

SERVICES AND RETAIL MARKETING

COURSE CODE: M21CM12DE

Master of Commerce

Discipline Specific Elective Course

Self Learning Material



SREENARAYANAGURU
OPEN UNIVERSITY

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The State University for Education, Training and Research in Blended Format, Kerala

SREENARAYANAGURU OPEN UNIVERSITY

Vision

To increase access of potential learners of all categories to higher education, research and training, and ensure equity through delivery of high quality processes and outcomes fostering inclusive educational empowerment for social advancement.

Mission

To be benchmarked as a model for conservation and dissemination of knowledge and skill on blended and virtual mode in education, training and research for normal, continuing, and adult learners.

Pathway

Access and Quality define Equity.

Service and Retail Marketing

Course Code: M21CM12DE

Semester - III

Discipline Specific Elective Course Master of Commerce Self Learning Material (With Model Question Paper Sets)



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SREENARAYANAGURU
OPEN UNIVERSITY

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MESSAGE FROM VICE CHANCELLOR

Dear learner,

I extend my heartfelt greetings and profound enthusiasm as I warmly welcome you to Sreenarayanaguru Open University. Established in September 2020 as a state-led endeavour to promote higher education through open and distance learning modes, our institution was shaped by the guiding principle that access and quality are the cornerstones of equity. We have firmly resolved to uphold the highest standards of education, setting the benchmark and charting the course.

The courses offered by the Sreenarayanaguru Open University aim to strike a quality balance, ensuring students are equipped for both personal growth and professional excellence. The University embraces the widely acclaimed “blended format,” a practical framework that harmoniously integrates Self-Learning Materials, Classroom Counseling, and Virtual modes, fostering a dynamic and enriching experience for both learners and instructors.

The University aims to offer you an engaging and thought-provoking educational journey. This learning material titled Business Policies and Strategic Management offered for MCom programme builds on the knowledge gained in undergraduate studies. It takes the basic understanding of business concepts and expands on them. The course combines theory and real-world practices to give learners a complete picture. We use case studies and examples to help explain complex ideas. Throughout the Blocks, learners will develop their analytical and decision-making skills, which are crucial for managing businesses effectively. The Self-Learning Material has been meticulously crafted, incorporating relevant examples to facilitate better comprehension.

Rest assured, the university’s student support services will be at your disposal throughout your academic journey, readily available to address any concerns or grievances you may encounter. We encourage you to reach out to us freely regarding any matter about your academic programme. It is our sincere wish that you achieve the utmost success.



Warm regards.
Dr. Jagathy Raj V.P.

01-05-2025

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01 BLOCK

Marketing and Segmentation of Services

Block Content

- Unit - 1 Service and Technology
- Unit - 2 Marketing in different sectors
- Unit - 3 Marketing of Hospitality Services
- Unit - 4 Need for Segmentation of Services
- Unit - 5 Positioning Through Product/Service Delivery Strategies



Unit 1

Service and Technology

Learning Outcomes

After completing this unit, the learner will be able to:

- ◆ comprehend the concept and characteristics of services, and distinguish them from goods
- ◆ analyse the extended service marketing mix (7 Ps) in real-world service marketing scenarios
- ◆ aware of different service sectors in the modern economy
- ◆ realise the marketing of banking services

Background

The way people live, work, and do business is changing rapidly in today's world. One of the most important changes in the global economy is the growing importance of the service sector. Unlike earlier times, when farming or manufacturing were the main sources of income and jobs, today many countries, including India, rely heavily on services such as banking, healthcare, education, information technology, tourism, and more.

This shift from a goods-based economy to a service-driven one has created a need to understand how services work and how they should be marketed. Services are different from goods; they cannot be seen, touched, or stored. Because of this, promoting and delivering services requires a special approach that focuses on building trust, satisfaction, and relationships with customers.

This unit introduces you to the concept of services, how they differ from physical goods, and how they are marketed using a framework called the Service Marketing Mix (7 Ps). It also discusses various service sectors and gives special attention to the marketing of banking services, which play a major role in both personal and national financial growth.

By the end of this unit, you will be able to understand the concept of service, service marketing, service sectors especially marketing of banking services.

Keywords

Service Marketing, Intangibility, Service Marketing Mix, Banking Services, Service Sector

Discussion

1.1.1 What is a service?

When a customer orders a cappuccino, the coffee itself is a tangible product, they can see it, smell it, and taste it. However, the overall value of the experience goes beyond just the physical beverage. Factors such as the politeness of the waiter, the cleanliness and ambience of the shop, the speed of service, and the welcoming attitude of the staff all contribute to the customer's satisfaction. These elements, which are intangible and cannot be owned or stored, constitute the service component. Therefore, a service is essentially an intangible activity provided by one party to another, often without resulting in ownership of any physical product.

- ◆ Intangible
- ◆ Inseparable
- ◆ Perishable

A service is an intangible benefit, activity, or performance offered to customers to fulfil their needs and wants. Unlike physical goods, a service cannot be seen, touched, or stored. The intangible nature of services often leads to a sense of uncertainty regarding the outcome or quality of the service. Service providers must, therefore, focus on creating trust, delivering satisfaction, and consistently meeting customer expectations.

Did You Know?

You use on average over 10 Different Services Daily Without realising it: From checking your mobile balance, taking a cab, using an ATM, attending a class online, ordering food, or just sending a message over WhatsApp—most of these are services, not products!

1.1.1.1 Characteristics/ Features of Service

Service have unique characteristics or features that set them apart from physical products. Understanding these traits helps improve their delivery and customer satisfaction.

1. Intangibility

- ◆ Absence of physical form

Health insurance offers financial protection and peace of mind during difficult times, yet it cannot be physically touched or seen. This highlights the intangible nature of services; they lack a physical form, making them harder to evaluate before purchase. Customers often rely on brand reputation, past experiences, or perceived benefits rather than tangible features. Therefore, marketers must emphasize trust, satisfaction, and value instead of physical attributes.

2. Inseparability

- ◆ Production, delivery, and consumption take place simultaneously

When you take a taxi ride, the driver must be present to deliver the service: his role cannot be separated from the ride itself. This illustrates how services are produced and consumed at the same time, often involving direct interaction between the provider and the customer. The service provider becomes a part of the service, making the delivery and consumption inseparable processes.

3. Heterogeneity

- ◆ Highly variable and cannot be standardized

Two friends may dine at the same restaurant and receive the same dish, yet one may be pleased while the other is disappointed. This reflects the heterogeneous nature of services: the experience can vary based on personal expectations, perceptions, and interactions. Because services are delivered by people and depend on subjective experiences, it is nearly impossible to standardize them completely.

4. Perishability

- ◆ Optimal capacity utilization and demand management

If a train leaves with many empty seats, those seats represent lost income: they cannot be sold after departure. This shows how services are perishable; they cannot be stored for future use. When demand is consistent, this isn't a problem. But when demand fluctuates, businesses must manage resources and capacity carefully to minimize waste and maximize efficiency.

5. Ownership

- ◆ No transfer of ownership; only temporary usage rights

Booking a hotel room gives you access to it for a night, but it doesn't make you the owner of the room. This illustrates a key feature of services: ownership is not transferred. Customers pay for the right to use or experience the service temporarily, not to possess it permanently.



Fig. 1.1.1 Characteristics of services

1.1.2 Goods

We often come across the phrase 'goods and services' used together in everyday language, business discussions, and economic contexts. At first glance, it might seem like both terms mean the same or refer to similar things. However, they are quite different in nature, purpose, and characteristics. It is important to explore each concept in detail and examine the key distinctions between them."

◆ Tangible items with physical attributes

Goods are items, articles, products or commodities that customers purchase from companies. They are tangible items with physical attributes you can touch, feel and see, like colour, size, shape and weight. Consumers might use a good a single time or multiple times.

Table 1.1.1 Difference Between Goods and Services

Basis of Difference	Goods	Services
Meaning	Physical items that can be seen, touched, and stored	Activities or benefits offered that are intangible
Form	Tangible – they have a physical shape or form	Intangible – they do not have any physical form
Production and Consumption	Produced first, then stored, and consumed later	Produced and consumed at the same time
Storage	Can be stored for future use	Cannot be stored; perishable in nature
Ownership	Ownership is transferred when purchased	No ownership is transferred; only access or experience is given
Return or Resale	Can be returned or resold if not satisfactory	Cannot be returned or resold once used
Example	Books, clothes, furniture, mobile phones	Haircut, banking, education, taxi ride

1.1.3 Service Marketing

Service marketing is a specialized branch of marketing that focuses on promoting and delivering intangible offerings like banking, healthcare, education, IT, hospitality, and consulting rather than physical goods. Unlike product marketing, service marketing deals with experiences and relationships rather than objects, making it more dependent on customer interaction, trust, and satisfaction. Service marketing focuses on making customers happy by treating them well, thereby building trust, and maintaining a good relationship with them. This helps businesses stand out from competitors, make more money, and turn one-time buyers into loyal, long-term customers. Service marketing can be referred to as the integrated system of business activities designed to plan, price, promote and distribute appropriate services for the benefit of existing and potential consumers to achieve organizational objectives. The concept of services marketing covers the following aspects: selling services profitably to target consumers and prospects delivering maximum satisfaction to consumers of services; and positioning the service firm in the market.

- ◆ Intangible activity and experience driven

Philip Kotler defined service marketing as: “Service marketing is the process of planning, implementing, and controlling marketing activities for services to satisfy consumer needs and achieve organizational objectives”.

Examples of Service Marketing:

- ◆ A bank promoting its quick and secure mobile app.
- ◆ A salon advertising its expert stylists and clean space.
- ◆ An online education platform showcasing success stories and flexible course schedules.

1.1.3.1 Significance/Importance of Services Marketing

1. Builds Customer Trust and Confidence

Service marketing helps build trust in something that customers cannot see or touch before buying. By highlighting service quality, past customer experiences, or guarantees, businesses can reduce doubts and make customers feel confident. For example, a health clinic sharing positive patient feedback and doctor qualifications helps new patients trust their service.

2. Improves Customer Retention

When services are marketed well and meet expectations, customers are more likely to return. Consistent service and communication help create loyal customers over time.

- ◆ Highlighting service quality, past customer experiences builds trust and confidence

- ◆ Consistency in service and communication creates loyal customers

For instance, a bank that sends helpful tips and offers good customer support keeps its account holders happy and loyal.

3. Differentiates the Service from Competitors

- ◆ Faster delivery, better quality, friendly atmosphere helps to stand out from competitors

In a crowded market, service marketing helps a business stand out by showing what makes it special. This could be faster delivery, better quality, or a friendly atmosphere. For example, a hotel promoting its personalized service and 24/7 guest care distinguishes itself from others offering basic facilities.

4. Educates Customers About the Service

- ◆ Brings awareness and clarity in the benefits that customers will receive

Since services are intangible, marketing helps explain what the customer will receive and how it will benefit them. Clear communication reduces confusion and sets correct expectations. For example, an online tutoring service using videos to show how live sessions work helps parents understand what they are paying for.

5. Helps Manage Demand and Capacity

- ◆ Helps control customer flow during peak and offseasons

Good marketing strategies can help control customer flow, especially during peak or off-peak times. Discounts or offers can attract customers when business is slow. For instance, a spa offering weekday discounts fills up empty slots and avoids crowding on weekends.

6. Encourages Word-of-Mouth and Referrals

- ◆ Promotes recommendation by satisfied customers

Satisfied customers who receive good service are more likely to recommend it to others. This is a powerful form of free promotion that brings in new clients. For example, someone who enjoys great service at a restaurant is likely to tell friends or post a review online.

7. Supports Brand Building

- ◆ Creates a strong and positive brand image

Effective service marketing creates a strong and positive image of the brand in the minds of customers. Over time, this reputation can become a key reason why people choose the service. For example, a delivery app known for being on time and responsive becomes a trusted brand for everyday needs.

1.1.4 Service Marketing Mix (7 Ps)

- ◆ Extended marketing mix

The service marketing mix is also called the extended marketing mix because it extends the traditional 4 Ps of marketing by adding three more elements: People, Process, and Physical Evidence. It helps businesses plan and deliver high-quality services by focusing on all key aspects of service delivery. The complete



mix includes seven elements—Product, Price, Place, Promotion, People, Process, and Physical Evidence.

1. Product

When you buy a holiday package or attend a university course, you are buying a service, not a physical item. These services can't be touched or owned like a soap or a mobile phone. That's why service "products" must be carefully designed. Tools like service blueprints help define what the service will look like, how it will be delivered, and what the customer will experience.

- ◆ Service products are intangible, changeable, and need clear planning

A service blueprint is a detailed visual map that shows how a service is delivered step by step. It outlines the customer journey, front-stage (visible) and back-stage (invisible) employee actions, and the processes needed to deliver the service smoothly. This helps businesses identify gaps, improve efficiency, and ensure a consistent customer experience.

2. Place

- ◆ The service must be delivered at the right place, physically or digitally

A fuel station is more useful on a busy highway than in a quiet rural area. This shows that location matters for services, because it affects customer convenience. Whether it's a bank branch, a clinic, or a software company, the service must be available at the right place where customers can easily access it.

3. Promotion

- ◆ Promotions help build awareness, trust, and attract customers in a competitive market

Many telecom companies advertise their offers heavily to attract users. Since services are not visible, promotions help customers learn about what is being offered and how it is different from competitors. Advertising, discounts, online campaigns, and word-of-mouth all play a role in promoting services effectively.

4. Price

- ◆ Pricing should reflect total service value, not just the visible part

In a restaurant, you don't just pay for food, you also pay for the ambience, music, and service. That's why pricing a service is more complex than pricing a product. It must cover not only the basic offering but also staff costs, materials, overheads, and a fair profit. Pricing should match the value customers feel they are getting.

5. People

- ◆ People play a key role in delivering service quality and satisfaction

When you visit a bank, the friendliness and efficiency of the staff shape your experience. In services, people, whether it's staff, front-desk officers, or support agents, are a big part of what the customer actually receives. That's why service businesses focus on training employees in communication, behaviour, and customer care.

◆ A clear process ensures smooth, consistent, and timely service delivery

◆ Physical elements help make an invisible service feel more real and appealing

6. Process

McDonald's delivers your order in minutes, and FedEx ensures timely package delivery—both succeed due to smooth processes. The way a service is carried out—from start to end—affects how fast, consistent, and satisfying it is. Businesses use well-defined processes to maintain quality and efficiency.

7. Physical Evidence

A restaurant with soft lighting, music, and clean interiors feels more welcoming than one with just plain tables. These physical elements help customers feel the quality of a service, even when the service itself is intangible. Brochures, staff uniforms, website design, and office layout also act as physical evidence that reassures customers.

1.1.5 Overview of Different Service Sectors

The service sector includes all industries that provide services instead of physical goods. These services fulfil various needs, ranging from basic necessities like healthcare and education to luxury services like tourism and entertainment. Unlike the manufacturing sector, service industries focus on experiences, expertise, and human interactions.

Here is an overview of major service sectors:

- 1. Healthcare Services:** This includes hospitals, clinics, diagnostic labs, and telemedicine. It focuses on providing medical care, improving public health, and ensuring patient well-being.
- 2. Educational Services:** Schools, colleges, universities, and online learning platforms fall under this category. These services aim to provide knowledge, skill development, and training.
- 3. Financial Services:** This sector includes banks, insurance companies, stock markets, and investment firms. It manages money, offers credit, and provides financial security.
- 4. Hospitality and Tourism:** Hotels, resorts, travel agencies, and airlines offer comfort, travel experiences, and leisure. This sector plays a key role in promoting cultural exchange and economic growth.
- 5. Information Technology (IT) and IT-Enabled Services (ITES):** Services like software development, tech support, data processing, and cloud solutions belong to

this fast-growing sector. These services are essential for digital transformation across industries.

6. **Telecommunication Services:** Mobile networks, internet providers, and cable operators provide connectivity and communication. They play a vital role in bridging distances and enabling remote access.
7. **Retail and E-commerce Services:** This sector offers goods and support services through physical stores or online platforms. It focuses on customer convenience, delivery, and product accessibility.
8. **Transportation and Logistics:** Includes railways, airlines, shipping, courier, and cargo services. It supports movement of goods and people efficiently across regions.
9. **Professional and Business Services:** Legal consulting, accounting, marketing, and HR services help businesses function smoothly by offering expert knowledge and support.

1.1.6 Banking Services

1.1.6.1 Banking

- ◆ Acceptance of deposits
- ◆ Granting loans
- ◆ Safety for money
- ◆ Financial guidance

Banking refers to the activities carried out by banks to manage money for individuals, businesses, and governments. Banks accept deposits, give loans, provide safety for money, and offer financial guidance. In short, banking is the business of handling money, providing financial support, and helping customers manage their finances securely and efficiently.

Did You Know?

Banking Goes Back Over 4,000 Years: Banking as a service dates back to ancient Mesopotamia, where temples acted as banks. In modern times, banks have evolved into fully digital ecosystems offering services 24/7 through apps, chatbots, and voice assistants.

1.1.6.2 Banking Services

- ◆ Products and services to meet the financial needs of customers

Banking services include all the products and functions banks offer to meet their customers' financial needs. These services may include savings and current accounts, fixed deposits, credit and debit cards, loans (personal, home, education), fund transfers, online banking, mobile banking, ATM services, and financial advisory.

For example, when you use an ATM to withdraw cash, check your balance through a mobile app, or take a loan to buy a house, you are using different types of banking services.

1.1.6.3 Classification of Banking Services

Banking services can be broadly divided into three categories: Core Banking Services, Credit and Lending Services, and Digital and Value-Added Services. Let's examine each category in detail.

- ◆ Core banking services
- ◆ Credit and lending services
- ◆ Digital and value-added services

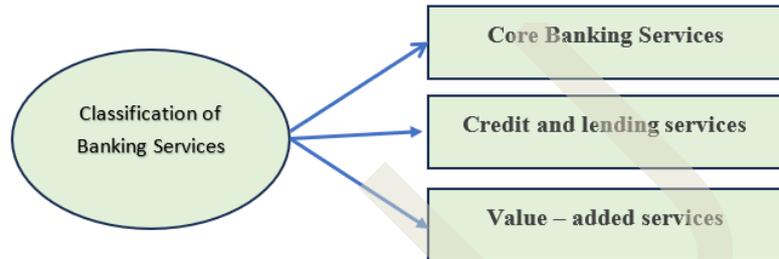


Fig. 1.1.2 Classification of Banking Services

1. Core Banking Services

a. Savings Account

A savings account allows individuals to deposit money and earn interest on the balance. It is ideal for regular saving and safe storage of funds.

Example: Rina deposits part of her salary every month in a savings account and earns interest on it.

- ◆ Ideal for regular saving

b. Current Account

Current accounts are mostly used by businesses for frequent and large transactions. Unlike savings accounts, they do not offer interest but provide high liquidity and overdraft facilities.

Example: A shopkeeper uses a current account to manage daily payments and deposits.

- ◆ Used for frequent and large transactions

c. Fixed Deposits (FDs)

In a fixed deposit, money is locked in for a specific period at a higher interest rate than savings accounts. It is a secure way to earn better returns on idle money.

Example: Rahul invests ₹50,000 in a 1-year FD at 6% interest for guaranteed returns.

- ◆ Allows to earn better returns on idle money

d. Recurring Deposits (RDs)

RDs allow customers to deposit a fixed amount every month for a chosen period. It helps in disciplined saving and earns interest similar to FDs.

- ◆ Promotes disciplined saving



Example: A student saves ₹2,000 every month in an RD to pay for exam fees after a year.

2. Credit and Lending Services

a. Personal Loans

Personal loans are unsecured loans offered for purposes like medical emergencies, weddings, or travel. They are repaid in monthly instalments with interest.

Example: Anju takes a personal loan of ₹1 lakh to cover her marriage expenses.

b. Home Loans

Home loans are long-term loans given to buy, construct, or renovate a house. These loans come with flexible repayment options and tax benefits.

Example: A family takes a ₹25 lakh home loan to purchase a flat in the city.

c. Education Loans

Education loans help students finance higher education in India or abroad. Repayment usually begins after course completion or a grace period.

Example: Arjun takes an education loan to pursue his MBA in the UK.

d. Business Loans

These loans are given to entrepreneurs and businesses for starting, running, or expanding operations. They may be secured or unsecured, depending on the amount and purpose.

Example: A startup borrows ₹5 lakh to buy new equipment and expand its operations.

e. Credit Cards

A credit card allows users to make purchases or payments now and repay later within a billing cycle. It is useful for cashless transactions and offers rewards or cashback.

Example: Meena uses her credit card to shop online and pays the bill at the end of the month.

3. Digital and Value-Added Services

a. Internet Banking

Internet banking enables customers to access and manage their bank accounts online. Services include money transfers, bill payments, and account monitoring.

Example: Ravi uses internet banking to transfer money to his parents and check his account balance.

b. Mobile Banking

Mobile banking provides banking services through mobile apps, making it easy to bank anytime, anywhere. It is user-friendly and supports instant transactions.

Example: Sneha uses her bank's mobile app to pay her phone bill and open an RD.

c. ATM Services

ATMs allow customers to withdraw cash, check balances, and even deposit money 24/7. They provide convenience without the need to visit a bank branch.

Example: Ramesh withdraws ₹2,000 from an ATM late at night for an urgent need.

d. UPI and Payment Services

UPI (Unified Payments Interface) allows instant fund transfers using mobile apps like Google Pay, PhonePe, or BHIM. It is fast, secure, and widely used.

Example: Priya pays her tuition fee instantly to her college using UPI.

e. SMS and Email Alerts

Banks send alerts for transactions, low balances, or due dates through SMS and email. These updates help customers stay informed and prevent fraud.

Example: After using her debit card, Neeta receives an SMS confirming the transaction.

f. Locker Facilities

Banks offer locker services for safe storage of valuables like jewellery, documents, or property papers. It ensures security and peace of mind.

Example: A couple keeps their gold jewellery in a bank locker during travel.

g. Financial Advisory

Banks provide expert advice on investments, insurance, retirement planning, and wealth management. This helps customers make informed financial decisions.



Example: A bank advisor helps Raj invest in mutual funds for long-term savings.

Did You Know?

Mobile Banking Has Overtaken Physical Banking: More people today use mobile apps for banking than visiting physical branches. In India, UPI transactions crossed ₹17.4 lakh crore in a single month (2023)—a clear sign of how technology is shaping service delivery.

- ◆ Focusses on trust building, offering convenience and creation of strong customer relationships

1.1.7 Marketing of Banking Services

When a bank launches a new mobile app, promotes a savings scheme, or sends messages about loan offers, it is engaging in the marketing of banking services. Since banking is a service industry, marketing focuses not just on promoting products, but on building trust, offering convenience, and creating strong relationships with customers.

1.1.7.1 Why is Marketing Important in Banking?

Banking services are intangible, they cannot be seen or touched. So customers depend on the bank's reputation, communication, and service quality to make decisions. Effective marketing helps banks:

- Inform customers about their services
- Build brand trust and loyalty
- Attract new customers and retain existing ones
- Stay ahead in a competitive market

1.1.7.2 Key Features of Banking Service Marketing

1. Customer-Centric Approach

Banks focus on understanding customer needs and designing services accordingly.

Example: Special pension accounts for senior citizens or zero-balance accounts for students.

2. Personal Relationship and Trust

Building long-term customer relationships is central to banking. Marketing must assure customers of safety, reliability, and personal care.

Example: A personal banker assigned to high-value clients to offer customized solutions.

3. Service Differentiation

Banks use marketing to highlight what makes their services better or unique.

Example: Promoting faster loan approval or 24/7 customer support as a key feature.

4. Use of Technology and Digital Platforms

Marketing is done through websites, mobile apps, emails, and social media to reach more people efficiently.

Example: A bank promoting its UPI services or instant credit card through online ads.

5. Promotional Campaigns

Banks use ads, SMS alerts, festive offers, and referral schemes to create awareness and increase usage.

Example: A bank offering cashback on credit card use during festival seasons.

1.1.7.3 Tools Used in Banking Marketing

- a. Advertisements: In newspapers, radio, TV, and online platforms
- b. Email and SMS Marketing: Regular updates and personalized offers
- c. Social Media Marketing: Reaching young, digital-savvy customers
- d. Events and Sponsorships: Promoting the brand through public visibility
- e. Customer Feedback Systems: Improving services based on reviews

Marketing of banking services is not just about selling loans or accounts. It's about building trust, offering convenience, and providing value to customers. In today's competitive and digital world, effective service marketing is essential for the growth and success of any bank.

Summarised Overview

This unit explores the foundational concepts of services and their distinction from physical goods. Services, being intangible, inseparable, perishable, and variable, require a unique marketing approach. The service marketing mix or 7 Ps—Product, Price, Place, Promotion, People, Process, and Physical Evidence—helps address these challenges. The unit also highlights the rapid expansion of the service sector (e.g., healthcare, education, IT, banking) as a major contributor to economic growth. Special emphasis is placed on banking services, including their classification and marketing strategies aimed at building trust, managing digital presence, and delivering customer value.

Self-Assessment Question

1. Define services. How do they differ from goods?
2. Explain the characteristics of services with examples.
3. What is service marketing? Why is it important in today's economy?
4. Describe the 7 Ps of the service marketing mix with suitable examples.
5. Discuss the importance of physical evidence in service marketing.
6. Explain the role of people and processes in delivering quality services.
7. Discuss the major sectors that make up the service industry in India.
8. How do banks use marketing to build trust and improve customer relationships?

Assignments

1. Service Diary Task: List 10 services you used in the past month.
 - a. Categorize them by type (e.g., people-based, equipment-based).
 - b. Identify which could have been delivered remotely.
 - c. Reflect on how other customers influenced your experience.
2. 7 Ps Analysis: Choose a service brand (e.g., Swiggy, SBI, Urban Company) and analyze how it applies each of the 7 Ps in its operations and promotions.

3. Technology Impact Reflection: Write a short report on how digital tools like mobile banking apps, chatbots, and UPI have changed the way you use services over the last few years.
4. Service Blueprint Creation: Design a simple service blueprint for a coffee shop or small clinic, showing each step of customer interaction and back-end processes.
5. Bank Marketing Study: Visit the website or branch of any bank and collect promotional material. Prepare a brief presentation on how the bank markets its services (e.g., ads, offers, customer service approach).

Suggested Reading

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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU

Unit 2

Marketing in different sectors

Learning Outcomes

After completing this unit, learners will be able to:

- ◆ explain the unique characteristics and challenges in marketing educational services in a competitive global environment
- ◆ describe the marketing of tourism service
- ◆ analyse the service features and marketing strategies of the Airline service
- ◆ evaluate the importance of the marketing of insurance services

Background

In today's fast-paced and service-driven economy, businesses must go beyond simply offering a product; they must create meaningful customer experiences, especially in sectors like education, tourism, airlines, and insurance. These industries are part of the growing service sector, where success depends heavily on customer satisfaction, trust, personalisation, and effective communication.

Unlike physical goods, services are intangible, inseparable, perishable, and variable, making them more challenging to promote and deliver consistently. Therefore, marketing in service sectors demands special strategies tailored to consumers' needs, expectations, and emotions.

This unit introduces students to the core concepts and techniques used to market services in different industries. It explores how educational institutions build their brand to attract students, how tourism campaigns inspire people to travel, how airlines manage customer loyalty in a competitive market, and how insurance companies build trust in an invisible promise of financial protection. Real-life case studies and practical strategies provide valuable insights into how each sector uses marketing to stand out and succeed.

By understanding these approaches, learners will gain the knowledge and skills required to craft effective marketing strategies for various service-based industries in the real world.



Keywords

Educational Service Marketing, Tourism Marketing, Airline Services, Insurance Sector Marketing, Service Sector Strategies

Discussion

Students exploring undergraduate study options find themselves flooded with choices, such as local colleges, national universities, private institutions, foreign universities, and now even online platforms offering accredited degrees. Each of these educational providers is trying to catch her attention through websites, advertisements, social media posts, testimonials, rankings, virtual tours, and scholarship offers. This is a perfect example of how competitive the educational sector has become today.

In the past, students often chose institutions based on location or reputation alone. But today, educational institutions must actively compete to attract students not just locally, but regionally, nationally, and globally. From traditional universities to ed-tech platforms like Xylem, Coursera, and Unacademy, and even international institutions like Udemy offering online programs, the variety of learning choices has expanded significantly. This has made marketing an essential function in the education sector.

◆ Necessity of marketing in the educational sector

◆ Organised activity to facilitate learning, skill development and knowledge transfer

◆ Facilitates intellectual, personal and professional development

1.2.1 Educational Services

An educational service refers to any organised activity or provision designed to facilitate learning, skill development, and knowledge transfer across various subjects, levels, or formats. These services can be delivered by institutions, individuals, or organisations in both formal and informal settings.

Examples of educational Services include Teaching in schools and universities, Online learning platforms (e.g., MOOCs, Ed-Tech apps), Language instruction centres, Corporate training and development, Educational counselling and career guidance, Test preparation services and Library and research assistance.

1.2.1.1 Features of Educational Services

1. **Learning-Centred:** The primary aim of educational services is to facilitate intellectual, personal, and professional development through targeted learning experiences. For example, a university lecture develops critical thinking, while a coding bootcamp focuses on job-ready skill.

◆ Follows organised formats to ensure consistency and measurable learning

◆ Delivered through formal, non-formal and informal channels

◆ Spans various stages

◆ Intangibility, inseparability, heterogeneity, perishability

◆ Process through which institutions attract, retain and engage students

2. Structured Delivery: Educational services follow organised formats such as curricula, lesson plans, training modules, or interactive workshops to ensure consistent and measurable learning. For instance, a business management course may include semester-wise modules, assessments, and internships to structure learning effectively.

3. Diverse Formats: Educational services are delivered through formal (e.g., school, college), non-formal (e.g., evening classes, coaching centers), and informal (e.g., YouTube tutorials, podcasts) channels. For example, someone preparing for a competitive exam may attend coaching classes (non-formal) and also use educational apps (informal) to supplement learning.

4. Levels of Education: Educational services span various stages, including early childhood (e.g., preschool programs), primary and secondary schooling, higher education (e.g., universities), vocational training (e.g., skill development institutes), and lifelong learning (e.g., professional development courses). For instance, a working professional may enroll in a continuing education program to upskill in data analytics, reflecting the lifelong learning aspect.

Apart from the above, educational services also exhibit certain distinctive characteristics as services. Let's explore them.

- 1. Intangible:** The value of education lies in knowledge and skills, which cannot be physically measured before delivery.
- 2. Inseparable:** The learning experience is shaped by the interaction between faculty, students, and the institution.
- 3. Heterogeneous:** Every student's learning journey is unique, even within the same course.
- 4. Perishable:** An empty classroom or unfilled seat represents lost revenue that cannot be recovered.

1.2.2 Marketing of Educational Services

Marketing of educational services refers to the strategic process through which institutions attract, retain, and engage students by communicating the value, quality, and uniqueness of what they offer. It involves more than just advertising a course or publishing a brochure, it includes understanding student needs, highlighting strengths, building relationships, and ensuring a positive brand image in the minds of students, parents, and educators.



1.2.2.1 Key Pillars of Marketing in Education

Unlike selling a product like a phone or a book, education is a service. It is intangible, inseparable from the experience, and highly personal. Students don't just buy a degree, they invest in an experience that shapes their knowledge, skills, personality, and future. Therefore, marketing in education must focus on:

◆ Key pillars - experience, outcomes, trust, relationships

- a. **Experience:** What will students go through while studying? (e.g., faculty quality, learning environment, student life)
- b. **Outcomes:** What benefits will they gain? (e.g., job placements, internships, skill development, global exposure)
- c. **Trust:** How reliable and credible is the institution? (e.g., accreditations, rankings, alumni success, brand reputation)
- d. **Relationships:** How does the institution connect with students before, during, and after enrollment? (e.g., student support, mentoring, alumni network)

Effective educational marketing builds a connection of trust and sets realistic expectations, helping students make informed decisions. It also helps institutions remain relevant and visible in an increasingly competitive landscape, where student preferences are influenced by digital outreach, social media, peer reviews, and career prospects.

1.2.2.2 Importance of Marketing in Education

1. Attracts the Right Students Who Align with the Institution's Vision and Values

◆ Communicates an institution's mission, values and academic philosophy

Marketing helps communicate an institution's mission, values, and academic philosophy, ensuring it attracts students who resonate with its educational culture. For example, an institute focused on sustainability and social innovation can use targeted campaigns to appeal to students interested in environmental studies and community impact. This alignment enhances student satisfaction, retention, and engagement.

2. Builds Brand Reputation and Global Recognition

◆ Helps to elevate an institution's image

Consistent and strategic marketing elevates an institution's image, helping it gain credibility and visibility both locally and internationally.

For instance, highlighting faculty research, international partnerships, and alumni success stories on digital platforms boosts the brand's authority in the education space.

A strong reputation attracts not just students, but also quality faculty, collaborators, and funders.

3. Increases Enrollments in a Highly Competitive and Saturated Education Market

- ◆ Helps to reach the intended audience effectively

With numerous institutions competing for student attention, marketing ensures that programs reach their intended audiences effectively.

Digital advertising, SEO, webinars, and social media engagement can help an institution stand out and convert interest into actual enrollments.

For example, a targeted online campaign for an MBA program can drive inquiries and applications from specific regions or professional groups.

4. Differentiates the Institution by Showcasing Unique Teaching Methods, Facilities, Faculty, and Outcomes

- ◆ Highlights the unique features of the institution

Marketing highlights what sets an institution apart, be it innovative pedagogy, state-of-the-art infrastructure, industry-experienced faculty, or outstanding placement records. By showcasing these strengths, institutions can distinguish themselves from generic competitors.

For example, promoting a problem-based learning model and access to global internships can appeal to students seeking practical, career-focused education.

1.2.2.3 Key Strategies in Marketing Educational Services

1. Segmenting and Targeting the Right Audience

Institutions segment potential students based on age, academic interests, location, career goals, etc.

Example: A business school targeting working professionals for executive MBA programs.

2. Building a Strong Institutional Brand

A strong brand assures quality and enhances the value of the qualification. Elements include logos, taglines, campus culture, and alumni success stories.

Example: Harvard University's global reputation is built on consistent quality, tradition, and notable alumni.

3. Digital Marketing and Online Presence

Websites, social media, SEO, email marketing, and paid ads are used to reach students globally.



Example: Coursera and edX use YouTube and Google ads to promote courses to students around the world.

4. Student Testimonials and Alumni Success

Word-of-mouth and real-life success stories increase trust.

Example: An institute promoting alumni who became entrepreneurs or industry leaders shows real-life impact of their education.

5. Scholarships and Financial Aid Offers

Reducing financial barriers can attract talented students.

Example: Ashoka University in India highlights merit-based scholarships and financial support in its marketing.

6. Partnerships and Collaborations

Tie-ups with foreign universities or companies add credibility.

Example: Amity University's international tie-ups help promote their global MBA programs.

7. Events, Webinars, and Campus Tours

Open days, webinars, and virtual campus tours help prospective students get a feel of the institution.

Example: IIMs and IITs conduct online information sessions for international applicants.

Did you know?

India is the second-largest market for e-learning after the United States, and it is expected to grow to USD 10.4 billion by 2025. Platforms like Byju's, Unacademy, and Xylem Learning have revolutionized educational marketing by combining tech, storytelling, and gamified content.

1.2.2.4 Challenges in Marketing Educational Services

1. Difficulty in Measuring Quality Before Consumption

Educational services are intangible, meaning students cannot "see" or "try out" the quality of teaching or learning outcomes before enrollment. Unlike physical products that can be tested, education is judged only after months or years.

Example: A student enrolling in a university program may not know the teaching effectiveness or placement success until much later, making the decision feel risky.

- ◆ Difficulty in testing quality before enrollment

- ◆ Choosing an educational institution time consuming

2. Long Decision-Making Cycles by Students and Parents

Choosing an educational institution is a major life decision that involves emotional, financial, and career considerations. As a result, both students and their families take time to research, compare, and evaluate multiple options before finalizing admission.

Example: Parents may spend months comparing schools based on infrastructure, faculty, safety, and fees before enrolling their child in a private high school.

- ◆ Stiff competition domestically and internationally

3. Intense Competition from Global and Local Providers

With the rise of online education, global universities, local coaching centers, and ed-tech platforms all compete for the same student base. Institutions must differentiate themselves constantly to remain relevant and attract attention.

Example: A local college in India must compete with IITs, private universities, and even international online platforms like Coursera or edX offering similar programs.

- ◆ Difficulty in managing reputation

4. Managing Public Perception and Institutional Reputation

The reputation of an educational institution significantly influences student enrollment, but it can also be fragile and affected by negative reviews, poor results, or outdated teaching methods. Maintaining a consistent and positive public image is crucial.

Example: If a university receives bad press due to poor placement outcomes or outdated facilities, it may see a drop in applications despite good faculty and curriculum.

- ◆ Promoting destinations, travel experiences, hospitality and related services to attract tourists

1.2.3 Marketing of Tourism Services

A traveller planning a holiday chooses a destination, books a hotel, arranges travel, and expects a memorable experience. But none of this can be physically tested in advance. She/he is buying a promise of experience, not a product. This is the essence of tourism services. They are intangible, experience-driven, and perishable, making marketing crucial for attracting and satisfying tourists.

Marketing of tourism services involves promoting destinations, travel experiences, hospitality, and related services to attract tourists. It focuses on creating appealing messages, delivering unique experiences, and building a strong emotional connection with travellers.

Examples of Tourism Service Marketing includes:

- ◆ MakeMyTrip & Yatra: These online platforms promote travel bookings by using flash sales, seasonal deals, and cashback offers.
- ◆ Rajasthan Tourism: TV and YouTube ads showing royal palaces, folk music, and desert safaris.
- ◆ Goa Tourism: Promotes vibrant nightlife, beach resorts, and cultural festivals through digital ads.

1.2.3.1 Features of Tourism Services

◆ Cannot be seen, touched, or tested before consumption

◆ Cannot be stored for future use

◆ Varies according to various factors

◆ Produced and consumed at the same place and time

1. **Intangible:** Tourism services cannot be seen, touched, or tested before they are consumed; travellers buy a promise of experience. For example, a tourist booking a resort in Maldives relies on pictures, reviews, and descriptions without experiencing it firsthand until they arrive.
2. **Perishable:** Tourism services cannot be stored or saved for future use, once the time passes, the opportunity is lost. For example, if a hotel room remains vacant on a specific night, that revenue is permanently lost.
3. **Heterogeneous:** The quality of tourism services varies from person to person due to factors like weather, staff behaviour, or crowd levels. For example, two tourists visiting the same hill station may have very different experiences if one experiences rain and rude service while the other enjoys clear skies and friendly hosts.
4. **Inseparable:** Tourism services are produced and consumed at the same place and time; visitors must be physically present to experience them. For example, a person cannot enjoy a camel ride in Rajasthan without being present in person.

1.2.3.2 Strategies in Marketing Tourism Services

1. Destination Branding

Destination branding involves creating a strong and memorable image of a location that reflects its unique identity, culture, or attractions. A well-branded destination stays in travellers' minds and helps it stand out among similar choices.

Example: Kerala Tourism's tagline, "God's Own Country", captures the state's natural beauty, backwaters, and wellness traditions, making it appealing to both domestic and international tourists.

◆ Creating strong and memorable image of a location reflecting its unique identity, culture and attractions

- ◆ Showcasing destinations through visually engaging content, online ads and virtual tours

2. Digital Marketing

Digital platforms are essential for showcasing destinations through visually engaging content, online ads, virtual tours, and influencer endorsements. It allows tourism boards and agencies to reach millions of potential tourists cost-effectively and instantly.

Example: Uttarakhand Tourism uses Instagram reels to highlight trekking spots, river rafting, and spiritual sites, effectively attracting adventure-loving and young travellers.

- ◆ Offering complete travel solutions

3. Packaging and Promotion

This strategy offers complete travel solutions—combining transport, accommodation, meals, and sightseeing into one bundled deal, often with seasonal or group discounts. It simplifies planning and increases the appeal for budget-conscious or first-time travellers.

Example: Thomas Cook India promotes honeymoon packages to Shimla-Manali that include everything from air tickets to local tours, making it easy and affordable for newlyweds.

- ◆ Offering reviews and feedback from past travellers

4. Customer Reviews and Word-of-Mouth

Since tourism is experience-based, potential tourists often rely heavily on reviews and feedback from past travellers before making bookings. Positive word-of-mouth—especially on online platforms—can enhance credibility and attract more visitors.

Example: A highly rated homestay in Coorg with excellent guest reviews for cleanliness, home-cooked meals, and host warmth receives repeat bookings and more referrals.

- ◆ Offering unique experiences that connect tourists with heritage and social life of a destination

5. Cultural and Event Marketing

Promoting cultural festivals, art exhibitions, sporting events, or traditional fairs can generate interest and encourage tourists to visit during specific times. These events offer unique experiences that connect tourists with the heritage and social life of a destination.

Example: The Jaipur Literature Festival, with its global authors, cultural programs, and royal venues, draws thousands of international and domestic visitors to Rajasthan annually.

Case Study: Incredible India Campaign

Background

The Incredible India campaign was launched by the Ministry of Tourism, Government of India, in 2002 to promote India as a global travel destination.

Marketing Strategies Used

- ◆ Powerful visuals and slogans showing India's diversity, spirituality, and heritage.
- ◆ Targeted campaigns for yoga, medical tourism, and eco-tourism.
- ◆ Partnership with travel agencies and airlines.
- ◆ Celebrity endorsements and social media engagement.

Results

- ◆ India's foreign tourist arrivals increased significantly post-launch.
- ◆ The campaign won multiple international awards for branding and tourism promotion.
- ◆ It helped improve India's global tourism image from chaotic to culturally rich and welcoming.

Did you know?

The "Incredible India" campaign launched in 2002 helped increase foreign tourist arrivals by 16% in its first year alone. It became one of the most awarded global tourism campaigns, showcasing India's diversity through visuals, yoga, heritage, and cultural richness.

Marketing of tourism services is not just about selling hotel rooms or flights—it's about inspiring dreams, assuring comfort, and delivering unforgettable experiences. Since tourism is deeply emotional and experiential, successful marketing must focus on storytelling, personalisation, and trust-building. With increasing global travel and digital access, tourism marketers must be creative, tech-savvy, and customer-focused to stand out.

1.2.4 Marketing of Airline Services

Airline services are part of the broader travel and tourism industry, providing not just transportation but an overall travel experience. Since passengers cannot "test" a flight before booking, airlines must focus on creating trust, convenience, comfort, and value to attract and retain customers. Marketing of airline services involves communicating these benefits through various channels and strategies while competing in a highly price-sensitive and service-driven industry.

1.2.4.1 Features of Airline Services

1. **Intangible:** Airline services are intangible, meaning passengers cannot see, touch, or test the quality of the flight before experiencing it. They rely on the airline's reputation, advertisements, and reviews to make their decisions.

Example: A traveler books a flight on Emirates expecting luxury based on online reviews and promotional videos, without being able to try it in advance.

2. **Inseparable:** The production and consumption of airline services happen simultaneously during the flight, and the customer must be physically present to experience it. The service involves real-time interaction with the flight crew and facilities onboard.

Example: A passenger experiences the cabin cleanliness, staff behavior, and seating comfort all at the same time while flying from Mumbai to Delhi.

3. **Perishable:** Airline services are highly perishable—once the plane departs, any unsold seats cannot be sold or recovered. This makes seat optimization and demand forecasting critical for profitability.

Example: If a flight from Bangalore to Kochi departs with 20 empty seats, the revenue for those seats is lost permanently.

4. **Heterogeneous:** Each passenger's experience may vary depending on factors like flight delays, cabin crew behavior, in-flight food, or aircraft condition. This makes it difficult to provide the same level of service every time.

Example: Two passengers flying the same Indigo route may rate the flight differently—one had a smooth journey, while the other experienced a delay and unhelpful staff.

1.2.4.2 Marketing Strategies in Airline Services

1. Dynamic Pricing and Fare Discounts

Airlines use dynamic pricing to adjust ticket costs based on demand, timing, route popularity, and seat availability. This strategy helps maximize revenue by encouraging early bookings and filling seats during off-peak hours.

Example: Indigo Airlines frequently runs “Big Sale” events offering tickets at reduced prices for early buyers, especially on less popular routes or during weekdays.

- ◆ Adjusting pricing based on demand, timing, route popularity and seat availability



- ◆ Delivering consistent service quality, comfort and memorable in-flight experiences

2. Branding and Customer Experience

Building a strong airline brand goes beyond the logo—it involves delivering consistent service quality, comfort, and memorable in-flight experiences. Airlines that offer punctual flights, clean cabins, friendly staff, and entertainment options earn higher customer loyalty.

Example: Emirates promotes itself as a luxury airline through features like spacious seating, personal screens, gourmet meals, and onboard Wi-Fi, targeting premium international travellers.

- ◆ Retaining frequent flyers through loyalty programs

3. Loyalty and Reward Programs

Airlines retain frequent flyers through loyalty programs that offer points or miles, which can be redeemed for discounts, upgrades, or free tickets. These programs also offer exclusive lounges, priority check-ins, and additional baggage allowances for loyal customers.

Example: Air India's Flying Returns and Vistara's Club Vistara allow members to earn points every time they fly, which encourages them to choose the same airline for future travel.

- ◆ Investing in digital platforms to simplify customer journey

4. Digital Marketing and Mobile Apps

Airlines invest heavily in digital platforms to simplify the customer journey—from booking and check-in to post-flight feedback. Their websites, mobile apps, emails, and social media allow for real-time communication, promotions, and personalized offers.

Example: SpiceJet's mobile app offers exclusive deals, travel alerts, and the convenience of mobile boarding passes, improving customer convenience and satisfaction.

- ◆ Forming partnerships with other carriers and travel related businesses

5. Partnership and Code-Sharing

Airlines form partnerships with other carriers and travel-related businesses to expand their global network and offer seamless services. Code-sharing allows two airlines to share the same flight, giving customers more flight options and easier connections.

Example: Singapore Airlines partners with Scoot, its low-cost subsidiary, to offer travelers a mix of premium and budget options with coordinated bookings and baggage handling.

- ◆ Collaborating with influencers, travel vloggers and bloggers to share flight experiences online

6. Influencer and Content Marketing

To reach modern travelers, airlines collaborate with influencers, travel vloggers, and bloggers who share their flight experiences online. This strategy creates authentic and visually engaging content that attracts new customers and builds brand credibility.

Example: Qatar Airways has worked with well-known travel influencers to showcase their business class features, lounge access, and inflight hospitality through YouTube videos and Instagram stories.

Case Study: Indigo Airlines – The Rise of a Low-Cost Giant

Background

Launched in 2006, Indigo Airlines started with a low-cost model focused on punctuality, simplicity, and affordability. Within a few years, it became India's largest airline by market share.

Marketing Strategy

- ◆ Emphasis on on-time performance, clean aircraft, and low fares.
- ◆ Memorable brand tagline: “On-Time, Every Time.”
- ◆ Minimal frills but consistent, reliable service.
- ◆ Engaging social media presence and humorous in-flight safety instructions.
- ◆ Use of mobile check-ins, online boarding passes, and bundled add-ons (seat selection, meals) to enhance convenience and revenue.

Results

- ◆ Became India's largest passenger airline, holding over 55% domestic market share (as of recent data).
- ◆ Recognised for efficient operations, low cost, and excellent brand recall.

Conclusion

Marketing of airline services goes beyond advertising cheap tickets; it is about managing expectations, offering value, and building customer loyalty in a highly competitive market. Airlines that consistently deliver comfort, convenience, safety, and punctuality—and market these features well—create strong brand loyalty and long-term success.

Did you know?

IndiGo, India's largest airline, gained dominance not by offering luxury, but by marketing "On-Time, Every Time" service. Despite being a budget carrier, it holds over 55% of India's domestic aviation market, showing how powerful a focused marketing message can be.

- ♦ Offers protection to individuals and businesses from unexpected events

1.2.5 Marketing of the Insurance

Insurance is a type of financial service that acts as a safety net; it protects individuals and businesses from unexpected events like accidents, illness, death, or property damage. By paying a small amount regularly (called a premium), the insured person receives a promise of financial help during emergencies. This makes insurance a tool for managing risk and uncertainty in life.

Unlike physical goods such as clothes or mobile phones, insurance is intangible. You cannot see, touch, or use it like a product. Instead, it is a contract of trust; you buy a policy today, hoping that if something goes wrong in the future, the company will support you financially. Because there's no immediate, visible benefit, many people hesitate or delay buying insurance.

This is where marketing becomes essential in the insurance sector. Since the product is invisible and complex, companies must focus on educating people; explaining what insurance is, why it is important, and how it works. Marketing also helps build trust, as people need confidence that the insurance company will honour its promise when the time comes. Through clear communication, emotional storytelling, testimonials, and transparent policies, insurance marketers encourage individuals and families to invest in their financial security, even when the benefit may only come much later in life.

1.2.5.1 Features of Insurance Services

1. **Intangible:** Insurance is not a physical product—you cannot see, touch, or use it directly. Its real value is felt only when a claim is made, such as during a medical emergency or after an accident.

Example: A person realises the importance of their health insurance only when they are hospitalised, and the insurance covers their medical bills.

2. **Involves Risk Management:** Insurance provides financial protection against uncertain future events like illness, accidents, or death. It helps individuals and businesses manage risks by transferring the burden to the insurer.

Example: A shop owner buys fire insurance to protect their store from unexpected fire damage that could cause major losses.

3. **Long-Term Relationship:** Most insurance policies are valid for several years and require regular premium payments, making them a long-term commitment. Over time, this relationship can evolve to include policy renewals, add-ons,

and claim support.

Example: A life insurance policy might require annual premiums for 20 years, with the payout happening after the policyholder's retirement or death.

- 4. Trust-Based:** Since customers cannot judge the service quality upfront, they rely on the insurer's reputation, transparency, and claim settlement history. Building trust is critical for customer retention and new policy sales.

Example: People prefer LIC or ICICI Prudential based on their claim settlement ratio and market reputation for keeping promises.

- 5. Inseparability:** The insurance service is closely tied to the agent or advisor who helps explain policy details, clarifies doubts, and assists with paperwork. The agent is often seen as the face of the company.

Example: A LIC agent not only sells the policy but also helps the customer during claim processing and policy updates.

1.2.5.2 Marketing Objectives in Insurance

1. Create Awareness

- ◆ Educating customers about different types of insurance

Many people still lack an understanding of insurance and why it's important. Marketing campaigns aim to educate customers about different types of insurance, such as life, health, vehicle, and property, and how they protect individuals and families against financial risks.

Example: LIC's advertisements and social messages help people understand the value of life insurance for securing their family's future.

2. Build Trust

- ◆ Building trust by offering customer support

Since insurance is an intangible and future-oriented service, customers need to trust that the company will support them during critical moments. Marketing efforts focus on showcasing the insurer's claim settlement history, customer support, and reliability.

Example: Max Life Insurance shares its high claim settlement ratio and positive customer testimonials to build public confidence.

- ◆ Highlighting unique features of offerings

3. Differentiate Offerings

With many insurance companies offering similar products, it's important to highlight unique features such as lower premiums, better coverage, an easy claim process, or additional riders. This helps customers choose a policy that best fits their specific needs.

Example: HDFC Life markets its child education plan with benefits like flexible premium payment and automatic waiver on the death of the parent.

- ◆ Designing market offerings to increase the market penetration

4. Increase Market Penetration

To grow their business, insurance companies aim to reach rural areas, low-income groups, and first-time buyers who are often unaware or hesitant. Marketing helps design simple products, use regional languages, and offer doorstep services to tap these underserved markets.

Example: LIC uses its vast agent network and vernacular promotions to sell micro-insurance policies in villages across India.

1.2.5.3 Marketing Strategies in the Insurance Sector

1. Customer Education and Awareness Campaigns

Since many people are unaware of how insurance works or why they need it, companies run awareness campaigns to educate the public. These campaigns use emotional messaging and relatable examples to explain the importance of financial protection.

Example: LIC's slogan "Zindagi ke saath bhi, zindagi ke baad bhi" touches the emotional core of Indian families, assuring life-long coverage and support for loved ones even after death.

2. Digital Marketing and Online Policies

With the increase in internet usage and mobile access, insurers are turning to digital platforms for marketing, sales, and customer service. Websites, apps, social media, and comparison portals allow customers to research, compare, and buy policies easily.

Example: Policybazaar.com allows users to compare premium amounts, coverage features, and benefits of multiple insurers, and buy policies with just a few clicks.

3. Personalized Services and Target Segmentation

Insurance needs vary based on age, income, family size, and life goals, so companies create targeted products for different segments. Marketing messages are customized to suit working

professionals, senior citizens, parents, or business owners.

Example: HDFC Life promotes child education plans to young parents and retirement annuity plans to older individuals preparing for a secure post-retirement life.

4. Emotional Branding and Storytelling

Because insurance deals with life's uncertainties, emotional storytelling is a powerful way to connect with customers. Real-life stories, visuals, and narratives help audiences relate to the role of insurance in protecting dreams and futures.

Example: ICICI Prudential's campaign "We covered his dreams" tells the story of a father's plan for his child's education being fulfilled through insurance after his passing, making it deeply impactful.

5. Trust Building and Transparency

Customers need assurance that their claims will be settled fairly and promptly. Insurers build trust by being transparent about policy terms, sharing performance metrics, and providing reliable customer support.

Example: Max Life Insurance openly publishes its claim settlement ratio and customer satisfaction ratings, giving potential buyers confidence in their services.

6. Agent and Advisor Network

In regions where digital adoption is low, insurance agents act as the face of the company. They guide customers through the policy selection process, help with documentation, and provide post-sales support.

Example: LIC's massive agent network operates even in remote rural areas, educating people face-to-face and ensuring that insurance services are accessible to all.

Case Study: LIC (Life Insurance Corporation of India)

Background

LIC is India's largest life insurance company, with a legacy of trust spanning decades.

Marketing Strategies

- ◆ Emotional and culturally rooted campaigns.
- ◆ Wide agent network covering remote areas.
- ◆ Traditional and digital outreach.
- ◆ Clear brand messaging focusing on security and family welfare.



Result

LIC holds the highest market share in life insurance in India and continues to lead in terms of policyholders, trust, and brand value.

Conclusion

Marketing in the insurance sector requires more than just selling a policy; it involves building long-term relationships, creating trust, and educating customers about the importance of financial safety. Since insurance is often viewed as a complex or optional product, successful marketing must simplify, personalise, and emotionally connect with the customer's life goals and concerns.

Did you know?

LIC (Life Insurance Corporation of India) has over 290 million policyholders, more than the population of most countries! Its marketing slogan, “Zindagi ke saath bhi, zindagi ke baad bhi,” is one of the most emotionally resonant and longest-running ad campaigns in Indian history.

Summarised Overview

This unit explores the marketing of services across four major sectors such as education, tourism, airlines, and insurance; each of which has unique features due to the intangible, inseparable, perishable, and variable nature of services. The unit highlights how educational institutions use branding, digital presence, and testimonials to attract learners. It further explains how tourism marketing relies on experience creation, destination branding, and cultural events, while airline companies employ dynamic pricing, loyalty programs, and influencer marketing to stay competitive. Finally, the unit emphasises the importance of awareness campaigns, trust-building, and personalisation in promoting insurance services. Real-world case studies such as Xylem Learning, Incredible India, Indigo Airlines, and LIC offer valuable insights into sector-specific strategies.

Self-Assessment Question

1. What are the key features of educational services? How do they affect marketing strategies?
2. Explain the significance of destination branding in tourism marketing with suitable examples.

3. Discuss the role of digital marketing in promoting educational institutions.
4. How do airlines manage customer experiences and loyalty through service marketing?
5. Describe the challenges in marketing educational services. How can institutions overcome them?
6. Explain the importance of emotional branding and storytelling in insurance marketing.
7. How does trust influence consumer behavior in the insurance sector?
8. Compare and contrast the marketing strategies of tourism services and airline services.

Assignments

1. Field Activity: Visit or explore the website of two educational institutions. Prepare a report comparing how each uses branding, testimonials, and digital media for promotion.
2. Tourism Marketing Audit: Pick a state tourism board (e.g., Kerala, Rajasthan). Analyze their online campaigns, slogans, and content to identify their destination branding strategies.
3. Airline Experience Review: Interview two people about their recent airline travel. Compare their service experiences and suggest improvements from a marketing point of view.
4. Insurance Product Analysis: Select and compare three insurance products from different companies. Identify how each one differentiates itself through features, branding, and customer communication.
5. Create a Campaign: Design a digital marketing plan (with key messages and platforms) for promoting a new tourism package to young professionals in metro cities.

Suggested Reading

1. Kotler, P., Bowen, J. T., & Makens, J. C. (2016). *Marketing for Hospitality and Tourism* (7th ed.). Pearson.



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4. Kumar, R., & Nandakumar, M. K. (2013). Marketing of insurance products in India: Issues and challenges. *International Journal of Marketing and Technology*, 3(1), 45–59.
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2. Kotler, P., Bowen, J. T., & Makens, J. C. (2016). *Marketing for Hospitality and Tourism* (7th ed.). Pearson.
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7. Rao, K. R. M. (2005). *Consumer Protection in India*. Kalyani Publications.
8. Foxall, G. (1993). Towards a balanced view of consumerism. *European Journal of Marketing*, 12(4), 264–274.
9. Grönroos, C. (2007). *Service Management and Marketing* (3rd ed.). Wiley.
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11. Rao, K. R. M. (2005). *Consumer protection in India*. Kalyani Publications.
12. Foxall, G. (1993). Towards a balanced view of consumerism. *European Journal of Marketing*, 12(4), 264–274.

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU



Unit 3

Marketing of Hospitality Services

Learning Outcomes

Upon the completion of this Unit, the learner will be able to:

- ◆ explain the unique characteristics and challenges of marketing in hospitality, healthcare, NGOs, online, and professional service sectors
- ◆ apply sector-specific marketing strategies such as experience marketing, influencer engagement, digital branding, and personalisation
- ◆ analyse real-world case studies to understand how service organisations successfully attract, retain, and engage customers or beneficiaries

Background

The service sector plays a vital role in the growth of modern economies. In India, services contribute over 50% of the GDP and employ millions across industries such as hospitality, healthcare, education, and finance. As the sector grows rapidly, so does the need for effective marketing tailored to the unique nature of each type of service.

This unit focuses on the marketing of specialised services including:

- ◆ Hospitality services like hotels and tourism,
- ◆ Healthcare services such as hospitals, diagnostics, and telemedicine,
- ◆ Social services by NGOs and non-profit organizations,
- ◆ Online and digital services including e-commerce and streaming platforms,
- ◆ Professional services like law, finance, consultancy, and IT.

Unlike physical goods, these services are often intangible, experience-based, and highly personalised. Therefore, marketing strategies must go beyond traditional methods and focus on relationship-building, trust, branding, and digital engagement.

The global hospitality industry alone is expected to reach over USD 5.8 trillion by 2027, while India's healthcare market is projected to grow to USD 372 billion by 2025. NGOs in India are also expanding their reach with the help of digital platforms and

CSR partnerships. Similarly, online service platforms and professional consultancies are using targeted marketing and personal branding to attract and retain clients in an increasingly competitive environment.

Keywords

Healthcare Marketing, Services by NGO's, Professional services, online services marketing

Discussion

1.3.1 Marketing of Hospitality Services

You are planning for a vacation and browsing travel websites, and see two resort options. Both have similar prices, locations, and facilities. However, one resort's website features warm customer reviews, high-quality images of scenic views and room interiors, details of customised wellness packages, and a video showing smiling staff welcoming guests with traditional Kerala rituals. The other simply lists room prices and a few low-resolution pictures.

Without ever visiting the place, you will choose the first resort. Why? Because their marketing strategy successfully created a strong emotional impression and communicated the promise of a memorable and personalised experience.

This example illustrates the essence of marketing in the hospitality industry, which is not just about promoting rooms or services, but about selling a feeling, an experience, and comfort - all of which are intangible. Unlike a physical product that can be tested before purchase, a hospitality service is consumed in the moment and heavily influenced by the quality of interaction, ambience, staff behaviour, and customer expectations.

Hospitality services like hotels, resorts, restaurants, cruises, and event planning are all focused on ensuring guest satisfaction. Hence, marketing efforts must:

- ◆ Highlight comfort, safety, and uniqueness.
- ◆ Use emotional appeal, such as visuals and storytelling.
- ◆ Leverage guest reviews, influencer partnerships, and virtual tours.



- ◆ Offer customised packages that cater to specific customer segments (e.g., honeymooners, business travellers, families).

Example: The Oberoi Hotels brand focuses its marketing on “Oberoi Experiences”, showcasing luxurious spa treatments, chef-curated dining, and personalised services. Through elegant advertising, curated social media content, and customer stories, they position themselves as a premium brand offering unforgettable stays, not just hotel rooms.

1.3.1.1 Importance of Marketing in Hospitality

The hospitality industry revolves around delivering comfort, care, and memorable experiences to guests. Unlike physical products, these services cannot be tested or returned. Therefore, effective marketing becomes essential to build awareness, trust, and differentiation in a competitive and intangible environment. The following are some of the reasons.

◆ Effective marketing is necessary

1. To Overcome Intangibility

Hospitality services like hotel stays, dining experiences, or spa treatments cannot be touched, seen, or evaluated before purchase. Guests make decisions based on what they see online, hear from others, or feel emotionally connected to. Thus, marketers use visually rich content (e.g., high-resolution images, 360° room tours, guest videos) and emotional storytelling to help customers imagine the experience.

Example: A luxury resort advertises candlelit beach dinners and serene spa rituals through videos that evoke relaxation and exclusivity.

2. To Build Trust and Brand Loyalty

Since guests are putting their comfort and money on the line, trust is critical. Marketing helps establish credibility by showcasing customer reviews, ratings, hygiene certifications, safety measures, and consistent brand messages. A guest who receives excellent service is likely to return or recommend the place, reinforcing brand loyalty.

◆ Trust and loyalty

Example: The “Tajness” campaign by Taj Hotels builds emotional bonds and promotes cultural warmth, leading to a loyal clientele who return for the brand experience.

3. To Manage Competition

The hospitality market is flooded with similar offerings such as multiple hotels, restaurants, and resorts in every city. What sets one apart is how it positions itself uniquely and markets that

identity effectively. A hotel could focus on luxury, budget-friendliness, eco-tourism, or family-friendliness but must market these features clearly to attract the right audience.

Example: Zostel positions itself as a youth hostel brand for backpackers, using fun and budget-friendly messaging across social media platforms.

4. To Attract and Retain Target Audiences

Different guest segments (business travellers, honeymooners, families, international tourists) have different expectations. Marketing allows businesses to segment audiences and personalise offerings. Customised marketing (such as promoting conference halls to corporates or spa retreats to couples) ensures better targeting and satisfaction.

Example: A resort offers wellness packages and promotes them via health blogs and yoga influencers to attract wellness tourists.

5. To Encourage Online Engagement and Bookings

Today's travellers rely heavily on online searches, reviews, and booking platforms. A strong digital marketing presence increases direct bookings, engagement, and visibility. Marketing tools like SEO, paid ads, loyalty apps, and chatbots help provide a seamless pre- and post-booking experience.

Example: OYO Rooms uses aggressive digital marketing and app-based discounts to drive bookings and maintain customer retention.

6. To Handle Seasonality and Demand Fluctuations

Hospitality businesses often face seasonal demand cycles. Marketing plays a crucial role in stimulating off-season bookings through discounts, local tourism campaigns, and special event promotions.

Example: A beach resort runs a “Monsoon Magic” campaign offering spa discounts and indoor activities during the rainy season.

Marketing is not just a promotional tool in hospitality—it is the lifeline that connects guests to experiences. It builds expectation before arrival, ensures satisfaction during the stay, and fosters loyalty after departure. In an industry built on service and emotion, strategic and thoughtful marketing can turn a one-time guest into a lifetime brand advocate.

◆ Digital marketing increases bookings

◆ One-time guest converts to regular customer

1.3.1.2 Features of Hospitality Services

Hospitality services include offerings from hotels, restaurants, resorts, event management, and travel accommodation, and are



characterised by their experience-driven nature. These services are unlike physical goods because they depend on human interaction, setting, and time of delivery, making them both rewarding and complex to manage. Here are the key features that define hospitality services:

1. Intangible

Hospitality services are intangible, meaning they cannot be seen, touched, or tested before consumption. Customers base their decisions on reviews, brand reputation, word-of-mouth, or promotional content rather than physical evaluation.

Example: A customer choosing a hotel in Goa relies on TripAdvisor reviews, photos, or a virtual tour on the hotel's website, as they cannot "experience" the room, food, or staff behaviour until arrival. Hence, marketers must create appealing content and emotional assurance to influence the decision.

2. Inseparable

In hospitality, the production and consumption of the service happen simultaneously, and the presence of the service provider (staff) and customer interaction is crucial.

Example: The experience of dining at a 5-star restaurant depends not just on the food but also on the attentiveness of the waiter, ambiance, and promptness of service. A delay in service or impolite behavior can ruin the customer's entire perception, even if the food is excellent.

This inseparability makes employee training, service consistency, and frontline behaviour essential parts of hospitality management.

3. Perishable

Hospitality services are perishable, meaning they cannot be stored or inventoried. Once the service opportunity passes, it cannot be recovered or resold.

Example: A hotel room left unbooked on a given night results in lost revenue, as that room cannot be sold the next day for the past date. Similarly, unsold seats in a banquet, cruise, or flight represent lost capacity.

This perishability leads to strategies like dynamic pricing, last-minute deals, and seasonal promotions to optimise occupancy and revenue.

4. Heterogeneous

The quality of hospitality services can vary from one experience to another, even within the same organisation. This het-

◆ Hospitality service cannot be stored

erogeneity results from differences in service personnel, guest expectations, timing, mood, and even crowd levels.

Example: Two guests at the same hotel on the same day may have very different experiences; one might enjoy a flawless check-in and friendly staff, while the other faces a delay or cold service due to staff shortage. Therefore, standardisation, service protocols, and feedback systems are critical to maintaining service consistency in hospitality.

1.3.1.3 Marketing Strategies for Hospitality Services

The hospitality industry thrives on guest satisfaction, personal experience, and emotional connection. Since hospitality services are intangible and perishable, strategic marketing is essential to attract, engage, and retain customers. Below are the key marketing strategies commonly used in this sector:

1. Experience Marketing

Hospitality marketing emphasises the creation of memorable guest experiences through ambience, personalised service, comfort, and emotional value. Instead of focusing on the physical product (like a room or meal), brands market how the customer will feel during the stay.

Example: The Oberoi Hotels market themselves with the theme of "*Luxury redefined by service excellence*", offering personalised butlers, curated local experiences, and serene environments that highlight emotional luxury.

2. Loyalty Programs

To encourage repeat visits, hospitality businesses offer loyalty rewards programs that provide discounts, free stays, upgrades, and exclusive privileges. These programs not only increase customer retention but also help track preferences for future personalization.

Example: Taj InnerCircle and Marriott Bonvoy allow loyal customers to accumulate points which can be redeemed for room upgrades, spa treatments, or complimentary nights, turning occasional guests into repeat visitors.

3. Digital Marketing and Online Presence

With most travellers searching online before booking, a strong digital presence through websites, OTAs (Online Travel Agencies), Google reviews, social media, and travel apps is crucial. Visual content like virtual tours, high-quality photos, and guest testimonials builds trust and influences decisions.

◆ Rewards programs increase customer retention

Example: Booking.com and TripAdvisor are key platforms where hotels list rooms and gain visibility. A hotel with high ratings and detailed guest reviews gains a competitive edge.

4. Seasonal and Promotional Offers

Hotels often create special packages and run promotions during off-seasons, festivals, or long weekends to boost occupancy. These packages bundle services like meals, sightseeing, and spa treatments to deliver more value.

Example: Sterling Holidays frequently offers “Monsoon Packages” or “Family Vacation Deals” that include stays, meals, and local experiences at discounted prices.

5. Branding and Storytelling

Strong branding gives a property a distinct identity, whether it's heritage, wellness, eco-tourism, or luxury. Storytelling through advertisements, videos, and social media posts enhances emotional connection.

Example: Airbnb’s “Live There” campaign encourages travelers to live like locals, not tourists, and features hosts sharing stories about their neighborhoods—creating an emotional appeal that resonates globally.

6. Influencer and Content Marketing

Hospitality brands collaborate with travel bloggers, YouTubers, and Instagram influencers who showcase their stays, meals, and experiences. Authentic content builds credibility and reaches targeted audiences.

Example: Suryagarh Palace in Jaisalmer invites travel influencers to post immersive content showcasing its royal architecture and desert activities, reaching millions of potential travellers.

7. Customer Relationship Management (CRM)

CRM tools help track customer preferences, previous bookings, birthdays, and special requests to offer personalized services. Personalized communication like “We miss you” emails or birthday discounts builds loyalty.

Example: Radisson Hotels send tailored post-stay emails seeking feedback and offering return guest discounts based on the user's travel history and preferences.

8. Sustainability and Ethical Marketing

Modern travellers increasingly prefer eco-friendly and socially responsible hospitality brands. Marketing initiatives now of-

◆ Social media persons intervene in marketing

ten highlight sustainability efforts like reduced plastic use, farm-to-table dining, and community involvement.

Example: ITC Hotels markets its brand under “*Responsible Luxury*,” promoting LEED-certified buildings, green practices, and Indian heritage without compromising on luxury.

Marketing in hospitality is about selling feelings, not facilities. By combining emotional appeal with data-driven strategies, hospitality businesses can stand out in a crowded market. Whether it’s a boutique homestay or a global hotel chain, success lies in building relationships, delivering memorable moments, and making every guest feel valued.

1.3.2 Healthcare Marketing

Healthcare marketing is a specialised form of service marketing that focuses on promoting and delivering medical and wellness services, including hospitals, clinics, diagnostics, wellness centres, rehabilitation programs, and increasingly, telemedicine and online consultations. Given the sensitive and critical nature of health, marketing in this sector goes far beyond conventional promotion. It is deeply rooted in building trust, ensuring transparency, and fostering long-term relationships between providers and patients.

◆ Promotes medical and wellness service

Unlike other service industries, healthcare involves life-and-death decisions, emotional vulnerability, and a high expectation of ethical responsibility. Patients do not purchase healthcare like a product they seek confidence in outcomes, personalised attention, and transparency in pricing and procedures.

◆ Patients needs confidence, attention and transparency

Marketing in this field must therefore be:

- ◆ informative and educational rather than pushy.
- ◆ emphasise trustworthiness and compassion.
- ◆ uphold ethical and regulatory standards (e.g., MCI guidelines in India restrict overt advertisement by doctors).

1.3.2.1 Features of Healthcare Marketing

Healthcare services are distinct from other services because they involve matters of life, health, and well-being. The decision to choose a healthcare provider is often driven by emotions, urgency, and trust, making it a high-involvement and credibility-sensitive service. Here are the core features explained in detail:

1. High Involvement Decisions: Emotional and Urgent

Healthcare decisions are often urgent, emotionally intense, and involve significant consequences. Unlike routine consumer purchases, patients and families spend time evaluating options carefully especially when the treatment is serious or long-term.

Example: When a family has to choose between hospitals for a major heart surgery, factors like doctor reputation, hospital infrastructure, past success rates, and testimonials become crucial. The urgency and emotional weight attached to such decisions make marketing efforts focus on reliability and reassurance.

2. Credibility-Focused: Based on Expertise, Accreditation, and Feedback

Patients assess healthcare providers based on credibility indicators such as doctor qualifications, hospital certifications (like NABH or JCI), years of experience, and patient reviews. Marketing must highlight these trust factors to influence decisions.

Example: Apollo Hospitals showcases its accreditations, specialized departments, and high success rates in procedures on its website and advertising materials. Online platforms like Practo also display ratings and patient feedback for doctors and clinics, helping users make informed choices.

3. Long-Term Relationships: Repeat Visits, Chronic Care, Follow-Ups

Healthcare services often result in repeated interactions for chronic diseases (like diabetes or hypertension), follow-up appointments, rehabilitation, and preventive care. Providers aim to build ongoing relationships with patients rather than one-time interactions.

Example: Tata Memorial Centre, a cancer treatment hospital in India, ensures continuous engagement with patients through follow-up consultations, survivor support groups, and long-term treatment plans. This fosters loyalty and trust, essential in a sector where continuity of care matters deeply.

These features make healthcare services deeply personal and trust-driven. Marketing strategies must be tailored to highlight credibility, patient care, emotional assurance, and the promise of consistent long-term support. Unlike other services, healthcare demands a sensitive and ethically responsible marketing approach that aligns with its life-saving mission.

1.3.2.2 Marketing Strategies for Healthcare Services

Healthcare services including hospitals, clinics, diagnostics, and wellness centers, require thoughtful, ethical, and patient-cen-

◆ Long-term relation between hospital and patients

◆ Patient experience in hospital

tric marketing. The sensitive nature of the service, where trust, empathy, and credibility are vital, makes marketing in this field both delicate and essential. Here are some key strategies used in the healthcare sector.

1. Experience Marketing

In healthcare, patient experience beyond treatment. It includes how the patient feels from the first appointment to discharge. Hospitals now focus on cleanliness, friendly staff, calming interiors, reduced waiting time, and personalised care to create a lasting impression.

Example: Narayana Health, founded by Dr. Devi Shetty, emphasises affordable cardiac care with high-quality service. Their hospital environments are designed to be patient-friendly, with clear signage, clean facilities, and empathetic service, enhancing trust and satisfaction.

2. Patient Loyalty and Relationship Programs

Though traditional reward points may not apply in healthcare like they do in hospitality, patient loyalty is built through follow-up care, health management apps, priority appointments, and personalised reminders.

Example: Apollo Hospitals offers Apollo Health Check Plans and the Apollo 24/7 app, where registered users get personalised health tracking, reminders, tele-consults, and follow-ups—creating long-term engagement with the brand.

3. Strong Digital Presence and Online Reviews

Most patients today search for hospitals and doctors online, and digital presence plays a crucial role in their selection. Hospitals maintain websites, publish health blogs, and manage social media. Moreover, ratings and reviews on platforms like Practo, JustDial, or Google Reviews influence decisions.

Example: Practo enables users to view doctor qualifications, consultation fees, timings, and patient reviews, making it a go-to platform for digital health discovery in India. Top hospitals like Manipal Hospitals and Fortis Healthcare list their services and specialists here.

4. Branding and Storytelling

Building a healthcare brand means more than showcasing technology—it's about communicating human stories, trustworthiness, and social value. Emotional stories of patient recovery, doctor dedication, or medical breakthroughs help build credibility.

- ◆ Community outreach programmes are indirect marketing tool

Example: Max Healthcare’s “Care For Life” campaign featured stories of patient resilience and doctor commitment, emphasizing emotional healing and community support. These campaigns help build a personal connection with the brand, beyond just clinical services.

5. Community Outreach and Health Awareness

Hospitals often organize health camps, awareness walks, free screenings, and webinars on public health issues to build goodwill and expand reach. This not only fulfills their social responsibility but also serves as an indirect marketing tool.

Example: AIIMS Delhi regularly holds cancer awareness seminars and public health talks. Fortis conducts school outreach programs focusing on mental health awareness, creating trust among younger populations and families.

6. Use of Health Apps and Technology Integration

Marketing now includes promoting telemedicine, mobile apps, EMRs (Electronic Medical Records), and AI tools that enhance convenience. These offerings appeal to urban, tech-savvy patients.

Example: Tata Health promotes itself as a complete digital healthcare provider offering teleconsultation, lab bookings, and digital prescriptions—all through an integrated app interface. The app’s user-friendly design is a key part of its marketing.

Case Study: Apollo Hospitals

Apollo Hospitals has emerged as a pioneer in healthcare marketing in India. Its strategy includes:

- ◆ **Branding:** The Apollo brand is associated with trust, technology, and global-standard healthcare.
- ◆ **Digital Marketing:** Apollo’s website, blogs, social media pages, and the Apollo 24/7 app serve as one-stop platforms for patient engagement.
- ◆ **Campaigns:** Initiatives like #AskApollo offered free online consultation during the pandemic, while #HealthyHeart promoted preventive

1.3.3 Marketing of Social Services by NGOs

Non-Governmental Organisations (NGOs) play a vital role in addressing social, environmental, health, and educational issues. Unlike commercial enterprises, NGOs do not sell products or pursue profit. Instead, their mission is to create positive social change, and marketing in this sector focuses on building aware-

ness, trust, and long-term engagement with donors, volunteers, and communities.

With growing competition among NGOs for funding, visibility, and volunteer support, effective marketing is essential. It helps these organisations share their story, highlight impact, and inspire people to take action—whether through donations, time, or advocacy.

1.3.3.1 Characteristics of NGO Marketing

1. Cause-Driven Messaging: Focused on Impact, Not Profit

Marketing in NGOs centres around a cause or mission, not products or profits. Messages are often emotionally engaging, highlighting real-life issues and how the organisation is solving them. The aim is to make people feel connected to a purpose.

NGO marketing is not about selling a service. It's about inviting people to be part of a mission. Through powerful storytelling, transparent communication, and digital engagement, NGOs build a bridge between social causes and the public. In a world where attention is limited and choices are many, impactful marketing can be the difference between passive sympathy and active participation.

Example: Smile Foundation's campaign "Tayyari Kal Ki" focuses on educating underprivileged children in India. Their ads showcase children's dreams and how a small donation can change their future, appealing to the donor's sense of purpose and empathy.

2. Multiple Stakeholders: Beneficiaries, Donors, Volunteers

Unlike commercial businesses that focus on customers, NGOs must communicate with several distinct groups the people they help (beneficiaries), those who support them (donors), and those who carry out the work (volunteers and staff). Each group needs targeted messaging.

Example: CRY (Child Rights and You) runs separate campaigns for:

- ◆ Donors (showing impact reports),
- ◆ Volunteers (sharing stories of involvement),
- ◆ Beneficiaries (empowering narratives for children and parents).

The diversity of stakeholders requires multi-channel, multi-tone marketing approaches.

◆ NGO- bridge between social causes and the public

3. Transparency-Centered: Financial and Impact Reports

Trust is critical in NGO marketing. Supporters want to know how their money is used, what changes have been made, and whether the organisation is credible. Hence, transparency in reporting, accountability, and ethical communication are central to marketing efforts.

Example: Goonj, an NGO focused on rural development, openly shares financial reports, project data, and impact stories on its website. This transparency reassures donors and partners that their support leads to tangible results.

Many global platforms like GiveIndia or GuideStar India also rate NGOs based on transparency and impact, which NGOs use as part of their credibility marketing.

1.3.3.2 Marketing Strategies for NGOs

In the non-profit sector, marketing is not about selling a product, but about inspiring people to believe in a cause and contribute through donations, time, or advocacy. NGOs must build strong emotional connections with their audience while maintaining credibility, transparency, and trust. Here are the key strategies they use:

1. Storytelling: Real-Life Stories of Change

People connect more deeply with authentic, emotional stories than with statistics. Storytelling allows NGOs to humanise their work, showing how their efforts make a tangible difference in the lives of individuals and communities.

Example: Save the Children shares detailed stories and photos of children whose lives have been changed through education and healthcare initiatives. These narratives are often featured in newsletters, social media posts, and donor reports, making supporters feel emotionally invested.

2. Social Media & Crowdfunding

NGOs increasingly use digital platforms to reach wider audiences, especially younger donors. Platforms like Milaap, Ketto, and GoFundMe allow NGOs to create crowdfunding campaigns for specific projects, while Instagram, Facebook, YouTube, and X (formerly Twitter) are used to share updates, photos, and videos.

Example: During the COVID-19 pandemic, Hemkunt Foundation used Instagram stories and posts to raise funds for oxygen cylinders and ambulance services. Their transparent and urgent messaging led to massive support from individuals and celebrities alike.

◆ Humanise their work

3. Donor Engagement

Maintaining long-term relationships with donors is critical for sustainability. NGOs engage donors through monthly newsletters, thank-you messages, impact updates, personalised emails, and even phone calls to show appreciation and build loyalty.

Example: Akshaya Patra Foundation, which runs mid-day meal programs in India, sends regular updates to its donors showing how their contributions are being used, accompanied by messages from children benefiting from the meals. This keeps donors emotionally and mentally connected.

4. Collaborations with Celebrities and Corporates (CSR)

NGOs often collaborate with public figures, media influencers, and corporates to amplify their message. Celebrity endorsements help draw public attention, while CSR (Corporate Social Responsibility) partnerships provide funding and resources.

Example: Teach for India has partnered with companies like Google and Dell and engaged celebrities like Farhan Akhtar and Dia Mirza to promote its mission through campaigns, talks, and social media. Such collaborations bring visibility, credibility, and scalability to NGO operations.

Case Study: Goonj

Founded by Anshu Gupta, Goonj is a pioneering NGO that transforms urban surplus into rural development tools. Its flagship initiative, “Cloth for Work”, allows rural communities to earn clothing and essentials in exchange for participating in local development projects like building roads, repairing schools, or cleaning water bodies.

Goonj uses:

- ◆ Powerful storytelling to highlight dignity and self-reliance in rural communities.
- ◆ Grassroots visuals and testimonies to connect with urban donors emotionally.
- ◆ Transparent financial and impact reports to build trust and ensure credibility.

Their innovative marketing and development model has earned them global awards such as the Ramon Magsaysay Award (2015) and recognition by the United Nations and World Bank.

NGOs succeed not only through good intentions but through smart, ethical, and emotionally resonant marketing. By using storytelling, social media, donor engagement, and collaborations, they build meaningful relationships with their supporters

and amplify their impact on society. A well-told story or a transparent update can move people from awareness to action, creating sustainable change at scale.

1.3.4 Marketing of Online Services

Online services refer to digitally delivered experiences that span across various sectors like e-commerce, fintech, ed-tech, health tech, streaming platforms, and SaaS (Software as a Service). These services are often intangible, fast-evolving, and accessible 24/7, making them both convenient and competitive. Effective marketing is essential to attract users, build brand loyalty, and stand out in a crowded digital landscape.

Features of Online Services

1. 24/7 Availability

Online services are available anytime, anywhere, providing users with uninterrupted access across time zones. This flexibility appeals to users with busy or non-traditional schedules.

Example: Users can access Netflix or Amazon Prime Video at midnight or during a lunch break, making convenience a core selling point.

2. Highly Customisable

Most online platforms now use Artificial Intelligence (AI) and machine learning to offer personalised content, suggestions, and services based on user behaviour and preferences.

Example: Spotify creates customised playlists like “Discover Weekly” based on your listening history, while Amazon recommends products based on your previous searches and purchases.

3. Intangible and Fast-Paced

Since these services are intangible (no physical product is exchanged), they rely heavily on user interface, speed, and reliability. User expectations are high, and any delay or glitch can lead to dissatisfaction.

Example: Swiggy or Zomato must ensure real-time updates and smooth app experiences slow loading or wrong delivery tracking can result in lost customers.

4. Marketing Strategies for Online Services

a. SEO and Content Marketing

Companies use Search Engine Optimization (SEO) and content marketing (like blogs, YouTube videos, and social media ads) to improve online visibility and attract organic traffic.

Example: Byju’s and Unacademy use blogs and educational YouTube content to target students and parents, helping build trust before conversion.

b. Freemium Models

Many digital platforms use a freemium strategy, where basic features are offered for free, while premium features come at a cost. This encourages users to try the service before committing financially.

Example: LinkedIn allows users to access basic networking for free, but charges for job insights, messaging, and analytics under LinkedIn Premium.

c. Personalised Recommendations

AI is used to provide personalised product suggestions or content, increasing the chances of conversion and enhancing user experience.

Example: Netflix’s “Top Picks for You” section helps keep users engaged by predicting their preferences based on previous viewing history.

d. User Reviews and Influencer Marketing

Online reviews on platforms like Google, App Store, Play Store, and endorsements by social media influencers help build brand credibility and attract new users.

Example: Mamaearth (D2C brand) leveraged Instagram influencers and YouTube reviewers to gain trust for their e-commerce platform selling natural beauty products.

Case Study: Zomato

Zomato, India’s leading food delivery and restaurant aggregator platform, has successfully used a mix of quirky content, digital marketing, gamification, and user reviews to stay ahead.

- ◆ Its “Zomato Premier League” campaign gamified food ordering during IPL cricket season by linking discounts to match predictions.
- ◆ Zomato’s witty Twitter posts and push notifications made it a relatable and humorous brand for urban youth.
- ◆ Its user-generated reviews and detailed menus helped users make confident ordering decisions.

By combining entertainment, information, and engagement, Zomato built a strong emotional and functional connection with users.

◆ User review help in building brand credibility



- ◆ Value, convenience, and creativity are blended in the marketing strategies

Marketing of online services relies heavily on technology, personalisation, user experience, and digital reach. In an environment where attention spans are short and competition is global, businesses must consistently innovate their marketing approach to retain user interest and drive conversions. The most successful platforms are those that blend value, convenience, and creativity in their marketing strategies.

1.3.5 Marketing of Professional Services

Professional services refer to expert-based offerings in areas like legal consultancy, financial planning, accounting, IT services, architecture, medical consultancy, and more. These services are knowledge-intensive, customised, and rely heavily on personal expertise, trust, and reputation.

Unlike mass consumer services, professional services are often intangible and involve confidential, high-stakes decisions. This makes marketing more complex, focusing less on flashy advertising and more on credibility, competence, and relationship-building.

1.3.5.1 Features of Professional Services

1. High Trust Required

Professional services usually deal with sensitive and confidential information, such as legal documents, financial portfolios, or business strategies. Clients must feel secure that their information will be handled ethically and responsibly.

Example: A client hiring a financial advisor expects not only expertise but also complete confidentiality in handling tax planning and investments. Marketing must highlight trustworthiness, ethical compliance, and data security.

2. Reputation-Based

Decisions are often based on reputation, word-of-mouth, qualifications, and previous client success rather than traditional advertising. Reviews, referrals, and thought leadership play a major role.

Example: A startup founder seeking a corporate lawyer might rely on peer recommendations, LinkedIn endorsements, or prior client testimonials, rather than Google ads or price comparisons.

3. Low Visibility

Professional services are hard to demonstrate upfront—you can't physically "see" a legal strategy or an audit plan. Success is measured after the service is delivered, making pre-purchase

marketing especially reliant on credentials and proof of expertise.

Example: An IT consultancy can't showcase results in advance but can share client case studies, certifications (like ISO), and thought leadership content to demonstrate competence.

Marketing Strategies for Professional Services

1. Thought Leadership

Publishing industry insights, research papers, LinkedIn articles, blogs, and whitepapers positions the professional as an expert in their domain. This builds credibility and attracts clients who value knowledge and authority.

Example: McKinsey & Company shares in-depth research reports and articles on strategy, digital transformation, and economic trends, reinforcing their brand as a global thought leader.

2. Personal Branding

Since many professional services are delivered one-on-one, the personal image of the provider (lawyer, consultant, architect, etc.) matters greatly. This involves showcasing qualifications, public speaking, testimonials, interviews, and social media profiles.

Example: A CA (Chartered Accountant) builds their brand by sharing financial tips on Instagram or YouTube, attending webinars, and featuring client success stories on their website.

3. Client Referrals

Satisfied clients often recommend services to others. Encouraging referral systems, testimonials, and online reviews helps generate organic leads—especially powerful in trust-based professions.

Example: Doctors and legal advisors often get business through word-of-mouth or existing client networks. A patient sharing a good experience on Practo or a business owner referring their tax advisor to a friend boosts the provider's credibility.

4. Niche Targeting

Professionals often succeed by focusing on a specific market segment or industry, which helps sharpen their messaging and build domain expertise. Targeted marketing increases conversion rates and brand positioning.

Example: A lawyer who promotes themselves as a "startup law expert" or an architect who specialises in eco-friendly homes can craft marketing campaigns tailored to those niche audiences.

◆ Targeted marketing results in conversion rates and brand positioning



Case Study: KPMG India

KPMG, a global leader in auditing and advisory, uses smart and ethical marketing to position itself as a knowledge partner and trusted advisor.

- ◆ Its “Insights” section on the website features industry-specific whitepapers, case studies, and tax updates.
- ◆ It hosts webinars and shares compliance news and digital transformation strategies on LinkedIn.
- ◆ These efforts make KPMG a top-of-mind brand for clients seeking expert consultancy in areas like finance, cybersecurity, and corporate governance.

Through informative, value-added marketing, KPMG reinforces its credibility without relying on hard-sell tactics.

Marketing of professional services is all about building trust, projecting competence, and demonstrating expertise. The most successful professionals and firms are those who educate their audience, personalise their outreach, and establish a reputation as problem solvers. In a world driven by information and relationships, strategic marketing is no longer optional—it's integral to long-term success in professional services.

Summarised Overview

This unit explores the dynamic world of marketing specialized services across sectors such as hospitality, healthcare, non-profit organisations (NGOs), online platforms, and professional services. Each of these service types presents unique characteristics such as intangibility, perishability, trust dependency, and customisation that demand tailored marketing strategies. Students will learn how companies like Taj Hotels, Apollo Hospitals, Zomato, Goonj, and KPMG craft effective marketing through branding, storytelling, digital outreach, CRM, and loyalty programs. The unit provides practical insights into how service brands create value, enhance customer experience, and build long-term relationships in a competitive digital environment.

Self-Assessment Question

1. What are the key marketing challenges in the hospitality industry? How can they be addressed with experiential marketing?
2. Explain how healthcare services use digital platforms and emotional branding to build patient trust.

3. Discuss the role of transparency and storytelling in NGO marketing, using real-life examples.
4. How do freemium models and SEO help online service platforms grow their customer base?
5. Compare the features of professional services with hospitality services from a marketing perspective.
6. Describe the importance of thought leadership in marketing professional consultancy services.
7. How does customer feedback influence the marketing success of online and healthcare services?
8. Evaluate the effectiveness of loyalty programs in the hospitality sector with reference to real brand strategies.

Assignments

1. Analyse the digital marketing strategy of a hospitality brand like Taj or OYO and suggest improvements.
2. Design a campaign for a non-profit organisation focused on education or healthcare using cause-driven messaging.
3. Create a personal branding plan for a professional (e.g., lawyer or CA) entering the freelance market.
4. Develop a mock “Insights” or blog post strategy for an IT consultancy to position itself as a thought leader.
5. Conduct a comparative study of two popular online platforms (e.g., Zomato vs. Swiggy or Coursera vs. Udemy) focusing on user engagement and marketing.

Suggested Reading

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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU

Unit 4

Customer Segmentation and Positioning in Services Marketing

Learning Outcomes

Upon completion of this unit, learners will be able to:

- ◆ evaluate market segmentation concepts and their importance
- ◆ analyse the bases of market segmentation
- ◆ assess the role of targeting and positioning in marketing strategy
- ◆ examine different positioning strategies used in professional services

Background

It is inevitable for organisations to develop marketing strategies that are finely tuned to the diverse needs and preferences of their customers. Unlike product-based firms, service organisations operate in an environment characterised by intangible offerings, variable customer interactions, and a high degree of personalisation. As a result, a one-size-fits-all strategy is often ineffective, as customers differ widely in their expectations, preferences, and behavioural patterns. To address these differences, service firms increasingly rely on strategic marketing approaches, particularly Segmentation, Targeting, and Positioning (STP) which serve as critical tools for creating tailored offerings, optimising resource allocation, and enhancing customer satisfaction.

Among these, service market segmentation plays a foundational role by enabling firms to divide a diverse customer base into smaller, more homogeneous segments. This process is typically based on shared characteristics such as demographics, behaviour, or psychographics. For service firms, segmentation serves as a strategic foundation that supports precise targeting and effective differentiation.

This unit explores the necessity of segmentation in service marketing, its key bases, and the strategies that drive effective targeting and positioning. By examining these concepts, learners will gain insights into how service firms can achieve differentiation and long-term success.

Keywords

Segmentation services, Segmentation strategies in service marketing, Targeting and positioning of services, Positioning strategies for services

Discussion

1.4.1 What is Market Segmentation?

A small juice shop near a city park noticed that different people visited at different times. In the morning, fitness enthusiasts wanted sugar-free, protein-rich juices. Around noon, office workers preferred quick, bottled juices to take away. In the evening, families came with children who liked sweet, colourful fruit blends. Instead of offering the same juice to everyone, the owner created different menus for each group — health blends for fitness lovers, quick grab-and-go bottles for workers, and fun, fruity mixes for kids. This is market segmentation — understanding and serving different customer groups based on their unique needs and habits. Therefore, Market segmentation is the process of dividing a broad market into distinct groups of customers with common needs, characteristics, or behaviours, so that services can be tailored more effectively to them.

◆ Groups

1.4.1.1 Need / Importance of Market Segmentation in Services

Market segmentation is a strategic approach that enables service businesses to identify and understand sub-groups within their broader market. By focusing on distinct customer needs and preferences, service providers can design more effective marketing strategies, optimise resource utilisation, and foster lasting customer relationships. Let us explore the key benefits of segmentation in services, supported with practical examples:

◆ Focus

1. **Enhanced Targeting:** Segmentation enables service marketers to identify and focus on specific groups that are more likely to buy their offerings. This precision in targeting leads to higher conversion rates and better customer alignment. Example: Apple focuses on a premium customer segment — tech-savvy, brand-conscious consumers who value aesthetics and innovation. Its marketing and service design reflect this focus, allowing it to dominate the premium smartphone market.

◆ Unique need

◆ Efficiency

◆ Competitive edge

◆ Expansion

◆ Customer satisfaction

2. Personalised Marketing: By understanding the unique characteristics of different segments, businesses can craft personalised marketing messages and campaigns that resonate deeply with each group. Example: Netflix segments its users based on viewing behaviour, genres watched, and device usage. This helps it create highly personalised recommendations and promotions, enhancing user experience and retention.

3. Efficient Resource Allocation: Segmentation helps businesses use their marketing and operational resources wisely by focusing on the most profitable or strategic segments, reducing wastage and maximising ROI. Example: Amazon leverages segmentation to optimise its advertising spend. It targets electronic promotions to tech-focused cities like San Francisco or Bangalore, ensuring that their campaigns reach the right audience.

4. Competitive Advantage: Businesses that tailor services to the needs of specific customer segments can differentiate themselves from competitors, offering a more compelling value proposition. Example: Coca-Cola segments its product lines based on consumer needs — diet-conscious consumers get Coke Zero, while young consumers get fruit-flavoured drinks. This segmentation helps it remain relevant across demographics and occasions.

5. Market Expansion: Segmentation allows companies to explore and penetrate new markets by identifying untapped customer groups and adapting services accordingly. Example: Ford uses segmentation to develop and market different car models across geographies. In India, it emphasises affordability and fuel efficiency, while in the U.S., it promotes luxury features in higher-end vehicles.

6. Customer Retention and Loyalty: By offering services that closely match the expectations of specific groups, companies can enhance customer satisfaction and foster long-term loyalty. Example: Samsung offers a wide portfolio of smartphones — from budget-friendly models for price-sensitive users in India to flagship models like Galaxy S and Fold series for premium customers. This diversity helps it retain a broad customer base globally.

◆ Unique need

7. Targeted Product Development: Segmentation informs service and product design by highlighting the unique needs of different segments, which can lead to more relevant and successful offerings. Example: L'Oréal develops beauty products for different ethnicities and regions. By offering foundations for a wide variety of skin tones and hair products for different textures, it ensures inclusivity and higher market acceptance.

In the dynamic landscape of service marketing, segmentation is not just a strategic tool but a necessity. It helps companies better understand their markets, respond proactively to customer needs, and sustain a competitive edge. Through careful segmentation, targeting, and positioning, service firms can design personalised, high-impact strategies that drive business success.

1.4.1.2 Bases of Market Segmentation

Market segmentation is the process of dividing a large and diverse market into smaller, more manageable groups of consumers who share similar characteristics. These segments allow marketers to tailor their services to better meet specific customer needs, resulting in improved satisfaction, loyalty, and business efficiency. Let's explore the major bases of market segmentation, each explained in detail.

1. Demographic Segmentation

Demographic segmentation involves dividing the market based on quantifiable characteristics such as age, gender, income, education, occupation, family size, religion, and life cycle stage. It is one of the most commonly used and straightforward segmentation methods because demographic information is generally easy to collect and analyse. This form of segmentation helps service providers develop targeted offerings that match the basic identity and economic capacity of the consumer.

For instance, insurance companies offer different plans based on age: child insurance for students, health and life insurance for working adults, and retirement benefits for senior citizens. Similarly, beauty brands like L'Oréal and Dove create specialised product lines for different age groups and genders, recognising that skincare needs vary across life stages.

2. Geographic Segmentation

Geographic segmentation classifies the market based on physical location, such as country, region, state, city, climate zone, or even urban versus rural areas. Consumers in different geographic areas may have varied needs, cultural preferences, languages,

◆ Demographic factors

◆ Physical location



climates, and purchasing behaviours. For service industries, especially hospitality, logistics, and food delivery, geographic segmentation plays a vital role.

For example, Domino's Pizza adjusts its Flavours based on regional taste preferences. In India, it includes spicy toppings and vegetarian options to suit local tastes, whereas in Western countries, it promotes cheese-heavy, non-vegetarian options. Tourism services, too, are segmented geographically—beach resorts are promoted in coastal regions, while adventure treks are marketed in hilly areas.

3. Psychographic Segmentation

◆ Psychological factors

Psychographic segmentation divides the market based on psychological traits such as lifestyle, values, interests, attitudes, and personality. Unlike demographic segmentation, which focuses on who the customer is, psychographic segmentation seeks to understand why customers behave the way they do. It delves into the mental and emotional drivers behind purchasing decisions.

A strong example is Nike, which markets itself not just as an apparel brand, but as a lifestyle choice for athletes, trendsetters, and even social activists. The company tailors its campaigns to appeal to individuals who value performance, self-expression, or social justice. Similarly, luxury hotel chains like Taj Hotels target customers who value exclusivity and prestige, offering bespoke services that align with their upscale lifestyles.

4. Behavioural Segmentation

◆ Customer engagements

Behavioural segmentation focuses on customer interactions with the product or service. It segments the market based on usage rate (heavy, moderate, light users), brand loyalty, purchase readiness, occasion, benefits sought, and decision-making patterns. This base is especially relevant in service marketing because service experiences are shaped by how the customer engages with the offering.

For instance, airlines use loyalty programs to segment frequent flyers from occasional travelers. They offer mileage rewards, business-class upgrades, and priority boarding to high-value customers. E-commerce platforms like Amazon and food delivery services like Zomato use behavioral data to send personalized promotions and reminders based on past purchasing habits and preferred time slots.

5. Technographic Segmentation

Technographic segmentation is a modern approach that classifies customers based on their usage of technology — includ-

ing devices, software, apps, platforms, and digital behavior. In today's digital economy, understanding how customers engage with technology helps companies personalize services and enhance digital experiences.

Spotify, for example, tracks the types of devices (mobile, desktop, smart speaker) used by listeners and curates playlists and ads accordingly. EdTech companies like Byju's in India use technographic data to offer mobile-only learning modules for students in remote areas with limited access to broadband, while offering multimedia-rich content for students in urban areas using tablets or laptops.

6. Firmographic Segmentation

◆ Organisational factors

Firmographic segmentation is used in business-to-business (B2B) markets. It involves dividing business customers based on organisational characteristics such as industry type, company size, annual revenue, number of employees, and geographical location. This segmentation allows service providers to tailor offerings that match the operational needs and purchasing power of different companies.

For example, Salesforce, a cloud-based CRM provider, offers customised plans for startups, medium-sized businesses, and large enterprises. While startups might require cost-effective, basic features, larger corporations may need comprehensive integrations and advanced analytics. Infosys similarly segments its IT services for healthcare, retail, and finance sectors, offering domain-specific solutions.

Each base of market segmentation plays a unique role in helping service providers understand their target audience more clearly. While demographic and geographic factors offer observable traits, psychographic and behavioural segmentation go deeper into motivations and actions. In the digital age, technographic and firmographic segmentation provide critical insights for technology-driven and B2B services respectively. Together, these bases empower businesses to design more effective marketing strategies, enhance customer satisfaction, and gain a sustainable competitive edge.

1.4.1.3 Segmentation Strategies in Service Marketing

◆ Strategies for segmentation and its importance

In the context of service marketing, segmentation strategies refer to the way service providers choose to approach different market segments identified through segmentation. The goal is to match the service offering with the right customer group to maximize satisfaction, efficiency, and profitability. The four primary segmentation strategies commonly used in service marketing



are: Undifferentiated, Differentiated, Concentrated, and Micro-marketing strategies.

1. Undifferentiated Marketing Strategy (Mass Marketing)

◆ One standard of service

The undifferentiated marketing strategy, also known as mass marketing, treats the entire market as a single entity and offers one standard service to all customers, irrespective of their individual differences. This strategy assumes that consumer needs across the market are largely homogeneous and that a unified offering can appeal to everyone. It emphasizes efficiency and cost-effectiveness, often relying on mass media for promotion and uniform service delivery.

For example, public transportation services, such as city buses or metro rail systems, do not differentiate between passengers based on age, income, or lifestyle. Everyone receives the same service — a ride from one location to another at a uniform fare. This strategy works well when the service is essential and when customer expectations are largely similar.

2. Differentiated Marketing Strategy (Segmented Marketing)

◆ Differentiated services

In a differentiated marketing strategy, the service provider identifies two or more distinct market segments and designs different service offerings for each. This approach recognizes that different groups have varied needs, preferences, and usage behaviors. By tailoring the service mix and communication to each group, firms can attract a broader customer base and create a more relevant experience for each segment.

A good example is a multispecialty hospital, which serves a wide range of patient groups through specialized departments — maternity services for expecting mothers, orthopedic services for elderly patients, pediatric care for children, and so on. Similarly, banks offer customized accounts and financial products for salaried individuals, businesses, students, and high-net-worth individuals. This strategy allows service firms to grow their market share while satisfying the diverse needs of various customer groups.

3. Concentrated Marketing Strategy (Niche Marketing)

◆ Specific needs

Concentrated marketing focuses on a single, clearly defined market segment. Also referred to as niche marketing, this strategy allows a business to concentrate its resources and expertise on serving the specific needs of a narrow audience. The idea is to develop a deep understanding of the chosen segment and deliver a highly specialized service that general providers may overlook.

For instance, Ayurvedic spas and wellness retreats target health-conscious individuals who prefer natural therapies. These service providers don't cater to the entire population but rather to a niche group that values alternative medicine and holistic healing. Because the service is tailored to a specific group, it creates strong brand loyalty and differentiation, especially in markets where larger competitors may not focus on niche preferences.

4. Micromarketing Strategy (One-to-One or Local Marketing)

◆ Individual need

Micromarketing takes segmentation to the most granular level by focusing on individual customers or very small groups. It involves customizing services and marketing efforts to match the precise preferences, behavior, and needs of each customer. This strategy has become increasingly feasible with advances in data analytics, CRM systems, and digital platforms, allowing for real-time personalization.

A common example is Netflix, which uses algorithms to analyze each user's viewing history, preferences, and behavior to recommend shows and create personalized content suggestions. Similarly, financial advisors often offer services that are tailored one-on-one, adjusting portfolios and financial planning based on each client's income, age, risk tolerance, and goals. Micromarketing can greatly enhance customer satisfaction and loyalty, though it requires significant investment in technology and data management.

Choosing the right segmentation strategy is critical for success in service marketing. Undifferentiated marketing is useful when services have universal appeal and cost control is essential. Differentiated marketing helps serve multiple segments with tailored offerings, improving reach and relevance. Concentrated marketing enables firms to dominate niche markets by offering specialised services, while micromarketing allows for high levels of personalisation and customer engagement. The choice of strategy depends on the firm's resources, goals, and the diversity of customer needs in the target market.

1.4.2 Targeting

A professional painter who has five different blank canvases, each made from a different material — cotton, linen, wood, plastic, and silk. Each canvas reacts differently to paint. If the painter uses the same paint and technique for all, only one or two might give a good result. Instead, if the painter chooses one canvas, say cotton, and uses a technique and paint specifically designed for it, the outcome will be much better and appreciated by art buyers.

In this example:

- ◆ The five canvases represent market segments.
- ◆ The painter's choice of one canvas and adapting the technique symbolises targeting.
- ◆ The result is a more effective and appealing service that satisfies the intended audience.

Just like the painter, businesses must select the right segment and tailor their services to it — rather than trying to appeal to everyone and ending up with mediocre results.

◆ Focusing on segments

After a market has been segmented into distinct customer groups, targeting is the next step in the STP process. Targeting refers to the selection of one or more segments to focus the company's marketing efforts on. A company chooses a target segment based on its attractiveness, size, growth potential, profitability, and compatibility with the company's resources and mission.

Targeting enables a firm to direct its services, promotions, pricing, and distribution strategies towards the customers who are most likely to respond positively, ensuring more effective and efficient marketing.

1.4.2.1 Need and Importance of Targeting in Service-Marketing

1. Efficient Use of Resources: Targeting ensures that a firm's time, money, and marketing efforts are concentrated on customers who are most likely to purchase. This leads to higher return on investment (ROI) and minimizes waste. In service sectors, where marketing budgets are often limited, efficiency is critical.

Example: A private hospital may choose to target upper-middle-class families for specialized maternity services instead of promoting the same offering to the entire population.

2. Better Understanding of Customer Needs: By focusing on a specific segment, businesses can gain deeper insights into customer behavior, preferences, and pain points. This allows for better service customization and superior customer experiences.

Example: A travel agency targeting honeymooners can design romantic vacation packages, couple-only tours, and private experiences that general travel packages may lack.

3. Competitive Advantage: When a company targets a specific market and designs tailored services, it stands out from com-

petitors offering generic services. This differentiation can be a major driver of customer loyalty and brand preference.

Example: UrbanClap (now Urban Company) targets urban professionals seeking home services (like cleaning, salon, repairs). Its app-based, verified service model differentiates it from traditional service providers.

- 4. Improved Customer Satisfaction:** Customers feel more valued and satisfied when services are clearly designed with their specific needs in mind. Targeting enhances personalisation and relevance, which are key factors in customer retention.

Example: EdTech companies like Byju's target school students and offer curriculum-based learning in regional languages. This boosts satisfaction and accessibility.

- 5. Facilitates Strategic Decision Making:** Targeting helps businesses make informed decisions on pricing, promotion, distribution, and service delivery. It provides a clear roadmap for business strategy based on well-defined customer expectations.

Example: A gym targeting working professionals might offer late-night classes, online bookings, and short-term memberships — decisions shaped by the needs of the target group.

1.4.3 Positioning

Three coffee shops on the same street:

1. Speedy Café positions itself on speed – quick takeaway for busy office workers.
2. Eco Brew positions itself on eco-friendliness – biodegradable cups and organic ingredients.
3. Artisan Beans positions itself on quality and experience – handcrafted brews, soft music, and cozy seating.

Each shop serves coffee but has a different position in customers' minds. One is for speed, one for sustainability, and one for ambiance and taste. This is positioning — shaping perception to differentiate the service from others in the same market.

◆ Collective mental picture

Positioning refers to the process of creating a distinct image or identity of a service in the minds of the target customers. It answers the question, “*How do we want customers to perceive our service compared to competitors?*” In service marketing, positioning is critical because services are intangible and often



judged based on customer experience, brand image, and emotional value.

“Positioning is the act of designing the company’s offering and image to occupy a distinctive place in the minds of the target market.” - *Kotler & Keller, 2016*

1.4.3.1 Need and Importance of Positioning in Service Marketing

◆ Competitive edge

◆ Customer satisfaction

◆ Developing services

◆ Customer connection

1. Differentiation in a Crowded Market: Positioning helps service providers stand out from competitors by highlighting what makes them unique. Since many services (e.g., banks, salons, hotels) offer similar core functions, clear positioning helps build a distinctive brand. Example: Zoom is positioned as a user-friendly and reliable video conferencing tool — even though many platforms exist.

2. Influences Customer Perception and Choice: Customers rely on brand image, reputation, and messaging to decide between service providers. A strong positioning strategy influences their decision-making. Example: Taj Hotels are positioned as luxury and royal experience providers, attracting high-end clientele seeking premium services.

3. Aligns Marketing Strategy: Positioning acts as a foundation for designing service features, promotional messages, pricing, and service delivery. It ensures consistency across all marketing activities. Example: A bank positioned as “tech-savvy” must ensure all touchpoints — app, website, and ATMs — reflect that promise through innovation.

4. Builds Customer Loyalty: When a service is clearly positioned and delivers on its promise, it creates trust and emotional connection, leading to customer loyalty. Example: Amul is positioned as the “Taste of India” — creating national pride and emotional bonding with customers over generations.

1.4.3.2 Positioning Strategies in Service Marketing

Service firms can use a variety of strategies to position their brand effectively. Let’s explore the most common ones:

1. Attribute-Based Positioning: This strategy emphasizes a specific feature or attribute of the service that is

important to the customer. Example: Zoom focuses on “ease of use” and “high-quality video” to differentiate itself in the video calling space.

2. **Benefit-Based Positioning:** Instead of highlighting features, this strategy focuses on the benefits or outcomes customers receive from the service. Example: Swiggy highlights “convenience and speed” — promising food delivered quickly with real-time tracking.
3. **Price-Quality Positioning:** The service is positioned based on the value for money — either offering premium services at high prices or affordable services at low prices.

Example:

- ◆ Taj Hotels = Premium quality and premium pricing
 - ◆ OYO Rooms = Affordable, standardized accommodation
4. **Use or Occasion-Based Positioning:** The brand is positioned as best suited for a particular usage situation or occasion. Example: Cadbury Celebrations is positioned for festive gifting occasions rather than everyday consumption.
 5. **User-Based Positioning:** The service is positioned by associating it with a specific user group or personality. Example: LinkedIn Learning is positioned for working professionals looking to upgrade skills.
 6. **Competitive Positioning:** The service is directly or indirectly compared with a competitor, highlighting its superiority. Example: Dunzo positions itself as faster and more reliable than traditional delivery services like couriers.
 7. **Emotional Positioning:** The brand appeals to emotions, values, or beliefs of the customer to build a strong personal connection. Example: Airbnb uses the tagline “Belong Anywhere” — positioning itself as a provider of authentic, homely experiences rather than just accommodation.

Summarised Overview

Market segmentation refers to the practice of dividing a broad market into smaller groups based on shared characteristics, behaviours, or needs, enabling businesses to tailor their services more effectively. For example, a juice shop adjusting its menu for fitness enthusiasts, office workers, and families illustrates how segmentation can help address diverse customer preferences. The importance of segmentation in service marketing lies in its ability to enhance targeting, personalise marketing, allocate resources efficiently, gain a competitive edge, explore new markets, retain customers, and support targeted product development. Companies like Apple, Netflix, Coca-Cola, and Ford use segmentation to offer specialized services and products that appeal to distinct consumer segments.

Segmentation is based on several criteria: demographic (age, income), geographic (location, climate), psychographic (lifestyle, values), behavioral (usage patterns, loyalty), technographic (technology use), and firmographic (organizational attributes in B2B markets). Each basis allows for deeper understanding and more relevant marketing. For instance, L'Oréal personalizes beauty products by demographic and psychographic traits, while tech firms like Spotify and Byju's use technographic data to deliver customized digital experiences.

Following segmentation, targeting involves selecting specific market segments to serve. Like an artist choosing the right canvas for their technique, businesses choose the most promising segments based on factors like profitability, size, and strategic fit. This approach enables efficient resource use, deeper customer insight, a stronger competitive position, higher customer satisfaction, and more informed decision-making. Targeting helps service providers focus on the customers most likely to respond positively, leading to improved marketing outcomes, as seen in cases like private hospitals, travel agencies, and EdTech platforms.

Lastly, positioning shapes how a service is perceived in the minds of the target audience, distinguishing it from competitors. For instance, coffee shops may differentiate themselves based on speed, sustainability, or ambiance. Effective positioning ensures clear brand identity, influences customer choices, and guides marketing strategy while fostering customer loyalty. Strategies for positioning include emphasizing attributes (e.g., Zoom's ease of use), benefits (e.g., Swiggy's convenience), price-quality (e.g., OYO vs. Taj), usage occasions (e.g., Cadbury for festivals), user identity (e.g., LinkedIn Learning), comparisons (e.g., Dunzo's speed vs. couriers), and emotional appeal (e.g., Airbnb's promise of belonging). Altogether, segmentation, targeting, and positioning (STP) form the core of service marketing strategy, enabling firms to connect more meaningfully with customers and deliver impactful services.

Self-Assessment Question

1. Explain the market segmentation and bases for market segmentation
2. Essay on the need for market targeting and positioning
3. Analyse the positioning strategies adopted by service providers
4. Evaluate the market segmentation strategies
5. Briefly explain the different positioning strategies
6. Need for STP (Segmentation , Targeting, Positioning) in services marketing.

Assignments

1. Analyze the different market segmentation strategies adopted by your favourite service provider.
2. Develop market segmentation-based strategies for your anticipated business idea.
3. Evaluate how the positioning strategies help to create a competitive advantage for your services.

Suggested Reading

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Space for Learner Engagement for Objective Questions

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SGOU

Unit 5

Positioning Strategies

Learning Outcomes

Upon completion of this unit, learners will be able to:

- ◆ understand how positioning helps in service marketing
- ◆ explore various positioning strategies: product/service delivery, pricing, distribution, and promotion
- ◆ evaluate service differentiation techniques

Background

In the evolving landscape of service marketing, businesses are constantly challenged to distinguish themselves in a saturated market. Unlike physical goods, services are intangible, perishable, and vary in delivery, making positioning a critical component of marketing strategy. Positioning defines how a service is perceived by customers in relation to competitors. It reflects in every interaction, be it the pricing of the service, how it is delivered, where it is accessed, or how it's promoted. This unit aims to equip learners with a strategic understanding of how different positioning tools, such as service delivery, pricing, distribution, sales promotion, advertising, and differentiation, can be used to build a distinct and favourable brand image. By examining real-life case studies and service brands, students will learn to apply positioning concepts in practical business scenarios.

Keywords

Service Positioning, Pricing Strategies, Distribution Channels, Promotional Tools, Service Differentiation, Perceived Value

Discussion

Positioning is the strategic process through which a service firm establishes a distinct image and identity in the minds of target customers. It helps communicate the value of the service and influences consumer perception and preference over competing services. Service firms use multiple devices to achieve effective positioning, including product/service delivery, pricing, distribution, promotion, and differentiation.

1.5.1 Positioning Through Product/Service Delivery Strategies

◆ Customer focus

This strategy focuses on how a service is delivered to customers and emphasises the quality, consistency, speed, and customisation of the service process. Effective service delivery creates a strong impression and builds trust, making it a powerful positioning tool.

1.5.1.1 Key Elements

- ◆ **Process Design:** A well-designed service process ensures efficiency and customer satisfaction. For instance, self-service kiosks in airports help reduce waiting time and enhance the passenger experience.
- ◆ **Customer Interaction:** Personalised and courteous interactions build customer loyalty. For example, bank relationship managers who provide tailored financial advice enhance service perception.
- ◆ **Service Environment:** The physical setting in which the service is delivered can impact customer experience. A clean, aesthetically pleasing environment like in luxury spas can position the service as premium.
- ◆ **Technology Integration:** Incorporating technologies such as AI chatbots or mobile apps can position a service as modern and efficient. For example, online appointment booking in healthcare makes service delivery seamless.

Example: Domino's Pizza successfully positioned itself around the promise of "30 minutes or free" delivery. This focus on speed and reliability made it stand out in the highly competitive fast-food market.

Case Study: Zappos

Zappos, an American online shoe and clothing retailer, revolutionized service delivery by prioritizing customer happiness.



Their strategies included a 365-day return policy, free shipping both ways, and 24/7 customer service. Employees were trained to go above and beyond in addressing customer concerns. One notable example involved a customer service representative spending over 10 hours on a call to ensure the caller's issue was fully resolved. These actions helped Zappos build a loyal customer base and positioned the brand as the epitome of customer-first service.

1.5.2 Positioning Through Pricing Strategies

Pricing is a crucial tool in positioning because it conveys the perceived value and quality of a service. A firm can position its service as premium, budget-friendly, or value-for-money depending on the pricing strategy used.

1.5.2.1 Common Pricing Strategies

- ◆ **Penetration Pricing:** Penetration pricing is a strategy where a service is introduced at a significantly lower price than competitors to attract a large customer base quickly. The idea is to enter the market forcefully, gain visibility, and encourage trial and adoption, even at the cost of short-term profitability. This approach is especially useful in markets where customers are price-sensitive or where brand loyalty is not yet established. Over time, once a strong customer base and market presence are achieved, the prices are gradually increased to reflect the value offered. A common example is OTT (Over-The-Top) streaming services like Netflix or Amazon Prime, which often offer free trials or heavily discounted initial subscriptions. This lowers the barrier to entry for new users and helps in capturing market share quickly before gradually introducing regular pricing tiers.
- ◆ **Skimming Pricing:** Skimming pricing involves setting a high initial price for a new or innovative service and gradually lowering it as the market evolves or competition intensifies. This strategy is typically used to recover high research, development, or setup costs and to target early adopters who value exclusivity or technological advancement. It is particularly effective in healthcare, technology, or high-end professional services. For instance, specialized diagnostic services in hospitals, such as 3D mammography or robotic surgery, are often priced at a premium when newly introduced. These services cater to patients who are willing to pay more for accuracy, convenience, or innovation. Over time, as the technology becomes widespread and more competitors enter the space, the prices may be lowered to attract a broader market segment.

◆ Lower price

◆ High initial price

◆ At minimal difference

◆ **Psychological Pricing:** Psychological pricing taps into human behaviour and cognitive biases by setting prices in a way that appears more attractive to customers. Instead of rounding off to a whole number, prices are often set just below it (e.g., ₹499 instead of ₹500). Although the actual difference is minimal, the perception of value is enhanced, as the brain registers ₹499 as significantly cheaper. This strategy is widely used in retail and consumer services, including salons, gyms, online courses, and mobile recharge plans. It works effectively for services where purchasing decisions are influenced by perceived affordability or discounts, rather than functional utility alone. Psychological pricing helps boost conversion rates, especially in price-sensitive markets.

◆ Fluctuating price

◆ **Dynamic Pricing:** Dynamic pricing is a flexible pricing model where the cost of a service fluctuates in real-time based on various factors such as demand, supply, time of booking, location, and external conditions. This strategy allows businesses to maximize revenue by adjusting prices to market conditions. It is heavily reliant on data analytics and automated systems. Industries such as aviation, hospitality, and ride-hailing services are prime users of dynamic pricing. For example, airlines and hotel chains often increase their rates during peak travel seasons, festivals, or special events, while offering discounts during off-peak periods. Similarly, Uber and Ola use surge pricing during high-demand times such as rush hours or during bad weather to manage driver availability and balance supply with demand. While dynamic pricing can increase profitability, it must be implemented transparently to avoid negative customer perception.

◆ Cost plus profit

◆ **Cost-Based Pricing:** Cost-based pricing involves determining the price of a service by calculating the total cost incurred in delivering the service and then adding a standard markup for profit. This method is straightforward and ensures that all costs are covered while maintaining a consistent profit margin. It is particularly suitable for services where inputs are tangible and measurable, such as professional services. For instance, a legal consultancy firm may charge clients based on the number of hours worked by attorneys plus administrative and overhead costs, thereby arriving at a fixed hourly rate. While this approach is financially safe for the provider, it may not always align with the perceived value by the customer.

◆ **Value-Based Pricing:** Value-based pricing sets prices according to the customer's perceived value of the service

◆ Customer value

rather than the actual cost to deliver it. This strategy is common in services that offer significant emotional, aesthetic, or convenience value. For example, a luxury spa may charge a premium for a wellness package not because it costs more to deliver, but because customers associate it with exclusivity, comfort, and superior experience. In healthcare, cosmetic dermatologists often use this pricing model, charging higher fees for aesthetic procedures based on perceived results rather than input costs. This strategy allows service providers to maximize profits where differentiation and perceived value are strong.

◆ Competitor based

- ◆ **Competition-Based Pricing:** In competition-based pricing, the service provider sets its price with close reference to what competitors are charging for similar services. This approach is widely used in highly competitive markets where price wars are common, and the service is not easily distinguishable from others. Telecom companies like Jio, Airtel, and Vi in India constantly adjust their prepaid and postpaid plans to remain competitive. While this strategy helps attract price-sensitive customers, it may reduce profit margins and lead to commoditization unless combined with strong differentiation efforts.

◆ Segment based

- ◆ **Differential (Segmented) Pricing:** Differential pricing involves charging different prices to different segments of customers for essentially the same service. This can be based on customer demographics, timing, location, or usage volume. Airlines and hotels use this strategy extensively—offering different fares or rates depending on booking time, day of travel, or class of service. Students and senior citizens may receive discounts at cinemas, museums, or clinics. This strategy allows firms to maximize revenue by catering to both high and low willingness-to-pay segments.

Example: OYO Rooms entered the Indian market with penetration pricing, offering budget-friendly accommodations with consistent quality. This helped the brand attract a large number of customers in a short period.

Case Study: Uber

Uber's pricing strategy is centered around dynamic pricing, also known as surge pricing. During periods of high demand, such as rush hours or adverse weather conditions, the fares increase automatically. While this model maximizes driver availability and company profits, it also positions Uber as a responsive and technologically advanced service. Uber justifies this approach by stating that higher prices encourage more drivers to

get on the road, thus reducing wait times. The model reinforces Uber's brand image of being fast, flexible, and convenient.

1.5.3 Positioning Through Distribution Strategies

◆ Distribution channels

Distribution strategy in services pertains to the means and channels through which a service is made available to customers. Effective distribution enhances convenience, accessibility, and speed, all of which influence customer perception.

Key Methods

- ◆ **Physical Presence:** Having physical branches or franchises builds trust and accessibility. Banks like HDFC or SBI leverage their extensive ATM and branch network to enhance their brand reach.
- ◆ **Digital Presence:** Offering services online through websites and mobile apps meets the expectations of tech-savvy consumers. Insurance companies like PolicyBazaar operate entirely online to provide fast, paperless services.
- ◆ **Channel Partners:** Using third-party agents, brokers, or resellers to expand market reach. Travel agencies and ticketing platforms like MakeMyTrip distribute various hospitality services.

Example : Amazon Web Services (AWS) offers cloud services through a self-service digital platform, allowing businesses to subscribe and manage resources independently. This scalable and efficient delivery positions AWS as a reliable enterprise solution.

Case Study: Big Bazaar

Big Bazaar, one of India's largest retail chains, positioned itself as a one-stop shopping destination for the Indian middle class. By establishing stores in accessible urban locations and providing a mix of grocery, clothing, and home essentials under one roof, Big Bazaar offered both convenience and value. It also introduced services like home delivery and loyalty programs. These distribution initiatives created a unique value proposition that set Big Bazaar apart from traditional grocery stores and premium malls.

1.5.4 Positioning Through Sales Promotion and Advertising

◆ Communication

Sales promotion and advertising help communicate the service's benefits, build awareness, and shape the brand image in



the customer's mind. Strategic use of media and promotional tools can significantly influence market positioning.

1.5.4.1 Techniques

- ◆ **Advertising:** Mass media campaigns on TV, radio, and digital platforms can establish strong brand recall. For example, LIC's slogan "Zindagi ke saath bhi, Zindagi ke baad bhi" reinforces its long-term reliability.
- ◆ **Sales Promotions:** Time-bound discounts, coupons, cash-back, and referral rewards encourage trial and repeat purchases. E-wallets like Paytm often use cashback campaigns to attract users.
- ◆ **Public Relations:** CSR activities, sponsorships, and press coverage improve goodwill and brand image. For instance, Tata Group's community initiatives strengthen its trusted identity.
- ◆ **Direct Marketing:** SMS, emails, and personalized calls help in targeting specific customer segments.

Example: Airtel's campaign "Har Ek Friend Zaroori Hota Hai" used emotional storytelling and catchy music to connect with youth. It positioned Airtel as a brand that understands and supports friendships and social connectivity.

Case Study: Swiggy

Swiggy, a leading Indian food delivery platform, uses a mix of digital advertising, influencer marketing, and sales promotions. Its "Swiggy It" campaign focuses on instant delivery and availability, reinforcing its positioning as the fastest and most reliable food delivery service. Swiggy also introduced "Instamart" and "Swiggy Genie" to broaden its service scope. Offers like "Buy 1 Get 1 Free" and free delivery promotions encourage frequent use. Swiggy's witty app notifications and social media posts further strengthen its youthful and fun image.

1.5.5 Service Differentiation Strategies

- ◆ Unique qualities

Service differentiation involves creating unique attributes in the service offering that distinguish it from competitors. It allows firms to occupy a distinctive position in the market by adding meaningful value to customers.

1.5.5.1 Types of Differentiation

- ◆ **People Differentiation:** Employing skilled, courteous, and responsive staff. Taj Hotels, for instance, are known for per-

sonalized guest experiences, including butler services.

- ◆ **Process Differentiation:** Using efficient systems or workflows that offer better convenience. Amazon uses predictive logistics to ensure faster deliveries.
- ◆ **Physical Evidence:** Providing branded physical cues like uniforms, brochures, and ambiance. Apple Stores use minimalist design and clean layout to convey innovation.
- ◆ **Experience Differentiation:** Creating emotionally engaging and memorable experiences. Starbucks provides not just coffee, but a cozy, community-focused environment.

Example: Airbnb differentiates itself by offering not only accommodations but also unique local experiences hosted by residents. This positions the brand as community-centric and culturally enriching.

Case Study: Amul

Amul has successfully positioned itself through multiple differentiation strategies. It operates as a dairy cooperative, giving farmers control and fair compensation. Its wide product range caters to all income levels, and its pricing ensures affordability without compromising quality. Amul's advertising, particularly the iconic Amul girl, uses humor and topical themes to stay relevant and memorable. Campaigns such as "The Taste of India" promote a sense of national pride. These combined elements have helped Amul establish itself as a trusted, high-quality, and emotionally resonant brand across generations.

Positioning through service delivery, pricing, distribution, promotion, and differentiation is critical in creating a unique and favourable image in customers' minds. Successful service brands invest in a mix of these strategies to stay competitive and retain customer loyalty. The integration of these strategies allows businesses to articulate a clear brand identity and deliver on their value promises consistently.

Summarised Overview

This unit explores the strategic role of positioning in service marketing, focusing on how firms establish a unique image in the minds of consumers. It elaborates on positioning through various dimensions: product/service delivery strategies, pricing, distribution, promotional activities, and differentiation. The unit covers key pricing strategies such as penetration pricing, price skimming, psychological pricing, and dynamic pricing, each explained with contemporary service examples like Uber, Netflix, and Swiggy. It emphasizes the importance of aligning pricing with customer expectations and perceived value. Distribution strategies—whether through physical presence or digital platforms—impact accessibility and convenience. Promotional strategies, including advertising and public relations, influence brand awareness and customer engagement. Finally, differentiation through people, process, physical evidence, or experience helps create lasting value. The integrated use of these strategies enables service brands to build competitive advantage and customer loyalty.

Self-Assessment Question

1. What are the key elements in positioning through service delivery?
2. Explain how pricing can affect the perception of service value.
3. Illustrate the role of distribution in service positioning with examples.
4. Discuss the impact of sales promotion on brand positioning.
5. Identify and explain various differentiation strategies in services.

Assignments

1. Design a pricing strategy for a new service-based startup (e.g., online fitness coaching). Include components of cost-based, value-based, and promotional pricing. Justify the pricing based on your target market and positioning goals.
2. Select a service business (e.g., insurance, education, or delivery services). Map its distribution strategy using both physical and digital channels. Evaluate how these channels contribute to customer convenience and brand image.
3. Choose a recent service brand campaign (e.g., Swiggy, Paytm, or LIC). Analyze its messaging, media platforms used, and impact on positioning. Prepare a 2-page report including visual examples and your recommendations.

4. Visit two service businesses in the same industry (e.g., two banks or hospitals). Identify how each differentiates itself through people, process, or physical environment. Create a comparative chart and write a brief evaluation of their effectiveness.

Suggested Reading

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SGOU

02 BLOCK

Delivering and Performing Services

Block Content

- Unit - 1 Employee's Role in Service Delivery
- Unit - 2 Financial and Economic Impact of Services

Unit 1

Employee's Role in Service Delivery

Learning Outcomes

After completing this unit, the learner will be able to:

- ◆ get an idea of the different types of service transactions
- ◆ know the different types of intermediaries in service delivery
- ◆ get an awareness of the strategies for matching capacity and demand

Background

For service organisations, employees serve as the primary point of contact between the marketer and the client until the service is delivered. Employees have a crucial role in connecting the organisation with the market. Service organisations invest enormous amounts in developing a brand by consistently seeking to establish and maintain a strategic advantage in a highly competitive market. Delivering "satisfaction" from employees to customers ultimately determines the success or failure of service brands. Customers are increasingly influencing service innovation and delivery by defining performance expectations. It's important to understand how staff and customers contribute to service delivery.

In today's rapidly evolving business landscape, service delivery is increasingly facilitated through intermediaries and electronic channels. Companies are leveraging technology and third-party agents to reach a wider customer base and enhance operational efficiency. The strategic use of intermediaries—such as distributors, partners, and online platforms—along with electronic channels like websites, mobile apps, and automated systems, is becoming essential to meet the growing demand for immediate, accessible services.

However, delivering services through these channels presents unique challenges, especially in balancing capacity with fluctuating demand. Companies must implement strategies that ensure they can meet customer expectations without overburdening resources or underutilizing capacity. This requires a deep understanding of demand patterns, technology infrastructure, and the effective management of human and technological resources.

Keywords

Service delivery, Capacity, Demand, Franchising

Discussion

In service marketing, delivery professionals often serve as the sole point of contact between customers and organisations, contributing significantly to the organization's competitive edge. It rests on the service. To successfully develop a competitive edge, delivery staff must ensure that their interactions with customers align with top management's desired service experience positioning. Front-end executives are crucial for maintaining a competitive advantage in service organisations.

While employees play a direct role in service delivery, many organizations also rely on intermediaries to expand their reach and ensure service efficiency. The following section explores various intermediary models in service delivery.

2.1.1 Delivering Services through Intermediaries and Electronic Channels

The distribution of services is more difficult than the distribution of goods due to its intrinsic features, such as intangibility, inseparability, variability, and perishability. Customer participation in service production makes service distribution more crucial in moulding service perception. The primary goal of service distribution is to make services available to consumers at the appropriate time and location with ease and convenience.

2.1.2 Types of Service Transactions

The distribution system of services is largely influenced by the service transactions. These transactions can be broadly categorized into different groups as follows:

1. Face-to-Face Transactions

Face-to-face transactions are characterised by a significant level of direct interaction between the customer and the service provider. They require physical presence and often involve a high degree of personalized attention. Examples of Face-to-Face Transactions are medical surgeries, personal training sessions and legal consultations conducted in person. The value of these services lies in the immediate feedback and the real-time adjust-

- ◆ Direct interaction between the customer and service provider



ments that can be made. These transactions result in higher costs, and the service outcome is dependent on the skill and expertise of the service provider.

2. Mid-Contact Transactions (Remote)

Mid-Contact Transactions services rely on technology to bridge the distance between the customer and the service provider. These include telemedicine consultations via video calls, remote technical support, and online classes. It is facilitated through phone, video conferencing, or live chat. This model increases accessibility allowing for services to be delivered regardless of geographical limitations. It offers a balance between personalization and efficiency, although the level of personal touch may vary compared to face-to-face interactions.

- ◆ Bridge distance between customer and service provider

3. Low-Contact Transactions

Low-Contact Transactions services minimize direct human interaction, relying on automation and digital platforms for delivery. These transactions include online banking transactions and e-commerce purchases. The customer interacts primarily with technology, and the service process is often streamlined and standardized. While they may lack the personalized touch of high-contact services, they excel in convenience and speed, catering to the increasing demand for instant gratification and self-service.

- ◆ Automation and digital platforms for service delivery

4. Digital Transactions

Digital transactions are a subset of low contact and are fully automated processes executed through computer networks. Digital Transactions include automated software updates and AI-powered chatbots. This subset is characterized by high levels of automation and standardization. These transactions are designed to provide the highest level of efficiency with the lowest possible cost.

- ◆ Automation and standardization levels

2.1.3 Types of Intermediaries in Service Delivery

Delivering services through intermediaries refers to using third-party entities to facilitate the provision of services from the service provider to the end consumer. Intermediaries help bridge the gap between the producer and the consumer, often providing specialized knowledge, access to markets, or logistical support. This model is widely used across many industries, from retail and insurance to finance and telecommunications.

- ◆ Usage of third party entities

1. Company-owned channels

Some service companies choose to provide services directly to customers through their own channels. The service company

- ◆ Own channels for service delivery

develops national chains with multiple service outlets at various locations. Company-owned channels such as the branches of banks, insurance companies, postal services and retail chains are common in-service distribution. This type of channel offers many benefits to the company in the form of control, consistency, and image maintenance.

- ◆ Right to operate business model of an established company

2. Franchising

A franchisee is an individual or business entity that purchases the right to operate a business using the branding, business model, and intellectual property of an established company known as the franchisor. This arrangement allows the franchisee to tap into a proven business concept while the franchisor benefits from expanding its brand and operations with a lower financial risk. It is a method of expanding business rapidly with low capital investments. Franchising is widely used in service-based businesses such as educational institutions, film-processing companies, hotels and restaurants. Agreements and contracts are essential documents in franchising. These agreements and contracts specify:

- ◆ Nature of service provided
- ◆ Geographic territory
- ◆ Percentage of revenue of the franchisee to be paid to the franchiser
- ◆ Tenure of Agreement
- ◆ Conditions, instructions and interactions
- ◆ Support to be provided by the franchiser
- ◆ Roles and responsibilities of the franchisee
- ◆ Rules and regulations for termination of the agreement

- ◆ Agreement allowing a licensee to use intellectual property

Licensing is a legal contract wherein a licensor authorises a licensee to utilise intellectual property, including trademarks, patents, or copyrights, in exchange for a fee. In contrast to franchising, licensing does not necessitate compliance with a uniform business model or operational protocols. The licensee functions autonomously and does not receive business training or assistance from the licensor. Licensing offers greater flexibility and is frequently employed for brand names, technology, or artistic creations. While franchises entail considerable control and supervision, licensing is exclusively concerned with intellectual property rights. Licensing agreements are typically less intricate and impose fewer financial obligations than franchising.

- ◆ Intermediary authorised to negotiate with customers

3. Agents

An agent is an intermediary who is authorised to negotiate with the customers on behalf of the service principal. They are representatives who work on behalf of service providers, such as real estate agents or financial agents (stockbrokers or investment agents). These intermediaries directly associate with customers to help them select services, process transactions, and provide support.

- ◆ Middlemen who brings buyers and sellers together

4. Brokers

Brokers are middlemen who bring buyers and sellers together and assist in negotiation. Brokers typically act in fields like real estate, insurance, and financial services. They connect buyers and sellers or service providers and clients. Brokers can provide consulting, arrange agreements, and ensure that both parties meet all requirements. Although brokers and agents are two different kinds of intermediaries, both of them perform similar functions in-service distribution.

- ◆ Service distribution without direct human interaction

5. Electronic Channels

Distribution of services through electronic channels means service distribution without any direct human interaction because services are distributed through a service distribution system. Electronic channels include digital platforms, websites, mobile apps, and other online tools that facilitate the delivery of services. This method has become increasingly important due to its convenience and scalability.

Key Electronic Channels

- ◆ E-Commerce Platforms: Websites like Amazon or eBay, and specialized platforms like Uber for transportation or Airbnb for lodging, allow service providers to deliver services through an online marketplace.
- ◆ Mobile Applications: Apps for food delivery (like Uber Eats or DoorDash), banking, or even telemedicine provide users with a seamless service experience.
- ◆ Cloud-Based Services: Cloud computing and SaaS (Software as a Service) models enable businesses to offer software and services remotely to customers. This is common in industries like tech, education (online courses), and health-care (telemedicine).
- ◆ Social Media Platforms: Platforms like Facebook, Instagram, and LinkedIn are not just social spaces but also serve

as channels for marketing and delivering services directly through social commerce or customer support.

2.1.4 Matching Demand and Supply

In service industries, balancing capacity with demand is a serious challenge. Unlike physical goods, services are perishable; an unfilled hotel room or an vacant airline seat represents lost revenue. This mismatch between capacity and demand can lead to inefficiencies and increased operational costs. Businesses must adopt strategic approaches to manage varying demand levels effectively.

Excess Demand

This occurs when customer demand exceeds existing capacity. Service firms, such as airlines, hotels, or restaurants, face this issue during seasons. Without effective management, excess demand may cause customer dissatisfaction and potential revenue loss.

- ◆ Customer demand exceeds existing capacity

Balanced Demand

In an ideal scenario, demand aligns with available capacity. This condition maximizes revenue, and reduces wastage. Achieving perfect balance is rare and requires constant monitoring and adjustment.

- ◆ Demand aligns, with available capacity

Excess Capacity

During the off-season, businesses may have more resources available than needed. Unfilled hotel rooms, free restaurant tables, or unbooked flight seats result in lost revenue. Service firms must find ways to utilize this excess capacity to avoid financial strain.

- ◆ More resources available than needed

2.1.4.1 Strategies for matching capacity and demand

One of the features of services is their perishable nature, which means that services cannot be saved or stored. The marketers of physical goods can store inventories to manage fluctuations in demand and supply, but it is difficult or impossible for service marketers to do the same. Therefore, many service businesses always find it difficult to match supply (capacity) and demand. For example, a hospital bed or an airline seat left vacant is a loss forever. The inability to synchronize supply and demand has a significant impact on the service organization's bottom line through lost opportunity (when demand is greater than capacity) and through high costs (when demand is low in relation to fixed capacity, resulting in underutilisation of capacity).

- ◆ Challenging to balance supply (capacity) and demand

2.1.4.2 Variations in demand relative to capacity

A service organization with a constant capacity may be faced with one of the following four conditions at any moment:

◆ Demand exceeds maximum available capacity

◆ Demand exceeds optimum capacity (less than maximum capacity)

◆ Demand and supply are well balanced

◆ Demand less than optimum capacity

◆ Making change in overall capacity

1. **Excess demand:** The demand exceeds the maximum available capacity. This results in losing some customers, and it results in losing business. This may happen because of overstretching of resources.
2. **Demand exceeds the optimum capacity level:** Optimum capacity refers to the best use of capacity from customers as well as from the company's perspective. In most of the cases optimum capacity is less than the maximum capacity. For example, in an offline counselling session at your study centre, while the maximum capacity of the rooms maybe 60-70, the optimum capacity for conducting the session may be 30-40 only to ensure proper interaction. In the situation when demand exceeds optimum capacity, while no one is turned away, customers may perceive a reduction in the quality of service delivered.
3. **Demand and supply are well balanced at the optimum capacity:** This is the ideal situation. No customers, no one is overworked, and the staff and customers receive quality service.
4. **Excess capacity:** Demand is less than optimum capacity, and therefore, resources are underutilized. In certain cases, this may also pose the risk that customers may have doubts about the service provider.

2.1.4.3 Adjust Supply (capacity) to match demand

Adjusting capacity to match various levels of demand, also known as chasing demand, involves making a change in overall capacity. Managers can adjust capacity through various actions, starting from the easiest to the most difficult to implement.

1. **Schedule downtime during periods of low demand.**

Maintenance and repair activities should be scheduled during periods of anticipated low demand. Employees could also take their vacations during such periods.

2. **Cross-train employees**

There may be situations when some departments are operating at full capacity while others may not. Therefore, if employees are cross-trained, they can then be allotted to the bottleneck

points to increase total capacity. In hospitals, for instance, administrative staff can be cross-trained to assist in registration and simple triage when there is excess demand in a crisis situation, like the COVID-19 pandemic.

3. Use part-time employees

Firms hire part-time employees during their busiest periods. For example, colleges may hire part-time invigilators during examination periods, or event companies may hire part-time guides during big shows or events.

4. Promote customers to perform self-service

There may be a limit to the number of employees that can be added even during busy periods. In such situations, customers may be invited to perform self-service. For example, airports have provided kiosks for self-check-in, and restaurants may have self-ordering kiosks.

5. Promote customers to share capacity

Capacity can be stretched by asking customers to share a unit of capacity normally meant for one individual. For instance, many ride-hailing companies provide shared rides for customers going to similar destinations.

6. Create flexible capacity

In situations where different customer segments share the same capacity, flexible capacity needs to be created. For example, restaurants can have two-seater tables that can be combined to seat four or six customers.

7. Rent or share extra facilities and equipment

To reduce expenditure on fixed assets, a service firm may be able to rent extra space or machines during peak times. For example, a logistics company may rent transport vehicles during peak periods. Two firms with complementary demand patterns may enter into formal sharing agreements. For example, restaurants located in close proximity serving different segments of customers and which are busy at different times may share robot servers.

2.1.4.4 Strategic use of excess capacity

Firms may still have excess capacity during certain time periods despite careful planning. Innovative firms can create alternative “demand” with their excess capacity. Anticipated excess capacity can be strategically allocated to build relationships with

- ◆ Excess capacity allocated to build relationships



customers, suppliers, employees and intermediaries. Possible uses for excess capacity consist of:

1. Use capacity for service differentiation

When there is excess capacity, service employees can focus on loyalty building through outstanding customer service to creating customer delight, like paying special attention to them or allocating preferred seats.

2. Reward your best customers and build loyalty

As part of the loyalty program, have special promotions, ensuring the current revenue share is not affected. Give potential customers and intermediaries free or heavily discounted trials.

3. Reward employees

In the tourism or food and beverage industries, for instance, excess capacity can be enjoyed by employees and their families. This also allows employees to have an understanding of the service from the customer's perspective and can lead to employee satisfaction, loyalty and performance.

4. Save costs and increase capacity utilization

Service firms often can save costs and increase capacity utilization by bartering capacity with their own suppliers. Advertising space, airline seats and hotel rooms are among the most commonly bartered services.

2.1.4.5 Matching Demand to Supply

For managing to striking a balance between demand and supply, the service firms can attempt to keep the consumers away during the duration when the demand is more than supply. This may be done through:

a. **Differential pricing**

Differential pricing refers to adjusting service costs based on customer type, time, or place. Differential pricing of services during peak time and during slow time. Differential Pricing is also called as the Flexible pricing. In this tactic, the service seller may charge a different price to overcome the 'Perishability' characteristic of the services and manage the demand fluctuations of the market. This tactic means charging a different price for the service. The differences may be based on:

- i. Customer's ability to pay- The service marketer may charge a different price for different set of customers for

◆ Adjusting service costs based on type of customers, time or place

almost the same level of service. For example, the Electricity board may charge a different price for the supply of electricity from domestic and commercial consumers.

- ii. Time Differentials- Different prices may be charged for almost the same service at a different time of purchase. A restaurant may give some discount on its regular dishes during the off-peak hours. Similarly, airlines may offer customers lower prices during the off-season.
- iii. Place differentials- A service may be charged differently depending on the place of its delivery or consumption. The rent of a room or a building may be charged differently on the basis of its location. Cinema Hall tickets may be priced differently for the same movie depending on the row in the Hall.

b. Discount Pricing

Such a practice means to offer a discount to an intermediary for rendering a service. This tactic is often used to generate demand during off-seasons. For example, a DJ may charge a lesser price for playing in a marriage if contacted via a Banquet hall owner, or an Advertisement booked through an Advertising Agency may be charged less.

◆ Practice of offering discount to an intermediary

c. Varied Service Offering

Services being intangible, there is a lot of variation in the input and output as well as in the demands and expectations of the customers. Thus, there are several service support activities offered to the customer of a similar service. The cost of each of these activities may be added up to arrive at a final price of the service being offered. For instance, A DTH operator may charge a differential pricing from a subscriber buying a different set of Satellite channels. The pricing of the DTH subscription depends upon the subscriber's choice of channels he wants to watch. Thus, the DTH operator charges different prices for different channel combinations.

◆ Variation in service offerings to customers

2.1.5 Service Communication

Service communication refers to the exchange of information between service providers and customers, with the aim of delivering services effectively and enhancing customer experience. It includes both verbal and non-verbal communication and can occur through various channels like face-to-face interactions, phone calls, emails, social media, live chats, and even automated systems.

◆ Exchange of information between service providers and customers

2.1.5.1 Channels of Communication

- ◆ **Direct Communication:** Face-to-face communication through phone calls or video conferences where the service provider can engage in real-time conversations with the customer.
- ◆ **Digital Communication:** It Includes communication through emails, chatbots, website interactions, and social media platforms that offer convenience and can answer high volumes of inquiries.
- ◆ **Automated Systems:** Often used in routine customer interactions such as answering general questions, booking appointments, or processing transactions.
- ◆ **Non-verbal Communication:** Communication through body language, tone of voice, and written language that can convey emotions, urgency, and empathy, all relevant to developing customer experiences.

2.1.5.2 Effective Communication Principles

1. **Clarity:** Clear and simple language helps to avoid confusion. It's important that the service provider communicates in a way that is easily understood by the customer. Communication should be brief and to the point to benefit the customers.
2. **Active Listening:** This involves a clear understanding of the customer's concerns or needs before offering a response. Active listening builds trust and helps to resolve issues more effectively and quickly.
3. **Empathy:** Understanding customer's emotions from their perspective is critical in service communication, especially in instances where the customer may be frustrated or upset.
4. **Responsiveness:** Being able to provide timely responses, whether to answer questions or resolve complaints, is essential in service-based industries.
5. **Personalization:** Tailoring communication to individual customer needs and situations enhances the customer experience and makes them feel valued.

2.1.5.3 Types of Service Communication

- ◆ **Informational Communication:** Providing customers with the necessary details about the service, such as pricing, features, delivery, and support options.
- ◆ **Instructional Communication:** Guiding customers by providing instructions on how to use a service, troubleshoot issues, or navigate a product, e.g., user manuals and online FAQs.
- ◆ **Transactional Communication:** It includes communication about handling the exchange of goods, services, payments, or other business transactions, for example, order confirmations, invoices etc.
- ◆ **Supportive Communication:** Supportive communication involves addressing customer concerns, complaints, or inquiries by offering them assistance and solutions.

2.1.6 Key Service Communication Challenges

Service-oriented industries faces several challenges related to effective communication. Here are some key service communication challenges:

1. **Clarity and Consistency:** Service providers must ensure that messages are clear, concise, and consistent across different platforms (e.g., websites, phone calls, social media). Conflicting or unclear messaging can confuse customers and damage trust.
2. **Understanding Customer Needs:** Service providers often struggle to fully understand and anticipate customers' needs. Misunderstandings can occur due to a lack of proper feedback channels, inaccurate data, or vague service descriptions, leading to customer dissatisfaction.
3. **Managing Expectations:** It is vital to set realistic expectations, especially in service-based industries where the delivery may not always be tangible. Over-promising and under-delivering leads to disappointed customers.
4. **Cultural Sensitivity:** In global or multicultural settings, communication must be culturally sensitive. What works in one culture might be offensive or misunderstood in another. Service providers need to be aware of cultural nuances, language barriers, and different communication styles.
5. **Technology and Automation:** While technology (e.g., chatbots, AI-driven customer service tools) can improve

efficiency, it can also create challenges in maintaining human touch. Automation can sometimes frustrate customers, especially if it leads to a lack of empathy or an impersonal experience.

6. **Managing Negative Feedback:** Negative feedback can be more difficult to handle in service communication, especially in public forums like social media. Service providers need to respond quickly, empathetically, and effectively to turn negative situations into positive outcomes.
7. **Multi-Channel Communication:** Service organizations often communicate through a variety of channels (phone, email, chat, in-person, social media, etc.), making it difficult to maintain a consistent customer experience. Coordinating responses across these channels while keeping communication unified is a significant challenge.
8. **Employee Communication:** Internal communication within the organization can directly impact service delivery. Miscommunication between teams, lack of coordination, or inadequate training can affect how services are provided to customers.
9. **Data Privacy and Security:** With the rise of digital communication and data collection, there are significant concerns about privacy and security. Ensuring clear and transparent communication about how customer data is handled is crucial in building trust.
10. **Real-Time Communication:** In many service industries (e.g., customer support, hospitality), timely and efficient real-time communication is essential. Delays or slow responses can result in poor service experiences.

Addressing these challenges requires effective communication strategies, training, technology, and a customer-centric approach.

Summarised Overview

Employees are not only responsible for providing services but also for managing customer relationships, handling complaints, and ensuring satisfaction. Their involvement is vital in creating a service-oriented culture, and proper training and motivation are necessary to empower them to deliver exceptional service. The human element in service delivery is especially important in maintaining a connection with customers and ensuring high-quality interactions. Intermediaries and electronic mechanisms are involved in the delivery of services. When using intermediaries, such as agents or franchises, organizations must ensure consistent quality and effective coordination to maintain the brand's standards. The growing reliance on electronic channels, like websites, mobile apps, and automated systems, introduces both opportunities and challenges. Furthermore, matching service capacity with demand is very important, requiring strategies like demand forecasting, adjusting resource allocation, and utilizing temporary staff or technology to handle peak periods. Effective capacity management helps prevent service overloads while ensuring smooth operations during varying customer demands.

Ensuring clear, consistent, and accurate communication is vital, particularly when services are provided through multiple channels or intermediaries. Maintaining personalization in electronic environments and managing customer expectations are significant challenges, as digital services may feel impersonal compared to in-person interactions. These aspects highlight the complexities of delivering high-quality services and the importance of strategic planning in managing both human resources and technological solutions.

Self-Assessment Question

1. Who are the intermediaries in service delivery?
2. What is service communication?
3. What are the principles of effective service communication?
4. Explain the strategies for matching demand to Supply.
5. What is discount pricing?
6. Explain the key challenges of service communication.
7. What are the types of service communication?
8. How can you adjust supply to match demand?

Assignments

1. Analyze the role of employees in ensuring effective service delivery in both traditional and electronic service channels. What skills are required for employees to perform effectively in these environments?
2. How do electronic service delivery channels (such as websites, mobile apps, and online customer service platforms) impact customer satisfaction and employee roles? Provide examples of how these channels improve or hinder service delivery.
3. Explain the concept of "reservation systems" as a strategy for matching capacity and demand. How do these systems help service providers manage customer expectations and optimize resource allocation?
4. Discuss the challenges service organizations face when there is a mismatch between capacity and demand. What are the potential consequences, and how can businesses minimize these issues?

Suggested Reading

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Unit 2

Financial and Economic Impact of Services

Learning Outcomes

After completing this unit, the learner will be able to:

- ◆ comprehend different types of service delivery
- ◆ analyse the role of customers in service delivery
- ◆ gain insight to the concept of Customer Relationship Management (CRM)

Background

In the contemporary service industry, customers are no longer mere recipients of services; they have become active participants in the delivery process. Their involvement, expectations, and satisfaction are critical to the success of service-based organizations. This shift towards a customer-centric model has led to the development of Customer Relationship Management (CRM), a strategic approach to managing interactions with customers, enhancing service delivery and fostering long-term relationships. Customer Relationship Management (CRM) is an essential tool in the service industry, designed to improve customer retention, satisfaction, and loyalty by understanding and meeting their needs. In India, as the service sector continues to grow across industries such as telecommunications, hospitality, banking, retail, and healthcare, CRM has gained prominence as a key enabler of business success.

The status of CRM in the Indian service industry reflects the evolving nature of consumer expectations and the increasing competition in the market. As India's middle class grows and digital connectivity improves, service providers are turning to CRM solutions to effectively manage customer data, deliver personalized services, and streamline their operations.

Keywords

Service Delivery, Customer Relationship Management, Customer Retention

Discussion

2.2.1 Service Delivery

Service delivery is the process by which a service is given to clients. It includes the activities, procedures, and interactions involved in providing a service from the initial contact with the consumer to the ultimate output. The purpose of service delivery is to provide high-quality service that satisfies consumers' expectations and demands. For example, a doctor or medical team providing treatment, consultations, and patient care based on their needs and conditions, A hotel providing accommodations, amenities, and customer service to meet the guest's expectations or a school or university delivering courses, materials, and support to students through various teaching methods.

- ◆ Process by which a service is given to clients

2.2.2 Types of Service Delivery

1. **Direct Service Delivery:** In direct service delivery, the customer interacts directly with service providers, such as in face-to-face consultations, over-the-phone services, or in-person transactions. Examples include medical care provided by doctors, service received while purchasing from retail stores, or service received from restaurants.
2. **Self-Service:** In this mode of service delivery, customers access and use the service independently, often via online platforms or kiosks. Examples include self-check-in machines in airports, online banking services like UPI, QR, ATM services, CDMs, Etc.
3. **Remote Service Delivery:** This type of service is provided without face-to-face interaction, often via digital or remote channels. This includes services like online education, telemedicine, or cloud-based software applications.

- ◆ Customer interacts directly with service providers

- ◆ Customers use service independently

- ◆ Service provided via digital or remote channels

2.2.3 Role of Customers in Service Delivery

Customers play an important role in service delivery by determining the overall experience and quality of service. Their involvement can significantly affect how services are designed, delivered, and evaluated. Here are the key roles customers play in the process of service delivery:

1. Co-Creation of value

In many services, customers contribute directly to the service process. For instance, in healthcare, education, or consulting services, the customer's participation, preferences, and feedback helps to tailor the services as per their needs. This collaboration leads to a more personalized and effective outcome.

2. Customer expectations

Customers set the standards for service delivery by expressing expectations through their past experiences, word-of-mouth, and marketing messages. Providers need to understand these expectations to deliver services that meets or exceeds these expectations.

3. Feedback providers

Customers offer valuable feedback through filing of customer surveys, customer reviews, or direct communication. This feedback allows service providers to refine and improve service delivery, address and resolve weaknesses, and ensure satisfaction.

4. Role in customizing service

Some services are highly customized based on customer feedback and reviews, such as selecting specific features or providing additional information. The level of customer engagement often dictates the degree of service customization.

5. Service recovery

If a service encounter goes wrong, customers play a role in initiating recovery. Their willingness to engage in dialogue, express dissatisfaction, and participate in resolving issues directly impacts how well the service provider can recover and restore the relationship through service recovery

6. Word-of-mouth and advocacy

Satisfied customers often share their experiences with others, influencing potential customers and contributing to the service provider's reputation. Positive or negative feedback can significantly impact the service brand's growth.

7. Self-service

In many sectors, customers actively engage in self-service, especially with the advent of digital tools. For example, customers may book appointments, self-check in airports, track orders, or resolve issues using automated platforms, reducing the need for direct interaction but still influencing the service delivery.

8. Customer loyalty

Loyal customers tend to provide consistent revenue and often give constructive feedback, helping to improve the service experience. Their continued patronage also helps a business to maintain stability in service delivery.

2.2.4 Status of Customer Relationship Management in the Service Industry in India

2.2.4.1 Customer Relationship Management (CRM)

From a marketing perspective, CRM is defined as "a combination of business process and technology that seeks to understand a company's customers from the perspective of who they are, what they do, and what they are like"

Customer Relationship Management (CRM) has become a crucial component across various service sectors in India, given the country's diverse and growing economy. Different industries adopt CRM systems tailored to their specific needs to foster long-term relationships with customers, improve service quality, and streamline operations

1. CRM in Banking and Financial Services

In the banking and financial services sector, customer relationship management is aimed at retaining customers, cross-selling financial products, and offering personalized services.

CRM is a sound business strategy to understand the bank's most profitable customers and prospects and devote time and attention to expanding account relationships with those customers through individualized marketing, repricing, discretionary decision-making, and customized service delivered through the various sales channels that the bank uses. The tools & technologies used by CRM in these Sectors are:

◆ Helps to understand the bank's most profitable customers

- ◆ **Data Analytics & Artificial Intelligence (AI):** Banks use AI-driven CRM tools that provide deeper insights into customer behaviors and preferences. Machine learning models can predict future financial needs based on historical data, enabling banks to offer customized financial advice or products.
- ◆ **Omnichannel CRM:** Modern CRM solutions in banking are integrated across multiple channels (e.g., mobile apps, website, branch, and contact center). This ensures a seamless and unified experience for customers, regardless of how they interact with the bank.



- ◆ **Chatbots & Virtual Assistants:** Banks like ICICI Bank and HDFC have implemented AI-powered chatbots and virtual assistants that provide 24/7 customer support, helping users with routine tasks like balance inquiries, fund transfers, and loan queries.
- ◆ **Mobile CRM Solutions:** With the rise of mobile banking in India, CRM systems are increasingly being integrated into mobile banking apps. This allows banks to send push notifications, offer personalized product recommendations, and resolve customer issues directly through the app.
- ◆ **Cloud-Based CRM:** These systems are gaining popularity due to their flexibility, scalability, and cost-effectiveness. They allow banks to easily manage customer interactions and data across multiple branches, making it easier to maintain consistency in service.

2. CRM in the Telecommunication sector

Customer Relationship Management (CRM) in the **telecommunications sector** plays a crucial role in managing the relationships between telecom service providers and their customers. The telecom industry, known for its intense competition and high customer churn, relies heavily on CRM strategies to retain customers, improve service quality, and enhance customer satisfaction. CRM in telecommunications goes beyond simple customer service; it involves using data and technology to drive personalized interactions, reduce churn, and increase revenue through effective customer engagement. Let's explore how CRM is used in the telecommunications sector in India. In the telecommunication sector, CRM is aimed at customer retention, enhancing satisfaction, reducing service disruptions, and increasing sales.

- ◆ Helps to retain customers and improve service quality

CRM Tools & Technologies in Telecommunications:

- ◆ **Integrated CRM Platforms:** Telecom companies use integrated CRM solutions that centralize customer data from multiple touchpoints. For example, mobile, call centers, stores and online portals. This ensures that customer information is accessible across all departments, providing a unified view of the customer.
- ◆ **Artificial Intelligence & Chatbots:** AI-powered CRM solutions, including chatbots, are increasingly being used to automate routine customer queries, such as balance checks, plan changes, and troubleshooting common issues. This allows telecom operators to provide 24/7 support and im-

prove operational efficiency.

- ◆ **Predictive Analytics:** Telecom operators use CRM tools that leverage predictive analytics to forecast customer behavior, such as churn risk, and proactively take actions to retain at-risk customers. For example, offering special discounts or plan upgrades before the customer switches to a competitor.
- ◆ **Mobile CRM Solutions:** Telecom companies use CRM systems integrated into mobile apps that allow agents to access customer data, resolve queries, and offer personalized services on the go. Customers can also interact with these apps for managing accounts, tracking usage, and getting assistance.
- ◆ **Customer Feedback Systems:** Telecom companies use CRM to collect customer feedback and measure satisfaction levels. Automated surveys, sentiment analysis tools, and customer rating systems help them gather valuable insights to improve services.

3. CRM in Health Care

CRM (Customer Relationship Management) in the healthcare sector is becoming increasingly important as providers seek to improve patient care, enhance engagement, streamline operations, and foster loyalty. In India, where the healthcare industry is rapidly evolving with growing demand for quality services, CRM systems are being used not only to manage patient relationships but also to improve service delivery, personalize care, and ensure long-term patient satisfaction. Healthcare CRM goes beyond traditional customer service; it focuses on optimizing patient interactions, driving better health outcomes, and efficiently managing the vast amounts of patient data.

◆ Helps to improve patient care and enhance engagement

CRM Tools & Technologies in Healthcare:

- ◆ **Patient Relationship Management (PRM) Systems:** A specialized CRM tool focused on managing patient interactions, such as scheduling, billing, communication, and follow-ups. PRM systems provide doctors and healthcare institutions with a complete view of each patient's treatment journey.
- ◆ **Appointment Scheduling Systems:** Many healthcare CRM platforms include appointment management features. Patients can book, reschedule, or cancel appointments online, and reminders are sent via SMS, email, or app notifications, reducing no-shows and improving scheduling efficiency.



- ◆ **AI & Chatbots:** AI-powered CRM systems are increasingly being used to automate patient interactions. Healthcare chatbots provide instant responses to frequently asked questions, book appointments, and send reminders. They also help triage non-urgent cases or provide healthcare advice, reducing the workload for medical staff.
- ◆ **Telemedicine Integration:** With the rise of telemedicine, CRM systems are being integrated with telehealth platforms. This enables healthcare providers to offer virtual consultations while maintaining a consistent record of patient interactions.
- ◆ **Cloud-Based CRM:** Cloud-based CRM systems offer the flexibility of accessing patient data from anywhere, allowing healthcare providers to track interactions across multiple locations (hospitals, clinics, etc.) and devices. Cloud CRMs also improve data security and scalability.
- ◆ **Data Analytics & Reporting:** CRM systems in healthcare are increasingly using data analytics to identify patterns in patient behavior, health risks, and treatment outcomes. Predictive analytics helps providers anticipate patient needs and prevent issues like hospital re-admissions or missed appointments.

4. CRM in Hospitality Sector

Customer Relationship Management (CRM) in the hospitality industry in India is becoming increasingly crucial as competition intensifies, and customer expectations rise. The hospitality sector, including hotels, resorts, and restaurants, is heavily reliant on guest satisfaction, repeat business, and positive word-of-mouth. Effective CRM helps businesses build strong relationships with their customers and enhance loyalty, which is key in an industry where service quality directly impacts reputation. CRM shapes the hospitality industry by providing personalized guest experience, through customer retention and loyalty programmes, increasing operational efficiency and by ensuring data security in keeping the personal data of visitors.

- ◆ Helps to build strong relationships with customers

CRM Softwares used in Indian Hospitality Industry:

- ◆ **Taj Group of Hotels:** Taj has implemented a robust CRM system to manage guest relations, loyalty programs, and personalized experiences.
- ◆ **OYO Rooms:** OYO uses CRM to track guest preferences, analyze booking patterns, and optimize customer interactions.

- ◆ **MakeMyTrip:** Through CRM, MakeMyTrip ensures seamless communication with customers regarding travel bookings and offers tailored discounts and promotions.

5. CRM in Real Estate Sector

- ◆ Helps to manage interactions with clients and improve sales processes

Customer Relationship Management in the real estate sector is a powerful tool for managing interactions with clients, improving sales processes, and enhancing customer satisfaction. Real estate is a highly competitive market, and building strong, long-term relationships with clients is crucial for success. CRM solutions in real estate can streamline operations, help agents manage leads effectively, and ultimately drive business growth.

Key CRM Software in Real Estate sector:

- ◆ **Salesforce:** A popular CRM used in real estate for lead management, marketing automation, and reporting. It can be customized to suit the specific needs of real estate professionals.
- ◆ **Zoho CRM:** Zoho's CRM platform is highly customizable, with features like lead management, email marketing, and mobile access, making it a great choice for real estate agents.
- ◆ **HubSpot:** Known for its easy-to-use interface, HubSpot CRM helps real estate professionals automate marketing, track leads, and monitor sales pipelines.
- ◆ **Real Geeks:** Specifically designed for real estate professionals, Real Geeks offers tools for lead generation, IDX website integration, and automated follow-ups.
- ◆ **Pipedrive:** Pipedrive is a sales-focused CRM that helps real estate agents track and close deals with ease, featuring customizable workflows and integrations with other platforms.

Summarised Overview

In the service industry in India, customers play an important role in the delivery of services, as their involvement significantly impacts both the experience and outcome of the service process. Through their interactions, feedback, and expectations, customers shape the quality of service and influence the continuous improvement of service offerings. CRM systems in the service sector allow businesses to capture and analyze customer data, providing insights that enable more personalized services, proactive engagement, and better responsiveness to customer needs. In India, where the service

industry is vast and diverse, effective CRM practices help businesses build stronger relationships, enhance customer loyalty, and foster long-term success. Ultimately, customers are not just recipients of services but active participants in the service delivery process, and their engagement is crucial for driving innovation, improving service quality, and maintaining competitive advantage in a rapidly evolving market.

Self-Assessment Question

1. What is service delivery?
2. Explain the types of service delivery?
3. Briefly explain the role of customers in service delivery?
4. Write a short note on CRM in Hospitality Sector?
5. What are the CRM tools and technologies in health care sector?

Assignments

1. Describe the impact of customer feedback on service delivery and CRM practices in India.
 - a. How does customer feedback influence the improvement of services and the refinement of CRM strategies?
 - b. Analyze how businesses in India use customer feedback (through surveys, reviews, or social media) to enhance their CRM processes.
2. How can CRM systems help in managing customer expectations in the service industry in India?
3. How are AI and automation enhancing CRM effectiveness in the Indian service industry?
4. How effectively are CRM systems being utilised across various service sectors in India?

Suggested Reading

1. Baterson, J. E. G., & Hoffman, D. K. (1999). *Managing services marketing*. Thomson Learning.
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03 BLOCK

Introduction to the World of Retailing

Block Content

Unit - 1	Concept
Unit - 2	Retail Mix



Unit 1

Concept

Learning Outcomes

After completing this unit, the learners will be able to:

- ◆ familiarise the concept of retailing
- ◆ gain insight into the nature and scope of retailing
- ◆ evaluate the different functions of retailing
- ◆ understand the economic significance of retailing

Background

Retailing is a dynamic and essential component of the global economy. It encompasses all activities involved in selling goods and services directly to the final consumers for personal or household use. Thus, retailers act as a bridge between producers and consumers, facilitating the flow of goods and ensuring the availability of products in the market. Retailing plays a crucial role in the global economy by facilitating the distribution of goods and services to end consumers. As intermediaries between producers and consumers, retailers ensure product availability and market accessibility, performing key functions such as inventory management, product assortment, and customer service.

Retailers perform several essential functions such as assorting products to meet the diverse preferences of consumers, breaking bulk quantities into manageable sizes, maintaining inventory to ensure product availability, and offering services such as financing and after-sales support. These functions help to enhance the consumer convenience and satisfaction and also helps to ensure a seamless shopping experience. Economically, retailing contributes significantly to GDP and employment. In many countries, the retail sector accounts for a substantial portion of economic activity, driving growth and development. Retailing stimulates other sectors, including manufacturing, logistics, and services, creating a multiplier effect on the economy. This unit presents the concept of retailing and its nature, scope, functions, and economic significance.

Keywords

Retailing, Retailer, Retail Marketing, Retailer

Discussion

3.1.1 Meaning of Retailing

Retailing encompasses all activities, which facilitate the direction of the goods and services to the ultimate consumers for personal or non-business purposes. The word retail is derived from the French word retailer, which means to 'cut up' or a piece of'. Retail stores are businesses that divide large quantities of goods into smaller portions. In contrast, "wholesaling" involves selling goods in bulk. While retailing is the process, "retailer" is the one who takes the role of an intermediary and transport the goods to the final consumer. A retailer bridges the gap between manufacturers or producers and other intermediaries (such as wholesalers) before the final goods or services reach the consumer. He is the last link in the channel of distribution. He undertakes all the processes, involving the marketing and distribution of goods to the final consumer. He serves the dual role of marketer and that of a customer. As a customer, a retailer purchases the goods from other intermediaries like wholesalers and resell them to the final consumers for a profit.

◆ Retailer-last link in the channel of distribution

A retailer may be an individual or a business organisation. Retailers operate in various business formats ranging from the conventional physical stores to online platforms and hybrid models combining both. Supermarkets, discount sheds, hypermarkets, and classic specialty shops are examples of physical retail stores. Retail sales are made by any firm, whether it be a manufacturer, wholesaler, or retail store, that sells goods to final consumers for non-business use, regardless of the form of sale (person, phone, mail, or vending machine) or the location (store or the customer's home). They aim to deliver a convenient shopping experience to the consumers by offering wide variety of goods and services in accessible locations thus saving time and effort of consumers. Retailers help provide place utility, time utility, form utility, and possession utility.

◆ Operates in various business formats

Retailing stimulates consumer spending, a key driver of economic growth and development. The process of retailing helps to reduce the gap between producers and customers by making

- ◆ Promotes consumer spending
- ◆ Establishes competitive market environment
- ◆ Boosts regional economies and urban development

- ◆ Meet the customer's needs and preferences

- ◆ Direct interaction between retailer and consumer

- ◆ Selling in small quantities

the goods easily accessible. Moreover, retailing aids in establishing a competitive market environment, and augmenting product quality. In addition to this retailing plays an integral role in boosting the regional economies. Because retail firms generally get established in centres of economic activity, drawing in complementary firms and creating jobs, retailers also play a predominant role in in urban development.

3.1.2 Nature of Retailing

1. Customer Focus

Retailing is a customer-oriented activity. The main motive of retailing is to meet the consumer's needs, preferences and expectations in the best possible manner. Retailers work hard to ensure that customers have a positive shopping experience by offering the appropriate products at the right prices. Customer focus means that the retailers continuously analyse the consumer behaviour, adapt to the changes in the tastes and preferences of customers and constantly invest in innovative business practices and technologies so as to enhance the overall shopping experience. The heart of retailing is to make the customers feel appreciated and fulfilled through diverse ways say selected product assortments, personalized services, or loyalty programs.

2. Direct Consumer Interaction

In the process of retailing, there is a direct interaction between the retailer and the end consumer, either through face-to-face encounters in physical stores or through digital interaction through online platforms. This process enables the retailers to gain a better grasp of the consumer behaviour and also exercise a strong influence as compared to any other intermediaries in the marketing channels. Retailers continuously engage customers through in-store services, advertising, promotions, and personalized offers, allowing them to tailor their products and communication strategies to meet individual consumer preferences. This will help to promote strong brand loyalty and also helps in ensuring that the business get repeated sales.

3. Sale in small quantities

Retailers purchase the goods in bulk from the wholesalers to sell them to the ultimate consumers in small quantities. It would be difficult for the consumers to purchase the goods in small quantities if retailers are not present in the distribution channel.

4. Delivery of Products and services

Retailing is the last step in the process of distribution as the

- ◆ Delivery-central focus of retailing process

products and services are delivered to the ultimate consumer. It involves various activities such as procurement of goods, control of inventory and ensuring that products will be available at the right time and at the right place. Retailers work in close association with the suppliers for facilitating the consistent and reliable supply of products to meet the demand of the consumers. The activities such as appealing display or presentation of products at the stores, product positioning and instore layouts also come under the purview of retailing. In short, the delivery of products and services is the central focus of retailing process no matter whether the delivery happens via physical stores or online stores, or a combination of both.

5. Variety of products and services

- ◆ Offers wide assortment of products under single roof

In order to meet the diverse needs and wants of the customers, retailers strive hard for providing maximum variety of categories of products and services in one place or platform in various brands, styles to tailor to the customer requirements. This process helps in providing a wholesome shopping process to the customers saving their precious time and effort by offering a wide selection under one roof (whether physical or digital). Retailers strategically plan their product range to ensure that they cater to the preferences and demands of their target market.

6. Pricing

- ◆ Directly impacts consumer buying decision and retailer's profitability

Pricing has a direct influence on consumer choice and retailer profitability. This makes it a crucial component of retailing. Retailers need to make sure they cover costs and also earn a profit with providing competitive prices to customers. Pricing methods are influenced by a number of factors such as value, competitiveness, demand elasticity, and cost of commodities. Retailers may use a variety of pricing strategies, including discounts, package deals, or premium pricing depending on the target market and product positioning. Effective price management is essential to a retail business's long-term viability and expansion.

7. Continuous Innovation

- ◆ Involves use of innovative methods

The retail industry is a very dynamic sector. So, retailers need to constantly innovate in order to stay competitive to accommodate the changing demands of their customers. This involves using innovative methods such as new sales channels (including mobile apps and internet shopping), providing enhanced customer support, improving the in-store experience, and incorporating technologies like automation, augmented reality, and artificial intelligence (AI) into business practice.

8. Influence of Marketing and Promotion

- ◆ Employs multiple strategies for marketing and promoting products

Retailers often employ a variety of marketing strategies, including digital campaigns, in-store displays, sales promotions, and advertising to influence consumer purchase decisions and foster brand loyalty. To draw customers and increase sales, especially during peak seasons, retailers and manufacturers frequently work together for creating joint marketing campaigns and exclusive deals.

9. Service-Oriented Aspect

- ◆ Also entails the provision of services to consumers

Retailing is not only confined to selling products. It also involves providing services to consumers to provide a holistic shopping experience. In other words, retailing also involves personalized assistance, product recommendations, and post-purchase support in the form of returns, exchanges, warranties. The aim of all these activities is to build profitable long-term relationships with the customers. Service is particularly important especially in the case of fashion, electronics, and home goods, where additional information or support is essential for arriving at conclusions.

10. Integration of Technology

- ◆ Dependence on technology to boost efficiency

Today, retailers are depending more and more on technology to increase supply chain efficiency, enhance inventory management, streamline operations, and customize customer experiences. In addition to this, digital payment systems, e-commerce platforms, and smartphone apps all have changed the scenario of retailing. Additionally, retailers employ data analytics for demand forecasting, enhancing marketing tactics, and gain insights about consumer behaviour.

11. Competitive Environment

- ◆ Involves formulation of competitive marketing strategies

Businesses must distinguish themselves from the competitive retail sector in order to survive and grow. Retailers frequently compete against each other with respect to price, quality, customer service, store location, product variety, and convenience. Retailers must constantly alter their marketing strategies to stay profitable and relevant in the market as consumer behaviour is constantly changing. Physical merchants must now innovate and enhance their customer offerings due to increased competition brought about by the growth of e-commerce.

3.1.3 Scope of Retail Marketing

The broad range of activities used by retailers to connect with and please consumers is referred to as the scope of retail market-

- ◆ Activities used to connect and please customers

ing. It includes a wide variety of activities to increase sales, improve the shopping experience, and promote goods in physical and virtual retail settings. The scope of retailing is given below

- ◆ Selection of right product line

3.1.3.1 Product Assortment and Merchandising

One of the most important aspects of retail marketing is selecting the right product line to meet the demands and preferences of customers. When choosing which products to carry, retailers primarily examine market trends, target demographics, and customer preferences. The merchandising strategies used to effectively showcase products and increase sales include advertising, displays, and store layouts. Careful product placement and the ability to offer variety in terms of both categories and brands are essential for successful retail marketing.

- ◆ Consideration of cost, competition and demand

3.1.3.2 Pricing Strategy

Pricing is another important aspect of retail marketing. Retailers must create competitive pricing strategies that align with the products after taking into account the cost, competition, and demand. Discount pricing, psychological pricing, premium pricing for luxury goods, and product bundling at a lower price are some of the common strategies employed by retailers. Retailers frequently use dynamic pricing, which involves adjusting prices in response to seasonality, promotions, and changes in the market.

- ◆ Usage of combination of digital and conventional methods

3.1.3.3 Promotions and Advertising

Retail marketing depends on advertising and promotional efforts to increase traffic and sales. Retailers often resort to the combination of digital platforms such as social media, email marketing, and search engine marketing and conventional media such as radio, print, and television for intimating the customers about upcoming updates such as sales, new products, and special events like flash sales, seasonal discounts, loyalty programs, and giveaways. Such efforts help stimulate purchases. This also helps in fostering customer loyalty, increasing brand recognition, attracting new clients, and encouraging sales.

- ◆ Creation and sustainment of long lasting connections with clients

3.1.3.4 Customer Relationship Management (CRM)

It is a crucial component of retailing. CRM aims to create and sustain long-lasting connections with clients via tailored experiences and superior customer assistance. Retailers constantly monitor consumer behaviour with the help of various customer relationship management (CRM) tools and loyalty programs,

then adjust their marketing strategies accordingly. Retailers can send targeted promos and customised product offers and interact with customers through mobile applications or email by gathering customer data obtained at the time of previous purchases or screening the comments obtained via making online purchases. A well-designed CRM approach thus helps to improve overall satisfaction, stimulate the chance of repeat business, and increase client retention.

3.1.3.5 Distribution and Channels

Another aspect of retail marketing is to determine the effective ways to deliver products to the ultimate buyers. This involves choosing whether to select physical stores or creating an online shopping site. Despite this many retailers these days prefer to employ a hybrid approach by combining both in order to offer a seamless shopping experience. Managing the logistics of product delivery to customers, whether by click-and-collect, home delivery, or in-store pickup, is part of this scope. Retailers must also ensure that their distribution networks are reliable, efficient, and cost-effective in order to meet customer needs.

- ◆ Choosing effective ways of product delivery

3.1.3.6 Technology and Digital Integration

In today's retail environment, technology is crucial to widening the reach of retail marketing. This involves employing digital platforms (like as websites, apps, and social media) to engage with customers and cutting-edge technologies like artificial intelligence (AI), virtual reality (VR), and augmented reality (AR) to enhance the shopping experience. Retailers utilize digital marketing strategies, including sponsored search ads, content marketing, and search engine optimization (SEO), to reach online shoppers. With digital integration, retailers can reach a larger audience, analyse customer data, and offer tailored experiences.

- ◆ Usage of digital platforms and cutting-edge technologies

3.1.3.7 In-Store Experience offered by retail stores

The physical experience that customers get when they visit actual stores also comes under the purview of retail marketing. This covers elements that impact a customer's decision to shop, such as store layout, design, lighting, music, and general atmosphere. Increasing dwell time, improving customer happiness, and promoting impulse purchases all depend on creating a welcoming and interesting in-store environment. In order to provide an experience that makes consumers feel valued and appreciated, retailers engage in training employees to deliver exceptional customer service.

- ◆ Elements impacting the shopping decision of the customer

3.1.3.8 Social Media Marketing and Influencer Marketing

- ◆ Usage of social media sites and social media influencers

The rise in digital connectivity has made social media marketing an essential part of retail marketing. Retailers may use social media sites like Facebook and Instagram to advertise products, engage with customers directly, and build brand communities. Influencer marketing has also gained popularity, as businesses work with social media influencers to promote their products to a wider, usually more engaged audience. Social media facilitates direct customer interaction, encouraging brand loyalty, and advocacy.

3.1.3.9 Market Research

- ◆ Understanding customer preferences and behaviour and market trends

Understanding customer preferences and behaviour is also one of the most important aspects of retail marketing. It involves understanding customer preferences and behaviour. To understand the needs and wants of consumers, their shopping patterns and the factors influencing their purchase decisions, the retailers conduct market research. It also helps in gaining insight into the market trends areas for innovation and for making well-informed decisions related to product offers, marketing campaigns, and so on

3.1.3.10 Sustainability and Ethical Marketing

- ◆ Promotion of eco-friendly products

Consumers are now placing greater emphasis on how their purchases will affect the environment. As a result, marketers have adopted sustainable sourcing practices and promoted eco-friendly products in response to this trend. This shift is reflected in product packaging, labelling, and advertising strategies that align with consumer values.

3.1.4 Functions of Retailing

Retailing performs various functions that are essential to link producers or distributors with the customers. These functions ensure that goods are offered in the most convenient format for the customer, in the right quantity, and at the right time. The following are the main functions of retailing:

1. Breaking Bulk

- ◆ Makes goods accessible and reasonably priced

Retailers buy the goods in bulk quantities from manufacturers or wholesalers and then divide them into smaller, easier-to-manage amounts or quantities that are adequate for the individual customers. This makes the goods more accessible and more reasonably priced, which ensures the customers purchase commodities in the precise quantities they require.

2. Assortment

- ◆ Providing a wide variety of goods and services

Retailers offer a diverse assortment of goods across multiple brands, categories, and styles to cater to consumer preferences. As retailers have a direct interaction with the customers, they are more aware of the tastes and preferences of the consumers. This enables them to accommodate a varied range of demands of consumers by offering them a wide variety of products for consumers to pick from. Providing a range of options in one location, in turn, helps improve the purchasing experience of the consumers.

3. Convenience

- ◆ Offers products in convenient locations or on internet platforms

Convenience provided to consumers is a key factor which determines the success of a retail business. Retailers establish stores in convenient locations and provide products through physical and online platforms. This, in turn, enables retailers to contribute significantly to the convenience of their customers either through physical closeness, as in the case of local businesses, or digital accessibility in the form of e-commerce websites.

4. Offering Services

- ◆ Provision of value-added services

In addition to selling goods, retailers provide a range of value-added services to consumers, including customer assistance, product demos, delivery services, loyalty programs, flexible payment plans and return policies. These services will enable the retailers to improve the general client experience and also encourage repeat business and consumer loyalty.

5. Facilitating Information Exchange

- ◆ Provides vital information for making buying decisions

Retailers serve as a vital link between the ultimate consumers and manufacturers. They inform the consumers about the features, benefits, prices, and special offers of products. Moreover, the retailers also collect feedback from the consumers, which is essential for new product development. They also assist manufacturers in altering and improving their existing products to better satisfy consumer demand.

6. Marketing and Promotion

- ◆ Adopts various tools to promote and market products

Retailers play a pivotal role in marketing and promoting goods to customers. For this, they adopt various techniques: in-store displays, sales promotions, advertising and special deals. Retailers' intent is to raise consumer interest and product recognition through these initiatives. Ultimately these efforts become instrumental in generating revenue and drawing in new clients.

7. Price Determination

- ◆ Helps in price fixation

By taking into account a number of variables, including cost, demand, competition, and market conditions, retailers assist in establishing the ultimate selling price of goods. They frequently modify prices to stay competitive, provide discounts, or use promotional pricing techniques, even though they typically adhere to the pricing restrictions established by manufacturers or distributors.

8. Assuring Product Availability

- ◆ Ensures availability of goods to cater to customer demand

In order to satisfy customer demand, retailers make sure that products are constantly available. Supply chain coordination, stock replenishment, and efficient inventory management are essential to guaranteeing that the appropriate products are in hand and ready for clients when they need them. Retailers employ a variety of inventory control methods to maintain adequate stock levels.

9. Facilitating the Exchange Process

- ◆ Facilitates easy exchange of goods through multiple options

By facilitating the exchange of items for cash, retailers help to ensure that transactions are as seamless and effective as feasible. Offering payment methods like cash, credit/debit cards, digital payments, or instalment plans are part of this. Offering safe and convenient payment options is a crucial aspect of selling.

10. Customer Relationship Management

- ◆ Establishes long-term relationships with customers

Retailers prioritize establishing and preserving enduring bonds with consumers via customer service, loyalty plans, and tailored experiences. Retailers may create enduring relationships and repeat business by customizing their goods and communication methods based on an understanding of client preferences and purchase behaviour.

In conclusion, retailing encompasses a number of interrelated tasks that improve customers' shopping experiences, increase sales, and improve the distribution system's overall effectiveness in addition to making items accessible to customers. For the retail industry to remain competitive and healthy, these roles are essential.

3.1.5 Economic Significance of Retailing

Retailing plays a vital role in the economy, acting as a bridge between producers and consumers while contributing to economic growth and development. According to the World Bank's Doing Business 2023 Report, India ranks 63. In addition to this,

India is also the fifth-largest destination in the retail space.

1. Contribution to GDP

- ◆ Boosts GDP through stimulation of consumer spending

By offering a wide range of goods and services, retailing contributes to the stimulation of spending by customers. By promoting consumer spending, which makes up a substantial amount of economic activity, retailing substantially boosts a nation's GDP.

2. Employment Generation

- ◆ Retail sector significant employer

One of the biggest employers, the retail industry supports livelihoods for people of all skill levels by offering positions in a variety of fields, including sales, customer service, supply chain, and store management. The retail sector is a significant employer, offering jobs ranging from entry-level positions to managerial and senior roles. With about 35 million workers, the retail industry in India is the second-largest employer in the country, after agriculture. More opportunities in digital marketing, IT, warehousing, and logistics have been made possible by the growth of e-commerce.

3. Encouragement of Entrepreneurship

- ◆ Promotes innovation and entrepreneurship

By providing opportunities for startups, small enterprises, and regional craftspeople to market and sell their goods, retailing helps promote innovation and independence while also encouraging entrepreneurship.

4. Stimulation of Production and Supply Chains

- ◆ Leads to increase in consumer demand

Retailers play a vital role in contributing to the increase in consumer demand for products and services. This encourages manufacturers to increase their production and ensure that supply chains run smoothly, thus supporting the different businesses prevailing in the economy.

5. Generation of Tax Revenue for Governments

- ◆ Revenue generator

Retail businesses play a predominant role in generating government revenue through GST, customs duties and income taxes.

6. Regional and Rural Development

- ◆ Employment generator

Retail expansion into rural and semi-urban areas boosts local economies by creating jobs, increasing consumer access to goods, and encouraging regional development.

7. Technological Advancement

- ◆ Adoption of innovation

The retail industry is increasingly adopting innovations like online shopping, digital payments, and inventory management.

systems. This helps to increase the productivity and technological advancements.

◆ Development of related industries

8. Multiplier Effect on Related Industries

Retailing helps in the development of various related industries such as manufacturing, logistics, advertising, and real estate. In addition to satisfying customer demands, retailing promotes economic stability, industrial expansion, and social progress, making it a vital component of economic activity.

Summarised Overview

Retailing is a critical component of the distribution process, involving the sale of goods and services directly to consumers for personal use. It encompasses various activities and functions, from purchasing merchandise to providing customer services and managing inventory. Retailers play an essential role in the economy by acting as intermediaries between manufacturers and consumers, adding value by offering convenience, assortment, and accessibility. Economically, retailing contributes significantly to employment, consumer spending, and the broader supply chain. The key functions of retailing like assortment planning, pricing strategies, marketing, and after-sales services, are all aimed at enhancing customer satisfaction. Additionally, efficient inventory management, driven by tools such as stock turnover analysis and stock control mechanisms, ensures the availability of products while minimizing waste and stockouts.

Self-Assessment Question

1. What do you mean by retailing?
2. Explain the scope of retailing.
3. Discuss the nature of retailing.
4. What are the core functions of retailing? Explain any two in detail.
5. How does retailing act as a bridge between producers and consumers?

Assignments

1. Explain the concept, nature, and scope of retailing. How does it impact consumer behaviour and business operations?
2. Discuss the various functions of retailing. Highlight how these functions ensure a smooth flow of goods and services to consumers.
3. Analyse the economic significance of retailing. How does it contribute to GDP, employment and entrepreneurship?
4. Discuss how retailing serves as the final link in the supply chain, emphasizing its role in bridging the gap between producers and consumers.
5. Evaluate the importance of retailing in regional and rural development. Discuss its impact on local economies.

Suggested Reading

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1. Gilbert, D. (2006). *Retail marketing management* (2nd ed.). Pearson.
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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU

Unit 2

Retail Mix

Learning Outcomes

After completing this unit, the learners will be able to:

- ◆ gain insight into the retail environment in India
- ◆ identify the different types of retailers
- ◆ differentiate between the different retail formats
- ◆ evaluate the different stages in the retail life cycle

Background

The retailing environment in India is dynamic and diverse, shaped by a rapidly growing economy, changing consumer preferences, and technological advancements. India, with its vast population and rising middle class, presents immense opportunities for retailers, both local and global. Retail formats in India vary from hypermarkets, supermarkets, and convenience stores to speciality stores and discount stores, with the rise of online retail platforms further reshaping the landscape. The retail life cycle follows distinct stages, beginning with market entry and the growth phase, driven by urbanization and the increasing purchasing power of consumers. As retailers establish themselves, the sector moves towards consolidation, where dominant players emerge, followed by maturity, characterized by intense competition and market saturation. The rise of digital platforms and omni-channel retailing has further influenced the retail life cycle, offering new avenues for growth and reshaping consumer shopping behaviour. Overall, the Indian retail environment continues to evolve, offering exciting prospects and challenges for retailers.

Keywords

Retail environment, Retail Formats, Retail Life Cycle, Retailers

- ◆ Retailing- a dynamic sector

3.2.1 Retailing Environment in India

Retailing is considered one of the most dynamic sectors in India. . With a population of over 1.4 billion, India has a huge market potential for retail business in the world. It plays a predominant role in contributing significantly to the country's economy. The following points discuss the status of the retailing environment in India

- ◆ Indian retail market, making it one of the fastest-growing and most dynamic sectors. The retail sector in India contributes to about 8% of employment and more than 10% of the country's GDP.
- ◆ The Indian retail market is among the fastest-growing globally. India ranked 63 in the World Bank's Doing Business 2023.
- ◆ It is also the world's fifth-largest global destination in the retail space. According to the Boston Consulting Group (BCG), the retail sector in India is expected to reach US\$ 2 trillion in value by the year 2032.
- ◆ The contribution of e-commerce in the Indian retail market is growing steadily, with nearly 10-12% of retail sales occurring online. E-commerce in India is expected to reach \$150 billion by 2027.
- ◆ Modern retail (organized retail) in India is growing at a faster pace, with supermarkets, hypermarkets, and department stores seeing an increase in consumer footfall. The purchasing power of urban Indian consumers is rising. Branded products in categories such as clothing, cosmetics, footwear, watches, food, beverages, and even jewellery are progressively becoming popular among urban Indian consumers.
- ◆ The majority of the Indian retail sector is held by the unorganized segment. Although the unorganised sector constitutes 85 -90 % of the country's retail sector, the organized retail market in India is also expanding steadily.
- ◆ The organized retail sector only makes up 12–14% of the overall retail industry. India's retail sector has undergone rapid transformations over the years. This transformation can be attributed to several factors. They are

- ◆ Increasing concentration of people in towns and cities

i. Urbanisation

The concentration of people in cities and towns due to the rapid pace of urbanisation has opened huge opportunities for retail businesses in urban areas.

- ◆ Internet penetration and increased smart phone usage

ii. Innovation in technology

The Internet penetration and usage of smartphones have leveraged the growth of online retail business in India. The online retail business has seen visible growth, especially in the post-pandemic period. Similarly, the usage of Artificial Intelligence and data analytics have enabled retailers to customise and improve shopping experiences.

- ◆ Growing middle-class population and their disposable incomes

iii. Increase in the disposable income of the consumers

The growing middle-class population and the rise in their disposable incomes have created a surge in demand for retail products ranging from daily essentials to luxury goods.

- ◆ Changes in taste and preferences of consumers

iv. Tastes and preferences of consumers

The rapid changes in the tastes and preferences of consumers have also augmented the growth of the retail business in India. In addition to convenience, consumers today seek quality, sustainability and innovative products and services. These changes have widely altered the scenario of the retail business in India.

◆ Components of Indian Retail Market

India's retail market is characterized by a mix of both traditional and modern retail formats:

- ◆ Supermarkets
- ◆ Hypermarkets
- ◆ Department stores

i. Organized Retail

Organised retail comprises large retail chains, supermarkets, hypermarkets, department stores, and shopping malls. They are normally modern retail formats which are focussed on providing enhanced shopping experiences to the customers. The growth of the organized retail sector can be attributed to large urban cities, where modern retail formats are more popular. Due to the presence of major domestic and foreign firms including Reliance Retail, Future Group, D-Mart, Walmart, and Amazon, this market is expanding quickly.

- ◆ Local markets, small Kirana stores and street vendors

ii. Unorganised Retail

The unorganized retail sector is composed of local markets, small Kirana stores and street vendors. Retailers in the unorganised sector offer personalized services and better accessibility to consumers, especially in rural areas.

iii. E-Commerce Retail

The retail environment in India is shifting gradually as a result of the emergence of digital platforms. Online shopping has become quite popular these days, especially among the urban middle class. This is due to the convenience, variety of payment choices offered and home delivery services provided by these digital platforms. E-commerce shopping sites like Amazon, Flipkart and others have revolutionized the way people shop.

- ◆ Digital platforms facilitating online shopping

◆ Recent Trends

India's retail environment is rapidly evolving, and the industry has been adapting to changing consumer preferences, technology, and socio-economic factors. Below are some of the most prominent recent trends in Indian retail:

- ◆ Surge in online shopping

i. Growth of E-Commerce: The rise of e-commerce is perhaps the most significant trend in India's retail sector. Online shopping has surged, especially in the post-pandemic era, with a large proportion of consumers preferring the convenience of shopping from home. Major online retailers like Amazon, Flipkart, and Myntra have expanded their offerings, attracting a large base of customers.

- ◆ Integration of offline and online platforms

ii. Omni-channel Retailing: Retailers in India are increasingly adopting an omnichannel strategy, integrating their offline and online platforms to provide a seamless shopping experience. This strategy has been adopted by brands like Reliance, Walmart, and Big Bazaar, which allow customers to shop either in-store or online and even return products across platforms.

- ◆ Enhance customer loyalty and improve margins

iii. Rise in Private Labels: Private labels, or store brands, are becoming increasingly popular in India. Retailers are focusing on introducing their own brands in categories like apparel, food, and electronics to enhance customer loyalty and improve margins. Examples of private labels include Big Bazaar's 'Foodhall' and Reliance's 'Reliance Trends' for apparel.

- ◆ Adoption of AI, VR and AR

iv. Technological Innovations: Technology is revolutionizing retail in India, with innovations like Artificial Intelligence (AI), Virtual Reality (VR), and Augmented Reality (AR) playing a key role in transforming shopping experiences. Retailers are also adopting predictive analytics to anticipate demand, optimize inventory, and improve customer experience.

v. Focus on Sustainability: With growing awareness of environmental issues, consumers in India are becoming

◆ Focus on sustainability in purchase decisions

◆ Shift in focus to rural consumers

◆ Creation of immersive shopping experience

more conscious of sustainability in their purchasing decisions. Retailers are now focusing on offering eco-friendly products, sustainable packaging, and promoting ethical sourcing practices.

vi. Rural Expansion: While urban areas have been the primary focus for organized retailers, there has been an increasing focus on rural markets. Companies are starting to reach out to rural consumers by offering tailored products, lower prices, and establishing a presence through various distribution channels, including e-commerce.

vii. Experiential Retail: Modern retailers are increasingly focusing on creating an immersive shopping experience. Shopping centres and malls are now more than just places to shop; they are becoming destinations for entertainment, dining, and social activities. Brands are leveraging experiential retail by integrating technology, offering personalized services, and creating visually appealing store designs.

◆ Challenges of India's Retail Sector

While India's retail sector offers immense opportunities, it also faces several challenges:

◆ Poor roads, warehousing issues, inefficient supply chains

◆ Complex regulations

◆ Domination of unorganised retail segment

i. Infrastructure Issues: Retailers face several logistical challenges due to inadequate infrastructure, including condition poor roads especially in rural areas, warehousing issues, and inefficient supply chains. These challenges impact the ability of marketers to reach out to customers in rural or remote areas.

ii. Regulatory Framework: The Indian retail sector is governed by various complex regulations related to taxes, foreign direct investment (FDI), and labour laws. The restrictions on foreign investments in the retail sector by the government have created uncertainty for international players.

iii. Competition from Unorganized Retail: Even though organized retail has achieved impressive growth rates, the unorganized retail segment still continues to dominate the Indian retail market. Small Kirana stores still enjoy customer loyalty as compared to big retail stores, and consumers often prefer to buy from local stores owing to the convenience, credit facilities, and personalized service offered by them.

iv. Cultural and Regional Diversity: India has a highly diverse population with varying tastes, preferences, lan-

- ◆ Difficulty in offering products and services due to diversity

guages, and cultural practices. This makes it difficult to offer products and services that are suitable to all segments of society. Retailers must customize their offerings and marketing strategies to suit local tastes and preferences.

The retailing environment in India is vibrant and rapidly evolving. While traditional, unorganized retail still holds a dominant share, organized retail and e-commerce have been growing exponentially. The adoption of new technologies, the rise of digital retail, and changing consumer behaviour are shaping the future of Indian retail. As India continues to urbanize and the middle class expands, the retail market will remain a key driver of economic growth, offering significant opportunities for domestic and international players alike. However, challenges such as infrastructure limitations, regulatory complexities, and competition from unorganized retail will continue to shape the sector's growth trajectory.

3.2.2 Types of Retailers

Retailers play a vital role by channelling goods to the final consumers. Retailers can be classified into various types based on product line,

A. Classification based on Product Line

1. Specialty Stores

These are the retailers which normally concentrate only on a specific product line but provide an in-depth assortment or variety within that specific product line. A product line can be understood as a group of products which are related to each other, share certain similarities or characteristics, and that a company offers under a single brand or category. Examples: footwear, soft drinks, apparel. These retailers are known for their expertise in a particular product segment, allowing them to offer specialized services and a curated selection of goods. They offer a higher level of service and expertise compared to general retailers.

- ◆ Concentrates on specific product line

For example, the international fashion brand Zara specialises in narrow product lines, including clothing, perfumes, beauty products and accessories. Apple Store specialises in electronics.

The Body Shop specialises in Personal care products. Bata and Raymonds are examples of some well-known speciality stores in India.

Features

- Focused Product Range:** These retail stores specialize in one or a few related product categories or product lines, such as electronics, clothing, or books.



ii. **Expert Knowledge:** These stores often employ knowledgeable personnel to provide expertise and personalized service to the customers.

iii. **Premium Pricing:** Prices are typically higher than those at general retailers due to the specialized nature of the products offered by these stores.

2. Department Stores

They are large retail firms or establishments offering a wide variety of product lines, including electronics, cosmetics, apparel, household goods, beauty products and more. They have many departments working under a single roof. In department stores, each department sells a separate product line, and each department works as a separate department with centralised purchasing, selling and accounting. They are typically organized into different departments, with each department specializing in a particular category of merchandise. In short, these stores aim to provide a one-stop shopping experience for consumers in addition to convenience, a wide selection of goods, and customer service.

◆ Many departments working under single roof

Features

i. **Product Assortment:** Department stores provide a wide range of products under one roof that suits the diverse needs of consumers. This enables the consumers to have a one-stop shopping experience as they get everything from under the same roof, ranging from clothing, electronics, home appliances and so on, without having the need to visit several shops.

ii. **Organised on the basis of departments:** Department stores are departmentally organised, with each department focusing on a separate product line.

iii. **Large Size Retail Stores:** Departmental stores are large retail stores having multi –floor establishments.

iv. **Central Locations:** Usually, departmental stores are located in central parts of cities so that people from different cities can easily reach them.

v. **Service–Oriented:** These stores are focused on providing superior customer service to the customers. They have professionally trained staff in each department to assist and provide excellent service to the customers.

vi. **Brand Recognition:** Departmental stores are known for housing well-known national and international brands, appealing to middle and high-income segments of the

market. This helps in enhancing their reputation and customer loyalty.

3. Supermarkets

◆ Frequently shopped retail stores by customers

Supermarkets are large retail stores that offer a wide variety of food and grocery items along with non-food products such as household essentials, personal care products, and sometimes clothing and electronics. They are one of the most frequently shopped retail stores by customers. They run on a self-service basis.

Features

- i. **Variety:** Supermarkets offer a wide variety of products such as food products, grocery items, consumer durables and so on.
- ii. **Self-Service:** Supermarkets often work on a self-service basis as customers can select items displayed on the shelves and proceed to make payment at the checkout counters.
- iii. **Size:** Supermarkets are larger in size as compared to convenience stores. However, they are smaller than hypermarkets.
- iv. **Products:** Supermarkets deal with packaged foods ranging from canned beverages and snacks and fresh food products like fresh fruits and vegetables, dairy products, meat and so on.
- v. **Medium Size:** Supermarkets are typically larger than convenience stores. Supermarkets tend to attract frequent shoppers due to the regular need for food and household products.
- vi. **Competitive pricing:** Supermarkets normally purchase in bulk from suppliers and negotiate for lower prices. This enables them to sell goods at competitive prices to consumers. This makes them an attractive option for price-conscious consumers.
- vii. **Centrally Located:** Supermarkets are also located in central locations which are easily accessible to the consumers.

Examples: Reliance Fresh, D Mart, Spencer's

4. Convenience Stores

Convenience stores are small retail outlets normally located in easily accessible residential areas. They operate as local

- ◆ Offers limited range of everyday products

Kirana shops. They offer a limited range of everyday products like snacks, beverages, personal care items, and sometimes basic groceries and often remain open for extended hours to serve customers' daily needs.

Features

- Small Size:** Convenience stores are typically small in size and located in residential or high-footfall areas. Located in easy-to-reach areas, they cater to customers' immediate needs
- Extended Hours:** They often stay open for long hours, even 24/7 in some cases.
- Limited Product Range:** The selection is more limited than in supermarkets or hypermarkets, focusing on everyday essentials.
- Credit Facility:** Regular customers are provided with a credit facility, and they can pay at a convenient time.

5. Hypermarkets

- ◆ One-shop destination for routine shopping

They are large-scale retail establishments that acts as a one-stop destination for the routine shopping of consumers. They provide a wide range of products ranging from food products to groceries, personal care products, cleaning supplies, stationery products, home goods, to clothing and electronic goods at comparatively low prices owing to their bulk purchasing power. They combine the features of departmental stores and supermarkets.

Features

- Size:** Hypermarkets are larger in size as compared to supermarkets and offer a wider product range.
- One-Stop Shopping:** Hypermarkets provide a holistic shopping experience to customers as they can buy everything from groceries to electronics in a single trip without having to visit several retail stores.
- Low Prices:** Hypermarkets purchase in bulk quantities and sell goods at low prices to customers.
- Convenient Location:** Hypermarkets are often located on the outskirts of cities or in large shopping centres.

Examples: Big Bazaar, Lulu Hypermart, Reliance Fresh, D – mart

B. Classification on the basis of relative prices

1. Discount Stores

- ◆ Sells standardised goods at lower prices

Discount retailers sell standardised goods at lower prices compared to traditional retail stores. They sell goods at high volumes, accepting lower margins. Discount stores may offer both branded and generic products, often in bulk. They usually focus on offering good value for money, with a limited range of products. They are able to offer goods at lower prices due to bulk buying, reduced operational costs, and limited overheads.

Features

- Low Prices:** The distinguishing feature of discount stores is offering goods at lower prices as compared to conventional retail outlets. Hence, Discount stores attract customers looking for low-priced products
- Limited Product Range:** Discount stores usually carry fewer product lines mainly essential or fast-moving items.
- Target Market:** The target of discount stores is price-sensitive customers. So there is also a possibility that some customers may associate discount stores with lower-quality goods.

2. Warehouse Clubs

- ◆ Sells goods in bulk at discounted prices

They are large retail stores that sell goods in bulk at discounted prices, typically to customers who pay an annual membership fee. The warehouse clubs operate on a high-volume, low-margin business model. This allows them to offer goods at lower prices as compared to traditional retailers.

Features

- Bulk Purchases:** Products are often sold in bulk quantities, thus reducing per-unit costs.
- Membership Fees:** Customers must pay an annual fee to shop. This creates a sense of exclusivity and loyalty.
- Limited Product Selection:** They typically offer fewer brands. However, they focus on popular and high-demand items.
- Wide Product Range:** They offer a wide range of products, including groceries, electronics, appliances, clothing, and even services like travel, insurance, and auto maintenance.

The retail sector is incredibly diverse, with various types of retailers catering to different market needs and consumer preferences.

erences. Whether based on product offering, operational model, ownership structure, or target market, retailers play a vital role in ensuring the smooth distribution of goods from producers to consumers. As the retail landscape continues to evolve with advancements in technology, changing consumer behaviour, and economic factors, retailers will need to adapt and innovate to maintain a competitive edge in the market. Understanding the different types of retailers helps businesses craft appropriate strategies for success in the competitive retail environment.

C. Classification Based on Organisational Approach

1. Chain Stores

◆ Identical retail shops operating in multiple cities/states/countries

Chain retailers operate multiple stores and are usually part of a large retail brand. Chain stores refer to the number of identical retail shops that operate in multiple cities, states, or even countries. They use the same name, ownership, and standard operating procedures. A number of shops with similar appearances are established in localities spread across the country under this type of arrangement. These stores sell standardised and branded consumer goods. They are managed by the same company and have identical merchandising strategies, along with identical products and displays.

Features

- i. **Large Size:** They usually operate on a large scale. So huge investment is required to set up identical shops in different parts of the city.
- ii. **Specialisation:** These stores usually specialise in one product line and the different varieties of that product are available in all parts of the city
- iii. **Centralised Purchasing and Decentralised Sale:** The merchandise required for all stores are purchased by the head office in order to maintain uniformity in the goods sold in the various chain stores. However, the chain stores have independent sales and they operate in different parts of the country.
- iv. **Quality:** As chain stores offer branded and standardised goods, the quality is assured.
- v. **Uniformity in Pricing:** The goods are offered at uniform prices by chain stores located in different parts of the country.

2. Franchise

Franchising is a type of marketing and distribution where a corporation or individual (the franchisee) is given the authority

- ◆ Selling goods or rendering services using franchisor's business structure

to operate a business selling goods or rendering services using the franchisor's business structure and being recognized by the franchisor's trademark or brand. In exchange for a one-time payment and ongoing royalties, a franchisee receives the right to use a franchisor's trademark, support, and the ability to sell its goods and services via the franchisor's business system. Purchasing a franchise offers other benefits beyond a well-known brand name that an entrepreneur starting a business from scratch would not be able to take advantage of.

Features

- Brand Recognition:** Franchisees profit from the franchisor's brand's well-established marketing and reputation. Consumers recognize and trust the brand, which lowers the risk of launching an unproven new company.
- Standardized Operations:** When it comes to product offerings, customer service, shop layout, and operational procedures, franchise retailers all follow the same guidelines. Because of this uniformity, every location offers a flawless client experience.
- Shared Costs and Economies of Scale:** By utilizing the franchisor's pre-existing supply chain, franchisees are able to take advantage of supplier discounts and bulk purchasing. As a result, operating expenses are decreased.
- Marketing and Advertising:** The franchisor frequently manages regional or national marketing efforts, with local advertising assistance for specific locations. Franchisees gain from shared marketing initiatives.
- Training and assistance:** Franchisors offer their franchisees comprehensive training, operational direction, and continuous assistance.
- Initial Outlay and Charges:** A one-time franchise fee and recurring royalties based on sales or profits are paid by franchisees. Equipment, inventory, and retail setup may incur additional expenses.
- Shared Risk and Profit Potential:** In addition to sharing earnings with the franchisor, franchisees have access to a tested business plan, which lowers the likelihood of failure in comparison to independent companies.

Examples: McDonald's, KFC, The Body Shop

- ◆ Different modes in which retailers operate their stores

- ◆ Physical stores that clients visit to make purchases

- ◆ Use of websites or mobile apps for shopping

- ◆ Offers online and offline shopping experiences

3.2.3 Retail Formats

Retail formats refer to the different modes retailers design and operate their stores to sell goods to customers. These formats cater to different customer preferences, shopping behaviours, and market demands. Retail formats include the following

i. Brick-and-Mortar Retailers

Traditional physical stores that clients visit to make purchases are referred to as brick-and-mortar retailers. These retailers can be found physically in high streets, malls, or independent shops. These shops provide in-person shopping experiences, enabling customers to taste, feel, and touch items before making a purchase. Many physical stores have responded to the popularity of Internet shopping by enhancing their in-store experience or incorporating e-commerce possibilities

Examples: Macy's (US), Pantaloons (India)

ii. Online Retailers (E-Commerce)

Customers can purchase from the comfort of their homes with online shops that just use websites or mobile apps. Everything from little boutique stores to massive international platforms falls under this category. Because they provide convenience, home delivery, and round-the-clock shopping, online retailers have completely transformed the retail sector. Improved logistics, rising internet penetration, and mobile device usage have all contributed to the expansion of e-commerce.

Example: Amazon, Flipkart, and Snapdeal

iii. Omni-channel Retailers

Customers may purchase with ease across different platforms (physical stores, online stores, mobile apps). This is possible due to omni-channel businesses, which provide online and offline shopping experiences. This strategy aids companies in offering a more customizable, convenient, and adaptable buying experience. In order to give customers a consistent experience, omni-channel businesses often provide services like click-and-collect (purchase online, pick up in-store), flexible return policies across platforms, and customer care integration.

Examples: Walmart, Target, Reliance Retail

3.2.4 The Retail Life Cycle

The retail life cycle presents the evolution of retail businesses over time, much similar to the product life cycle in marketing. It presents the different stages through which the retail formats

◆ Different stages retail stores pass through during their lifetime

◆ Retail life cycle- 4 stages

◆ High investment
◆ Low sales volume
◆ Low customer traffic
◆ Low competition levels

◆ Increase in sales volume and revenue
◆ Increase in competition levels

or stores go through during their lifetime, from the introduction stage to the decline stage. Each stage is significantly influenced by various factors like consumer preferences, competition, market dynamics and technological changes. It is imperative for retailers to understand the retail life cycle to adapt their strategies, in order to sustain growth and also remain competitive in the dynamic marketplace.

The retail life cycle consists of four stages, namely the Introduction stage, Growth stage, Maturity stage, and Decline stage. Below is a detailed explanation of each stage.

1. Introduction Stage

It is the stage where a new retail format or store is launched in the market. In this stage, the retailers create awareness, attract early adopters, and establish its brand identity. So, during this stage, retailers heavily invest in inventory, marketing expenses, store setup and design, and other operational infrastructure.

This stage is characterised by high investment, low sales volume, low customer traffic, and adoption of experimental strategies related to their offerings, pricing, and store layouts in order to gain an understanding of consumer preferences. The level of competition faced by the retailers during this stage will be low. During this stage, retailers introduce innovative ideas to attract consumers and differentiate themselves from competitors.

However, the retailers encounter numerous challenges during this stage, such as high levels of uncertainty (due to the initial reluctance from the part of the consumers to try something new), high risk, high operating costs (such as high marketing expenses and staff training expenses), poor customer acquisition rates (as it becomes difficult and time-consuming to gain the trust of the consumers).

During this stage, the retailers should focus on creating a strong value proposition to attract early adopters and offer promotional discounts or loyalty programs in order to ensure the chances of repeat purchases. It is also crucial to gather customer feedback in order to refine operations.

2. Growth Stage

Retailers begin to gain momentum as their concept proves successful, attracting more customers and opening new locations or expanding their services. The growth stage is characterised by an increase in customer acceptance, an increase in sales volume, an increase in revenue, and an increase in competition levels. Operational processes become more streamlined during this stage. There is also a significant reduction in operational

costs and an increase in profitability. The retailers will be able to establish a brand during this stage. Customer loyalty also starts to develop during this stage.

The various challenges encountered during this stage are high levels of competition and difficulty in managing the supply chains, inventory and staffing. Similarly, it can also be a challenging task to retain existing customers due to high competition levels.

During this stage, the retailers must try to improve customer service and enhance the shopping experience of customers. They must also invest in strategies to maintain brand visibility and differentiation. Retailers must use data analytics to gain insights into consumer behaviour and customize product offerings.

3. Maturity Stage

This stage can be described as a stagnant stage where growth starts to slow down. This is also the stage where the competition starts to intensify. In this stage, the retailer focuses on retaining its market share. At this stage, retailers must try to innovate and optimize to sustain profitability. The sales growth begins to stabilise as the market reaches saturation during this stage. Competitors start to enter the market with similar or better formats, thus putting pressure on pricing and margins. In this stage, the retailers focus on cutting costs and maximising profits. It is also crucial for retailers to maintain customer loyalty in order to survive during this stage.

The challenges encountered during this stage are limited opportunities for the acquisition of new customers, dynamic changes in consumer preferences and price wars from competitors. This stage is also characterised by rise in competition levels.

During this stage, the retailers must focus on diversifying their product offerings or introduce new services in order to stay relevant. They must also invest in technology, such as online platforms and omnichannel strategies, to enhance convenience. In addition to this, the retailers must also provide personalised customer services and loyalty programs and also try to maintain superior consumer quality.

4. Decline Stage

This stage is characterised by a decline in sales, high operating costs, loss of competitive edge, and reduced market share. The decline stage occurs when a retail format or store loses relevance due to changes in consumer preferences, technological advancements, or intense competition. Sales and profitability decline, and retailers face tough decisions about whether to pivot, reposition, or exit the market.

- ◆ Sales growth stabilises
- ◆ Growth slows down
- ◆ Competition intensifies

- ◆ Decline in sales
- ◆ High operating costs
- ◆ Reduced market share
- ◆ Loss of competitive edge

Retailers will find it hard to adjust to the market changes or competitor strategies. During this stage, retailers start losing their relevance owing to failure to keep up with the trends and technology, leading to obsolescence. In addition to this, they may experience financial strain as operating costs begin to surpass the revenue during this stage. Similarly, the brand image of retailers will also begin to tarnish and it may seem difficult to recover.

Decline in sales happens due to changes in customer preferences. This reduction in revenue often leads to high operational costs, as maintaining business operations becomes increasingly unsustainable due to diminished foot traffic and lower sales volumes. Retailers will lose their competitive edge if they fail to adapt to the changing market trends or the strategies of their competitors. The inability to keep pace with modern, efficient, or value-driven competitors also results in a reduced market share, as customers migrate to better choices that meet their needs and expectations.

At this stage, retailers should consider rebranding or repositioning to align with market trends. They should also adopt new technologies and innovative retail strategies, such as expanding into online channels.

The retail life cycle provides a framework to understand the trajectory of retail formats or stores, from their introduction to decline. While each stage presents unique opportunities and challenges, retailers can navigate these transitions successfully by being adaptable, customer-focused, and innovative. In a rapidly evolving retail environment, staying ahead of market trends and leveraging technology is critical to sustaining growth and avoiding premature decline.

Summarised Overview

India's retail sector is a rapidly growing market. Indian retail encompasses various formats, including department stores, supermarkets, speciality stores, convenience stores, discount outlets, e-commerce platforms, warehouse clubs, and franchise retailers. Organized retail, unorganized retail, omni channels malls form the backbone of the market structure. The retail life cycle progresses through introduction, growth, maturity, and decline stages. New formats emerge, grow rapidly, and face competition in the growth phase, while mature retailers focus on innovation and diversification. Eventually, market saturation leads to repositioning or exit. This dynamic landscape, blending traditional and modern retail, highlights India's evolving consumer market and the continuous drive for innovation and expansion.

Self-Assessment Question

1. What are convenience stores? Mention two characteristics of this retail format
2. What are the key characteristics of the retailing environment in India?
3. What are the four stages of the retail life cycle? Briefly explain any one.
4. How does the introduction stage of the retail life cycle differ from the growth stage?
5. What are departmental stores? Mention two characteristics of this retail format

Assignments

1. Describe the current retailing environment in India, highlighting its key characteristics and recent trends.
2. Explain the retail life cycle in detail, describing its stages with examples.
3. Explain the different types of retailers in detail
4. Discuss the role of e-commerce retailers in transforming traditional retailing practices.
5. What are the major challenges and opportunities in the Indian retail sector today?

Suggested Reading

1. Newman, A. J., & Cullen, P. (2001). *Retailing: Environment & operations*. Vikas Publishing House.
2. Pradhan, S. (2020). *Retailing management: Text and cases*. McGraw Hill Education.

Reference

1. Gilbert, D. (2006). *Retail marketing management* (2nd ed.). Pearson.
2. Kotler, P., Armstrong, G., Agnihotri, P. Y., & Haque, E. U. (2011). *Principles of marketing* (2nd ed.). Pearson Education, Inc.

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU



04 BLOCK

Retail Marketing Environment and E-Tailing

Block Content

- Unit - 1 Retail Marketing Environment
- Unit - 2 Criteria for Effective Segmentation
- Unit - 3 E-tailing



Unit 1

Retail Marketing Environment

Learning Outcomes

After completing this unit the learner will be able to:

- ◆ an understanding on the different elements of retail marketing environment
- ◆ get an idea on the concept of segmentation
- ◆ know different types of pricing methods

Background

The retail marketing environment is evolving constantly. It is shaped by a mix of external forces that influence how companies compete, adapt, and grow. In this changing landscape, big players like Amazon and Walmart go head-to-head, by combining their online and offline presence to maintain market dominance. Meanwhile, fashion leaders such as Zara and H&M stay ahead by streamlining their supply chains for rapid production. Economic events, like the recession, compel luxury brands like Gucci and Louis Vuitton to rethink their pricing strategies. Meanwhile, crises like the COVID-19 pandemic have accelerated the rise of e-commerce, fuelling the success of platforms like Shopify. Technology continues to transform retail, with companies like Walmart and Decathlon using RFID for smarter inventory management, while Netflix and Amazon harness AI to deliver personalised recommendations. Social and cultural trends also play a major role

Keywords

Retail Marketing, Elements, Product, Price, Place, Promotion.

Discussion

Retail marketing comprises various activities, including shopping, online purchases, financial transactions, and visits to local businesses such as fast-food restaurants or saloons. These everyday activities take different forms, highlighting the complexity of retail marketing. Retail marketing or retailing refers to companies that primarily acquire products from other manufacturers or wholesalers and sell them to consumers. It represents the final touch point of the distribution process of goods. Retailers sell small or even single quantities to the general public. In order to fully understand retail marketing, we need a set of key concepts so as to build a basic foundation.

4.1.1 Elements of Retail Marketing Environment

A promotional campaign likely influences your choice of store. You will have also looked at the product, decided if you were willing to pay the price, and finally considered how easy it would be to buy it. All of these things that affect a buy are part of the marketing environment, which is also known as the marketing mix. To get you to use a certain platform or buy something, marketers carefully arrange the marketing mix. The four P's—product, price, promotion, and place of purchase—make up the marketing mix, which is presented in Fig.4.1.1. Most people agree that the four Ps make up the standard marketing mix.

◆ Four P's of marketing



Fig. 4.1.1 Elements of Retail Marketing

4.1.1.1 Product

The product is the whole deal, which usually includes the services, plan, and goods along with the company product and brand name; it will also have the product name. According to Ferrel and Hartline (2011), making and selling new goods is an important part of a company's plan to keep growing and making money over time. New products will only do well if they fit with the company's strengths and there is a clear market chance. New product development means designing, preparing, and making a product before it reaches stores. The stages involved in the process of new product development are presented in Fig.4.1.2.

◆ The product is the whole deal

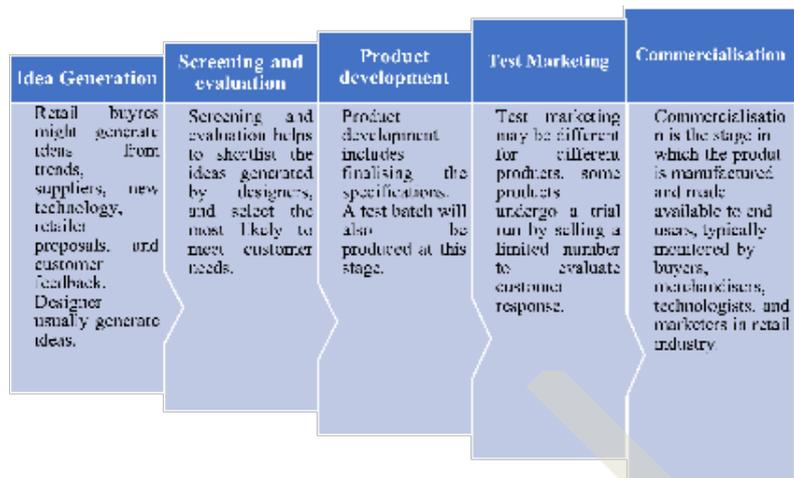


Fig. 4.1.2 Stages of the NPD process

Product life cycle

The product life cycle is a classic marketing model and is similar in format to the retail life cycle. The product life cycle can help retailers estimate the life stage and the potential future sales pattern for a particular product by comparing its sales turnover to the timespan. The stages of the product life cycle include:

◆ Stages of a particular product

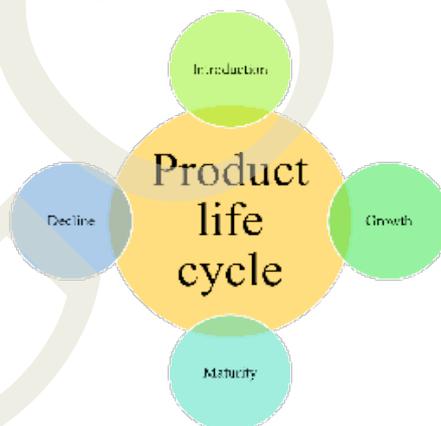


Fig. 4.1.3 Product life cycle

- 1. Introduction:** This is the stage in which the product is in its budding phase. Here, the product is likely to be new, and the financial feasibility of developing different versions of it is unknown. At this stage, a product should usually have a high level of promotion to create awareness of its availability to consumers.
- 2. Growth:** In this phase of the product life cycle, the sales increase, and the product may start to break even, depending upon the marketing efforts. Continued promotion is needed to boost awareness and maintain demand.
- 3. Maturity:** Here the aim is to maintain sales and extend the life of the product as long as possible. Advertising is

still needed but will be less intensive at this stage compared to earlier stages.

- 4. Decline:** In this stage, the sales are observed to fall, as new and better products enter into the market. Here the focus changes to maximising profit before discontinuing the product.

4.1.1.2 Price

◆ The monetary value assigned by the seller

Pricing decisions are important for a retailer's profitability because the price is a significant source of revenue. However, all elements of the marketing mix should work together to improve profitability, and pricing must be in tandem with these factors. Price is defined by Gilbert (2003) as *'the monetary value assigned by the seller to something purchased, sold or offered for sale, and on the transaction by a buyer; as their willingness to pay for the benefits the product and channel service delivers'*.

Cost-oriented pricing

◆ Marking up supplier costs

Cost-oriented pricing, also known as 'cost-plus' pricing, means adding a fixed percentage to the supplier's cost and rounding it to a reasonable price. This method is simple and commonly used but does not consider customer demand, the price of competitors, economic factors, etc. Suppliers may be manufacturers or middlemen like wholesalers, who increase prices to make a profit. Small stores often buy from wholesalers because they cannot place large orders or source products directly. Fixed costs, like rent and salaries, stay the same irrespective of units produced, but the cost per unit drops when more products are made. Manufacturers benefit from producing in large quantities, which helps retailers negotiate better prices when buying in bulk.

Competition-oriented pricing

Retailers who use competition-oriented pricing fix their prices similarly to their competitors. They closely watch competitor prices to stay competitive. Some businesses make this pricing strategy a vital part of their brand image. Others deliberately lower their prices to attract customers away from rival stores. If these lower prices are temporary, it is called *promotional pricing*, but if they remain low, it is known as *everyday low pricing* (EDLP). With price comparison platforms like Kelkoo and Price Runner, and mobile applications that allow shoppers to compare prices instantly, retailers are compelled to monitor competitor prices more closely than before.

Demand-oriented pricing

In demand-oriented pricing, price is determined based on customer demand rather than just the cost of making a product or service. Many factors influence demand, some of which are beyond a retailer's control. In order to understand these factors better, businesses often use a PESTEL analysis, which analyses economic, social, and technological trends that may affect pricing. There are different types of demand-based pricing, each suited to various situations.

Table 4.1.1 Types of Demand-Oriented Pricing

Psychological pricing	Retailers often set prices ending in odd numbers like “.99” or “.95” to appear cheaper than the following currency unit. Since decimalisation in the 1970s, this approach has been standard in the UK, despite uncertain psychological effects. Elite retailers favour round prices and avoid it. In competitive markets, Icelandic supermarkets are leading the way with round pricing. Iceland displays prices on packaging, unlike competitors that display them on shelves. Price wars have dropped endings to “.98”, making even-ended prices more appealing.
Market penetration and price skimming	Both price skimming (setting high initial prices) and market penetration (offering below-market prices) are effective demand-based pricing strategies for launching new products. Market penetration suits markets with existing similar products, helping retailers quickly gain market share by promoting initial low prices as temporary “trial prices”. In contrast, price skimming works for innovating, scarce products with few substitutes, leveraging exclusivity to charge high prices and maximise profits before competitors enter the market. High prices can also enhance a product's desirability, particularly for luxury items and social status. Both strategies are typically temporary, with prices eventually aligning with competitors once the product gains market stability.

Price lining	Using cost-plus pricing, where a fixed margin is added to costs, often results in random price endings like Rs.140.73, which are harder for consumers to remember than familiar endings like '.00' or '.99'. To meet customer expectations, retailers typically use price lining, adopting consistent price points. For instance, at a mass-market retailer, trousers priced at Rs750 might reflect standard quality, while Rs 5000 could signal higher quality or additional features.
Backward pricing and reverse auctions	Backward pricing determines the selling price based on what customers are willing to pay, with the retailer sourcing products at a cost that ensures profitability. If suppliers' costs exceed the retailer's desired margin, the product may not be stocked, potentially missing key demand. However, high-demand items can still yield profits through volume sales despite lower markups. Similarly, reverse auctions, initiated by retailers, involve suppliers bidding on cost prices for products. Retailers provide specifications, and suppliers submit blind bids. The retailer selects the best value, considering price, quality, or delivery speed. This process, also called competitive bidding, aims to balance cost and value.
Multiple-unit pricing	This pricing strategy aims to boost sales volume quickly by encouraging bulk purchases, which are cost-effective for retailers due to fewer transactions and faster product turnover. It's especially useful for perishable or fashion-sensitive items. Offers like "buy one get one free" (BOGOF) benefit customers with lower unit prices but can lead to over-purchasing, waste, and environmental harm. BOGOF deals have been linked to significant food waste in the UK, with 15 million tons lost annually. Price bundling, another approach, offers discounts on related items, such as cream with strawberries or a printer with a laptop, encouraging multiple purchases in a single transaction.

Segmented pricing	Segmented pricing involves charging different prices based on customer groups (e.g., discounts for children, students, or seniors) or periods (e.g., restaurant discounts during off-peak hours). A newer trend is “student lock-ins”, where shopping centres offer exclusive deals and entertainment for students during special late-hours events. Organised by Total Students Ltd since 2010, these events occur across UK cities like Bournemouth, Bristol, and Leeds, with students registering in advance to access the offers.
Pricing second-hand goods and auctions	Traditional auctions, where goods are sold to the highest bidder, remain popular for second-hand items. Prices are demand-driven, with a reserve price ensuring minimum acceptable offers. Auctions are used for both high-value antiques and affordable houses or cars. Online platforms like eBay have increased the popularity of auctions, normalising the purchase of second-hand goods and offering cheaper options. Some physical retailers have adopted this trend, selling pre-owned items, especially in markets like video games, where quality often remains unaffected.
Geographical pricing	Prices for the same product in a retail chain may vary based on the outlet's location. For instance, overseas stores may increase prices due to currency exchange rates and related costs, though the euro's adoption in much of the EU has mitigated this expense. Even within the same country, prices may differ by region or neighbourhood, influenced by factors like higher rents or less cost-efficient smaller stores. UK supermarkets sometimes employ this geographical pricing strategy.
Everyday low pricing	Retailers using everyday low pricing maintain low prices year-round with minimal promotions or discounts. This approach relies on economies of scale to keep prices low and aims to build loyalty among price-sensitive shoppers.

Predatory pricing

Predatory pricing involves large retailers setting prices below competitors or even supplier costs to drive rivals out of business. Some niche retailers have been accused of this tactic after raising pricing once competitors were eliminated, highlighting the potential for unethical practices in pricing.

4.1.1.3 Place

George Davies, known for launching 'Next', 'George at Asda', and 'Per Una', underlined the significance of understanding customer demands while selecting retail locations, claiming that success depends on proximity to the desired population rather than solely on lease costs. Although location has long been regarded as critical to retail success, as underlined by the term "location, location, location," the changing retail environment needs a more nuanced approach that combines marketing and geographical tactics. Furthermore, stores increasingly serve as collection points for online purchases, with companies like Tata CLiQ and Myntra using this "click and collect" model. The quantity and function of retail outlets are becoming increasingly important factors, as site acquisition, shop building, and lease administration incur significant costs. Retailers must carefully consider the locations and number of outlets to guarantee optimal coverage.

Types of retail locations

Retail location types are diverse, catering to various consumer needs and product categories. Initially, most retail outlets were in town or city centres due to their accessibility for local populations. However, with increasing affluence and vehicle ownership, consumers began traveling farther for shopping, and large stores like hypermarkets and malls emerged in peripheral areas. Fig.4 is an overview of the types of retail locations in India.



Fig. 4.1.4 Overview of retail locations

Retailers in India choose store location carefully depending upon the product type, customer needs, and financial feasibility. Finding the right match between product and location is key for balancing costs and accessibility.

Location decision by retailers

An important factor for selecting a location is the catchment areas, which means the region from where a store attracts its customers. For example, a small neighbourhood Kirana store may serve people residing within a distance not exceeding 10-minute walk. Whereas, bigger stores like IKEA India or D-Mart can attract customers residing at a faraway location. Similarly, Reliance Retail ensure that their outlets are within a convenient driving distance for its target customers.

Another key consideration is the threshold, which refers to the minimum number of customers needed for a store to be prof-

itable. Retailers use different methods, including GIS-based location analysis and on-site surveys, to find the best locations for their store. For example, while a model might suggest a great location for a Big Bazaar store, real-world factors such as heavy traffic or lack of parking facility could make it less feasible.

For smaller retailers, experience and instinct often guide their location decisions, while large companies like Aditya Birla Group (owner of Pantaloons) invest largely in data-driven research, considering factors like population density, footfall, competition, and regional consumer preferences.

Key factors in location decision include:

1. **Catchment size and demographics:** It refer to the number of potential customers and their purchasing power.
2. **Accessibility:** It refer to the easiness of reaching a store. This include nearby transport options and parking availability.
3. **Attractiveness of the location:** This refers to the size of the store, its visibility and overall appeal.
4. **Cost factors:** It means the price of real estate, rent and any incentives offered by developers.

Retailers like Shoppers Stop, Tata Croma, and Zudio employ a mix of data analytics and site visits so as to choose best locations. This approach helps them to find spots that can attract customers and ensure return on investment in India's highly competitive retail market.

4.1.1.4 Promotion

This section explain how retailers use marketing strategies in order to promote their stores and products effectively. Integrated Marketing Communications (IMC) focuses on ensuring all promotional efforts are working together. Earlier, the aim of promotions were to attract new customer, whereas now many Indian retailers focus on building long-term customer relationships. Measuring the success of these campaigns is important to make future marketing efforts more efficient. Retail marketing teams, often working with advertising agencies handle these tasks.

Strategies

The most effective promotional strategy depends upon the type of retailer and the industry which they focus. For physical stores, factors like store layout, design, and customer service help to communicate the brand image. The steps involved in planning a retail marketing strategy includes:

1. **Setting promotional objectives:** Defining goals aligned with the retailer's overall strategy. Objectives can be long-term (brand promotion) or short-term (specific products or pricing).
2. **Budget allocation:** Determining the financial resources required to meet these objectives.
3. **Devising a promotional mix:** Selecting suitable promotional channels (e.g., print, digital TV) within the budget and timeline.
4. **Reviewing effectiveness:** Analysing campaign outcomes to refine future strategies.

Indian retailers also use push strategies (promoting products to intermediaries like distributors and retailers) and pull strategies (directly targeting consumers to create demand). For instance, FMCG brands often combine TV and digital ads with in-store promotions, while electronics retailers emphasise experimental store designs and influencer marketing. With increasing focus on sustainability, Indian retailers are integrating social and environmental goals into their promotional objectives, aligning them with consumer expectations and regulatory frameworks.

Retail advertising: According to Gilbert (2003), advertising is 'any paid communication through media about a product from an identifiable sponsor'. It is often called 'above-the-line' promotion, while other marketing strategies fall under 'below-the-line' methods. Larger retailers heavily depend upon advertising so as to inform, persuade, or remind consumers about their products or brands. However, smaller retailers and businesses in certain countries may use advertising less, depending on the market and product type.

Advertising media channels

1. **Broadcast/Film:** Retailers often use TV, radio, and cinema to target specific customer groups. The availability of satellite and digital TV channels assists advertisers in reaching a wider audience. However, as more people watch shows on-demand and skip advertisements, traditional TV advertising is becoming less effective.
2. **Print media:** Newspapers and magazines play a vital role in marketing. For example, Aldi's "Like Brands Only Cheaper" campaign appeared on national newspapers, on TV, on Facebook, and on posters. Magazines are useful for targeting specific focus groups, like cycling or home crafts. Online magazines are also growing, pro-

viding more advertising opportunities. Print advertisements use photography and illustrations, and choosing the right visual style is crucial for brand image.

3. Radio advertising: Radio advertisements are generally more affordable than TV advertisements and allow for regional targeting. However, radio advertising rules are different for different countries. For example, BBC local radio stations in the UK do not allow advertisements because they are government-funded. Whereas Classic FM is a national commercial station, giving retailers a choice of how widely they want to advertise. While radio was once a default option for small retailers, its role has declined in recent years.
4. Outdoor media: Outdoor advertising includes billboards, public transport advertisements, and airport signage. This method has grown rapidly as it helps retailers to remind or inform customers while they are out shopping. Companies like JC Decaux and Clear Channel specialise in this kind of media. Eye is another company offering billboards and digital advertisements in places like airports and shopping centres in various countries, including the UK, the US and Australia.

Von Oech (2008) suggests using the following approaches when generating advertising concepts:

- i. Changing the context of the product.
- ii. Imagining new scenarios to present the product.
- iii. Surprising customers by reversing expectations.
- iv. Connecting unrelated ideas in a more meaningful manner.
- v. Draw a comparison to highlight the benefits.
- vi. Removing an element to create interest.
- vii. Using humour and parody to make the advertisements impactful.

Public relations

Public relations (PR) is often referred to as 'free publicity', but this does not mean it is without cost. While retailers do not pay directly for media coverage, they typically invest in PR specialists or in-house teams to manage campaigns. PR aims to create a positive image for retailers through press releases, media invitations, and events such as product launches. Journalists use PR materials like product information and photos to build stories. Newsworthy topics include product innovations, rebrand-

ing, and celebrity endorsements. Additionally, retailers who purchase advertising in media outlets may have a higher chance of gaining editorial coverage.

Sponsorship

Sponsorship is a promotional strategy used by retailers, especially in sporting events, which allows them to display company logos in the clothing used by athletes and event sites. This helps them to gain visibility without direct advertising costs. Some retailers, like Bata, support cultural or educational initiatives related to their products, such as establishing a shoe museum in Toronto. This approach offers brand exposure that can positively influence retail image long-term since sponsorship is more enduring than typical advertising. However, companies must be selective about who they sponsor so as to ensure that their brand image is not damaged.

Sales promotions

Sales promotions are commonly used in both physical and online stores to encourage customers to buy products within a limited period. According to the Advertising Standards Authority (ASA, 2010), sales promotions offer extra benefits to make a product more appealing, but only for a short period. Since customers are already familiar with discounts and offers, retailers constantly find new ways to obtain their attention. For example, Boots, a pharmacy retailer, prints discount offers on customer receipts. Similarly, WH Smith, a stationary store, distributes discount cards that are valid for a short duration after purchase.

One of the common sales promotion methods is Point of Purchase (POP) promotions, which take place inside stores and encourage impulse purchases. These often include:

1. Product displays.
2. Leaflets and flyers.
3. In-store TV Screens

POP promotions are supported by the Point of Purchase Advertising Institute (POPAI), a trade association that organises events and seminars for retailers and brands using this strategy.

Types of sales promotion

1. Coupons/multiple buys: Coupons encourage customers to visit stores and buy specific products. Offers like buy one get one free enhance sales but may lead to unnecessary purchases and waste. Such techniques increase the footfall of customers and encourage shoppers to buy other items while in the store.

◆ Make a product appealing

2. **Competitions:** Competitions and contests help to generate word-of-mouth publicity. It helps retailers to collect customer details for future marketing. However, organising and managing such contests can be expensive.
3. **Sample products:** Providing free samples will allow customers to try products and interact with in-store staff. This often results in additional purchases but will have cost implications.
4. **POP displays:** Using POP displays makes brands more noticeable and encourages trial purchases. Nevertheless, they require store space, which will be a challenge.
5. **Promotional event:** Promotional events such as book signings, product launches, and in-store exhibitions can create good publicity but require time, space, and money.
6. **Refund vouchers:** Refund vouchers motivate customers to return and use them. Supermarkets sometimes offer price-match refunds on competitor brands. However, these promotions would make consumers think the store is more expensive than others.
7. **Seasonal sales:** Providing big discounts can attract customers and increase sales. However, they reduce profit margins and can disrupt the store's appearance. Premium retail stores avoid frequently engaging in such sales to protect their brand image.

◆ Reaching customers individually

Direct marketing: Direct marketing involves reaching out to customers individually so as to promote products. This was traditionally done through mail, but nowadays, it is more commonly done through emails and digital channels. Retailers can obtain customer details through loyalty programs, contests, and sign-up offers. Direct allows customers to buy products directly from advertisements, magazines, and flyers. For example, a healthy snack company distributes flyers in magazines and stores like WH Smith to promote its subscription service.

Retail marketing communications via digital and social media: There are three main classifications of digital media:

1. **Paid:** Retailers pay for advertising to reach a specific group of customers. For example, online advertisements and affiliate marketing.
2. **Earned media:** Earned media provide free exposure when customers or media share a retailer's content. Ex-

amples include public relations work, which has created a boom in social media, blogs, and news sites.

3. **Owned media:** Retailers own digital platforms, such as company websites, which act as a promotional and sales channel. Some retailers, like Aldi in the UK, use their websites only to showcase products.

In addition, mobile retailing (M-tailing) has grown due to smartphone use. Retailer applications now let customers shop, get promotions, and interact with brands anytime, anywhere, blurring the line between marketing and selling.

Word of mouth: Word-of-mouth happens when customers share their opinions about a brand, product or retailer. It is more trustworthy than advertisements because people trust recommendations from their peers. Customers consider these opinions as honest and unbiased. However, it is free for retailers but also harder to control.

Most consumers prefer word-of-mouth advertisements, like reviews, blogs and social media posts, over traditional advertisements. Retailers can encourage word-of-mouth promotion by offering better products and services and being transparent and ethical in their business practices. They can also request customer feedback through website reviews and social media engagement. Retailers can make it the most powerful and cost-effective promotional strategy if used effectively.

Personal selling: Personal selling is essential to retail customer service and Integrated Marketing Communications. Personal selling is important and often used for pricey or sophisticated products that increase client risk. Due to their direct client contact, salespeople are vital to merchants. Salespeople can educate customers about the retailer's offerings and collect feedback. Salespeople can also persuade clients to pursue at the time of sale. Salespeople can persuade clients to buy things, handle sales transactions, satisfy customers, and handle returns and complaints (Berman & Evans, 2010). Salespeople can be trained to employ customer-focused sales strategies and incentivised to give excellent customer service with bonuses. Retailers develop customer service goals to improve performance. Personal selling is versatile and successful, but it is time-consuming and expensive. Therefore, low-price shops employ it sparingly. E-tailers can compensate for their inability to communicate face-to-face with clients by providing rapid, efficient online responses, phone availability to personnel, and clear, extensive product information. Online consumer reviews on retailer customer service motivate retailers to perform well.

◆ Sales person interact directly with the customer

- ◆ Maintaining strong longterm relationships with customers

Relationship Marketing: Relationship marketing (RM) helps retailers and customers form enduring bonds through various interactions. It considers customer lifetime value to the retailer rather than individual transactions. Here, the retailer tries to satisfy both parties. The store may benefit in the long run by losing money or generating tiny gains on select transactions and offering customers discounts. Some call RM a "new marketing model," although its roots go back to when individuals shopped in businesses and knew their customers by name. Big stores rarely can reproduce this situation today. Customers are accustomed to mass production and large-scale retailing, so a personal touch can make them feel valued. RM can emotionally tie customers to a store, making them loyal. Individualised customer service is a major feature of independent stores. Social engagement offers them an advantage over larger chains that should not be underestimated. Some small stores employ RM without recognising it since they grow to know their clients well and address them by their first names.

Businesses create client relationships by marketing B2B. Business-consumer relationship marketing (RM) resulted. CRM is related to RM. Big enterprises who need to maintain many client data can use this word. RM relies on direct marketing to inform clients about relevant promotions, new products, and events. By tracking loyalty card purchases, retailers may learn what customers desire. This lets them send tempting offers. Because it affects every aspect of a store's consumer experience, RM is more than just an advertising tool.

4.1.2 Segmentation

According to Blackwell et al. (2006), market segmentation is "the process of discovering groups of people that behave similarly to each other, but slightly differently from other groups" to boost customer happiness and retailer profitability. This allows merchants to better focus their products by matching product or service design, quality, price, marketing, and distribution channels to the diverse demands and preferences of consumers. Demographic, geographic, psychographic, and behavioural segmentation are the four most used market segmentation strategies. Geo-demographic methods can also be utilised, which combine two of these basic methodologies to produce a wide range of consumer groups. After agreeing on a market segmentation plan, merchants can examine how to target those segments and define their market position relative to competitors, a process known as segmentation, targeting, and positioning (STP). It is not always necessary to segment markets, as products or services with broad appeal across multiple customer groups might benefit from mass marketing, but this is becoming increasingly rare.

Summarised Overview

Retail marketing encompasses online and in-store shopping, financial services, and local services such as fast food outlets and hair salons. It represents the final step in merchandise distribution, involving companies that resell goods to consumers. The marketing mix consists of product, price, promotion, and place. Product development (NPD) involves designing, preparing, and launching products, following a life cycle that predicts future sales patterns. Pricing is crucial for profitability, using strategies such as cost-plus, competition-based, and demand-oriented pricing. Retailers also employ psychological pricing, price bundling, and segmentation-based pricing to attract customers. Location strategy, influenced by factors like catchment area and accessibility, plays a vital role in retail success. Promotion includes advertising, PR, sponsorships, sales promotions, and direct marketing. Retailers leverage digital and social media through paid, earned, and owned content. Word of mouth, personal selling, and relationship marketing foster customer loyalty, while segmentation and targeting enhance marketing effectiveness. In a competitive landscape, strategic retail marketing ensures profitability and customer engagement.

Self-Assessment Question

1. What are the four P's of marketing, and how are they applied in retail marketing?
2. What are the elements of retail marketing environments?
3. How do the elements of the retail marketing environment influence retail strategies?
4. Why is social and cultural awareness important for retailers?
5. How do brands adapt to changing consumer preferences?
6. What is retail market segmentation?

Assignments

1. Analyse the retail marketing environment of a well-known retail brand (e.g. Amazon, Walmart, Reliance Retail). Discuss how economic, technological, social, legal, and political factors influence the company's retail strategies. Provide real-world examples and data to support your analysis.

2. Select a retail company and explain how it applies the 4 P's of marketing (Product, Price, Place, Promotion) in its business strategy. Evaluate the effectiveness of these strategies and suggest improvements based on market trends.
3. Analyse the role of promotion in retail marketing by selecting a well-known retail brand. Discuss the various promotional strategies used, including advertising, sales promotions, public relations, and digital marketing. Evaluate the effectiveness of these strategies in attracting and retaining customers. Provide real-world examples and suggest improvements based on current market trends.

Suggested Reading

1. Goworek, Helen, McGoldrick, Peter. (2015) *Retail Marketing Management Principles and Practice*. Pearson Education Limited
2. Bruce, Margaret, More, Christopher M., Birtwistle Grete. (2004). *International Retail Marketing A Case Study Approach*. Elsevier Butterworth-Heinemann.
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SGOU

Unit 2

Criteria for Effective Segmentation

Learning Outcomes

On completing this unit, the learner will be able to:

- ◆ comprehend retail market segmentation
- ◆ aware of retail market positioning
- ◆ differentiate between retail market segmentation and positioning
- ◆ relate market segmentation with real-world scenarios

Background

Annie, a skilled marketing professional at a growing retail brand, recognised that it is important to understand the customer segments for success. She analysed how leading companies such as H&M customised their strategies in such a way that it is appealing to young, budget-conscious consumers. Drawing inspiration from Nike, she introduced distinct product lines for men, women, and children to connect better with different consumer groups. She also explored geographic segmentation, observing how McDonald's had modified its menu to match local preferences by offering McAlloo Tikki in India and Teriyaki Burgers in Japan. Applying this strategy, Annie customised region-specific collections for her brand's urban and rural stores. Additionally, she leveraged behavioural segmentation, learning from Amazon Prime's rewards for frequent shoppers and Starbucks' loyalty programs. To improve customer retention, she launched a membership programme with exclusive benefits. As she planned seasonal campaigns, occasion-based segmentation stood out. She developed themed product lines for holidays and special occasions by drawing inspiration from Hallmark and Archies, who introduced festive collections. She implemented psychographic segmentation, designing eco-friendly products to attract customers who are concerned about sustainability. By leveraging these segmentation strategies, Annie transformed her brand into a customer-oriented powerhouse, enhancing both engagement and sales.

Keywords

Segmentation, demographic, psychographic, geographic, retail positioning

Discussion

4.2.1 Criteria

Market segmentation involves identifying groups of people who act in similar ways but differ from other groups. This enhances customer satisfaction and boosts retailers' profits. Retail market segmentation criteria are factors that help businesses categorise their clients into more specific groups.

4.2.1.1 Dimensions of Retail Market Segmentation

Demographic segmentation

Businesses use demographic information, which includes important population attributes like:

1. Age
2. Gender
3. Occupation
4. Income, and
5. Marital status,

to find their target clients and choose where to put their stores. Traditional models might not fully capture modern lifestyles. However, the Family Lifecycle (FLC) groups people based on their life stages, showing how buyer needs change over time, which makes population trends change constantly. City dwellers are choosing to have smaller families, and young people are focusing more on their schooling and careers instead of starting a family. More people are choosing to stay single, and it is taking longer for people to get married. Older people are changing how consumers behave because of improvements in healthcare. These changes affect store trends in a few important ways. For example, more women are working, which increases the need for convenience goods. Also, younger people being more connected online changes how marketers advertise. Lastly, as people move from rural areas to cities, it affects where stores are located and where people live. To keep up with what customers want, companies should pay attention to demographic trends. This will help

them serve groups like busy professionals, tech-savvy teens, and older people better.

Geographic segmentation

By breaking the country or region into smaller parts, like the states and districts of India, geographic segmentation makes it easier to identify specific groups of consumers. This is especially relevant for retailers as their stores are located in certain areas; thus, this data is important for choosing store sites. The premise behind geodemographic segmentation is that consumers residing in a certain sort of neighbourhood will likely have similar tastes and preferences. Various systems classify regions geographically.

◆ Divide market into different geographical area

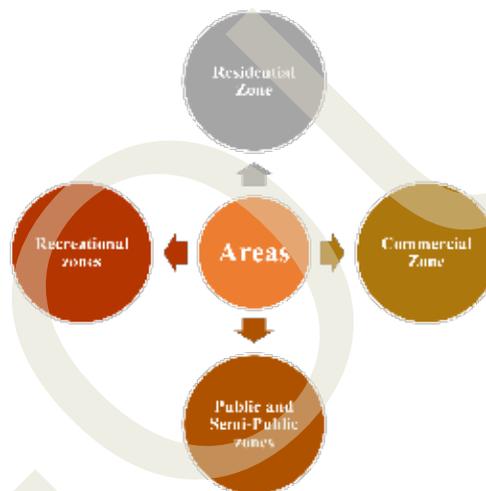


Fig. 4.2.1 Geographic Segmentation

The National Building Code (NBC) classifies areas according to their land use in the following ways:

1. Residential zone
2. Commercial zone
3. Public and semi-public zones
4. Recreational zones

Psychographic segmentation

Retailers can divide customers based on demographic and geographic divisions, but these are not always the ideal methods to define the customers. Psychographics, such as a person's lifestyle, attitude, and view, help in understanding their behaviour. In India, persons of the same age and region may have vastly diverse values, buying patterns, and lifestyles. Stores can utilise psychographic segmentation in India because individuals buy products that fit their lifestyles. Retailers can better target marketing by understanding people's travel habits, car preferences, and leisure activities. Despite being of the same age and gender,

◆ Divide customer group based on their beliefs and values

a customer in Mumbai may have a different lifestyle compared to a customer living in Udaipur.

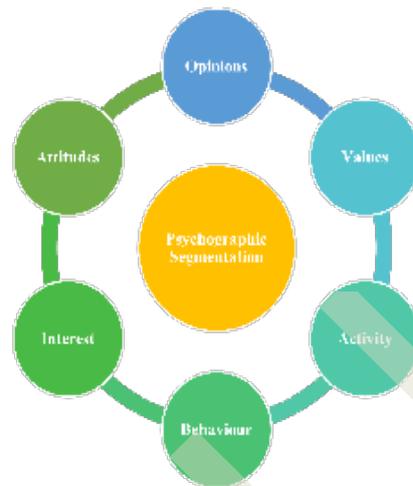


Fig. 4.2.2 Psychographic Segmentation

Indian retailers increasingly use psychographic data to boost their marketing. Brands can select the most effective advertising outlets by identifying the magazines, newspapers, TV channels, social media platforms, and websites preferred by their target audience. Bollywood stars, cricket stars, and digital influencers influence what people buy. Hence, firms must align their marketing with popular cultural icons and trends. When shops know what music, films, and TV series their consumers appreciate, they may play specific music and run commercials with cultural references to improve the in-store experience. Advertising agencies for Indian brands often segment the market by psychographic qualities to reach the proper consumers. Qualitative customer research, like focus groups and in-depth interviews, helps retailers understand psychographic tendencies and demands. Stereotyping is dangerous since Indian clients are diverse, even within psychographic groups. To remain relevant and effectively engage with their target audience, retailers must continuously analyse consumer sentiments, interests, and behavioural trends.

Behavioural segmentation

Behavioural segmentation pertains to how customers engage with a product, such as whether they are extremely loyal, consistent, or occasional users of a product or service. A devoted customer might purchase the majority of a specific kind of product from a certain store. In contrast, others might only visit from time to time, thereby influencing their shopping habits. Another form of behavioural segmentation occurs when customers use a product for various purposes. For instance, one group may purchase musical instruments for professional use, while others enjoy playing them during their leisure time. Various customers can experience distinct advantages from the same product. For

- ◆ Grouping customers based on their actions

example, a customer may purchase a DVD either for entertainment or learning. The reasons for buying can vary, leading a person to visit a florist either to select a gift for someone else or personal enjoyment, which in turn influences the choice of flowers and how they are presented.

4.2.1.2 Dimensions of Retail Market Positioning

Retail market positioning includes several key dimensions that help businesses stand out and attract their target customers. Here are the primary dimensions of retail market positioning.:

Price Positioning

Discount retailers: Discount retailers focus on providing affordable products, making them attractive to consumers who are budget-conscious. They follow a low-pricing strategy by buying in large quantities and streamlining their supply chains. Examples of such retailers include D-Mart and B-Bazaar, which sell a variety of products ranging from groceries to household essentials at discounted prices.

Premium retailers: In contrast to discount retailers, premium retailers aim for high-end customers who give importance to quality and exclusiveness. They offer branded, luxury or hand-crafter products along with superior customer service. Examples include Shoppers Stop, which deals with premium fashion brands, and FabIndia, which is known for its handcrafted Indian clothing and décor.

Product Assortment & Quality

Mass market retailers: They sell a wide range of affordable products so as to attract a large number of customers. Examples include Walmart and Target, which offer everything from food to household essentials, balancing affordability with variety.

Speciality retailers: Unlike mass market retailers, speciality retailers focus on a specific product category. For example, Decathlon specialises in sports gear by offering innovative and high-quality equipment for various sports activities.

Luxury retailers: They provide high-end exclusive products at premium pricing. Brands like Louis Vuitton and Rolex sell luxury products that highlight prestige, craftsmanship and exclusivity.

Customer Experience & Service

Self-service model: In this model, customers shop independently, as seen in supermarkets where they browse shelves and use self-checkout counters for convenience and to save time.

- ◆ Cater to teenagers

High touch service: They offer a personalised shopping experience, commonly found in luxury boutiques where staff provides expert recommendations and customised service.

Target Market & Demographics

Youth-centric retailers: Youth-centric retail brands cater to teenagers and young adults with trendy, affordable fashion products. Examples include H&M and Zudio, which regularly update their collections according to the changing fashion trends.

Family-oriented stores: Unlike youth-centric retailers, family-oriented stores focus on all age groups of customers by offering a variety of products under one roof. Reliance Trends, for example, sells clothing and accessories for the entire family at their outlets.

Location & Accessibility

Urban high street stores: These retail stores that are located in busy city areas attract large crowds and benefit from high visibility.

Suburban & Tier-2/ Tier-3 market focus: These stores expand their presence into smaller cities and towns to reach new customers outside urban areas.

Brand Image & Identity

Value-oriented brands: Value-oriented brands focus on affordability, offering discounts and loyalty programs in order to attract customers who are conscious about cost.

Aspirational brands: Such brands market their exclusiveness and prestige, using celebrity endorsements and premium advertising to attract consumers who are concerned about their status and prestige.

Retail Format

Brick-and-mortar stores: These are the traditional physical stores where customers can see and try out products before purchasing them.

E-Commerce & omnichannel: They offer a seamless experience across multiple channels, allowing customers to shop online and in-store interchangeably.

Technology & Innovation in Retail

Smart Retailing: Smart retailing is the integration of AI and AR/VR technologies into customers' shopping experience to help them make informed decisions.

Contactless Payment & Automation: The emergence of contactless payment systems like digital payments and automated

checkout systems improved the speed, convenience, and efficiency of customers.

4.2.2 Major concerns in retail market segmentation

Retail market segmentation involves dividing a broad customer base into smaller, more defined groups based on shared characteristics. However, several challenges and concerns can arise in this process:

Data Collection and Accuracy: Reliable data is crucial for understanding customer behaviour. However, outdated or incomplete data may mislead businesses. Also, in India, companies are supposed to follow Digital Personal Data Protection Act, 2024.

Defining the Right Segments: While dividing the market into different segments, it is challenging to find a balance between over-segmentation and under-segmentation. Over-segmentation complicates marketing, while under-segmentation makes advertisements too generic.

Changing Consumer Behavior: Economic conditions, technology, and social trends continuously change consumer preferences. Adapting to these changing preferences is challenging for businesses. They have to be robust in order to sustain in such a changing environment.

Cost and Resource Constraints: Implementing an effective strategy for dividing the market into different segments necessitates a considerable investment in various areas, including advanced data analytics, cutting-edge technology, and targeted marketing campaigns. Small retailers often find it difficult to afford advanced data tools and marketing strategies that bigger companies use.

Multi-Channel Challenges: In today's retail landscape, consumers interact with brands through different channels, such as online platforms, mobile applications, and physical stores. Maintaining a consistent shopping experience across these channels will be challenging for store owners. However, it is essential to maintain consistency for customer satisfaction.

Competition and Market Dynamics: Competitors within the industry might use similar segmentation strategies. This will dilute the uniqueness of each brand and make it challenging for customers to differentiate between the offers made by different retailers within the industry. Such a competitive environment will make it difficult for retailer owners to stand out when they are targeting the same set of customers.

Ethical and Privacy Concerns: Over-personalization of products or marketing messages may create discomfort among cus-

tomers, as they may feel that their privacy is being invaded. This makes it difficult for businesses to maintain trust, and they will have to comply with data protection laws such as DPDPA to ensure the trust of their customers.

Measuring Effectiveness: In order to examine the success of segmentation initiatives, it is essential to establish clear and specific metrics along with Key Performance Indicators (KPIs). However, attributing sales to specific KPIs will be challenging for the retailers.

Summarised Overview

Market segmentation enables businesses to understand different customer groups and improve customer satisfaction and sales. It includes demographic, geographic, psychographic, and behavioural segmentation. Similarly, retail marketing positioning includes various key elements such as positioning, branding, customer service, technology, and retail format, which help the company stand out from others and attract more customers. Discount stores focus on affordability, while premium brands emphasise quality and exclusivity. Retail formats range from physical stores to e-commerce platforms. The key challenges in segmentation include data collection, data privacy, and adapting to changing consumer behaviour. Retailers have to continuously monitor the changing trends and revise their strategies in order to stay up-to-date and competitive while ensuring a seamless shopping experience for their customers.

Self-Assessment Question

1. What are the main dimensions of retail marketing segmentation?
2. How does demographic segmentation impact retail marketing strategies?
3. Why is psychographic segmentation important in modern retailing?
4. How does behavioural segmentation help retailers target specific consumer groups?
5. What is retail market positioning, and why is it important?
6. How does brand image contribute to a retailer's market positioning?

Assignments

1. Explain the key criteria for effective retail market segmentation. Provide real-world examples of retail brands that have successfully segmented their markets using these criteria.
2. Discuss the different dimensions of retail market positioning, including price-based, quality-based, and differentiation strategies. Compare and contrast the market positioning strategies of two well-known retail brands.
3. Identify major concerns retailers face in market segmentation, such as market saturation, changing consumer behaviour, and technological disruptions. Suggest strategies that retailers can adopt to overcome these challenges and ensure sustainable market segmentation.

Suggested Reading

1. Goworek, Helen, McGoldrick, Peter. (2015) *Retail Marketing Management Principles and Practice*. Pearson Education Limited
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SGOU

Unit 3

E-tailing

Learning Outcomes

After completing this unit, the learners will be able to:

- ◆ comprehend e-tailing
- ◆ realise the importance of e-tailing
- ◆ get an idea of the factors influencing e-tailing
- ◆ explore the future of e-tailing

Background

E-tailing has transformed the way people shop, bridging the gap between convenience and accessibility. Take Sarah, a busy professional who relies on Amazon for everything from groceries to tech gadgets. With personalised recommendations and same-day delivery, she hardly needs to visit a physical store. Meanwhile, Raj, a fashion enthusiast in India, browses Myntra for the latest trends, benefiting from influencer-curated collections and AI-driven suggestions. Similarly, beauty lovers turn to Nykaa for specialised skincare and makeup products, aided by virtual try-on features that make online shopping more interactive. Retailers, too, have embraced e-tailing to expand their market reach. Small businesses leverage platforms like Alibaba to sell globally without investing in physical stores. Companies like Walmart blend online and offline strategies with click-and-collect services, while Zappos builds customer loyalty with hassle-free returns. With AI-powered personalisation, omnichannel experiences, and digital marketing driving sales, e-tailing continues to reshape the retail landscape, making shopping faster, smarter, and more tailored to individual needs.

Keywords

e-tailing, artificial intelligence, augmented reality, online shopping



Discussion

Earlier, customers had to wait in long queues in stores while shopping. Technological innovations, such as electronic payments, made it easier for customers to make payments while shopping. It also makes the checkout process faster, avoiding long queues at counters. Stores that accept contactless payments are seen to have more sales because their operations have become faster.

4.3.1 Role of Technology in Satisfying Market Demand

Technology has completely transformed how people shop. Stores now use digital tools to make shopping easier, faster, and more convenient for their customers. With smart payment systems, mobile shopping applications, and online and offline stores working hand-in-hand, businesses are able to keep up with customer demand.

4.3.1.1 Enhanced Customer Convenience

Mobile shopping applications allow customers to check out products, see what is in store, and buy items anytime, anywhere. This makes shopping more convenient. In stores, self-checkout machines and digital payment options assist customers to pay faster, reducing long queues and improving their experience. In addition, stores now connect their online and physical locations so that customers can order online and pick up in-store or return online purchases at a nearby shop. This makes shopping more flexible and convenient.

◆ Making shopping easier

Mobile Applications

Mobile applications have made shopping easier by letting customers buy products anytime, anywhere. They can take a look at the products, compare prices, and make purchases in the comfort of their homes or while travelling without being worried about the time and location constraints of a physical shop.

Digital payment options

Digital payment options and self-checkout systems have made shopping faster. With mobile wallets and contactless payments, customers are able to make payments quickly and easily. Self-checkout counters also help by letting shoppers scan and pay for their items themselves. Making the process even more convenient.

Omnichannel strategies

Omnichannel shopping has made it easier for customers to switch between online and offline shopping. Whether they prefer to shop in-store or online, they can switch between these options without any difficulty. By combining the best parts of both online and offline shopping, retailers can better meet the needs of their customers.

4.3.1.2 Improved Access to Information

◆ Access to information helps in better buying decisions

Having complete information about the product helps customers to make better buying decisions. In offline stores, digital screens and interactive counters show details about products, customer reviews, and comparisons, making it easier to choose the right product. Online platforms add to this by providing detailed descriptions, features, and user feedback, helping shoppers pick what best suits their needs.

Digital counters and interactive displays

Digital screens and interactive counters help customers to learn more about the product, its features, benefits and price. With touch screens, customers can easily browse different options at their own pace, making the shopping experience more informative and enjoyable.

Online platforms

Online shopping platforms are essential for modern customers. These online platforms provide detailed reviews and product specifications. Customers can read feedback from other buyers, compare different options available, and review in-depth descriptions, enabling them to make well-informed decisions.

AI-Powered Chatbots

AI chatbots have improved customer service by offering faster assistance. They can answer questions about product quality and order status and even suggest items. This makes shopping easier and more convenient for customers.

4.3.1.3 Personalized Shopping Experience

Retailers make use of data and AI to make shopping more personal. By looking at what customers have bought or searched for before, they can make suggestions regarding products that match customers' interests. Special discounts and loyalty rewards make customers feel valued, helping build a stronger connection with the brand.

AI-driven recommendation

AI-driven recommendations leverage individual browsing histories to suggest products that align with each user's preferences and interests, ensuring a more personalised shopping experience. Rewrite for better clarity: AI-driven recommendations analyse users' browsing history and purchase behaviour to suggest products that match their preferences, enhancing the personalised shopping experience.

Customised discounts and loyalty programs

Customised discounts and loyalty programs are designed to resonate with shoppers, fostering deeper engagement by rewarding repeat customers with exclusive offers, points accumulation, or personalised incentives that enhance their overall value.

Virtual assistants

Virtual assistants are equipped to facilitate and guide shoppers through the purchasing process, offering real-time support and tailored suggestions based on user needs, helping them navigate product options and make informed choices that suit their requirements.

4.3.1.4 Boosted Operational Efficiency

Technology helps retail businesses run smoothly and efficiently. Automated inventory systems keep track of the stock, preventing any shortages or excess items. It can also improve supply chain management, enabling stores to quickly adjust to changes in demand and stay competitive in the market.

Automated inventory management

Automated inventory systems help prevent stock shortages by constantly tracking product availability. This technology ensures that items are restocked on time and in the right amounts so that businesses always have enough supply and do not miss out on sales due to shortage.

AI Demand forecasting

Using artificial intelligence to predict demand helps businesses to understand customer needs more accurately. By examining past sales, market trends, and other factors, AI can predict changes in demand. This helps companies manage their inventory better, ensuring that they have enough products without overstocking, which saves money on storage.

Robotics in warehouse operations

Using robots in warehouses makes work faster and easier by handling repetitive tasks automatically. They can pick, pack, and

sort products quickly, speeding up order processing. This technology helps businesses work more efficiently, lowers labour costs, and reduces mistakes, making the supply chain more reliable and productive.

4.3.1.5 Price Transparency

Price transparency helps customers trust a store and make better buying decisions. Digital price tags and online tools show real-time prices, making it easy for customers to compare costs. This transparency improves the shopping experience and facilitates customer retention by ensuring fair and consistent prices.

Digital price tags

Many stores now make use of digital price tags that update instantly. This technology adjusts prices based on sales, stock levels, and promotions so that customers always see the most up-to-date prices while shopping.

Online comparison tools

Customers can use online tools to compare product prices across different stores. These platforms help customers check prices, features, and reviews quickly, allowing them to make smarter buying choices.

Automated discounting systems

Retailers use smart discounting systems that can automatically change prices based on demand and inventory. If a product is selling fast, the price may remain the same or increase, while slow-selling items may get discounted. This helps businesses to stay competitive while maximising their sales.

4.3.1.6 Technology-Driven Customer Service Enhancements

Good customer service is essential for a great shopping experience. Technology, like chatbots and AI-powered support systems help answer questions and solve problems faster. This ensures that customers always get quick and consistent service.

Virtual assistants

Smart virtual assistants use customer data in order to suggest products based on past purchases and preferences. This makes shopping much easier by helping customers to find what they need more quickly.

Automated return and refund processes

Returning or exchanging products can be a challenge, but automated systems make it simpler. Customers can request returns online, track their progress, and get refunds credited faster

without dealing with long procedures. This convenience keeps customers happy and loyal.

4.3.1.7 Integrated Augmented Reality (AR) in Retail

Augmented reality (AR) makes shopping more interactive by allowing customers to see what products will look like before deciding to buy.

Virtual fitting rooms

Digital tools like virtual fitting rooms allow customers to try on clothes virtually. This will help them choose the right size and style without needing to visit a fitting room physically. This reduces returns and makes shopping more convenient.

AR visualisation for home décor

With AR, customers can see how the furniture or home décor products will look in their living space or office before buying them. Using a smartphone or AR device, customers can place virtual objects in their living or office space so as to check size, style and fit.

Interactive AR displays

Stores use interactive AR displays in order to provide more product information, show animations, and even allow customers to customise products (e.g. changing colours or styles). These features make shopping more engaging and fun.

4.3.1.8 Enhanced In-Store Experience with Digital Technologies

Digital tools are transforming physical stores into more interactive spaces, making shopping more convenient.

Smart mirrors

Smart mirrors use AR to suggest outfit ideas, recommend accessories, and even allow customers to see themselves in different clothes without even trying them on.

Interactive store layouts

Technology like RFID tags and mobile applications help customers navigate stores, find products, and discover special offers easily. Some stores even have digital counters that can provide recommendations and stock updates.

Personalised digital signage

Today, stores use smart screens that change based on customer preferences. These screens can display personalised promotions or highlight products that match a customer's interests, making shopping a more engaging experience.

4.3.1.9 Increased Security

Retailers employ advanced security measures to protect customers and stores from fraud and theft.

Encrypted payment systems

The latest payment system uses encryption so as to keep customer data safe. This reduces the risk of fraud.

AI-driven surveillance

Cutting-edge AI technology is being employed at retail stores to monitor security cameras in real-time, which detects any unusual behaviour and prevents theft.

Biometric authentication

Biometric authentication, which uses fingerprint scanning and facial recognition, helps to secure customer transactions and prevent unauthorised access to sensitive information.

4.3.1.10 More Tailored Experience with Data Analytics and Consumer Insights

Retailers analyse customer data to offer better recommendations, promotions, and inventory management.

Predicting trends with AI

AI examines past sales and shopping patterns in order to predict what products will become popular. This helps the retail stores to stock the right items at the right time at the right quantity.

Personalising marketing campaigns

By tracking customer preferences and shopping history, stores can send personalised discounts and promotions, increasing engagement and sales.

Enhancing inventory planning through customer insights

Understanding what customers need will help the retail stores to keep popular products in stock while avoiding unnecessary overstock. This reduces wastage and saves money.

4.3.1.11 Access to Sustainable Retail

Retailers are now using technology to reduce waste, save energy, and create a more environment-friendly shopping experience.

Digital receipts

By using digital receipts instead of printing paper, stores send purchase receipts through email or text, cutting down on paper waste.

AI optimisation of supply chains

The integration of AI in supply chain management helps optimise product delivery, reduce excess stock and lower transportation-related emissions.

Energy-efficient stores

Retail stores are adopting energy-saving measures like LED lighting, BLDC fans, solar panels, and smart climate control systems nowadays to lower their carbon footprints and operating costs.

Thus, technology is transforming shopping into a more convenient, secure and sustainable practice. By adopting these innovations, retailers can stay ahead of their competitors, meet changing customer needs, and build long-term relationships with customers.

4.3.2 Technology in Retail Marketing Decisions

4.3.2.1 Data-Driven Marketing Strategies

Integration of AI and big data analytics

The integration of AI and big data analytics is changing the way retailers comprehend consumer behaviour. Examining large amounts of data collected from various sources helps them gain valuable insights into customer preferences and trends. This allows them to create a personalised shopping experience.

Predictive analytics

Predictive analytics plays a significant role in helping retailers to anticipate future demand and fine-tune their pricing strategies. Using historical data and advanced algorithms can help retailers project consumer purchasing trends and predict sales. This helps businesses manage inventory efficiently and adopt dynamic pricing models that can increase revenue.

◆ Predict demand using historical data and algorithms

Customer Relationship Management (CRM)

Customer Relationship Management (CRM) systems are essential for the execution of target marketing efforts based on individual purchase history and preferences. They collect and organise customer data, which enables retailers to segment the market. This will help them launch more personalised marketing campaigns.

4.3.2.2 Omnichannel Marketing Integration

Seamless customer experience

The purpose of omnichannel marketing is to provide a seamless customer experience across online and offline retail plat-

forms. This means that customers can effortlessly transition between different touchpoints like websites, social media, physical stores, and customer service channels.

Leveraging social media

Social media plays a vital role in marketing. It helps reach and engage with the target audiences. Associating with influencers helps brands to tap into established social media communities. In addition, using user-generated content allows customers to become brand advocates. This not only enhances the credibility of the brands but also fosters a sense of community among customers.

Enhancing mobile marketing strategies

Given the increasing usage of mobile phones, effective mobile marketing strategies are significant. This includes creating a dedicated mobile application that can offer personalised experiences and features that are customised according to customer preferences. Furthermore, SMS marketing can enable direct communication with customers, providing timely information and ensuring that brands remain relevant in a fast-changing digital landscape.

4.3.2.3 Automation in Advertising

Programmatic advertising

This method uses AI to buy and sell online space automatically. AI assists advertisers in targeting the right customers by analysing large data sets such as user behaviour, demographics, and preferences. Furthermore, machine learning fine-tunes the placement of advertisements in real time, ensuring that advertisements reach the most relevant customers at the right time.

Automated social media ads

Advanced algorithms track user engagement on social media by analysing likes, shares, clicks, and comments. This data allows automated systems to adjust advertisement campaigns continuously for better performance. As a result, retailers can increase visibility, boost engagement, and maximise their return on investment.

AI-Driven content creation

AI-powered tools generate personalised marketing content based on customer data. These tools generate customised advertisements, blog posts, and social media updates customised to the tastes and preferences of individual users. This level of personalisation strengthens consumer-brand relationships and improves engagement.

Geolocation tracking

By using location-based data, businesses can better understand customer movement patterns in physical stores. This information helps retailers optimise in-store promotions, align them with peak hours, and improve sales conversation rates.

4.3.2.6 Sustainable and ethical marketing

AI-driven supply chain management

AI improves supply chain management by optimising logistics, predicting demand more accurately, and minimising waste. Such improvements help businesses to reduce their environmental impact by making better use of resources and energy.

Digital receipts and paperless transactions

Switching to digital receipts and electronic payments supports sustainability by reducing paper waste, and the environmental impact of paper production.

Ethical AI in marketing practices

Ethical AI ensures that advertising remains fair, transparent, and free from bias. By prioritising responsible marketing practices, businesses can avoid reinforcing stereotypes or exploiting vulnerable groups. Ethical AI-driven decisions help build trust with consumers and create a more respectful and inclusive marketplace.

Technology is transforming retail marketing by enhancing data-driven insights, personalisation, and automation. Firms that embrace these advancements can refine their strategies, improve customer satisfaction, and maintain a competitive advantage. Ethical AI plays a significant role in this transformation by ensuring that marketing remains fair, transparent, and aligned with societal values.

◆ Fair and transparent marketing practice

4.3.3 Structure and Development in E-tailing

Electronic retailing, also known as e-tailing, refers to the sale of goods and services through digital platforms. This modern alternative to traditional retailers provides greater convenience, a wide selection of products, and competitive pricing. E-tailing operates through various models, including Business to Consumer (B2C), Business to Business (B2B), and Consumer to Consumer (C2C), allowing buyers and sellers to interact directly without intermediaries.

4.3.3.1 Structure of E-tailing

The different business models of e-tailing are explained below:

1. **B2C (Business-to-Consumer):** In this model, companies sell products directly to individual customers. Major platforms like Amazon, and Alibaba represent B2C e-tailing. They offer user-friendly websites and applications where customers can browse, compare and purchase products easily. The popularity of this model stems from its convenience and vast product variety.
2. **B2B (Business-to-Business):** This model involves transactions between businesses, such as manufacturers supplying products to retailers.
3. **C2C (Consumer-to-Consumer):** This model allows individuals to buy and sell products directly to each other through platforms like eBay, OIX, Facebook marketplace, etc. Consumers can list items, negotiate prices and complete transactions without a traditional retailer.

These e-tailing models continue to evolve, adapting to consumer preferences and technological advancements, thereby shaping the future of digital commerce.

4.3.3.2 Developments in E-tailing

Augmented reality (AR) in E-tailing

AR technology improves the online shopping experience by allowing customers to see the products in their environment.

Omni-channel retailing

Omnichannel retailing integrates online and offline shopping in order to create a seamless experience. Studies indicate that businesses using an omnichannel strategy see increased customer satisfaction and brand loyalty, as this approach aligns with modern shopping habits (Min, 2021)¹.

Big Data Analytics (BDA) in E-tailing

Big Data Analytics (BDA) has revolutionised e-tailing by enabling businesses to analyse large volumes of consumer data. This technology helps e-tailers gain insights into purchasing behaviours, predict trends, and optimise inventory management. By using data-driven strategies, businesses can improve marketing personalisation and supply chain efficiency. Studies show that BDA has significantly enhanced business performance in the Indian e-tailing sector, demonstrating its importance in the industry's growth.

4.3.3.3 Challenges in E-tailing

The E-tailing industry faces the following challenges, despite its rapid growth, especially in emerging economies:



1. **Logistical Complexities:** Managing product delivery is one of the biggest challenges for e-tailers. Ensuring that the goods are moving smoothly from manufacturers to customers can be complicated. Problems such as poor roads, heavy traffic, and remote locations make timely and efficient deliveries challenging.
2. **Digital Payment Security:** Many customers hesitate to shop online because of the fear of fraud and cybercrime. If customers lack trust in digital payment systems, then they may avoid making online purchases. In order to build confidence, e-tailers must invest in secure payment systems, fraud prevention measures, and transparent transaction processes.
3. **Resistance from Traditional Retailers:** Traditional retailers often consider online shopping as a threat to their survival. In some cases, they push for regulations that could limit e-commerce operations, making it harder for online sellers to compete. This resistance can impact the pricing strategies and market expansion for e-tailers.
4. **Consumer Behaviour Differences:** Shopping habits may vary in different locations because of cultural differences, internet accessibility, and customer expectations. E-tailers need to adapt by offering localised products, customised marketing, and personalised customer service to attract and retain a diverse consumer base.

These issues are particularly evident in India, where e-tailers are struggling to balance growth and sustainability in an increasingly competitive market. To overcome these challenges, companies must develop innovative solutions tailored to the specific needs of the market, ensuring long-term success.

4.3.4 Factors Influencing the Growth of E-Tailing

Several key factors have propelled the expansion of e-tailing:

1. **Technological Advancements:** The rapid advancements in technology, particularly the widespread adoption of smartphones and the enhanced availability of high-speed internet, have greatly transformed the landscape of online shopping. These developments have made it more user-friendly and accessible for consumers, allowing them to shop from the comfort of their homes or on the go. As a result, this convenience has played a crucial role in driving the growth of e-tailing, leading to an increase in online retail sales and changing consumer shopping habits significantly.

◆ Technology transformed the online shopping

- 2. Consumer Demographics:** A significant portion of online shoppers are young adults aged 26 to 35 years. They are comfortable navigating e-commerce platforms and frequently engage with various digital tools, such as mobile apps and social media, to discover products, compare prices, and make purchases. Their familiarity with technology not only influences their buying habits but also drives the demand for innovative shopping solutions and online services tailored to their preferences.
- 3. Organizational Factors:** The size and culture of a business play a significant role in determining its willingness to adopt e-commerce solutions. Larger organisations typically have more resources at their disposal, which enables them to explore and implement e-tailing strategies more effectively.
- 4. Government Initiatives:** Various government policies aimed at promoting digitalisation have significantly contributed to the growth of e-tailing. A prime example is India's Digital India campaign, which was launched to transform the country into a digitally empowered society and a knowledge economy. This initiative has led to considerable advancements in digital infrastructure, including improved internet connectivity and greater access to technology across urban and rural areas.

4.3.5 Advantages and Disadvantages of E-Tailing

E-tailing, or online retailing, provides a variety of advantages that make it an increasingly popular shopping method, but it also comes with its set of challenges that consumers and retailers must navigate.

4.3.5.1 Advantages

◆ Consumer can purchase conveniently

- 1. Convenience:** One of the most significant benefits of e-tailing is the unparalleled convenience it offers. Consumers can browse and purchase products from the comfort of their own homes or while on the go without being limited by store hours or geographical location. This flexibility allows shoppers to engage in retail therapy at any time, day or night, fitting their shopping activities into busy schedules.
- 2. Broader Selection:** Online retail platforms typically boast a much larger inventory than physical stores. Consumers have the opportunity to explore a vast array of products across different categories and brands, often

discovering unique items they might not find locally. This extensive selection can include niche products and rare finds, making online shopping a treasure hunt for many.

- 3. Personalization:** E-tailers have sophisticated tools at their disposal to analyse consumer behaviour and preferences. By tracking browsing history, previous purchases, and customer feedback, they can curate personalised recommendations tailored to individual tastes. This level of customisation not only enhances the shopping experience but also helps consumers discover products that align with their interests, making shopping more enjoyable and efficient.

Despite these advantages, it's essential to remain mindful of the challenges that accompany e-tailing, including issues related to security, return policies, and the tactile aspects of shopping that some consumers still value.

4.3.5.2 Disadvantages of Online Shopping

◆ Inability to physically inspect of products

- 1. Lack of Physical Interaction:** One significant drawback of online shopping is the inability of consumers to physically inspect products before making a purchase. This limitation can lead to dissatisfaction, as customers may receive items that do not meet their expectations in terms of quality, size, colour, or functionality. The absence of hands-on experience means they miss out on the opportunity to assess the product's texture, fit, and overall appeal, which can ultimately lead to disappointment upon delivery.
- 2. Security Concerns:** Another notable disadvantage is the inherent security concerns associated with online transactions. Consumers often worry about the potential for data breaches and unauthorised access to their personal and financial information. Issues related to payment security, such as fraud or identity theft, can create a sense of mistrust in e-commerce platforms. This apprehension may deter potential buyers from completing their purchases, as they prioritise the safety of their sensitive information.
- 3. Logistical Challenges:** Online retailers face several logistical hurdles that can impact customer satisfaction. Timely product delivery remains a challenge, particularly during peak shopping seasons or unforeseen disruptions in shipping channels. Additionally, the process

of handling returns can become complex and costly for e-tailers. These logistical issues not only affect consumer confidence in online shopping but also pose operational challenges for businesses aiming to provide excellent service.

4.3.6 Future of Electronic Retailing

The e-tailing sector is on the brink of significant transformation, driven by several emerging trends that are reshaping how consumers interact with online retail:

- 1. Technological Integration:** The integration of advanced technologies such as artificial intelligence (AI) and machine learning is revolutionising the e-tailing experience. These technologies enable retailers to analyse customer data more effectively, allowing for highly personalised shopping experiences. This means tailored product recommendations, dynamic pricing adjustments, and improved customer service through chatbots and virtual assistants. Additionally, AI and machine learning streamline supply chain management, reducing operational costs and improving inventory management to ensure that products are available when customers want them.
- 2. Expansion into Emerging Markets:** The landscape of e-tailing is expanding into Tier 2 and Tier 3 cities, which are increasingly becoming critical growth hubs. Rising internet penetration rates and the burgeoning middle class in these regions largely drive this shift. As more consumers gain access to the internet and digital payment methods, e-tailers are seizing the opportunity to tap into these markets, offering a wider range of products and services tailored to local preferences and needs.
- 3. Sustainable Practices:** There is a noticeable shift in consumer behaviour towards sustainability, with a growing demand for eco-friendly and locally sourced products. This trend is prompting e-tailers to adopt more sustainable practices, such as reducing packaging waste, offering carbon-neutral shipping options, and ensuring ethical sourcing of their products. By aligning their operations with sustainability goals, retailers not only meet consumer expectations but also enhance their brand reputation and loyalty.
- 4. Enhanced In-Store Experiences:** To compete in the digital age, physical retailers are increasingly integrat-

ing online elements into the in-store shopping experience. This approach addresses common challenges such as limited stock availability and the need for superior customer service. Retailers are implementing technologies like augmented reality (AR) to help customers visualise products, as well as digital kiosks for easy product searches. This fusion of online and offline shopping experiences aims to retain customers by providing convenience and a more engaging shopping journey.

The trends in the e-tailing sector highlight its dynamic nature and responsiveness to consumer demands and technological advancements. In conclusion, the growth of e-tailing is driven by several factors, including technological innovations, favourable consumer demographics, supportive organisational cultures, and proactive government policies. While e-tailing offers significant advantages such as convenience and personalised experiences, it also faces challenges like security concerns and logistical complexities. Moving forward, the future of e-tailing is expected to be influenced by technological advancements, market expansion, sustainability efforts, and the integration of online and offline retail experiences.

Summarised Overview

Technology has significantly transformed the retail industry by enhancing customer convenience, streamlining operations, and adapting to evolving consumer preferences. Digital payments, including RFID and NFC, have simplified in-store and remote purchases, boosting sales for retailers adopting contactless payment solutions. E-tailing growth is driven by technological advancements, changing consumer demographics, organisational adaptability, and government initiatives. Mobile applications, digital payment options, and omnichannel strategies ensure seamless shopping experiences. AI-powered chatbots, personalised recommendations, and AR visualisation enhance customer engagement, while automated inventory management and demand forecasting improve operational efficiency. While e-tailing offers benefits such as convenience, broad product selection, and personalisation, challenges remain. Security concerns, logistical complexities, and the absence of physical product interaction can impact consumer trust. AI-driven insights, expansion into emerging markets, sustainable practices, and hybrid online-offline retail experiences will shape the future of e-tailing. Retailers leveraging advanced technologies—such as AI-driven marketing, predictive analytics, and smart energy management—can optimise operations, enhance customer experiences, and stay competitive in a rapidly evolving landscape.

Self-Assessment Question

1. How does technology help retailers meet changing consumer demands in e-tailing?
2. What are some examples of AI and machine learning applications in e-tailing?
3. How does big data analytics enhance customer experience in online retail?
4. How does technology influence pricing strategies in e-tailing?
5. What are the benefits of integrating augmented reality and virtual reality in online shopping?
6. What are the different types of e-tailing business models?

Assignments

1. Discuss how emerging technologies like AI, big data and blockchain are transforming online retail. Provide real-world examples of retailers leveraging these technologies to enhance customer experience and operational efficiency.
2. Identify and evaluate the key factors driving the expansion of e-tailing globally. How do factors like internet penetration, digital payments, and changing consumer behaviour contribute to the success of online retail?
3. Compare and contrast the benefits and limitations of e-tailing for both businesses and consumers. How can online retailers overcome challenges such as cybersecurity risks, logistics issues, and high competition? Provide relevant case studies.

Suggested Reading

1. Goworek, Helen, McGoldrick, Peter. (2015) *Retail Marketing Management Principles and Practice*. Pearson Education Limited
2. Bruce, Margaret, More, Christopher M., Birtwistle Grete. (2004). *International Retail Marketing A Case Study Approach*. Elsevier Butterworth-Heinemann.
3. Gilber, David. (2003) *Retail Marketing Management*. Pearson Education Limited.

Reference

1. Goworek, Helen, McGoldrick, Peter. (2015) *Retail Marketing Management Principles and Practice*. Pearson Education Limited
2. Gilber, David. (2003) *Retail Marketing Management*. Pearson Education Limited.

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU



MODEL QUESTION PAPER SETS



SREENARAYANAGURU OPEN UNIVERSITY

Model Question Paper (SET- 1)

QP CODE:

Reg. No :

Name:

THIRD SEMESTER MASTER OF COMMERCE (M.COM) DEGREE EXAMINATION

DISCIPLINE SPECIFIC ELECTIVE

M21CM12DE SERVICE AND RETAIL MARKETING

Time: 3 Hours

Max Marks: 70

Section A

Answer any five of the following questions in two or three sentences each. Each question carries 2 marks.

(5X2=10)

1. Define the term 'service' in marketing.
2. What do you mean by market segmentation?
3. Explain the concept of positioning in marketing.
4. What is meant by penetration pricing strategy?
5. Define franchising and give an example.
6. What is differential pricing?
7. Who is a franchisee in a franchising model?
8. What is meant by balanced demand in services marketing?

Section B

Answer any six of the following questions in one page each. Each question carries 5 marks.

(6X5=30)

9. Distinguish between goods and services with suitable examples.
10. Explain any five key characteristics or features of services.
11. Discuss the significance of services marketing in the modern business environment.
12. Describe the major strategies used in marketing tourism services.
13. Explain the need and importance of targeting in service marketing.



14. Discuss the role of customers in the service delivery process.
15. Briefly explain the concept of the retail life cycle with stages.
16. Describe the different types of retailers with examples.
17. What are sales promotions? Explain various types of sales promotion techniques.
18. What are the key challenges in service communication? Discuss with examples.

Section C

Answer any two of the following questions in two pages each. Each question carries 15 marks.

(2X15=30)

19. Explain the classification of banking services. Discuss with suitable examples
20. Critically examine how marketing practices differ across the insurance, airline, and tourism service sectors. Provide relevant examples.
21. What are positioning strategies in marketing? Discuss various positioning strategies used in the service sector with examples.
22. Explain the bases of market segmentation in service marketing. Discuss the major segmentation strategies used in the service sector with suitable examples."



SREENARAYANAGURU OPEN UNIVERSITY

Model Question Paper (SET- 2)

QP CODE:

Reg. No :.....

Name:

THIRD SEMESTER MASTER OF COMMERCE (M.COM) DEGREE EXAMINATION
DISCIPLINE SPECIFIC ELECTIVE

M21CM12DE SERVICE AND RETAIL MARKETING

Time: 3 Hours

Max Marks: 70

Section A

Answer any five of the following questions in two or three sentences each. Each question carries 2 marks.

(5X2=10)

1. What is service marketing?
2. Why is market segmentation important in services marketing?
3. Name any two positioning strategies used in service marketing.
4. What is skimming pricing?
5. What is psychographic segmentation?
6. Define discount pricing with an example.
7. What do you mean by service delivery in services marketing?
8. Mention any two key features of banking service marketing.

Section B

Answer any six of the following questions in one page each. Each question carries 5 marks.

(6X5=30)

9. Explain the tools commonly used in banking service marketing.
10. Discuss the importance of marketing in the education sector.
11. Describe key strategies used in marketing educational services.
12. Explain the need and importance of positioning in service marketing.



13. Discuss service differentiation strategies and explain the different types of differentiation.
14. What are the key communication challenges faced in service marketing? Explain with examples.
15. Explain the nature and characteristics of retailing.
16. What are the major dimensions of retail market segmentation? Discuss briefly.
17. Discuss the scope of retail marketing in the modern business environment.
18. Explain the major challenges faced by India's retail sector.

Section C

Answer any two of the following questions in two pages each. Each question carries 15 marks.

(2X15=30)

19. Discuss the key features of hospitality services and explain the major marketing strategies used in the hospitality industry.
20. Examine the current status and role of Customer Relationship Management (CRM) in the Indian service industry. Provide relevant examples.
21. Explain the functions of retailing and discuss the economic significance of the retail sector in India.
22. Describe the various dimensions of retail market segmentation.

സർവ്വകലാശാലാഗീതം

വിദ്യാൽ സ്വതന്ത്രരാകണം
വിശ്വപൗരരായി മാറണം
ഗ്രഹപ്രസാദമായ് വിളങ്ങണം
ഗുരുപ്രകാശമേ നയിക്കണേ

കുതിരുട്ടിൽ നിന്നു ഞങ്ങളെ
സൂര്യവീഥിയിൽ തെളിക്കണം
സ്നേഹദീപ്തിയായ് വിളങ്ങണം
നീതിവൈജയന്തി പറണം

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