

ROLE OF SERVICE MARKETING IN INDIA

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Abstract : Economic development has been associated with the structural changes in the national economies. On the path of its economic development service sector plays an important role in the economic growth of nations. In India, the services sector contributed about 60% of GDP and about 30% of employment in 2013-14. It also contributed about 33% of the total exports of India in 2013-14.

(Merchandise exports US \$ 313 billion and services exports US \$ 152 billion = Total Exports = US \$ 465 billion in 2013-14).

Key words: Economic development , structural changes , national economies.

INTRODUCTION

In developed countries, the services sector contributes significantly to the GDP and employment. (For instance, in 2013, services sector in USA contributed about 80% of GDP and 80% of employment.) Developing countries still have a long way to go.

The real reasons for the growth of the services sector are the increase in urbanization, privatization, education and the developments in information technology.

OBJECTIVES:-

- To study the scope of various services in India.
- To examine the contribution of service marketing in Indian economy.
- To analyses the various problems & challenges faced by service marketing.
- To know the potential of service marketing.

METHODOLOGY:-

The secondary data is descriptive in nature as well as collected from various sources like economy survey, National survey office (NSSO).

SCOPE OF SERVICE MARKETING:

The scope of services can be interpreted from the viewpoint of various areas or branches of the services sector. Each sub-sector has its own scope with reference to its importance and functions.

The following are the various areas of services sector:

Insurance:

It helps to minimize risks. Business is subject to risks. Certain risks can be insured such as loss by fire, loss by theft, etc. There are various types of insurance such as life insurance, fire insurance, marine insurance, accident insurance, and so on. Businessmen and others can insure against insurable risks.

Transport:

It solves the problem of place difficulty. In business, there is a place gap from the place of production to the place of consumption. Goods produced in one part of the country or globe may be required for consumption in other parts of the country or globe. Thus, transport services are utilized for bridging the place gap. There are several modes of transport such as road, rail, water, and air.

Warehousing:

It creates time utility. Nowadays, production of goods is undertaken in anticipation of demand. Goods are not consumed immediately after production. Thus, goods need to be stored in warehouses, till they are demanded in the market. Due to warehousing, goods can be produced in large scale, and seasonal goods are made available throughout the year.

Banking:

Banks play an important role in financial markets. The primary functions of the bank include obtaining deposits, and lending money. Banks perform agency functions on behalf of its customers such as collection of funds on behalf of the clients and make payment to third parties on behalf of its customers. Banks also perform utility functions such as provision of debit cards, credit cards, locker facility, etc.

Retail Trade:

Retail industry contributes 10% of India's GDP. Currently, retail trade sector occupies the second position in India's GDP after agriculture. The Indian retail market is estimated to be US\$ 500 billion in 2012 and is projected to reach US \$ 1.3 trillion by the year 2020. India is one of the top five retail markets in the world by economic value.

India's retailing industry mostly consists of the local mom and pop stores, owner manned shops and street vendors. Organised retail supermarkets are growing but small, with a market share of 4% as of 2008. In Sept 2012 government permitted 51% FDI in multi brand retail and 100% FDI in single brand retail.

Communication:

It facilitates transfer of exchange of information. Communication facilitates enquiries for goods or services, negotiations of business dealings, placement of orders, obtaining feedback from customers, etc. There are various means of communications – written and oral.

Information Technology Services:

The IT services play an important role in the economic development of a country. IT services are used in a wide variety of services such as health care, education, industry, etc. The IT services contribute significantly to the exports of India. Over 40% of the services exports is contributed by IT services.

Hotel Services:

India is a famous holiday destination in the world, and provides ample facilities for lodging and boarding. It has state of the art hotels to cater to its ever booming travel and tourism industry. Many hotels and resorts have popped up in India over the last few years to cater the accommodation needs of everybody. India is dotted with hotels that fit in every budget. There are hotels ranging from Luxury Hotels to Economy Hotels.

Tourism:

Tourism sector contributes to the economic growth of India. It provides employment, contributes to GDP, and earns valuable foreign exchange. Tourism to India has seen a steady growth, year on year, from less 5 million foreign tourists in 2006 to nearly 7 million arrivals in 2013.

The United States is the largest source of international tourists to India, while European Union nations and Japan are other major sources of international tourists. Over 12 million Indian citizens take

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international trips each year for tourism, while domestic tourism within India adds about 740 million Indian travelers.

In 2013, the tourism sector contributed over US \$ 18 billion in foreign exchange and contributed about 6% of GDP. Govt of India has allowed 100% FDI to give a big boost to this sector.

Social Development Services:

The social development services improve the quality of life of people in the country. The social development services include:

- Educational Services
- Health and Medical Services
- Family Welfare Services
- Recreation and Entertainment Services.

IMPORTANCE OF SERVICE MARKETING IN INDIA

The service sector plays an important role in Indian economy. It contributes to GDP, provides employment, generates foreign exchange due to exports, etc. The importance of the service sector in Indian economy is explained as follows:

Contribution to GDP:

The services sector contributes significantly to the GDP of India. In 2013-14, the contribution of the services sector to India's GDP was 60% (at constant – 2004-05 prices)

The increases in the share of GDP of services sector is due to the following reasons:

- Professionalism in the services sector.
- Increase in Urbanisation, which gives boost to services.
- Liberalization of the services sector since 1991.

The contribution of services sector to India's GDP is shown in the following table:

Contribution of Services Sector to GDP

Year	Percent
1950-51	28.0
1990-91	42.5
2000-01	50.5
2013-14	60.0

Source: Economic Survey 2013-14, Page 5 – Statistical Appendix

The GDP contribution of the main constituents of the services sector in 2013-14:

Services Sub-Sectors (2013-14)	Per cent of GDP
• Trade, Hotels, Transport and Communication:	26.4
• Financing, insurance, real estate and business services:	20.6
• Public administration, defence and other services.:	13.0
Total Services	60.0

Source: Economic Survey 2013-14

Employment:

The services sector provides employment to a large segment of the workforce. Over the years, there has been steady increase in the share of employment of the services sector. The share of employment in the services sector is much higher in the urban areas as compared to rural areas.

The overall employment in the services sector is about 30% of the total work force in India in 2013-14.

Share of Employment of Services Sector

Year	Percent
1993-94	20
1999-00	23
2011-12	27

Source: National Sample Survey Office (NSSO)

Contribution to Exports:

India ranks among the top services exporting nations. Currently India is the 6th largest exporter of services in the world. The services sector has contributed significantly to the foreign exchange earnings in India. There has been good growth in the export of services during the past few years despite recession in the world markets.

In 2013-14, services sector contributed about US \$ 152 billion. The top services export item is software services, which accounts for about 46% of the total services exports of India.

Capital Formation:

Services sector contribute towards capital formation in the country. This is because; the services sector facilitates savings on the part of employees, and service providers. Also the sub-sectors like banking and insurance encourage savings on the part of the people. The savings facilitate investment. The investment in turn leads to capital formation of the country.

Supports the Primary and Secondary Sector:

Proper functioning of the economy depends upon to a good extent on the services sector. Without the support of the services sector, the primary and secondary sector would find it very difficult to function.

- Efficient means of transport enables proper movement of men, materials and finished goods from one place to another.
- Banking sector supports the primary and secondary sector by providing the necessary credit for working capital and also for fixed capital.
- The insurance sector provides risks cover to industrialists.
- Communication provides the vital link for business decision, and actions.

Revenue to the Government:

The services sector provides revenue to the Government by way of services tax. The services tax was introduced in 1994-95, when it was levied on stockbrokers, and general insurance. Over the years, the taxable services list has been expanded.

At present, all services are subject to services tax, except those which are in the negative list of services. In 2013-14, service tax revenue of the Central Govt. was ` 154630 crore (^ 1.5 lakh crore), i.e. 13.6% of the total gross tax revenue.

Improves Efficiency:

The service sector facilitates improvement in efficiency of the organizations. Efficiency is the

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ratio of returns to costs. An efficient organization can get higher returns at a lower cost.

The following are the services sub-sectors that help to improve efficiency:

- Research and Development.
- Education
- Training and Development
- Consultancy Services.

The efficiency of educated and trained personnel is comparatively higher. Also R&D and consultancy services may assist in reducing costs and improving quality, which results in higher returns to the organizations.

Facilitates Regional Development:

Services sector assists in regional development. By providing services such as transport, banking, communication, etc. in various regions, the service sector helps the country to achieve regional development.

Prior to 1990s, a few states in India like Maharashtra (especially Mumbai), Gujarat, Tamil Nadu, and West Bengal had a good services network, and as such these states were industrially developed as compared to other states. However, after 1991, there has been a good growth of services network throughout the country, and therefore, economic growth in such states has shown remarkable increase.

Improves Standard of Living:

The services sector helps to improve standard of living of the people due to the availability of various types of services such as education, health, recreation and entertainment, and so on.

Also, the services sector provides employment to millions of people in the country, which in turn increases income level of those employed. Increase in income level results in higher purchasing power. The rise in purchasing power leads to higher consumption of goods and services. The increase in consumption of goods and services results in higher standard of living of the society.

Social Development:

The services sector facilitates social development. The following services help in social development:

- Educational institutions help in improvement in literacy.
- Hospitals and clinics facilitate higher life expectancy.
- Media services create social awareness.

Reduces Inequalities:

The services sector helps to reduce inequalities:

- The ownership of services sub-sectors like transport, community services, trade, etc., is widely spread. Even small entrepreneurs can offer services.
- By providing employment to millions of people across the country, the services sector generates income for the employed, which helps to reduce inequalities of income and wealth.

PROBLEMS IN MARKETING OF SERVICES

The marketing of services is suffers from certain problems relating to its characteristics:

Problem of Intangibility

Services marketing is affected due to intangibility of services. Services lack material form. Unlike physical goods, services like banking, airlines, telecom, etc., do not have physical form. The intangibility of services creates certain problems in marketing:

- Demonstration of the services is difficult. (Possible in certain cases such as teaching)
- Pre-purchase evaluation is not possible.

Marketers may adopt certain techniques to overcome the above problems:

- Décor – interior and exterior to give a pleasant appearance.
- Development of strong corporate image to generate trust and confidence of customers.

Problem of Inconsistency

Services are heterogeneous. Therefore, there is variation in performance of service. The service performance may differ from one service provider to the other. For instance, different teachers may teach differently and so also different salespersons may behave differently.

Also, a service provider may provide different quality of service at different times depending upon mood, health, workload, and other factors. For instance, repair service by a mechanic may not be consistent at all times.

The inconsistency characteristic of services creates certain problems in marketing:

- Standardization of services is difficult.
- Customers may get dissatisfied due to inconsistency.

Marketers may adopt certain techniques to overcome above problems.

- Technology support to provide consistent services.

Problem of Perishability

Services are highly perishable. Services cannot be stored for future sale. For instance, spare seats of morning flight of an airline cannot be utilized during the next flight. The characteristic of services creates certain problems:

- Mass production of services not possible
- Services cannot be kept in inventory.

Marketers of services can overcome the above problems by:

- Complimentary services for in-queue customers.
- Appointment system such as in the case of professionals like doctors.

Problem of Indirect Channels:

Normally, service providers provide direct service to the customers. But in certain cases due to geographical limitations, the service provider may take the help of indirect channels such as franchisees. The franchisee may not perform the marketing services effectively which may affect the image of the franchiser.

Problem of Inseparability

Services marketing is restricted due to the inseparability characteristic of services. For instance, a doctor must be physically present at the time of treatment of a patient. Generally, the production and consumption of services take place at the same time. The inseparability characteristic of services creates certain problems:

- Restricts geographical reach or coverage.
- Physical presence of service provider is essential at the time of service delivery.

Marketers may adopt certain techniques to overcome the above problems:

Cannot be Returned to Seller

Services cannot be returned to the seller once they are availed of. For instance, a defective computer can be returned back to the seller. However, a defective hairstyle or poor quality of teaching/counseling cannot be returned back to the service provider.

Cannot be Produced in Anticipation of Demand

Goods can be produced in anticipation of demand. For instance, cars, computers, CDs, etc., can be produced in advance and stored till they are demanded in the market. However, services cannot be produced in anticipation of demand. For instance, one cannot produce and stock hairstyles, airline travelling, etc.

Problem of Outsourcing:

Certain organisations like banks, insurance firms, etc., outsource their services to BPOs. Quite often, the quality of services provided by BPOs is very poor. The BPO staff fails to provide adequate information. Quite often, the only thing they do is to regret for not providing services.

The resulting problem is that the company loses valuable customers.

CHALLENGES IN THE SERVICE MARKETING:

The services sector is facing a number of challenges mainly on account of the unique characteristics. Some of the challenges are as follows:

Challenges of Customer Retention:

Service providers face the challenges of customer retention. Customers may switch over to the competitors. Therefore, a service firm needs to undertake customer satisfaction surveys, and make changes in marketing mix, including introduction of new and innovative services.

Challenges of Intangibility:

The intangibility characteristic of services creates certain challenges such as:

- Demonstration of services is difficult.
- Pre-purchase evaluation is not possible.

The service provider can overcome the above challenges through certain techniques such as:

- Creation of strong corporate image to develop trust and confidence among customers.
- Décor – interior and exterior should give a pleasant appearance.
- Training of employees so as to improve their efficiency.

Challenges of Inseparability:

Services cannot be easily separated from the service provider. This characteristic of services creates certain problems such as:

- Restricts geographical reach.
- Physical presence of the customer and service provider is essential.

Service providers can overcome the above problems with the help of following strategies:

- Franchising agreements to overcome the problem of geographical reach.
- Training of support staff to deal with certain activities.
- Use of automation such as ATMs by banks.

Challenges of Inconsistency:

Service performance may vary from one person to another within the same organisation. This

Characteristic of services creates certain problems such as lack of standardization and quality control.

Service providers can overcome the above problems by:

- Training to employees for consistency in quality of services.
- Motivation of employees through incentives.
- Undertaking customer satisfaction surveys.
- Technology support to achieve consistency in services.

Problem of Perishability:

Services are highly perishable. Therefore, there is a mismatch between demand and supply. This characteristic of services poses certain challenges such as:

- Services cannot be kept in inventory.
- Unlike goods, mass production of services is not possible.

Marketers of services can overcome the above problems by:

- Complimentary services during non-peak hours.
- Low pricing during the non-peak periods or timings.
- Vary the use of facilities during off-peak periods, etc.
- Differential pricing such as Happy Hours Pricing during non-peak hours.

Challenges of Employees Retention:

Nowadays, there is growing attrition among service sector employees, especially in software, advertising, consultancy, media, etc. Certain amount of employee turnover is good for the organization because it gives chances to talented outsiders to join the organization. However, frequent employee turnover is bad for the organization as it increases selection and training costs, and it also affects the performance of employees.

CONCLUSION:-

India's services sector is burgeoning: a sign of an economy on the high growth path. It has become the mainstay of the growth process and has emerged as the most dynamic sector of the Indian economy, particularly since last one and half decade. The foregoing analysis brings out the fact that in comparison to different countries of the world, the share of service sector in India is not a high. And second, in spite of the rising share of services in GDP and trade, there has not been corresponding rise in the share of service in total employment. This jobless growth of India's service sector, with no corresponding growth in the share of manufacturing sector, has raised doubts about its sustainability in the long run. The observed dominance of services ahead of industry with the decline of agriculture has given rise to apprehension as to whether the sequence of the growth process would be reversed in the future particularly when the industry is yet to achieve adequate growth. Such apprehension seems to have gained a ground in the absence of pervasiveness of services in the country's employment. Moreover, most of the services have for a long time been in the public domain and they suffer from both external constraints in terms of high barriers to trade, as well as domestic constraints in terms of being highly regulated services with state monopolies. These services consequently suffer from inefficiencies and low growth.

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