

HRM in Service Sector Management

Rakhi Bhattacharya
Rajiv S. Mishra

Himalaya Publishing House

ISO 9001:2015 CERTIFIED

HRM IN SERVICE SECTOR MANAGEMENT

*(As per the Revised Syllabus 2018-19 of Mumbai University
for T.Y.BMS, Semester – VI)*

Dr. Rakhi Bhattacharya

M.Com., PGDBM (HRM), SET, Ph.D. in Commerce,
*Assistant Professor and Coordinator (M.Com. E.Com.),
Thakur College of Science and Commerce,
Kandivali (East).*

Prof. Rajiv S. Mishra

M.Com., MBA (Finance), M.Phil., UGC NET
*Assistant Professor at N.E.S. Ratnam College of
Arts, Science and Commerce for BBI and M.Com.,
Bhandup (W), Mumbai - 400 078.*
*Visiting Faculty at Nitin Godiwala College, Vikas College,
Menon College, N.G. Acharya College, and SMU.*
*Ex. Visiting Faculty at K.J. Somaiya College of Arts, Science and Commerce,
R. Jhunjhunwala College, Vivekanand College and VPM
for BBI, BMS, BAF, BFM, M.Com. and MBA.*



Himalaya Publishing House

ISO 9001:2015 CERTIFIED

© **Authors**

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording and/or otherwise without the prior written permission of the authors and the publisher.

First Edition : 2019

-
- Published by** : Mrs. Meena Pandey for **Himalaya Publishing House Pvt. Ltd.**,
"Ramdoot", Dr. Bhalerao Marg, Girgaon, Mumbai - 400 004.
Phone: 022-23860170, 23863863; **Fax:** 022-23877178
E-mail: himpub@vsnl.com; **Website:** www.himpub.com
- Branch Offices :**
- New Delhi** : "Pooja Apartments", 4-B, Murari Lal Street, Ansari Road,
Darya Ganj, New Delhi - 110 002.
Phone: 011-23270392, 23278631; Fax: 011-23256286
- Nagpur** : Kundanlal Chandak Industrial Estate, Ghat Road,
Nagpur - 440 018.
Phone: 0712-2738731, 3296733; Telefax: 0712-2721216
- Bengaluru** : Plot No. 91-33, 2nd Main Road, Seshadripuram,
Behind Nataraja Theatre, Bengaluru - 560 020.
Phone: 080-41138821; Mobile: 09379847017, 09379847005
- Hyderabad** : No. 3-4-184, Lingampally, Besides Raghavendra Swamy
Matham, Kachiguda, Hyderabad - 500 027.
Phone: 040-27560041, 27550139
- Chennai** : New No. 48/2, Old No. 28/2, Ground Floor, Sarangapani Street,
T. Nagar, Chennai - 600 012. Mobile: 09380460419
- Pune** : First Floor, "Laksha" Apartment, No. 527, Mehunpura,
Shaniwar Peth (Near Prabhat Theatre), Pune - 411 030.
Phone: 020-24496323, 24496333; Mobile: 09370579333
- Lucknow** : House No. 731, Shekhupura Colony, Near B.D. Convent School,
Aliganj, Lucknow - 226 022.
Phone: 0522-4012353; Mobile: 09307501549
- Ahmedabad** : 114, "SHAIL", 1st Floor, Opp. Madhu Sudan House, C.G. Road,
Navrang Pura, Ahmedabad - 380 009.
Phone: 079-26560126; Mobile: 09377088847
- Ernakulam** : 39/176 (New No. 60/251), 1st Floor, Karikkamuri Road,
Ernakulam, Kochi - 682011.
Phone: 0484-2378012, 2378016; Mobile: 09387122121
- Bhubaneswar** : Plot No. 214/1342, Budheswari Colony,
Behind Durga Mandap, Bhubaneswar - 751 006.
Phone: 0674-2575129; Mobile: 09338746007
- Kolkata** : 108/4, Beliaghata Main Road, Near ID Hospital, Opp. SBI Bank,
Kolkata - 700 010. Phone: 033-32449649; Mobile: 07439040301
- DTP by** : Pravin
- Printed at** : Rose Fine Art, Mumbai. On behalf of HPH.

PREFACE

It is a matter of great pleasure to present the **First edition** of this book on '**HRM in Service Sector Management**' to the students and teachers of BMS, Semester-VI Course started by University of Mumbai.

We have tried to make and present the book in simple language and precise. We are hoping that the diagrams and step-by-step answers put up will be helpful to understand the subject clearly.

We are thankful to our all family members for constant support and motivation.

We are also grateful to our Principal, Vice-Principal, Coordinator, Colleagues, Library Staff, and our students and friends for encouraging us to write the book.

Special thanks to Himalaya Publishing House Pvt. Ltd. for publishing our book.

Any constructive suggestions from the students and teachers for improving the text in future are welcome.

Authors



SYLLABUS

Modules at a Glance

Sr. No.	Modules	No. of Lectures
1	Service Sector Management - An Overview	15
2	Managing Human Element in Service Sector	15
3	Issues and Challenges of HR in Service Sector	15
4	HRP Evaluation, Attrition, Retention and Globalisation	15
	Total	60

Objectives

Sr. No.	Objectives
1	To understand the concept and growing importance of HRM in service sector
2	To understand how to manage human resources in service sector
3	To understand the significance of human element in creating customer satisfaction through service quality
4	To understand the issues and challenges of HR in various service sectors

Sr. No.	Modules/Units
1	<p>Service Sector Management – An Overview</p> <p>(a) Service Sector Management – An Overview:</p> <ul style="list-style-type: none"> ● Services – Meaning, Features, Classification of Services: End-user, Degree of Tangibility, People-based Services, Expertise Required, Orientation towards Profit, By Location. ● Service Sector Management – Meaning, Significance of Service Sector, Reasons for Growth in Service Sector. ● Service Organisation – Importance of Layout and Design of Service Organisation, Servicescape. ● Service Culture in Organisation – Meaning, Developing Service Culture in Organisation. ● Relationship Marketing – Meaning, Need and Importance in Service Sector Organisations, Six Market Model.

	<ul style="list-style-type: none"> ● Role of Service Employee ● Role of Customers in Service Process – Customers as Productive Resources, Customers as Contributors to Service Quality, Customers as Competitors. ● Service Encounter and Moment of Truth – Meaning, Nature, Elements of Service Encounter.
2	<p>Managing Human Element in Service Sector</p> <p>(a) Managing Human Element in Service Sector:</p> <ul style="list-style-type: none"> ● Human Element in Service Sector – Introduction, Role and Significance ● The Services Triangle ● Front Line Employees /Boundary Spanners – Meaning, Issues Faced by Front Line Employees: Person/Role Conflicts, Organisation/Client Conflict, Interclient Conflict. ● Emotional Labour – Meaning, Strategies for Managing Emotional Labour. ● Recruitment in Service Sector – Recruiting Right People, Recruitment Procedures and Criteria, Challenges in Recruitment in Service Sector. ● Selection of Employees in Service Sector – Interviewing Techniques: Abstract Questioning, Situational Vignette, Role Playing. ● Develop People to Deliver Service Quality ● Compensating Employees in Service Sector ● Motivating Employees for Services ● Empowerment of Service Workers – Meaning, Advantages and Limitations.
3	<p>Issues and Challenges of HR in Service Sector</p> <p>(a) Issues and Challenges of HR in Service Sector:</p> <ul style="list-style-type: none"> ● Quality Issues in Services: Meaning and Dimensions of Service Quality, The Service-Gap Model, Reasons and Strategies to Fill the Gaps. ● Delivering Services through Agents and Brokers – Meaning, Advantages, Challenges, Strategies for Effective Service Delivery through Agents and Brokers. ● HRM in Public Sector Organisations and Non-profit Sector in India ● Issues and Challenges of HR in Specific Services: <ul style="list-style-type: none"> ■ Business and Professional Services: Banking and Insurance, Legal and Accountancy.

	<ul style="list-style-type: none"> ■ Infrastructure: Roads, Railways and Power. ■ Public Services: Police, Defense and Disaster Management. ■ Trade Services: Wholesale and Retail, Advertising, Maintenance and Repairs. ■ Personnel Services: Education, Health Care and Hotels. ● Social and Charitable Services
4	<p>HRP Evaluation, Attrition, Retention and Globalisation</p> <p>(a) HRP Evaluation, Attrition, Retention and Globalisation:</p> <ul style="list-style-type: none"> ● Human Resource Planning Evaluation in Service Sector – Meaning, HRP Evaluation Process, Purpose of HRP Evaluation in Service Sector, Issues Influencing HRP Evaluation in Service Sector. ● Service Leadership – Meaning, Integrating Marketing Operation and Human Resources, Creating a Leading Service Organisation, The Service-Profit Chain Model. ● Attrition in Service Sector – Meaning, Reasons for Attrition in Service Sector, Cycle of Failure, Cycle of Mediocrity and Cycle of Success. ● Retaining the Best People in Service Sector – Including Employees in Company’s Vision, Treat Employees as Customers, Measure and Reward String Service Performers. ● Globalisation of Services – Meaning, Reasons for Globalisation of Services, Impact of Globalisation on Indian Service Sector, Organisational Effectiveness, Ways to Enhance Organisational Effectiveness.

PAPER PATTERN

Maximum Marks: 75

Questions to be Set: 05

Duration: 2½ Hours

All questions are compulsory carrying 15 Marks each.

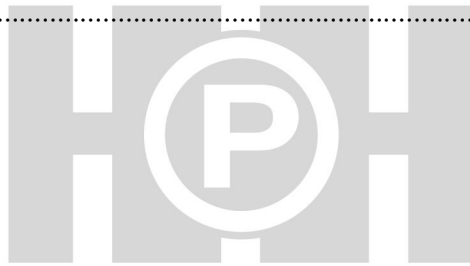
Question No.	Particulars	Marks
Q.1	Objective Questions (A) Sub-questions to be asked (10) and to be answered (any 08) (B) Sub-questions to be asked (10) and to be answered (any 07) (*Multiple Choice/True or False/Match the Columns/Fill in the Blanks)	15 Marks
Q.2	Full Length Question OR	15 Marks
Q.2	Full Length Question	15 Marks
Q.3	Full Length Question OR	15 Marks
Q.3	Full Length Question	15 Marks
Q.4	Full Length Question OR	15 Marks
Q.4	Full Length Question	15 Marks
Q.5	(A) Theory Questions	08 Marks
Q.5	(B) Theory Questions	07 Marks
	OR Short Notes To be asked (05) To be answered (03)	15 Marks

Note:

Theory questions of 15 Marks may be divided into two sub-questions of 7/8 and 5/10 Marks.

CONTENTS

Chapter 1: Service Sector Management – An Overview	1 – 31
Chapter 2: Managing Human Element in Service Sector	32 – 52
Chapter 3: Issues and Challenges of HR in Service Sector	53 – 88
Chapter 4: HRP Evaluation, Attrition, Retention and Globalisation	89 – 116
References	117





Chapter 1

Service Sector Management – An Overview

SERVICES

Meaning

Service can be defined as the production of intangible benefits and experience, either alone or as part of a tangible product, through some form of exchange, with the intention of satisfying the needs, wants and desires of the consumers.

The essence of service can be explained as follows:

- A service is an act or performance offered by one party to another. Although the process may be tied to a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production.
- Services are economic activities that create value and provide benefits for customers at specific times and places, as a result of bringing about a desired change in – or on behalf of – the recipient of the service. (*Source:* Edinburgh Business School; Service Marketing; Christopher H. Lovelock Sandra Vandermerwe Barbara Lewis Suzanne Fernie)

Definitions

According to Philip Kotler “A **Service** is an act of performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.”

According to Zeithmal and Bitner, “**services** are deeds, processes and performances” The definition imply that acts are performed after buyers and sellers finalize the deal, acts are performed by sellers or their agents, and acts are physical in nature.

According to Christopher Lovelock, “**Services** are economic activities that create value and provide benefits for customers at specific times and places, as a result of bringing about a desired change in or on behalf of the recipient of the service.”

American Marketing Association defines **services** as “the activities, benefits or satisfaction which are offered for sale or are provided in connection with the sale of goods”.

Features of Service

1. **Intangibility:** It is the most basic characteristic that differentiate service from goods. Because of this characteristic, we cannot touch, see, taste, smell or see service. Examples of service are health care, education, Banking, etc., these services cannot be seen or touched although tangible component associated in generating service can be seen as well as touched.

Intangibility factor make it difficult for consumers to evaluate service compared to goods. For example, health care services performed by providers and directed towards patients are very difficult to evaluate. Even after surgery or diagnosis, patient may not fully understand or feel the benefit of service performed though he may have fully paid for the service. On the other hand, goods like a bottle of shampoo can be used and its benefit can be judged immediately.

Hence, service cannot be touched and its precise standardisation cannot be done.

2. **Heterogeneity:** Service is variable in nature and is never consistent. It is impossible to expect identical service from the same seller twice. Quality of service depends on who provides the service and when and where the service is provided. Since no two customers are same their service experience is also not the same. For example, a relationship manager in a bank provides excellent service when there is less crowd in the branch but the same person act differently when he has to deal with many customers at a time in a crowded place.
3. **Simultaneity:** Goods are produced first and then consumed, most services are produced and consumed at the same time during the time of selling. This is why the producer of the service has to go to the consumer or the consumer has to come to the service provider. For example, if somebody wants to

listen to the music they have to either visit a concert or have to call the musician home.

4. **Perishability:** It refers to the fact that services cannot be stored, saved, resold or returned. In contrast, goods can be stored in inventory and resold at some other time and if the customer is not happy, they can even return it. Perishability of service is found in doctor's service or in lawyer service or in a hair dresser's service. They can be produced only once or else it will perish.
5. **Inseparability:** Service cannot be separated from the service provider. Production, delivery and consumption of service takes place at the same time. Personalised service cannot be taken away from the provider and has to be consumed immediately. For example, a hair stylist need customer to style hair. Hence, presence of stylist and customer at the same place is very important.
6. **Ownership:** Ownership of a product can be transferred from the manufacturer or seller to the buyer. But in case of service, ownership cannot be transferred. For example, a ticket to a movie can be owned and enjoyed till the time movie gets over.
7. **Nature of service demand:** Service is not demanded uniformly at all period of time. Most of the service experience peak demand, low demand and so on. For example, restaurants find increase in demand during weekends whereas rest of the days in a week they go through low demand.

Classification of Services

Classification of services helps in devising guidelines to propose and implement appropriate service strategy. It helps managers understand the service, the offer, the unique delivery process and the common problems and accordingly recognise them and manage them by bringing out solutions.

The five most popular ways of classifying services are:

1. **On the basis of End-user:** We find three types of end-user in service industries
 - (i) **Individual consumer as an end-user:** Services are consumed by individuals. It has profound impact on marketing. It is for mass market and there is immense

scope for mass communication. The geographical reach of the market can also be enlarged.

For example: Doctor-patient; leisure service; restaurant service, etc.

- (ii) **Business -to-business end-users:** This implies that a firm from an industry seek services from another firm in different industry. It involves industrial marketing, personal selling and decision making process which is different from those of individual customer.

For example: Advertising agency; audit firms, etc.

- (iii) **Industrial end-user:** Here the end-users are plants and factories. They might require very unique services that are highly technical.

For example: Plant maintenance and repair work; Installation work, project management work.

2. **On the basis of degree of tangibility:** Services are inherently intangible which implies that customers cannot see, touch, feel the product. But over a period of time marketers have added more and more features to differentiate their service offering from other service provider. Hence, core service could be intangible but the differentiating factors are tangible. Service product range from highly intangible to highly tangible.

- (i) **Highly tangible service:** They have high degree of tangibility. These services are rendered over certain tangible goods.

For example: Any kind of transportation service; telecommunication service, etc.

- (ii) **Service linked to tangible goods:** Here the service is linked to goods either independently or as a part of marketers offer. Home appliance repair is a service which is linked to tangible goods.

For example: Car servicing; home appliance repair, etc.

- (iii) **Highly intangible service:** In these services customers are not provided with tangible product. Service is highly intangible, i.e., it cannot be touched, seen or felt.

For example: Consulting service; counselling service; lecture, etc.

3. **On the basis of people-based service:** Here the service is classified by the types of contact that the service providers have with their customers. There are two type of such services:
 - (i) **High contact service:** These are people-based service where service providers have high degree of contact with the customers. Here the service provider repeatedly meets the customer over a long period of time.
Examples: Teaching; counselling; surgery, etc.
 - (ii) **Low contact service:** These are services where the provider interacts very little with customers - it is the machine which do the interaction.
Examples: ATM; Internet booking of railway tickets; coin operated vending machine.
4. **On the basis of expertise:** Here the service is classified by the degree of expertise required to do the service transaction by the service providers. The classification is dependent on how qualified the service provider is and the level of certification of the expertise he possesses. There are two types of service under this classification:
 - (i) **Highly professional service:** Under this, service is provided by highly qualified and trained professionals.
Examples: Technical consultants like Tata Consulting Services; Accountancy firm like Price WaterhouseCoopers.
 - (ii) **Non-professional services:** There are certain services which do not require formal training and are counted as non-professional services.
Example: Masons in housing construction; tailors; cobblers.
5. **On the basis of orientation towards profit:** Here the service is classified by the degree of orientation towards profit that the service provider might have.
 - (i) **Commercially-oriented:** These service firm's main objective is to make profit. They are owned by Government and public organisation. Most service organisation in the private organisation falls in this category.
Examples: ICICI Bank; Apollo Hospital.

(ii) **Not for profit organisation:** There are also many service organisations that are not for profit. These organisations carry out their service with social well-being in mind.

Example: Charitable trusts, public sector leisure.

6. **On the basis of point of delivery:** Here the services are classified on the basis of where it will be delivered.

(i) **Service where customer is located:** Here the service is highly customised and is delivered where the customer is located.

Example: Home tuition; security service.

(ii) **Service where provider is located:** Here the customer has to go to the provider to avail of their service.

Example: Vodafone customer care.

(iii) **Service provided at both the places:** Sometime service can be highly customised and provided where customer is located or at a place identified by the provider.

Example: Doctor; Physiotherapist.

The above classification of service helps the manager to have clear insight into the strategic dimensions of service marketing. Furthermore, it helps the manager to get better perspective of the industry. Decision makers in the service industry can compare the service offer with that of other service industries. This aids in benchmarking, sharing of common characteristics and in learning from them.

SERVICE SECTOR MANAGEMENT

The economic activities of a country are divided into mainly three classes. They are – Primary, Secondary, and Tertiary.

1. Primary activities include agriculture, fishing and forestry.
2. Secondary activities include industry (manufacturing and construction).
3. Tertiary activities include services.

Up to the industrial revolution, agriculture was dominated in economic sector. After the industrial revolution, industry started to dominate the economy and presently service sector dominate the whole economy of the world. Activities in the service sector includes retail, banks, hotels, education, health care, computer services, electricity, gas

supply, etc. Service sector is the lifeline for the social economic growth of a country. It is today the largest and fastest growing sector globally contributing more to the global output and employing more people than any other sector. For most countries around the world, services are the largest part of their economy.

Significance of Service

In India, the importance of services sector has been increasing continuously decade after decade. With the continuous expansion of services sector, both in terms of volume and diversity, the contribution of services sector to different aspect of the economy is also increasing.

The following are some of the important contribution made by services sector in India:

- (i) **Contribution to GDP:** The share of total services sector in India's GDP increased from 15% per cent in 1950-51 to 57 per cent in 2013-14 at factor cost (at current prices). It is the 12th largest in the world by nominal GDP. The growth rate of the finance, insurance, real estate, and business services grew robustly at 12.9 per cent.
- (ii) **Higher CAGR and Rapid Growth of Services Sector:** The CAGR of the services sector was attained at 10.0 per cent for the period 2004-05 to 2011-12 which is higher than the 8.6 per cent of CAGR of Gross Domestic Product (GDP) of India during the same period. This indicates that the services sector has outgrown both the industry and agriculture sectors. Such rapid growth of the service sector has resulted in considerable changes in the GDP of the country.
- (iii) **Horizontally Higher Share of Services in GSDP:** The service sector has been contributing towards the gross state domestic product (GSDP) of different states and union territories (UTs) satisfactorily in recent years. A comparison of the shares of services in the GSDP of different states and union territories in 2011-12 shows that the services sector is the dominant sector in most states of India.
- (iv) **Employment Generation of Services Sector:** The importance of services sector can also be realised from its contribution towards generation of employment in India. Although, the primary sector (mainly agriculture) is the dominant employer followed by the services sector, the share of services sector has

been increasing over the years and that of the primary sector has been decreasing.

As per National Sample Survey Organisation (NSSO) report on Employment and Unemployment Situation in India in 2009-10, for every 1000 people employed in rural India, 679 people are employed in the agriculture sector, 241 in the services sector (including construction) and 80 persons in the industrial sector. Again, in urban part of India, 75 persons are employed in the agriculture, 683 persons in the services sector (including construction) and 242 persons in the industrial sector.

- (v) **Improving standard of living:** Services sector has been rendering some valuable services in the area of health care services, educational facilities, IT and IT enabled Services (ITeS), skill development, health tourism, sports, cultural services, etc. and thereby, improving quality of life of the people in general.
- (vi) **Services Sector Growth and FDI Inflows:** Modest growth of services sector has made ample scope for the smooth inflow of FDI into the country. FDI also plays a major role in the dynamic growth of the services sector. On the positive side, at global level, medium, term prospects for services are generally better than those manufacturing sector where international investment in the services sector are expected to grow relatively faster.
- (vii) **Contribution towards Growth of IT and ITeS and Participating in Globalisation:** The services sector has paved the way for a continuous growth of its IT and IT enabled Services (ITeS) and thereby helping the economy of the country to attain higher growth both in terms of GDP share, employment, exports, etc., which has put India on the global map. The IT and ITeS sector of the country has developed an image of a young and resilient global knowledge power and has earned a brand identity in this sector.

Reasons for Growth of Service Sector in India

As civilisation progressed, human desires increased leading to the evolution of various activities which led to improved satisfaction. There was creation of service which could intensify the experience of a normal product. Many companies involved in manufacturing grabbed the

opportunity to introduce such service and cause unparalleled customer satisfaction.

In recent times, the service sector is increasing at a very fast pace. After the liberalisation in the year 1991, the contribution of service sector is continuously increasing in the growth of country's economy. Service sector is growing not only in volume but also in sophistication and complexity. The factors responsible for growth of service sector can be divided in four groups:

1. **Economic influence:** The economic liberalisation had a very positive influence on the Indian households. Their income as well as expenditure has been pushed, creating a demand for many goods and services. With increasing affluence, customer started demanding those services which they used to perform by themselves.
Example: Gardener; cook; creche for childcare etc.
2. **More leisure time:** Since most of the work has been automated or outsourced people are left with more time for themselves hence, there is an increase in those service which are related to entertainment. Thus, we witness a surge in travel agents, resorts, adult education, etc.
3. **Greater life expectancy:** Over the years, people's life expectancy has grown substantially. This has led to new realisation and awareness about health among them. The growth of fitness clubs, diagnostic centres, counselling and health related information site are the reflections of the growing demands for health care services. Even Govt and social organisation have started with mass campaign to increase the social awareness about the same among rural and illiterate people.
4. **Increase in working women:** The percentage of working women has been growing rapidly. These working women have put a demand for newer product and services. They prefer to hire services in order to minimise the innumerable roles that they are required to perform. This particular need by the women are making service organisation more innovative in their offering.
5. **Greater complexity of the product:** With more and more product in the market, complexity in the products are also increasing. There are increase in the services which are

indirectly supporting the maintenance of these complex products.

Example: AC repair and maintenance service; computers repair and maintenance service.

6. **Increasing complexity of life:** With progress in civilisation, life is becoming complicated. There is increased demand for services such as marriage bureau, tax consultant; placement agency, etc.
7. **Increasing number of new products:** Invention of certain products led to the growth of service sector. For example, computer, invented in this century led to the growth of software industry which is employing millions and millions of people and is also the reason for our presence in global economy.
8. **Resource scarcity and ecology:** With depleting natural resources, the need for conservation is increasing. Hence, demand for services like waste water management, pollution control is also increasing.
9. **Increasing number of DINKS:** In a family where both the partners are working and having no responsibility of raising children are ideally called DOUBLE INCOME NO KIDS(DINK) couple. Since both the partners work in this kind of household, they have enough money at their disposal which they spend on travelling, eating out and various other forms of entertainment.
10. **Globalisation:** Liberalisation, privatisation and globalisation have blurred the physical boundary. Today's younger generation demands services which was unheard of almost a decade back. They are looking for pet care services, adventure sports, etc., like any other countries.

The service sector needs boost of proper marketing to develop fully. It is essential to have proper understanding of the reason and source of demand for a particular service. Above mentioned factors throw light in that area.

SERVICE ORGANISATION

Importance of Layout and Design of Service Organisation

Facility layout and design is an important component of a business's overall operations, both in terms of maximizing the effectiveness of the production process and meeting the needs of employees. The basic objective of layout is to ensure a smooth flow of work, material, and information through a system. The basic meaning of facility is the space in which a business's activities take place. The layout and design of that space impact greatly how the work is done—the flow of work, materials, and information through the system. The key to good facility layout and design is the integration of the needs of people (personnel and customers), materials (raw, finishes, and in process), and machinery in such a way that they create a single, well-functioning system.

Spatial layout and functionality are particularly important for smooth service delivery. Spatial layout refers to the floor plan, size and shape of furnishings, counters and potential machinery and equipment and the way it is arranged. Functionality refers to the ability of those items to facilitate the performance of service transactions. Spatial layout and functionality create the visual and functional servicescape for delivery and consumption to take place. Both dimensions determine user-friendliness and the facility's ability to service customer well.

The objectives or advantages of an ideal layout are outlined in the paragraphs that follow.

- **Economies in Handling:** Nearly 30% to 40% of the manufacturing cost is accounted for, by materials handling. Every effort should, therefore, be made to cut down on this cost. Long distance movements should be avoided and specific handling operations must be eliminated. In a factory, materials have to be handled and efficient handling depend upon the layout.
- **Effective Use of Available Area:** Every inch of the plant area is valuable, especially in urban areas. Efforts should be made to make use of the available area by planning the layout properly. Some steps for achieving this end are: orderly location of equipment and services so that they may perform multiple functions; development of uptodate work areas and operator job assignments for a full utilisation of the labor force.

- **Minimisation of Production Delays:** Prompt execution of orders are required to get repeat orders and new customers. Every management should try to keep to the delivery schedules and that is possible only when the layout is optimally designed. Plant layout is a significant factor in the timely execution of orders. An ideal layout eliminates such causes of delays as shortage of space, long distance movements of materials, spoiled work and thus, contribute to the speedy execution of orders.
- **Improved Quality Control:** Timely execution of orders will be meaningful when the quality of the output is not below expectation. To ensure quality, inspection should be conducted at different stages of manufacture. An ideal layout provides for inspection to ensure better quality control.
- **Minimum Equipment Investment:** Investment on equipment can be minimized by planned machine balance and location, minimum handling distances, by the installation of general-purpose machines and by planned machine loading. A good plant layout provides all these advantages.
- **Avoidance of Bottlenecks:** Bottlenecks refer to any place in a production process where materials tend to pile up or are produced at a speed, less rapid than the previous or subsequent operations. Bottlenecks are caused by inadequate machine capacity, inadequate storage space or low speed on part of the operators. The results of bottlenecks are delays in productions schedules, congestion, accidents and wastage of floor area. All these may be overcome with an efficient layout.
- **Better Production Control:** Production control is concerned with the production of the product of the right type, at the right time and at a reasonable cost. A good plant layout is a requisite for good production control and provides the production control officers with a systematic basis upon which to build organisation and procedures.
- **Better Supervision:** A good plant layout ensures better supervision in two ways:
 - Determining the number of workers to be handled by a supervisor and
 - Enabling the supervisor to get a full view of the entire plant at one glance.

A good plant layout is, therefore, the first step to good supervision.

- **Improved Utilisation of Labor:** Labor is paid for every hour it spends in the factory. The efficiency of a management lies in utilizing the time for productive purpose. A good plant layout is one of the factors in effective utilisation of labor. It makes possible individual operations, the process and flow of materials handling in such a way that the time of each worker is effectively spent on productive operations.
- **Improved Employee Morale:** Employee morale is achieved when workers are cheerful and confident. This state of mental condition is vital to the success of any organisation.

Morale depends on:

- Better working condition;
- Better employee facilities;
- Reduced number of accidents;
- Increased earnings.

Plant layout has a bearing on all these.

- **Avoidance of Unnecessary and Costly Changes:** A planned layout avoids frequent changes which are difficult and costly. By incorporating flexibility in the layout expensive revisions can be avoided.¹

Servicescape

Customers rely on tangible cues, or physical evidence, to evaluate the service before its purchase and also to assess their satisfaction with the service during and after the consumption. Physical evidence is often used to communicate service quality attributes, setting customer expectation, and creating service experience. The inherent intangibility of service makes physical evidence an important tool for tangibilisation.

The term servicescape, was introduced and popularized by Bitner (1992) to emphasise its importance in positioning, segmenting and overall differentiating a particular company from its core competitors. ‘Servicescape’ refers to the environments in which services are delivered and where the firm and customer interact.

¹ Citeman, 7th Jan;2006

Servicescape can be defined as an environment in which the service is assembled and in which the seller and the consumer interact, combined with tangible commodities that facilitate performance and the communication of the service.

Service firms can be classified on the basis of servicescape usage and forms:

Servicescape Usage

Organisations differ in terms of whom the servicescape will affect, i.e., who actually comes into service facility and is potentially influenced by its design.

- **Self-service:** Here the customer performs most of the activities and engage few employees.

Examples: ATMs; check in kiosk; golf and theme park.

- **Remote Service:** Here the customer has little or no involvement with the servicescape.

Examples: Telecommunications; financial consultants, editorial and mail order services which can be provided without the customer ever seeing the service facility. In fact, facility can be in different state or different country.

- **Interpersonal Service:** This is placed between the two above extremes and represent situations in which both the customer and the employee are present and active in the servicescape.

Example: Hotels; restaurants; educational settings and bank.

Types of Servicescape

1. **Lean service environment:** Some service environments are very simple with few elements and few equipment. Such environment is called lean. This servicescape has straight forward design.

Example: Information kiosk, courier drop off kiosk.

2. **Elaborate service environment:** This servicescape has many elements and many forms.

Example: Hospital.

Role of Servicescape

The servicescape can play many roles. It serves as a facilitator in aiding the performances of service in the environment. A well-designed,

functional facility can make the service a pleasure to experience for customer and a pleasure to perform for the employees.

The design of the servicescape also aids in the socialisation of both employees and customers in the sense that it helps to convey expected roles, behaviours and relationships.

Example: Café Coffee Day encourage customer to customer socialisation. On the other hand, some coffee houses also understand need for privacy and design their servicescape accordingly.

The servicescape is the outward appearance of the organisation and can be used as a visual metaphor for the intangible service. This packaging role of servicescape is particularly important in creating expectations for new customers.

The design of the physical facility can differentiate a firm from its competitors and signal the market segment.

Thus, the servicescape can perform the role of the facilitator, socialiser, differentiator and a package for service.

SERVICE CULTURE

Culture in broad sense means the way people do things in a particular society. It is the norms and practices followed by people over a period of time. The behaviour of employees in the organisation is also influenced by the culture of the organisation. Corporate culture is defined as the pattern of shared values and beliefs that provides employees with the rules for behaviour in the organisation. A strong service culture leads to sustained improvements to customer experience, and a sustainable competitive advantage for organisations. A service culture exists when employees are motivated to take a customer-centric approach to their regular duties and work activities. Developing a service culture requires time and consistency. In a service culture, employees not only put people first or prioritize quality and maintain high level of integrity but also make it their state of mind. Service culture becomes a set of beliefs and a core value for employees to rally around. Strong culture, once created, provides competitive edge to the organisation.

Elements of Service Culture

- Service philosophy and mission
- Employee role and expectation
- Product and services

- Policies and procedure
- Delivery system
- Management support
- Motivators and rewards
- Training

Developing Service Culture

Establishing a service culture at any organisation is one of the most effective ways to boost client satisfaction. It keeps employees happy, and create a healthy working environment that enables work teams to thrive. A strong culture engages and motivates employees to improve performance and helps organisation to attract and retain superior talent. Service culture is created by organisation which continuously innovate and improve to create more value for customers, colleagues and partners.

Understand Client's Objectives

This is the foundation for a solid service culture. It involves showing genuine interest in finding out what is important to the clients and moulding culture around it. There should be nothing stronger than the voice of the client. Knowing them deeply and applying their wants and needs into strategic vision help organisation in the long run. This, not only enhance partnership with current clients, but prospective clients also recognizes the team's unique ability to hone in on their business.

Be Consistent in Communicating Culture

Culture starts at the top of the organisation. The actions and words set at the leadership table establish the tone for the entire organisation. Organisation should be communicating a consistent and clear message related to the service culture in all aspects of the business. Every employee should know the vision, believe it, and execute on it. However, it must be kept on mind that culture is constantly evolving yet remain consistent with core mission and cultural values of the organisation whatever be the environment.

Train and Develop your Employees to Execute on Core Values

It's imperative for every person in the organisation—from the mailroom to the boardroom—to feel included in the culture. The core values and service focus of the organisation should be reflected in formal documents and communications, including the employee handbook.

Once policies are established, new associates can be trained to understand the standards and be equipped with the resources to implement the service culture. Recruiters need to recognize the core attributes in potential employees.

Reward and Recognize your Employees

Positive reinforcement has lot of benefits. So, it is important to recognize and reward employees who are embodying the values, and remind employees when they're not. Good leadership is also noticed and inspire and hence, to be maintained.

Building and maintaining a successful, positive, and recognizable service culture is a challenge for every organisation. The above-mentioned steps will empower the team to embody the service culture and create positive experiences for customers and employees. Moreover hiring right people, retaining the best people, developing the people to deliver quality service and providing necessary support system to people will ensure that Leaders must also embody the core values of a service culture everyday in order to establish it in the long run.

RELATIONSHIP MARKETING

It is a philosophy of doing business with a focus on keeping and improving relationships with current customers rather than on acquiring new customers. It is a marketing approach that focuses on creating an ongoing and long-term relationship with customers. It is geared towards building and nurturing strong consumer/customer connections and affiliations, rather than pushing sales or purchases. Relationship marketing is extensively used to create leads and customers.

The Relationship marketing differs from the Traditional marketing in the sense that the former relies heavily on the customer retention and their satisfaction, that results in the long-term relationship and the repeated sales, whereas, the latter emphasized majorly on customer acquisition and one-time sales without giving much importance to building relationships. A customer may be convinced to select a brand one time, but without a strong relationship marketing strategy, the customer may not come back to that brand in the future. While organisations combine elements of both relationship and transactional marketing, customer relationship marketing is starting to play a more important role for many companies.

Need and Importance in Service Organisation

1. The Relationship Marketing ensures the *long-term retention of the customer*. When the company focuses on increasing the customer satisfaction by providing exactly what the customer wants, then the customer is likely to stay longer with the brand.
2. The *word of mouth* plays a crucial role in marketing the product or services. When the customer is satisfied with the brand, he will definitely refer it to his family, friends, peers and colleagues. This will ultimately lead to the increase in the revenue and the customer base of the firm.
3. Once the strong relationship is formed with the customer, then even the *rise in the price of a product* due to the change in the economic conditions, won't have a much effect on customer purchase. Thus, the relationship marketing helps in retaining the customer even in the worst economic conditions.
4. When the customer shares a healthy relationship and is happy with the brand, he will readily give its *valuable feedback* for the firm's new product or service launched in the market.
5. The companies can gain the *competitive edge* over the other competitors by offering a more personal touch to the customers. This can be achieved if the company is,
 - Honest and keep an open line of communication
 - Maintains a proper feedback channel
 - Provides an efficient service support
 - Interacts with customers online via social media.
 - Monitors the image of the brand online and respond accordingly.

The relationship marketing is the main component of the Customer Relationship Management that focuses on creating the loyalty and long-term customer engagement with the brand rather than focusing on attaining the short-term goal of customer acquisition and sales.

Six Market Model

Christopher, Payne and Ballantyne (1991) from Cranfield University identified six markets which they claim are central to relationship marketing. They are: internal markets, supplier markets, recruitment markets, referral markets, influence markets, and customer markets.

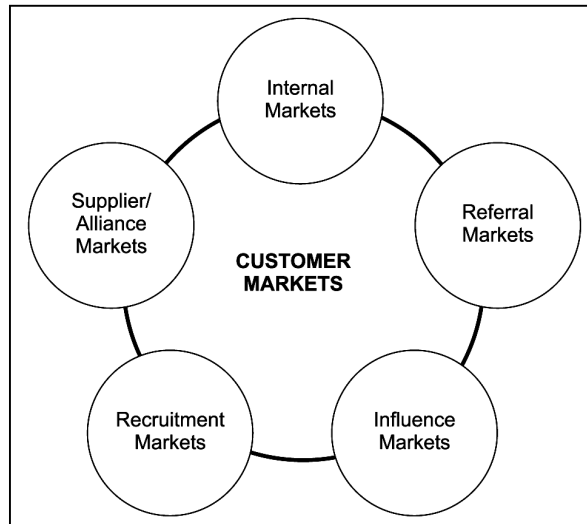


Fig. 1.1: Service market model

- (i) **Customer Markets:** The customer market domain is central to the model, as customers are central to all marketing activities. Marketing activities of the companies concentrate on creating, keeping and retaining profitable customers. Nowadays, firms not only focus on individual sales processes, but also on building long-term relationships with customers and generating repeat purchases. Customer market have strangers who become prospective buyer and then a customer, Clients and Advocates. In order to achieve this transaction from customers' level to advocates level, company should focus on transforming "customers' satisfaction" to "customer delight" by delivering products and services beyond their expectation. The customers market can give good impact to the company because this create stronger links between the internal processes and the needs of customers, resulting in higher levels of customer satisfaction.
- (ii) **Referral Markets:** This market refers to the group that able to provide the information of the company toward the customers. There are two key players in this market – customers and non-customers. In this type of market, the companies' best marketers are their customers, as satisfied clients create a strong positive impact by word-of-mouth referrals. In addition, non-customers can also have a positive impact by

recommending a company to prospective customers. So, the company should consider strong relationship with the referral sources as the major marketing strategy because it can give positive impact to company's business and profits in the long term.

- (iii) **Supplier Markets:** Relationship marketing is not only about building effective relationships with final consumer. It encourages firms to build effective long-lasting relationships with suppliers in a form of partnership to serve final consumer better than competitors. Previously, company had an adversarial relationship with the supplier and focused only on extracting best price from them without understanding the costs borne by the supplier. But now many companies have started viewing supplier as collaborator. Building effective and long-term relationships with suppliers can have good impact and opportunity on relationship marketing. Company can benefit by obtaining material at a cheaper rate and better quality which can help in delivering better value to the customer by providing quality goods at lower price. If the supplier fails to deliver goods on time or fails to achieve quality target it will affect the value delivered to the final consumer.
- (iv) **Influence Markets:** Influence market refers to people/institutions who exercise influence over the purchase decisions of the customer. Influence markets may have positive or negative influence on the purchase. Company needs to encourage positive purchase influences while reducing negative purchase influences. If a consumer purchases a garment worn by a celebrity, the above-mentioned celebrity acts as an influencer for the purchase. This influence market has diverse range of component groups. There are government, shareholders, financial analysts, stockbrokers, the business press and media, user and consumer groups, professional associations and unions. Each of this group have significant influence on firms, their products and services. The essential aim of Relationship Marketing strategies was value creation for both parties through relationships and even partnerships in the marketplace.
- (v) **Recruitment Markets:** This refers to entities and people who are engaged in recruiting human resource to the organisation.

To deliver better customer value than competitors, firms need to have a better human resource or else they fail in delivering quality service. For that they need to acquire best human resources from recruitment market. This is possible only when they maintain good relationships with HR agencies and a good public image for the company. Firms have to make themselves attractive to potential employees and take effort to retain the best quality people. Marketing in a recruitment market is particularly important for a company whose employees provide the key element in maintaining competitive advantage.

- (vi) **Internal Markets:** Every department is internal customer for the other department whom they should serve first to serve the external customers better. Interdepartmental relationships has to be strengthened in order to deliver better customer value to external customers. Moreover, a company's marketers should make sure that all employees 'live the brand' and work together in a way that is aligned with the organisation's mission, strategies and goals.

ROLE OF SERVICE EMPLOYEE

Employees of a service organisation are the only face between the marketer and the customer till the time the service delivery is completed. It is the employees who facilitate the interface between the organisation and the market. Service organisations spend huge amounts in creating a Brand by consistently striving to create and sustain a strategic advantage in the highly competitive market. But eventually it is the delivery of satisfaction from the employee to the customer that builds or kills the Service Brands. Role of a service employees are tested at following stages:

- (i) **Role of Employees in Service Delivery:** In most of the service marketing encounters, the delivery personnel are the only interface between the customer and the organisation and hence these employees play a significant role in achieving competitive advantage. Service delivery employees have to ensure that the interaction between them and the customer is consistent with the desired positioning of the service encounter as conceived by the top management.
- (ii) **Role of Employees in building Service Brands:** Brand building is the most strategic exercise for any service

organisation. When an organisation attempt to build itself as a Brand, all components of the organisation need to be committed in the Branding process. Here, service delivery employees play an important role in creating customer values through their interactions. The interaction of the frontline employees with the customers have lasting impression regarding the reputation of the organisation and the perception of the quality of services provided. If the frontline employees are able to provide good quality service, meeting the needs and expectations of the customers, the customer carries a positive impression about the organisation resulting in developing its positive image and reputation.

- (iii) **Role of Employees in Influencing Service Quality:** A knowledgeable and well-trained service personnel is instrumental in influencing the service quality. In service industry it is extremely important to understand the needs and wants of the customers to be able to service them with the suitable offering. The quality of service delivery has a direct impact on the overall service delivery and quality perception of the organisation. If the service staff are not trained or are not in sufficient numbers it become difficult to create desired level of consumer satisfaction. For example, if a restaurant fails to train its staff on etiquette and manners of serving to the customers, it will not able to create customer satisfaction despite having good quality food.

ROLE OF CUSTOMERS IN SERVICE PROCESS

In an organisation, the success of a service encounter results in the success of the Service organisation. Employees along with the consumers create the desired level of service outcome. In the service buying situation, the customer play various roles depending upon the level of involvement desired from him. There can broadly be three roles observed in a service buying but the roles may not be mutually exclusive. This means that in a given service transaction, there is a possibility of each of the role to be in play.

- (a) **Customer's Role as a Productive Resource:** The role of customers in service assumes that the service recipients are a part of the service organisation and they behave and contribute the way the employees do. For example, a doctor can diagnose the problem better and give proper medication when the

patient gives accurate detail of his health. Thus, we see that customers involvement in giving background information can either increase or decrease the quality of results. Again, there are service encounters where the providers may not prefer an active role of the customer and thus seek opportunities to restrict the customer interface as far as possible, which is also convenient to the customer. Such a restriction can actually reduce cost and increase efficiencies. Examples are the withdrawal of cash through ATM, deposition of cheques by putting it in a box instead of personally handing it over to the Bank staff.

- (b) **Customer's Role as a Contributor to Quality:** Customers can also contribute to quality, satisfaction and value in the service delivery. Often a customer may not be actively interested to increase the productivity of the services of the seller but they are very much concerned about satisfaction of their own needs, which in process may add to the learning for the service organisation. For example, A customer may not be bothered about the overall cleanliness of the hospital or dispensary if he is getting relieved of his illness. However, in the process of satisfying his own needs of hygiene, he may contribute in the improvement of the overall cleanliness of the hospital. In addition to this, many customers may also enjoy the process of their participation in the service delivery. Thus, the service buyer not only fulfil their own needs but also provide some valuable learnings to the service provider thereby contributing in enhancing service quality and value.
- (c) **Customer's Role as a Competitor to the Service Seller:** The customers could be a potential competitor. In many service buying situations, the customer may be able to produce a service on his own, either completely or in parts, instead of purchasing it from the market. The decision whether the service be produced by the customer themselves (internal exchange) for example childcare, car home maintenance, etc. Or have someone else to provide the service for them (external exchange) is a common dilemma for consumers. However, a household or a firm chooses to produce a particular service for itself or source externally depend on variety of factors like:
- **Expertise capacity:** The likelihood of producing the service internally is increased if the household or the firm

possesses the specific skills and knowledge needed to produce it.

- **Resource capacity:** If the resources to produce the service is available internally then the household or firm may decide to produce it internally.
- **Time capacity:** If household or the firm have adequate time in hand, they may decide to produce service themselves.

Other than above mentioned factors, the household or a firm may decide to produce internally if they have trust on themselves and get economic rewards or psychic rewards like satisfaction, gratification or happiness.

SERVICE ENCOUNTER AND MOMENT OF TRUTH

From the customer's point of view, the most vivid impression of service occurs in the **service encounters** or "**Moment of Truth**," when the customer interacts with the service firm. This is the moment when customer seek "Satisfaction of Service Quality" – it is where the promises are kept or broken. The concept of **service encounter** was put forth by Richard Norman, taking the metaphor from Bull Fighting. Most services are results of social acts, which take place in direct contact between the customer and the service provider. At this stage the customer realizes the perceived service quality. Hence, every "Moment of Truth" is important.

Encounter Cascade

The encounter cascade refers to a series of encounters right from the time a customer comes to take the service. The encounter cascade can be important as any encounter can be critical, as it determines customer satisfaction and loyalty. If it's the first interaction of the customer then the initial interaction will be the first impression. So, these interactions have to be given importance, as they are critical and influences customer's perception of the organisation. For example, among the service encounters that a hotel customer experiences are checking into hotel, being taken to a room by a bellboy, eating meal in a restaurant, requesting a wake up call, and checking out. By linking these moments of truth, a service encounter cascade is formed. It is in these encounters that the customer receives snapshots of the service quality and each encounter contributes towards customer's overall satisfaction.

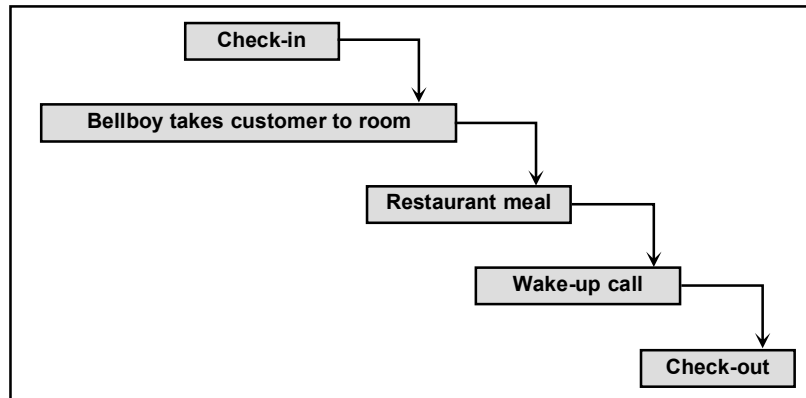


Fig. 1.2: Service encounter cascade for a hotel visit

It is suggested that not all encounters are equally important in building long-term relations. For every organisation, certain encounters can act as a key to customer satisfaction. For example, in a hospital context, a study of patients revealed that encounters with the nursing staff were more important in predicting the customer satisfaction. As it is rightly said “one bad apple can ruin the whole basket of apples.” The same applies in this too; one negative encounter can drive the customer away, no matter how many encounters had taken place in the past. So a firm has to give a lot of importance to such encounters.

Types of Service Encounters

A service encounter occurs every time a customer interacts with the service organisation. There are three general **types of service encounters** – remote encounters, phone encounters, and face-to-face encounters. A customer may experience any of these types of service encounters, or a combination of all three in his/her relations with a service firm.

1. **Remote Encounter:** Encounter can occur without any direct human contact is called as Remote Encounters. Such as, when a customer interacts with a bank through the ATM system, or with a mail-order service through automated dial-in ordering. Remote encounters also occur when the firm sends its billing statements or communicates others types of information to customers by mail. Although there is no direct human contact in these remote encounters, each represents an opportunity for a firm to reinforce or establish perceptions in the customer. In remote encounter the tangible evidence of the service and the

quality of the technical process and system become the primary bases for judging quality. Services are being delivered through technology, particularly with the advent of Internet applications. Retail purchases, airline ticketing, repair and maintenance troubleshooting, and package and shipment tracking are just a few examples of services available via the Internet. All of these types of service encounters can be considered remote encounters.

2. **Phone Encounters:** In many organisations, the most frequent type of encounter between a customer and the firm occurs over the telephone is called as phone encounter. Almost all firms (whether goods manufacturers or service businesses) rely on phone encounters in the form of customer-service, general inquiry, or order-taking functions. The judgment of quality in phone encounters is different from remote encounters because there is greater potential variability in the interaction. Tone of voice, employee knowledge, and effectiveness/efficiency in handling customer issues become important criteria for judging quality in these encounters.
3. **Face-to-Face Encounters:** Direct contact between employee and a customer in is called as Face-to-Face Encounter. In a hotel, face-to-face encounters occurs between customers and maintenance personnel, receptionist, bellboy, food and beverage servers and others. Determining and understanding service quality issues in face-to-face context is the most complex of all. Both verbal and non-verbal behaviors are important determinants of quality, as are tangible cues such as employee dress and other symbols of service (equipment, informational brochures, physical settings).

Nature of Service Encounter

For most organisations, the “make-or-break” service encounters are those between customers and service providers. We can view these encounters as human interactions with the following characteristics:

1. **Service encounters are purposeful:** Regardless of who initiates it, most service encounters are goal-oriented. A sick patient walks into a hospital to get a diagnosis and medical treatment for his ailment. A commercial on TV is aimed at current or potential customers.

2. **Service providers help others as part of their duty:** Most service encounters are part of daily work life at least for the service provider. The primary purpose of the service provider is to perform duties for which they are paid. Therefore, for her service encounter is “work”.
3. **Prior acquaintance is not required:** In most cases, the customer and the service provider are strangers who would not normally interact outside the service setting. However, they usually feel comfortable interacting, in many cases, even without introducing themselves to each other.
4. **Service encounters are limited in scope:** Although greetings, courtesies, and small talk may be part of some service encounters, the time spent on non-task issues is usually very short. The scope of interaction between the customer and service provider is limited by the nature of the service task. A physician normally would not discuss with a patient how he can repair his car, and a car mechanic normally would not offer medical advice during a service encounter.
5. **Task-related information exchange dominates the interaction:** Most service encounters with a service provider require information exchange. Although some informal settings may involve non-task-related information exchange, task-related information is indispensable and has the priority. For example, in a beauty salon most of the conversation between a customer and the beautician may be on weather and latest fashion. However, task-related information such as how short the customer wants her hair, style, and whether she needs a shampoo must be provided first.
6. **Client and provider roles are well defined:** The interaction between a customer and service provider in an encounter requires rules of behavior for effective and efficient service performance. The relevant rules are usually learned from experience; otherwise, a service provider may guide the customer to conform to the rules.
7. **A temporary status differential may occur:** An important characteristic of some service encounters is that they involve a temporary suspension of normal social status enjoyed by each party. For example, a lawyer, who is considered to have a high social status may work for a criminal whose status is much

lower. Or a judge who is stopped by a police officer for a traffic violation has to follow the instructions of the officer.

Elements of a Service Encounter

A service encounter comprises of four elements: (1) the customer, (2) the service provider, (3) the delivery system, and (4) the physical evidence.

- 1. Customer:** The customer is the most important element of a service encounter. The ultimate objective of an encounter is customer satisfaction. The customer's perception of service quality, her overall satisfaction with the service, and repeat purchase decision all depend to a large extent on the perception of the service encounter. Therefore, the service and its delivery system must be designed to meet the customer's needs in the most effective and efficient manner. When a customer is expected to be involved in service, the service organisation must provide clear instructions to educate the customer. The customer may also have a significant impact on the outcome of a service encounter by her behavior. If a customer fails to provide the necessary information, or follow instructions, or conform to her expected role, she may make the service provider's job very difficult and the experience unsatisfactory for both parties and even for other customers
- 2. Service provider:** The service provider or employee is the other crucial human element in service encounters. He has to have the requisite knowledge and proper training to perform his tasks. A service employee represents the organisation and is the force that keeps the delivery system going. His, understanding of the customer's inexperience, anxiety, or concerns about the service, and at times showing empathy go a long way in making the encounter a satisfactory. It is largely management's responsibility to help a service employee to develop interpersonal skills such as friendliness, warmth, concern, and empathy. Sometimes they have to suppress their own feelings and interact with customers with customers' interests in mind. Therefore, the employee must be trained to develop these behavior patterns. Management must also exercise great care in selecting employees who are the right people for the job.

- 3. The delivery system:** Delivery system consists of equipment, supplies, processes, programs, and procedures, as well as the rules, regulations, and organisational culture. Most of the service organisations believe that if its departments or functions are organised to operate according to well-established principles of the relevant field, then it will assure customer satisfaction. Designing the delivery system needs to take the backend and frontend services with the customer needs in mind. Another important issue in delivery system design is the core service. Many services consist of a core service and several supplementary services. A prerequisite for customer satisfaction is flawless delivery of the core service. Excellence in supplementary services will not mean much to the customer if the organisation fails in the core service. Therefore, it is critical that the delivery system is designed and managed for perfection in the delivery of the core service. Supplementary services may then be added to support and enhance the core service.
- 4. Physical evidence:** Physical evidence includes all the tangible aspects of a service or service organisation a customer experience. Backstage facilities, or facilities below the line of visibility, are not considered part of physical evidence since they are not directly experienced by the customer. Physical evidence is important for the success of service encounters especially in “people processing” services. In general, the longer the customer is in the facility, the greater is the importance of the physical evidence. In addition, physical evidence may affect the behavior of both customers and employees; Service providers spend most of their working hours within the service facility; hence their job satisfaction as well as motivation and performance may also be affected by the physical evidence. For example, proper signage in large facilities such as a full service hospital, a metropolitan airport, a subway system, or an amusement park will help reduce the number of disoriented people, avoid congestion, and relieve service employees from the time-consuming task of giving directions.