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# **MMPM-5**

## **Marketing of Services**

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*By: Anand Prakash Srivastava*



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Mob.: 8510009872, 8510009878 E-mail: [info@neerajbooks.com](mailto:info@neerajbooks.com)

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## Content

# MARKETING OF SERVICES

Question Paper—June-2024 (Solved).....	1-3
Question Paper—December-2023 (Solved) .....	1-2
Question Paper—June-2023 (Solved).....	1-2
Question Paper—December-2022 (Solved) .....	1

---

<i>S.No.</i>	<i>Chapterwise Reference Book</i>	<i>Page</i>
--------------	-----------------------------------	-------------

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### **BLOCK-1 MARKETING OF SERVICES: AN OVERVIEW**

1. Marketing of Services: An Introduction.....	1
2. Conceptual Framework for Services Marketing .....	13
3. Consumer Behaviour in Services.....	26

### **BLOCK-2 SERVICE MARKETING MIX**

4. Product Decisions .....	38
5. Pricing Decisions.....	51
6. Place Decisions.....	61
7. Promotion Decisions .....	72

### **BLOCK-3 EXTENDED MARKETING MIX FOR SERVICES**

8. Managing People .....	83
--------------------------	----

---

<i>S.No.</i>	<i>Chapterwise Reference Book</i>	<i>Page</i>
9.	Managing Physical Evidence .....	95
10.	Managing Service Process.....	108
<b>BLOCK-4 STRATEGIC ISSUES</b>		
11.	Managing Service Quality .....	122
12.	International Trade in Services.....	135
13.	Managing Demand and Capacity .....	145
14.	Emerging Issues in Marketing of Services .....	157



**Sample Preview  
of the  
Solved  
Sample Question  
Papers**

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# QUESTION PAPER

June – 2024

(Solved)

## MARKETING OF SERVICES

MMPM-5

Time: 3 Hours ]

[ Maximum Marks : 100

Note: (i) Answer any **three** questions from Section A. (ii) Section B is compulsory.

### Section – A

**Q. 1. What are the characteristics of Services? How do services differ from products? What are the challenges involved in marketing for services?**

**Ans. Ref.:** See Chapter-2, Page No. 14, 'Characteristics of Services' and Page No. 21, Q. No. 1.

**Q. 2. (a) Explain the consumer decision-making process for services with suitable examples.**

**Ans. Ref.:** See Chapter-3, Page No. 28, 'Consumer Decision-Making Process for Services'.

**(b) What are the moments of truth in services marketing? Discuss.**

**Ans.** In services marketing, moments of truth refer to critical interactions or touchpoints where customers form impressions about the service they are receiving. These moments significantly impact customer satisfaction, loyalty, and the overall perception of the brand. Understanding and managing these moments is crucial in services marketing because of the intangible nature of services.

#### Key Moments of Truth in Services Marketing

##### 1. Pre-Service Moments

**Initial Contact:** The first interaction with the service, such as a website visit, phone call, or inquiry, sets the tone.

**Expectations Setting:** Advertising, word-of-mouth, or prior experiences shape what customers anticipate. Meeting or exceeding these expectations is vital.

##### 2. Service Encounter Moments

**Check-In or Entry:** For example, entering a hotel, boarding a plane, or arriving at a restaurant. The first impression of the physical environment and staff demeanour plays a big role.

**Core Service Delivery:** The actual provision of the service, such as the quality of a meal in a restaurant, the professionalism of a consultant, or the reliability of a delivery.

**Interactions with Service Personnel:** Friendly, knowledgeable, and empathetic staff can turn neutral or negative experiences into positive ones.

##### 3. Post-Service Moments

**Follow-Up:** Post-service communication, such as surveys, thank-you e-mails, or troubleshooting support, reinforces customer satisfaction.

**Problem Resolution:** How effectively issues are resolved when things go wrong (recovery efforts) can turn a dissatisfied customer into a loyal one.

#### 4. Emotional Moments of Truth

• **Delight:** Surprising the customer with unexpected benefits or exceptional service.

• **Disappointment:** Failing to meet basic expectations, which can harm trust and loyalty.

#### 5. Critical Incidents

Moments when something extraordinary happens (positive or negative) during the service process. These moments tend to have an outsized impact on the customer's overall perception.

#### Examples in Various Industries

**Hospitality:** A hotel guest's first interaction with the concierge or check-in staff.

**Retail:** The ease of navigating a store and getting assistance from staff.

**Healthcare:** A patient's interaction with a doctor or nurse during treatment.

**Technology:** The support provided when a customer faces technical issues with software.

#### Managing Moments of Truth

To optimize moments of truth, businesses should:

1. **Train Employees:** Equip frontline staff with the skills and authority to handle diverse situations effectively.

2. **Map the Customer Journey:** Identify key touchpoints and ensure consistent service quality.

3. **Implement Service Recovery:** Develop a process for addressing and rectifying service failures.

4. **Monitor Feedback:** Collect and analyze customer feedback to refine service delivery.

5. **Personalize Experiences:** Tailor services to individual needs to create a positive emotional connection.

**Q. 3. Suppose you are a Public Relations Officer of prestigious management institutions/ educational Institute. What guidelines would you follow for developing an advertising campaign?**

**Ans.** As a Public Relations Officer of a prestigious management or educational institution, developing an effective advertising campaign requires a strategic approach that aligns with the institution's values and goals. Here are the key guidelines to follow:

#### 1. Understand Your Target Audience

**Identify key demographics (students, parents, corporate recruiters, alumni).**

• Segment audiences based on interests, needs, and goals (e.g., prospective students might

look for placements, while parents focus on affordability and safety).

- Use surveys, focus groups, and feedback from past campaigns to understand audience preferences.

## 2. Define Objectives Clearly

- **Primary Goals:** Increase student applications, enhance brand visibility, or attract corporate partnerships.
- **Secondary Goals:** Strengthen alumni engagement or promote specific programs/events.
- Ensure objectives are SMART (Specific, Measurable, Achievable, Relevant, Time-bound).

## 3. Highlight Unique Selling Propositions (USPs)

Showcase the institution's strengths:

- World-class faculty
- Industry connections
- State-of-the-art facilities
- High placement records
- International collaborations or accreditations

Use success stories of alumni or testimonials from current students.

## 4. Develop a Consistent Brand Identity

- Use a consistent logo, tagline, color palette, and tone across all materials.
- Ensure messaging reflects the institution's core values (e.g., innovation, inclusivity, excellence).
- Maintain consistency in messaging across different platforms (print, digital, and social media).

## 5. Select Appropriate Channels

- **Digital Platforms:** Leverage social media, Google Ads, e-mail marketing, and SEO for a wider reach.
- **Traditional Media:** Use newspapers, magazines, television, and radio for local/regional impact.
- **On-Campus Events:** Host open houses, webinars, and workshops to engage potential students.
- **Partnerships:** Collaborate with influencers, alumni, and corporate partners for authentic endorsements.

## 6. Create Engaging Content

- Use storytelling to connect emotionally with the audience.
- Include high-quality visuals, videos, and infographics to showcase the campus and activities.
- Feature student life, academic achievements, and extracurricular successes.

## 7. Leverage Technology

- Utilize AI-driven analytics to track campaign performance.
- Develop interactive tools, such as virtual campus tours and online admission portals.

- Use CRM systems to personalize communication with prospective students.

## 8. Adhere to Ethical Standards

- Avoid false claims or exaggerations in advertising.
- Respect cultural sensitivities and diversity.
- Ensure compliance with regulatory guidelines and advertising standards.

## 9. Monitor and Evaluate Campaigns

- Set Key Performance Indicators (KPIs) like website traffic, lead generation, and conversion rates.
- Use analytics tools to assess ROI.
- Conduct regular reviews to adapt strategies based on feedback.

## 10. Engage Stakeholders

- Involve faculty, alumni, and current students in the campaign to provide authentic insights.
- Create a feedback loop with stakeholders to refine future campaigns.
- Maintain open communication with media outlets and PR partners.

**Q. 4. What are the gaps arising out of service delivery process ? How would you improve these gaps in context with an e-Commerce portal?**

**Ans. Ref.:** See Chapter-11, Page No. 124-125, 'Tangibles' and Page No. 125, 'Impact of Technology on GAPS Model of Service Quality'.

**Q. 5. Write short notes on the following:**

**(a) Positioning strategies for services**

**Ans. Ref.:** See Chapter-4, Page No. 41, 'Service Positioning'.

**(b) Franchising**

**Ans. Ref.:** See Chapter-6, Page No. 62, 'Franchising'.

**(c) Customer Relationship Management (CRM)**

**Ans. Ref.:** See Chapter-14, Page No. 157, 'Customer Relationship Management (CRM) and Customer Retention'.

**(d) Pricing methods/strategies for services**

**Ans. Ref.:** See Chapter-5, Page No. 52, 'Pricing Methods and Strategies'.

**(e) Pricing of services**

**Ans. Ref.:** See Chapter-5, Page No. 51, 'Pricing and Service Characteristics'.

## SECTION – B

**Q. 6. Case Study:**

**CASE 2 Four Customers in Search of Solutions**

*Four telephone subscribers from Kanpur call their telephone company to complain about a variety of problems. How should the company respond in this instance?*

*Among many customers of telephone services in Kanpur, four individuals are living in Swarup Nagar, a middle-class suburb of the city. Each of them has a telephone-related problem and decides to call the company about it.*

**Sachin Awasthi**

*Sachin Awasthi grumbles constantly about the amount of his home telephone bill (which is, in fact, at the top 2 per cent of all household phone bills in*

# Sample Preview of The Chapter

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# MARKETING OF SERVICES

## Marketing of Services: An Introduction

### INTRODUCTION

Economists classify industrial and economic activities into three main categories: Primary, secondary, and Tertiary sectors. Primary activities, such as agriculture, fishing, and forestry, involve the direct use of natural resources. Secondary activities include manufacturing and construction, focusing on transforming raw materials into finished products. Tertiary activities, or the services sector, encompass services and distribution.

In the pre-industrial era, economies primarily relied on primary activities. However, the Industrial Revolution shifted the focus towards secondary activities, diminishing the prominence of agriculture and related fields. After World War II, the United States became the world's first "service economy," with more than 50% of its workforce engaged in the service sector. Today, over 80% of the U.S. economy is service-oriented, prompting a New York Congressman to famously comment that America had become a nation where people are "serving each other hamburgers or taking in each other's laundry."

Currently, most developed nations have transitioned to service-based economies, while emerging economies like India and China are rapidly following suit. However, rather than replacing the agricultural and manufacturing sectors, the services sector plays a crucial role in supporting their growth and productivity. For instance, advancements in Information and Communication Technology (ICT) have significantly boosted industrial and commercial efficiency. Services also provide essential infrastructure, enhance resource utilization, improve managerial decisions, and contribute to societal economic growth and a higher standard of living.

### CHAPTER AT A GLANCE

#### THE CONCEPT OF SERVICE

The management and marketing of services have gained widespread attention, with debates on how marketing intangible services differs from tangible products. Key characteristics of services include:

Intangibility, Immediacy, Individuality, Perishability, Heterogeneity, Ownership, Inseparability, Experiential Nature.

Additionally:

- Services rely on both people and technology.
- Supply adjustments are challenging during sudden market shifts.
- Demand for services is more elastic.
- Services face unique quality control and customer servicing challenges.
- Service quality is a blend of various factors.

The term "service" is broad and encompasses a diverse range of activities. They contain business and professional services, which include fields such as advertising, market research, banking, insurance, computer programming, and legal or medical consultation. Additionally, there are services provided by professionals that cater to non-business needs, focusing instead on leisure, recreation, entertainment, or fulfilling psychological and emotional desires. These include areas like education, fine arts, and similar pursuits.

In marketing, a service is defined as an intangible activity or benefit offered by one party to another, without resulting in ownership. Philip Kotler explains, "A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in ownership." It may or may not involve a physical product.

W.J. Stanton adds that services fulfill specific wants and are "separately identifiable, intangible activities providing want-satisfaction, not necessarily tied to a product or another service." Producing a service may involve tangible goods, but ownership of these goods is not transferred.

Like products, services should be understood through the lens of customer want-satisfaction. Identifying the specific wants addressed by the service is key to designing an effective marketing strategy. Services differ significantly from physical goods, as summarized in Table below, which highlights the key distinctions.



2 / NEERAJ : MARKETING OF SERVICES

Table : Differences Between Goods and Services

Aspect	Goods	Services
<b>Definition</b>	Tangible products bought for a price.	Intangible benefits, comforts, or facilities provided by others.
<b>Tangibility</b>	Tangible – can be seen or touched.	Intangible – cannot be seen or touched.
<b>Ownership</b>	Ownership transfers to buyer upon payment.	Ownership is non-transferable.
<b>Evaluation</b>	Easy to evaluate due to uniform quality standards.	Challenging to evaluate as service quality varies by provider.
<b>Returns/Exchanges</b>	Can be returned or replaced with the vendor.	Cannot be returned or exchanged once performed.
<b>Provider Relation</b>	Separate from the seller.	Inseparably linked to the provider.
<b>Attributes</b>	Physical attributes remain constant.	Attributes vary and are inconsistent.
<b>Storage</b>	Can be stored for future use.	Time-sensitive and cannot be stored.
<b>Production/Use</b>	Produced first, then traded and consumed.	Produced and consumed simultaneously.

**REASONS FOR GROWTH OF THE SERVICE SECTOR**

Services are essential in daily life, spanning education, entertainment, finance, travel, retail, and more. Both corporate and household sectors increasingly rely on services. The sector's rapid growth began in the 20th century, especially after World War II, as economic rebuilding fueled demand for financial and other services. Manufacturing thrived to meet basic needs, while rising affluence spurred demand for variety and improved satisfaction, fostering service industry growth.

Economic development and socio-cultural changes have driven this expansion, with households and firms seeking higher-quality, sophisticated services. Several factors contribute to this growth. For instance, rising affluence and leisure preferences have increased demand for professional plumbers and electricians. Similarly, the complexity of modern life and security concerns have popularized credit cards and travellers' cheques as safe, convenient money substitutes. Online banking and mobile apps have reduced bank visits, highlighting the growing importance of convenience in service delivery.

Globalization has significantly contributed to the growth of the service sector, driven by increased demand for communication, travel, and information services, along with advancements in technology. It has also expanded the need for legal, professional, and specialized services like advertising and market research on an international scale.

Contrary to claims that the service sector grows at the expense of manufacturing, the two are closely interconnected. In *The Competitive Advantage of Nations*, Michael Porter identifies *three* key links between manufacturing and services:

**1. Buyer/supplier Relationship:** Many services, such as transportation, warehousing, and legal support, are outsourced by manufacturing firms, creating service industries reliant on manufacturing for revenue.

**2. Services tied to the sale of manufactured goods:** The sale of goods like consumer durables and computers drives demand for related services such as maintenance, training, and after-sales support.

**3. Manufactured goods tied to the sale of services:** Service industries like consulting often stimulate demand for equipment and other manufactured goods, as providing services typically requires physical tools and products.

**GLOBAL TRENDS IN SERVICES**

Globally, there has been a significant structural shift from primary activities and manufacturing toward the service sector. In advanced economies, services made up 76% of GDP in 2015, an increase from 61% in 1980 (UNCTAD, 2017a). For instance, services contribute 69% of GDP in Japan and nearly 80% in the United States. In India, the service sector is estimated to account for 62% of GDP.

The services sector dominates the global economy, contributing about two-thirds of global value-added. Its share ranges from 49% in South Asia to 77% in North America. In most regions, except South and Central Asia, the services sector surpasses agriculture,

MARKETING OF SERVICES: AN INTRODUCTION / 3

industry, and natural resources combined, highlighting its vast potential for boosting global trade and economic growth.

The service sector's growth in output and employment has been accompanied by greater internationalization of its transactions. This trend is fueled by advancements in information and communication technology, the rise of multinational corporations, outsourcing, and service deregulation. According to the WTO, global trade in commercial

services expanded significantly, from \$358 billion in 1980 to \$1.4 trillion in 2000, reaching \$13.3 trillion by 2017. Since 2005, services trade has grown at an average annual rate of 5.4%, surpassing the 4.6% growth rate of goods trade. Between 2005 and 2017, developing economies (excluding LDCs) increased their share of global services trade by over 10 percentage points, with exports rising to \$3.4 trillion and imports to \$4.5 trillion (see Figure).

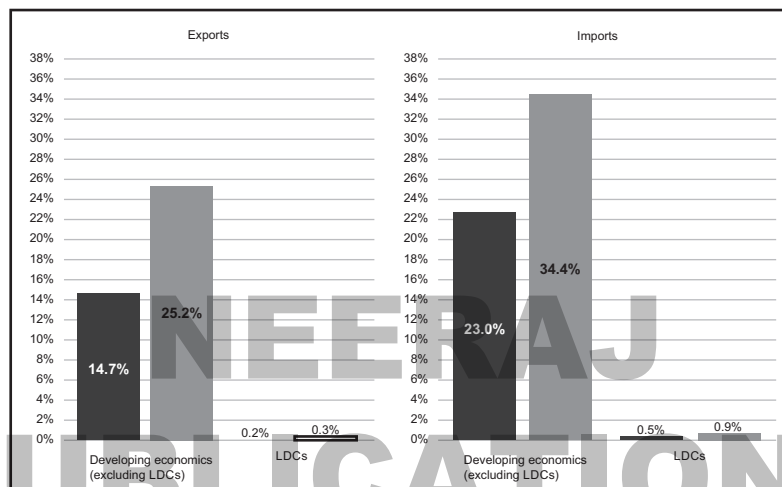


Fig.: Developing economies share in world trade in commercial services, 2005 and 2017

**SERVICE SECTOR IN INDIA**

The services sector in India encompasses activities like trade, hospitality, transportation, communication, finance, real estate, business, community, social, and construction services. It plays a vital role in the Indian economy, contributing over half of the GDP and supporting the primary and secondary sectors.

The sector has significantly boosted exports and employment, driving economic growth from 2003 to 2019, except during the 2008-09 downturn. From 2014 to 2019, services accounted for 68.8% of GVA, while industry and agriculture contributed 25.1% and 6.1%, respectively. Agriculture's share has declined due to its dependence on the monsoon, though allied activities have added some stability. Manufacturing has maintained its GVA share, highlighting its interconnectedness with other sectors.

India's services sector GVA grew at a CAGR of 11.43% from ₹68.81 trillion (US\$ 1,005.3 billion) in FY16 to ₹101.47 trillion (US\$ 1,439.48 billion) in FY20. Financial, real estate, and professional services grew at a CAGR of 11.68%, while trade, hotels, transport, communication, and broadcasting services rose by 10.98%. The services sector contributes over 50% to GSVA in 12 of the 33 states and UTs, with Chandigarh

leading at 73.47%, and Sikkim at the lowest with 21.82%. Notably, Sikkim's services share increased from 18% in 2018-19 to 21% in 2019-20, with Himachal Pradesh and Odisha also showing over 2% growth in the last two years.

**Employment in Service Sector**

Figure 1.4 highlights a shift in employment from agriculture to services over time. By 2020, the service sector accounted for 33% of jobs, up from 26% in 2010, while agriculture employment fell to 42%, down from over 52% in 2010. However, India's services employment share (33%) remains significantly lower than its GVA share (54%), indicating that the sector's growth, particularly in the formal segment, has not translated into sufficient job creation. This points to a high potential for the services sector to drive employment growth in the future. (Fig on Next Page).

**FDI Inflows into Services Sector**

India emerged as the fifth-largest recipient of FDI globally in 2020, climbing four spots from 2019, according to UNCTAD's World Investment Report 2021. The country recorded its highest-ever annual FDI inflows of \$81.97 billion in 2020-21 and received \$43.12 billion in the first half of 2021-22. Between April and September 2021, FDI equity inflows stood at

4 / NEERAJ : MARKETING OF SERVICES

\$31.15 billion, a 3.8% increase compared to the same period the previous year.

The services sector remained the largest FDI recipient, attracting \$16.73 billion in equity inflows from April to September 2021, despite a 29% decline from the previous year. This drop was primarily due to the “Computer Software & Hardware” subsector, which

saw inflows decrease from \$17.55 billion in 2020-21 to \$7.12 billion in 2021-22. However, this still marked a 77% growth compared to 2019-20. Meanwhile, “Financial, Business, Outsourcing, R&D, Courier, Tech Testing & Analysis” and “Education” subsectors recorded notable inflows of \$3.16 billion and \$2.25 billion, respectively, making up nearly half of all FDI equity inflows during the period.

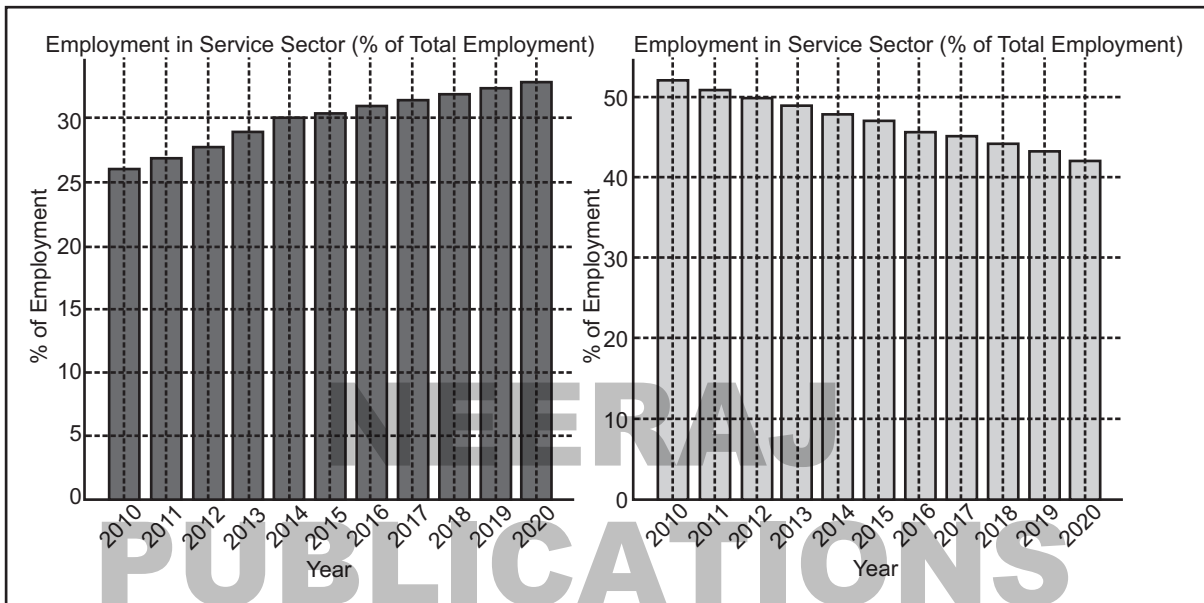


Fig. 1.4: Employment in Service Sector and Agriculture Sector (% of Total Employment)

Source: World Bank Development Indicators

**Services Export**

India is a leading global exporter of services, maintaining its position among the top ten service-exporting nations in 2020. Its share of global commercial services exports rose from 3.4% to 4.1% during the year.

**AN OVERVIEW OF SPECIFIC SERVICE SECTORS**

India’s service sector, now contributing over half of its GDP, marks a significant milestone in the nation’s economic evolution. Renowned for its expertise in Information Technology and booming software exports, India is also a global hub for health services, offering modern and traditional treatments like Ayurveda and Unani, which attract international patients.

Education is another key segment, both domestically and as a foreign exchange earner, through NRI and foreign student enrollments and skilled manpower exports. The entertainment industry, especially films and TV, enjoys global appeal, with Indian films popular in regions like West Asia, Central Asia, and increasingly in the Western world.

India, with the second-largest pool of scientific and technical manpower, offers vast potential in consultancy, R&D, pre-publishing, and repair services.

Tourism is another rapidly growing sector, drawing visitors with its diverse cultural, geographical, and spiritual offerings, contributing significantly to GDP, foreign exchange, and employment.

**IT BPM Services**

India’s IT-BPM industry is a major driver of the services sector, with revenues (excluding e-commerce) reaching \$194 billion in 2020-21, a 2.26% year-over-year increase, according to NASSCOM. The industry added 138,000 new jobs during this period. IT services dominate the sector, accounting for over 51% of its revenues, which have remained stable in recent years.

Export revenues make up a significant portion, rising by 1.93% to \$149.1 billion in 2020-21. The BFSI subsector contributed \$61.4 billion (41%), followed by high-tech/telecom services (\$26.3 billion) and manufacturing services (\$24.3 billion). Year-over-year, exports grew across these subsectors, with BFSI increasing by 3%, high-tech/telecom by 2%, and manufacturing by 1%.

Policy reforms, including the relaxation of Other Service Provider rules, Telecom Sector Reforms, and Consumer Protection (e-commerce) Rules, 2020,