

Innovations in services for boosting customer value



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The Indian growth story has been dented with a number of skeptical predictions but CMIE (Centre for Monitoring Indian Economy) has reiterated in a report that it expects a growth of 8.8% in 2011-12. The report also predicts that the services sector is expected to grow at 10.6% thereby spearheading the growth story and alleviating the skepticism. Already, India's service sector has gained a very dominant share in the GDP over the past few decades. The following table shows the growth of the services sector in India:

Year	Percentage share of services in India's GDP
1970-71	32
1990-91	43
2010-11	58

The rapid growth in the service sector has been largely fuelled by the increasing importance of services in the economy and the innovations undertaken by the marketers of services. The marketing of services have been typified by the focus on the 7Ps – Product, Price, Promotion, Place, People, Process, Physical evidence. The recent innovations have gone beyond the 7Ps and redefined services marketing with enhanced focus on

emerging aspects like customer experience, micro-segmentation, personalization etc. The noteworthy innovations that have catapulted the growth of services and enabled the respective companies to gain significant competitive advantage have been given below:

Gabbott and Hogg (1997) have pointed out that the distinctive characteristics of services makes them fundamentally different from products (e.g. intangible nature, inseparability of production and consumption, heterogeneity, perishability and lack of ownership). Every tangible product necessarily contains some service because without it the exchange would be impossible (Lovelock and Yip, 1996). The authors have also explained how services can be classified into three types – people processing, possession processing, information processing. Innovations have been undertaken in each of these areas. Parasuraman (1997) has pointed out, customer service must be understood from the perspective of how managers can identify, establish and enhance the organization's sustainable competitive advantage. Therefore, service innovations need to be planned in a manner that it enhances the competitive advantage of the organization.

It has been pointed out that the importance for innovations has been on the rise for service organizations (Crosby et al, 2003). In this regard, Sethi et al. (2001), and Zaltman et al. (1973) define innovation, more or less, as the degree to which a new product or service differs from existing alternatives. Service innovativeness is, then, the degree to which these actions and reactions appear novel to customers (Alam and Perry, 2002). Hogan et al. (2002) suggest that customer orientation can enhance the contribution of service innovation programmes towards customer lifetime value. Evaluating innovations from the customer's view enables the firm to go beyond an operations management perspective and to embrace the marketing concept (Pullman and Thompson, 2003). Price and Brodie (2001) and Raju and Lonial (2001) suggest that an outside-in, rather than inside-out, approach to innovation is needed to dramatically improve process performance and customer satisfaction.

The discussion in the following sections highlights how service innovations result in enhanced customer value:

- **Focus on service as the differentiator:** During the recent past, even product companies have begun to use services as the differentiator and making it their USP. Kirloskar's advertisements do not promote the industrial products or highlight their features but showcases the company as 'the experts'. Likewise, Blue Star also follows a similar approach. The company particularly targets the weakness of other AC manufacturers who promote the ACs and not the solution that fulfils the exact requirements of the customer. The Blue Star website mentions: "Blue Star understands the dynamics and intricacies of different Industries and has the expertise to provide optimal solutions for industry specific requirements" thereby pitching the company as a solution provider and not a manufacturer of ACs.

Even the FMCG companies are attempting to join the services bandwagon and create greater value by integrating services into their businesses. For example, Marico preferred to open beauty treatment centres called Kaya Skin Clinics instead of launching beauty creams through their distribution channels. This helps the company gain direct contact with customers and also the margins from services are generally higher than products. Therefore, by shifting the focus on 'service' instead of highlighting the product's 'features' the service can be the differentiator.

- **Micro-segmentation:** The cut-throat competition has resulted in service providers taking extra efforts at micro-segmentation to ensure that the service is best suited for the customer. For example, the website www.makemytrip.com offers airline tickets to customers and enables them to search using well-designated price bands. This ensures that the customers belonging to a particular segment are sorted as per their price sensitivity. New service offerings have been created to address the need of micro-segments. The Tatas owned Indian Hotels have launched 4 brands to target the different segments of travelers – Taj, Vivanta by Taj, Gateway and Ginger Hotels. The Ginger hotels use the 'self-service' concept to keep costs low whereby the budget travelers can avail the low room rates. By addressing the needs of this price-conscious segment the Tatas have opened up a big market. The innovation has been done in a manner that enhances the customer value. In this case, the customers

wanted a clean, tidy place that offered the basic comforts. Ginger offered all these at highly affordable rates by taking out all the frills that added to the overheads. The micro-segmentation is also very common in the media business. The large number of television channels, web portals, and print magazines that have been launched effectively cater to the needs of a multitude of micro-segments. For example, the television channels under wildlife category can be further sub-divided based on the profile of the audience they are targeting. By undertaking this kind of segmentation, the service providers are able to match the requirements of the target customers in a better manner. Therefore, for more effective service delivery, innovative micro-segments can be created.

- **Collaborations for enhanced value:** To enhance the value offered to the customer, service providers are joining hands to offer potent deals to customers. A travel portal like Yatra.com has tied up with Barclays Bank to offer a co-branded credit card that provides the customer greater privileges on its website. Likewise, Maruti tied up with Citibank to launch the AutoCard that provided its customers the loyalty benefits whenever the customer drove in to the service centre or bought spare parts. In this way, both service providers gain and it becomes a win-win situation. For the credit card company, it becomes an opportunity to offer more than a basic credit card while for its collaborator it can offer greater privileges to its customers than competitors are offering. The collaborations did not only happen with credit cards; complementary businesses attempted to engage the customer for getting a greater share of her wallet. The television channel NDTV tied up with online shopping portals to entice its viewers to shop on these sites (www.ndtvshopping.com powered by Indiaplaza). Similarly, websites offering airline tickets also collaborated with hotels and car rental services to provide greater value to customers by offering a one stop shop. A logical extension of the core offering can be done to enhance the value. For example, students in various educational institutes are offered additional certifications through collaborations with other entities. For example, institutes offering MBA courses also offer additional certifications through relevant collaborations such as: SAS (Data mining), AMFI (Mutual funds), SAP (ERP) etc. In this way, these institutes are able to offer students having more competence to industry than the competitors. By innovatively collaborating with other products and services, the value offered to customers can be enhanced.
- **Personalization:** Intense competition in certain sectors had resulted in the service providers attempting to go one up on the competition through greater personalization of the service. Banks like ICICI or HDFC (that had entered the retail banking sector decades after the nationalized banks) were offering personalized cheque book facilities, personalized access through website, ATM etc. Recently, the modern banks have been promoting loans structured on the basis of the individual customer's circumstances while new entrants like Barclays Bank are trying to woo customers by mentioning that customers can personalize their credit card payments according to their cash flow. The wealth management experts like ShareKhan or MotilalOswal have been offering personalized advice based on the exact requirements of the customers instead of the typical share brokers of yesteryears

who sent out a newsletter to their clientele with a listing of the 'hot stocks'. In this way, they can use a mix of suitable products to create a suitable portfolio based on the risk appetite and fulfill the financial needs of the individual customer. Once the customer has exhibited loyalty and begun to trust the service provider, other services (such as vehicle insurance, tax planning, pension fund investments etc.) can also be offered to the customer to enhance the share of wallet.

The differentiation of services by DTH service providers has also been done using personalization. The cable operators were offering a bouquet of channels comprising of a large number of channels that the customer never watched. DTH operators have capitalized on the opportunity by offering customers access to channels that they desire to watch and the payment is also structured accordingly. Further, the DTH operators (like Tata Sky and Dish TV) also offer a number of value added services (such as astrology, games, educative programmes etc.). These can also be personalized based on the needs of the customer. Mobile service providers like Vodafone also offer a similar range of value added services.

Personalization can be used to create unique offerings to suit the individual preferences of a customer and this can ensure better customer loyalty.

- **Creating exotic offerings** The plain vanilla offerings that targeted the customers on the basis of 'value for money' deals are a thing of the past. Services are increasingly promoting their products on the basis of 'fantasy appeal'. Therefore, Club Mahindra is targeting customers by showcasing the exotic appeal of its resorts instead of trying to woo customers with 'super-low' prices. The trend is catching up in other services as well. Barista offers premium products at premium prices and customers seem to be lapping it all up. Hotels like the Taj Group have launched over 25 spas all over the world since customers have shown the desire for something more than a hotel – services that go beyond the normal wining, dining and resting. The website www.tajhotels.com explains the feature of its spas as: "Taj Spas enrobe guests in exclusive experiences and environs whilst offering an array of signature treatments, yoga and meditation. The treatments include a choice of Indian, royal and holistic experiences, applications and ceremonies specially designed to maintain physical, mental and spiritual equilibrium." The attraction of customers towards exotica is evident from the launch of restaurants offering different varieties of cuisine. The roll-out of specialty restaurants like 'Mainland China' across seven cities in India is a testimony to the growing importance of exotic dining experiences. Apart from Chinese cuisine, Thai, Italian, and Mexican cuisine are also gaining popularity. Most notably, though these restaurants may prove to be more costly than the typical restaurants that serve Indian food, they seem to be much in demand.
- **Intensive distribution:** Services have been distributed intensively to ensure easy access for customers. Novel channels and forms have been used to enhance the penetration and reach of the services. Banks found it unviable to go and sell to individual retail customers so they appointed DSAs (Direct Sales Associates) to undertake the task. Mobile telephony companies ensured easy access to their services by selling recharge vouchers through easily accessible outlets like *kirana*

(grocery) shops, chemists, and well-appointed outlets that sold mobile phones and accessories. Apart from the geographic intensity in the distribution, access on a 24/7 basis has also helped in propagation of services. Since the work hours of most working people have increased beyond the traditional office timings, access through to the service through websites and call centres have helped. Banks have offered internet banking and doorstep banking to enable intensive distribution and anytime access. Sometimes, evangelists have helped to promote the service and distribute the same. For example, the Art of Living course has found many takers owing to the intensive distribution and the large number of instructors who teach the course in various locations.

- **Innovative combinations:** The services become more attractive for customers when suitable combinations are devised to enhance the value and make products more suitable for customers. In the financial investment industry, several companies came up with the Unit Linked Insurance Plans that combined the benefits of insurance and wealth creation. Similarly, some pension plans are offering an added benefit of insurance as an innovative combination. In the entertainment industry, multiplexes have combined other products (such as food and shopping) to make a more potent offer to customers. Therefore, multiplexes have ended up offering greater value to customers than the standalone theatres. The value delivery has been enhanced by bankers as well. Some of the aggressive private banks (like ICICI Bank) offer savings accounts that serve multiple purposes – basic offerings like deposits and loans, portfolio management, demat account, insurance schemes etc. The coffee parlours (like Café Coffee Day) have combined other offerings apart from coffee that cater to the needs of their target segment. In this way, they are able to offer greater value to their customers.

In conclusion, it can be said that the service sector is going to see increasing innovations and the benefits of the booming industry will be reaped by those who undertake the most relevant innovations. The industries like mobile telephony, airlines, cable television, retailing and education have seen hectic activity and the innovations undertaken by the respective players will have a strong impact on their market shares and competitive positions in the future.

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