiated across the whole organization, for a few departments or even for selected projects. In some cases, BPR activity can be taken up as a trail or pilot project.

After reviewing the results, the practices can be implemented across the whole organization. In some cases, even though the BPR activity is restricted to a single project, involvement of shared resources such as HR and maintenance means that more than one department is involved.

Ethiopia has been one of the most prominent adopters of BPR as a key approach for public service reforms. The federal government had made a decision to initiate BPR across all government institutions to achieve a significant change in public service delivery, which was followed by a sweeping campaign to implement it across the board in the public sector. Business process reengineering is seen as being at the more ‘radical’ end of reform initiatives, pursued by countries especially interested in importing private sector practices into the public service and in reducing the distinctions between the two. Despite the diversity of applications globally, there is no comprehensive assessment of how successful BPR reforms were in public sectors in Ethiopia.

1. **Balanced scorecard**

BSC Basics: The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align day to day activities of employees to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. Balanced scorecard has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system. The “new” balanced scorecard transforms an organization’s strategic plan from an attractive but passive document into the "marching orders" for the organization on a daily basis. It provides a framework that not only provides performance measurements, but helps planners identify what should be done and measured. It enables executives to truly execute their strategies.

The BSC breaks strategy into actionable components – Strategic Objectives – continuous improvement actions linked in a value creation story (a strategy map) through four distinct Perspectives (performance lenses). These performance lenses are learning and growth, internal business, financial and customer (community perspective). They show a logical, step-by-step connection between strategic objectives (shown as ovals on the map) in the form of a cause-and-effect chain. Generally speaking, improving performance in the objectives found in the Learning & Growth perspective (the bottom row) enables the organization to improve its Internal Process perspective Objectives (the next row up), which in turn enables the organization to create desirable results in the Customer and Financial perspectives (the top

After BPR, greater emphasis was placed on the measurement of public service performance using the BSC tool, which aims to align individual and organizational performance. The federal government introduced the BSC in 2008.

The BSC is being used as a planning, change management and communication tool and is also considered as an opportunity to embed strategic management principles into the strategic plan.

Performance accountability and transparency are also being sought through the introduction of the change army, under which the government seeks to unite the party, state and society to execute the Growth and transformation plan (GTP).

1. **Change army**

Following its pilot application in the rural areas, since 2012 the change army has been streamlined into the public service to bring about national consensus by involving the party, state and citizens in its three wings, namely the party wing, state wing and public wing (Adebaye 2011).

The state wing (public service) consists of five levels: **individual public servants**, ‘model’ public **servants, lower level leadership, middle-level leadership and top leadership**. At the lowest level, the ‘1 to 5’ members are grouped together based on their work processes and led by a ‘model’ public servant (i.e. someone identified as an **effective performer**). These model public servants conduct daily or weekly peer reviews and evaluate the group’s performance. This is expected to create a mechanism to coach junior staff and improve attitudes by putting peer pressure on public servants. The outcomes of these weekly discussions are presented to the lower-level leadership, which constitutes the lead public servants from the ‘1 to 5’ groups and/or the middle-level group, which constitutes directors. The highest level, the council, constitutes top managers and directors and meets at least monthly.

The public wing is a platform that consists of **clients;** associations **for youth**, **women, professionals**; **cooperative**s; **private sector representatives**; and others identified as relevant by government ministries, agencies and bureaus. On a quarterly basis, public wing members meet with the state wing (typically represented by a minister or state minister at the federal level) to discuss strategic plans and their implementation, the objectives set, the service standards agreed upon by the Citizens Charter, as well as new policy recommendations and issues related to rent seeking. The party wing is concerned with building a national consensus on the country’s development strategy, and public service is one of the key players in this discourse. The party wing is responsible for providing orientation programs to enable public service members to fully grasp and effectively execute government policies and strategies.

1. **Kaizen: Service improvement**

According to Imai (1986), kaizen is a concept meaning an ongoing improvement involving top management, managers and workers. The kaizen philosophy assumes that our way of life, be it working, social or home life, needs to focus on constant improvement. Kaizen was introduced in Ethiopia with assistance provided by the government of Japan under the former Ministry of Trade and Industry. Kaizen is one of the management tools selected to improve and enhance the managerial capability to implement the growth and transformation plan. In the Ethiopian context so far, there have been limited and inconclusive studies conducted on the implementation of kaizen.

1. **The Citizens Charter**

The Citizens Charter enables government institutions to enter into agreements with the general public on the provision of services and the modalities through which complaints will be resolved. The idea of accountability to citizens is a relatively new concept in the Ethiopian public service. The basic principles of the Citizens Charter were first initiated by organizations as part of the BPR process. All public service institutions were encouraged to establish service standards in consultation with users. Many organizations started to publicize these standards through notice boards at the entrances of public offices. The government is now trying to reinstitute the service delivery standards under BPR through a formalized Citizens Charter. The Citizens Charter, where it is implemented, is published and disseminated to users using different mechanisms, including notice boards posted where services are provided. However, no systematic study was conducted to evaluate the outcome of this effort.

**LESSON THREE**

**3. service delivery approaches**

The aim to meet the requirements of stake-holders, by regularly seeking to establish and understand their needs and by seeking their views on the quality of services, through informal processes (e.g. meetings with key stakeholders and focus groups) and more formal mechanisms.

A service delivery approach addresses how the following activities should be carried out:

* Delivering services in accordance with an established schedule
* Preparing and updating the schedule for daily operations
* Making and transferring assignments for performing service delivery operations
* Communicating appropriate information to operations staff, management, customers, and end users
* Using methods and tools for performing service delivery operations
* Assigning and transferring responsibility for resolving requests
* Assigning and transferring responsibility for monitoring the status of requests and for tracking the progress of actions related to requests
* Enabling customers and end users to submit requests
* Categorizing requests
* Using methods and tools for request management
* Collecting, distributing, and analyzing performance data

## Sub practices

1. Define criteria for determining service requests.

To be able to identify valid service requests, criteria must be defined that enable service providers to determine what is and what is not a service request. In addition, there are typically criteria for differentiating the priority of a service request and its associated impact.

2. Define categories for service requests and criteria for categorizing service requests.

The fulfillment of service requests is facilitated by having an established set of categories. These predetermined categories can enable appropriate and efficient assignment of resources.

Examples of service request categories include the following:

* Administrative service request (e.g., setup new user, change passwords, restore backup files)
* Software request (e.g., install a software package, upgrade a software package)
* Lab request (e.g., radiology analysis, blood analysis)
* Oversized package delivery
* Billing inquiry

3. Describe how responsibility for processing service requests is assigned and transferred.

The description can include the following:

* Who is responsible for addressing the request?
* Who is responsible for monitoring and tracking the status of the request?
* Who is responsible for tracking the progress of actions related to the request?
* How responsibility for all of these activities is assigned and transferred

4. Identify one or more mechanisms that customers and end users can use to submit service requests.

These mechanisms should account for how groups and individuals can submit requests, such as through telephone support, paper forms (mailed or delivered in person), and electronic forms submitted through web pages.

5. Identify requirements on the amount of time defined for the fulfillment of service requests in the service agreement.

Often, the agreed minimum and maximum amount of time needed for fulfillment of service requests is documented in the service agreement before the start of service delivery.

6. Determine the resource requirements for service delivery as required.

Resource requirements are generated by service agreements, by the need to respond to foreseeable service incidents and requests, and by the need to maintain service systems so that service delivery can continue over time. These resources can include staff, consumables, and any other resources that should be controlled to ensure that service is delivered in accordance with service agreements.

7. Review, refine, or enhance stakeholder communication mechanisms (e.g., notices, status reports, dashboards) as necessary.

Methods and tools for communicating with customers, end users, service provider staff, and other relevant stakeholders during the course of service delivery are components of a complete service system. These methods and tools (e.g., contact lists) can be created during service system development, but they should be reviewed regularly, tailored, and possibly supplemented to meet ongoing service delivery needs.

8. Document the service delivery approach.

9. Review and get agreement with relevant stakeholders on the approach for delivering each separately identifiable service.

Information presented to relevant stakeholders about the approach should be in terms that they can understand. The review should allow them to identify concerns about the approach. .

1. **Service Culture** is built on elements of leadership principles, norms, work habits and vision, mission and values. Culture is the set of overriding principles according to which management controls, maintains and develops the social process that manifests itself as delivery of service and gives value to customers. Once a superior service delivery system and a realistic service concept have been established, there is no other component so fundamental to the long-term success of a service organization as its culture.
2. **Employee Engagement** includes employee attitude activities, purpose driven leadership and HR processes. Even the best designed processes and systems will only be effective if carried out by people with higher engagement. Engagement is the moderator between the design and the execution of the service excellence model.
3. **Service Quality** includes strategies, processes and performance management systems. The strategy and process design are fundamental to the design of the overall service management model. Helping the client fulfil their mission and supporting them in the pursuit of their organizational purpose, must be the foundation of any service provider partnership.
4. **Customer Experience** includes elements of customer intelligence, account management and continuous improvements. Perception is king and constantly evaluating how both customer and end-user perceive service delivery is important for continuous collaboration. Successful service delivery works on the basis that the customer is a part of the creation and delivery of the service and then designs processes built on that philosophy – this is called [co-creation](http://servicefutures.com/public-sector/iss-three-key-fm-roles-supporting-public-sector-towards-2020/).

**How to use the model:** The order that these four points are listed in is not random and there is a logical sequence in first defining the service culture, then employee engagement, which will then foster a high level of service quality, which will then develop the right customer experience – a virtuous circle. For more information on each of the elements, you can refer to the complete ISS

**3.1. STRATEGIES OF SERVICE PRODUCTS**Decisions about an organization’s product mix are of strategic importance. A service company may need to widen its product mix in order to remain competitive in the phase of declining demand for its principal service line. For example, the increasing diversity in food tastes has forced many specialized fast-food outlets to widen their range and traditional fish and chip shops have often had to introduce new lines such as kababs or home-delivery services.  
The product strategies are available to a service firm for its main services:

1. **Market penetration:** An organization continues to supply its existing services to its existing customer segments, but seeks to increase sales from them. This may be achieved by increasing their total consumption of that type of service, or by taking consumers from competitors.  
2. **Market extension:** New types of consumer are found for existing services. For example, a restaurant chain may extend its operations to a new overseas market, or higher education institutions may promote their courses to new groups of mature students.  
3. **Service development:** New or modified services are developed to sell to the current market. For example, a bank may offer a new type of charge card aimed at its current customer base.  
4. **Diversification:** New services are offered to new markets-for example, a traditional package-holiday operator offering a conference-organizing service.

**3.2. NEW SERVICE DEVELOPMENT (NSD)**

**1. Idea Generation**Ideas may be generated in many ways. They can arise inside the organization and outside it, they can result from search procedures (e.g. marketing research) as well as informally; they may involve the organization in creating the means of delivering the new service product or they may involve the organization in obtaining rights to services product, like franchise.  
**2. Idea Screening**This stage is concerned with checking out which ideas will justify the time, expense and managerial commitment of further research and study. Two features usually associated with the screening phase are:  
i. The establishment or use of previously agreed evaluative criteria to enable the comparison of ideas generated;  
ii. The weighing, ranking and rating of the ideas against the criteria used.  
**3. Concept Development and Testing**Ideas serving the screening process then have to be translated into product concepts. In the service product context this means concept development and concept testing.  
***(a) Concept Development***This phase is concerned with translating the service product idea, where the possible service product is defined in functional and objective terms, into a ser vice product concept, the specific subjective consumer meaning the organization tries to build into the product idea.  
***(b) Concept Testing***Concept testing is applicable in services contexts as well as in goods’ contexts. Concept testing consists of taking the concepts developed after the stages of idea generation and idea screening and getting reactions to them from groups of target customers.

**4. Business Analysis**This stage is concerned with translating the proposed idea into a firm business proposal. It  
involves undertaking a detailed analysis of the attractiveness of the idea in business terms  
and its likely chances of success or failure.

**5. Development**This stage requires the translation of the idea into an actual service product for the market.  
Typically this means that there will be an increase in investment in the project. Staff may  
have to be recruited or trained, facilities may have to be constructed, and communications  
systems may need to be established.

**6. Testing**Testing of new service products may not always be possible. Airlines may introduce a new  
class of service on a selected number of routes or a bank may make a new service available  
initially on a regional basis like automated cash dispensers. But some new service products  
do not have such an opportunity.  
**7. Commercialization**This stage represents or organization’s commitment to a full-scale launch of the new  
service product. The scale of operation may be relatively modest like adding an additional  
service to an airline’s routes or large scale involving the national launch of fast service

**LESSON FOUR**

**4. Measuring performance; service quality dimensions**

These dimensions represent how consumers organize information about service quality in their minds. On the basis of exploratory and quantitative research, re-searchers have found these five dimensions relevant for many services, including banking, insurance, appliance repair and maintenance, securities brokerage, long-distance telephone service, automobile repair service. The dimensions are also applicable to retail and business services. These dimensions are discussed in detail in the following discussion.

**4.1. Reliability**

Out of the five dimensions of service quality, reliability has been consistently found to be the most important determinant of perceptions of service quality. It is defined as the ability to perform the promised service dependably and accurately. It is an indicator of how a company delivers its promises about delivery, service provision, problem resolution, and pricing. Customers want to do business with companies that keep their promises, particularly their promises about the core service attributes. For example, in railway time table Shatabdi Express leaves a station at say 1430 hours. Reliability will be the measure of whether Indian Railways will be able to adhere to its promised departure time or not.

**4.2. Responsiveness**

Responsiveness is the willingness of the service providers to help customers and to provide prompt service. This dimension emphasizes attentiveness and prompt-ness in dealing with customer requests, questions, complaints, and problems. There are strong similarities between the employee behaviors noted in those critical service encounters and the responsiveness dimension of service quality.

**4.3. Assurance**

Assurance is defined as employees’ knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence. This dimension is likely to be particularly important for services that the customer perceives as involving high risk and/or about which they feel uncertain about their ability to evaluate outcomes, for example, banking, insurance, brokerage, medical, and legal service

**4.4. Empathy**

Empathy is defined as the caring, individualized attention the firm provides to its customers. The essence of empathy is conveying, through personalized or customized service, that customers are unique and special. Customers want to feel understood by and important to firms that provide service to them. Personnel at small service outlets often know customers by name and build relationships that reflect their personal knowledge of customer requirements and preferences. When such a small firm competes with larger firms, the ability to be empathetic may give the small firm a clear advantage.

**4.5. Tangibles**

Tangibles are defined as the appearance of physical facilities, equipment, personnel, and communication materials. All of these provide physical representations or images of the service that customers, particularly new customers, will use to evaluate quality. Every service has an element of tangibility, although its significance may vary. For example, in medical services, hospital, equipment, medicines are the tangible dimensions. Despite being of very high value, the service is incomplete in absence of a skilled doctor. Alternatively, despite having a skilled doctor, a hospital is likely to be rejected if it is dirty and unhygienic. Service industries that emphasize tangibles in their strategies include hospitality services where the customer visits the establishment to receive the service, such as restaurants and hotels, retail stores, and entertainment companies.

**4.1. GAPS IN SERVICE QUALITY**Quality can be viewed from two perspectives - internal and external. Internal quality is based on conformance to specifications. External quality is based on relative customer perceived quality. The important point is that quality must be seen from the customer’s viewpoint, not the companies. It is essential that quality be measured from the customer’s perspective, not from what managers within a company think their customers’ views are: Several reasons have been identified as to why it is unsafe to rely on managerial opinions of customer perceptions. These include the following:  
1. Management may not know what specific purchase criteria users consider important. For example, customers frequently identify key purchase criteria not identified by management. Even when the criteria are correctly identified, management may misjudge the relative importance of individual criteria.  
2. Management may misjudge how users perceive the performance of competitive products on specific performance criteria. These differences in perception of performance may exist for the most basic of criteria.  
3. Management may fail to recognize that user needs have evolved in response to competitive product developments, technological advances, or other market or environmental influences.

**4.2. IMPROVING SERVICE QUALITY**Improving service quality is an important activity, which needs to be followed. Some of the commonly used techniques for improving service quality are:  
4.2.1. Benchmarking  
4.2.2. Service Blueprinting  
**4.2.1. Benchmarking**In order to evaluate service quality it is important to establish a firm’s performance relative to its competitors. Benchmarking involves looking for the best ways to achieve competitive advantage. It stems from the Japanese practice of ‘*dantotsu*’ which means striving to be *‘best of the best’*. The company’s products, service and practices are continually compared with the standards of the best competitors and identified industry leaders in other sectors.  
By observing and measuring the best within and outside the industry it is possible to improve the performance of the company.

An early firm to adopt benchmarking was Xerox Corporation who use it as a major tool in gaining competitive advantage. Xerox first started benchmarking in their manufacturing activities and focused on product quality and feature improvements. Xerox is now seen as a world role model for quality improvement with some 240 different functional areas of the company routinely involved in benchmarking against comparable areas. Service companies can identify improvement opportunities from a wide range of different industries, not just services. The value chain concept developed by Michael Porter can be especially useful in benchmarking competitors.

**4.2.2. Service blueprinting/process analysis**Service companies who wish to achieve high levels of service quality and customer satisfaction need to understand all the factors which may influence customer perception. ‘Blueprinting’ or service process analysis is a concept which breaks down the basic systems and structures of an organization in order to develop a greater understanding of the service process. The approach requires the identification of all of the points of contact between the customer and the service provider. Possible breakdowns in the service encounter can then be identified. These can then be acted upon and improved, thereby improving service quality. Several approaches to carrying out a blueprinting exercise have been suggested:  
***a) Blueprinting/cycle of service analysis:***The concept suggests that each contact with the customer is a ‘moment of truth’, each being an opportunity to either increase or decrease customer satisfaction. The customer’s perception is a continuous stream of experiences which together determine the service quality. The company will very often not perceive the service in this way as their employees are constrained in their view by the particular part of the overall service with which they are involved.

***b) Value chain analysis:***This important analytical tool involves breaking down each of the activities of a firm into its various activities, and showing where value is added for its customers. Each activity can be analyzed to determine its contribution to customer satisfaction and service quality.  
***c) Storyboarding****:*This concept was developed by the Walt Disney organization in designing its theme parks in order to engineer the customer experience and ensure the greatest customer satisfaction. When a film is made, each scene is outlined in advance, using a series of sketches arranged in a sequence known as a storyboard.

**LESSON FIVE**

1. **CUSTOMER NEEDS AND EXPECTATIONS**

Customers buy goods and services to meet specific needs, and they evaluate the outcomes of their purchases based on what they expect to receive. Needs are deeply rooted in people unconscious minds and concern long-term existence and identity issues. When people feel a need, they are motivated to take action to fulfill it. Abraham Maslow identified five categories of human needs- physiological, safety, love, esteem and self-actualization- and proposed that basic needs such as food and shelter must be met before others can be fulfilled. Greater prosperity means that increasing numbers of individuals are seeking to satisfy social and self-actualization needs, which create demand for more sophisticated goods and services. For instance, travel and leisure services have been a major beneficiary of increased disposable income, leading many firms to develop a variety of enticing vacation packages. However, as customer needs and preferences continue to evolve, the leisure industry needs to adapt its offerings accordingly.

The shift in consumer behavior and attitudes provides opportunities for service companies that understand and meet changing needs, continuing to adapt their offerings over time as needs evolve. Customers’ expectations about what constitutes good service vary from one business to another. Expectations are also likely to vary in relation to differently positioned service providers in the same industry.

When individual customers or corporate purchasing departments evaluate the quality of a service, they may be judging it against some internal standard that existed prior to the service experience. Perceived service quality results from customers comparing the service ‘they perceive they have received’ against what ‘they expected to receive’. People’s expectations about services tend to be strongly influenced by their own prior experience as customers-with a particular service provider, with competing services in the same industry, or with related services in different industries. If they have no relevant prior experience, customers may base their pre-purchase expectations on factors such as word-of-mouth comments, news stories, or the firm’s marketing efforts.

Customer expectations embrace several different elements, including **desired service, adequate service, predicted service, and a zone of tolerance** that falls between the desired and adequate service levels.

1. **Desired and adequate service levels**-Desired service is the type of service customers hope to receive. It is a wished-for level of service-a combination of what customers believe can be and should be delivered in the context of their personal needs. However, most customers are realistic and understand that companies can’t always deliver the level of service they would prefer; hence, they also have a threshold level of expectations, termed adequate service, which is defined as the minimum level of service customers will accept without being dissatisfied.
2. **Predicted service**-The level of service customers actually anticipate receiving is known as predicted service and directly affects how they define adequate service on any given occasion. If good service is predicted, the adequate level will be higher than if poorer service is predicted. Customers predictions of service may be situation specific.
3. **Zone of tolerance**-The inherent nature of services makes consistent service delivery difficult across employees in the same company and even by the same service employee from one day to another. The extent to which customers are willing to accept this variation is called the ‘zone of tolerance’. A performance that falls below the adequate service level will cause frustration and dissatisfaction, whereas one that exceeds the desired service level will both please and surprise customers, creating what is sometimes referred to as customer delight. Another way of looking at the zone of tolerance is to think of it as the range of service within which customers don’t pay explicit attention to service performance. By contract, when service falls outside the range, customers will react either positively or negatively.

The zone of tolerance for individual customers depending on factors such as competition, price, or importance of specific service attributes.

**5.1 DECISION MAKING ROLES IN CUSTOMER EXPECTATION**In the buying decision process, at times, other people also influence the buying decision and these people have a definite role to play. In the purchase of any particular service, six distinct roles are played. These are:  
**Initiator-**The person who has a specific need, and proposes to buy a particular service  
**Influencer-**The person or the group of people who advise the decision maker. These could be reference groups, both primary and secondary. It could be even secondary reference group like word of mouth or media, which can influence the decision maker.  
**Gatekeeper-**The person or organization or promotional material which acts as a filter on  
the range of service which enter the decision choice set.  
**Decider-**The person who makes the buying decision. Irrespective of whether they execute the purchase themselves or not, they may instruct others to execute. It has been observed, at times, more typically in household or family or individual related services that one member of the family may dominate in the purchase decision.  
**Buyer-**The person who makes the actual purchase or makes bookings for a services like our lives travel, hotel room, hospital, bed diagnostic lab, etc.  
**User-**The person who actually uses or consumes the product. It can be someone other than the buyer. In a number of services, it has been observed that users are also the influencers

**LESSON SIX**

1. **Developing Customer-Oriented Service Culture; Service Excellence and Its Importance**

Customer service is actually much more. It is not a department. It is not found in rules and policies. It is a philosophy, and to be successful, it must be embraced by every member of an organization, from the CEO to the most recent hire.

As I travel the world and work with clients from all types of industries, they recognize the importance of customer service and the role it plays in marketing, sales, growth and revenue. They want to know how to go about creating a customer service culture in which all their employees understand the role they play in ensuring customers receive great service.

1. Management must make the measurement of service quality and feedback from the customer a basic part of everyone's work experience. This information must be available and understood by everyone, no matter what their level. The entire organization must become obsessed with what the customer wants.  
   A printing firm has signs all over the shop saying, "Is it good enough? Ask the customer." This statement serves as a constant reminder to everyone that customers are the ultimate judge of whether the service is what it should be, and that all employees must be constantly surveying customers for what and how they want it. The firm regularly sends out questionnaires about the quality of their service and then posts these results for all to see.  
   When you survey your customers on the quality of service, make sure that everyone, from the top down, knows of the results and receives recognition for the things that are going well. Behavioral research has shown that you get more of the behavior you reward. So don't make the mistake of mentioning only the area of poor performance; also mention and reward those who are doing well, and involve all employees in brainstorming ways to improve the things that are unsatisfactory.
2. Be very clear about specifying the behavior that employees are expected to deliver, both with external customers and their coworkers.
3. Explain why giving excellent customer service is important -- not only for the company, but for the world. What does your company do that makes life easier for everyone? What does your product or service add? Be sure to include this in the reasons for achieving customer service excellence.  
   A good example of this principle at work is in the field of health care. People are often drawn into this profession because they enjoy helping and caring for people. Smart health care organizations show how their desired customer service behaviors enable employees to help and care for the patients and their families.  
   Reward people for their good service behaviors. Cash awards are nice, yes, but there are many other ways to say, "job well done." Extra time off, for instance, or an article in the company newsletter, a trophy or plaque awarded at a special recognition dinner, tickets to special events tied to an employee's interests, or a simple written note are all ways to reward the kinds of behaviors you want to see more of.
4. Create ways to communicate excellent examples of customer service both within and outside the company. Institute celebrations, recognition ceremonies, logos, and symbols of the customer service culture and its values. This is where you want the mugs, buttons, and banners. Have a customer service bulletin board to feature service incidents that were special. Seize every opportunity to publicize the times when employees do it right.  
   A newsletter should be developed to boast of customer service successes so that the idea of service is constantly in front of everyone. One company, a major utility, devoted an entire issue of the company magazine to "24 Karat Customer Service." It featured examples of how individual employees defined customer service, stories of humorous or unusual customer service situations, an article on the importance of internal customer service, and other ideas designed to keep employees aware of the importance of their efforts in achieving quality customer service.  
   A hospital not only touts their customer service "hero stories" in their newsletter, they also have a giant pep rally once a quarter for everyone to share their stories. Individual teams get together often to focus on what has gone right as well as wrong in their patient and other customer relations.  
   Even if you are a very small business with only a few employees, post instances of superior customer service of your own and others that you read about. Talk about customer service and its importance every day.
5. Indoctrinate and train everyone in the culture as soon as they are hired. Disney is famous for this. It puts all newcomers through a "traditions" course that details the company history with customer relations and how it is the backbone of Disney. Your orientation program is a key part of the ultimate success of your customer service efforts. Make sure that it contains more than an explanation of benefits and a tour of the facilities. It can be an important element in planting the customer service culture of the company so it can flourish and grow.
6. Encourage a sense of responsibility for group performance. Help employees see how their performance affects others. Emphasize the importance of "internal customer service." Help everyone to see that if you don't serve each other well, you can never hope to serve your ultimate customer.  
   Does accounts payable or shipping see that the timeliness of their service to other employees makes a big difference in how the customer is served? Does the cook realize how important it is to get the order exactly right in the kitchen so the waitstaff can please the restaurant customer? Even something as seemingly insignificant as returning from lunch break on time can affect the quality of the customer service you offer by determining whether you have enough coverage to serve employees promptly.  
   Repeat again and again that customer service is the responsibility of everyone in the organization, not just the "customer service department."
7. Establish policies that are "customer friendly" and that show concern for your customers. Eliminate all routine and rigid policies and guidelines. Knock yourself out to be a company that is easy to do business with. Never let your customer service representatives say, "Those are the rules I have to follow; there's nothing I can do about it." There is always a way to satisfy the customer. You must give your employees the power to do so.
8. **Remove any employees** who do not show the behavior necessary to please customers. Too many companies allow frontline service representatives to remain on the job when they are not suited to a customer service position. If employees don't want to serve the customer in the best way possible, document their behaviors and use this information to help them change or to move them to areas away from customer interaction.  
     
   In order for a culture of customer service excellence to grow and thrive, management must have a burning desire for it to be that way and the energy to ensure that this desire spreads throughout the organization and remains there permanently. You must become a totally customer-focused organization. Everyone, from the top down, must believe that they work for the customer.

**What is “excellence”?**

In most organizations, excellence is defined by specific performance levels, rankings or ratings. But Kaufman argues that excellence is the action of improvement— which is essential in today’s business environment where expectations are continuously rising.

“Excellence is stepping up to the next level,” he says. “It’s the focus and intention of doing better than you’re doing now.”

Using Kaufman’s definition, even low and average performers can demonstrate excellence by improving their performance—for instance, by moving from poor to average, or average to good.

**What is a “service excellence culture”?**

Combining the two concepts can produce the type of culture where each individual recognizes that the purpose of his or her job is to create value for someone else, and they’re constantly looking for ways to create more value. Kaufman adds: “When everybody in an organization recognizes that and embraces it, that is a service excellence culture.”

**Models for Creating a Successful Culture**

There are a variety of models for creating or transforming a workplace culture, but experts agree that culture must be approached as a long-term commitment, not a one-time project with a beginning and end. Sustaining the culture requires alignment of the organization’s internal processes and systems, such as hiring, staff development, process improvement, recognition, etc. Kaufman likens it to the art of marionette puppetry, with the company’s processes, programs and practices representing different characters on the stage. “You’ve got to work with all of them together over time, and keep them all going to keep the culture alive. The moment you take your eye off one, a lot of the characters on the stage can begin to collapse pretty quickly.”

**BUILD A SOLID FOUNDATION FOR SERVICE EXCELLENCE**

In **“**Uplifting Service,” Kaufman examines the framework for building a culture that values service as a differentiator. He uses the analogy of culture as a house, explaining that, “You need to build an environment in which your people can come to work and be uplifted, motivated and reinforced to serve each other well.”

The foundation for the culture is service education that can be put into action. This is not the same as training, Kaufman stresses. Service education focuses on the fundamental service principles that each individual can apply to his or her own job, whatever that role or function is.

**4.4 FACTORS INFLUENCING CONSUMER BEHAVIOUR**There are a number of factors or variables which affect buying behavior.  
**Situational factors**The situational factors influencing the buying behavior are- the influence of time pressure  
in service and brand choice, the atmosphere of the service outlet, occasion of purchase, etc.  
For example, if you are traveling, then demand for lodging and boarding will obviously be  
there.  
**Socio-cultural factors**Buyers or consumers do not take buying decisions or the decision not to buy, in a vacuum.  
Rather, they are strongly influenced by cultural and social factors.  
**Cultural factors**-Children acquire from their environment a set of beliefs values and  
customs which constitute culture. These beliefs, values and customs go deeper and deeper  
as a person grows. Therefore, it is sometimes said that culture is learned as a part of social  
experience. The various sub-categories within a culture can be identified based on religion,  
age, gender, occupation, social class, geographical location, etc.  
**Reference groups -**There are certain groups to which people look to guide their behaviour.  
These reference groups may guide the choice of a product but not necessarily the brand.  
Peer group and peer pressure has generally been observed to play an important role in the  
purchase of credit cards, cell phones, etc. The knowledge of reference group behaviour  
helps in not only offering substitutes but also in pricing and positioning them.

**Family-**The family is another major influence on consumer behaviour. Family  
consumption behaviour, to a large extent, depends on the family life cycle. The stages in  
family life cycle include bachelorhood, newly married, parenthood with growing or grown  
up children, post-parenthood and dissolution. Knowledge of these stages helps greatly in  
knowing the buying process. Often family members play a significant role in the purchase  
of a particular service.  
**Psychological Factors  
Perception-**It is the process by which buyers select, organize and interpret information into  
a meaningful impression in their minds. Perception is also selective when only a small part  
is perceived out of the total of what is perceptible. Buyer’s perception of a particular  
service greatly influences buying behaviour.  
**Attitude-**An attitude is a learned predisposition to respond in a consistently favourable or  
unfavourable manner with respect to a market offer (i.e., a brand, a particular shop or retail  
outlet, an advertisement, etc.). Attitude is a dispositional term indicating that attitudes  
manifest themselves in behaviour only under certain conditions. Knowing a buyer’s  
attitude towards a product without knowing the personal goals is not likely to give a clear  
prediction of his behaviour.  
**Motivation-** Motivation is the driving force within individuals that compels them to action.  
This driving force is subconscious and the outcome of certain unfulfilled needs. Needs are  
basically of two types- first, the ‘innate needs’ are those needs with which an individual is  
born and they are mainly physiological. They include all the factors required to sustain  
physical life e.g., food, water, shelter, clothing, etc. Secondly, the ‘acquired needs’ are  
those which a person acquires as he/she grows and these needs are mainly psychological,  
like love, fear, esteem, acceptance, etc.  
**Personal factors  
Personality-** Personality can be described as the psychological characteristics that  
determine how an individual will react to his or her environment.

**Life style-**Life style as distinct from social class or personality is nothing but a person’s  
pattern of living and is generally expressed in his/ her activities, interests and opinions.  
Life style suggests differences in the way people opt to spend on different products or  
services differently.  
**Demographic factors-**Buyers demographic factors like age, gender, education,  
occupation, etc., also influence his/her purchase behavior. In sum, knowledge on all such  
dimensions of the consumer will help in understanding his needs and wants and also help  
in integrating all these elements in service offer which the consumer wants.

**SERVICE DECISION-MAKING PROCESS**Consumer decision-making process have four main categories: (1) information search, (2)  
evaluation of alternatives, (3) purchase and consumption, and (4) post-purchase evaluation

In purchase of services, these categories do not occur in a linear sequence the way they  
most often do in the purchase of goods.  
**(a) Information search  
Use of personal sources-** Consumers obtain information about products and services for  
personal sources (e.g., friends or experts) and from non-personal sources (e.g., mass or  
selective media). When purchasing goods consumers make generous use of both personal  
and non-personal sources because both effectively convey information about search  
qualities. When purchasing services, on the other hand, consumers seek and rely to a  
greater extent on personal sources.  
**Perceived risk-**While some degree of perceived risk probably accompanies all purchase  
transactions, more risk would appear to be involved in the purchase of services than in he  
purchase of goods because services are intangible, non-standardized, and usually sold  
without guarantees or warranties.  
First, the intangible nature of services and their high level of experience qualities imply  
that services generally must be selected on the basis of less pre-purchase information than  
is the case for products. Second, because services are non-standardized, there will always  
be uncertainty about the outcome and consequences each time a service is purchased.  
Third, service purchases may involve more perceived risk than product purchases because,  
with few exceptions, services are not accompanied by warranties or guarantees. The  
dissatisfied service purchaser can rarely “return” a service; he or she has already consumed  
it by the time he or she realizes his or her dissatisfaction.  
**(b) Evaluation of service alternatives**Evoked set-The evoked set of alternatives-that group of products a consumer considers  
acceptable options in a given product category- is likely to be smaller with services than  
with goods. One reason involves differences in retailing between goods and services. To  
purchase goods, consumers generally shop in retail stores that display competing products

in close proximity, clearly demonstrating the possible alternatives. To purchase services,  
on the other hand, the consumer visits an establishment (e.g., a bank, a dry cleaner, or a  
hair salon) that almost always offers only a single “brand” for sale. A second reason for the  
smaller evoked set is that consumers are unlikely to find more than one or two businesses  
providing the same services in a given geographic area, whereas they may find numerous  
retail stores carrying the identical manufacturer’s product. A third reason for a smaller  
evoked set is the difficulty of obtaining adequate pre-purchase information about services.

**(c) Service purchase and consumption**Service provision as drama-Researchers and managers of service businesses have  
compared service provision with drama, observing that both aim to create and maintain a  
desirable impression before an audience, and both recognize that the way to accomplish  
this is by carefully managing the actors and the physical setting of their behavior

**(d) Post purchase evaluation**Attribution of dissatisfaction- When consumers are disappointed with purchases-because  
the products did not fulfill the intended needs, did not perform satisfactorily, or were not. worth their price- they may attribute their dissatisfaction to a number of different sources,  
among them the producers, the retailers, or themselves. Because consumers participate to a  
greater extent in the definition and production of services, they may feel more responsible  
for their dissatisfaction when they purchase services than when they purchase goods.

**ROLES OF A SERVICE EMPLOYEE**Service employees are required to perform varied roles in a service organization.  
Employees who are involved in the service production process are required to perform the  
following roles effectively.  
**Product designer:** The Basic Service Package (BSP) formulated by the service  
organization serves as a basic input for the contact employee. Each customer may require a  
different service for solving his specific problems. Service employees should ascertain  
each customer’s specific service requirements and design a distinctive service product by  
taking into consideration the resources and competencies of the service organisation.  
**Performer:** A service employee is the performer in the service production process. He has  
to interact with uncontrollable elements (consumers) and extract quality performance, by  
influencing the customers to get involved in the process.

**Technician:** Some services require the use of equipment and the service employee who  
possesses the skills to operate such equipment.

**Associate:** Service employees and service consumers together produce service. The  
expected role of an employee is to associate with the consumer and produce quality  
service.  
**Friend:** A service employee has to play the role of a friend with consumers as well as coemployees in a team. Co-employees and customers look for help, cooperation, guidance  
and support from others on various issues. Every employee of the service organisation  
should respond to such needs positively.  
**Empathiser:** Empathy is the key quality parameter in service. Consumers feel comfortable  
and perceive better quality when contact employees are empathetic. Service employees  
should have the patience and inclination to be empathetic towards customers.  
**Assurer:** Service employees’ words and actions should reflect assurance to customers. As  
services are intangible, variable and perishable, customers seek assurance in every  
production process. The consumer contact employees are the representatives of the service  
company; this is why a contact employee needs to perform the role of an assurer.  
**Salesman:** The performance of a service employee builds a positive image for the service  
company. The customers of a service are likely to become consumers of other services  
offered by the company. Contact employees will have an opportunity to interact closely  
and intimately with customers. Therefore, their role in influencing and persuading the  
customers is vital. Service companies can use their contact employees as sales personnel.  
**Marketing intelligence:** One of the most prominent sources of marketing intelligence is  
contact employees. They are the right personnel to gather data relating to day-to-day  
happening

**Skills in Building Customer Satisfaction**

Internal marketing is a philosophy of managing personnel and developing and enhancing a  
service culture systematically. The activities of internal marketing should promote servicemindedness and customer orientation. Most of the internal marketing activities are part of  
human resource management and development. A combination of management and  
development strategies are needed to ensure that right kind of people are entrusted with the  
right kind of jobs. They must have customer orientation, service mindedness and the  
capacity to stay motivated to perform services. There are eight major components of internal marketing:  
**(a) Staffing-** A proper assessment of what kind of people are required and how many is  
the starting point in human resource policy of any service organisation. The three important  
issues in staffing are manpower planning, recruitment and selection.  
*Manpower planning.* In service business, manpower often becomes the core competence  
for companies. To build the organisation with competent personnel, it is necessary to have  
proper manpower planning. Besides planning the right size of employment at various  
service points, manpower planning ensures that the right people occupy right positions. It  
also develops supplementary plans for manpower expansion and contraction, according to  
demand fluctuations.  
***Recruitment.***In order to get the right people, organizations should know who the best  
people are, where they are available and then compete with other organizations to hire  
them. It suggests that the traditional approach of recruitment such as advertising for posts  
and calling applications may not be suitable or sufficient. Other recruitment ideas, such as  
campus interviews at reputed universities and institutions, career fairs and encouraging current employees to identify potential employees can be used. Service firms should be  
prepared to spend time, energy and money to get the best people. It can be said that  
spending money and time is worth it when finding a right person, rather than losing crores  
of rupees because of the entry of a wrong person in the organization.

*Selection.* Service competencies include skill and knowledge of the employees. Some  
services do not require knowledge and skill in a specific discipline, or trained people may  
not be available. In such cases, the companies have to prescribe minimum qualifications  
and identify those who have the best credentials. A proper selection process needs to be  
designed. The selection process may vary according to the needs of the service  
organisation.  
Besides finding qualified people, it is necessary to examine whether they have an  
inclination to the service or not. People in service firms should possess an aptitude and  
willingness to serve. The attitude towards the service job and orientation to serve people  
are important criteria to test. Although all the applicants for service jobs may have some  
level of service inclination some will be more service driven. Such people must be spotted  
and selected for the service. The employer should look for people who have both the  
qualifications and the inclination. A variety of tests and interviews may be designed to  
identify the right candidate for the job.  
The ability to attract the right people depends upon, among other things, the image of the  
organisation as an employer. The internal marketing efforts, the satisfaction of the existing  
employees, the employee turnover, the growth prospects of the firm and career prospects of  
employees are some of the measurement points used by the people to join an organization.  
Therefore that ensures employee prosperity.  
**(b) Training-** Service firms may have a training system and infrastructure or may hire a  
specialist organization for its training needs. Training employees on relevant aspects is an  
absolute necessity for service firms. Gronroos has identified the following three kinds of  
training tasks:  
• Developing a holistic view of how a service strategy works and what is the role of  
each individual in relation to other individuals, functions within the firm and  
relations with customers.

Developing and enhancing a favourable attitude towards a service strategy and parttime marketing performance.  
• Developing and enhancing communication skills and service skills among  
employees.  
The training programme should aim at basically three important skills for employees. They  
are:  
• Technical skills relating to job specification and expected role performances.  
• Interactive skills relating to providing courteous, caring, responsive and empathetic  
service. It includes communication, listening, problem-solving and interpersonal  
skills.  
• Social skills relating to building personal relationships and recognising and treating  
regular customers differently.  
Training in service organisations should not be limited only to new employees. It should be  
an ongoing process. The ever changing market environment necessitates change in service  
organisations and the need for improved service skills. Continuous training is important for  
firms to offer better quality service.  
**(c) Organizing:** Employees of service organizations need to be organized properly to  
achieve better results. The following are the four important dimensions of organizing  
employees:  
***Work assignment****-* Classification of service jobs and assigning them to such personnel who  
have the capability as well as willingness to serve is a critical task. The qualities, qualifications and interests of the employee have to be thoroughly assessed before assigning a service job. A wrong assignment not only makes the service a failure, but also causes loss of customers. There is a lot of difference between handling a job and handling a job efficiently. Consumers normally possess the ability to perceive the difference in handling.

*mpowerment-* In service production and delivery process, frontline employees have to  
assess the exact needs of the customer and develop a customized service product. To perform these activities on the spot effectively, frontline employees need to be empowered.  
According to Zeithaml and Bitner, “Empowerment means giving employees the desired  
skills, tools and authority to serve the customer”. The key factor in empowerment is  
delegation of authority to allow employees to take decisions relating to interactive marketing. Empowerment makes the employee feel free in attending to unpredictable activities  
with customers, motivates him to modify the process and also makes him an innovator.  
Minor improvements are capable of attracting major responses from customers. Frontline  
employees can be the major source for developing minor improvements in service  
processes.  
***Service culture****-* Culture is a broad term that reflects the norms and values of a society.  
Culture explains why people do certain things, think in common ways, and appreciate  
similar goals, routines, even jokes, just because they are members of the same organisation  
(Gronroos). Devis defined corporate culture as the pattern of shared values and beliefs that  
give the members of the organisation meaning, and provide them with the rules for  
behaviour in the organisation. A strong corporate culture empowers the people to act in a  
specific manner and to respond to various stimulations in a uniform way. A strong serviceoriented culture in an organisation gets easily picked up by new employees. The existing  
employees help by sharing the norms and values. On the other hand, a weak corporate  
culture creates an insecure feeling for the new incumbent of the organisation. He or she  
may be under confusion as to how to respond to various dues and how to react in different  
situations.  
A service culture cannot be developed overnight. Continuous and sustained efforts of the  
management over a period of time in designing work environment, human resource  
policies and efficiency of execution will naturally result in the development of a service  
culture. Good culture once developed becomes the core competency of the organisation.

*Team work-* Customers often perceive better experiences when employees work together as  
teams. Due to the nature of service jobs, which is sometimes frustrating, demanding or  
challenging, team work reduces the stress and strain of individual employees and helps  
them to maintain enthusiasm in work. Team work should be developed and promoted. It  
may require restructuring the organisation to develop market-based grouping. Creating  
teams and supporting effective team work, especially across functions, is important. There  
are many barriers and obstacles to overcome while implementing such strategies in most  
traditional organisations. However, if this exercise is done well, the benefits to both  
employees and customers will be tremendous.  
**(d) Supporting-** Service employees need support systems to be efficient and effective in  
their jobs. The quality of service provided will be greatly dependent on the adequacy of  
support systems. A medical practitioner requires a system that provides information  
relating to the patient, testing facilities, equipment to handle and support services, to  
perform effectively. Similarly, a professor requires a good library, teaching aids, supply of  
student information and feedback, secretarial assistance to develop notes and reading  
material and facilities to counsel students, in order to perform well. Therefore, service  
firms should design effective support systems for their employees.  
Basically, service employees require two types of support-technical support and process  
support.  
***Technical support.***The quality of the work by the employees gets enhanced with the  
support of technology and equipment. Tools, machines, other tangibles and systems  
provided to the employees not only increase speed and accuracy but also provide comfort  
and convenience in service performance. The EPBAX system, computerization and other  
instruments in a service outlet would certainly provide convenience to both employees and  
customers. A teacher’s classroom performance would be greatly influenced by the quality  
of support systems such as audio-visual equipment, multimedia system, supply support of  
material to the students and the like provided to him.

**(e) Motivating-** Employee motivation is the key element for internal marketing. Employee  
motivation is particularly significant in services because of the human impact on buyerseller interactions. Employees are often required to respond to new situations, unforeseen  
or even awkward to them. A motivated person alone can handle such situations properly  
and, thus, build the reputation of the organisation. What motivates an employee to perform  
quality service and to continue with the service organisation is the question for which the  
management has to search an appropriate answer. There are two important issues the  
management has to take care of particularly in motivating employees. They are promotions  
and treating employees as customers.  
***Promotions****-* Every employee looks for improvement in rank within an appropriate time  
span of his career. If an organization does not provide opportunities to move forward in  
their careers, employees get frustrated and de-motivated. If they find opportunity get  
frustrated and de-motivated. If they find opportunity elsewhere, they will quit the  
organization. Service companies should realize the need for creating promotional  
opportunities for employees. If promotion is purely given by merit, the management can  
create a healthy competitive environment among the employees and motivate them to  
perform better.  
***Treating employees as customers-***The basic concept of internal marketing propagates the  
theme of treating employees as customers. Employee-employer relations play a vital role in  
service performance. The management need to understand the needs and want of the  
employees and offer value satisfaction to them, only then the employees may be expected to give their best to the organization and are likely to stay with the organisation. An  
organisation can become the best place to work if four important principles are followed.  
(1) Treating employees as customers  
(2) Involving employees in decision making  
(3) Ensuring employee satisfaction and  
(4) Benchmarking and incorporating the best practices of human resource  
management.  
In order to design programmes to satisfy the needs of employees, internal research and  
employee segmentation are useful approaches. Advertising and other forms of  
communication directed at employees can also increase their sense of value and enhance  
commitment to the organisation.  
**(f) Evaluating-** Evaluation of performance of the employees is vital in internal marketing.  
It is necessary to develop systems that measure the performance of the employees.  
*Feedback to management-* Management of service firms should collect feedback on  
employee performance regularly for several purposes. The feedback helps the management  
to identify areas for improvement, defects, and deviations from the quality specifications  
and initiate appropriate corrective action.  
***Feedback to employees****-* In the service industry, direct supervision may not be effective in  
assessing the performance and such measures, sometimes, become counterproductive.  
Employees of service firms need to be provided support systems that can help evaluate  
performance by themselves and also report such performance to the top management.  
Therefore, the evaluation system not only has the capability of measuring performance but  
also has the capability of providing timely feedback to employees as well as to  
management. Corrective action can then be initiated when something is not in the order.

**(g) Rewarding-** One of the prime concerns of any employee is the reward that he or she  
gets for the service rendered to the organisation. The rewarding system primarily should  
contain the following three dimensions to be effective in service business:  
*Competitive compensation.* In whatever form (wage, salary commission or brokerage)  
compensation is offered to service personnel it should be competitive. Since employees get  
distinctive identities in service performance and such identities are linked to a company’s  
capability, credibility, reliability and responsiveness, competitors always try to attract the  
employees of other organisations. During the software boom of the 1990s, software  
companies faced a severe threat of employee turnover. The only approach that helped  
organisations retain software exports was a competitive compensation policy. Service firms  
need to review their compensation package periodically to motivate the employees and  
promote morale in them.  
*Extended benefits.* Besides direct compensation, service firms provide extended benefits to  
the employees. The extended benefits include employee welfare measures within the  
organisation, employees’ family welfare measures, employee children education, functions  
and social interaction. Managements can be innovative in providing extended benefits.  
They can touch upon the sensitivities of employees and can create a positive inner feeling  
among employees for the service organisation. Such benefits promote the sense of  
belongingness among employees and help build a strong morale

*Reward for excellence-* A rewarding system, to be effective, should be capable of  
identifying the best performers and rewarding them to the level of their excellence. The  
measures adopted to identify the performers are often subjected to severe criticism by  
employees. If the system is not properly received by employees, it may prove harmful to  
the organisation. It is necessary, therefore, to involve the employees in developing the  
measurement system and the related reward policy.  
**(h) Retaining-** Hiring the right people is the beginning of a human resource policy.  
Retaining them is the real essence of the policy. When experienced and efficient personnel  
move out of the service organisation, the reputation, image and performance of the  
company will suffer. Service companies have to develop strategies to retain employees.  
*Inclusion in the company vision-* One of the key elements of the retention strategy would  
be inclusion of employees in the ‘company’s vision’. When the employees are made part of  
the company’s vision, they share not only the present benefits but also the benefits to be  
generated in future. This step helps employees to relate their personal goals with  
organisational goals. They try to share an understanding of the organization’s vision. They  
feel motivated and committed to the organisation, when they understand how their work  
fits into the big picture of the organisation and its goals. Service companies should prepare  
a vision document and communicate it to all employees frequently to reorient them to  
achieve their organisational goals.  
*Retaining the best employees-* In spite of an efficient process of recruitment, selection and  
training, it is impossible for any organisation to ensure that all the people hired are good  
and efficient. However, service firms cannot afford to retain inefficient and incompetent  
people in the organisation. It is important to retain the best employees and keep away  
unwanted employees. Employee retention strategy is not applicable to all the employees  
but only to the best performers.