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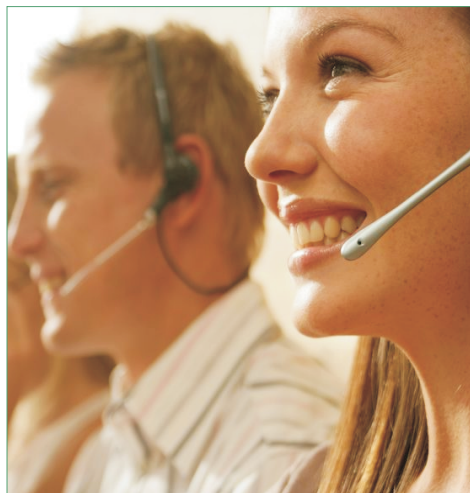
### SERVICE MARKETING IN INDIA – BENEFITS AND CHALLENGES AHEAD

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#### ABSTRACT

**S**ervice sector is a major contributor in India's GDP and also provides employment opportunities to large number of people. But there are certain impediments faced by service sector in India. The essence of present study is to highlight the importance of service sector in Indian economy along with the



challenges faced by this sector in the area of marketing.

**KEYWORDS** :India, Service sector, marketing.

#### INTRODUCTION

As the name suggest service sector is concerned with providing services in different forms to consumers such as trade and repair services,

hotels and restaurants services, transport, storage and communication services, railway, roadways, waterways and airways services, financial services such as banking, insurance and so on. Service sector has a major role to play in each and every economy because no economy can properly function in the absence of services. As far as Indian service sector is concerned, it is one of the fastest growing sectors and the highest contributor in India's GDP as compared to agriculture and industry. Industry ranks 2nd and agriculture ranks 3rd in respect of contribution in India's GDP. The major categories of services rendered in India are as follows:

**1. Energy and Power:** In 2013 India became the third largest producer of electricity in the world with 4.8% global share in electricity generation. [1][2]

**2. Infrastructure:** The contribution of India's infrastructure and transport sector in India's GDP is 5% and India has second largest road network in world in quantitative aspect. [3][4]

**3. Retail Trade Services:** Retail trade may be defined as the process of selling consumer goods and consumer services with the assistance of multiple channels of distribution with the objective of earning profit.[5] Indian retail industry is gaining new heights in global market and with 1.2 billion people is one of the fastest growing retail markets in the globe.[6][7][8][9] The share of retail in India's GDP is around 22% due to which it is considered as an integral part of economy.[10][11][12][13]

**4. Banking Services:** Banking is one of the leading service sectors in India which provides credit to public as well as to industries. The leading commercial banks of India are State Bank of India, Bank of Baroda, Punjab National Bank, Axis Bank and so on whereas Industrial Development Bank of India, Industrial Finance Corporation of India, Industrial Credit and Investment Corporation of India are leading industrial banks of the country. It can be noted that ICICI is now engaged in commercial banking services also. The largest

**5. Insurance Services:** A number of companies in India are now entering in Insurance sector with the objective of providing insurance service facilities such as life insurance, accident insurance, vehicle insurance, fire insurance and so on. Life Insurance Corporation, Royal Sundram, National Insurance Company, Iffko Tokyo is some of examples of insurance companies operating in India.

**6. Hotel Services:** India is famous for holiday destination due to which a number of companies are also engaged in providing hotel services ranging from economy class hotels to luxury hotels.

**7. Other Services:** Other sectors such as transportation, warehousing, communication, information technology, airlines etc. are also gaining popularity in India with the advent of Globalisation.

## OBJECTIVES OF THE STUDY

- To highlight the various benefits of service to Indian economy.
- To examine the challenges faced by service sector in the area of marketing.

## RESEARCH METHODOLOGY

The study is based on secondary data and the relevant information in this regard has been collected from various government publications, magazines, journals, economic survey etc.

## BENEFITS OF SERVICE MARKETING IN INDIA

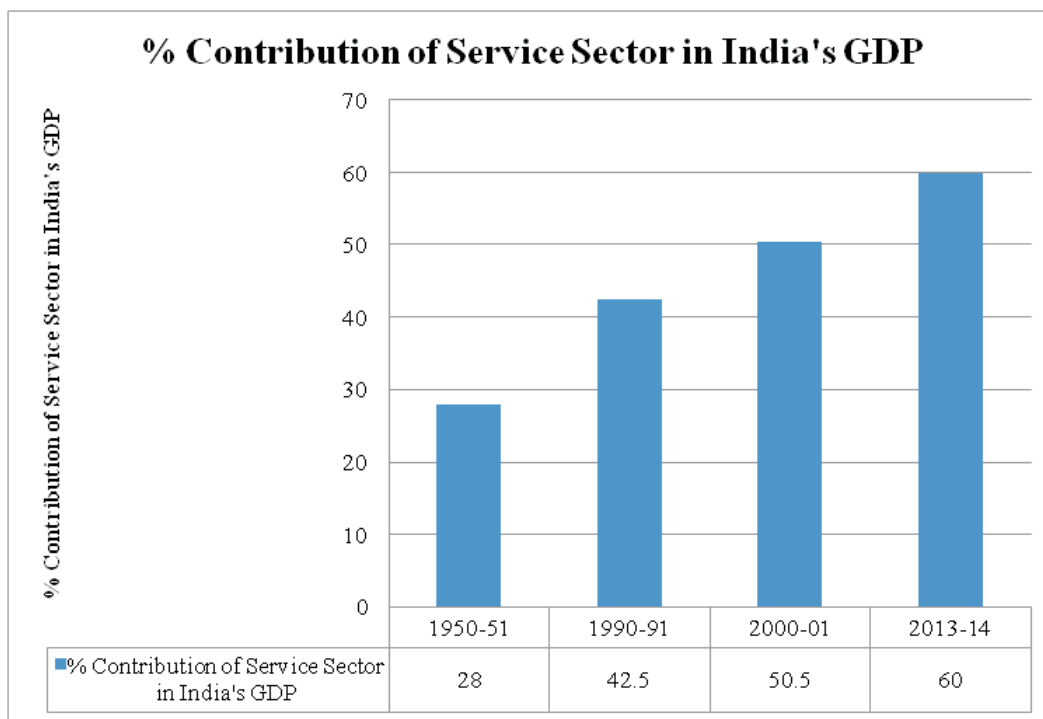
Service sector provides numerous benefits to Indian economy, out of which the key benefits offered are as under:

**1. Employment Opportunities:** Service sector is employing a massive workforce in Indian economy particularly in urban areas. As, unemployment rates are very high in India, service sector provides a good opportunity to curb the menace unemployment in Indian economy.

**2. Respectful Contribution in GDP:** India's service sector has largest share in GDP, which stood at 57% in 2012.[14][15]

The following figure demonstrates the contribution of service sector in India’s GDP:

**% Contribution of Service Sector in India’s GDP**



Source: Economic Survey 2013-14, Page 5 – Statistical Appendix

The above table and graph clearly represents that the contribution of service sector in India’s GDP is continuously increasing since 1950-51. In 1950-51 the contribution of service sector in India’s GDP was only 28% which has increased tremendously to 60% in 2013-14.

**3. Generates Revenue for the State:** Service sector also generates revenue for central as well as state governments by the way of service tax.

**4. Encourages Investments:** One of the hidden benefits of service sector is, its capability to encourage capital formation in the country, by way of savings done by common man in banks and insurance policies. These savings in banks and insurance policies encourages investments and these investments finally promote capital formation in the nation.

**5. Amplifies Standard of Living:** Since, service sector provides employment to large number of unemployed people in India, it is directly responsible for increasing their standard of living by amplifying their level of income.[16]

**CHALLENGES AHEAD**

Despite number of benefits offered by service marketing, certain impediments are hampering its proper functioning which is as follows:

**1.Services cannot be returned:** As against the goods which can be returned in case of defect, services cannot be returned by a person such as poor hotel service provided by hotel owner cannot be returned, insurance service provided by an agent cannot be returned etc.

**2.Services cannot be protected by patents:** Another difficulty faced by service marketing is that it cannot be protected by patents as in the case of goods or products.[17][18]

**3.Services cannot be conserved:** Goods can be non – perishable in nature, but services are perishable in nature because of the fact that services cannot be preserved, for example, the services of a hotel room lying idle on 27/August/2015 cannot be utilised on 28/August/2015 where as a packet of biscuit not sold on 27/August/2015 can be sold on 28/August/2015.[19][20][21][22][23]

**4.Difficulty in estimating price:** Price of a product can be easily estimated by adding up the desired level of profit with the production cost but in the case of services, it is very difficult to estimate its price.[24][25][26]

**5.Inconsistence in nature:** Services are highly inconsistence in nature as compared to goods, for example, a dove shampoo pouch will have the same colour, size and smell, throughout the places it is being sold but service provided by an LIC agent in Lucknow may differ from the service provided by another LIC agent in Raipur.

**6.Insubstantial Nature:** Insubstantial or intangible nature of service marketing is one of the major obstacle behind its proper marketing. For example services like insurance, banking, transportation etc. does not have any physical identity due to which they lack in providing certain facilities to consumers such as; facility of demonstration before sales is not possible, estimation of services before actual sales is not possible.[27]

## CONCLUSION

There are number of challenges faced by service sector because of its unique nature such as it is perishable and inconsistence but, despite of these limitations it is the major contributor in GDP of India and its contribution has shown a respectable increase in India's GDP since 1950-51. The reason behind this can be its universal requirement in different streams which is supporting the growth of service sector in India.

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