

Service Strategy Model for Paradigm Shift- A Global Prospective

Gyan Mani Singh Chauhan* Dr. C. Anbalagan**

*Chief-Managing-Director of SPCERA, Lucknow, India

**Professor of Accounting & Finance, School of Business, Hawassa University, Hawassa,
Ethiopia

Abstract

In present liberalized, privatized and globalised era world economy is characterized as a service economy due to the increasing importance and share of the service sector in the economies of most developed and developing countries. All developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy. This shift has also brought about a change in the definition of goods and services themselves. No longer are goods considered separate from services. Mass production manufacturing model of services are shifting towards numerous micro markets, each with its own wants, perceptions, and preferences and buying, criteria. As companies find it harder and harder to differentiate their physical products, and they turn to services differentiation, This research paper show paradigm shift in service industries with pertinent paradigm shift in IT service.

Key words: *IT- liberalized,- privatized- globalised- economy- agriculture- industry- shift*

Prologue

Services marketing are a sub field of marketing, which can be split into the two main areas of goods marketing (which includes the marketing of fast moving consumer goods (FMCG) and durables) and services marketing. Services marketing typically refer to both business to consumer (B2C) and business to business (B2B) services, and include marketing of services like telecommunications services, financial services, all types of hospitality services, car rental services, air travel, health care services and professional services. The range of approaches and expressions of a marketing idea developed with the hope that it be effective in conveying the ideas to the diverse population of people who

receive it. Services are economic activities offered by one party to another. Often time-based, performances bring about desired results to recipients, objects, or other assets

for which purchasers have responsibility. In exchange for money, time, and effort, service customers expect value from access to goods, labor, professional skills, facilities, networks, and systems; but they do not normally take ownership of any of the physical elements involved.

There has been a long academic debate on what makes services different from goods. The historical perspective in the late-eighteen and early-nineteenth centuries focused on creation and

**International Faculty and Students Multi-Research Consortium's
African International Journal of Research in Management
Vol-01, Issue No-02, Jul-Dec-2013
ISSN: Print- 2308-3034
Online-2308-1341**

possession of wealth. Classical economists contended that goods were objects of value over which ownership rights could be established and exchanged. Ownership implied tangible possession of an object that had been acquired through purchase, barter or gift from the producer or previous owner and was legally identifiable as the property of the current owner.

Services Marketing

The world economy nowadays is increasingly characterized as a service economy. This is primarily due to the increasing importance and share of the service sector in the economies of most developed and developing countries. In fact, the growth of the service sector has long been considered as indicative of a country's economic progress. Economic history tells us that all developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy. This shift has also brought about a change in the definition of goods and services themselves. No longer are goods considered separate from services. Rather, services now increasingly represent an integral part of the product and this interconnectedness of goods and services is represented on a goods-services continuum. The service sector is going through almost revolutionary change, which dramatically affects the way in which we live and work. New services are continually being launched to satisfy our existing needs and to meet needs that we did not even know we had. Not even 10 years ago, few people anticipated a need for email, online banking, Web hosting, and many other new services. Today, many of us feel we can't do without them. Similar transformations are occurring in business-to-business

markets. Service organizations vary widely in size. At one end of the scale are huge international corporations operating in such industries as airlines, banking, insurance, telecommunications, and hotels. At the other end of the scale is a vast array of locally owned and operated small businesses, including restaurants, laundries, optometrists, beauty parlors, and numerous business-to-business services, to name a few.

Unusual vision

A recently proposed alternative view is that services involve a form of rental through which customers can obtain benefits. What customers value and are willing to pay for are desired experiences and solutions. The term, rent, can be used as a general term to describe payment made for use of something or access to skills and expertise, facilities or networks (usually for a defined period of time), instead of buying it outright (which is not even possible in many instances).

There are five broad categories within the non-ownership framework

1. Rented goods services: These services enable customers to obtain the temporary right to use a physical good that they prefer not to own (e.g. boats, costumes)
2. Defined space and place rentals: These services obtain use of a defined portion of a larger space in a building, vehicle or other area which can be an end in its own right (e.g. storage container in a warehouse) or simply a means to an end (e.g. table in a restaurant, seat in an aircraft)

Service Strategy Model For Paradigm Shift A Global Prospective

**International Faculty and Students Multi-Research Consortium's
African International Journal of Research in Management
Vol-01, Issue No-02, Jul-Dec-2013
ISSN: Print- 2308-3034
Online-2308-1341**

3. Labor and expertise rental: People are hired to perform work that customers either choose not to do for themselves (e.g. cleaning the house) or are unable to do due to the lack of expertise, tools and skills (e.g. car repairs, surgery)
4. Access to shared physical environments: These environments can be indoors or outdoors where customers rent the right to share the use of the environment (e.g. museums, theme parks, gyms, golf courses).
5. Access to and usage of systems and networks: Customers rent the right to participate in a specified network such as telecommunications, utilities, banking or insurance, with different fees for varying levels of access

In defining service marketing we can modify the definition of American Marketing Association on Marketing by adding the following changes. Services Marketing is an organizational function and a set of process for identifying or creating, communicating, and delivering value to customers and for managing Customer relationship in a way that benefit the organization and stake holders.

Definition of Service(s)

According to www.marketingpower.com Service(s) mean, 1. Products, such as a bank loan or home security, that are intangible or at least substantially so. If totally intangible, they are exchanged directly from producer to user, cannot be transported or stored, and are almost intently perishable. Service products are often difficult to identify, because they

come into existence at the same time they are bought and consumed. They comprise intangible elements that are inseparable; they usually involve customer participation in some important way; they cannot be sold in the sense of ownership transfer; and they have no title. Today, however, most products are partly tangible and partly intangible, and the dominant form is used to classify them as either goods or services (all are products). These common, hybrid forms, whatever they are called, may or may not have the attributes just given for totally intangible services. 2. Services, as a term, is also used to describe activities performed by sellers and others that accompany the sale of a product and aid in its exchange or its utilization (e.g., shoe fitting, financing, an 800 number). Such services are either presale or post-sale and supplement the product, not comprise it. If performed during sale, they are considered to be intangible parts of the product. The American Marketing Association defines services as - "Activities, benefits and satisfactions which are offered for sale or are provided in connection with the sale of goods."

The defining characteristics of a service are Intangibility

Services are intangible and do not have a physical existence. Hence services cannot be touched, held, tasted or smelt. This is most defining feature of a service and that which primarily differentiates it from a product. Also, it poses a unique challenge to those engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.

Heterogeneity/Variability

Service Strategy Model For Paradigm Shift A Global Prospective

**International Faculty and Students Multi-Research Consortium's
African International Journal of Research in Management
Vol-01, Issue No-02, Jul-Dec-2013
ISSN: Print- 2308-3034
Online-2308-1341**

Given the very nature of services, each service offering is unique and cannot be exactly repeated even by the same service provider. While products can be mass produced and be homogenous the same is not true of services. e.g.: All burgers of a particular flavor at McDonalds are almost identical. However, the same is not true of the service rendered by the same counter staff consecutively to two customers.

Perishability

Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer. e.g.: A customer dissatisfied with the services of a barber cannot return the service of the haircut that was rendered to him. At the most he may decide not to visit that particular barber in the future. Inseparability/Simultaneity of production and consumption: This refers to the fact that services are generated and consumed within the same time frame. E.g.: a haircut is delivered to and consumed by a customer simultaneously unlike, say, a takeaway burger which the customer may consume even after a few hours of purchase. Moreover, it is very difficult to separate a service from the service provider. E.g.: the barber is necessarily a part of the service of a haircut that he is delivering to his customer.

Types of Services

Core Services

Definition of Services Marketing

A service that is the primary purpose of the transaction. E.g.: a haircut or the services of lawyer or teacher.

Supplementary Services

Services that are rendered as a corollary to the sale of a tangible product, e.g. Home delivery options offered by restaurants above a minimum bill value.

Difference between Goods and Services

Given below are the fundamental differences between physical goods and services:

| | |
|---|---|
| Goods | Services |
| A physical commodity | A process or activity |
| Tangible | Intangible |
| Homogeneous | Heterogeneous |
| Production and distribution are separation from their consumption | Production, distribution and consumption are simultaneous processes |
| Can be stored | Cannot be stored |
| Transfer of ownership is possible | Transfer of ownership is not possible. |

Given below are the fundamental differences between physical goods and services: relatively new phenomenon in the domain of marketing, having gained in importance as a discipline only towards the end of the 20th century. Services marketing first came to the fore in the 1980s when the debate started on whether marketing of services was significantly different from that of products so as to be classified as a separate discipline. Prior to this, services were considered just an aid to the production and marketing of goods and hence were not deemed as having separate relevance of their own

Stated simply, Services Marketing refers to the marketing of services as against tangible products. As already discussed, services are inherently intangible, are

Service Strategy Model For Paradigm Shift A Global Prospective

**International Faculty and Students Multi-Research Consortium's
African International Journal of Research in Management
Vol-01, Issue No-02, Jul-Dec-2013**

| Goods | Services |
|---|---|
| A physical commodity | A process or activity |
| Tangible | Intangible |
| Homogenous | Heterogeneous |
| Production and distribution are separation from their consumption | Production, distribution and consumption are simultaneous processes |
| Can be stored | Cannot be stored |
| Transfer of ownership is possible | Transfer of ownership is not possible |

**ISSN: Print- 2308-3034
Online-2308-1341**

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. Marketing of services is a

The 1980s however saw a shift in this thinking. As the service sector started to grow in importance and emerged as a significant employer and contributor to the GDP, academics and marketing practitioners began to look at the marketing of services in a new light. Empirical research was conducted which brought to light the specific distinguishing characteristics of services. By the mid 1990s, Services Marketing was firmly entrenched as a significant sub discipline of marketing with its own empirical research and data and growing significance in the increasingly service sector dominated economies of the new millennium. New areas of study opened up in the field and were the subject of extensive empirical research giving rise to concepts such as – the product-service spectrum, relationship marketing, franchising of services, customer retention etc. Difference b/w goods and services goods can be resold but the services can't be resold

Given the intangibility of services, marketing them becomes a particularly challenging and yet extremely important task. 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. E.g.: 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. 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 fulfill them through the appropriate service offering and build a long lasting relationship which would lead to repeat sales and positive word of mouth. Customer Retention: Given today's highly competitive scenario where multiple

Importance of Marketing of Services

Service Strategy Model For Paradigm Shift A Global Prospective

**International Faculty and Students Multi-Research Consortium's
African International Journal of Research in Management
Vol-01, Issue No-02, Jul-Dec-2013
ISSN: Print- 2308-3034
Online-2308-1341**

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.

Services Differentiation

When the physical product cannot easily be differentiated, the key to competitive success may lie in adding valued services and improving their quality. Rolls-Royce PLC has ensured its aircraft engines are in high demand by continuously monitoring the health of its 3000 engines for 45 airlines through live satellite feeds. Under its Total Care program, airlines pay Rolls a fee for every hour an engine in flight, and Rolls assumes the risks and costs of downtime and repairs in return.

The 7 P's of Services Marketing

The first four elements in the services marketing mix are the same as those in the traditional marketing mix. However, given the unique nature of services, the implications of these are slightly different in case of services.

Product

In case of services, the 'product' is intangible, heterogeneous and perishable.

Moreover, its production and consumption are inseparable. Hence, there is scope for customizing the offering as per customer requirements and the actual customer encounter therefore assumes particular significance. However, too much customization would compromise the standard delivery of the service and adversely affect its quality. Hence particular care has to be taken in designing the service offering.

Pricing

Pricing of services is tougher than pricing of goods. While the latter can be priced easily by taking into account the raw material costs, in case of services attendant costs - such as labor and overhead costs - also need to be factored in. Thus a restaurant not only has to charge for the cost of the food served but also has to calculate a price for the ambience provided. The final price for the service is then arrived at by including a mark up for an adequate profit margin.

Place

Since service delivery is concurrent with its production and cannot be stored or transported, the location of the service product assumes importance. Service providers have to give special thought to where the service would be provided. Thus, a fine dine restaurant is better located in a busy, upscale market as against on the outskirts of a city. Similarly, a holiday resort is better situated in the countryside away from the rush and noise of a city. Promotion: Since a service offering can be easily replicated promotion becomes crucial in differentiating a service offering in the mind of the consumer. Thus, service providers offering identical services such as

Service Strategy Model For Paradigm Shift A Global Prospective

**International Faculty and Students Multi-Research Consortium's
African International Journal of Research in Management
Vol-01, Issue No-02, Jul-Dec-2013
ISSN: Print- 2308-3034
Online-2308-1341**

airlines or banks and insurance companies invest heavily in advertising their services. This is crucial in attracting customers in a segment where the services providers have nearly identical offerings. We now look at the 3 new elements of the services marketing mix - people, process and physical evidence - which are unique to the marketing of services.

People

People are a defining factor in a service delivery process, since a service is inseparable from the person providing it. Thus, a restaurant is known as much for its food as for the service provided by its staff. The same is true of banks and department stores. Consequently, customer service training for staff has become a top priority for many organizations today.

Process

The process of service delivery is crucial since it ensures that the same standard of service is repeatedly delivered to the customers. Therefore, most companies have a service blue print which provides the details of the service delivery process, often going down to even defining the service script and the greeting phrases to be used by the service staff. Physical Evidence: Since services are intangible in nature most service providers strive to incorporate certain tangible elements into their offering to enhance customer experience. Thus, there are hair salons that have well designed waiting areas often with magazines and plush sofas for patrons to read and relax while they await their turn. Similarly, restaurants invest heavily in their interior design and decorations to offer a tangible and unique experience to their guests.

Structure of the Service Sector The services sector is remarkably diverse. It comprises a wide array of industries that sell to individual consumers and business customers, as well as to government agencies and nonprofit organizations. Services make up the bulk of today's economy and also account for most of the growth in new jobs. Unless you are already predestined for a career in family manufacturing or agricultural business, the probability is high that you will spend your working life in service organizations. The size of service sector is increasing in almost all economies around the world .As national economy develops, the relative share of employment among agricultural industry, and services change dramatically. Even in emerging economies, service output is growing rapidly and often represents at least half of the GDP.

1. **Ordering Ease:** Ordering ease refers to how easy it is for the customer to place an order with the company.
2. **Delivery Ease:** Delivery refers to how well the product or service is brought to the customer. It includes speed, accuracy, and care throughout the process.
3. **Installation:** It refers to the work done to make a product or service operational in its planned location. Ease of installation becomes a true selling point, especially when the target market is technology novice.
4. **Customer Training:** It refers to training the customer's employees to use the vendor's equipment properly and efficiently.
5. **Customer Consulting:** It refers to data, information systems, and advice services that the seller offers to buyers.

Service Strategy Model For Paradigm Shift A Global Prospective

**International Faculty and Students Multi-Research Consortium's
African International Journal of Research in Management
Vol-01, Issue No-02, Jul-Dec-2013
ISSN: Print- 2308-3034
Online-2308-1341**

6. Maintenance and Repair: It describes the service program for helping customers keep purchased products in good working order

Adam Smith's famous book, *The Wealth of Nations*, published in Great Britain in 1776, distinguished between the outputs of what he termed "productive" and "unproductive" labor. The former, he stated, produced goods that could be stored after production and subsequently exchanged for money or other items of value. But unproductive labor, however "honorable...useful, or... necessary" created services that perished at the time of production and therefore didn't contribute to wealth. Building on this theme, French economist Jean-Baptiste Say argued that production and consumption were inseparable in services, coining the term "immaterial products" to describe them.

Conclusion

For a long time service industry has been successfully following a mass production manufacturing model, But in last decade, this strategy has lost its effectiveness, putting many successful companies under pressure. Instead a new model has grown to be effective, taking place of old approach in managing service companies. This paper discusses and models the process of above paradigm shift using a system dynamics point of view.

References

1. Forrester, J. W and Senge P.M. 1980. Tests for Building Confidence in System Dynamics Models.

2. TIMS Studies in the Management Sciences, Vol. 14 (1980) : 209-228.
3. Heskett J.L. , Jones T.O., Loveman G.W. , Sasser W.E. , Jr. , and Schlesinger L.A. 1994, Putting the Service-Profit Chain to Work. HARVARD BUSINESS REVIEW, Vol (March-April 1994): 164-175
4. Lumsdane E. and Lumsdane M. 1995. Creative problem solving, thinking skills for a changing world. McGrawHill press.
5. Schlesinger L.A. and Heskett J.L. 1991, The Service-Driven Service Company. HARVARD BUSINESS REVIEW , Vol (September-October 1991): 71-81
6. Schlesinger L.A. and Heskett J.L. 1991, Breaking the Cycle of Failure in Services. Sloan Management Review, Vol. (Spring 1991): 17-28.
7. Senge P.M. and Oliva R. Developing a Theory of Service Quality/Service Capacity Interaction.