

# Indian Services Sector Marketing – The Present Scenario

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*“Services are separately identifiable, intangible activities which provide want satisfaction when marketed to consumers and/or industrial users and which are not necessarily tied to the sale of a product or another service”-William Stanton.*

**Abstract-** *The development of economy has been associated with the structural changes in the national economy. In the economic development of the nation, services sector plays an important role. In India, the services sector contributed about 60% of GDP and about 30% of employment. It contributes 66.1 per cent of its Gross Value Added growth in 2015-16. It also contributed about 33% of the total exports of India.*

*India’s technology and BPM sector (including hardware) is likely to generate revenues of US\$ 160 billion during FY16 compared to US\$ 146.5 billion in FY15, implying a growth rate of 9.2 per cent. The contribution of the IT sector to India’s GDP rose to approximately 9.5 per cent in FY15 from 1.2 per cent in FY98. TCS is the market leader, accounting for about 10.1 per cent of India’s total IT sector revenue. The top five IT firms contribute over 25 per cent to the total industry revenue, indicating the market is fairly competitive.*

**Keywords-** Services Sector Marketing, Structural Changes, Indian National Economy

## I. INTRODUCTION

The services sector in India, is not only the dominant sector in GDP, but also has attracted significant foreign investment flows and contributed significantly to exports as well as it provided large-scale employment. India’s services sector covers a wide variety of activities such as trade, hotel and restaurants, transport, health, storage and communication, financing, insurance, real estate, business services, community, social and personal services, and services associated with construction etc.

Today’s is a service era. Service sectors account for more than 70% employment opportunities. Even in the time of economic meltdown, unlike manufacturing sector, the services sector has registered employment rate up. Our economy is

emerging as the service economy because services sector contributes more than 50 per cent to the GDP of the nation. This sector has major contribution in the national income and it is to be noted that services are no longer treated as an industrial by-product. The sector is booming.

We cannot imagine our life in the absence of services. Services create conveniences to our economic activities and day-to-day life. Banking, health care, insurance, transportation, communication, entertainment, beauty-care, education, repairing, electricity so on and a host of product-related services have become an integral part of our routine life. Some services are as old as our civilization. However, focus on marketing to services is the recent phenomenon.

## Service Sectors in India is booming!

India is experiencing a service boom. Favourable growth rate has been recorded in many service sectors, including insurance, transportation, telecommunication, IT sector, electricity, postal services, tourism, banking, health care, entertainment, education, consultancy and so on.

In developed countries, the services sector contributes significantly to the national GDP and employment. (For example, in 2013, services sector in USA contributed about 80% of GDP and 80% of employment). Developing countries like India still have a long way to go. The real reasons for the growth of the services sector are due to the increase in urbanization, privatization, social changes, education and the developments in information technology.

## II. OBJECTIVES OF THE STUDY

- To study the present scenario of services sector in India
- To examine the contribution of services marketing in Indian economy.
- To analyses the problems and challenges faced by services marketing.
- To know the potential of services marketing in India.

## III. METHODOLOGY

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

### Scope of Services Marketing

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

### Importance of Services Marketing

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

### The services sector contributes significantly to the GDP of India.

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

- Professionalism in the services sector.
- Increase in Urbanization, which gives boost to services sector
- Liberalization of the services sector since 1991.
- Efficient means of transport which enables proper movement of men, materials and finished goods from one place to another.
- Banking sector supports primary and secondary sector by providing the necessary credit for working capital and also for fixed capital.
- The insurance sector provides risks cover to industrialists and agriculturists.
- Communication provides the vital link for business decisions and actions.

### The services sector generates revenue to the Government by way of services tax.

The services tax was introduced in 1994-95, when it was levied on stockbrokers, and general insurance. Over the years, the taxable services list has been expanded. At present, all services are subject to services tax, except those which are in the negative list of services. In 2013-14, service tax revenue of the Central Govt. was 154630 crore ( ₹ 1.5 lakh crore), i.e. 13.6% of the total gross tax revenue. At present under GST, services tax is the major source of revenue.

### The services sector facilitates improvement in efficiency of the organizations.

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

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

As the efficiency of educated and trained personnel is comparatively higher, and Research and Development and consultancy services may also assist in reducing costs and improving quality, which results in higher returns to the organizations.

### Facilitates the Regional Development:

Services sector assists in regional development by providing services such as transport, banking, communication, etc. in various regions; the service sector helps the country to achieve regional development. Prior to 1990s, a few States in India like Maharashtra (especially Mumbai), Gujarat, Tamil Nadu, and West Bengal had a good services network, and as such these states were industrially developed as compared to other states. However, after 1991, there has been a moderate growth in services network throughout the country, and therefore, economic growth in such states has shown remarkable increase.

### It Improves Standard of Living:

The services sector helps to improve standard of living of the people due to the abundance of various types of services such as education, health, recreation and entertainment, and so on. Also, the services sector provides employment to millions of people in the country, which in turn increases income level of those employed. Increase in income level results in higher purchasing power. This leads to higher consumption of goods and services. The increase in consumption of goods and services results in higher standard of living of the people.

### Social Development:

The services sector facilitates social development through

- Development of Educational institutions helps in improvement in literacy.
- Hospitals, clinics and medicine facilitate higher life expectancy.

- Media services create social awareness and reduce inequalities:

#### **The services sector helps to reduce inequalities:**

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

#### **Problem of Indirect Channels:**

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

#### **Problem of Inseparability**

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

The inseparability characteristic of services creates certain problems:

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

#### **Challenges in Services Marketing**

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

- **Challenges of Customer Retention:** Services providers face the challenges of customer retention. Customers may switch over to the competitors. Therefore, the service firm needs to undertake customer satisfaction surveys, and make changes in marketing mix, including introduction of new and innovative services. **Challenges of Intangibility:**
- The intangibility characteristic of services creates certain challenges such as:

- Demonstration of services is difficult.
- Pre-purchase evaluation is not possible.
- Creation of strong corporate image
- Decorator – interior and exterior should give a pleasant appearance.
- Training of employees to improve their efficiency.
- **Challenges of Inseparability:** Services cannot be easily separated from the service provider.
- Physical presence of the customer and service provider is essential.
- Service providers can overcome the above problems with the help of following strategies:
- Franchising agreements to overcome the problem of geographical reach.
- Training to the support staff to deal with certain activities.
- Use of automation such as ATMs by banks.
- **Challenges of Inconsistency:** Service performance may vary from one person to another within the same organization.

The Liberalization Privatization and Globalization, (LPG), together with WTO rapid strides made by information technology, have brought deep competition in every field of activity. Currently India's GDP is heavily tilted in favor of services sector. Indian industry at present is dazed, confused, less competitive and apprehensive. IT and BPOs services became poster boys of economic liberalization. The marketing complexities and competition have increased, product life cycles have shortened and the market is more turbulent than ever before. Indian industry is desperately looking for strategy and action plans that would ensure its survival and growth. In the fast changing socio-economic environment, the consumer is truly a moving target today. A sharp product segmentation based on consumer insights is highly desirable. The challenge for the marketers is to use the tools of branding and pricing at their disposal to ensure that the most valuable package in the customer's perception is represented by their brand. Hence, the cooperative and collaborative relationships with customers are the most prudent way to keep track on changing expectations. The classification of services and customization is essential to regain the lost customers.

#### **Strategies**

Differentiation strategies are to command premium price and gastronomy strategies to provide a great deal of interaction and personalization to consumers are amongst the prominent strategies which could be used in customer relationship management.

The market research should be visualized as a series for building blocks of information necessary for strategy development.

The Indian marketers should give emphasis upon strategic marketing of their products/services in the changing business scenario.

In the present scenario in India, the national economy and marketplace are undergoing rapid changes and transformation. A large number of reasons could be attributed to these changes. One of the reasons in these changes in Indian Market Scenario is Globalization, and the subsequent and resulting explosive growth of global trade and the international competition.

The Indian Marketing Scenario is one of the biggest consumer markets in the world and that is precisely the reason why India has attracted several MNC's. These large Multi National Companies have realized that to succeed in the Indian market-place they need to hire Indian marketers, who are much more aware of the Indian economic, political, legal and social realities. In the Indian Marketing Scenario, it is the 'Made for India' and 'Make in India' marketing strategies that work.

The Indian market is now no longer a seller's market. The winner is the one who provides value/quality for money. A large number of companies have huge idle capacities, as they have wrongly calculated the market size and installed huge capacities. This has further contributed to converting the Indian market into a buyer's market than seller's market.

Today, the companies are operating in such marketplaces where survival of the fittest. In order to win, the companies are coming out with various new and evolving strategies. As the Indian market is changing very fast, to capture the Indian market, that the Indian and the Multi National Companies are using much of their resources.

Let us analyze some of the Services of market of India.

#### IV. ANALYSIS

Three sectors which contribute to GDP of any country are (a) Agriculture (b) Industry / Manufacturing & (c) Services. Current contribution of these sectors in Indian Economy is as follows-

- (a) Agriculture: 28%
- (b) Industry / Manufacturing: 16%

- (c) Services: 56%

Current contribution of these sectors in Indian Economy

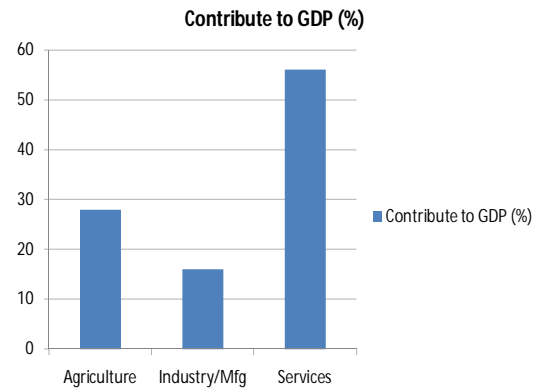


Figure 1.

Sources: Business Insider.

It is clearly visible that our economy is over dependent on Services sector.

It is not only about Indian Economy but for that matter if we observe that any world economy with over dependence on Services sector are in deep trouble. Contribution of Services sector in GDP of major world economies are as follows:

- a) USA: 76%
- b) China: 43%
- c) Japan: 74%
- d) Germany: 71%
- e) France: 80%
- f) UK: 77%
- g) India: 56%

Except China, all above these countries are struggling to revive their economy. Recently quite surprisingly Japanese economy falls into Recession. Chinese economy maintained fine balance between Services and Industrial / Manufacturing Sector. Contribution of Industrial sector is 47% to Chinese GDP & Services Contribute 43%. Because of meticulous fine balance, Chinese economy is stable and growing at healthy rate. It can be concluded that common reason for worldwide economic recession is over dependence on Service sector.

#### Current Scenario of Services of Market in India

Promotion is a fight not only for market share, but also for mind share. The combination of channel and the promotion has become a dominant strategic tool for Indian insurance companies. India's liberalized economy has solicited all private players to serve in the Insurance market. Now the challenge and success for the insurance marketer lie in exploring the market with a balancing marketing strategy among consumers, competitors and the IRDA.

### Contribution of Services sector in GDP of major world economies

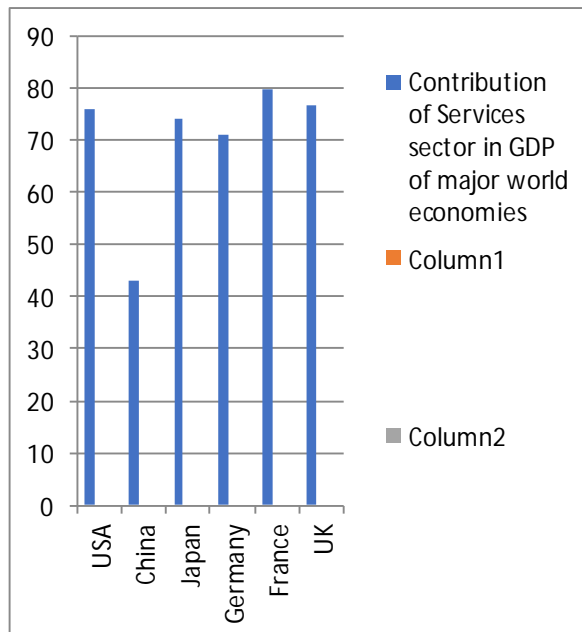


Figure 2.

Sources: Business Insider.

The various sectors that combine together to constitute service industry or sector in India are

- Insurance
- Medical Transcription
- Indian Aviation
- Hotel and Restaurants
- Railways
- Other Transport and warehouse
- Communication
- Banking
- Dwellings, Real Estate
- Trade
- Business Services
- Community Services
- Other services

The following are the few services highlighted here.

### Marketing of Insurance Services in India

Insurance industry is emerging competitive service in the Indian context particularly after floodgates of secured monopoly markets are opened up to private players. Marketing insurance services in the Indian context has become a different ball game altogether as various companies are adopting different marketing strategies and there has been a shift from selling orientation to marketing orientation by different agencies.

Insurance Agents are becoming advisors and relative role of sellers to marketer. This changed scenario has made the industry adopt the different marketing strategies. Customizing the products, pricing, channel strategies as direct selling, E- channel, company advisors, company agency channels, cross-selling and Bank assurance are becoming contemporary strategic tools for present Indian insurance market scenario. The latest competition among different players such as LIC, ICICI Prudential, AVIVA, TATAAIG, MAX NEWYORK etc., has made the insurance service industry move towards better service deliverers. The positioning of themselves with a USP, using advertising as a tool to communicate the same and building brands have become an inevitable marketing exercise in Indian insurance companies.

This promotion is a fight among the agencies not only for market share, but also for mind share. The combination of channel and the promotion has become a dominant strategic tool for Indian insurance companies. India's liberalized economy has solicited all private as well as public players to serve the Insurance market. Now the challenge and success for the insurance marketer lie in exploring the market with a balancing marketing strategy among consumers and competitors.

### Medical Transcription and India:

Medical transcription is an interesting, challenging and paying its career and one of the fastest growing services in medical services.

Doctors (or their secretaries/nurses) into a tape or onto a digital Voice processing system are accurately and swiftly transcribed i.e. converted into a word document, by the MT or MLS (medical language specialist). These records could be clinic notes, office notes, operative or consultation notes sophisticated discharge summaries, etc.

The document is proofread to at least 98% accuracy before being uploaded back to the doctor's office or clinic.

India witnessed “MT boom” a few years ago, with innumerable training institutes mushrooming all over the places. Lack of proper training and understanding of this new concept led to an almost total closure of these institutes. Those that have remained in the field are today flourishing business enterprises, offering this new job opportunity to thousands of people. India is a very good locale for outsourcing this work due to so many factors. We have a huge mass of English-speaking and computer-literate people in our country.

### **Current Scenario of Indian Aviation Industry Market**

The Indian Aviation Service industry is one of the fastest growing aviation industries in the world. India has 454 airports and airstrips; of these 16 are designated international airports. With the liberalization of the Indian aviation sector, aviation industry in India has undergone a rapid transformation. From being primarily a government-owned industry, the Indian aviation industry is presently dominated by privately owned full-service airlines and low-cost carriers. Private airlines in India, account for around 75 per cent share of the domestic aviation market.

**Transport services** are utilized for bridging the place gap. There are several modes of transport such as road, rail, water, and air.

**Warehousing-** Goods need to be stored in warehouses, till they are demanded in the market. Due to warehousing, goods can be produced in large scale, and seasonal goods are made available throughout the year.

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

**Retail Trade-** Retail industry contributes 10% of India’s GDP. Currently retail trade sector occupies the second position in India’s GDP after agriculture. The Indian retail market is estimated to be US\$ 500 billion in 2012 and is projected to reach US \$ 1.3 trillion by the year 2020. India is one of the top five retail markets in the world. India’s retailing industry mostly consists of the local mom and pop stores, owner manned shops and street vendors. Organized retail supermarkets are growing but small, with a market share of 4% as of 2008. In Sept 2012 government permitted 51% FDI in multi brand retail and 100% FDI in single brand retail.

**Communication -** It facilitates transfer of exchange of information through different Medias. Communication facilitates enquiries for goods or services, negotiations of business dealings, placement of orders, obtaining feedback from customers, etc. There are various means of communications systems like written, oral, television and internet media.

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

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

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

### **Market Size:**

Domestic and international traffic is up to 45 percent and 15.1 per cent, respectively. Between May 2007 and May 2008 Airlines have carried 25.5 million domestic and 22.4 million international passengers. Over 135 aircraft have been added in the past two years alone. Centre for Asia Pacific Aviation (CAPA) estimates domestic traffic will grow 25-30 per cent annually and international traffic 15 per cent until 2010. According to data compiled by the Airports Authority of India (AAI), 24.62 million people flew on the international routes to and from India during April-January 2007-08. This was a growth of 16.2 per cent over the same period last fiscal. The growth of domestic air passengers was at an even faster rate of 26.1 per cent, with 72.60 million people availing aircraft services. Simultaneously, freight traffic on both domestic and international routes increased by a healthy 8.2 per cent and 12.6 per cent, respectively.

The services sector is the key driver of India’s economic growth. It contributed around 66.1 per cent of its

Gross Value Added growth in 2015-16, thereby becoming an important foreign exchange earner and the most attractive sector for FDI (Foreign Direct Investment) inflows. As per the first advance estimates of the Central Statistics Office (CSO), the services sector is expected to grow at 8.8 per cent in 2016-17.

According to a report by leading research firm Market Research Store, the Indian telecommunication services market is expected to grow by 10.3 per cent year-on-year to reach US\$ 103.9 billion by 2020.

The Indian digital classifieds industry is expected to grow three-fold to reach US\$ 1.2 billion by 2020, driven by growth in horizontal classifieds like online services, real estate and automobiles.

Out of overall services sector, the sub-sector comprising financial services, real estate and professional services contributed US\$ 305.8 billion or 20.5 per cent to the GDP. The sub-sector of community, social and personal services contributed US\$ 188.2 billion or 12.6 per cent to the GDP.

### Government Initiatives

According to the Department of Industrial Policy and Promotion (DIPP), the Indian services sector which includes financial, banking, insurance, non-financial/business, outsourcing, research and development, courier and technical test analysis, has attracted the highest amount of FDI equity inflows in the period April 2000-December 2016, amounting to about US\$ 58.345 billion which is about 17.99 per cent of the total foreign inflows.

The Government of India recognizes the importance of promoting growth in services sector and provides several incentives in wide variety of services such as health care, tourism, education, engineering, communications, transportation, information technology, banking, finance, management and so on.

Prime Minister Narendra Modi has stated that India's priority will be to work towards trade facilitation agreement (TFA) for services, which is expected to help in the smooth movement of professionals.

The Government of India has adopted a few initiatives in the recent past. Some of these are as follows:

- The Ministry of Electronics and Information Technology has launched a services portal, which aims to provide seamless access to Government services related to education, health, electricity, water and local services,

justice and law, pensions and benefits, through a single window.

- The Government of India plans to significantly liberalize its visa regime, including allowing multiple-entry tourist and business visas, which is expected to boost India's services exports.
- Mr. Ravi Shankar Prasad, Minister of Communication and Information Technology, announced plan to increase the number of common service centers or e-seva centers to 250,000 from 150,000 currently to enable village level entrepreneurs to interact with national experts for guidance, besides serving as a e-services distribution point.
- The Central Government is also considering a two-rate structure for the goods and service tax (GST), under which key services will be taxed at a lower rate compared to the standard rate, which will help to minimize the impact on consumers due to increase in service tax.
- The Reserve Bank of India (RBI) has allowed third-party white label automated teller machines (ATMs) to accept international cards, including international prepaid cards, and has also allowed white label ATMs to tie up with any commercial banks for cash supply.

### V. CONCLUSION

The Services sector growth is governed by both domestic and global factors. The Indian service facilities management market is expected to grow at 17 per cent CAGR between 2015 and 2020 and surpass the \$19 billion mark supported by booming real estate, retail, and hospitality in services sector. The performance of trade, hotels and restaurants, and transport, storage and communication services are expected to improve in FY-2017. The financing, insurance, real estate, and business services sectors are also expected to continue their good position in FY-2017.

India's services sector is burgeoning sign of an economy on the high growth path. It has become the mainstay of the growth process and has emerged as the most dynamic sector of the Indian economy, particularly since last one and half decade. The foregoing analysis brings out the fact that in comparison to different countries of the world, the share of services sector in India is not a high. And secondly, in spite of the rising share of services in GDP and trade, there has not been corresponding rise in the share of services in total employment. This jobless growth of India's services sector, with no corresponding growth in the share of manufacturing sector, has raised doubts about its sustainability in the long run. The observed dominance of services ahead of industry with the decline of agriculture has given rise to apprehension as to whether the sequence of the growth process would be

reversed in the future particularly when the sector is yet to achieve the adequate growth. Such apprehension seems to have gained a ground in the absence of pervasiveness of services in the country's employment. Moreover, most of the services have for a long time been in the public domain and they suffer from both internal and external constraints in terms of high barriers to trade, as well as domestic constraints in terms of being highly regulated services with state monopolies. Hence, these services consequently suffer from inefficiencies and low growth.

Now, India has been attracting several Multi National Companies of the world. These large companies have realized that to succeed in the Indian market place they need to hire Indian marketers who are much more aware of the Indian economic, political, legal and social realities. In the Indian Marketing Scenario, it is the 'Made for India' and 'Make in India' marketing strategies that work. The Indian marketers must give emphasis upon strategic marketing of their products and services in the changing business scenario. 'Make in India' campaign was launched by Prime Minister Sri. Narendra Modi on Sep 25, 2014. The key objective of Make in India campaign is to invite businesses not only in India but across the world to invest and manufacture in India. This campaign enhances Job Creation, Economic Development and Global Recognition also.

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