

A Study on Benchmarking: Importance of Benchmarking Process in Service Marketing

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Abstract: The purpose of this paper is to know the word benchmarking in services marketing and how important the benchmarking process in service marketing. Today's is service era. Service sectors account for more than 70% employment opportunities. Even in the time of economic meltdown, unlike manufacturing sector, the service sector has registered employment rate up. Benchmarking is part of the process of continuous improvement in Service Marketing. Companies use benchmarking as a way to compare key metrics to other businesses in the industry. This allows companies to see how well they are performing and identify ways they can become more competitive in the industry. In this we will look at the different types of benchmarking, the stages of benchmarking.

I. Introduction:

Today's is service era. Service sectors account for more than 70% employment opportunities. Even in the time of economic meltdown, unlike manufacturing sector, the service sector has registered employment rate up. Our economy is emerging as the service economy because service sector contributes more than 50 per cent to the GDP of the nation. This sector has major contribution in the national income. Note that services are no longer treated as an industrial by-product. The sector is booming.

"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.

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

II. Bench marketing:

In the business world, companies use benchmarking as a point of reference. But instead of having physical benchmarks carved in stone, they use benchmark reports as a way to compare themselves to others in the industry. **Benchmarking** is the practice of a business comparing key metrics of their operations to other similar companies.

"Benchmarking is part of the process of continuous improvement in Services marketing. It is defined as measuring that of the strongest competition in order to establish best practice". Companies use benchmarking as a way to help become more competitive. By looking at how other companies are doing, they can identify areas where they are underperforming. Companies are also able to identify ways that can improve their own operations without having to recreate the wheel. They are able to accelerate the process of change because they have models from other companies in their industry to help guide their changes.

The basic idea behind benchmarking is simple:

- Find an organisation that is best at what your own organisation does;
- study how it achieves such results;
- make plans for improving your own performance;
- implement the plans; and
- Monitor and evaluate the results.

Benchmarking of business processes is usually done with top performing companies in other industry sectors. This is feasible because many business processes are essentially the same from sector to sector. You can also think of a **benchmark report** as a dashboard on a car. It is a way you can quickly determine the health of the business. Much like a dashboard, where you can check your speed, gas level, and temperature, a benchmark report can examine things like revenue, expenses, production amounts, employee productivity, etc.

III. Different Types of Benchmarking

➤ **Competitive Benchmarking**

Benchmarking is performed versus competitors and data analysis is done as to what causes the superior performance of the competitor.

It can be, in some respects, easier than other types of benchmarking and in some Respects more difficult. It is easier in the sense that many exogenic variables affecting Company performance may be the same between the source and the recipient Organization, since we are talking about companies of the same sector. On the other hand it is more difficult because, due to the competitive nature, data recuperation will not be straightforward. Difficulties of this type may be overcome if the two organizations have for e.g. different geographical markets.

➤ **Internal Benchmarking**

This process could be applied in organizations having multiple units (for e.g. multinationals, companies with sale offices around the country, with multiple factory locations within the same country).

➤ **Process Benchmarking**

Here we look at processes, which may be similar, but in different organizations, producing different products, for e.g. airline industry & hospital industry looking at the process of catering their 'clients'.

➤ **Generic Benchmarking**

We would look here at the technological aspects, the implementation and deployment of technology. How else other organizations do it? Hence the source organizations may be of same industry or from another industry.

➤ **Best practices**

This is a benchmark report where companies choose to look at a company or companies that they aspire to be like. By choosing companies that are on the leading edge of the industry, they can identify best practices that help improve their own company.

➤ **Peer benchmarking-**

This is a benchmark report where companies choose to look at other businesses very similar to themselves. This allows companies to make sure they are staying competitive with similar businesses.

➤ **SWOT-**

This is a type of benchmarking report where companies gather data by looking at strengths, weaknesses, opportunities, and threats to help understand their climate.

➤ **Collaborative benchmarking-**

This is benchmarking as a part of a group. Many industries have associations they can join e.g., The Association of Information Technology Professionals, and The National Education Association. These collaborative associations allow for members to provide information to the association. The association can then provide benchmarking and best practice reports for the membership.

Importance of benchmarking process in service marketing.

Benchmarking is part of the process of continuous improvement in Service Marketing. It is defined as measuring that of the strongest competition in order to establish 'best practice'. Benchmarking can be applied at three levels. Internal benchmarking can be carried out in the larger organization by way of comparisons between operations units.

Thus the supermarket chain might benchmark operations across stores, a financial institution across branches, different hospitals under the same health authority, different college under the same education authority. Clearly of paramount importance is how performance is measured, and this has a clear link to the strategy of the organization.

At a second level, competitive benchmarking can be used. This is probably the most frequently quoted use where comparisons are made with directly competitive organizations. This can be achieved relatively easily in some service environments because of the necessity for the customer to participate in the process.

As a hotel owner, it is possible to 'sample' the service of a competitor simply by 'posing' as a guest. Often, however, this is done in an informal manner. A comparative impression is gained of the service without examining the different facets in a structured way and attempting to measure them.

The third approach is functional or generic benchmarking, which compares specific functions, such as distribution and after-sales service. The advantage here is that information is sometimes easier to obtain than when comparisons are being made with competitors.

Care has to be taken in selecting the dimensions and scales to be used for performance measurement and in ensuring that due account are taken of all relevant factors.

Benchmarking Process

Step one: Determining benchmark focus - During this phase, the company determines the specifics of the research project. (e.g., which companies will they include in the research, and what types of metrics they will compare).

Step two: Planning and research - During this phase, the company puts the resources together to implement the project e.g., develop surveys, seek cooperation from other companies, and find databases already available.

Step three: Gathering data - During this phase, the data is collected through the methodology determined in the planning and research phase.

Step four: Analysis - After gathering the data, the company uses statistical techniques to examine and create the findings.

Step five: Recommendations - After analyzing the data and areas where the company can improve, recommendations are developed.

Step six: Implementation - After reviewing recommendations, the company implements those that are feasible.

Some of the benefits realized through benchmarking include:

- The best practices from any industry may be creatively incorporated into a company's operations. Thus, benchmarking should not be aimed solely at direct competitors and, in fact, it would be a mistake to do so.
- Benchmarking is motivating. It provides targets that have been achieved by others.
- Resistance to change may be lessened if ideas for improvement come from other industries.
- Technical breakthroughs from other industries that may be useful can be identified early.
- Benchmarking broadens people's experience base and increases knowledge.

IV. Conclusion

By continuing the method of measuring and comparing a firm's business process against those of other firms. This helps the services marketing to discover the performance gaps between one's own process and those of leading firms. This will lead the service marketing to provide new practices and help the marketing to grow day by day.

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