



COMPETITIVE ADVANTAGE IN SERVICE SECTOR INDUSTRY THROUGH  
STRATEGIC MANAGEMENT

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*Abstract*

*Services have grown rapidly in importance all over the world. Considering that half to two third of the economic activity in most countries takes place in the service sector, and a constantly growing percentage of the active workforce is employed within the service sector, the management of the services has grown as a predominant field of study. The main focus of the management of services is to ensure that principles relating to service industries are applied effectively, not to achieve maximum profits but also to keep the service customer based. In managing services the complicated characteristics of services and the nature of the service production and consumption (e.g. the inseparability of production from consumption and the role of customers as co-producers, as well as the broad interface between the service provider and the customers) make the external efficiency of the business i.e. customer satisfaction, the focal point of management. Although customer comes first in the service industry, the underlying structure and cost considerations are still of great importance.*

*It is therefore necessary for the business organizations to develop the strategies, which would provide them competitive advantage in the existing dynamic markets in Indian and at international level. Creating competitive advantage is a need of today and developing strategies to create this advantage is must for any organization. In this article author has attempted to highlight some strategies used in service sectors to have competitive advantage like outsourcing, customer relationship management (CRM), and change in employment pattern, marketing of services, knowledge management. All these strategies revolve around cost differentiation and customer satisfaction to get competitive advantage in service sector.*

**I. RATIONALE OF COMPETITIVE ADVANTAGE STRATEGY IN SERVICE SECTOR**

Globalization of Indian economy has resulted in increased business opportunities both for Indian entrepreneurs in foreign markets and foreign sellers in Indian markets. The competition in all categories of products has increased in Indian as well as in foreign markets. If we look at present competitive business environment in India, we find that liberalization, privatization and globalization has been the main reason competitiveness among corporate. A number of other factors have led to the increasing competitive environment among corporate such as: decreasing tariffs, improved transportation, opening up of cross border trade, improved communication and information technology, global manufacturing of products, availability of services across markets and many more. These changes enabled the global competitors to make



the products and services available to customers worldwide, and the results have been a proliferation of choices for consumers and the need for the companies to offer greater products and service quality at lower cost in order to remain competitive.

These pressures have led to an increased emphasis on reengineering internal business process and working more collaboratively with the customers and suppliers to better integrate planning and operations throughout the supply chain as a means to reduce cost and improve services. Thus a company's competitive position depends upon its ability to understand changes in customer's demands and respond appropriately with goods and services that will meet those demands.

Having a competitive edge means possessing an advantage over your competition. If you don't have this vital information, get it quickly. You should not live in awe of your competition, nor should you fear them, but you must find out who they are and what makes them attractive to current and potential customers. Assessing your competitor openly and honestly will play a key role in helping you develop a competitive edge.

## **II. DIFFERENT STRATEGIES FOR CREATING COMPETITIVE EDGE IN SERVICE SECTOR INDUSTRIES**

### **1. Achieving high performance through outsourcing**

Outsourcing serves two main functions: first, it can serve as an accelerator to achieve high performance in mission – critical areas, enabling a company to quickly build scale and best-in-class processes. Second, it allows a third party to take responsibility for the less critical areas, thus enabling companies to focus on those capabilities that will have greatest impact on their business.

Outsourcing is beneficial if the organisations have identified that what they will outsource are non-core and non – competitive advantage activities. The money saved here needs to be reinvested into the core activities and more particularly in activities that raise the bar and make it harder for the competitors or the new market entrants to catch up with the company. For example: Accounting and finance activities can be outsourced in automotive industries.

### **2. Banking service and Marketing strategy**

Banking reforms have unleashed tremendous change in the banking sector. The tough competitive scenario compels every bank now a day to invest in latest technology so as to serve customer needs promptly and effectively. The ATM, phone and the internet are rapidly eroding the significance of a branched network. Banks are more interested in developing specific marketing initiatives to attract customers from other banks with incentive schemes. Apart from brand building exercises banks need to focus attention on innovative, customised products to serve the unique requirement of a particular class of customer

### **3. Insurance sector and knowledge management strategy through IT solutions.**

Insurance companies confronted with a number of considerable challenges. They have to deal with wide range of customer queries for purchasing a new policy or about the transactions



happening in already existing policies. Every information given to customers or agents possesses legal accountability so information should be absolutely accurate. Customers expect instant answers to questions. This create high stress work environment for employees. New staff has to learn knowledge management for gaining efficiency through IT solutions. A user interface can be provided through which information regarding each and every policy can be fetched to the database attached with knowledge management system. The user interface can be made public as well by allowing customers and agents to access it through web services. Customers and agents can also send their feedback and suggestions as well.

#### **4. Value addition by customer satisfaction and loyalty through strategy of CRM**

In order to understand customer perceived value, the buyer's value chain needs to be addressed. Buyer's value chain is a starting point for understanding what is valuable to a customer. It represents the sequence of activities performed by an individual buyer in which product of service is appropriate. For example a bank account may be an input into the customer value chain. The manner in which the bank account is actually used is determined by the customers own priorities and values, and these then affect the aspect that are of value to that customer . So, establishing what value the customer is actually seeking from firms offering is a starting point for being able to deliver the correct value providing benefits.

#### **5. Increasing efficiency of workforce by strategy of change in employment pattern.**

There is a correlation between number of employees and business efficiency. By downsizing the workforce efficiency of the workers is increasing. Employee's efficiency is calculated by dividing total turnover by number of employees in the corresponding years. It shows the per employee productivity. As the new technology comes it affects the efficiency of the employees. Intake of more female workforce at higher and lower level also contributes towards efficiency and productivity in the service sector positively. For example as compared to public sector and private sector banks in foreign banks number of female employees at lower and higher level are more. However a foreign bank does not contribute towards employment creation.

### **CONCLUSION**

In today's competitive market place maintaining a competitive advantage by becoming a low cost leader or differentiator is a prime opportunity. Competitive advantage lies in being able to tap company's core competencies and the ability to respond to customer's needs and competitors moves. In creating a customer value proposition is fundamental to increased customer orientation. It is also necessary for securing a competitive environment. Thus a company can follow two generic routes to compete in a market: differentiation or low cost. But both these approaches emphasise a same objective i.e. to create superior customer value. Although customer comes first in service industry, the underlying structures and cost considerations are still of great importance.



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