

Chapter 2

Services Marketing: A Sector of the Current Millennium

Tulika Sood
JECRC University, India

ABSTRACT

Service Sector which is considered to be the sector of the millennium and one of the key drivers of India's economic growth. The objective of the chapter is to identify the growth and challenges of the sector. The chapter also portrays some of the developments and major investments by companies in the services sector in India. The Government of India recognizes the importance of promoting growth in services sectors and provides several incentives in wide variety of sectors such as health care, tourism, education, engineering, communications, transportation, information technology, banking, finance, management, among others. The chapter provides a sneak peek into the various service industries in India.

INTRODUCTION: SERVICES

The concept of services has been taken as a refuge to differentiate the physical products as a competitive strategy. In the past, manufacturing industries grew because they produced commodities to satisfy humans' physiological needs of food, shelter, and clothing. Once these basic needs were met, there was demand for improved satisfaction. The customers started believing that he/she deserves a better treatment from the manufacturer for the money he/she spends on buying. This led to a proliferation of variation of same products with attached services as complimentary value to the money of customers. The term service is rather general in concept and it includes a wide variety of services ranging from business and professional services, such as,

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advertising, marketing research, banking, insurance, computer programming, legal and medical services, to services rendered by professionals for business like leisure, recreation, entertainment and fulfillment of other psychological and emotional needs, such as, education, fine arts, etc.

According to Philip Kotler (2003) “Service is any activity or benefit that one party can offer to another that is essentially intangible and doesn’t result in the ownership of anything. Its production may or may not be tied to a physical product.” Whereas W.J. Stanton (n.d.) has included major characteristics of services in his definition when he writes that “*Services are those separately identifiable, essentially intangible activities which provide want satisfaction and are not necessarily tied to the sale of a product or another service to produce a service, may or may not require the use of tangible goods. However, when such use is required there is no transfer of title to these tangible goods*”.

According to India’s, Central Statistics Office (CSO¹) classification of the services sector falls under four broad categories, namely:

1. Trade, hotels, and restaurants;
2. Transport, storage, and communication;
3. Financing, Insurance, Real estate, and Business services; and
4. Community, Social, and Personal services.

SERVICE SECTOR IN INDIA

Service Sector is considered to be the sector of the millennium, a term coined by President of India, Mr. Pranab Mukherjee at the inaugurating session of the Second Edition of Global Exhibition on Services - 2016 at India Expo Centre & Mart, Greater Noida. It is increasingly becoming critical to the development trajectory of a country, especially since the World Bank found that the sector’s contribution in poverty alleviation is greater than that of agriculture and manufacturing. The sector is driving the present economy towards an inclusive and equitable manner by generating employment, skill development, bringing FDI, enhancing trade and boosting strategic partnership. As per the President Pranab Mukherjee, the service sector of India has the potential to migrate from a developing to a developed economy.

Indian economy is classified in three sectors — Agriculture and allied, Industry and Services. The tertiary sector of the economic sectors is the service sector. The other two are the primary sector, which covers areas such as farming, mining and fishing; and the secondary sector which covers manufacturing and making things. A

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