

SERVICE MANAGEMENT

BBA

(Marketing Specialisation)

2011 Admission onwards



UNIVERSITY OF CALICUT

SCHOOL OF DISTANCE EDUCATION

CALICUT UNIVERSITY.P.O., MALAPPURAM, KERALA, INDIA – 673 635

UNIVERSITY OF CALICUT
SCHOOL OF DISTANCE EDUCATION

STUDY MATERIAL

BBA

Marketing Specialisation

SERVICE MANAGEMENT

Prepared by:

Mrs.Ahsanath.MK
Assistant Professor,
Department of Commerce
Sullamussalam Science College,
Areakode

Scrutinised by:

Dr.K.Venugopalan,
Associate Professor,
Department of Commerce,
Govt. College Madappally.

Layout & Settings

Computer Section, SDE

©

Reserved

Module 1

Introduction

The economic activities have been divided into mainly three classes. They are – Primary, Secondary, and Tertiary. Primary activities includes – agriculture, fishing and forestry. Secondary activities includes – industry (manufacturing and construction). Tertiary activities includes services. Up to the industrial revolution, agriculture was dominated in economic sector. After the industrial revolution, industry started to dominate the economy and presently service sector dominate the whole economy of world. The economic growth is not equal in all countries. In many Asian and African countries, agriculture is still the dominant factor of their economies. At the same time there are some countries with industry as the dominant factor of their economies.

Service

According to the economic point of view a service is an intangible commodity. That is, services are an example of intangible economic goods. A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to physical product.

Examples

- Education service
- Insurance service
- Banking service
- Film Theater
- Medical service
- Telecommunication service
- Legal service

The Service Economy

Presently the world economy 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 an indicator 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 mainstay of the economy. This shift has also brought about a change in the definition of goods and services themselves.

The service sector is going through 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. Nearly fifty years ago, when the first electronic file sharing system was created, few people likely anticipated the future demand for online banking, website hosting, or email providers. Today, many of us feel we can't do without them. Similar transformations are occurring in business-to-business markets.

The Role of the Service Economy in Development

As of 2008, services constituted over 50% of GDP in low income countries. As their economies continue to develop, the importance of the service sector continues to grow. For instance, services accounted for 47% of economic growth in sub-Saharan Africa over the period 2000–2005, while industry only contributed 37% and agriculture only 16% in that same period. This means that recent economic growth in Africa relied as much on services as on natural resources or textiles, despite many of those countries benefiting from trade preferences in primary and secondary goods.

As a result of these changes, people are leaving the agricultural sector to find work in the service economy. This job creation is particularly useful as often it provides employment for unskilled workers in the tourism and retail sectors, which benefits the poor and represents an overall net increase in employment. The service economy in developing countries is most often made up of the following industries: financial services, tourism, distribution, health, and education.

The following table says the importance of service sector in the GDP of that counties.

Sectoral Distribution of GDP (in %), 2002 (Estimates)

Country	GDP		
	Service	Industry	Agriculture
USA	80	18	2
Denmark	71	26	3
France	71	26	3
Germany	68	31	1
Switzerland	64	34	2
Russia	59.6	34.6	5.8
South Korea	54	41.6	4.4
India	50	25	25
Nigeria	35	20	45

Service sector dominates the economies of other developed nations as well. As countries develop, the role of agriculture in the economy declines and that of services rises. Highly developed countries all have more than 50% of GDP and employment derived from services. A particular characteristic of the development of service employment over time is that it is less sensitive to business cycle fluctuations than other types of employment. The service sector comprises 80% of US employment, up from 55% in 1950. Most of the absolute growth in number of jobs in US in recent years is in service sector. According to University of Michigan study, a 113" cut in global barriers to trade in services would increase US annual income by \$150 billion (\$ 2,100 per American family of four). Total elimination of barriers in services would raise US annual income gain by over \$ 450 billion (\$ 6,380 per family of four). Apart from US, leaders of major global service industry associations representing the EU, Australia, Hong Kong, and Japan called for urgent progress in the multilateral liberalization of trade in services.

Service Sector in India

The service sector is also assuming increasing importance in Indian economy. In line with the global trend, the services sector in India is growing rapidly. In 2002, India's service exports are recorded \$ 20.70 billion, as against \$ 4.60 bn in 1990, a growth of 350%.

World Service Exports and India's Share

Year	Total World Service Exports \$bn	India's service exports \$bn	India's Share in world service exports
1990	807.01	4.6	0.57
1991	844.83	4.9	0.58
1992	960.79	4.9	0.51
1993	943.4	5	0.53
1994	1052.63	6	0.57
1995	1192.99	6.8	0.57
1996	1250	7	0.56
1997	1313.43	8.8	0.67
1998	1321.43	11.1	0.84
1999	1333.33	13.2	0.99
2000	1435	17.6	1.2
2001	1460	20.4	1.4
2002	1540	20.7	1.3

The share of services in the country's GDP was 56.1% in 2002-03 (RE), up from the 51.5% recorded in 1998-99 and 36% in 1980-81. In contrast, the industrial sector's share in GDP has declined from 25.38 per cent to 21.8 per cent in 1990-91 and 2002-03 respectively. The agricultural sector's share has fallen from 30.93 per cent to 22.1 per cent in the respective years. The growth in the services sector has averaged 8.5 per cent during the period 1994-2000. Dr. Manmohan Singh, the then Union Finance Minister, in his budget speech for the year 1994-95 introduced the new concept of Service Tax. The number of services being taxed has increased from 3 in 1994-95 to 51 in 2002-03. The corresponding increase in revenues from services tax has been from Rs. 410 crores to 4,125 crores. The details of service tax in India have been given in Appendix at the end of this unit. The rise in the service sector's share in GDP marks a structural shift in the Indian economy and takes it closer to the fundamentals of a developed economy. If the service sector bypasses the industrial sector, economic growth can be distorted. Service sector growth must be supported by proportionate growth of the industrial sector; otherwise the service sector growth will not be sustainable.

It is true that, in India, the service sector's contribution in GDP has sharply risen and that of industry has fallen. But, it is equally true that the industrial sector too has grown, and grown quite impressively through the 1990s (except in 1998-99). Three times between 1993-94 and 1998-99, industry surpassed the growth rate of GDP. Thus, the service sector has grown at a higher rate than industry which too has grown more or less in tandem. The rise of the service sector therefore does not distort the economy.

Characteristics of services

Services have mainly five unique characteristics compared to goods. In the marketing point of view these characteristics are very important, because these characteristics create several unique marketing problems.

Characteristics

1. Intangibility
2. Inseparability
3. Heterogeneity
4. Perishability and
5. Ownership

1. Intangibility

Intangibility is the primary characteristics that distinguish services from goods, ie the quality of not being able to touch, taste, see, smell or hear. Services such as education, insurance, medical etc cannot be physically possessed like tangible goods.

Intangible services are more difficult for consumers to evaluate than tangible goods. When you buy bath soap, you can see it, feel it, touch it, smell it and use it to check its effectiveness in cleaning your body. But if you pay fee for a course in an education institution, you are paying for the benefit of deriving knowledge and education which is delivered to you by teacher community. In contrast to the bath soap, where you can immediately check its benefits, there is no way in the case of teachers. Because teaching is an intangible service.

So – a service cannot be touched

- _ Precise standardization is not possible
- _ there is no ownership
- _ a service cannot be patented.
- _ There is no inventories of service

2. Inseparability

Another characteristic of services is the inseparability, or indivisible nature of production and consumption. In most cases, a service cannot be separated from a person or a firm providing it. A service is provided by a person who possesses a particular skill (singer), by using a equipment to handle a tangible product (dry cleaning) or by allowing to access t or use of physical infrastructure (hotel). A plumber has to be physically present to provide the service. Goods can be produced in the factory, stocked and sold when order is placed. But since service is inseparable, both production and consumption occurs simultaneously.

3. Heterogeneity.

Most of the services are rendered by people, and people are not always consistent in their performance. This inconsistency or variation in performance is referred to as the heterogeneity of services. Performance may vary from one individual to another individual or from one organisation to another organisation or even performance of a person in day time may not be same in night time. In short the human element is very much involved in providing and rendering services and this makes standardization a very difficult task.

4. Perishability.

Services cannot be stored and are perishable. Due to any reason, a few seats remain empty on a train, or a theatre cancels a particular live show of a drama, that particular service opportunity is lost forever. Restaurants are now charging for reservations which are not utilized. Charges may be made for missed appointments with consultants, doctors and some education institutions levy the fee as students discontinue the course because of lapsing the seat.

5. Ownership.

When you buy a product, you will become the owner of that product- be it a car, bus, bike, pen, computer or shirt. But in the case of service, you may pay for its use, not its ownership.

Classification of services

Services are classified into two groups, i.e. services in consumer markets and services in industrial market.

1. Services in consumer markets

The following services come under this category

A). Food services

Food services are offered by hotels, restaurants and catering services. Food is supplied in restaurants as well as delivered to customers' residence. Catering agents supply food for occasions like wedding, engagements, birthday, conference etc.

b). Boarding and lodging services.

These services are provided by hotels and lodges to the people who travel to distant places. Growing tourism has contributed to remarkable growth in boarding and lodging services.

c). Personal care services

These are the services provided to meet the personal care needs of customers like health, appearance, physical fitness etc. Personal care services include services offered by beauty parlors, barbershops, gymnasiums, dry cleaners, hospitals etc.

d).Entertainment service

These services include cinema, drama, dance, music, amusement park, cable,TV etc. There is an increasing tendency among the people to spend more money on entertainment services.

e).Transport services

These include the services provided by railways, road transporting facilities, air transport such as flights and helicopters and water transporting services such as ships and boats.

e).Automobile services

These are services provided to the owners of automobile vehicles for their repair and maintenance. They are provided by units called service stations.

f. Communication services

These are services provided to help people to exchange information. These services include telephone, telegraph, e-mail, telex, fax etc. mobile phone and internet has revolutionised the field of information communication.

g. Education service

Education service provide coaching to students in various disciplines and to prepare them for various examinations. These services are provided by schools, colleges and universities.

h. Insurance service

Insurance services are provided to protect people against the risk of loss of life and properties. Insurance companies sell various insurance policies in the field of life insurance and general insurance. They provide a sense of security to the policy holders.

i. Financial services

These are the services provided to the people to meet their varied financial needs. They are performed by various financial institutions like banks, NBFCs, Chitty companies, stock brokers, mutual fund companies etc. Their services include keeping of deposits, providing various types of loans, discounting bills, hire purchase financing stock broking etc.

2. Services in industrial market

The following services come under this category.

a. Financial services

Finance is essential for carrying out business operations. Companies require both short term and long term finance. This finance is provided by commercial banks, merchant banks and other financial institutions. Investment companies guide firms in investing in share and bonds.

b. Insurance service

All business units are exposed to variety of risks. Insurance companies provide necessary protection against risk such as fire, marine losses, theft, accidents etc.

c. Transport services

Business units require transport services for moving men and materials to the factory and men finished goods from factory. These services are provided by various transport companies by means of trains, trucks, buses ships aero planes etc.

d. ware housing service

Warehousing services are required for keeping materials and finished goods until they are needed for use. Warehoused in public sector and private sector offer these services to the business units.

e. Advertising services

Advertising is the most commonly and widely used mode of promotion. Advertising agencies help the businessmen to plan and implement advertising campaigns. They also help to study the effectiveness of advertising.

f. Consultancy services

Consultancy services refer to advice given to management on various matters such as production, marketing, finance etc. Most of the business units especially small and medium sized depend on management consultancy firms to solve their problems.

g. Office services

Several types of services are required for the efficient functioning of business offices. These include Xeroxing, scanning, cleaning etc.

h. Engineering services

Engineering services include assistances given to business units in planning new projects, designing plants, construction of buildings, erection plant and machinery etc. these services are provided by specialised engineers.

i. HR services

HR services considered as the most important asset of a business concern. Proper selection and training of man power is essential for organizational development. Selection and training is often entrusted to specialized recruitment agencies.

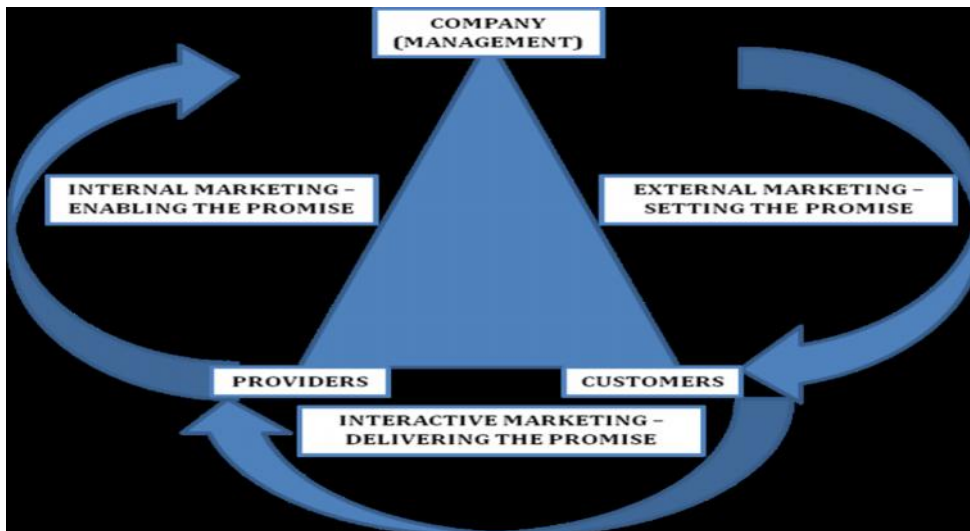
Service Marketing Triangle

According to Philip Kotler, service marketing requires both external marketing and internal as well as interactive marketing.

External marketing

Internal Marketing, and

Interactive Marketing



1. External Marketing

In an external marketing, marketers interact directly to the end users. They try to understand the need of customers and satisfy them after fulfilling their demands. In an external marketing, marketers set the pricing policies and create awareness about the products and design promotional strategies and techniques that help to attract the customers towards their products and services. They communicate with their customers directly and convince them to buy their products. They involve in constructive group of activities that helps to design excellent products that meet the customer's demands efficiently. Their goal is to create awareness about their products or services among users by communicating with them directly. They also grab the attention of the market and produce interest in their services. External marketing is one of the important parts of service marketing triangle.

2. Internal Marketing

In an internal marketing, marketers try to interact with their employees in order to know about the strengths and weaknesses of their organization. The owner of the company tries to involve all of his employees in general discussion, believe on teamwork. Internal marketing involves general discussions, teamwork, training, motivation and rewards on best performance. Employees communicate with themselves on specific project. Teamwork helps to involve employees in their assigned tasks and generate output quickly.

Organizational rewards motivate employees to make their performance effective. All employees understand the goals and objectives of the company clearly and try to meet organizational goals. They also know how to grab the attention of their customers. Customers are highly satisfied with their products or services. They always try to satisfy their clients at any cost. If employees of the company are satisfied with their job and performance rewards, they can become an effective asset of any organization. Executives of the organizations fully understand the service marketing triangle if they want to gain a competitive advantage in the market.

3. Interactive Marketing

Interactive marketing involves in the delivery of products or service to the customers and front –office employees of the company. It is the most important part of the service marketing triangle because it establishes a long term or short term relations with customers.

Customers who are highly satisfied with their products or services can become regular customers of their brand. Marketers who cannot compromise on quality and deliver high quality products to their customers have a great community of loyal customers. Their loyal customers always prefer them to buy products.

Service marketing triangle has great importance and its components are essential in the success of any business. A well established business always follows the strategies of service marketing triangle. Today, marketers who know how to remove the company's weaknesses and increase the strengths and assets are market leaders. They are aware of external threats and opportunities that boost up their business. They also know how to communicate with their customers, clients and employees in order to achieve organizational goals.

Consumer Behavior in service

All of us buy different services for various reasons. One person may prefer to go to a restaurant for good food while the other may opt for an exclusive restaurant, for status. One person may prefer to read 'The Times of India' early in the morning, while the other may prefer to read the same newspaper after coming back from the office. There are women who don't go to beauty parlors at all, whereas there are others who go regularly. Similarly, there are many such examples telling us that people show different behavior in buying and using different products and services.

In the purchase of any particular service six distinct roles are played. These are:

- i) **Initiator:** The person who has a specific need and proposes to buy a particular service.
- ii) **Influencer:** The person or the group of people who the decision maker refers to or who advise. 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.
- iii) **Gatekeepers:** The person or organization or promotional material which act as a filter on the range of services which enter the decision choice set.
- iv) **Decider:** The person who makes the buying decision, irrespective of whether he executes the purchase himself or not. He may instruct others to execute. It has been observed at times, more typically in house hold or family or individual related services, one member of the family may dominate in the purchase decision.
- v) **Buyer:** The person who makes the actual purchase or makes bookings for a service like travel, hotel room, hospital, diagnostic lab, etc.
- vi) **User:** The person who actually uses or consumes the product. It can be other than the buyer. In a number of services, it has been observed that users are also the influencers.

Factors influencing buyer behavior

There are a number of factors or variables which affect the buying behavior. For example; people go on holiday during the vacation time so vacations become a variable. A person may visit an exclusive restaurant during 'happy hours', which he does not visit normally. In this case the marketing efforts of the organization (sales person and the scheme) become the factor influencing to buy. Similarly, there are other factors which affect the buying decision. These factors can be classified into four major categories, namely:

1. Situational factors
2. Buyer's socio-cultural factors
3. Personal factors and
4. Psychological factors.

These have been summarized below.

1. Situational Factors

The situational factors influencing the buying behavior are, the influence of time pressure in product and brand choice, the atmosphere of the retail outlet, occasion of purchase etc. For example, if you are traveling, then demand for lodging and boarding will obviously be there.

2. Socio Cultural Factors

Buyers or consumers do not take buying decision or the decision not to buy, in a vacuum. Rather, they are strongly influenced by Socio Cultural factors.

a) 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 learnt 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. This classification is significantly relevant from the consumer behavior point of view

b) 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 may not be the brand. Peer groups and the peer pressure have 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. It is important to note that there are 'negative' reference groups also and some persons don't want to associate themselves with these groups. The negative reference groups guide the behaviour in terms of "what not to do".

c) Family: The family is another major influence on the consumer behaviour. The 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, for example it's the teenage children who influence the parents to decide on a destination and middle aged buy more of insurance services than the younger ones.

3. Psychological Factors

- a) **Perceptions:** It is the process by which buyers select, organize and interpret information into a meaningful impression in their mind. Perception is also selective in which only a small part is perceived out of the total what is perceptible. Buyer's perception of a particular product greatly influences the buying behaviour. For example, if the buyer's perception of a product is not positive it requires much harder efforts from the marketing or sales person to convince the buyer on the qualities of the product and thus suggesting him to purchase it.
- b) **Attitude:** An attitude is a learned predisposition to respond in a consistently favourable or unfavorable 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 behavior.
- c) **Motivation:** Motivation is the driving force within individuals that compel them to action. This driving force is subconscious and the outcome of certain unfulfilled need. Needs are basically of two types. First, the 'innate needs' those needs an individual is born with and are mainly physiological. They include all the factors required to sustain physical life e.g., food, water, shelter, clothing, etc. Secondly, the 'acquired needs' those which a person acquires as he/she grows and these needs are mainly psychological, like love, fear, esteem, acceptance etc. For any given need, there could be a variety of goals.

4. Personal Factors

- a) **Personality:** Personality can be described as the psychological characteristics that determine how an individual will react to his or her environment. There are a number of dimensions (personality traits) against which an appreciation of an individual's personality can be developed. Each personality trait denotes two absolute points and a person's personality characteristics can be identified somewhere between those two absolute points, indicating the proximity to either of the two. Some of the traits are as follows:

Let us examine how buyer behaviour is affected by the personality of an individual and for this we take the example of extroversion. Extrovert is a person who is more sociable, likes meeting people, making more friends, prefers to move about, careful about his appearances and doesn't like reading books or confining to the four walls of a room. On the other hand an Introvert is a person who prefers to be left alone, would like to read books rather than making friends, shies away from social gatherings. There are a number of products which are preferred more by extroverts rather than introverts. Perhaps the products suggesting status are purchased more by the extroverts than the others.

b) Life Style: Lifestyle 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. Some of the dimensions of life style are as follows:

Life styles suggest differences in the way people opt to spend on different products differently. Life style variables (psychographics variables) help a firm to identify the 'Inner consumer' or the feelings of the consumer about their products which needs to be stressed in advertising campaigns.

c) Demographic Factors: Buyer's demographic factors like age, gender, education, occupation, etc. also have influence on the purchase behaviour. These factors are very much significant in the study of behaviour of buyers. For example, fast food outlets are more patronized by the teenagers than the elderly persons- example of age as a factor; air travel is more used by the executives than the factory workers-examples of occupation as a factor.

Module 2

Segmentation of Services

Market segmentation is the sub- dividing of market into homogeneous sub section of customers , where any sub section may conceivable be selected as a market target to be reached with a distinct market mix. The marketer has to identify his targeted customers (segments). For example, a motorcycle manufacturing company has to identify their market segments, like female officers, teenage college students, middle aged customers. After identifying the segments the marketer (manufacturer) has to understand their tastes and expectations. In the case of female customers, they need not use much power full vehicles, like that the teenagers demand most powerful and stylish vehicles and the middle aged customers need vehicles having more mileage.

Benefits of market segmentation

No one can satisfy all people all time, can satisfy some people all the time or all people for some time. This concept is reflected in market segmentation

1. Facilitates proper choice of target market
2. Helps distinguish one customer group from another within a given market
3. Facilitates effective tapping of the market, adapting the offer to the target
4. The “ divide and rule” concept as a strategy of dividing markets for conquering them
5. Helps crystallise the needs of the target buyers and bring out more predictable responses from them, helps develop marketing programs on a more predictable base, helps develop marketing offers that are most suited to each group
6. Helps specialization required in products/services , distribution , promotion, and pricing for matching the customer group and developing marketing offers and appeals that match the needs of such groups.
7. Makes marketing effort more efficient and economic, helps to identify less satisfied segments and concentrate on them to improve level of satisfaction
8. Helps to concentrate efforts on the most production and profitable segments instead of frittering them away over irrelevant or unproductive or unprofitable segments
9. Brings benefits to the customer as well, in various ways
10. When segmentation attains high sophistication, customers and companies can choose each other and stay together.

Steps in the Segmentation Process

Five major steps are involved in dividing markets into meaningful segments, although these steps and their description may vary from one situation to another.

- a. Define and analyze the market—determine market parameters (based on characteristics that may include or exclude customers from a group) within organization’s mission and business definition, as well as its strategic intent.

- b Identify and describe potential segments—decide on the most useful dimensions or variables for selecting members of potential market segments; then aggregate customers into homogeneous groups, develop a profile of the characteristics of each group, etc.
- c. Select the segment(s) to be served—select segments by evaluating against predetermined criteria, then rank according to the organization’s ability to serve the market profitably while providing customer satisfaction.
- d. Determine the product positioning strategy—determine the best “fit” between a product and a market according to features most desired by customers; consider competitors’ positioning strategies, organizational goals, and the market situation.
- e. Design and implement the marketing program—develop a tactical plan (marketing mix) and determine objectives for the marketing program; all elements of the marketing mix must be consistent with the selected positioning strategy.

Bases of segmentation

- 1. Geographic
 - a. Region- east, west , south, north, Asian, European, India etc
 - b. City or metro size etc
 - c. Density – Urban, rural etc
 - d. Climate – Hot. Cold, Rainy etc
- 2. Demographic
 - a. Age- childhood, young etc
 - b. Gender – male, female
 - c. Marital status – married , unmarried
 - d. Family size
 - e. Income
 - f. Purchasing capacity and
 - g. Price preference
 - h. Education
 - i. Occupation
- 3. Psychographic
 - a. Life style – culture oriented, sports oriented, outdoor oriented etc
 - b. Personality
- 4. Behaviouristic
 - a. Benefit segmentation – economic, durable, value for money etc
 - b. Purchase occasion – time, objective, location, person,
 - c. User status
 - d. Usage rate
 - e. Brand loyalty

Marketing mix

Marketing is performed within a certain environment which itself is always changing. The marketing activities have, therefore, to change accordance with environmental changes. In order to appreciate this process it is easier to divide the marketing activities into four basic elements, which are together referred to as the marketing mix. These four basic elements are:

1. Product,
2. Price
3. Place,
4. Promotion, and Place (or physical distribution).

As all these four start with the letter 'P' they are, at times, referred to as the four Ps of the marketing mix or the 4Ps in marketing. The word product stands for the goods or services offered by the organization. Price refers to the money value that the customer has to pay. The product has to be adequately priced. This involves considerations of the profit margin, the cost, the possibility of sales at different prices and the concept of the right price. Promotion is the aspect of selling and advertising, or communicating the benefits of the product or service, to the target customers or the market segment involved in order to persuade them to purchase such products or services. It includes selling through advertising as well as the sales force. Besides, a certain amount of promotion is done through special seasonal discounts, competitions, special price reductions, etc. collectively called sales promotion. Finally, physical distribution refers to the aspect of the channels of distribution through which the product has to move before it reaches the consumer. It also includes the logistics aspects of distribution such as warehousing, transportation, etc.

Let us have a brief sketch of all these Ps.

1. Product

Product, in the marketing context is anything which is offered to the market for exchange or consumption. In goods marketing it is always said that, there is a tangible component to which some intangibles like style, after sales service, credit, etc., are integrated. In the case of services, on the contrary, the tangible component is nil or minimal. Conventionally, it is said a product as an object, which is developed, produced, delivered and consumed. However, in services there is no or a little tangible element. Therefore, the services are considered to be as benefits which are offered to the target market.

Philip Kotler identified five levels of products, they are -

Five product levels		
1	Core Benefit	The fundamental benefit or service the customer is buying (hotel : rest/ sleep)
2	Basic Product	Basic functional attributes (room, bed, bath)
3	Expected Product	Set of attributes / conditions the buyer normally expects (clean room. Large towel, quietness)
4	Augmented Product	That meets the customers' desire beyond expectations
5	Potential product	The possible evolution to distinguish the offer.

Developing new services

In order to develop a service product, as a manager you will have to follow the following stages:

- i) - Customer Benefit Concept: The service product which is offered in the market place must have its origin in the benefits which the customers are seeking
- ii) Service Concept: Using the customer benefits as the starting point, the service concept defines the specific benefits which the service offers
- iii) Service Offer: Having defined the business in which you are operating, the next step is to give a specific shape and form to the basic service concept.
- iv) Service Forms: In what form should the services be made available to the customers is another area of decision-making
- v) The service delivery system – It is the mode of service dissemination.

Choosing a brand name for a consumer product or service is one of the most important decisions. A well chosen brand name can provide a number of specific advantages to the organisation. These include suggesting product benefits, evoking feeling of trust, confidence, security and simplifying shopping. The American Marketing Association defines a brand as follows: 'A brand is a name , term, sign, symbol, or design, or a combination of these, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.

2 Pricing.

In the case of products, the term 'price' is used for all kinds of goods- fruits, clothes, computers, building etc. but in the case of services, different terms are used for different services. The following table shows the term used for some selected services.

Terminology	Service
Admission	Theatre entry
Commission	Brokerage
Fee	Transport
Fee	Legal service
Internet	usage money
Premium	Insurance
Rent	Property usage
Salary	Employee service
Tariff	Utilities

Pricing and Service Characteristics

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

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

The third characteristic to be kept in mind while determining prices is that in many services, the prices are subject to regulations, either by the government or by trade associations. Bank charges, electricity and water rates, fare for rail and air transport in India are controlled by the government. In all such cases, the producer has no freedom to determine his own price. The two methods which a service organisation may use to determine prices are cost-based pricing and market-oriented pricing. In the former, the price may be regulated by the government or industry association on the basis of the cost incurred by the most efficient unit. Such a pricing strategy is effective in restricting entry and aiming at minimum profit targets. The market-oriented pricing may either be a result of the competition or customer-oriented. In case of competition-oriented pricing, the price may be fixed at the level which the competitor is charging, or fixed lower to increase market share. Customer oriented pricing varies according to the customer's ability to pay.

Role of Non-monetary Costs

Non-monetary costs refer to the sacrifices perceived by the consumers, other than monetary costs, when buying and using a service. Many a times the non-monetary costs may become even more important than monetary costs. The non-monetary costs can be broadly divided into the following categories:

Time Costs- The time required by a consumer would include actual time of interaction with the service provider as well as the waiting time. Therefore, the consumer is not only spending his money but also sacrificing his time.

Search Costs: These involve the efforts put in by the consumer in searching information, finding out alternatives and evaluating them. Typically search costs are far greater in case of services as compared to goods.

Psychic Costs: These include fear of not understanding or fear of rejection or fear of uncertainty.

Pricing Strategies

a) Differential or Flexible Pricing is used to reduce the 'perishability' characteristic of services and iron out the fluctuations in demand.

- b) Discount Pricing refers to the practice of offering a commission or discount to intermediaries such as advertising agencies, stock brokers, property dealers for rendering a service
- c) Diversionary Pricing refers to a low price which is quoted for a basic service to attract customers.
- d) Guaranteed Pricing refers to pricing strategy in which payment is to be made only after the results are achieved. Employment agencies charge their fee only when a person actually gets a job, a property dealer charges his commission only after the deal is actually transacted.
- e) High Price Maintenance Pricing strategy is used when the high price is associated with the quality of the service. Many doctors, lawyers and other professionals follow this pricing strategy.
- f) Loss Leader Pricing is one in which an initial low price is charged in the hope of getting more business at subsequently better prices.
- g) Offset Pricing is quite similar to diversionary pricing in which a basic low price is quoted but the extra services are rather highly priced. A gynecologist may charge a low fee for the nine months of pregnancy through which she regularly checks her patient, but many charge extra for performing the actual delivery and post-delivery visits.
- h) Price Bundling: Some services are consumed more effectively in combination with other services. When customer perceives value in package of services that are interrelated, price bundling is an appropriate strategy. It basically means pricing and selling services as a group rather than individually.

3. Place or Distribution

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

Methods of distribution in Services

Distribution in services can be broadly classified into two categories- direct sales and sales via intermediaries.

1) Direct Sales

Direct sales has specific marketing advantages as they help in maintaining better control over how the service is provided or performed and also in obtaining direct feedback from customers. There are obvious problems also in direct sales, like; problems of expanding the business and coping with high workloads where the services of a particular individual may be in demand or direct sale means limited geographic market coverage. The following are the means of direct sales method.

a) Direct Sales through Electronic Channel

To overcome location problems, companies are exploring possibilities of direct sales through electronic channels. The typical benefits the companies see in electronic distribution of services are:

- Consistent delivery for standardized services
- Low cost
- Customer convenience
- Wide distribution

b) Franchising

Franchising is the granting of rights to another person or institution to exploit a trade name, trade mark or product in return for a lump-sum payment or a royalty. Franchise is characterized by the following features:

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

c) Quasi Retailing

The quasi-retail outlets, sell services rather than goods, like Hairdressers, Amusement arcades Travel Agents, Employment agencies, Car hire agencies, Hotels, Restaurants, Driving Schools.

2) Sales via Intermediaries

Majority of the goods are services are made available to the customers through intermediaries. The following are the dominating intermediaries in the market.

Key Issues Involving Intermediaries

The following are the major issues which should be addressed before hand in deciding the distribution strategy involving intermediaries

- conflict over objectives and performance
- conflict over costs and rewards
- control of service quality
- empowerment versus control
- channel ambiguity

A service organization can develop an effective channel system if it helps the intermediary to develop customer-based service processes by providing the required support. Also through training it may develop the intermediary to deliver service quality and gradually move to a cooperative management system and controls.

Agent: An agent is an independent intermediary, who may act in the name of, or for a principal. His contract will define these provisions along with territorial rights, exclusivity and sales commissions.

Broker: A broker is an independent intermediary between buyer and seller who bring parties together to facilitate the conclusion of sales contract. A broker may have continuing relationship for his client under a contract period; for which he may charge fee for assistance. Alternately, a broker may be for a special job to be undertaken.

Functions of Agents and Brokers

The major function of these agents and brokers is, like any other intermediary, to bring the producer of service and the user or consumer together. For certain services, agents can be identified and deployed with selling as the chief function to be performed by them. These agents can be compared with the agents for goods and they are classified as brokers or sales agents. The example of this kind of channel is transportation (travel agents) and office or factory workers (employment agencies). In case of certain services, actual product is not transferable and therefore tangible representations are created and transferred. This type of channel is used for marketing insurance services, where a contract document exists as a physical and tangible representation of the services.

Another characteristic of services is that the services are generally not delivered to the buyer and the creation of time and place utilities is a vital function in the services marketing. Irrespective of whether one uses agents or middlemen or direct sales channel the factor of location keeping in view the potential markets will be the most significant factor in channel selection decision. Duane David et.al, are of the view that location considerations along with personal sources of information are two of the critical factors in final purchase decision of many services. The problem of standardization and uniformity restrains the service organization to use middlemen to any great extent and limit the geographical area which the service organisations propose to reach and cover. This lays emphasis on the significance of good selection to attain maximum coverage at the market place. Banking organizations have started reliving this fact and introduced extension counters, mobile banking apart from opening branches in rural areas.

Promotion

Promotion mix, as it is mentioned the aspect of selling and advertising, or communicating the benefits of the product or service, to the target customers or the market segment involved in order to persuade them to purchase such products or services.

Promotion Objectives

1. Develop personal relations with client (personal relations might result in satisfaction, more than their service offer).
2. Make a strong impression of competency, honesty and sincerity (professional orientation to service transaction so as to win buyers confidence in sellers abilities to deliver the services).
3. Should be able to use indirect selling techniques (creating derived demand or act as a buying consultant).
4. Manage to maintain a fine image by positive word of mouth.
5. Packaging and customization.

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

- a) use simple, clear messages;
- b) emphasise the benefits of service;
- c) promise only that which can be delivered and do not exaggerate claims;
- d) build on word-of-mouth communication by using testimony of actual consumers in advertisements; and
- e) provide tangible clues to services by using well-known personalities or objects to help customers identify the service.

Target Audience

While defining the objectives of the communication campaign, the target audience is to be cleared. In service sectors there is a direct contact between the person who provides the service and the customers.

Therefore, some amount of promotion should be targeted at the employees so as to motivate them to serve the customer better. In such communications the objective can also be to educate the employees about how to handle operational problems so as to increase their performance level.

Promotion Mix

Advertising

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

Objectives of advertising have been identified as:

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

Word of Mouth (WOM)

Word of mouth plays an important role in promoting services. Services are adopted, if not more, as much because of word of mouth communications as because of active promotion by marketers. However, people seldom pass on information about a product or service without some reasons. Managers who want to take advantage of word of mouth communication should make specific efforts in this direction. Given below are some suggestions for stimulating a positive word of mouth (apart from providing excellent service quality)

- Offering a gift, discount or other reward to customers who bring in new customers.
- Asking customers who express satisfaction, to tell their friends.
- Running a newsletter and asking customers to contribute. Contribution may be in terms of letters, stories or ideas. This can also be done through website.
- Reward your regular customers with some freebies.
- Target opinion formers.

3 Additional Ps of Service Marketing

For service sector, it is observed that the traditional marketing mix is inadequate because of three main reasons. The first reason is that the original marketing mix was developed for manufacturing industries, which implies that the services offered by service companies ought to be changed in a more product like manner so that the existing marketing tools can be applied. The second reason is that the marketing practitioners in the service sector found that the marketing mix does not address to their needs. They observed that the services have certain basic characteristics, which in turn have marketing implications. For example there is a problem as regard to maintaining the quality due to lack of standardization or services can't be inventoried, patented or transferred. The third reason is that since services are basically different in comparison to physical products the marketing models and concepts have, therefore, to be developed in direction of the service sector. In order to solve these problems, 3 more additional Ps were developed. They are –

1. People
2. Physical evidence, and
3. Process.

Let us have a brief description of each of them.

1. People

People constitute an important dimension in the management of services in their role both as performers of service and as customers.

a. Performers of service / Service Personnel

Service Personnel are important in all organisations but more so in an organisation involved in providing services. The behaviour and attitude of the personnel providing the service is an important influence on the customers' overall perception of the service and he can rarely distinguish between the actual service rendered and the human element involved in it. Service personnel are two types- visible service personnel and non-visible service personnel.

In a restaurant the waiters are visible while the cook in the kitchen is not. As a marketing manager you have to devote more time training the visible personnel, since they have greater responsibility in maintaining relations with the customer. The rice dish which is not cooked properly is the cook's fault but it is the waiter who will have to bear the brunt of the customers' anger. The manner in which the waiter behaves with the customer will be an important determinant in the restaurant losing that customer forever or retaining him as a regular client. As a marketing manager your primary concern is the visible service personnel.

c. Customers

Customers are important because they are a source of influencing other customers. In the case of doctors, lawyers, consultants one satisfied customer will lead to a chain reaction, bringing in his wake a number of other customers. Thus as a marketing manager, your first task should be to ensure complete satisfaction of the existing customers. The kind of customers that you attract exerts an important influence on prospective customers. The prospective customer may feel attracted towards the organisation (it may be a restaurant, club, school, college) because it has his 'type' of customer.

2. Physical Evidence

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

1. peripheral evidence, and
2. essential evidence

Peripheral evidence is actually possessed as a part of the purchase of service but by itself is of no value. Airline ticket, cheque book, receipt for a confirmed reservation in a hotel are examples of peripheral evidence. A cheque book is of value only if you have money in

the bank-without that it is of no significance. Peripheral evidence adds on to the - value of essential evidence. In a hotel you may find matchbox, writing pad, pen, complimentary flowers and drinks, which you may take away. These are

Representations of peripheral evidence. Peripheral evidence is possessed and taken away by the customer, but essential evidence cannot be possessed by the customer; the building, its size and design, interior layout and decor, logo and mnemonic device of the organisations are constituents of the essential evidence. The essential evidence is a very critical input in determining the atmosphere and environment of the service organisation.

It is the duty of a marketing manager to manage the physical evidence in order to create the ideal environment for the service. It can be done in two ways: one by making the service more tangible, and two, by making it easier for the customer to grasp the concept of the service.

One obvious way of making the service more tangible is by developing a tangible representation of the. Service as is done in case of credit cards. Credit cards have a physical entity and are identifiable by their brand name and distinct looks of the card. Other ways by which a service can be made more tangible is by standardizing the physical attributes such as location, interior decor, colour scheme etc. Most airlines use a dress for all their staff to help create a sense of a uniformity.

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

3.Process

In a service organization, the system by which you receive delivery of the service constitutes the process. For example, in fast food outlets the process comprises buying the coupons at one counter and picking up the food against that at another counter. Services can be described on the basis of the types of processes used in the delivery of the services.

There are three kinds of delivery processes that are applicable in case of service products. They are line operations, job shop operations and intermittent operations. Self-service restaurants are examples of line operations. The consumer moves through logically arranged operations which are arranged in a sequence. When the consumers require a combination of services using different sequences, the job shop type of operation is more useful. Hospitals, restaurants and educational institutions usually have this type of delivery process. In a hospital, some patients need only consultation in the Out Patient Department, some others may need consultation as well as medication or X-ray, some patients require hospitalization or surgery, medication or investigations. All these categories of consumers require a different combination of dishes. A college may offer courses for full-time students

as well as for working people through correspondence. Firms offering consultancy for projects use this kind of delivery system. Advertising agencies also use the intermittent delivery system since each advertising campaign requires a unique set of input factors.

A manager has to take interest in optimising the efficiency of the organization without sacrificing the qualitative aspect. Some of the critical questions you need to focus upon are

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

Module 3

Tourism management

Tourism is travel for recreational, leisure, or business purposes, usually of a limited duration. Tourism comprises the activities of persons traveling to, and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes. The World Tourism Organization defines tourists as people "traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes". Tourism has become a popular global leisure activity. Tourism can be domestic or international,. Today, tourism is major source of income for many countries, and affects the economy of both the source and host countries.

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

- 1) Tourism accounts for nearly 6% of world trade.
- 2) Bulk of the tourism business is located in Europe and North America, with 1/8 of the market share being shared between the other world regions.
- 3) The highest growth rate in tourism in recent years has been in the third world.
- 4) Tourism, like most pure services, because of the characteristic of inseparability, exemplifies a product which cannot be sampled before purchase, the prospective consumers have to travel to a foreign destination. In order to consume the product. Technology today provides the opportunity of some assessment of sorts, through net generated images and rich information. While these do provide some basis for evaluation, only the actual transaction of the service act would lead to realistic assessment of the product.
- 5) The major players in the tourism market include a number of intermediary companies. Some of them transnational in character, some of them exhibit vertical integration, both backward and forward, acquiring interests in all major sectors in this service industry.

Reason for increasing importance of Tourism

a) Income Levels

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

b) More Leisure time

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

c) Mobility

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

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

e) Growth of Business

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

f) Tourism Motivation

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

History and development of tourism

Leisure travel was associated with the Industrial Revolution in the United Kingdom – the first European country to promote leisure time to the increasing industrial population. Initially, this applied to the owners of the machinery of production, the economic oligarchy, the factory owners and the traders. These comprised the new middle class. Cox & Kings was the first official travel company to be formed in 1758

The developments in technology and transport infrastructure, such as jumbo jets, low-cost airlines and more accessible airports have made many types of tourism more affordable. The WHO estimated in 2009 that there are around half a million people on board aircraft at any given time. There have also been changes in lifestyle, for example some retirement-age people sustain year round tourism. The advent of information and communication technology has accelerated tourism industry in the world. Today a tourist can decide the tourist destination and schedule his trip sitting his own house.

Segmentation in the Tourism market

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

and airlines Using this criterion segments have been identified as travel for business, vacation, convention, personal emergencies, visits to relatives and other types.

Most popular categories of tourism

The Tourism industry has developed through the years and presently is one of the most diversified, customized and specialized industries. Let us have a brief description of some of the most popular types of tourism worldwide where tourists are categorized by the purpose of their visit.

a. Leisure Tourism

Leisure time can be defined as “*free time*”, not doing any work. It is that time to do things that you normally have no time for in your daily life. Leisure tourism includes a holiday with the following:

- Leisure activities
- Relaxation: Sleep, relax, reading, walk on the beach, taking a scenic drive
- Sport activities: hiking, swimming, surfing, running
- Visit places of interest and local attractions
- Visiting friends and relatives
- Shopping for goods that will be used by the tourist.

b. Business Tourism

Business tourism can be defined as “*travel for the purpose of business*”. Business Tourism can be divided into three sections:

- Trading for goods to be resold on a wholesale basis
- Conduct business transactions e.g. visiting a client, contract negotiations.
- Attending a conference, exhibition or event associated with their business.

c. Medical Tourism

Medical Tourism involves people who travel to a different place to receive treatment for a disease, health condition, or a surgical procedure, and who are seeking lower cost of healthcare and higher quality of care. Favorite procedures in medical tourism include Cardiology, Cardiothoracic, Cosmetic Surgery, Plastic and Reconstructive Surgery, Weight Loss, Neuron, Eye, Orthopedic Surgery, as well as Organ Transplants (kidney). Medical Tourism services include medical facilitation, travel arrangements, accommodation, transportation and tour packages.

c. Cultural Tourism

Cultural tourism or sometimes referred to as heritage tourism is the division of tourism concerned with the region’s culture, specifically the lifestyle and history of the people, their art, architecture, religion and other elements. Cultural tourism includes cultural facilities such as museums, theatres and festivals. This is one of the most popular types of tourism and attracts tourists from different parts of the world.

d. Adventure Tourism

Adventure tourism is an outdoor activity that generally takes place in an unusual, remote or a wilderness area. This adventurous activity can take place in the sea, in rivers, in the air, in mountains and is associated with low or high levels of physical activity. There are many types of products and services that fall within the Adventure Tourism category such as: bungee jumping, mountaineering expeditions, rafting, rock climbing, diving, wind surfing, paragliding and many more.

e. Wellness Tourism

Wellness tourism is one of the fastest growing forms of international and domestic tourism. This form of tourism involves people who travel to a different place to pursue activities that maintain or enhance their personal health and wellness, and who are seeking unique, authentic or location-based experiences. Wellness tourism include massages, body treatments, facial treatments, exercise facilities & programs, weight loss programs, nutrition programs, pre- and post-operative Spa treatments and mind/body programs.

f. Eco Tourism

Ecotourism is “Responsible travel to natural areas that conserves the environment and improves the well-being of local people.” The purpose of ecotourism is to educate the traveler about natural destinations, to provide ecological conservation and awareness, to benefit economic development, the political empowerment of local communities and respect for the local culture. Here the traveler can experience the natural way of life surrounded by natural circumstances.

g. Sports Tourism

Sports tourism refers to international travel either for viewing or participating in a sporting event. Examples include international sporting events such as the Olympics, world cup (soccer, rugby, and cricket), tennis, golf and Formula 1 Grand Prix.

h. Religious Tourism

Religious Tourism or faith tourism are people of faith who travel on their own or in groups to holy cities or holy sites for pilgrimages, crusades, conventions, retreats, religious tourist attractions or missionary work.

i. Wildlife Tourism

Wildlife tourism is the observation of wild (non-domestic) animals in their natural environment or in captivity. It includes activities such as photography, viewing and feeding of animals. This form of tourism offer tourists customized tour packages and safaris and is closely associated with eco-tourism and sustainable-tourism. Other minor forms of tourism include Slum tourism, Luxury tourism, Agritourism, Geo-tourism, culinary tourism and many more. Tourism is also a profitable industry for the following sectors: accommodation venues, tour guides, recreation, attractions, events and conferences, food and beverage, transportation and the travel trade.

Impact of tourism

1. Economic

Tourism increases employment opportunities. Additional jobs, ranging from low-wage entry-level to high-paying professional positions in management and technical fields, generate income and raise standards of living. Particularly in rural areas, the diversification created by tourism helps communities that are possibly dependent on only one industry. As tourism grows, additional opportunities are created for investment, development, and infrastructure spending. Tourism often induces improvements in public utilities such as water, sewer, sidewalks, lighting, parking, public restrooms, litter control, and landscaping. Such improvements benefit tourists and residents alike. Likewise, tourism encourages improvements in transport infrastructure resulting in upgraded roads, airports, public transportation, and non-traditional transportation. Tourism encourages new elements to join the retail mix, increasing opportunities for shopping and adding healthy competitiveness. It often increases a community's tax revenues. Lodging and sales taxes most notably increase but additional tax revenues include air travel and other transportation taxes, business taxes, and fuel taxes. New jobs generate more income tax revenues.

. Jobs created by tourism are often seasonal and poorly paid, yet tourism can push up local property prices and the cost of goods and services. Money generated by tourism does not always benefit the local community, as some of it leaks out to huge international companies, such as hotel chains. Destinations dependent on tourism can be adversely affected by events such as terrorism, natural disasters and economic recession.

2. Social and Cultural

Arrival of tourists brings diverse values to the community and influence behaviors and family life. Individuals and the collective community might try to please tourists or adopt tourist behaviors. Interactions between residents and tourists can impact creative expression by providing new opportunities (positive) or by stifling individuality with new restrictions (negative). Increased tourism can push a community to adopt a different moral conduct such as improved understanding between sexes (positive) or increased illegal drug use (negative). Safety and health facilities and staffing tend to increase at the same time safety problems such as crime and accidents increase. Traditional ceremonies may be renewed and revived by tourist interest or lost in alternative activities. Community organizations can be invigorated by facing the opportunities of tourism or overwhelmed by its associated problems. Calamities such as natural disasters, energy shortages, terrorism, political upheaval, disease outbreak, a chemical spill, or even widespread negative publicity could shut down tourism abruptly but sometimes can attract curious visitors. Tourism can improve the quality of life in an area by increasing the number of attractions, recreational opportunities, and services. Tourism offers residents opportunities to meet interesting people, make friendships, learn about the world, and expose themselves to new perspectives. Experiencing different cultural practices enriches experiences, broadens horizons, and increases insight and appreciation for different approaches to living. Often, dwindling interest in host cultures is revived by reawakening

cultural heritage as part of tourism development, which increases demand for historical and cultural exhibits. This interest by tourists in local culture and history provides opportunities to support preservation of historical artifacts and architecture. By learning more about others, their differences become less threatening and more interesting. At the same time, tourism often promotes higher levels of psychological satisfaction from opportunities created by tourism development and through interactions with travelers.

3. Environmental

Areas with high-value natural resources, like oceans, lakes, waterfalls, mountains, unique flora and fauna, and great scenic beauty attract tourists and new residents (immigrants) who seek emotional and spiritual connections with nature. Because these people value nature, selected natural environments are preserved, protected, and kept from further ecological decline. Lands that could be developed can generate income by accommodating the recreational activities of visitors. Tourist income often makes it possible to preserve and restore historic buildings and monuments. Improvements in the area's appearance through cleanup or repairs and the addition of public art such as murals, water fountains, and monuments (part of making a community ready for tourism) benefit visitors and residents alike. Tourism is generally considered a "clean" industry, one that is based on hotels, restaurants, shops and attractions, instead of factories.

Tourism can also degrade an environment. Visitors generate waste and pollution (air, water, solid waste, noise, and visual). Natural resource attractions can be jeopardized through improper uses or overuse. Providing tourist services can alter the landscape's appearance. For instance, visual pollution may occur from billboard proliferation. As tourism develops, demand for land increases, especially for prime locations like beachfronts, special views, and mountains. Without forethought, natural landscape and open space can be lost. The destruction or loss of flora and fauna can happen when desirable plants and animals are collected for sale or the land is trampled. Tourists or the businesses that cater to them often remove plants, animals, rocks, fossils, coral, and cultural or historical artifacts from an area. Uncontrolled visitation or overuse by visitors can degrade landscapes, historic sites, and monuments. Where water is scarce, tourists can overwhelm the available supply. Travelers can also inadvertently introduce non-indigenous species, as can increases in the trade of animals and plants. A constant stream of visitors and domestic pets may disrupt wildlife by disturbing their breeding cycles and altering natural behaviors.

Travel agency

A travel agency is a private retailer or public service that provides travel and tourism related services to the public on behalf of suppliers such as airlines, car rentals, cruise lines, hotels, railways, and package tours. In addition to dealing with ordinary tourists most travel agencies have a separate department devoted to making travel arrangements for business travelers and some travel agencies specialize in commercial and business travel only. There are also travel agencies that serve as general sales agents for foreign travel companies, allowing them to have offices in countries other than where

their headquarters are located. A travel agency may offer every possible service or specializes in a certain type of business. In that sense travel agencies can be divided into different types according to the services they offer. Here are some examples:

Full-service travel agency

- Offering all services and products related to international and domestic travel.
- is equipped to handle all types of travel such as holiday and business travel on individual or group based.
- smaller agencies situated in residential areas tend to concentrate on leisure travel.
- larger agencies serving commercial areas will concentrate on business travel.

Corporate/ Business travel agency

- specialize solely in servicing the travel needs of the business or corporate clients, in that sense they deal with work-related and incentive travel

In-house travel agency

- differs from the corporate travel agency in the sense that they work with only one corporate account doing mainly business travel but also handling the leisure side for corporate clients

Specialty agencies

- result of specific market needs, serving the needs of market segments such as senior citizens, incentive groups or adventure travellers.

Tour guide

A tour guide or tourist guide provides assistance, information and cultural, historical and contemporary heritage interpretation to people on organized tours and individual clients at educational establishments, religious and historical sites, museums, and at venues of other significant interest. The CEN (European Committee for Standardization) definition for "tourist guide"– is:

Tourist guide = person who guides visitors in the language of their choice and interprets the cultural and natural heritage of an area, which person normally possesses an area-specific qualification usually issued and/or recognized by the appropriate authority

CEN also produced a definition for "tour manager":

Tour manager = person who manages and supervises the itinerary on behalf of the tour operator, ensuring the programme is carried out as described in the tour operator's literature and sold to the traveller/consumer and who gives local practical information.

Hotel

Hotels are a vital and essential part of the tourism industry. A hotel is an establishment that provides lodging paid on a short-term basis.

Types of hotels

1. One star hotels

These hotels belong to the no-frills variety that offers basic bedding and bathroom facilities. The furniture, décor, etc. may not be of high quality, but is mostly comfortable. Arrangements for meals may or may not be included.

2. Two star hotels

. The extra star here is for a proper reception desk and some amount of staff presence. Two star hotels are suitable for people with limited budgets but who are travelling with their families and need a reasonably safe place to stay

3. Three star hotels

Three star hotels are mostly good for business travellers who are travelling for a short period on business. They are also a good option for female travellers who are travelling alone and don't want the tension of staying at a place where their security could be at risk or their belongings unsafe. Three-star hotels are generally part of a larger chain and have footprints in more than one location.

4. Four star hotels

The premium variety of hotels starts from here. There will be larger rooms, better décor, more amenities, and better services like availability of porters, 24-hour room service, laundry, and multi-cuisine restaurants. Four star hotels are mostly used by corporate travellers where the company pays for the stay.

5. Five star hotels

Five star hotels are top level hotels. Breakfast served in bed, shoes polished, clothes washed and facilities for getting almost. Other facilities include huge lobbies, round-the-clock room service, swimming pools, gyms, sauna, spas, badminton/tennis courts, beauty salons – etc. The staff in these hotels mostly comprises hotel management graduates from the best schools, well-trained in customer service, crisis management, etc. The clientele that five star hotels cater to include big names from fields of entertainment, business, and sports.

6. Five star deluxe hotels

This type of hotels caters to the movers and shakers of the world. A private balcony, fully stocked mini-bar, personal masseur, king-sized beds – these are just some of the rare luxuries you can treat yourself to at a five star deluxe hotel. The most well-known brands belonging to this category include the Taj, Hilton, Leela Palace, Grand Hyatt.

Hotel Pricing and Distribution

Pricing

It is difficult for a hotel to exercise differential pricing except for certain specific purpose. These may typically be differentials in tariffs and prices during the peak and lean

seasons; group rates; contract rates for airline crew; special conference rates or special concessions to attract customers etc. However, by and large, hotel pricing tends to follow or conform to pricing standards applicable to the particular city area or resort, to competitive hotels, to the amount of traffic being generated in the hotel location, tourist location, international or national conference venue, and so on. Nevertheless, hotel pricing also suffers from a degree of lack of flexibility, although to a lesser extent than that of the hotel product. The depreciated valuation of the hotel property, its financial management efficiencies, credit policies and other factors, specially cost of empty room-nights, fixed overheads, also have a bearing on tariffs and menu prices.

Distribution

Hotel distribution relies on interdependence with other industries serving travellers and tourists such as the transportation industry (airlines, railways, roadways, shipping lines), travel agents and tour operators, national and state tourism organisations, shopping and entertainment providers. In sum, those services which provide certain other facilities to the traveller or the tourist which are bought when accommodation and food are assured.

Communications

This element of the hotel marketing mix is the most important one as it is directly responsible for bringing customers to the hotel. Hotel marketing communications are either direct or indirect. The direct communications are through personal selling, advertising, sales promotion and direct mail. Appropriate messages are conveyed to those who are potential buyers of the hotel product and those who directly influence decisions to buy the hotel product. Personal selling of the hotel product is effective when long-term relationship between the hotel and the customer is sought. It is also required where the level of business per customer is likely to be significant. Indirect marketing communications for hotels include public relations and publicity, both of which may and may not form a part of the hotel's marketing communication programme but may function independently. The major elements of the hotel communication mix thus are – mass media advertising, direct mail, sales promotion, public relations, and publicity.

Module 4

Financial services

Financial services are the economic services provided by the finance industry, which encompasses a broad range of organizations that manage money, including credit unions, banks, credit card companies, insurance companies, accounting companies, consumer finance companies, stock brokers, investment funds and some government sponsored enterprises.

Following is the list of some typical financial products available in the market.

- Savings and Recurring Account
- Current Account
- Fixed Deposits
- Retail Loan Products
- Commercial Loans
- Leasing and Hire Purchase
- Credit Cards
- Insurance
- Mutual Funds

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

Branding of Financial Products / Services

Branding is a major input in the marketing strategy of commercial products, can be successfully used in the marketing of financial services too. Brand is a broad term that includes practically all means of identifying a product e.g., the LIC logo, Citibank's "City" – schemes, Canara Bank's "Can"-etc.

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

A successful brand will be demanded by a consumer even if the price is slightly higher. Trust is the key element if people are expected to part with their money. A good name evokes that trust and gives the investors' confidence that their money will be safe. Branding, especially umbrella branding, helps the consumers to decide whether to buy a product when the new

product quality cannot be determined prior to purchase. Another strong advantage of branding is that good brands help to build the company's corporate image. In umbrella branding, the advertising and promotion costs of subsequent products can be reduced considerably. This is because the brand-name recognition and preference is already there.

Pricing of Banking products / services

Pricing affects the product cost and also plays a key role in decision making of the buyers (customers). Pricing is affected by competition, seasonality and general trend of demand and supply. It can be said that the price is determined by cost, demand and competition in the market.

1. Market based pricing system.

In order to understand consumers based inputs on pricing system, we should also take into account the market related pricing systems which adopt one or more of the following approaches

- i) Perceived value pricing
- ii) Psychological pricing
- iii) Promotional pricing
- iv) Skimming

2. Cost Based Pricing

These are the main cost based pricing methods.

- 1) Standard cost pricing
- 2) Cost-plus pricing
- 3) Break-even analysis

Promotion of Banking products and services

The promotion efforts include the marketing communication through

- Advertising
- Sales Promotion
- Personal Selling
- Publicity
- Bank's internal communication process, etc.

These elements of promotion serve as the link between the Bank and the target segment of its market (customers). promotion does not mean only advertisements but a Bank's conscious communication efforts towards integrating its marketing strategies with business plans. Promotion thus means the Bank's well organized, planned and goal oriented communication efforts which must be in congruence with its overall business goals and objectives in the desired market area keeping specific needs of customer in mind.

Advertising

Advertising is a very effective and most frequently used promotional tool in marketing of banking services; it is desirable to measure the effectiveness (impact) of an advertisement campaign. For this there cannot be any one criterion to assess the effectiveness. Normally below mentioned methods are used to measure effectiveness of advertising.

Sales Promotion

Advertising and Sales Promotion as parts of the marketing mix are integrated with the marketing objectives and they are often co-ordinate with other selling efforts. As the name suggests, sales promotion is a collective name given to all measures used to promote the sales. Any sales by an intending seller of a product presupposes a corresponding buyer and, therefore, to sell anything the buyer has to be made aware about the product and its advantages to the buyer. The visible benefits of the product have to be demonstrated to facilitate buyer's decision to buy that product.

Personal Selling

Sales promotion also can be done through personal selling. In banking context, it is the person at the counter who is the primary contact point with both existing and potential buyers (customers). Well informed and well-trained staff at the counter, eager to explain the schemes to the customer using smile, courtesy and proper communication process can ensure successful sales promotion through personal selling, within the branch, across the counter.

Internal Communication

Internal communication is another form of sales promotion. In order to supplement external communication measures, most of the banks also have internal communication strategies in the form of an annual budget or business and corporate plan which spell out its goals, objectives and targets during the financial year.

Offshore bank

An offshore bank is a bank located outside the country of residence of the depositor, typically in a low tax jurisdiction (or tax haven) that provides financial and legal advantages. These advantages typically include:

- greater privacy
- low or no taxation
- easy access to deposits
- protection against local, political, or financial instability

While the term originates from the Channel Islands being "offshore" from the United Kingdom, and most offshore banks are located in island nations to this day, the term is used figuratively to refer to such banks regardless of location, including Swiss banks and those of other landlocked nations such as Luxembourg and Andorra.

Offshore banking has often been associated with the underground economy and organized crime, via tax evasion and money laundering; however, legally, offshore banking does not prevent assets from being subject to personal income tax on interest. Except for certain persons who meet fairly complex requirements, the personal income tax of many countries makes no distinction between interest earned in local banks and those earned abroad. Although offshore banks may decide not to report income to other tax authorities, and have no legal obligation to do so as they are protected by bank

secrecy, this does not make the non-declaration of the income by the tax-payer or the evasion of the tax on that income legal. Following September 11, 2001, there have been many calls for more regulation on international finance, in particular concerning offshore banks, tax havens, and clearing houses such as Clear stream, based in Luxembourg, being possible crossroads for major illegal money flows.

Retail banking

Retail banking is when a bank executes transactions directly with consumers, rather than corporations or other banks. Services offered include savings and transactional accounts, mortgages, personal loans, debit cards and credit cards . The term is generally used to distinguish these banking services from investment banking, commercial banking or wholesale banking. It may also be used to refer to a division of a bank dealing with retail customers and can also be termed as Personal Banking services.

Retail banking aims to be the one-stop shop for as many financial services as possible on behalf of retail clients. Some retail banks have even made a push into investment services such as wealth management, brokerage accounts, private banking and retirement planning. While some of these ancillary services are outsourced to third parties (often for regulatory reasons), they often interlink with core retail banking accounts like checking and savings to allow for easier transfers and maintenance.

Current Banking scenario in India

The economic growth of the country is an apt indicator for the growth of the banking sector. The growth rate of country's banking industry (34%) is expected to reflect this growth. The onus for this lies in the capabilities of the Reserve Bank of India as an able central regulatory authority, whose policies have shielded Indian banks from excessive leveraging and making high risk investments. The competitive scenario in India is strong, with the landscape primarily dominated by government banks. Market entry at the country level is expected to be tough for new players due to the moderately consolidated nature of the industry and extremely high competition. The key challenges for the industry are to reduce NPAs, increase financial inclusion and raise capital for the Basel III compliance.

The overall impact of suggested changes in the 2012–13 Union Budget is expected to be positive. These changes are mostly focused on financial inclusion through expansion into rural areas, and bringing stability by boosting credit growth 35. This may enable banks to meet the increasing demand for credit in the economy and comply with the Basel III norms. According to the top consulting firms, the growth of Indian banks, especially in the public sector, can be optimised through increasing productivity and efficient human resource management. Banks need to hire employees with both core and specialist skills, while simultaneously working to control erosion. Further, banks need to optimise the time and cost of performing non consumer activities with the help of special tools and revamping existing knowledge processes. Sustained government support and a careful re-evaluation of existing business strategies can help the Indian banks achieve strong growth.

Module 5

Insurance Service

Insurance is the equitable transfer of the risk of a loss, from one entity to another in exchange for payment. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss.

According to The Chartered Insurance Institute, there are the following categories of risk.

1. Financial risks which means that the risk must have financial measurement.
2. Pure risks which means that the risk must be real and not related to gambling.
3. Particular risks which mean that these risks are not widespread in their effect, for example such as earthquake risk for the region prone to it.

It is commonly accepted that only financial, pure and particular risks are insurable. An insurer, or insurance carrier, is a company selling the insurance; the insured, or policyholder, is the person or entity buying the insurance policy. The amount of money to be charged for a certain amount of insurance coverage is called the premium. Risk management, the practice of appraising and controlling risk, has evolved as a discrete field of study and practice.

The transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate (indemnify) the insured in the case of a financial (personal) loss. The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated.

Types of Insurance

There are many general insurance products in the market. General insurance is broadly defined as non-life insurance policies and life insurance policies. Products vary between companies, and consumers should always read their Product Disclosure Statement (PDS) before they purchase cover. Consumers should always purchase cover appropriate to their risk. The main forms of general insurance are: Home and Contents Insurance, Motor Vehicle Insurance, Business Insurance, Mortgage Loss Insurance/Lender's Mortgage Insurance/ Mortgage Protection Insurance, Workers Compensation and Travel Insurance. There is no one product that is appropriate for everyone. Consumers should shop around to ensure the product they choose is appropriate to their situation and level of risk.

Non-Life Insurance Policies

1. Home and contents insurance

Home and contents insurance is important cover and should be considered by all consumers. It seeks to cover the insured for damage to their home as well as the contents of the home. Consumers should ensure they have appropriate level of cover for their home to

ensure they are not underinsured. Insurance cover should always match the replacement cost of the property. Underinsurance could result in consumers paying the gap between their insurance pay-out and the building costs. Contents insurance should be considered by all consumers, including tenants and renters, who often neglect to insure their household items. It has its limits and consumers should contact their insurer if they have any special items they would like insured separately, such as expensive jewellery or works of art. The Product Disclosure Statement (PDS) will outline the limits and exclusions of the policy.

2. Motor Vehicle Insurance

There are four types of motor vehicle insurance: Compulsory Third Party (CTP) Insurance; Comprehensive Insurance; Fire and Theft Only; and Third Party Property Only. Consumers should shop around and ensure they purchase cover appropriate to their situation.

a.CTP

CTP is mandatory in all States and Territories and provides compensation for bodily injuries caused by vehicles. It does not provide cover for any damage to the vehicle and therefore other forms of motor vehicle insurance should also be purchased.

b. Comprehensive Insurance

Comprehensive Insurance can cover damage to vehicles, theft of vehicles, collision, malicious damage and weather damage. Depending on the policy, it can cover damage caused to other vehicles.

c.Fire and Theft Only

Fire and Theft only is a limited form of insurance that only covers for fire damage to, and theft of, vehicles. It does not cover collision damage to vehicles.

d. Third Party insurance

Third Party Property insurance provides cover for vehicles damaged by the policyholder's vehicle. It does not provide cover for the policyholder's own vehicle. This product is generally only taken out by consumers with a low value vehicle, protecting themselves against damage to other motorists.

3. Business insurance

Business insurance is important for many business owners to appropriately mitigate risk and protect their livelihoods. Insurance companies provide a variety of policies that cover small businesses, trades people, professionals, hospitality operators and more. It is taken out by many businesses to ensure they can cover a variety of unforeseen circumstances, such as fire, theft, accidental damage, equipment breakdown, property damage, third party cover and more.

4. Work Cover Insurance

Workers Compensation is mandatory insurance provided by employers to cover injuries caused to their employees while working. It provides protection for both employees

and employers. Each State and Territory manages Workers Compensation differently and has its own legislation and governing body. Businesses can self-insure. However, they are still accountable to the same State or Territory based laws. In the event of injury, employees are required to contact their employer within a given time frame. Claims can be paid out in the form of weekly benefits, hospital expenses, lump sum payments, and more.

5. Travel insurance

Travel insurance is important for any consumers travelling for recreation or business. It covers instances such as: trip cancellation/interruption, medical expenses, baggage damage/theft, and others. Products vary between companies and every policy contains its own exclusions. Consumers should check their Product Disclosure Statement (PDS) before purchasing a particular product. Products are based on the age and health of the insured, the travel destination as well as the length of stay. To receive appropriate cover, consumers must seek out the right cover and honestly appraise their situation.

Life Insurance

Life insurance is a contract between an insured (insurance policy holder) and an insurer or assurer, where the insurer promises to pay a designated beneficiary a sum of money (the "benefits") in exchange for a premium, upon the death of the insured person. Depending on the contract, other events such as terminal illness or critical illness may also trigger payment. The policy holder typically pays a premium, either regularly or as a lump sum. Other expenses (such as funeral expenses) are also sometimes included in the benefits.

Life policies are legal contracts and the terms of the contract describe the limitations of the insured events. Specific exclusions are often written into the contract to limit the liability of the insurer; common examples are claims relating to suicide, fraud, war, riot, and civil commotion.

Life-based contracts tend to fall into two major categories:

- Protection policies – designed to provide a benefit in the event of specified event, typically a lump sum payment. A common form of this design is term insurance.
- Investment policies – where the main objective is to facilitate the growth of capital by regular or single premiums. Common forms are whole life, universal life, and variable life policies.

Various types of life insurance policies

These are the basic types of life insurance policies. All other life insurance policies are built around these basic insurance policies by combination of various other features.

1. Term Insurance Policy

A term insurance policy is a pure risk cover policy that protects the person insured for a specific period of time. In such type of a life insurance policy, a fixed sum of money called the sum assured is paid to the beneficiaries (family) if the policyholder expires within the

policy term. For instance, if a person buys aRs 2 lakh policies for 15 years, his family is entitled to the sum of Rs 2 lakh if he dies within that 15-year period. If the policy holder survives the 15-year period, the premiums paid are not returned back. The advantage, apart from the financial security for an individual's family is that the premiums paid are exempt from tax. These insurance policies are designed to provide 100 per cent risk cover and hence they do not have any additional charges other than the basic ones. This makes premiums paid under such life insurance policies the lowest in the life insurance category.

2. Whole Life Policy

A whole life policy covers a policyholder against death, throughout his life term. The advantage that an individual gets when he / she opts for a whole life policy is that the validity of this life insurance policy is not defined and hence the individual enjoys the life cover throughout his or her life. Under this life insurance policy, the policyholder pays regular premiums until his death, upon which the corpus is paid to the family. The policy does not expire till the time any unfortunate event occurs with the individual. Increasingly, whole life policies are being combined with other insurance products to address a variety of needs such as retirement planning, etc. Premiums paid under the whole life policies are tax exempt.

3. Endowment Policy

Endowment policies are among the popular life insurance policies. Policy holders benefit in two ways from a pure endowment insurance policy. In case of death during the tenure, the beneficiary gets the sum assured. If the individual survives the policy tenure, he gets back the premiums paid with other investment returns and benefits like bonuses. In addition to the basic policy, insurers offer various benefits such as double endowment and marriage/ education endowment plans. The concept of providing the customers with better returns has been gaining importance in recent times. Hence, insurance companies have been coming out with new and better ULIP versions of endowment policies. Under such life insurance policies the customers are also provided with an option of investing their premiums into the markets, depending on their risk appetite, using various fund options provided by the insurer, these life insurance policies help the customer profit from rising markets. The premiums paid and the returns accumulated through pure endowment policies and their ULIP variants are tax exempt.

4. Money Back Policy

This life insurance policy is favoured by many people because it gives periodic payments during the term of policy. In other words, a portion of the sum assured is paid out at regular intervals. If the policy holder survives the term, he gets the balance sum assured. In case of death during the policy term, the beneficiary gets the full sum assured. New ULIP versions of money back policies are also being offered by various life insurers. The premiums paid and the returns accumulated though a money back policy or its ULIP variants are tax exempt.

5. ULIPs

ULIPs are market-linked life insurance products that provide a combination of life cover and wealth creation options. A part of the amount that people invest in a ULIP goes toward providing life cover, while the rest is invested in the equity and debt instruments for maximising returns. ULIPs provide the flexibility of choosing from a variety of fund options depending on the customer's risk appetite. One can opt from aggressive funds (invested largely in the equity market with the objective of high capital appreciation) to conservative funds (invested in debt markets, cash, bank deposits and other instruments, with the aim of preserving capital while providing steady returns). ULIPs can be useful for achieving various long-term financial goals such as planning for retirement, child's education, marriage etc.

6. Annuities and Pension

In these types of life insurance policies, the insurer agrees to pay the insured a stipulated sum of money periodically. The purpose of an annuity is to protect against financial risks as well as provide money in the form of pension at regular intervals.

Marketing of Insurance Services

The need for marketing insurance services arises due to following factors.

- The insurance products have a distinct feature where benefits of the product come at a later date and at times after a considerable time.
- The demand unlike consumer products is not inbuilt.
- Among the financial services, the insurance sector gets the least priority as other investment avenues provide immediate yields.
- In case of life insurance the case is further complicated as in India people have belief, traditional culture and religious background and tendency to leave everything to fate. This happens especially in rural areas.
- The rural market is still untapped. The insurance sector is yet to exploit these segments which have vast potentialities. The concept of proper financial planning, taxation and investment is still lacking among the middle class strata.
- Over the period of time the L.I.C. have come out with multipurpose better yielding attractive terms insurance's policies which certainly needs effective marketing to wipe of the synergic ideas in the minds of people that life insurance policies are mainly for death hazards.
- The General insurance have wide scope for marketing as small and medium business entrepreneurs are yet to reap the benefits of general insurance schemes.

Insurance Regulatory and Development Authority (IRDA)

Insurance Regulatory and Development Authority (IRDA) is an autonomous apex statutory body which regulates and develops the insurance industry in India. It was constituted by a Parliament of India act called Insurance Regulatory and Development Authority Act, 1999 and duly passed by the Government of India. The agency operates from its headquarters at Hyderabad, Andhra Pradesh where it shifted from Delhi in 2001.

IRDA battled for a hike in the foreign direct investment (FDI) limit to 49 per cent in the insurance sector from the erstwhile 26 per cent. The FDI limit in insurance sector was raised to 49% in July 2013.

Missions of IRDA

- To protect the interest of and secure fair treatment to policyholders.
- To bring about speedy and orderly growth of the insurance industry (including annuity and superannuation payments), for the benefit of the common man, and to provide long term funds for accelerating growth of the economy.
- To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates.
- To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery.
- To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery.
- To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery.
- To promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness amongst market players.
- To take action where such standards are inadequate or ineffectively enforced.
- To bring about optimum amount of self-regulation in day-to-day working of the industry consistent with the requirements of prudential regulation.

The IRDA Act, 1999 was passed as per the major recommendation of the Malhotra Committee report (1994) which recommended establishment of an independent regulatory authority for insurance sector in India. Later, It was incorporated as a statutory body in April, 2000. The IRDA Act, 1999 also allows private players to enter the insurance sector in India besides a maximum foreign equity of 26 per cent in a private insurance company having operations in India. The FDI limit in insurance sector was raised to 49% in July 2013. It serves as an Authority to protect the interests of holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith. IRDA role is to protect rights of policy holders & they provide registration certification to life insurance companies & responsible for renewal, modification, cancellation & suspension of this registered certificate. As per the section 4 of IRDA Act' 1999, Insurance Regulatory and Development Authority (IRDA, which was constituted by an act of parliament) specify the composition of Authority. IRDA is a ten member body consisting of-

- A Chairman,
- Five whole-time members,
- Four part-time members.

All members are appointed by the Government of India.

Insurance Repository

Recently the Finance Minister of India announced the setting of insurance repository system. An Insurance Repository is a facility to help policy holders buy and keep insurance policies in electronic form, rather than as a paper document. Insurance Repositories, like Share Depositories or Mutual Fund Transfer Agencies, will hold electronic records of insurance policies issued to individuals and such policies are called “electronic policies” or “e Policies”.

Insurance in India

India is the market for insurance in India which covers both the state and private sector organisations. It is listed in the Constitution of India on the Union list in the Seventh Schedule meaning it can only be legislated by the central government. The insurance sector has gone through a number of phases by allowing private companies to solicit insurance and also allowing foreign direct investment of up to 26% (as of 2013 there have been proposals to extend the FDI up to 49% to strengthen the Insurance Market even further). However, the largest life-insurance company in India, Life Insurance Corporation of India is still owned by the government and carries a sovereign guarantee for all insurance policies issued by it.

Public Sector Insurance Companies & Nationalised Insurance Companies

- Life Insurance Corporation of India
- General Insurance corporation of India,
- National Insurance co.Ltd
- Oriental Insurance Co.Ltd
- United India Insurance Co.Ltd

Private sector in Insurance Companies in India.

- Bajaj Allianz Life Insurance Company Ltd.
- Birla Sun Life Insurance company Ltd.
- HDFC Standard Insurance company Ltd.
- ICICI Prudential Life Insurance company Ltd.
- ING Vyasa Life Insurance company Ltd.
- Max Newyork Life Insurance company Ltd.
- Metlife Insurance company Ltd.
- Kotak Mahindra Old Mutual Life Ins. Co. Ltd
- SBI Life Insurance company Ltd.
- TATA AIG Life Insurance company Ltd.
- Reliance Life Insurance company Ltd.

Life Insurance Corporation of India (LIC)

The parliament of India enacted the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was established on 1st September 1956 with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost. The main objective of the organization of the life insurance business was to spread the message of life insurance in the country and mobilize people's savings for nation building activities. The Life Insurance Corporation with its central office in Mumbai and eight zonal offices at Mumbai, Kotakta, Delhi, Chennai, Hyderabad, Kanpur, Bhopal and Patna operates through 109 divisional offices including one salary savings schemes (SSS) Division at Mumbai, 2048 Branch offices and 1004 satellite offices at 31.03.2010.

The corporation also transact business abroad and has branch offices in Fiji, Mauritius, and UK. LIC also operates in overseas insurance market through joint venture companies namely Life Insurance Corporation (International) BSC©, registered in Manama (Bahrain), Kenindia Assurance Company Ltd., registered in Nairobi, Life Insurance Corporation (Lanka)Ltd, Life Insurance Corporation, Kadmandu (Nepal)Ltd. And Saudi Indian Company for co-operative insurance registered in Riyadh. An offshore company, Life Insurance Corporation (Mauritius offshore Ltd. Registered in Port Louis, Mauritius is a joint venture company between LIC of India and GIC of India. It has been decided that this company defers its life business activities and contemplates to pursue non-life reinsurance business with active participation GIC.

A representative office has been established recently in Singapore to study the regulatory issues and to assess the market potential in order to find an appropriate mode of entry into Singapore insurance market. Among the above ,Kenindia Assurnace Co.Ltd, Nairobi , Kenya and Saudi insurance company for co-operative insurance ,Riyadh ,Kingdom of Saudi Arabia are composite companies transacting life and non-life business.

Module 6

Health care services

Health care is one of our basic needs. Hospitals play an important role in giving health care facility to customers.

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

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

The Government has a network of institutions at primary, secondary, and tertiary levels. These include sub-centers, primary health centers, community health centers, rural hospitals and dispensaries in rural areas, sub-divisional and divisional hospitals, medical college hospitals and specialized hospitals. One important government health care scheme is the Employee State Insurance scheme designed for industrial workers. The scheme is mainly financed by contributions from employers and employees in the implemented areas. The scheme provides both medical benefits as well as cash benefit like sickness benefits, disablement benefit, maternity benefits etc.

Health care needs in India has been categorised into three main categories in the customers point of view.

- 1) **Emergency Care:** As the name suggests, this is required in situations of dire necessity like accidents, fire, stroke etc. These are the situations when the survival of the patient is in question.
- 2) **Routine Care:** This refers to periodic patient visits to the medial professional involving checkups and for ailments where meeting a doctor is essential but an immediate meeting is not critical.
- 3) **Elective Treatment:** This is a medical procedure that a patient chooses to undertake on his or her own initiative. These include 'Life Stage Treatments' (associated with events which people typically plan for at some stage in their life like permanent birth control procedures, teeth removal in old age etc) and 'Life Style Treatments' (associated with activities that people undertake to improve their 'Self', boost their image e.g. cosmetic surgeries, weight reducing treatments, hair implantation etc.). Life Style Treatment segment is likely to grow in India at a fast rate.

Pricing of Health care services

Pricing is one of the most important decisions in the service providers point of view. The pricing strategy for any given service, medical services included, depends on three basic fundamentals. These are costs, value and competition. The costs represent the monetary value of everything that the organization has to utilize in order to create and offer the service for the patients. In the short run or the long run, all costs must be recovered if the organization is to earn profits. Costs thus represent the lowest limit below which in the long run, prices cannot be set.. Consumer's perception of value of a given service would thus set the upper limit

beyond which prices cannot be set. Between these two limits service organizations may have the freedom to charge whatever prices they determine, but for the presence of a third variable, the competition. You are not the only provider of health services in the market. There may be several other providers with similar or better services. The prices that your competitors charge for a similar service will limit your freedom of setting prices between the two limits provided by the costs and the consumer's concepts of value. The prices being charged by the competition would thus determine the actual level at which prices for a given treatment or service may finally be set in between these two limits.

Promotion of Health care services

Communication is an essential part of marketing. In fact it is one of the elements of marketing mix i.e., promotion. Few goods or services, despite being well developed, priced and distributed can sustain the market place without effective promotion. Promotion can broadly be understood as "communication by marketers that inform, persuades and reminds potential buyers of a product to influence an opinion or elicit a response." The various elements of promotional mix are advertising, sales promotion, public relations and personal selling. In the case of health care services, word of mouth communication (WOM) has very importance. In order to avoid uncertainty or risk, consumers tend to rely more on information from personal sources (e.g. friends) than from non-personal sources (e.g. mass media). Therefore, word of mouth communication becomes a critical part of health care marketing. WOM can be defined as "Oral, person-to-person communication between a receiver and communicator whom the receiver perceives as non commercial regarding a brand, a product or a service."

Here there are some issues in WOM in health care marketing:

- i) Word of mouth is more effective than advertising. And in the health care field, the difference is even more striking than in other purchase categories.
- ii) The effectiveness of word of mouth applies across the board in terms of the kinds of responses marketers traditionally seek. Word of mouth communication not only increases awareness and knowledge, but is also persuades and lead to action, such as actually choosing the provider one has heard about.
- iii) Favourable w.o.m. communication can't overcome personal negative experience.
- iv) Health care organizations should encourage its employees, their spouses to become involved in community and neighborhood groups and to educate them on what to say when they get there, in the hope that a source of word of mouth communication is listening.
- v) Word of mouth increases as the level of satisfaction increases. An emotionally positive experience with a health care provider increases w.o.m. and satisfaction which in turn, raises the odds that w.o.m. will be positive. A marketer, therefore, has an opportunity to enhance experience that leads to positive w.o.m. So, health care marketers should seek a mandate to provide emotional highs to the patients and prevent strong emotional negatives, even if these goals involve serious trade-off.

vi) Consumers of medical care are more likely to engage in negative w.o.m. than they are to complain to their health care provider. Health care providers, therefore, must make a greater effort than marketers in other industries to make complaining easy and acceptable.

BPO

Business Process Outsourcing (BPO) is the contracting of a specific business task to a third-party service provider. Usually, BPO is implemented as a cost-saving measure for tasks that a company requires. BPO is often divided into two categories: back office outsourcing, which includes internal business functions such as billing or purchasing, and front office outsourcing, which includes customer-related services such as marketing or tech support. The most common examples of BPO are call centers, human resources, accounting and payroll outsourcing. India is the leading country for BPO and outsourcing.

KPO

KPO is a form of outsourcing where knowledge and information related work is carried out by a different company or subsidiary within the same organization to save costs or resources. In contrast to manufacturing outsourcing, this usually involves high-value work carried out by highly skilled staff, for example research, development, analysis and consultancy. KPO firms may also make business decisions on behalf of the source company, though these will typically be low-level and easily undone by the source company.

Some of the areas of Types of KPO services

1. Market services
 - Data analysis
 - New abstraction
 - Web survey analysis
 - Online research
 - Multivariate & Bivariate analysis
 - International Market research
 - Business market research
 - Quantitative market research
 - Qualitative market research
2. Financial services
 - Business research
 - Investment research
 - Credit research
 - Equity research
3. Pharmaceutical services
 - Medical writing service
 - Database creation
 - Text mining
 - Web mining

Difference between BPO and KPO

1. KPO industry unlike BPO provides domain based processes and business expertise.
2. KPO is more like a challenge as it demands advanced and expertise skills on part of its employees.
3. BPO on the other hand is more or less like a commodity business which stretches more on information technology and its various sectors.
4. The BPO market is long term in nature as compared to the KPO market. With every passing day the BPO market base is expanding and so is the various processes outsourced through it.
5. BPO undertakes
 - a. Data processing
 - b. Basic data entry
 - c. Setting up of a bank account
 - d. Department Outsourcing
 - e. Provides technical support
 - f. Provides email support to its customers
6. KPO undertakes:
 - a. More granular market and customer segmentation (e.g., the ability to do make retention or acquisition campaigns work at a micro-market level)
 - b. More predictive response modeling and propensity/cross-sell/up sell modeling.
 - c. Precision marketing, churn prediction and management, customized products and services in finance, insurance, telecom services.
 - d. For retailers, store and shelf space management at neighborhood market level and store level.
 - e. Promotional efficiency tracking at micro-market level.
 - f. Category/brand performance measurement, tracking and control at micro-market level .
 - g. Market mix modeling at lower granularity levels of product, geography and time dimensions.
 - h. Precision and dynamic pricing, promotion and product portfolio design and optimization.
 - i. Primary, secondary and web-based market research
 - j. Monetization, predictive analysis and portfolio management of intellectual property and patents.
 - k. Analytics and optimization algorithm R&D for ISVs in enterprise application areas such as, SCM, SRM, ERP, CRM, MR, BI, BPM.
7. BPO will continue to derive higher revenues as compared to the KPO industry.
8. KPO unlike BPO is not just restricted to information technology. It specializes in various other challenging sectors namely business research, Clinical research, Intellectual property research etc.
9. The KPO exports are estimated to be around \$12 billion at the end of 2010. The future of KPO appears to be bright and is expected to achieve a high end of BPO at the end of 2010. The KPO regime looks all set and poised to accept the new challenges of high training cost and a much higher attrition rates.

KPO Services in India

With the current highly competitive market scenario, many companies and organizations are making the choice to focus on core competency areas and outsource all other non-core areas. This gives them the advantage of minimizing their costs, improving their efficiencies and shifting the focus onto other key growth areas of the business activity. Outsourcing knowledge-based services offer companies greater benefits as they provide domain-based processes and advanced analytical skills, rather than just process expertise.

The Indian KPO sector offers organizations the choice of a multitude of knowledge-based services across various verticals. Indian outsourcing companies are experts in:

- Research & Development
- Animation & Design
- Business and Technical Analysis
- Learning Solutions
- Business & Market Research
- Pharmaceuticals and Biotechnology
- Medical Services
- Writing & Content Development
- Legal Services
- Intellectual Property (IP) Research
- Data Analytics
- Network Management
- Training & Consultancy

India possesses a large number of specialized domain experts such as engineers, doctors, CAs, lawyers, CAD/ CAM experts, architects, biotechnologists, economists, statisticians and MBAs. Tapping into this talent pool allows overseas companies to gain superior quality services at cost-effective prices. On the Indian side, KPO salaries tend to be 25–30% higher when compared to those offered to specialized domain experts, encouraging more knowledge-based professionals to enter the KPO industry.
